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## **0.5 Independent Auditors' Report**

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This is a translation of the Italian original “Relazione finanziaria annuale consolidata 2015” 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.aza.eu](http://www.aza.eu)

# O.1

## Consolidated financial statements

## Balance sheet <sup>(1)</sup>

### Assets

| Millions of euro                                 | Note      | 12 31 2015   | 12 31 2014    |
|--------------------------------------------------|-----------|--------------|---------------|
| <b>NON-CURRENT ASSETS</b>                        |           |              |               |
| Tangible assets                                  | 1         | 5,067        | 5,625         |
| Intangible assets                                | 2         | 1,348        | 1,318         |
| Shareholdings carried according to equity method | 3         | 68           | 74            |
| Other non-current financial assets               | 3         | 69           | 65            |
| Deferred tax assets                              | 4         | 308          | 323           |
| Other non-current assets                         | 5         | 6            | 43            |
| <b>Total non-current assets</b>                  |           | <b>6,866</b> | <b>7,448</b>  |
| <b>CURRENT ASSETS</b>                            |           |              |               |
| Inventories                                      | 6         | 184          | 284           |
| Trade receivables                                | 7         | 1,485        | 1,591         |
| Other current assets                             | 8         | 183          | 255           |
| Current financial assets                         | 9         | 171          | 126           |
| Current tax assets                               | 10        | 71           | 85            |
| Cash and cash equivalents                        | 11        | 636          | 544           |
| <b>Total current assets</b>                      |           | <b>2,730</b> | <b>2,885</b>  |
| <b>NON-CURRENT ASSETS HELD FOR SALE</b>          | <b>12</b> | <b>205</b>   | <b>-</b>      |
| <b>TOTAL ASSETS</b>                              |           | <b>9,801</b> | <b>10,333</b> |

(1) As required by Consob Resolution no. 17221 of March 12, 2010, the effects of relations with related parties in the consolidated financial statements are highlighted in the accounting statements in section 0.2 and commented on in Note 39. Significant non-recurring events and transactions in the consolidated financial statements are provided in Note 40. pursuant to Consob Communication DEM/6064293 of July 28, 2006.

# Equity and liabilities

| Millions of euro                                                             | Note | 12 31 2015   | 12 31 2014    |
|------------------------------------------------------------------------------|------|--------------|---------------|
| <b>EQUITY</b>                                                                |      |              |               |
| Share capital                                                                | 13   | 1,629        | 1,629         |
| (Treasury shares)                                                            | 14   | (61)         | (61)          |
| Reserves                                                                     | 15   | 1,005        | 1,048         |
| Result of the year                                                           | 16   | 73           | (37)          |
| <b>Equity pertaining to the Group</b>                                        |      | <b>2,646</b> | <b>2,579</b>  |
| Minority interests                                                           | 17   | 613          | 600           |
| <b>Total equity</b>                                                          |      | <b>3,259</b> | <b>3,179</b>  |
| <b>LIABILITIES</b>                                                           |      |              |               |
| <b>Non-current liabilities</b>                                               |      |              |               |
| Non-current financial liabilities                                            | 18   | 3,089        | 3,879         |
| Employee benefits                                                            | 19   | 332          | 369           |
| Provisions for risks, charges and liabilities for landfills                  | 20   | 576          | 498           |
| Other non-current liabilities                                                | 21   | 99           | 364           |
| <b>Total non-current liabilities</b>                                         |      | <b>4,096</b> | <b>5,110</b>  |
| <b>Current liabilities</b>                                                   |      |              |               |
| Trade payables                                                               | 22   | 1,170        | 1,254         |
| Other current liabilities                                                    | 22   | 521          | 611           |
| Current financial liabilities                                                | 23   | 692          | 177           |
| Tax liabilities                                                              | 24   | 43           | 2             |
| <b>Total current liabilities</b>                                             |      | <b>2,426</b> | <b>2,044</b>  |
| <b>Total liabilities</b>                                                     |      | <b>6,522</b> | <b>7,154</b>  |
| <b>LIABILITIES DIRECTLY ASSOCIATED WITH NON-CURRENT ASSETS HELD FOR SALE</b> | 25   | <b>20</b>    | -             |
| <b>TOTAL EQUITY AND LIABILITIES</b>                                          |      | <b>9,801</b> | <b>10,333</b> |

## Income statement <sup>(1)</sup>

| <i>Millions of euro</i>                                       | Note      | 01 01 2015<br>12 31 2015 | 01 01 2014<br>12 31 2014 |
|---------------------------------------------------------------|-----------|--------------------------|--------------------------|
| <b>Revenues</b>                                               |           |                          |                          |
| Revenues from the sale of goods and services                  |           | 4,732                    | 4,761                    |
| Other operating income                                        |           | 189                      | 223                      |
| <b>Total revenues</b>                                         | <b>27</b> | <b>4,921</b>             | <b>4,984</b>             |
| <b>Operating expenses</b>                                     |           |                          |                          |
| Expenses for raw materials and services                       |           | 2,992                    | 3,049                    |
| Other operating expenses                                      |           | 252                      | 262                      |
| <b>Total operating expenses</b>                               | <b>28</b> | <b>3,244</b>             | <b>3,311</b>             |
| <b>Labour costs</b>                                           | <b>29</b> | <b>629</b>               | <b>649</b>               |
| <b>Gross operating income - EBITDA</b>                        | <b>30</b> | <b>1,048</b>             | <b>1,024</b>             |
| <b>Depreciation, amortization, provisions and write-downs</b> | <b>31</b> | <b>833</b>               | <b>662</b>               |
| <b>Net operating income - EBIT</b>                            | <b>32</b> | <b>215</b>               | <b>362</b>               |
| <b>Result from non-recurring transactions</b>                 | <b>33</b> | <b>(1)</b>               | <b>9</b>                 |
| <b>Financial balance</b>                                      |           |                          |                          |
| Financial income                                              |           | 28                       | 32                       |
| Financial expenses                                            |           | 162                      | 197                      |
| Affiliates                                                    |           | (4)                      | (45)                     |
| Result from disposal of other shareholdings (AFS)             |           | -                        | -                        |
| <b>Total financial balance</b>                                | <b>34</b> | <b>(138)</b>             | <b>(210)</b>             |
| <b>Result before taxes</b>                                    |           | <b>76</b>                | <b>161</b>               |
| <b>Income taxes</b>                                           | <b>35</b> | <b>133</b>               | <b>179</b>               |
| <b>Result after taxes from operating activities</b>           |           | <b>(57)</b>              | <b>(18)</b>              |
| <b>Net result from discontinued operations</b>                |           | <b>-</b>                 | <b>-</b>                 |
| <b>Net result</b>                                             |           | <b>(57)</b>              | <b>(18)</b>              |
| <b>Minorities</b>                                             | <b>36</b> | <b>130</b>               | <b>(19)</b>              |
| <b>Group result of the year</b>                               | <b>37</b> | <b>73</b>                | <b>(37)</b>              |
| <b>Result per share (in euro):</b>                            |           |                          |                          |
| - basic                                                       |           | 0.0234                   | (0.0122)                 |
| - basic from continuing operations                            |           | 0.0234                   | (0.0122)                 |
| - diluted                                                     |           | 0.0234                   | (0.0122)                 |
| - diluted from continuing operations                          |           | 0.0234                   | (0.0122)                 |

- (1) As required by Consob Resolution no. 17221 of March 12, 2010, the effects of relations with related parties in the consolidated financial statements are highlighted in the accounting statements in section 0.2 and commented on in Note 39. Significant non-recurring events and transactions in the consolidated financial statements are provided in Note 40 pursuant to Consob Communication DEM/6064293 of July 28, 2006.

## Consolidated statement of comprehensive income

| <i>Millions of euro</i>                                                                                       | <b>Note</b> | <b>12 31 2015</b> | <b>12 31 2014</b> |
|---------------------------------------------------------------------------------------------------------------|-------------|-------------------|-------------------|
| <b>Net result of the year (A)</b>                                                                             |             | <b>(57)</b>       | <b>(18)</b>       |
| Actuarial gains/(losses) on employee benefits booked in net equity                                            | 15          | 17                | (37)              |
| Tax effect of other actuarial gains/(losses)                                                                  | 15          | (3)               | 7                 |
| <b>Total actuarial gains/(losses) net of the tax effect (B)</b>                                               |             | <b>14</b>         | <b>(30)</b>       |
| Effective part of gains/(losses) on cash flow hedge                                                           | 15          | 35                | (37)              |
| Tax effect of other gains/(losses)                                                                            | 15          | (9)               | 9                 |
| <b>Total other gains/(losses) net of the tax effect of companies consolidated on a line-by-line basis (C)</b> |             | <b>26</b>         | <b>(28)</b>       |
| <b>Other gains/(losses) of companies valued at equity net of the tax effect (D)</b>                           |             | <b>-</b>          | <b>-</b>          |
| <b>Total comprehensive result (A) + (B) + (C) + (D)</b>                                                       |             | <b>(17)</b>       | <b>(76)</b>       |
| <b>Total comprehensive result attributable to:</b>                                                            |             |                   |                   |
| Shareholders of the parent company                                                                            |             | 113               | (95)              |
| Minority interests                                                                                            |             | (130)             | 19                |

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

## Cash flow statement

| Millions of euro                                              | 12 31 2015   | 12 31 2014   |
|---------------------------------------------------------------|--------------|--------------|
| <b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b> | <b>544</b>   | <b>376</b>   |
| <b>Operating activities</b>                                   |              |              |
| Net result <sup>(*)</sup>                                     | (57)         | (30)         |
| Tangible assets depreciation                                  | 341          | 385          |
| Intangible assets amortization                                | 54           | 61           |
| Fixed assets write-downs/disposals                            | 364          | 169          |
| Results from affiliates                                       | 4            | 45           |
| Net taxes paid (a)                                            | (59)         | (133)        |
| Gross change in assets and liabilities (b)                    | 249          | 443          |
| Total change of assets and liabilities (a+b) <sup>(*)</sup>   | 190          | 310          |
| <b>Cash flow from operating activities</b>                    | <b>896</b>   | <b>940</b>   |
| <b>Investment activities</b>                                  |              |              |
| Investments in tangible assets                                | (253)        | (237)        |
| Investments in intangible assets and goodwill                 | (88)         | (70)         |
| Investments in shareholdings and securities <sup>(*)</sup>    | (4)          | -            |
| Disposal of fixed assets and shareholdings                    | 7            | -            |
| Dividends received                                            | 2            | 4            |
| <b>Cash flow from investment activities</b>                   | <b>(336)</b> | <b>(303)</b> |

(\*) Cleared of balances in return of shareholders' equity and other balance sheet items.

(\*\*) Net Result is exposed net of gains on shareholdings' and fixed assets' disposals.

| Millions of euro                                        | 12 31 2015   | 12 31 2014   |
|---------------------------------------------------------|--------------|--------------|
| <b>Free cash flow</b>                                   | <b>560</b>   | <b>637</b>   |
| <b>Financing activities</b>                             |              |              |
| Change in financial assets <sup>(*)</sup>               | (88)         | (46)         |
| Change in financial liabilities <sup>(*)</sup>          | (133)        | (195)        |
| Net financial interests paid                            | (129)        | (122)        |
| Dividends paid by the parent company                    | (113)        | (102)        |
| Dividends paid by the subsidiaries                      | (5)          | (4)          |
| <b>Cash flow from financing activities</b>              | <b>(468)</b> | <b>(469)</b> |
| <b>CHANGE IN CASH AND CASH EQUIVALENTS</b>              | <b>92</b>    | <b>168</b>   |
| <b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b> | <b>636</b>   | <b>544</b>   |

## Statement of changes in Group equity

| Description<br><i>Millions of euro</i>      | Share<br>Capital | Treasury<br>Shares | Cash Flow<br>Hedge |  |
|---------------------------------------------|------------------|--------------------|--------------------|--|
| <b>Net equity at December 31, 2013</b>      | <b>1,629</b>     | <b>(61)</b>        | <b>(23)</b>        |  |
| 2013 result allocation                      |                  |                    |                    |  |
| Distribution of dividends                   |                  |                    |                    |  |
| IAS 19 Revised reserve (*)                  |                  |                    |                    |  |
| IAS 32 and IAS 39 reserves (*)              |                  |                    | (28)               |  |
| Put option on Edipower S.p.A. shares        |                  |                    |                    |  |
| Other changes                               |                  |                    |                    |  |
| Group and minorities result of the year (*) |                  |                    |                    |  |
| <b>Net equity at December 31, 2014</b>      | <b>1,629</b>     | <b>(61)</b>        | <b>(51)</b>        |  |
| 2014 result allocation                      |                  |                    |                    |  |
| Distribution of dividends                   |                  |                    |                    |  |
| IAS 19 Revised reserve (*)                  |                  |                    |                    |  |
| IAS 32 and IAS 39 reserves (*)              |                  |                    | 26                 |  |
| Put option on Aspem S.p.A. shares           |                  |                    |                    |  |
| Other changes                               |                  |                    |                    |  |
| Group and minorities result of the year (*) |                  |                    |                    |  |
| <b>Net equity at December 31, 2015</b>      | <b>1,629</b>     | <b>(61)</b>        | <b>(25)</b>        |  |

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

|  | Other<br>reserves and<br>retained earnings | Group<br>results<br>for the year | Total Equity<br>pertaining<br>to the Group | Minority<br>interests | Total net<br>shareholders'<br>equity |
|--|--------------------------------------------|----------------------------------|--------------------------------------------|-----------------------|--------------------------------------|
|  | 1,184                                      | 62                               | 2,791                                      | 557                   | 3,348                                |
|  |                                            |                                  |                                            |                       |                                      |
|  | 62                                         | (62)                             | -                                          |                       | -                                    |
|  | (102)                                      |                                  | (102)                                      | (4)                   | (106)                                |
|  | (30)                                       |                                  | (30)                                       |                       | (30)                                 |
|  |                                            |                                  | (28)                                       |                       | (28)                                 |
|  | (1)                                        |                                  | (1)                                        |                       | (1)                                  |
|  | (14)                                       |                                  | (14)                                       | 28                    | 14                                   |
|  |                                            | (37)                             | (37)                                       | 19                    | (18)                                 |
|  |                                            |                                  |                                            |                       |                                      |
|  | 1,099                                      | (37)                             | 2,579                                      | 600                   | 3,179                                |
|  |                                            |                                  |                                            |                       |                                      |
|  | (37)                                       | 37                               | -                                          |                       | -                                    |
|  | (113)                                      |                                  | (113)                                      | (5)                   | (118)                                |
|  | 14                                         |                                  | 14                                         |                       | 14                                   |
|  |                                            |                                  | 26                                         |                       | 26                                   |
|  |                                            |                                  | -                                          | 1                     | 1                                    |
|  | 67                                         |                                  | 67                                         | 147                   | 214                                  |
|  |                                            | 73                               | 73                                         | (130)                 | (57)                                 |
|  |                                            |                                  |                                            |                       |                                      |
|  | 1,030                                      | 73                               | 2,646                                      | 613                   | 3,259                                |



# 0.2

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

# Balance sheet

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

## Assets

| Millions of euro                                 | 12 31 2015   | of which<br>Related<br>Parties<br>(note 39) | 12 31 2014    | of which<br>Related<br>Parties<br>(note 39) |
|--------------------------------------------------|--------------|---------------------------------------------|---------------|---------------------------------------------|
| <b>NON-CURRENT ASSETS</b>                        |              |                                             |               |                                             |
| Tangible assets                                  | 5,067        |                                             | 5,625         |                                             |
| Intangible assets                                | 1,348        |                                             | 1,318         |                                             |
| Shareholdings carried according to equity method | 68           | 68                                          | 74            | 74                                          |
| Other non-current financial assets               | 69           | 5                                           | 65            | 7                                           |
| Deferred tax assets                              | 308          |                                             | 323           |                                             |
| Other non-current assets                         | 6            |                                             | 43            |                                             |
| <b>TOTAL NON-CURRENT ASSETS</b>                  | <b>6,866</b> |                                             | <b>7,448</b>  |                                             |
| <b>CURRENT ASSETS</b>                            |              |                                             |               |                                             |
| Inventories                                      | 184          |                                             | 284           |                                             |
| Trade receivables                                | 1,485        | 103                                         | 1,591         | 119                                         |
| Other current assets                             | 183          |                                             | 255           |                                             |
| Current financial assets                         | 171          | 6                                           | 126           |                                             |
| Current tax assets                               | 71           |                                             | 85            |                                             |
| Cash and cash equivalents                        | 636          |                                             | 544           |                                             |
| <b>TOTAL CURRENT ASSETS</b>                      | <b>2,730</b> |                                             | <b>2,885</b>  |                                             |
| <b>NON-CURRENT ASSETS HELD FOR SALE</b>          | <b>205</b>   |                                             | <b>-</b>      |                                             |
| <b>TOTAL ASSETS</b>                              | <b>9,801</b> |                                             | <b>10,333</b> |                                             |

## Equity and liabilities

| Millions of euro                                                                 | 12 31 2015   | of which<br>Related<br>Parties<br>(note 39) | 12 31 2014    | of which<br>Related<br>Parties<br>(note 39) |
|----------------------------------------------------------------------------------|--------------|---------------------------------------------|---------------|---------------------------------------------|
| <b>EQUITY</b>                                                                    |              |                                             |               |                                             |
| Share capital                                                                    | 1,629        |                                             | 1,629         |                                             |
| (Treasury shares)                                                                | (61)         |                                             | (61)          |                                             |
| Reserves                                                                         | 1,005        |                                             | 1,048         |                                             |
| Result of the year                                                               | 73           |                                             | (37)          |                                             |
| <b>Equity pertaining to the Group</b>                                            | <b>2,646</b> |                                             | <b>2,579</b>  |                                             |
| Minority interests                                                               | 613          |                                             | 600           |                                             |
| <b>Total equity</b>                                                              | <b>3,259</b> |                                             | <b>3,179</b>  |                                             |
| <b>LIABILITIES</b>                                                               |              |                                             |               |                                             |
| <b>NON-CURRENT LIABILITIES</b>                                                   |              |                                             |               |                                             |
| Non-current financial liabilities                                                | 3,089        |                                             | 3,879         |                                             |
| Employee benefits                                                                | 332          |                                             | 369           |                                             |
| Provisions for risks, charges and liabilities for landfills                      | 576          |                                             | 498           | 2                                           |
| Other non-current liabilities                                                    | 99           |                                             | 364           |                                             |
| <b>Total non-current liabilities</b>                                             | <b>4,096</b> |                                             | <b>5,110</b>  |                                             |
| <b>CURRENT LIABILITIES</b>                                                       |              |                                             |               |                                             |
| Trade payables                                                                   | 1,170        | 28                                          | 1,254         | 34                                          |
| Other current liabilities                                                        | 521          | 8                                           | 611           | 8                                           |
| Current financial liabilities                                                    | 692          | 1                                           | 177           | 3                                           |
| Tax liabilities                                                                  | 43           |                                             | 2             |                                             |
| <b>Total current liabilities</b>                                                 | <b>2,426</b> |                                             | <b>2,044</b>  |                                             |
| <b>Total liabilities</b>                                                         | <b>6,522</b> |                                             | <b>7,154</b>  |                                             |
| <b>LIABILITIES DIRECTLY ASSOCIATED WITH<br/>NON-CURRENT ASSETS HELD FOR SALE</b> | <b>20</b>    |                                             | <b>-</b>      |                                             |
| <b>TOTAL EQUITY AND LIABILITIES</b>                                              | <b>9,801</b> |                                             | <b>10,333</b> |                                             |

# Income statement

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

| Millions of euro                                              | 01 01 2015<br>12 31 2015 | of which<br>Related<br>Parties<br>(note 39) | 01 01 2014<br>12 31 2014 | of which<br>Related<br>Parties<br>(note 39) |
|---------------------------------------------------------------|--------------------------|---------------------------------------------|--------------------------|---------------------------------------------|
| <b>Revenues</b>                                               |                          |                                             |                          |                                             |
| Revenues from the sale of goods and services                  | 4,732                    | 415                                         | 4,761                    | 429                                         |
| Other operating income                                        | 189                      | 1                                           | 223                      |                                             |
| <b>Total revenues</b>                                         | <b>4,921</b>             |                                             | <b>4,984</b>             |                                             |
| <b>Operating expenses</b>                                     |                          |                                             |                          |                                             |
| Expenses for raw materials and services                       | 2,992                    | 7                                           | 3,049                    | 19                                          |
| Other operating expenses                                      | 252                      | 56                                          | 262                      | 41                                          |
| <b>Total operating expenses</b>                               | <b>3,244</b>             |                                             | <b>3,311</b>             |                                             |
| <b>Labour costs</b>                                           | <b>629</b>               | <b>2</b>                                    | <b>649</b>               | <b>2</b>                                    |
| <b>Gross operating income - EBITDA</b>                        | <b>1,048</b>             |                                             | <b>1,024</b>             |                                             |
| <b>Depreciation, amortization, provisions and write-downs</b> | <b>833</b>               |                                             | <b>662</b>               | <b>1</b>                                    |
| <b>Net operating income - EBIT</b>                            | <b>215</b>               |                                             | <b>362</b>               |                                             |
| <b>Result from non-recurring transactions</b>                 | <b>(1)</b>               |                                             | <b>9</b>                 |                                             |
| <b>Financial balance</b>                                      |                          |                                             |                          |                                             |
| Financial income                                              | 28                       | 3                                           | 32                       | 3                                           |
| Financial expenses                                            | 162                      |                                             | 197                      |                                             |
| Affiliates                                                    | (4)                      | (4)                                         | (45)                     | (45)                                        |
| Result from disposal of other shareholdings (AFS)             | -                        |                                             | -                        |                                             |
| <b>Total financial balance</b>                                | <b>(138)</b>             |                                             | <b>(210)</b>             |                                             |
| <b>Result before taxes</b>                                    | <b>76</b>                |                                             | <b>161</b>               |                                             |
| <b>Income taxes</b>                                           | <b>133</b>               |                                             | <b>179</b>               |                                             |
| <b>Result after taxes from operating activities</b>           | <b>(57)</b>              |                                             | <b>(18)</b>              |                                             |
| <b>Net result from discontinued operations</b>                | <b>-</b>                 |                                             | <b>-</b>                 |                                             |
| <b>Net result</b>                                             | <b>(57)</b>              |                                             | <b>(18)</b>              |                                             |
| <b>Minorities</b>                                             | <b>130</b>               |                                             | <b>(19)</b>              |                                             |
| <b>Group result of the year</b>                               | <b>73</b>                |                                             | <b>(37)</b>              |                                             |

# 0.3

Notes to the  
consolidated annual  
report

## General information

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

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

The A2A Group mainly operates in the following sectors:

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

## Consolidated annual report

The consolidated annual financial report (hereafter referred to as the “**Annual report**”) of the A2A Group at December 31, 2015, is presented in millions of euro; the euro is also the functional currency of the economies in which the Group operates.

The Annual report of the A2A Group at December 31, 2015 has been prepared:

- in compliance with Legislative Decree no. 58/1998 (art. 154-ter) as amended and with the Issuers’ Regulations published by Consob;
- in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standard Board (IASB) and approved by the European Union. IFRS means all the revised international accounting standards (IAS) and all the interpretations of the International Financial Reporting Interpretations Committee (IFRIC), formerly known as the Standing Interpretations Committee (SIC).

In preparing the Annual report, the same principles used in the preparation of the consolidated annual financial report at December 31, 2014 were applied, other than the principles and interpretations described in detail in the paragraph below “Changes in accounting principles” adopted for the first time on January 1, 2015.

This Annual report at December 31, 2015 was approved on April 5, 2016 by the Board of Directors, which authorized publication, and has been audited by PricewaterhouseCoopers S.p.A. in accordance with their appointment by the Shareholders’ Meeting of April 26, 2007 for the nine years from 2007 to 2015.

## Financial statements

The Group has adopted a format for the balance sheet which presents current and non-current assets and current and non-current liabilities as separate classifications, as required by paragraphs 60 and following of IAS 1.

The income statement is presented by nature, a format which is considered more representative than a presentation by function. The selected format is in agreement with the presentation used by the Group's major competitors and in line with international practice.

The specific line items "Result from non-recurring transactions" and "Result from disposal of other shareholdings (AFS)" are in the format of the income statement in order to provide clear and immediate identification of the results arising from non-recurring transactions forming part of continuing operations, separating these from the results from discontinued operations. The line item "Non-recurring transactions" consists of the gains and losses arising from the measurement at fair value less costs to sell or from the sale or disposal of non-current assets (or disposal groups) classified as held for sale within the meaning of IFRS 5, the gains or losses arising on the disposal of shareholdings in unconsolidated subsidiaries and associates and other non-operating income and expenses. This item is presented between net operating income and the financial balance. In this way net operating income is not affected by non-recurring operations, making it easier to measure the effective performance of the Group's ordinary operating activities.

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

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

The formats adopted for the financial statements are the same as those used to prepare the annual consolidated financial statements at December 31, 2014.

## Basis of preparation

The consolidated annual financial report at December 31, 2015 has been prepared on a historical cost basis, with the exception of those items which under IFRS must or can be measured at fair value.

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

## Changes in international accounting standards

Pursuant to IAS 8, the subsequent paragraph *“Accounting standards, amendments and interpretations applicable by the Group as of the current year”* indicates and briefly illustrates the amendments in force as of January 1, 2015.

The following paragraphs, *“Accounting standards, amendments and interpretations approved by the European Union but applicable after December 31, 2015”* and *“Accounting standards, amendments and interpretations not yet approved by the European Union”*, instead detail the accounting standards and interpretations already issued but not yet effective or not yet approved by the European Union and therefore not applicable for the preparation of the financial statements at December 31, 2015, any impacts of which will then be transposed as of the financial statements of the following years.

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

As from January 1, 2015, some additions have been applied following specific paragraphs of the international accounting standards already adopted by the Group in previous years, none of which had a significant effect on the Group’s economic and financial results.

The main changes are described in the following.

- With the 2012 annual improvement, applicable on a voluntary basis for the financial statements as at December 31, 2015, the IASB issued amendments to the following accounting standards:
  - a) IFRS 2 “Share-based Payment”: the amendment clarifies the definition of “vesting condition” by separately defining a “performance condition” and a “service condition”;
  - b) IFRS 3 “Business Combinations”: the standard was amended to clarify that the obligation to pay a potential amount falls within the definition of financial instrument and must be classified as a financial liability or as an element of equity on the basis of the indications contained in IAS 32. It was also clarified that the obligations to pay a potential amount, other than those that fall within the definition of equity instrument,

are measured at fair value at each closing date, with changes recognized in the income statement;

- c) IFRS 8 “Operating Segments”: the standard has been amended with the introduction of a new information obligation, requiring a brief description of the operating segments that have been aggregated and economic indicators that have been used for such combination;
- d) IFRS 13 “Fair Value Measurements”: the amendment clarifies that the exemption permitting an entity to measure the fair value of financial assets and liabilities on a net basis is applicable to all contracts, regardless of whether they meet the definition of financial assets or financial liabilities;
- e) IAS 16 “Property, Plant and Machinery” and IAS 38 “Intangible Assets”: both standards are amended to clarify how recoverable amounts and useful lives are treated when an entity carries out a revaluation;
- f) IAS 24 “Related Party Disclosures”: the standard is amended in order to include an entity providing key management personnel services as a related party (management company).
- IAS 19 Revised “Employee Benefits”: the amendments to IAS 19 on November 21, 2013 allow (but do not impose) the accounting decrease of the “current service cost” of the period of contributions paid by employees or by third parties, that are not related to the number of years of service, instead of the allocation of these contributions over the period when the service is rendered. Said contributions shall meet the following conditions: (i) they are indicated in the formal conditions of the plan; (ii) they are connected to the service rendered by the employee; (iii) they are independent of the number of years of service of the employee (ex. the contributions represent a fixed percentage of the salary or a fixed amount for the entire work period or related to age of the employee).
- With the 2013 annual improvement, in force for the administrative periods beginning on January 1, 2015, the IASB issued amendments to the following accounting standards:
  - a) IFRS 3: the amendment clarifies that IFRS 3 is not applicable to record the accounting effects related to the formation of a joint venture or a joint operation (as defined in IFRS 11) in the financial statements of the joint venture or joint operation;
  - b) IFRS 13: it was clarified that the provision contained in IFRS 13 based on which it is possible to measure the fair value of a group of financial assets and liabilities on a net basis, applies to all contracts that fall under IAS 39 (or IFRS 9) regardless of whether or not they meet the definitions of financial assets and liabilities of IAS 32;
  - c) IAS 40 “Property Investments”: the amendment to the standard regards the interrelationship between IFRS 3 “Business Combinations” and IAS 40 “Property Investments” when the acquisition of a property can be identified as a business combination.

- IFRIC 21 “Levies”: this interpretation of IAS 37 “Provisions, Contingent Liabilities and Contingent Assets” was issued on May 20, 2013 and regards the accounting for levies imposed by governments which do not fall within the scope of IAS 12 “Income Taxes”. IAS 37 “Provisions, Contingent Liabilities and Contingent Assets” sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (known as an obligating event). The interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the legislation that triggers the payment of the levy.

### Accounting standards, amendments and interpretations approved by the European Union but applicable after December 31, 2015

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

- IFRS 11 “Joint Arrangements”: issued by the IASB on May 6, 2014, the amendment to this standard provides guidance on how to account for the acquisition of an interest in a joint operation that is a business as defined by IFRS 3 “Business Combinations”. The amendment in question is applicable from January 1, 2016;
- IAS 1 “Presentation of the Financial Statements”: issued by the IASB on December 18, 2014 and applicable from January 1, 2016, the amendment to the standard in question explicitly clarifies that non-significant disclosures need not be provided even if expressly required by a specific IFRS. With respect to the notes to the financial statements, there is no specific order and therefore the company could also decide to present the notes for each item of the financial statements, commenting on the content and the changes during the period along with a description of the accounting standard applied to said item. The amendment to the standard in question also intends to provide clarification on the aggregation or disaggregation of items of the financial statements if the amount is significant or “material”. In particular, the amended to the standard requires not proceeding with the aggregation of financial statement items with different characteristics or the disaggregation of financial statement items that make the disclosure and reading of the financial statements difficult. Furthermore, with regard to the exposure of the financial position of an entity, the amendment clarifies the need to disaggregate some items required by paragraphs 54 (Balance sheet) and 82 (Income statement) of IAS 1;
- IAS 16 “Property, Plant and Equipment” and IAS 38 “Intangible Assets”: this amendment to the two principles outlined, issued by the IASB in May 2014, clarifies that a depreciation process based on revenues cannot be applied with reference to elements of property, plant and equipment, since this method is based on factors (ex. volumes and selling prices)

that do not represent the actual consumption of the economic benefits of the underlying asset. The above prohibition has also been included in IAS 38, under which intangible assets may be amortized on the basis of revenues only if it can be shown that the revenues and consumption of the economic benefits of the intangible asset are highly correlated;

- with the amendments to the international accounting standards IAS 41 “Agriculture” and IAS 16 “Property, plant and equipment”, the IASB established that fruit-bearing plants, used exclusively for the cultivation of agricultural products over various years, should be subject to the same accounting treatment for property, plant and equipment in accordance with IAS 16 “Property, plant and equipment”, as the “operation” is similar to that of manufacturing production. The amendments in question are applicable from January 1, 2016;
- IAS 27 (Revised) “Separated Financial Statements”: the amendment to this standard, issued by the IASB on August 12, 2014 and applicable from January 1, 2016, allows entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements;
- annual amendments to IFRS 2012-2014: on September 25, 2014, the IASB published a series of amendments to certain international accounting standards, applicable with effect from January 1, 2016. The amendments concern:
  - (i) IFRS 5 “Non-current assets held for sale and discontinued operations”;
  - (ii) IFRS 7 “Financial Instruments: Disclosures”;
  - (iii) IAS 19 “Employee Benefits”;
  - (iv) IAS 34 “Interim financial reporting”.

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

With reference to IFRS 7, the amendment provides that if an entity transfers a financial asset on terms which allow the “derecognition” of the asset, it shall be required to provide information regarding the involvement of the entity in the transferred asset, if it has signed service contracts that show an entity’s interest in the future performance of the financial assets transferred.

The amendment of IAS 19 proposed, clarifies that the discount rate to discount the obligations for benefits following the employment relationship, is determined with reference to market yields on corporate bonds of leading companies and, in countries where there is no “thick market” of such securities, the market yields of the securities of public entities are used.

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

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

The following standards and amendments to existing standards are still pending approval by the European Union and are therefore not applicable by the Group. The dates indicated reflect the expected effectiveness date and enacted in the standards; this date is however subject to the actual approval by the competent bodies of the European Union:

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

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

An entity has the option of presenting changes in the fair value of equity instruments that are not held for trading in equity; that option is not permitted for equity instruments that are held for trading. This designation is permitted on initial recognition, may be adopted for each individual instrument and is irrevocable. If an election is made for this option, changes in the fair value of these instruments may never be reclassified from equity to the income statement. Dividends on the other hand continue to be recognized in the income statement. IFRS 9 does not permit reclassifications between the two categories of financial asset except in the rare case of a change in an entity’s business model. In this case the effects of the reclassification are applied prospectively.

The disclosures required to be made in the notes have been adjusted to the classification and measurements rules introduced by IFRS 9. On November 19, 2013, the IASB issued an amendment to this standard which mainly regards the following:

- (i) the substantial revision of the “Hedge accounting”, which will allow entities to better reflect their risk management activities in the financial statements;

- (ii) enabling entities to change the accounting of liabilities measure at fair value: in particular the effects of a worsening of an entity's own credit risk will no longer be recognized in the income statement;
- (iii) the effective date of the standard is deferring, originally effective as of January 1, 2015. A partial amendment to the standard was issued in July 2014 on the subject of the valuation of financial instruments, with the introduction of the expected-loss impairment model for loans which replaces the impairment model based on realized losses. The amendment in question is applicable from January 1, 2018;
- IFRS 14 “Regulatory deferral accounts”: the new transitional standard, issued by the IASB on January 30, 2014, allows the entity that adopts for the first time the international accounting standards IAS/IFRS, to continue to apply the previous GAAP accounting policies for the evaluation (including impairment) and elimination of regulatory deferral accounts. The standard is applicable from January 1, 2016;
- IFRS 15 “Revenues from contracts with customers”: the standard, issued by the IASB on May 28, 2014, is the result of efforts to achieve convergence between the IASB and the FASB (“Financial Accounting Standard Board”, the body responsible for issuing new accounting standards in the United States) in order to achieve a single revenue recognition model applicable both in terms of IFRS and US GAAP. The new standard will apply to all contracts with customers, including contract work in progress, and will thus replace the current IAS 18 - Revenues and IAS 11 - Long-term contracts and all related interpretations. A contract with a customer falls within the scope of the standard if all the following conditions are met:
  - (i) the contract has been approved by the parties to the contract, who have undertaken to carry out their respective obligations;
  - (ii) each party's rights in relation to the goods and services to be transferred can be identified and the payment terms have been identified;
  - (iii) the contract has commercial substance (the risks, the timing or the cash flows may change as the result of the contract);
  - (iv) it is probable that the consideration to which the entity is entitled to in exchange for the goods or services will be collected.

IFRS 15 also includes the disclosure requirements that are significantly more extensive than the existing standard concerning the nature, amounts, timing and uncertainty of revenues and cash flows arising from contracts with customers.

On September 11, 2015, the IASB issued an amendment to the standard in question, postponing the date of application with effect from January 1, 2018;

- IFRS 10 “Consolidated Financial Statements”: the amendment to this standard issued on December 18, 2014 relates to the exemption from the presentation of the consolidated financial statements if the parent company has investments in “investment entities” that

evaluate their subsidiaries at fair value. The amendment to the standard is applicable from January 1, 2016;

- IAS 28 “Investments in Associates and Joint Ventures”: on December 18, 2014, this standard was amended regarding the investments in associates and joint ventures that are “investment entities”: these investments can be measured at fair value or with the equity method. This amendment is applicable from January 1, 2016;
- IFRS 16 “Leasing”. This standard replaces IAS 17 and sets out the criteria for the recognition, measurement and presentation of leasing contracts. IFRS 16 is applicable from January 1, 2019, but early adoption is permitted for entities that also apply IFRS 15;
- IAS 12 “Income taxes”. On January 19, 2016, the IASB published some amendments that aim to clarify the accounting method for deferred tax assets related to debt instruments measured at fair value. The amendments are applicable from January 1, 2017.

## Scope of consolidation

The Annual Report of the A2A Group at December 31, 2015 includes the figures of the parent A2A S.p.A. and those of the subsidiaries over which A2A S.p.A. exercises either direct or indirect control, even if the holding is less than 50%. In addition, companies in which the parent exercises joint control with other entities (joint ventures) and those over which it has a significant influence are consolidated using the equity method.

It is noted that following the acquisition in April 2015 of the remaining 50% of the share capital of the company Bellisolina S.r.l., the latter, previously consolidated with the equity method, at December 31, 2015 is 100% controlled by A2A Ambiente S.p.A. and was therefore fully consolidated.

Following the acquisition of the additional 50% of the share capital of the company Bergamo Servizi S.r.l., the latter, previously valued using the equity method, at December 31, 2015, is 100% controlled by Aprica S.p.A. and was fully consolidated.

In the first half-year of 2015, the acquisition was finally completed of an additional 30% of the share capital the SED S.r.l. by A2A Ambiente S.p.A.. At December 31, 2015, SED S.r.l. is 80% controlled by A2A Ambiente S.p.A. and was therefore consolidated on a line-by-line basis.

The investment in SEASM S.r.l. held 67% by A2A S.p.A. previously consolidated on a line-by-line basis, has been reclassified to “Non-current assets held for sale”, following management’s decision to sell the investment as discussed in further detail in note 12 “Non-current assets held for sale”.

## Consolidation policies and procedures

### Consolidation policies

#### Subsidiaries

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

#### Associates, joint ventures and joint operations

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

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

Investments held in joint arrangements/joint ventures are also accounted for using the equity method in accordance with IFRS 11; instead, "Jointly controlled assets" are not included, which in accordance with IFRS 11 would be consolidated using the proportional method, namely recognizing in the Group financial statements the portion of assets, liabilities, costs and revenues of competence instead of applying the equity method.

The A2A Group is not a party to any joint operations and accordingly the adoption of the new standard had no effect on the Annual report at December 31, 2015.

## Potential voting rights

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

## Treatment of put options on the shares of subsidiaries

The Group had granted put options to minority shareholders which entitled them to require the A2A Group to purchase the shares they own at a future date. These options expired before December 31, 2015.

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

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

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

## Consolidation policies

### General procedure

The financial statements of the subsidiaries, associates and joint ventures consolidated by the A2A Group are prepared at the end of each reporting period using the same accounting policies as the parent. Any items recognized by using different accounting principles are adjusted during the consolidation process to bring them into line with Group accounting

policies. All intra-group balances and transactions, including any unrealized profits arising from transactions between Group companies, are fully eliminated.

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

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

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

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

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

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

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

## **Shareholding in EPCG (IFRS 10)**

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

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

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

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

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

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

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

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

For the shareholding in Ergosud S.p.A., despite the existence of a tolling agreement the investee could dispatch energy autonomously, thereby ensuring business continuity also at the end of the agreement. In addition, the A2A Group does not appoint any of the company's key management.

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

## Options with third parties

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

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

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

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

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

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

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

On December 28, 2015, SEL, Società Elettrica Altoatesina – S.p.A., already owner of a shareholding in Edipower S.p.A. of 8.54%, acquired the shareholdings held by the Financial Shareholders Banca Popolare di Milano S.c.a.r.l., Fondazione Cassa di Risparmio di Torino and Mediobanca - Banca di Credito Finanziario S.p.A., equal to 11.96% of the share capital of Edipower S.p.A., increasing its shareholding to 20.50%.

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

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

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

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

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

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

On December 28, 2015, simultaneously with the acquisition of the equity interests of the financial shareholders by SEL S.p.A., the deed was stipulated for the partial non-proportional demerger of Edipower S.p.A..

As a result of this transaction, Cellina Energy S.r.l., a company wholly owned by SEL S.p.A., is assigned the compendium consisting of the hydroelectric plants owned by Edipower S.p.A. constituting the “Udine Unit”, with the exception of the hydroelectric plants of Ampezzo and Somplago, along with all the active and passive legal relations functional to them and a cash outlay for a total of 38.5 million euro.

The demerger will be effective as of January 1, 2016; an adjustment mechanism is envisaged in relation to the financial position of the compendium demerged on December 31, 2015. Following this transaction, the share capital of Edipower S.p.A. will be entirely held by A2A S.p.A..

The partial non-proportional demerger of Edipower S.p.A., which is part of the agreements signed on the occasion of the acquisition of Edipower S.p.A. on May 24, 2012, was approved on October 26, 2015 by the extraordinary shareholders' meetings of Edipower S.p.A. and Cellina Energy S.r.l..

As a result of the operations described above, on the same date, the put option rights on the Edipower S.p.A. shares expired. Consequently, the debt recorded (in accordance with IAS 32, paragraph 23) in the previous year for approximately 235 million euro was reclassified for 196 million euro in minorities equity and for 39 million euro in Group equity.

### **c) EPCG – Montenegro government options**

On the basis of the agreement signed on April 2, 2015 with A2A S.p.A. and extended in December 2015 and the one signed in 2009 on the acquisition of the shareholding in EPCG by the Italian listed company, currently 41.75%, the Montenegro government holds a call option for the purchase of this interest which, depending on whether certain quantitative targets or specific indicators are reached, may be exercised from this year at a price which is higher than the carrying amount in the financial statements at December 31, 2015.

**d) Ergosud S.p.A. call option**

Following the purchase by Enrgeticky a Prumyslovy Holding a.s. (EPH) of the shareholding held by E.On in Ergosud S.p.A., A2A S.p.A. renounced its pre-emption rights on the shares of the investee upon signing of a term sheet (on June 29, 2015). The term sheet recognizes A2A S.p.A., among other things, a call option right exercisable in a time frame of 42 days from July 24, 2015 at a predetermined price. A2A S.p.A. did not exercise the option that has therefore lapsed.

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

### Key figures at December 31, 2015

Millions of euro

|                                            | Bergamo Pulita<br>50% | PremiumGas<br>50% | Metamer<br>50% | Ergosud<br>50%<br>(figures at<br>12 31 2014)<br>(*) |
|--------------------------------------------|-----------------------|-------------------|----------------|-----------------------------------------------------|
| <b>INCOME STATEMENT</b>                    |                       |                   |                |                                                     |
| Sales revenues                             | 0.8                   | 5.8               | 12.1           | 32.0                                                |
| <b>Gross operating income</b>              | <b>(0.2)</b>          | <b>(0.5)</b>      | <b>0.7</b>     | <b>19.4</b>                                         |
| % of net revenues                          | (20.0%)               | (7.8%)            | 5.8%           | 60.7%                                               |
| Depreciation, amortization and write-downs | -                     | -                 | (0.2)          | (10.4)                                              |
| <b>Net operating income</b>                | <b>(0.2)</b>          | <b>(0.5)</b>      | <b>0.5</b>     | <b>9.0</b>                                          |
| <b>Result for the year</b>                 | <b>(0.2)</b>          | <b>(0.4)</b>      | <b>0.4</b>     | <b>3.0</b>                                          |
| <b>BALANCE SHEET</b>                       |                       |                   |                |                                                     |
| <b>Total assets</b>                        | <b>3.7</b>            | <b>10.4</b>       | <b>5.6</b>     | <b>223</b>                                          |
| <b>Net equity</b>                          | <b>(0.2)</b>          | <b>2.9</b>        | <b>1.6</b>     | <b>88.0</b>                                         |
| <b>Net (debt)</b>                          | <b>0.2</b>            | <b>0.1</b>        | <b>2.2</b>     | <b>(107.0)</b>                                      |

(\*) Figures of the last financial statements available.

### Key figures at December 31, 2014

Millions of euro

|                                            | Subsidiaries<br>of A2A<br>Ambiente<br>50%<br>(*) | Premiumgas<br>50% | Metamer<br>50% | Ergosud<br>50%<br>(figures<br>at 12 31 2013)<br>(**) |
|--------------------------------------------|--------------------------------------------------|-------------------|----------------|------------------------------------------------------|
| <b>INCOME STATEMENT</b>                    |                                                  |                   |                |                                                      |
| Sales revenues                             | 8.7                                              | 3.8               | 12.3           | 33.5                                                 |
| <b>Gross operating income</b>              | <b>0.5</b>                                       | <b>(0.6)</b>      | <b>0.7</b>     | <b>18.2</b>                                          |
| % of net revenues                          | 6.1%                                             | (14.7%)           | 5.3%           | 54.3%                                                |
| Depreciation, amortization and write-downs | 1.2                                              | -                 | 0.2            | 10.1                                                 |
| <b>Net operating income</b>                | <b>(0.7)</b>                                     | <b>(0.6)</b>      | <b>0.5</b>     | <b>8.1</b>                                           |
| <b>Result for the year</b>                 | <b>(0.6)</b>                                     | <b>0.3</b>        | <b>0.3</b>     | <b>3.1</b>                                           |
| <b>BALANCE SHEET</b>                       |                                                  |                   |                |                                                      |
| <b>Total assets</b>                        | <b>11.4</b>                                      | <b>5.0</b>        | <b>5.6</b>     | <b>224.2</b>                                         |
| <b>Net equity</b>                          | <b>0.2</b>                                       | <b>3.4</b>        | <b>1.5</b>     | <b>85.1</b>                                          |
| <b>Net (debt)</b>                          | <b>(1.2)</b>                                     | <b>(0.5)</b>      | <b>1.6</b>     | <b>(124.7)</b>                                       |

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

(\*\*) Figure last financial statements available.

## Accounting standards and policies

### Translation of foreign currency items

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

Transactions in other currencies are initially recognized at the exchange rates at the date of the transaction. Monetary assets and liabilities denominated in foreign currency are translated into euro at the exchange rates at the balance sheet date.

Non-monetary items measured at historical cost in foreign currency are translated at the exchange rates at the date of the transaction. Non-monetary items measured at fair value are translated at the exchange rates at the date when the fair value was determined.

### Tangible assets

Assets for business use are classified as tangible assets, while non-business assets are classified as investment property.

Tangible assets are measured at cost, including any additional charges directly attributable to bringing the asset into an operating condition (e.g. transport, customs duty, installation and testing costs, notary and land registry fees and any non-deductible VAT), increased when material and where there are obligations by the present value of the estimated cost of restoring the location from an environmental point of view or dismantling the asset. Borrowing costs, where directly attributable to the purchase or construction of an asset, are capitalized as part of the cost of the asset if the type of asset so warrants.

If important components of tangible assets have different useful lives, they are accounted for separately using the “component approach”, assigning to each component its own useful life for the purpose of calculating depreciation (the component approach).

Land, whether occupied by residential or industrial buildings or devoid of construction, is not depreciated as it has an unlimited useful life, except for land used in production activities that is subject to deterioration over time (e.g. landfills, quarries).

Ordinary maintenance costs are fully expensed to the income statement in the year they are incurred. Costs for maintenance carried out at regular intervals are attributed to the assets to which they refer and are depreciated over the specific residual possibility of use of such.

Assets acquired under finance leases are accounted for on the basis of IAS 17 “Leases”, which requires the leased asset to be recognized as a tangible asset together with a financial liability of the same amount. The liability is progressively reduced on the basis of the scheme for the repayment of the capital portion of the contractual lease instalments, while the carrying amount of the asset is systematically depreciated over its economic and technical life or over the shorter of the lease term and the asset’s useful life, but only if there is reasonable certainty that the lessee will obtain ownership by the end of the lease term. During the reporting year, the useful lives of the CCGT plants were reviewed, as described in note “1) Tangible assets”.

For assets acquired in leasing by Group companies, the guidance contained in IFRIC 4 “Determining whether an Arrangement contains a Lease” is applied. This interpretation provides guidance for arrangements which do not take the legal form of a finance lease but in substance transfer the risks and rewards of ownership of the assets included in the arrangement.

Applying the interpretation leads to the same accounting treatment as that required by IAS 17 “Leasing”.

Tangible assets are stated net of accumulated depreciation and any write-downs. Depreciation is charged from the year in which the individual asset enters service on a straight-line basis over the estimated useful life of the asset for the business. The estimated realizable value which is deemed to be recoverable at the end of an asset’s useful life is not depreciated. The useful life of each asset is reviewed annually and any changes, if needed, are made with a view to showing the correct value of the asset.

Landfills are depreciated on the basis of the percentage filled, which is calculated as the ratio between the volume occupied at the end of the period and the total volume authorized.

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

|                                           |                 |
|-------------------------------------------|-----------------|
| • buildings                               | 1.7 % - 100.0 % |
| • production plants                       | 1.0 % - 50.0 %  |
| • transport lines                         | 1.4 % - 100.0 % |
| • transformation stations                 | 2.5 % - 6.7 %   |
| • distribution networks                   | 1.4 % - 10.0 %  |
| • miscellaneous equipment                 | 4.8 % - 20.0 %  |
| • mobile phones                           | 100.0 %         |
| • furniture and fittings                  | 10.0 % - 25.0 % |
| • electric and electronic office machines | 10.0 % - 12.5 % |
| • vehicles                                | 10.0 % - 25.0 % |
| • leasehold improvements                  | 5 % - 17.4 %    |

Tangible assets are subjected to impairment testing if there is any indication that an asset may be impaired in accordance with the paragraph below “Impairment of assets”; write-downs may be reversed in subsequent periods if the reasons for which they were recognized no longer apply.

When an asset is disposed of or if future economic benefits are no longer expected from using an asset, it is removed from the balance sheet and any gain or loss (being the difference between the disposal proceeds and the carrying amount) is recognized in the income statement in the year of the derecognition.

## Intangible assets

Intangible assets are identifiable non-monetary assets without physical substance which are controlled by the enterprise and able to produce future economic benefits, and include goodwill when acquired for consideration.

The fact of being identifiable distinguishes an intangible asset that has been acquired from goodwill; this requirement is normally met when: (i) the intangible asset is attributable to a legal or contractual right, or (ii) the asset is separable, in other words it can be sold, transferred, rented or exchanged individually or as an integral part of other assets.

Control by the enterprise consists of the right to enjoy the future economic benefits flowing from the asset and to restrict the access of others to those benefits.

Intangible assets are stated at purchase or production cost, including ancillary charges, determined in the same way as for tangible assets. Intangible fixed assets produced internally

are not capitalized but recognized in the income statement in the year in which the costs are incurred.

Intangible assets with a definite useful life are stated net of the related accumulated amortization and any write-downs in the same way as for tangible assets. Changes in the expected useful life of an asset or in the ways in which the future economic benefits of an asset are obtained are recognized by suitably adjusting the period or method of amortization and treated as changes in accounting estimate. The amortization of intangible fixed assets with a definite useful life is charged to income statement in the cost category that reflects the function of the intangible asset concerned.

Intangible assets are subjected to impairment testing if there are specific indications that they may be impaired, in accordance with the paragraph below “Impairment of assets”; write-downs may be reversed in subsequent periods if the reasons for which they were recognized no longer apply.

Intangible assets with an indefinite useful life and those that are not yet available for use are subjected to impairment testing on an annual basis, whether or not there are any specific indications that they may be impaired, in accordance with the paragraph below “Impairment of assets”. Write-downs of goodwill cannot subsequently be written back.

Gains or losses on the disposal of an intangible asset are calculated as the difference between the disposal proceeds and the carrying amount of the asset and recognized in the income statement at the time of the disposal.

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

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

### Service concession arrangements

IFRIC 12 states that, based on the characteristics of the concession arrangement, the infrastructures used in the provision of public services under concession are to be recognized as intangible assets if the operator has the right to receive a payment from the customer for the service provided, or as a financial asset if the operator has the right to receive payment from the public sector entity.

## Impairment of tangible and intangible fixed assets

Tangible and intangible assets are subjected to impairment testing if there is any specific indication that there may be an impairment loss.

Goodwill, other intangible assets with an indefinite useful life and assets not available for use are tested for impairment at least annually or more frequently if there is any specific indication that they may be impaired.

Impairment testing consists of comparing the carrying amount of an asset with its recoverable amount.

The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use. To determine an asset's value in use, the entity calculates the present value of the estimated future cash flows on the basis of business plans prepared by management, before tax, applying a pre-tax discount rate which reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is lower than its carrying amount, a loss is recognized in the income statement. If a loss recognized for an asset other than goodwill no longer exists or is reduced, the carrying amount of the asset or cash-generating unit is increased to the new estimate of recoverable value, which may not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset. The reversal of an impairment loss is immediately recognized in the income statement.

When the recoverable amount of the individual asset cannot be estimated, it is based on the cash generating unit (CGU) or group of CGUs that the asset belongs to and/or to which it may be reasonably allocated.

CGUs are identified on the basis of the company's organizational and business structure as homogeneous aggregations that generate independent cash inflows deriving from the continuous use of the assets allocated to them.

## Emission quotas, Green Certificates and White Certificates

Different accounting policies are applied to quotas or certificates held for own use in the "Industrial Portfolio" and those held for trading purposes in the "Trading Portfolio".

Surplus quotas or certificates held for own use in the "Industrial Portfolio" that are in excess of the company's requirements in relation to the obligations accruing at year end are recognized as other intangible assets at the actual cost incurred. Quotas or certificates assigned free of charge are recognized at a zero carrying amount. Given that they are assets for instant

use, they are not amortized but subjected to impairment testing. The recoverable amount is the higher of value in use and market value. If, on the other hand, there is a deficit because the requirement exceeds the quotas or certificates in portfolio at the balance sheet date, a provision is recognized for the amount needed to meet the residual obligation, estimated on the basis of any purchase contracts, spot or forward, already signed at the balance sheet date; otherwise on the basis of market prices.

Quotas or certificates held for trading in the “Trading Portfolio” are recognized in inventories and measured at the lower of purchase cost and estimated realizable value based on market trends. Quotas or certificates assigned free of charge are recognized at a zero carrying amount. Market value is established on the basis of any sales contracts, spot or forward, already signed at the balance sheet date; otherwise on the basis of market prices.

## Shareholdings in subsidiaries, associates and joint ventures

Subsidiaries are companies in which the parent company “is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee”, as defined by IFRS 10. Control is generally assumed to exist when a company holds either directly or indirectly more than half of the exercisable voting rights at an ordinary shareholders’ meeting, also considering potential voting rights, meaning voting rights deriving from convertible financial instruments.

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

Associates are companies in which the parent has a significant influence over strategic decisions, despite not having control, also considering potential voting rights, meaning voting rights deriving from convertible financial instruments; significant influence is assumed to exist when A2A S.p.A. holds, either directly or indirectly, more than 20% of voting rights exercisable at an ordinary shareholders’ meeting.

A joint venture is a contractual agreement whereby two or more parties undertake an income generating activity subject to joint control.

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

## Long term construction contracts in progress

Construction contracts currently in progress are measured on the basis of the contractual fees that have accrued with reasonable certainty on the basis of the stage of completion, using the “cost to cost” method, so as to allocate the revenues and net result of the contract to the individual periods to which they belong in proportion to the progress being made on the project. Any difference, positive or negative, between the value of the contracts and advances received is recognized as an asset or a liability respectively.

In addition to the contractual fees, contract revenues include variants, price revisions and incentive awards to the extent that it is probable that they represent actual revenues that can be reliably determined. Ascertained losses are recognized independently of the stage of completion of contracts.

## Inventories

Inventories of materials and fuel are measured at the lower of weighted average cost and market value at the balance sheet date. Weighted average cost is determined for the period of reference for each inventory code. Weighted average cost includes any additional costs (such as sea freight, customers charges, insurance and lay or demurrage days in the purchase of fuel). Inventories are constantly monitored and, where necessary, obsolete stocks are written down with a charge to the income statement.

## Financial instruments

Financial instruments include investments (excluding investments in subsidiaries, entities under joint control and associates) held for trading (trading investments) or available for sale, and non-current receivables and loans, trade and other receivables deriving from company operations and other current financial assets such as cash and cash equivalents. The latter consist of bank and postal deposits, readily negotiable securities used as temporary investments of surplus cash and financial receivables due within three months. Financial instruments also include financial payables (bank loans and bonds), trade payables, other payables and other financial liabilities and derivatives.

Financial assets and liabilities are recognized at the time that the contractual rights and obligations forming part of the instrument arise.

Financial assets and liabilities are accounted for in accordance with IAS 39 “Financial Instruments: Recognition and Measurement”.

Financial assets are initially recognized at fair value, increased by ancillary charges (purchase/issue costs) in the case of assets and liabilities not measured at fair value through the income statement.

Measurement subsequent to initial recognition depends on which of the following categories the financial instrument falls into:

- non-derivative financial assets and liabilities measured at fair value through the income statement regarding:
  - financial assets and liabilities held for trading (HFT), meaning with the intention of reselling or repurchasing them in the short term;
  - financial liabilities which, on initial recognition, have been designated as measured at fair value through the income statement;
- other non-derivative financial assets and liabilities which consist of:
  - loans and receivables (L&R);
  - investments held to maturity (HTM);
  - financial liabilities measured at amortized cost;
- available-for-sale financial assets (AFS);
- derivatives.

The following is a detailed explanation of the accounting policies applied in measuring each of the above categories after initial recognition:

- non-derivative financial assets and liabilities at fair value through the income statement are measured at fair value;
- other non-derivative financial assets and liabilities, other than investments with fixed or determinable payments, are measured at amortized cost. Any transaction costs incurred during the acquisition or sale are treated as direct adjustments to the nominal value of the asset or liability (e.g. issue premium or discount, loan acquisition costs, etc.). Interest income and expense is then remeasured on the basis of the effective interest method. Financial assets are assessed regularly to see if there is any indication that they are impaired. In the assessment of receivables in particular, account is taken of the solvency of debtors, as well as the characteristics of credit risk which is indicative of the ability of the individual debtors to pay. Any write-downs are recognized in the income statement for the period. This category includes investments held with the intent and ability to hold them to maturity, non-current loans and receivables, trade receivables and other receivables originated by the operations of the business, financial payables, trade payables, other payables and other financial liabilities;
- available-for-sale financial assets are non-derivative financial assets that are not classified as financial assets at fair value through the income statement or other financial assets, which therefore makes them a residual item. They are measured at fair value and any gains

or losses generated are recognized directly in equity until the assets are written-down or realized, at which stage they are reclassified to the income statement. Losses recognized in equity are in any case reversed and recognized in the income statement, even if the financial asset has not been eliminated, if there is objective evidence that the asset is impaired. Unlisted investments with a fair value that cannot be reliably measured are measured at cost less any write-downs. Write-downs are reversed when the reasons originating the loss no longer exist, with the exception of write-downs on equity instruments. This category essentially includes the other investments (i.e. not subsidiaries, jointly controlled entities or associates), except for those held for trading (trading investments);

- derivative instruments, including embedded derivatives separate from the main agreement are measured at current value (fair value) and any changes are recognized in the income statement if they do not qualify as hedging instruments. Derivatives qualify as hedging instruments when the relationship between the derivative and the hedged item is formally documented and the effectiveness of the hedge is high, this being checked periodically. When derivatives hedge the risk of fluctuation in the fair value of hedged items (fair value hedges), they are measured at fair value through the income statement; consistent with this, the hedged items are adjusted to reflect variations in the fair value associated with the hedged risk. When derivatives hedge the risk of changes in the cash flows of the instruments being hedged (cash flow hedges), the effective portion of changes in the fair value of the derivatives is recognized directly in equity, while the ineffective portion is recognized in the income statement. The amounts recognized directly in equity are then reflected in the income statement in line with the economic effects produced by the hedged item.

Changes in the fair value of derivatives that do not meet the conditions to qualify as hedging instruments are recognized in the income statement. In particular, changes in the fair value of derivatives which hedge interest rate risk or currency risk but do not qualify for hedge accounting are recognized in “Financial income/expense” in the income statement; on the other hand changes in the fair value of derivatives which hedge commodity risk but do not qualify for hedge accounting are recognized in “Other operating income” in the income statement.

A financial asset (or where applicable, part of a financial asset or parts of a group of similar financial assets) is derecognized when:

- contractual rights to the cash flows from the financial asset expire; in particular, the time frame for derecognition relates to the “value date”;
- the Group has retained the right to receive the future cash flows of the assets but has assumed a contractual obligation to pass them on to a third party without material delay;

- the Group has transferred the right to receive the cash flows from the asset and (i) has transferred substantially all of the risks and rewards of ownership of the financial asset, or (ii) it has neither transferred nor retained substantially all of the risks and rewards of the asset but has transferred control of the asset.

In the cases in which the Group has transferred the rights to receive financial flows from an asset and has neither transferred nor retained substantially all of the risks and rewards or has not lost control of the asset, it continues to recognize the asset to the extent of its continuing involvement in the asset. When continuing involvement takes the form of guaranteeing the transferred asset the extent of the continuing involvement is the lower of the initial carrying amount of the asset and the maximum amount that the Group could be required to repay. Trade receivables considered definitively unrecoverable after all necessary recovery procedures have been completed are also removed from the balance sheet.

A financial liability is removed from the balance sheet when the underlying obligation is either discharged or cancelled or when it expires.

Where there has been an exchange between an existing borrower and lender of debt instruments with substantially different terms, or there has been a substantial modification of the terms of an existing financial liability, this exchange or modification is accounted for as a cancellation of the original financial liability and the recognition of a new financial liability. The difference in carrying amounts is recognized in the income statement.

The fair value of financial instruments that are listed in an active market is based on market prices at the balance sheet date. The fair value of instruments that are not listed on an active market is determined by using valuation techniques. In particular, in the absence of a forward market curve the measurement at fair value of financial derivatives for electricity has been estimated internally, using models based on industry best practice.

### **Non-current assets held for sale, disposal groups and discontinued operations – IFRS 5**

Non-current assets held for sale, disposal groups and discontinued operations whose carrying amount will be recovered principally through sale rather than continuous use are measured at the lower of their carrying amount and fair value less costs to sell. A disposal group is a group of assets to be disposed of together as a group in a single transaction together with the liabilities directly associated with those assets that will be transferred in that transaction. Discontinued operations on the other hand consist of a significant component of the Group such as a separate major line of business or a geographical area of operations or a subsidiary acquired exclusively with a view to resale.

In accordance with IFRSs, the figures for non-current assets held for sale, disposal groups and discontinued operations are shown on two specific lines in the balance sheet: non-current assets held for sale and liabilities directly associated with non-current assets held for sale.

Non-current assets held for sale are not depreciated or amortized and are measured at the lower of carrying amount and fair value less costs to sell; any difference between carrying amount and fair value less costs to sell is recognized in the income statement as a write-down.

The net economic results arising from discontinued operations, and only discontinued operations, pending the disposal process, any gains or losses on disposal and the corresponding comparative figures for the previous year or period are recognized in a specific line of the income statement: “Net result from discontinued operations”. On the other hand any gains or losses recognized as the result of measuring non-current assets (or disposal groups), classified as held for sale within the meaning of IFRS 5, at fair value less costs to sell are presented in a specific line item of the income statement “Result from non-recurring transactions”, as discussed further in the previous section “Format of financial statements”.

## Employee benefits

The employees' leaving entitlement (TFR) and pension provisions are determined using actuarial methods; the rights accrued by employees during the year are recognized in the income statement as “labour costs”, whereas the figurative financial cost that the company would have to bear if it were to ask the market for a loan of the same amount as the TFR is recognized as part of the “financial balance”. Actuarial gains and losses arising from changes in actuarial assumptions are recognized in profit or loss taking into account the residual average working life of the employees.

Following the introduction of Finance Law no. 296 of December 27, 2006, only the portion of accrued employees' leaving entitlement that remained in the company has been measured in accordance with IAS 19, as amounts are now paid over to a separate entity as they accrue (either to a supplementary pension scheme or to funds held by INPS). As a result of these payments the company no longer has any obligations in connection with the services employees may render in the future.

Guaranteed employee benefits paid on or after the termination of employment through defined benefit plans (energy discount, health care or other benefits) or long-term benefits (loyalty bonuses) are recognized in the period when the right vests.

The liability for defined benefit plans, net of any plan assets, is determined by independent actuaries on the basis of actuarial assumptions and recognized on an accrual basis in line with the work performed to obtain the benefits.

Gains and losses arising from actuarial calculations are recognized in a specific equity reserve.

### Provisions for risks, charges and liabilities for landfills

Provisions for risks and charges regard costs of a determinate nature and of certain or probable existence which at year-end are uncertain in terms of timing or amount. Provisions are recognized when there is a legal or constructive present obligation arising from past events, the settlement of which is expected to result in an outflow of resources embodying economic benefits, and it is possible to make a reasonable estimate of the obligation.

Provisions are recognized at the best estimate of the amount that the Group would have to pay to settle the liability or to transfer it to third parties at the balance sheet date. If the effect of discounting is significant, provisions are calculated by discounting expected future cash flows at a pre-tax discount rate that reflects the current market assessment of the time value of money. If discounting is used the increase in the provision due to the passage of time is recognized as financial expense.

If the liability relates to tangible assets (such as the dismantling and reclamation of industrial sites), the initial provision is recognized as a counter-entry to the assets to which it refers; the expense is then charged to the income statement as the asset in question is depreciated.

### Reverse factoring

The Group entered into factoring agreements, typically in the technical form of reverse factoring. On the basis of the contractual structures in place, the supplier has the possibility to sell at its discretion, the receivables from the company to a lending institution. In some cases, the payment terms indicated in the invoice are the subject of further deferments agreed between the supplier and the Group; these deferments can be both burdensome and not burdensome.

In case of deferments, a quantitative analysis is performed aimed at verifying the substantiality or otherwise of the change in the contractual terms, by providing the quantitative test in accordance with IAS 39 AG 62. In this context, the relations, for which the primary obligation

is maintained with the supplier and the possible deferment, if granted, does not involve a substantial change in payment terms, retain their nature and are therefore classified as trading liabilities.

## Treasury shares

Treasury shares are accounted for as a deduction from equity. In particular, treasury shares are recognized as a negative equity reserve.

## Grants

Grants, both from public entities and from third party private entities, are measured at fair value when there is the reasonable certainty that they will be received and that the Group will be able to comply with the terms and conditions for obtaining them.

Grants received to help cover the cost of specific items of tangible assets are booked as a direct reduction of the assets concerned and credited to the income statement over the period of depreciation of the assets to which they refer.

Revenue grants (given to provide the company with immediate financial support or as compensation for expenses or losses incurred in a previous accounting period) are recognized in their entirety in the income statement as soon as the conditions for recognizing the grants are met.

## Revenues and costs

Revenues from sales and services are recognized to the extent that it is possible to establish their fair value on a reliable basis and it is probable that the related economic benefits will flow to the Group on the transfer of all significant risks and benefits normally deriving from ownership of the asset or on completion of the service. Depending on the type of transaction, revenues are recognized on the basis of the following specific criteria:

- revenues for the sale and transport of electricity and gas are recognized at the time that the energy is supplied or the service rendered, even if invoicing has not yet taken place, and are determined by adding estimates of consumption to amounts resulting from pre-established meter-reading schedules. Where applicable these revenues are based on the tariffs and related tariff restrictions prescribed by the law in force during the year and by the Electricity, Gas and Water Authority or equivalent organizations abroad;

- connection contributions paid by users, if not for costs incurred to extend the network, are recognized in the income statement on collection and presented as “revenues from services”;
- the revenues billed to users for an extension of the gas network are accounted for as a reduction in the carrying amount of tangible assets and are recognized in the income statement as a reduction in the depreciation charged over the useful life of the cost capitalized to extend the network;
- the revenues and costs involved in withdrawing quantities that are higher or lower than the Group’s share are measured at the prices envisaged in the related purchase or sale contract;
- revenues from the provision of services are recognized according to the stage of completion based on the same criteria as for contract work in progress. If it is impossible to calculate revenues on a reliable basis they are recognized up to the amount of the costs incurred providing they are expected to be recovered;
- revenues from the sale of certificates are recognized at the time of sale.

Revenues are stated net of returns, discounts, allowances and rebates, as well as directly related taxes.

Expenses relate to goods or services sold or consumed during the year or as a result of systematic allocation; if no future use is envisaged they are recognized directly in the income statement.

### Non-recurring transactions

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

### Financial income and expense

Financial income is recognized when interest income arises using the effective interest method, i.e. at the rate that exactly discounts expected future cash flows over the expected life of the financial instrument.

Financial expense is recognized in the income statement on an accrual basis on the basis of the effective interest.

## Dividends

Dividend income is recognized when it is established that the shareholders have a right to receive payment, and is recognized as financial income in the income statement.

## Income taxes

### Current taxes

Current income taxes are based on an estimate of taxable income in compliance with tax regulations in force or substantially approved at the balance sheet date, bearing in mind any exemptions or tax credits due. Account is also taken of the fact that the Group now files for tax on a consolidated basis.

### Deferred tax assets and liabilities

Deferred tax assets and liabilities are calculated on the temporary differences between the carrying amount of assets and liabilities in the balance sheet and their tax bases, with the exception of goodwill which is not deductible for tax purposes and any differences resulting from investments in subsidiaries which are not expected to reverse in the foreseeable future. The tax rates used are those expected to apply to the period when the temporary differences reverse. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the tax benefit will be realized. The measurement of deferred tax assets takes account of the period for which business plans are available.

When transactions are recognized directly in equity, any related current or deferred tax effects are also recognized directly in equity. Deferred taxes on the undistributed profits of Group companies are only provided for if there is the real intention to distribute such profits and, in any case, if the taxation is not offset as the result of filing a Group tax return.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

Taxes are only offset when they are levied by the same tax authority, when there is the legal right of set-off and when settlement of the net balance is expected.

## Use of estimates

Preparing the financial statements and notes requires the use of estimates and assumptions in determining certain assets and liabilities and measuring contingent assets and liabilities. The actual results after the event could differ from such estimates.

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

The following are the key assumptions made by management as part of the process of making these accounting estimates. The inherently critical element of such estimates comes from using assumptions or professional opinions on matters that are by their very nature uncertain. Changes in the conditions underlying the assumptions and opinions used could have a material impact on subsequent results.

### Impairment Test

The carrying amount of non-current assets (including goodwill and other intangible assets) and of assets held for sale is reviewed periodically and whenever circumstances or events require a more frequent assessment. If it is considered that the carrying amount of a group of non-current assets is impaired, the group is written down to its recoverable amount which is estimated with reference to its use or future disposal, depending on the company's latest plans. Management is of the opinion that the estimates of such recoverable amounts are reasonable, although possible changes in the factors underlying the estimates on which these recoverable amounts have been calculated could produce different measurements. For further details on the way in which impairment testing was carried out and the results of such testing, reference is made to the specific paragraph below.

### Revenue recognition

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

### **Provisions for risks and charges**

In certain circumstances it is not easy to identify whether a legal or constructive present obligation exists. The directors assess these situations case by case, together with an estimate of the economic resources required to settle the obligation. Estimating such provisions is the result of a complex process that involves subjective judgements on the part of company management. When the directors are of the opinion that it is only possible that a liability could arise, the risks are disclosed in the section on commitments and contingent liabilities without making any provision.

### **Liabilities for landfills**

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

### **Bad debts provision**

The provision for bad debts reflects the estimated losses in the company's receivables portfolio. Provisions have been made to cover specific cases of insolvency as well as estimated losses expected on the basis of past experience with balances of similar credit risk

Although the provision is considered adequate, the use of different assumptions or changes in prevailing economic conditions, even more so in this period of recession, could give rise to adjustments to the bad debts provision.

### **Depreciation and Amortization**

Depreciation and amortization charges are a significant cost for the Group. Non-current assets are depreciated or amortized on a straight-line basis over the useful lives of the assets. The useful life of the company's non-current assets is established by the directors, with the assistance of expert appraisers, when they are purchased. The Group periodically reviews technological and sector changes, dismantling/closure charges and the recovery amount of assets to update their residual useful lives. This periodic update could lead to a change in the period of depreciation or amortization and hence also in the depreciation or amortization charge in future years.

### **Measurement of derivative instruments**

The derivatives used are measured at fair value based on the forward market curve at the balance sheet date, if the underlying of the derivative is traded on markets that provide official, liquid forward prices. If the market does not provide forward prices, forecast price curves are used based on simulation models developed by Group companies internally. However, the actual results of derivatives could differ from the measurements made.

The serious turbulence on markets for the energy commodities traded by the company, as well the fluctuations in exchange and interest rates, could lead to greater volatility in cash flows and in expected results.

### **Employee benefits**

The calculations of expenses and the related liabilities are based on actuarial assumptions. The full effects of any changes in these actuarial assumptions are recognized in a specific equity reserve.

### **Business combinations**

Accounting for business combinations entails allocating the difference between purchase cost and net carrying amount to the assets and liabilities of the acquired business. For the majority of assets and liabilities this difference is allocated by recognizing the assets and liabilities at fair value. If positive, the unallocated portion is recognized as goodwill. If negative, it is recognized in the income statement. The A2A S.p.A. bases its allocations on available information and, for the more significant business combinations, on external appraisals.

### **Current taxes and future recovery of deferred tax assets**

The uncertainties that exist regarding the way of applying certain tax regulations have led the company to taking an interpretative stance when providing for current taxes in the financial statements; such interpretations could be overturned by official clarifications on the part of the tax authorities.

Deferred tax assets are accounted for on the basis of the taxable profit expected to be available in future years. Assessing the expected taxable profit for the purpose of accounting for deferred taxation depends on factors that can vary over time, and may lead to significant effects on the measurement of deferred tax assets.

## Business Units

The A2A Group operates in the production, sale and distribution of gas and electricity, district heating, environmental services and the integrated water cycle.

These sectors are in turn attributable to the “Business Units” specified in the following diagram identified as a result of the reorganization carried out by the management:

| Business Units of the A2A Group         |                             |                                |                           |                                    |                                       |                              |
|-----------------------------------------|-----------------------------|--------------------------------|---------------------------|------------------------------------|---------------------------------------|------------------------------|
| Generation and Trading                  | Commercial                  | Environment                    | Heat and Services         | Networks                           | EPCG                                  | Other Services and Corporate |
| Thermoelectric and hydroelectric plants | Sale of Electricity and Gas | Collection and street sweeping | District Heating Services | Electricity networks               | Electricity generation and commercial | Other services               |
| Energy Management                       |                             | Treatment                      | Heat management services  | Gas networks                       | Electricity networks                  | Corporate services           |
|                                         |                             | Disposal and energy recovery   |                           | Integrated water cycle             |                                       |                              |
|                                         |                             |                                |                           | Public lighting and other services |                                       |                              |

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

## Results sector by sector

| Millions of euro                                              | Generation and Trading |                      | Commercial           |                      | Environment          |                      |  |
|---------------------------------------------------------------|------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|--|
|                                                               | 01 01 15<br>12 31 15   | 01 01 14<br>12 31 14 | 01 01 15<br>12 31 15 | 01 01 14<br>12 31 14 | 01 01 15<br>12 31 15 | 01 01 14<br>12 31 14 |  |
| <b>Revenues</b>                                               | <b>2,755</b>           | <b>2,823</b>         | <b>1,333</b>         | <b>1,483</b>         | <b>809</b>           | <b>794</b>           |  |
| - of which inter-sector                                       | 722                    | 827                  | 45                   | 69                   | 81                   | 93                   |  |
| <b>Gross operating income - EBITDA</b>                        | <b>348</b>             | <b>328</b>           | <b>102</b>           | <b>87</b>            | <b>210</b>           | <b>222</b>           |  |
| % of revenues                                                 | 12.6%                  | 11.6%                | 7.7%                 | 5.9%                 | 26.0%                | 28.0%                |  |
| <b>Depreciation, amortization, provisions and write-downs</b> | <b>(293)</b>           | <b>(361)</b>         | <b>(19)</b>          | <b>(22)</b>          | <b>(63)</b>          | <b>(98)</b>          |  |
| <b>Net operating income - EBIT</b>                            | <b>55</b>              | <b>(33)</b>          | <b>83</b>            | <b>65</b>            | <b>147</b>           | <b>124</b>           |  |
| % of revenues                                                 | 2.0%                   | (1.2%)               | 6.2%                 | 4.4%                 | 18.2%                | 15.6%                |  |
| <b>Result from non-recurring transactions</b>                 |                        |                      |                      |                      |                      |                      |  |
| <b>Financial balance</b>                                      |                        |                      |                      |                      |                      |                      |  |
| <b>Result before taxes</b>                                    |                        |                      |                      |                      |                      |                      |  |
| <b>Income taxes</b>                                           |                        |                      |                      |                      |                      |                      |  |
| <b>Result after taxes from operating activities</b>           |                        |                      |                      |                      |                      |                      |  |
| <b>Net result from discontinued operations</b>                |                        |                      |                      |                      |                      |                      |  |
| <b>Minorities</b>                                             |                        |                      |                      |                      |                      |                      |  |
| <b>Group result of the year</b>                               |                        |                      |                      |                      |                      |                      |  |
| <b>Gross investments <sup>(1)</sup></b>                       | <b>65 (a)</b>          | <b>42</b>            | <b>4</b>             | <b>6</b>             | <b>59</b>            | <b>41</b>            |  |

(1) See the items “Investments” in the schedules on tangible and intangible assets presented in Notes 1 and 2 to the balance sheet.

(a) Includes additional paid-in capital of 1 million euro.

It should be noted that the data from January 1 to December 31, 2014 and the balance sheet data at December 31, 2014 have been reallocated by “Business Unit” following the company reorganization carried out by the Management, as detailed in the section “Results sector by sector”.

| Millions of euro                                 | Generation and Trading |          | Commercial |          | Environment |          |  |
|--------------------------------------------------|------------------------|----------|------------|----------|-------------|----------|--|
|                                                  | 12 31 15               | 12 31 14 | 12 31 15   | 12 31 14 | 12 31 15    | 12 31 14 |  |
| Tangible assets                                  | 2,381                  | 2,711    | 2          | 2        | 437         | 433      |  |
| Intangible assets                                | 75                     | 90       | 63         | 64       | 12          | 12       |  |
| Trade receivables and current financial assets   | 735                    | 776      | 547        | 578      | 284         | 352      |  |
| Trade payables and current financial liabilities | 782                    | 905      | 360        | 393      | 233         | 258      |  |

|  | Heat and Services    |                      | Networks             |                      | EPCG                 |                      | Other Services and Corporate |                      | Eliminations         |                      | Total Group          |                      |
|--|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|------------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
|  | 01 01 15<br>12 31 15 | 01 01 14<br>12 31 14 | 01 01 15<br>12 31 15 | 01 01 14<br>12 31 14 | 01 01 15<br>12 31 15 | 01 01 14<br>12 31 14 | 01 01 15<br>12 31 15         | 01 01 14<br>12 31 14 | 01 01 15<br>12 31 15 | 01 01 14<br>12 31 14 | 01 01 15<br>12 31 15 | 01 01 14<br>12 31 14 |
|  | 246                  | 252                  | 669                  | 676                  | 242                  | 240                  | 186                          | 189                  | (1,319)              | (1,473)              | 4,921                | 4,984                |
|  | 26                   | 37                   | 274                  | 273                  | -                    | -                    | 171                          | 174                  | (1,319)              | (1,473)              |                      |                      |
|  | 74                   | 61                   | 279                  | 281                  | 53                   | 66                   | (18)                         | (21)                 |                      |                      | 1,048                | 1,024                |
|  | 30.1%                | 24.2%                | 41.7%                | 41.6%                | 21.9%                | 27.5%                | (9.7%)                       | (11.1%)              |                      |                      | 21.3%                | 20.5%                |
|  | (31)                 | (40)                 | (88)                 | (90)                 | (280)                | (38)                 | (59)                         | (13)                 |                      |                      | (833)                | (662)                |
|  | 43                   | 21                   | 191                  | 191                  | (227)                | 28                   | (77)                         | (34)                 |                      |                      | 215                  | 362                  |
|  | 17.5%                | 8.3%                 | 28.6%                | 28.3%                | (93.8%)              | 11.7%                | (41.4%)                      | (18.0%)              |                      |                      | 4.4%                 | 7.3%                 |
|  |                      |                      |                      |                      |                      |                      |                              |                      |                      |                      | (1)                  | 9                    |
|  |                      |                      |                      |                      |                      |                      |                              |                      |                      |                      | (138)                | (210)                |
|  |                      |                      |                      |                      |                      |                      |                              |                      |                      |                      | 76                   | 161                  |
|  |                      |                      |                      |                      |                      |                      |                              |                      |                      |                      | (133)                | (179)                |
|  |                      |                      |                      |                      |                      |                      |                              |                      |                      |                      | (57)                 | (18)                 |
|  |                      |                      |                      |                      |                      |                      |                              |                      |                      |                      | -                    | -                    |
|  |                      |                      |                      |                      |                      |                      |                              |                      |                      |                      | 130                  | (19)                 |
|  |                      |                      |                      |                      |                      |                      |                              |                      |                      |                      | 73                   | (37)                 |
|  | 52                   | 69                   | 125                  | 114                  | 27                   | 25                   | 9                            | 10                   | -                    | -                    | 341                  | 307                  |

|  | Heat and Services |          | Networks |          | EPCG     |          | Other Services and Corporate |          | Eliminations |          | Total Group |          |
|--|-------------------|----------|----------|----------|----------|----------|------------------------------|----------|--------------|----------|-------------|----------|
|  | 12 31 15          | 12 31 14 | 12 31 15 | 12 31 14 | 12 31 15 | 12 31 14 | 12 31 15                     | 12 31 14 | 12 31 15     | 12 31 14 | 12 31 15    | 12 31 14 |
|  | 582               | 561      | 1,008    | 990      | 568      | 818      | 184                          | 209      | (95)         | (99)     | 5,067       | 5,625    |
|  | 34                | 34       | 1,323    | 1,290    | 3        | 3        | 52                           | 54       | (214)        | (229)    | 1,348       | 1,318    |
|  | 99                | 110      | 248      | 264      | 237      | 210      | 72                           | 124      | (566)        | (697)    | 1,656       | 1,717    |
|  | 81                | 100      | 206      | 230      | 37       | 25       | 733                          | 206      | (570)        | (686)    | 1,862       | 1,431    |

## Notes to the balance sheet

Following the acquisition in the second quarter of the year of additional shareholdings, the companies Bellisolina S.r.l., Bergamo Servizi S.r.l. and SED S.r.l., previously accounted for using the equity method, as of June 2015, were fully consolidated, as further described in the paragraph “Scope of consolidation”.

The investment in SEASM S.r.l., held 67% by A2A S.p.A., previously consolidated on a line-by-line basis, has been reclassified, as it is not a discontinued operation in accordance with IFRS 5, to “Non-current assets held for sale”, following management’s decision to sell the investment as discussed in further detail in note 12 “Non-current assets held for sale”.

The assets and liabilities of Edipower S.p.A. of the agreement signed between A2A S.p.A. and Cellina Energy, a company wholly owned by Società Elettrica Altoatesina (SEL), which approved the project for the non-proportional demerger of Edipower S.p.A., were reclassified, as it is not an operation considered as disposal group in accordance with IFRS 5, to the items “Non-current assets held for sale” and “Liabilities directly associated with non-current assets held for sale”, as described further in notes 12 and 25 of these Notes.

## ASSETS

### Non-current assets

#### 1) Tangible assets

| Millions of euro                      | Balance at 12 31 2014 | First consolidation Bellisolina/ SED and Bergamo Servizi | Changes during the year |              |               |                     |              |              |               | Balance at 12 31 2015 |
|---------------------------------------|-----------------------|----------------------------------------------------------|-------------------------|--------------|---------------|---------------------|--------------|--------------|---------------|-----------------------|
|                                       |                       |                                                          | Invest./ Acquisit.      | AFS IFRS5    | Other changes | Disposals and sales | Write-downs  | Depreciation | Total changes |                       |
| Land                                  | 270                   | 2                                                        |                         | (4)          |               |                     |              | (2)          | (6)           | 266                   |
| Buildings                             | 949                   | 2                                                        | 3                       | (21)         | 21            | (1)                 | (1)          | (39)         | (38)          | 913                   |
| Plant and machinery                   | 4,136                 | 1                                                        | 81                      | (135)        | 156           | (4)                 | (358)        | (269)        | (529)         | 3,608                 |
| Industrial and commercial equipment   | 20                    |                                                          | 3                       |              | 6             |                     |              | (5)          | 4             | 24                    |
| Other assets                          | 52                    |                                                          | 6                       |              | 13            |                     |              | (15)         | 4             | 56                    |
| Landfills                             | 30                    |                                                          |                         |              | (2)           |                     |              | (5)          | (7)           | 23                    |
| Construction in progress and advances | 109                   |                                                          | 146                     | (6)          | (146)         |                     |              |              | (6)           | 103                   |
| Leasehold improvements                | 57                    |                                                          | 14                      |              | 7             |                     |              | (6)          | 15            | 72                    |
| Leased assets                         | 2                     |                                                          |                         |              |               |                     |              |              |               | 2                     |
| <b>Total</b>                          | <b>5,625</b>          | <b>5</b>                                                 | <b>253</b>              | <b>(166)</b> | <b>55</b>     | <b>(5)</b>          | <b>(359)</b> | <b>(341)</b> | <b>(563)</b>  | <b>5,067</b>          |
| of which:                             |                       |                                                          |                         |              |               |                     |              |              |               |                       |
| Historical cost                       | 9,932                 | 11                                                       | 253                     | (229)        | (112)         | (17)                |              |              | (105)         | 9,838                 |
| Accumulated depreciation              | (4,148)               | (6)                                                      |                         | 63           | 167           | 12                  |              | (341)        | (99)          | (4,253)               |
| Write-downs                           | (159)                 |                                                          |                         |              |               |                     | (359)        |              | (359)         | (518)                 |

“Tangible assets” amounted to 5,067 million euro at December 31, 2015 (5,625 million euro at December 31, 2014), representing a decrease, net of the first consolidation of the companies Bellisolina, SED and Bergamo Servizi for 5 million euro, equal to 563 million euro.

The following changes took place during the year:

- an increase of 5 million euro due to the first consolidation of the companies SED S.r.l., Bellisolina S.r.l. and Bergamo Servizi S.r.l.;
- an increase of 253 million euro due to investments, as described in further detail below;
- decrease of 166 million euro for IFRS5 reclassifications of assets held for sale mainly regarding the Cellina unit, as explained in more detail in note 12 Non-current assets held for sale;
- increase of 55 million euro for other changes related to the increase in the decommissioning provision made during the year as well as reclassifications from assets in progress to operating assets. The increase in the decommissioning provision derives from addenda to the expert reports to support the decommissioning provision at December 31, 2014, which already covered the legal or implicit obligations in relation the future costs for environmental restoration. In light of growing environmental awareness, the perimeter

was broadened with the best estimate of costs for the safety of the plants at the end of useful life;

- a decrease of 5 million euro arising from disposals in the year, net of accumulated depreciation;
- write-downs for 359 million euro that concerned some CCGT plants of the Generation and Trading Business Unit, for 104 million euro, and the hydroelectric and thermoelectric generation plants and distribution networks of EPCG, for 246 million euro. These write-downs are the result of the impairment test process, performed by an independent external expert appointed by AzA. The write-downs also include other write-downs for 9 million euro, not deriving from the impairment test. The write-downs are aimed at adjusting the book value of the plants to lower income prospects arising from a structurally production over-capacity market and, in the case of EPCG, mainly due to lower tariff prospects than those previously considered, as further described in note 2;
- a decrease of 341 million euro for the amortization charge for the year.

Investments may be analyzed as follows:

- for the Generation and Trading Business Unit, the increase was 64 million euro and related to: 38 million euro for work on the Monfalcone, Gissi, Cassano, Chivasso, Piacenza and Sermide thermoelectric plants; 26 million euro for investments on the plants of the Udine, Mese, Valtellina and Calabria units;
- for the Environment Business Unit, investments for 58 million euro refer to: 22 million euro for work on the waste-to-energy plants Sillaz, Brescia, Corteolona, Filago and Bergamo; 14 million euro for work carried out on the treatment plants in Corteolona, Acerra, Caivano, Brescia, Giussago, Asti, Bergamo, Montanaso Lombardo and Villafalletto; 7 million euro for the purchase of waste collection vehicles and equipment; 14 million euro for Amsa investments and 1 million euro on plants of the Aspem Group;
- investments in the Networks Business Unit totalled 53 million euro and concerned 44 million euro for the development and maintenance of electricity distribution plants, the extension and reconstruction of the medium and low-voltage network and the installation of new electronic meters, 7 million euro for the efficiency plan for public lighting in Milan and Bergamo, for 2 million euro for investments in the gas transportation network;
- investments of 49 million euro in the Heat Business Unit concerned for 24 million euro the development of the district heating networks in the Milan, Brescia and Bergamo areas and for 25 million euro extraordinary maintenance and development work on the plants in the Milan, Brescia, Bergamo and Varese areas;
- there was an increase of 26 million euro in the EPCG Business Unit;
- investments totalled 3 million euro in the Other Services and Corporate Business Unit.

Tangible assets include “Leased assets” totalling 2 million euro, recognized in accordance with IAS 17, for which the outstanding payable to lessors at December 31, 2015 amounted to 2 million euro.

## 2) Intangible assets

| Millions of euro                                     | Balance at<br>12 31 2014 | Changes during the year |                        |                        |             |                  | Balance at<br>12 31 2015 |
|------------------------------------------------------|--------------------------|-------------------------|------------------------|------------------------|-------------|------------------|--------------------------|
|                                                      |                          | Invest./<br>Acquisit.   | Recl./Other<br>changes | Disposals<br>and sales | Amort.      | Total<br>changes |                          |
| Industrial patents and industrial property rights    | 34                       | 4                       | 3                      |                        | (15)        | (8)              | 26                       |
| Concessions, licences, trademarks and similar rights | 766                      | 68                      | 5                      | (2)                    | (38)        | 33               | 799                      |
| Assets in progress                                   | 15                       | 16                      | (11)                   |                        |             | 5                | 20                       |
| Other intangible assets                              | 21                       |                         | 1                      |                        | (1)         |                  | 21                       |
| Goodwill                                             | 482                      |                         |                        |                        |             |                  | 482                      |
| <b>Total</b>                                         | <b>1,318</b>             | <b>88</b>               | <b>(2)</b>             | <b>(2)</b>             | <b>(54)</b> | <b>30</b>        | <b>1,348</b>             |

“Intangible assets” amounted to 1,348 million euro at December 31, 2015 (1,318 million euro at December 31, 2014), representing a net increase of 30 million euro.

Applying IFRIC 12, from 2010 intangible assets also include assets in concession relating to gas distribution, the integrated water cycle and district heating plants of Varese Risorse.

The following changes took place during the year:

- an increase of 88 million euro due to the investments made during the year;
- decrease of 2 million euro due mainly to the reclassification from tangible to intangible assets;
- a decrease of 2 million euro arising from disposals in the year, net of accumulated depreciation;
- a decrease of 54 million euro for the amortization charge for the year.

More specifically, investments relate to the following:

- investments of 72 million euro in the Networks Business Unit derive from: development and maintenance work on the plants of the gas distribution segment and the replacement of low and medium pressure underground piping for 50 million euro, works on the water transport and distribution network, on the sewage networks and on the purification plants for 20 million euro and the implementation of information systems for 2 million euro;
- investments of 6 million euro in the Other Services and Corporate Business Unit mainly relate to the implementation of information systems;

- the increase of 4 million euro in the Commercial Business Unit mainly relates to the implementation of information systems;
- the increase of 3 million euro in the Networks and Heat Business Unit mainly relates to interventions on the heat network and the implementation of information systems;
- for the Generation and Trading Business Unit, the increase was 1 million euro;
- there was an increase of 1 million euro in the Environment Business Unit;
- there was an increase of 1 million euro in the EPCG Business Unit.

“Other intangible assets” include customer lists arising on the acquisition of customer portfolios by Group companies. These balances are amortized on the basis of the estimated benefits expected to be obtained in future years. More specifically, the outstanding balance of 3 million euro relates to the amount paid in previous years by subsidiaries regarding a portion of the networks and customers of the city and province of Brescia and the customer portfolio of the subsidiary Aspem Energia S.r.l..

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

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

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

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

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

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

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

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

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

- the future operating cash flows are based on the 2016-2020 medium-term Business Plan aimed at the impairment test as approved by the A2A S.p.A. Board of Directors in February 2016. Said forecasts reflect the management's best estimates in relation to the main assumptions concerning the Company performance (macro-economic and pricing trends and commodity prices, hypothesis of operation of production assets and business development);
- future operating cash flows for a period not exceeding five years, estimated by management on the basis of the most recent forecasts so as to represent the most reasonable estimate of the range of economic conditions expected over the remaining useful life of the asset;
- cash flows following this time horizon, estimated by extrapolating the explicit time horizon projections, suitably modified to normalize the results and using a nominal growth rate less than the average rate of nominal growth in the long term;
- the cash flow from disposal at the end of the useful life of an asset/cash-generating unit (or group of cash-generating units) (terminal value). Depending on the different cases analyzed, this value has prudently been forecast to be zero, to be the sum of the estimate of the future value of the assets, net working capital and provisions or else to be the present value of operating cash flows;
- the discount rate used to reflect current market assessments of the time value of money and the risks specific to the asset was estimated, consistent with the cash flows considered, by calculating the weighted average cost of capital (WACC).

An independent expert was engaged to carry out the impairment testing; among other things, the expert analyzed the components and key assumptions included in the economic and financial projections prepared by the Group's management, performed comparisons and tests as to the correctness of the sources and assumptions used and developed the assumptions about the growth rate beyond the plan's horizon to be used for calculating

normalized flows through to the end of the useful lives of the plants. The analysis also included any requirements for the decommissioning of the thermoelectric plants at the end of their useful lives and the reimbursements that may be expected to be received in the event that the hydroelectric concessions, electrical networks and gas networks are not renewed consistent with present expiry dates.

The discount rate of unlevered cash flows was estimated as the Weighted Average Cost of Capital (WACC), representing the expected return from the company's lenders and shareholders for use of own capital.

In crisis situations, as highlighted by the Italian Rating Board (OIV), various structures of the Capital Asset Pricing Model are suggested in order to properly reflect the country risk in the discount rate. In this context, various methodologies are referred to, among which the conditional and unconditional methodologies, which differ according to the classification of the country risk (in the Market Risk Premium, in the first case and in the Risk-free in the second).

In view of the current macro-economic context and the indications emerging from most accepted practices and national and international doctrine, it was considered necessary to apply the correction factors for the determination of the discount rates.

In particular, for the assessment, it was considered necessary to use the formulation "unconditional adjusted" of WACC rates. The unconditional adjusted WACC methodology involves the use of a risk-free rate that incorporates country risk normalized by the monetary policies implemented by the Central Banks. In particular, such an adjustment is necessary in order to mitigate the effects of short-term monetary policy that has recently characterized the money markets in the Eurozone. Therefore, the risk-free rate for Italy was determined by calculating the rate of return of the securities of a benchmark country with AAA rating, to which was added the differential between the Credit Default Swaps of Italy and the Credit Default Swaps of the benchmark country.

The approach adopted for the calculation of the Value in Use is the pre-tax with gross-up simplified of the WACC in continuity with company practices used for evaluations in the previous years.

Therefore, the WACC was estimated from post-tax WACC, using the gross-up simplified and assuming a tax rate of 27.9%. This total tax rate consists of the IRES tax rate of 24% and IRAP rate of 3.9%. In the presence of regulated businesses, the IRAP rate considered was 4.2%.

Goodwill

Goodwill at December 31, 2015 amounted to 482 million euro and did not change compared to the previous year:

| Millions of euro | Balance at<br>12 31 2014 | Changes during the year |                  |                 |                  | Balance at<br>12 31 2015 |
|------------------|--------------------------|-------------------------|------------------|-----------------|------------------|--------------------------|
|                  |                          | Invest.                 | Other<br>changes | Write-<br>downs | Total<br>changes |                          |
| Goodwill         | 482                      |                         |                  |                 | -                | 482                      |
| Total            | 482                      | -                       | -                | -               | -                | 482                      |

“Goodwill” may be analyzed by CGU as follows at December 31, 2015:

| CGU - Millions of euro              |     |
|-------------------------------------|-----|
| Electricity networks                | 184 |
| Environment                         | 232 |
| Gas networks                        | 38  |
| Gas                                 | 7   |
| Heat                                | 21  |
| Total goodwill at December 31, 2015 | 482 |

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

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

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

| CGU with goodwill<br>Millions of euro | Value at<br>12 31 2015 | Recoverable<br>value | WACC<br>2015 (1) | Growth<br>rate<br>g 2015 | Balance scenario (2)        |                  |
|---------------------------------------|------------------------|----------------------|------------------|--------------------------|-----------------------------|------------------|
|                                       |                        |                      |                  |                          | WACC of<br>reference<br>(3) | Growth<br>rate g |
| Electricity networks                  | 184                    | Use value            | 6.76%            | 0.00%                    | 7.00%                       | n.s.             |
| Environment                           | 232                    | Use value            | 8.30%            | 1.00%                    | 37.30%                      | n.s.             |
| Gas networks                          | 38                     | Use value            | 7.28%            | 0.00%                    | 14.70%                      | n.s.             |
| Gas                                   | 7                      | Use value            | 9.19%            | 0.00%                    | n.s.                        | n.s.             |
| Heat                                  | 21                     | Use value            | 7.89%            | 1.00%                    | 8.60%                       | 1.00%            |
|                                       | 482                    |                      |                  |                          |                             |                  |

| CGU with goodwill<br><i>Millions of euro</i> | Value at<br>12 31 2014 | Recoverable<br>value | WACC<br>2014 (1) | Growth<br>rate<br>g 2014 | Balance scenario (2)        |                  |
|----------------------------------------------|------------------------|----------------------|------------------|--------------------------|-----------------------------|------------------|
|                                              |                        |                      |                  |                          | WACC of<br>reference<br>(3) | Growth<br>rate g |
| Electricity networks                         | 184                    | Use value            | 6.18%            | -1.0%;-2.0%              | 8.96%                       | -29.65%          |
| Environment                                  | 232                    | Use value            | 5.49%            | 1.00%                    | 31.06%                      | n.s.             |
| Gas networks                                 | 38                     | Use value            | 4.68%            | 0.00%                    | 54.46%                      | n.s.             |
| Gas                                          | 7                      | Use value            | 8.41%            | 0.0%;0.5%                | 137.37%                     | n.s.             |
| Heat                                         | 21                     | Use value            | 6.75%            | 1.0%;1.5%                | 9.28%                       | -3.00%           |
|                                              | 482                    |                      |                  |                          |                             |                  |

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

With reference to the “Heat” CGU, the “Gas Networks” CGU, the “Electricity Networks” CGU and the “Environment” CGU, the analysis conducted made it possible to arrive at the estimated recoverable value at December 31, 2015 calculated using the financial method. In particular, the analysis regarding the maintenance of the value of the “Heat”, “Gas Networks”, and “Electricity Networks” CGUs was conducted by comparing the recoverable value determined as fair-weighted average of the values in use of the definite useful life scenario (consistent with the average duration of the concessions in place) and the indefinite useful life scenario. In support of the assessments, a sensitivity analysis was conducted considering only the definite useful life scenario; said sensitivity analysis did not reveal any criticality on the recoverability of the value of the impairment test.

Further analyzes and sensitivity analyzes were conducted considering the potential effects of the changes in the reference parameters of the growth rate and WACC, which showed no particular criticality for all the CGUs subject to impairment testing.

In relation to the “Electricity Networks” CGU, in light of the recent update of the remuneration rate introduced by the AEEGSI for the next regulatory period 2016-2023, it was decided not to conduct any sensitivity analysis on the WACC as it is not reasonable to expect new legislative and/or regulatory changes. The sensitivity analysis conducted, considering a growth rate in perpetuity of -0.5%, showed a slightly lower recoverable value than the value of the impairment test. Said scenario, of structural decline of the sector, is however considered excessively prudential in view of the strategic importance of electricity grids in the future (consider, for example, the development of Smart Cities and widespread generation).

*“Electricity networks” cash-generating unit*

This goodwill, arising on the acquisition of the businesses of Enel Distribuzione S.p.A. by A2A Reti Elettriche S.p.A., amounted to 184 million euro, in line with December 31, 2014. In the “Electricity Networks” Cash Generating Unit, goodwill relating to the agreements for the activities on the public lighting systems of the Municipality of Bergamo was also allocated, for a value of 4 million euro, which derives from the portion of goodwill recorded following the merger between BAS S.p.A. and A2A S.p.A..

In determining the value in use, a time horizon was considered corresponding to the maturity of the concession for the distribution of electricity in the municipalities of Milan, Rozzano and in the municipalities of the province of Brescia.

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

*“Environment” cash-generating unit*

The “Environment” CGU carries out collection and street sweeping and is involved in the treatment and disposal of waste and the waste-to-energy process and it also builds treatment plants for third parties.

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

The A2A Group’s consolidated financial statements at December 31, 2015 include goodwill of 232 million euro associated with this CGU, which has been impairment tested as required by IAS 36. Of this goodwill, 227 million euro arises from the acquisition of the Ecodeco Group which took place between 2005 and 2008 (the former Ecodeco cash-generating unit) and 5 million euro from the merger between ASM Brescia S.p.A. (subsequently merged into AEM S.p.A. which at the same time changed its name to A2A S.p.A.) and BAS S.p.A..

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

*“Gas networks” cash-generating unit*

The goodwill of 38 million euro arises from various acquisitions made by A2A Reti Gas S.p.A. over the past years regarding companies operating as gas distributors in around 200 different Italian municipalities. Activities are mainly concentrated in Lombardy and Piedmont.

The recoverable value of goodwill attributed to the “Gas networks” cash-generating unit was calculated by referring to its value in use.

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

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

*“Heat” cash-generating unit*

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

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

*“Gas” cash-generating unit*

The goodwill arising from the consolidation of the Gas Business Unit, amounting to 7 million euro, refers to the area involved in selling gas to end customers (residential and business) and wholesalers and was impairment tested. The Gas Cash Generating Unit includes 7 million euro representing the portion of the goodwill arising on the merger between BAS S.p.A. and A2A S.p.A..

The recoverable amount was calculated on the basis of the use value considering an indefinite time horizon.

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

## Assets other than goodwill

As in previous years, the management also performed the impairment test for the Electricity, EPCG and San Filippo del Mela CGUs, for which there have been specific impairment indicators during the year, as described in the following paragraphs.

### *Impairment testing of the “Electricity” cash-generating unit*

The Electricity cash-generating unit belongs to A2A’s Electricity Business Unit, whose activities are the generation of electricity and its sale on the wholesale and retail markets. Support for the marketing areas is assured by activities involving fuel provisioning, programming and dispatch of electricity generating plants and optimizing business portfolio management.

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

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

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

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

The impairment testing of the “Electricity” cash-generating unit solely regarded activities concerning electricity, thus excluding those relating to the “Gas” cash-generating unit, for which specific impairment testing was carried out as described above.

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

- EPCG, a company producing electricity in Montenegro, because it is not interconnected and the electricity is dispatched outside its national borders;

- the San Filippo del Mela power plant, owned by Edipower S.p.A. and operating as an Essential Unit;
- Protected category services<sup>(\*)</sup> delivered by A2A Energia S.p.A.;
- trading carried out by A2A Trading S.r.l..

The value of the “Electricity” Cash Generating Unit in the impairment test amounted to 2,118 million euro.

The scenario of the A2A Group Plan was prepared with reference to, for 2016, the forward curves (market prices as at January 15, 2016). For the subsequent years, and thus, from 2017 to 2020 the estimation of various parameters (PUN, gas, oil price, spark and dark spread, etc.) was determined using a proprietary model based on the trend of demand and supply fundamentals and the main reference commodities, as well as on the analyzes of the main market operators and research institutions. The scenario thus created led to values that increased over the period of analysis, albeit to a lesser extent than as developed in the previous Plan 2015-2019. In particular, in 2020 (last year of explicit planning), the main reference values are as follows:

- Oil price: 65.0 \$/bbl;
- PUN base load: 55.0 €/MWh;
- PUN peak load: 63.0 €/MWh;
- Gas to the PSV (spot market of reference for gas in Italy): 20.5 €/MWh.

The recovery of energy prices, in particular, is estimated to grow according to both the recovery in the price of oil and, related thereto, of gas and, to a portion, of the expected capacity exit of CCGT Groups from the market.

The 2016-2020 Plan also envisage the start of the Capacity Market, which will remunerate the eligible capacity for a given amount of €/MW according to methods currently being discussed between the Italian Government and the European Commission, which has been notified of the mechanism pursuant to the “State aid” discipline. Said remuneration, higher than the one currently in force, but less than that as envisaged in the 2015-2019 Plan, is estimated as of 2018.

For the purposes of determining the value in use, two distinct and equally probable scenarios were considered involving different treatment of incentives related to the capacity payment defined respectively “Scenario 1” and “Scenario 2”. In particular, flows relating to the capacity market (including both the incentives related to capacity and to flexibility), have been isolated

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

and evaluated separately from operating flows generated by hydroelectric, thermoelectric (CCGT) and coal plants.

“Scenario 1” envisages, for the period 2016-2020, the use of EBITDA expected in the 2016-2020 Plan including the revenues from capacity payments, calculated on the basis of a unitary contribution system (i.e. as of 2018 for adequacy and as of 2019 for flexibility).

“Scenario 2” differs for the different treatment of revenues from capacity payments. For the period 2016-2020, the operating EBITDA expected in the 2016-2020 Plan was used, to which EBITDA relating to the capacity payment calculated on the basis of a unitary contribution system (i.e. as of 2018 for adequacy and as of 2019 for flexibility) was added less a percentage between 25% and 30% with respect to the unitary drivers used in “Scenario 1”.

In both scenarios, the investments of the Plan, the releases of the employee leaving entitlement provision (assumed equal to 5% of the stock at December 31, 2015) and the changes in net working capital were deducted from the EBITDA of the two scenarios.

For the purposes of discounting the cash flows, the mid-year temporal logic was followed, thus assuming the generation of flows at mid-year, rather than at year-end.

Consistent with the aforementioned flows, discount rates were estimated by determining the weighted average cost of capital as described above.

The impairment test conducted resulted in a write-down of 104 million euro.

The table below shows net invested capital at December 31, 2015, the discount rate used, the growth rates beyond the explicit time horizon, the recoverable value obtained and the related write-down.

| CGU - without goodwill<br>Electricity<br>Millions of euro | Net capital<br>employed<br>at 12 31 2015 | WACC | Growth<br>rate g | Recoverable<br>Value<br>(use value) | Write-down |
|-----------------------------------------------------------|------------------------------------------|------|------------------|-------------------------------------|------------|
| 12 31 2015                                                | 2,118                                    | 9.0% | 1.0%             | 2,014                               | (104)      |

  

| CGU - without goodwill<br>Electricity<br>Millions of euro | Net capital<br>employed<br>at 12 31 2014 | WACC | Growth<br>rate g | Recoverable<br>Value<br>(use value) | Write-down |
|-----------------------------------------------------------|------------------------------------------|------|------------------|-------------------------------------|------------|
| 12 31 2014                                                | 2,736                                    | 6.6% | da 0.0% a 1.0%   | 2,607                               | (129)      |

Further analyzes and sensitivity analyzes were conducted considering the potential effects of the changes in the reference parameters of the growth rate and WACC, as well as the assumptions developed in the terms of capacity payment. Additionally, in support of the impairment assessments, sensitivity analyzes were carried out on the 2016-2020 Plan, in

particular to determine the effect on the revenues and costs envisaged in the Plan of some changes in electricity demand. Said sensitivity analysis was set on the basis of the assumption that any peaks in demand, both positive and negative, are met by the CCGT plants as the most suitable to meet sudden demands.

The impact on the EBITDA of the “Electricity” CGU of a 1% change in electricity demand, both positive (“Increase Scenario”) and negative (“Decrease Scenario”) was then estimated based on the clean spark spread of the Plan. For the purposes of the sensitivity analysis, a probability of 60% was attributed to the Decrease Scenario and 40% to the Increase Scenario.

With reference to the sensitivity analyzes of WACC and growth rate  $g$ , it is noted that a plus/minus 0.1% change in WACC results in a change in the value in use of plus/minus 21 million euro, while a plus/minus 0.1% change in the growth rate  $g$  results in a change in the value in use of plus/minus 14 million euro.

On allocating the total impairment loss of the “Electricity” CGU, no amounts were attributed to the hydroelectric plants. This step was taken because of the profitability of those plants and because of the valuation criterion applicable at the end of the concession term for those assets for which a reimbursement could be obtained from the incoming concession holder in the event of losing a tender. Also, no write-down was allocated to the coal plant in Monfalcone that does not denote present or future difficulties, or based on the expected scenario, in perspective, recording a good level of operating hours and good margins.

For the CCGT, based on specific technical parameters, it was possible to identify by induction the value in use, reasonably attributable to each plant and, by comparison with the relative carrying values, identify the write-down possibly attributable to them. The technical parameters used refer, with equal weighting, to the technical obsolescence index, the cost efficiency index and the technical flexibility index. With the application of this methodology, the write-down of the “Electricity” CGU has been allocated to the Chivasso plant for 90 million euro (owned by Edipower S.p.A.), the Gissi plant for 10 million euro (owned by Abruzzoenergia S.p.A.) and the Cassano d’Adda plant for 4 million euro (owned by A2A S.p.A.).

The CCGT plants of Piacenza and Sermide (both owned by Edipower S.p.A.) have not been written down thanks to their technical parameters.

| <b>Plant</b><br><i>Millions of euro</i> | <b>Book value of the<br/>plant before<br/>the write-down<br/>12 31 2015</b> | <b>Book value of the<br/>plant after<br/>the write-down<br/>12 31 2015</b> | <b>Write-down</b> |
|-----------------------------------------|-----------------------------------------------------------------------------|----------------------------------------------------------------------------|-------------------|
| Chivasso                                | 270                                                                         | 180                                                                        | (90)              |
| Gissi                                   | 271                                                                         | 261                                                                        | (10)              |
| Cassano                                 | 171                                                                         | 167                                                                        | (4)               |
| Sermide                                 | 164                                                                         | 164                                                                        | -                 |
| Piacenza                                | 200                                                                         | 200                                                                        | -                 |

#### *“EPCG” cash-generating unit*

Following the emergence of specific impairment indicators, the A2A Group performed the impairment test on the “EPCG” cash-generating unit. More precisely, the 2016-2020 Plan developed by A2A Management related to the “EPCG” CGU includes significantly different bases with respect to the plans prepared previously as detailed below:

- the previous plan envisaged a case of tariff increase of + 5% per annum as of January 2016. The 2016-2020 Plan instead envisages 2016 tariffs (determined by the RAE in December 2015) with a slight decrease compared to 2015 (-1%) and a case of tariff increase for the next regulatory three-year period 2017-2019 of +3.0% per annum as of January 2017;
- the 2016-2020 Plan envisages an increase in investments of 50 million euro with respect to the previous plan in the years 2015-2019, mainly due to higher development investments (+24 million euro derivation project of the Zeta River-Idro Perucica Plant) and in the distribution segment (+32 million euro for the third phase of installation of electronic meters);
- the closure of the thermoelectric coal plant of Pljevlja in the first part of 2021 and the simultaneous start of import activities to support the estimated electricity demand;
- in terms of domestic electricity demand, a quite constant trend is expected between 2015 and 2025 with a growth of 0.2%. In the same period, an average increase of 9.0% is expected in exports mainly due to completion of the submarine cable for the commercialization of electricity with Italy;
- the coal requirement is expected to decrease sharply (average decrease of -18.7%) between 2015 and 2021, to then tend to zero as a result of the closure of the thermoelectric plant of Pljevlja assumed in 2021.

Instead, the overall economics deriving from the construction of the new thermoelectric plant of Pljevlja 2, as the project is still in the development phase, have not been considered for the purpose of impairment test analyzes, as required by IAS 36. However, in order to balance the expected electricity demand, the management of A2A has assumed to obtain the amounts of energy through market purchases (import hypothesis).

It is noted that the EPCG plan used for the performance of the impairment test, was drafted by A2A management with the support of the CEO and CFO of EPCG appointed by A2A. It therefore reflects the current strategic vision of the A2A partner on the expected performance of the Montenegrin subsidiary. The ongoing negotiations with the Government of Montenegro, the reference shareholder of EPCG along with A2A, for renewal of the subsidiary's governance agreements, have not, in fact, allowed the approval of a business plan directly by the EPCG Board of Directors at the date of this report.

The result of the impairment test resulted in a write-down of the assets of the subsidiary EPCG of 246 million euro, of which 103 million euro pertaining to the A2A Group and 143 million euro pertaining to minorities.

The write-down of EPCG assets was subsequently allocated to the plants because of the marginality of each internal division. More precisely, the following have been written down:

- thermoelectric plants for 127 million euro;
- the hydroelectric plants for 66 million euro;
- the electricity distribution network for 53 million euro.

The following table sets out net invested capital at December 31, 2015, the discount rates used and the type of recoverable amount considered.

| <b>CGU - EPCG</b><br>Millions of euro | <b>Value at<br/>12 31 2015</b> | <b>WACC</b> | <b>Growth<br/>rate g</b> | <b>Recoverable<br/>Value<br/>(use value)</b> | <b>Write-down</b> |
|---------------------------------------|--------------------------------|-------------|--------------------------|----------------------------------------------|-------------------|
| 12 31 2015                            | 827                            | 10.3% *     | 1.0%                     | 581                                          | (246)             |

(\*) WACC weighted between regulated and market activities

#### *Cash Generating Unit "San Filippo del Mela"*

The plant of San Filippo del Mela includes two plants, which are considered essential for the safety of the electrical system and admitted to the cost reinstatement regime in the manner prescribed by the AEEGSI: SFM 150 kV (group 1) and SFM 220 kV (groups 2, 5 and 6). In the base plan of the performance of the impairment test for the 2014 financial statements, it was assumed that:

- Group 1 (SFM 150 kV plant) continued in the essentiality regime for the year 2015 (as announced by Terna S.p.A.), while for the following years, its merchant operation was envisaged;
- Group 2 (SFM 220 kV plant) continued in the essentiality regime until June 30, 2015 (as announced by Terna S.p.A.), while for the remainder of the year 2015 and for the following years, its merchant operation was envisaged;

- Groups 5 and 6 (SFM 220 kV plant) continued in the essentiality regime until June 30, 2015 (as announced by Terna S.p.A.), while for the remainder of the year 2015, its merchant operation was envisaged and for the following years, operation was no longer envisaged.

In fact, both plants operated in the essentiality and cost reinstatement regime throughout 2015; furthermore, by Resolution 663/2015/R/eel, the AEEGSI recognized the essentiality of the SFM 150 kV plant also for all of 2016, and the SFM 220 kV plant up to the commissioning of enhancement of the cable Sorgente-Rizziconi expected by June 30, 2016. Positive margins are therefore expected for all of 2016.

Considering the improvement scenario with respect to as assumed for the 2014 impairment test, it was deemed appropriate to subject the “San Filippo del Mela” CGU to impairment testing also for the year 2015 to verify whether the assessment of the independent expert of last year is still valid in light of the profitability prospects of the new Plan.

In determining the value in use of the “San Filippo del Mela” CGU, the 2016-2020 Plan was used. As of 2020, it has been speculated that the plant will operate as cold reserve. The estimate of the value in use is based on a definite useful life scenario (2020) and takes into account that the relative severance costs have been fully allocated to date.

Unlike as was done for the “Electricity” CGU, no specific assumptions were made on revenues from capacity payments given their minor importance throughout the Plan (a total of less than 1 million euro).

It is noted that, for the purposes of discounting the cash flows, the mid-year temporal logic was followed, thus assuming the generation of flows at mid-year, rather than at year-end.

| <b>CGU - Thermoelectric plant<br/>San Filippo del Mela</b><br><i>Millions of euro</i> | <b>Value at<br/>12 31 2015</b> | <b>WACC</b> | <b>Growth<br/>rate g</b> | <b>Recoverable<br/>Value<br/>(use value)</b> | <b>Write-down</b> |
|---------------------------------------------------------------------------------------|--------------------------------|-------------|--------------------------|----------------------------------------------|-------------------|
| 12 31 2015                                                                            | 25                             | 9.0%        | 0.0%                     | 25                                           | -                 |

  

| <b>CGU - Thermoelectric plant<br/>San Filippo del Mela</b><br><i>Millions of euro</i> | <b>Value at<br/>12 31 2014</b> | <b>WACC</b> | <b>Growth<br/>rate g</b> | <b>Recoverable<br/>Value<br/>(use value)</b> | <b>Write-down</b> |
|---------------------------------------------------------------------------------------|--------------------------------|-------------|--------------------------|----------------------------------------------|-------------------|
| 12 31 2014                                                                            | 103                            | 6.6%        | from 0.0% to 1.0%        | 25                                           | (78)              |

The result of the impairment test performed on the CGU did not result in write-ups or further write-downs with respect to those made in the 2014 financial statements.

3) Shareholdings and other non-current financial assets

| Millions of euro                                           | Balance at<br>12 31 2014 | Changes<br>during the<br>year | Balance at<br>12 31 2015 | of which included<br>in the NFP |            |
|------------------------------------------------------------|--------------------------|-------------------------------|--------------------------|---------------------------------|------------|
|                                                            |                          |                               |                          | 12 31 2014                      | 12 31 2015 |
| Shareholdings carried under the equity method              | 74                       | (6)                           | 68                       | -                               | -          |
| Other non-current financial assets                         | 65                       | 4                             | 69                       | 57                              | 57         |
| Total shareholdings and other non-current financial assets | 139                      | (2)                           | 137                      | 57                              | 57         |

“Shareholdings carried according to equity method” decreased by 6 million euro over December 31, 2014.

The following table sets out details of the changes:

| Shareholdings carried according to equity method - Millions of euro    | Total |
|------------------------------------------------------------------------|-------|
| Balance at December 31, 2014                                           | 74    |
| Changes during the year:                                               |       |
| - acquisitions and capital increases                                   | 2     |
| - valuations at equity                                                 | (4)   |
| - write-downs                                                          |       |
| - dividends received from shareholdings in companies carried at equity | (2)   |
| - sales                                                                |       |
| - other changes                                                        |       |
| - reclassifications                                                    | (2)   |
| Total changes for the year                                             | (6)   |
| Balance at December 31, 2015                                           | 68    |

The changes are attributable to:

- the decrease of 7 million euro resulting from the valuation at equity of the shareholding in Rudnik Uglja Ad Pljevlja;
- the decrease of 2 million euro resulting from the collection of dividends;
- the decrease of 2 million euro resulting from the reclassification of the shareholdings in SED S.r.l., Bergamo Servizi S.r.l. and Bellisolina S.r.l. control of which was acquired in the year under review;
- the increase of 5 million euro resulting from the acquisition of an additional 2% of the share capital of the shareholding in ACSM-AGAM S.p.A., for 2 million euro, and the valuation at equity thereof, for 3 million euro.

With reference to the shareholding in Ergosud S.p.A., it is noted that, at December 31, 2015, the valuation of the shareholding was carried out, which confirmed the zero value, already recognized at December 31, 2014.

The details of the shareholdings are provided in annex no. 4 “List of shareholdings in companies carried at equity”.

At December 31, 2015, “Other non-current financial assets” showed a balance of 69 million euro, an increase of 4 million euro compared to December 31, 2014, and refer to 57 million euro for financial receivables for medium/long-term deposits of the subsidiary EPCG, 8 million euro for shareholdings in other companies, details of which are provided in annex no. 5, and 4 million euro for other financial assets.

4) Deferred tax assets

| <i>Millions of euro</i> | Balance at<br>12 31 2014 | Changes<br>during the<br>year | Balance at<br>12 31 2015 |
|-------------------------|--------------------------|-------------------------------|--------------------------|
| Deferred tax assets     | 323                      | (15)                          | 308                      |

“Deferred tax assets” amounted to 308 million euro (323 million euro at December 31, 2014). This item consists of the net balance of IRES and IRAP deferred tax assets and liabilities arising from changes and accruals made solely for fiscal purposes. The recoverability of “Deferred tax assets” recorded in the financial statements is considered likely, as the future plans envisage taxable income sufficient to use the deferred tax assets.

Deferred tax assets have been determined, with regard to IRAP, using the tax rate in force. Regarding IRES, following the provision of art. 1, paragraph 61 of Law 208/2015, which ordered the reduction of 3.5 percentage points of the IRES rate from January 1, 2017, effective for tax periods following the current year at December 31, 2016, in these financial statements, the amount of deferred tax assets and liabilities has been adjusted to the new rate (24%). This adjustment resulted in a decrease of 24 million euro, of which 20 million euro with impact on the income statement.

At December 31, 2015, the amounts relative to deferred tax assets/deferred tax liabilities have been expressed as net (“offsetting”) as per IAS 12.

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

| Millions of euro                                          | Consolidated financial statements at 12 31 2014 | Accruals (A) | Utilizations (B) | Adjustment rates (C) | Total (A+B+C) | IAS 39 to equity | IAS 19 Revised to equity | Adjustment Rates at Equity Net | Other changes/Reclass./Mergers | Deferred tax assets/liabilities in Assets held for sale | Consolidated financial statements at 12 31 2015 |
|-----------------------------------------------------------|-------------------------------------------------|--------------|------------------|----------------------|---------------|------------------|--------------------------|--------------------------------|--------------------------------|---------------------------------------------------------|-------------------------------------------------|
| <b>Detail of deferred tax assets and liabilities</b>      |                                                 |              |                  |                      |               |                  |                          |                                |                                |                                                         |                                                 |
| <b>Deferred tax liabilities</b>                           |                                                 |              |                  |                      |               |                  |                          |                                |                                |                                                         |                                                 |
| Measurement differences for tangible assets               | 788                                             | 20           | (24)             | (34)                 | (38)          |                  |                          |                                |                                | (49)                                                    | 701                                             |
| Application of the leasing standard (IAS 17)              | 7                                               |              |                  | (1)                  | (1)           |                  |                          |                                |                                |                                                         | 6                                               |
| Application of the financial instrument standard (IAS 39) | -                                               |              |                  |                      | -             |                  |                          |                                |                                |                                                         | -                                               |
| Measurement differences for intangible assets             | (1)                                             |              | (1)              | (2)                  | (3)           |                  |                          |                                |                                |                                                         | (4)                                             |
| Deferred capital gains                                    | -                                               |              |                  |                      | -             |                  |                          |                                |                                |                                                         | -                                               |
| Employee leaving entitlement (TFR)                        | 4                                               |              |                  |                      | -             |                  |                          |                                |                                |                                                         | 4                                               |
| Goodwill                                                  | 93                                              | 1            |                  |                      | 1             |                  |                          |                                |                                |                                                         | 94                                              |
| Other deferred tax liabilities                            | 64                                              |              | (26)             | (53)                 | (79)          |                  |                          |                                |                                |                                                         | (15)                                            |
| <b>Total deferred tax liabilities (A)</b>                 | <b>955</b>                                      | <b>21</b>    | <b>(51)</b>      | <b>(90)</b>          | <b>(120)</b>  | <b>-</b>         | <b>-</b>                 | <b>-</b>                       | <b>-</b>                       | <b>(49)</b>                                             | <b>786</b>                                      |
| <b>Deferred tax assets</b>                                |                                                 |              |                  |                      |               |                  |                          |                                |                                |                                                         |                                                 |
| Taxed risk provisions                                     | 151                                             | 37           | (56)             | (12)                 | (31)          |                  |                          |                                | (7)                            |                                                         | 113                                             |
| Measurement differences for tangible assets               | 646                                             | 63           | (4)              | (69)                 | (10)          |                  |                          |                                | 12                             | (30)                                                    | 618                                             |
| Application of the financial instrument standard (IAS 39) | 31                                              |              |                  |                      | -             | (9)              |                          | (3)                            | 13                             |                                                         | 32                                              |
| Bad debt provision                                        | 12                                              | 5            | (8)              | (1)                  | (4)           |                  |                          |                                | (1)                            |                                                         | 7                                               |
| Grants                                                    | 14                                              |              | (1)              | (1)                  | (2)           |                  |                          |                                |                                |                                                         | 12                                              |
| Goodwill                                                  | 371                                             | 1            | (41)             | (23)                 | (63)          |                  |                          |                                |                                |                                                         | 308                                             |
| Other deferred tax assets                                 | 53                                              | 2            | (30)             | (4)                  | (32)          |                  | (4)                      | (1)                            | (12)                           |                                                         | 4                                               |
| <b>Total deferred tax assets (B)</b>                      | <b>1,278</b>                                    | <b>108</b>   | <b>(140)</b>     | <b>(110)</b>         | <b>(142)</b>  | <b>(9)</b>       | <b>(4)</b>               | <b>(4)</b>                     | <b>5</b>                       | <b>(30)</b>                                             | <b>1,094</b>                                    |
| <b>NET DEFERRED TAX ASSETS/LIABILITIES (B-A)</b>          | <b>323</b>                                      | <b>87</b>    | <b>(89)</b>      | <b>(20)</b>          | <b>(22)</b>   | <b>(9)</b>       | <b>(4)</b>               | <b>(4)</b>                     | <b>5</b>                       | <b>19</b>                                               | <b>308</b>                                      |

## 5) Other non-current assets

| <i>Millions of euro</i>               | Balance at<br>12 31 2014 | Changes<br>during the<br>year | Balance at<br>12 31 2015 | of which included<br>in the NFP |            |
|---------------------------------------|--------------------------|-------------------------------|--------------------------|---------------------------------|------------|
|                                       |                          |                               |                          | 12 31 2014                      | 12 31 2015 |
| Non-current derivatives               | 34                       | (34)                          | -                        | 34                              | -          |
| Other non-current assets              | 9                        | (3)                           | 6                        | -                               | -          |
| <b>Total other non-current assets</b> | <b>43</b>                | <b>(37)</b>                   | <b>6</b>                 | <b>34</b>                       | <b>-</b>   |

“Other non-current assets” amounted to 6 million euro, a decrease of 37 million euro over December 31, 2014; they essentially consist of security deposits and costs already incurred, however pertaining to future years.

At December 31, 2014, this item included 34 million euro of assets corresponding to the fair value of financial hedging “Derivatives”. Said derivatives mainly refer to Interest Rate Swap (IRS) contracts hedging interest rate risk on bonds and long-term loans. At December 31, 2015, following the reclassification of underlying debt under “Current financial liabilities”, also the corresponding derivatives were reclassified from “Other non-current assets” to “Other current assets”.

## Current assets

### 6) Inventories

| <i>Millions of euro</i> | Balance at<br>12 31 2014 | Changes<br>during the<br>year | Balance at<br>12 31 2015 |
|-------------------------|--------------------------|-------------------------------|--------------------------|
| <b>Inventories</b>      | <b>284</b>               | <b>(100)</b>                  | <b>184</b>               |

“Inventories” amounted to 184 million euro (284 million euro at December 31, 2014), net of the related obsolescence provision for 26 million euro (22 million euro at December 31, 2014). The increase in the obsolescence provision mainly refers to the write-down of material inventories of the warehouse of the San Filippo del Mela plant.

Inventories changed as follows:

- 80 million euro for the decrease in other inventories, which at December 31, 2015, totalled 22 million euro against 102 million euro at December 31, 2014; they refer to inventories of environmental certificates and emission rights of the trading portfolio;
- 20 million euro relating to the decrease in fuel stocks, which at December 31, 2015 totalled 99 million euro compared to 119 million euro at December 31, 2014;
- 4 million euro related to the decrease in fuel at third parties, which amounted to 3 million euro at December 31, 2015 and 7 million euro at the end of the previous year;

- 4 million euro relating to an increase in materials stocks, which totalled 60 million euro compared to 56 million euro at December 31, 2014.

## 7) Trade receivables

| <i>Millions of euro</i>        | Balance at<br>12 31 2014 | Changes<br>during the<br>year | Balance at<br>12 31 2015 |
|--------------------------------|--------------------------|-------------------------------|--------------------------|
| Trade receivables              | 1,923                    | (123)                         | 1,800                    |
| (Bad debt provision)           | (332)                    | 17                            | (315)                    |
| <b>Total trade receivables</b> | <b>1,591</b>             | <b>(106)</b>                  | <b>1,485</b>             |

“Trade receivables” amounted to 1,485 million euro at December 31, 2015 (1,591 million euro at December 31, 2014), representing a net decrease of 106 million euro. In further detail:

- for 97 million euro, the decrease in trade receivables from customers; this item had a balance of 1,398 million euro at the reporting date compared to that of 1,495 million euro at December 31, 2014;
- for 1 million euro, the decrease in receivables from the Municipalities of Milan and Brescia, which had a total balance of 79 million euro (80 million euro in the previous year);
- for 6 million euro, the decrease in receivables from associates, which had a balance of 5 million euro at the balance sheet date (11 million euro at December 31, 2014);
- for 2 million euro, the decrease in receivables for contracts in progress, which amounted to 3 million euro (5 million euro at December 31, 2014).

The Group makes spot sales of receivables on a non-recourse basis. At December 31, 2015, the receivables which had not yet fallen due, sold by the Group on a definitive basis and derecognized in accordance with the requirements of IAS 39, amounted to 101 million euro in total (234 million euro at December 31, 2014). These receivables amounted to 8 million euro (zero at December 31, 2014) at the date of publication of this Consolidated Annual Financial Report. The sale is related to trade receivables. The Group has no rotating factoring programs.

The “Bad debt provision” amounted to 315 million euro and shows a net decrease of 17 million euro over December 31, 2014. This provision is considered adequate to cover the risks to which it relates.

The changes in the bad debt provision are outlined in the following table:

| <i>Millions of euro</i>    | Balance at<br>12 31 2014 | Provisions | Utilizations | Other<br>changes | Balance at<br>12 31 2015 |
|----------------------------|--------------------------|------------|--------------|------------------|--------------------------|
| <b>Bad debts provision</b> | <b>332</b>               | <b>22</b>  | <b>(39)</b>  | <b>-</b>         | <b>315</b>               |

The following is the aging of trade receivables:

| Millions of euro                   | 12 31 2014   | 12 31 2015   |
|------------------------------------|--------------|--------------|
| <b>Trade receivables of which:</b> | <b>1,591</b> | <b>1,485</b> |
| <b>Current</b>                     | <b>435</b>   | <b>556</b>   |
| <b>Past due of which:</b>          | <b>560</b>   | <b>510</b>   |
| - Past due up to 30 days           | 58           | 56           |
| - Past due from 31 to 180 days     | 68           | 59           |
| - Past due from 181 to 365 days    | 68           | 45           |
| - Past due over 365 days           | 366          | 350          |
| <b>Invoices to be issued</b>       | <b>928</b>   | <b>734</b>   |
| <b>Bad debts provision</b>         | <b>(332)</b> | <b>(315)</b> |

## 8) Other current assets

| Millions of euro                                                                                    | Balance at<br>12 31 2014 | Changes<br>during the<br>year | Balance at<br>12 31 2015 | of which included<br>in the NFP |            |
|-----------------------------------------------------------------------------------------------------|--------------------------|-------------------------------|--------------------------|---------------------------------|------------|
|                                                                                                     |                          |                               |                          | 12 31 2014                      | 12 31 2015 |
| <b>Current derivatives</b>                                                                          | <b>51</b>                | <b>4</b>                      | <b>55</b>                | -                               | <b>16</b>  |
| <b>Other current assets of which:</b>                                                               | <b>204</b>               | <b>(76)</b>                   | <b>128</b>               | -                               | -          |
| - receivables from CCSE - Cassa Conguaglio Settore Elettrico (Electricity Sector Equalization Fund) | 60                       | (8)                           | 52                       | -                               | -          |
| - advances to suppliers                                                                             | 4                        | 3                             | 7                        | -                               | -          |
| - receivables from employees                                                                        | 2                        | (1)                           | 1                        | -                               | -          |
| - tax receivables                                                                                   | 55                       | (51)                          | 4                        | -                               | -          |
| - receivables related to future years                                                               | 14                       | (2)                           | 12                       | -                               | -          |
| - receivables from Ergosud                                                                          | 19                       | -                             | 19                       | -                               | -          |
| - receivables from social security entities                                                         | 5                        | (2)                           | 3                        | -                               | -          |
| - Stamp Office                                                                                      | 2                        | (1)                           | 1                        | -                               | -          |
| - receivables for damage compensation                                                               | 1                        | -                             | 1                        | -                               | -          |
| - receivables for water derivation fees                                                             | 2                        | (1)                           | 1                        | -                               | -          |
| - receivables for COSAP advances                                                                    | 4                        | 1                             | 5                        | -                               | -          |
| - receivables from the Municipality of Varese for RIA management                                    | 5                        | (5)                           | -                        | -                               | -          |
| - sundry receivables EPCG                                                                           | 11                       | 1                             | 12                       | -                               | -          |
| - receivables for security deposits                                                                 | 2                        | (1)                           | 1                        | -                               | -          |
| - other sundry receivables                                                                          | 18                       | (9)                           | 9                        | -                               | -          |
| <b>Total other current assets</b>                                                                   | <b>255</b>               | <b>(72)</b>                   | <b>183</b>               | -                               | <b>16</b>  |

“Other current assets” show a balance of 183 million euro compared to 255 million euro at December 31, 2014, a total decrease of 72 million euro.

“Current derivatives” showed an increase of 4 million euro, related to the reclassification from “Other non-current assets” of assets for financial hedging “Derivatives”, mainly related to Interest Rate Swap (IRS) contracts to hedge the risk of adverse changes in interest rates on bonds maturing in the following year (16 million euro); this increase was partially offset by the decrease in commodity derivatives due to the fair value measurement at the end of the year under review (-12 million euro).

Receivables from the CCSE - Cassa Conguaglio Settore Elettrico (Electricity Sector Equalization Fund), amounting to 52 million euro (60 million euro at December 31, 2014), mainly refer to receivables accrued during the year for equalizations pertaining to the year 2015, as well as outstanding receivables for equalizations pertaining to previous years, net of collections made during the year.

Tax receivables, amounting to 4 million euro, mainly relate to tax receivables from the tax authorities for excise and withholding taxes, while in the previous year, they also included the receivable for VAT.

Receivables from Ergosud, amounting to 19 million euro, unchanged over the previous year, refer to the receivable due for new entry plants (Scandale Plant), regarding portions of emission allowances as provided by AEEGSI resolutions no. ARG/elt 194/10 and no. 117/10.

## 9) Current financial assets

| Millions of euro                          | Balance at<br>12 31 2014 | Changes<br>during the<br>year | Balance at<br>12 31 2015 | of which included<br>in the NFP |            |
|-------------------------------------------|--------------------------|-------------------------------|--------------------------|---------------------------------|------------|
|                                           |                          |                               |                          | 12 31 2014                      | 12 31 2015 |
| Other financial assets                    | 126                      | 39                            | 165                      | 126                             | 165        |
| Financial assets due from related parties | -                        | 6                             | 6                        | -                               | 6          |
| <b>Total current financial assets</b>     | <b>126</b>               | <b>45</b>                     | <b>171</b>               | <b>126</b>                      | <b>171</b> |

This item had a balance of 171 million euro (126 million euro at December 31, 2014), mainly relating to interest-bearing bank deposits.

## 10) Current tax assets

| <i>Millions of euro</i>   | <b>Balance at<br/>12 31 2014</b> | <b>Changes<br/>during the<br/>year</b> | <b>Balance at<br/>12 31 2015</b> |
|---------------------------|----------------------------------|----------------------------------------|----------------------------------|
| <b>Current tax assets</b> | <b>85</b>                        | <b>(14)</b>                            | <b>71</b>                        |

“Current tax assets” amounted to 71 million euro (85 million euro at December 31, 2014) representing a decrease of 14 million euro over the previous year-end. This item consists of receivables from the tax authorities for IRES (27 million euro) mainly relating to requests for reimbursement as a result of IRAP deductibility for IRES, IRAP (23 million euro) mainly relating to the requests for reimbursement as a result of the recognition of the status of industrial holding for AzA S.p.A. during the year and for Robin Tax (21 million euro) relating to the credit requests for reimbursement/compensation.

## 11) Cash and cash equivalents

| <i>Millions of euro</i>          | <b>Balance at<br/>12 31 2014</b> | <b>Changes<br/>during the<br/>year</b> | <b>Balance at<br/>12 31 2015</b> | <b>of which included<br/>in the NFP</b> |                   |
|----------------------------------|----------------------------------|----------------------------------------|----------------------------------|-----------------------------------------|-------------------|
|                                  |                                  |                                        |                                  | <b>12 31 2014</b>                       | <b>12 31 2015</b> |
| <b>Cash and cash equivalents</b> | <b>544</b>                       | <b>92</b>                              | <b>636</b>                       | <b>544</b>                              | <b>636</b>        |

“Cash and cash equivalents” at December 31, 2015 represent the sum of the Group’s bank and postal asset balances.

Bank deposits include interest accrued even if it was not credited by the end of the financial year under review.

It is noted that as a result of the agreement between AzA and Cellina Energy, 38 million euro cash was reclassified under “Non-current assets held for sale”; without considering said reclassification, the Group’s cash and cash equivalents at December 31, 2015 amounted to 674 million euro.

12) Non-current assets held for sale

| Millions of euro                 | Balance at<br>12 31 2014 | Changes<br>during the<br>year | Balance at<br>12 31 2015 | of which included<br>in the NFP |            |
|----------------------------------|--------------------------|-------------------------------|--------------------------|---------------------------------|------------|
|                                  |                          |                               |                          | 12 31 2014                      | 12 31 2015 |
| Non-current assets held for sale | -                        | 205                           | 205                      | -                               | 38         |

“Non-current assets held for sale” showed a balance of 205 million euro at the balance sheet date (no balance at December 31, 2014) and refer:

- for 203 million euro to some assets and asset items of Edipower S.p.A., which were reclassified following the signing of an agreement between AzA S.p.A. and Cellina Energy, a company wholly owned by Società Elettrica Altoatesina S.p.A. (SEL), which approved the project for the non-proportional demerger of Edipower S.p.A. whose objective is the overall reorganization of the ownership structure of the company; thus, at the outcome of the transaction, AzA S.p.A. will hold 100% of Edipower in order to allow over time a more systematic valuation of the various assets, even through a different strategic management and a different sharing of related values. The scope of assets of the spin-off refers to the assets of the hydroelectric plant chain of the Cellina torrent as well as 18 so-called “mini-hydro” plants. For further information, reference is made to the paragraph “Significant events of the year;
- for 2 million euro to the reclassification of assets owned by the company SEASM S.r.l. consisting of a 380 kV electrical substation called “Voghera” and intended to connect to the national electricity transmission network (RTN) the thermoelectric plant of Voghera Energia.

## EQUITY AND LIABILITIES

### Equity

Equity, which amounted to 3,259 million euro at December 31, 2015 (3,179 million euro at December 31, 2014), is set out in the following table:

| <i>Millions of euro</i>                     | <b>Balance at<br/>12 31 2014</b> | <b>Changes<br/>during the<br/>year</b> | <b>Balance at<br/>12 31 2015</b> |
|---------------------------------------------|----------------------------------|----------------------------------------|----------------------------------|
| <b>Equity pertaining to the Group:</b>      |                                  |                                        |                                  |
| Share capital                               | 1,629                            | -                                      | 1,629                            |
| (Treasury shares)                           | (61)                             | -                                      | (61)                             |
| Reserves                                    | 1,048                            | (43)                                   | 1,005                            |
| Group result of the year                    | (37)                             | 110                                    | 73                               |
| <b>Total equity pertaining to the Group</b> | <b>2,579</b>                     | <b>67</b>                              | <b>2,646</b>                     |
| Minority interests                          | 600                              | 13                                     | 613                              |
| <b>Total equity</b>                         | <b>3,179</b>                     | <b>80</b>                              | <b>3,259</b>                     |

The overall change in equity, an increase of 80 million euro, is due to the profit of the year of 73 million euro, the distribution of the dividend for 113 million euro, the measurements under IAS 32 and IAS 39 of cash flow hedge derivatives, changes in the IAS 19 Revised reserve - Employee benefits - and changes in minority interests.

### 13) Share capital

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

### 14) Treasury shares

“Treasury shares”, which amounted to 61 million euro, unchanged over December 31, 2014, consist of 26,917,609 own shares held by the parent company A2A S.p.A..

## 15) Reserves

| <i>Millions of euro</i>                                  | <b>Balance at<br/>12 31 2014</b> | <b>Changes<br/>during the<br/>year</b> | <b>Balance at<br/>12 31 2015</b> |
|----------------------------------------------------------|----------------------------------|----------------------------------------|----------------------------------|
| <b>Reserves</b>                                          | <b>1,048</b>                     | <b>(43)</b>                            | <b>1,005</b>                     |
| of which:                                                |                                  |                                        |                                  |
| Changes in the fair value of cash flow hedge derivatives | (68)                             | 35                                     | (33)                             |
| Tax effect                                               | 17                               | (9)                                    | 8                                |
| <b>Cash flow hedge reserves</b>                          | <b>(51)</b>                      | <b>26</b>                              | <b>(25)</b>                      |
| Change in the IAS 19 Revised reserve - Employee benefits | (82)                             | 18                                     | (64)                             |
| Tax effect                                               | 20                               | (4)                                    | 16                               |
| <b>IAS 19 Revised reserve - Employee benefits</b>        | <b>(62)</b>                      | <b>14</b>                              | <b>(48)</b>                      |

“Reserves”, which amounted to 1,005 million euro (1,048 million euro at December 31, 2014), consist of the legal reserve, extraordinary reserves, and the retained earnings of subsidiaries.

This item also includes the negative cash flow hedge reserve of 25 million euro which arises from the year-end measurement of derivatives qualifying for hedge accounting.

The balance also includes negative reserves of 48 million euro arising from the adoption of IAS 19 Revised “Employee benefits” which requires actuarial profits and losses to be recognized directly in an equity reserve.

As a result of the transactions, which took place on December 28, 2015, the acquisition by SEL, Società Elettrica Altoatesina S.p.A. of the shares held by the Financial Shareholders of Edipower S.p.A. and stipulation of the partial non-proportional demerger of Edipower S.p.A. in favour of Cellina Energy S.r.l., a company wholly owned by SEL S.p.A., as described in the paragraph “Consolidation policies and procedures”, the put options on Edipower S.p.A. shares have lapsed. Therefore, at December 31, 2015, the Group’s equity no longer includes the effects of applying IAS 32 paragraph 23 on these options consequent to changes in the fair value of Edipower, but reflects an increase of 39 million euro as portion resulting from debt cancellation recognized during the first consolidation related to the accounting of the put options on Edipower shares.

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

| Millions of euro                                                                                              | 2015        | 2014        |
|---------------------------------------------------------------------------------------------------------------|-------------|-------------|
| <b>Result of the year A2A S.p.A.</b>                                                                          | <b>(73)</b> | <b>8</b>    |
| Intragroup dividends eliminated from the consolidated financial statements                                    | (257)       | (313)       |
| Results of subsidiaries, associates and joint ventures not included in the financial statements of A2A S.p.A. | 235         | 94          |
| Subsidiary shareholdings written down in the financial statements of A2A S.p.A.                               | 214         | 3           |
| Other consolidation adjustments                                                                               | (46)        | 171         |
| <b>Group result of the year</b>                                                                               | <b>73</b>   | <b>(37)</b> |

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

| Millions of euro                                                                                                                | 2015         | 2014         |
|---------------------------------------------------------------------------------------------------------------------------------|--------------|--------------|
| <b>Equity pertaining to A2A S.p.A.</b>                                                                                          | <b>2,162</b> | <b>2,325</b> |
| - Elimination of the residual portion of the equity reserve resulting from intra-group profit on the transfer of business units | (410)        | (416)        |
| - Retained earnings/(accumulated losses)                                                                                        | 768          | 819          |
| - Intra-group dividends eliminated from the consolidated financial statements                                                   | (257)        | (313)        |
| - Results of subsidiaries, associates and joint ventures not included in the financial statements of A2A S.p.A.                 | 235          | 94           |
| - Subsidiary shareholdings written down in the financial statements of A2A S.p.A.                                               | 214          | 3            |
| Other consolidation adjustments                                                                                                 | (66)         | 67           |
| <b>Equity pertaining to the Group</b>                                                                                           | <b>2,646</b> | <b>2,579</b> |

16) Result of the year

This item consists of a profit of 73 million euro, representing the result for the year.

17) Minority interests

| <i>Millions of euro</i> | Balance at<br>12 31 2014 | Changes<br>during the<br>year | Balance at<br>12 31 2015 |
|-------------------------|--------------------------|-------------------------------|--------------------------|
| Minority interests      | 600                      | 13                            | 613                      |

“Minority interests” amounted to 613 million euro (600 million euro at December 31, 2014) and represent the portion of capital, reserves and result pertaining to minority shareholders mainly related to third-party shareholders of EPCG and Edipower S.p.A..

The increase for the year of 13 million euro is due to contrasting factors mainly related to the reclassification, for 196 million euro, from “Other non-current liabilities” of the debt recognized to third parties for the valorization of the put options on Edipower S.p.A. shares as a result of the loss of such rights, as described in the paragraph “Consolidation policies and procedures”, in part adjusted by the portion of the result of the minority shareholders of EPCG, negative for 130 million euro, and the reclassification to “Other current liabilities”, for 20 million euro, of the equity portion of the minority shareholders of the EPCG Group in relation to the return of the capital portion resolved by the Shareholders’ Meeting of EPCG on June 30, 2015, as further described in the paragraph “Significant events during the year”.

## LIABILITIES

### Non-current liabilities

#### 18) Non-current financial liabilities

| Millions of euro                               | Balance at<br>12 31 2014 | Changes<br>during the<br>year | Balance at<br>12 31 2015 | of which included<br>in the NFP |              |
|------------------------------------------------|--------------------------|-------------------------------|--------------------------|---------------------------------|--------------|
|                                                |                          |                               |                          | 12 31 2014                      | 12 31 2015   |
| Non-convertible bonds                          | 2,936                    | (505)                         | 2,431                    | 2,936                           | 2,431        |
| Payables to banks                              | 941                      | (284)                         | 657                      | 941                             | 657          |
| Finance lease payables                         | 2                        | (1)                           | 1                        | 2                               | 1            |
| <b>Total non-current financial liabilities</b> | <b>3,879</b>             | <b>(790)</b>                  | <b>3,089</b>             | <b>3,879</b>                    | <b>3,089</b> |

“Non-current financial liabilities”, which amounted to 3,089 million euro (3,879 million euro at December 31, 2014), decreased by 790 million euro.

“Non-convertible bonds” regard the following bonds, accounted for at amortized cost:

- 746 million euro, maturing in November 2019 and coupon of 4.50%, the nominal value of which is equal to 750 million euro;
- 496 million euro, maturing in January 2021 and coupon of 4.375%, the nominal value of which is equal to 500 million euro;
- 496 million euro, maturing in January 2022 and coupon of 3.625%, the nominal value of which is equal to 500 million euro;
- 299 million euro, Private Placement maturing in December 2023 and coupon of 4.00%, the nominal value of which is equal to 300 million euro;
- 296 million euro, maturing in February 2025 and coupon of 1.750%, the nominal value of which is equal to 300 million euro;
- 98 million euro, Private Placement in yen maturing August 2036 and 5.405% fixed rate.

The decrease in the non-current component of “Non-convertible bonds” equal to 505 million euro compared to December 31, 2014 is mainly due to the reclassification of the bond maturing 2016 under “Current financial liabilities” in part offset by the effects of the Liability Management operation in February 2015 and the resulting changes in amortized cost.

Non-current “Payables to banks” amounted to 657 million euro, a decrease of 284 million euro mainly related to the voluntary early repayment of a 200 million euro loan.

“Finance lease payables” amounted to 1 million euro (2 million euro at December 31, 2014).

# 19) Employee benefits

The balance on this item amounted to 332 million euro (369 million euro at December 31, 2014) with changes as follows during the period:

| Millions of euro                   | Balance at<br>12 31 2014 | Provisions | Utilizations | Other<br>changes | Balance at<br>12 31 2015 |
|------------------------------------|--------------------------|------------|--------------|------------------|--------------------------|
| Employee leaving entitlement (TFR) | 182                      | 25         | (12)         | (31)             | 164                      |
| Employee benefits                  | 187                      | -          | (9)          | (10)             | 168                      |
| <b>Total employee benefits</b>     | <b>369</b>               | <b>25</b>  | <b>(21)</b>  | <b>(41)</b>      | <b>332</b>               |

Other changes mainly refer to payments made to INPS and supplementary pension funds, as well as to the recognition of actuarial differences that include the increase resulting from the service cost for 3 million euro, the increase resulting from the interest cost for 4 million the euro and the decrease resulting from actuarial gains/losses for 18 million euro.

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

|                                                        | 2015                | 2014                |
|--------------------------------------------------------|---------------------|---------------------|
| Discount rate                                          | from 0.24% to 2.03% | from 0.29% to 1.49% |
| Annual inflation rate                                  | from 1.5% to 2.0%   | from 0.6% to 2.0%   |
| Annual salary increase rate                            | 1.0%                | 1.0%                |
| Annual TFR increase rate                               | from 2.6% to 3.0%   | from 1.9% to 3.0%   |
| Average annual increase rate of supplementary pensions | 1.5%                | 1.5%                |
| Annual turnover frequencies                            | from 2.0% to 5.0%   | from 2.0% to 5.0%   |
| Annual TFR advance frequencies                         | from 2.0% to 2.5%   | from 2.0% to 2.5%   |

It is noted that:

- the discount rate used by the Group varies from company to company on the basis of the average financial term of the bond. The discount rate used is that corresponding to Iboxx Corporate AA;
- the curve relative to the inflation rate under the current economic situation, which has particular volatility of the majority of economic indicators, was changed as shown in the table. This hypothesis was derived from the “Document of Economics and Finance 2015 - Update September 2015 Sect. II-Tab II.2” issued by the MEF and “The medium/long-term trends in the pension and social-health system - Report no. 16 “published by the State General Accounting Office;
- the annual rate of salary increase applied exclusively to companies with fewer than 50 employees on average in 2006 was determined on the basis of the reference data communicated by Group companies;

- the annual rate of TFR increase, according to art. 2120 of the Civil Code, is equal to 75% of inflation plus 1.5 percentage points;
- the annual advance and turnover frequencies are derived from historical experiences of the Group and the frequencies arising from the experience of the Actuary on a significant number of similar companies;
- for the demographic technical bases, it is noted that:
  - for “death”, mortality table RG48 published by the State General Accounting Office was used;
  - for “inability”, the INPS tables divided by age and gender were used;
  - for “retirement”, the 10% parameter was used upon reaching the requirements of AGO (Obligatory General Insurance).

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

| <i>Millions of euro</i>                   | Turnover rate<br>+1% | Turnover rate<br>-1% | Inflation rate<br>+0.25% | Inflation rate<br>-0.25% | Actualization<br>rate<br>+0.25% | Actualization<br>rate<br>-0.25% |
|-------------------------------------------|----------------------|----------------------|--------------------------|--------------------------|---------------------------------|---------------------------------|
| <b>Employee leaving entitlement (TFR)</b> | <b>164.9</b>         | <b>166.4</b>         | <b>167.5</b>             | <b>163.4</b>             | <b>162.7</b>                    | <b>168.6</b>                    |

| <i>Millions of euro</i>      | Actualization<br>rate<br>+0.25% | Actualization<br>rate<br>-0.25% | Mortality table<br>increased<br>by 10% | Mortality table<br>decreased<br>by 10% |
|------------------------------|---------------------------------|---------------------------------|----------------------------------------|----------------------------------------|
| Premiumgas                   | 27.3                            | 28.3                            | 26.6                                   | 29.2                                   |
| Electricity and gas discount | 91.8                            | 97.6                            | 92.6                                   | 97.0                                   |
| Additional months            | 10.9                            | 11.6                            | n.a.                                   | n.a.                                   |

| <i>Millions of euro</i>           | Actualization<br>rate<br>-1.0% | Actualization<br>rate<br>-0.5% | Actualization<br>rate<br>+0.5% | Actualization<br>rate<br>+1.0% | Inflation<br>rate<br>-0.35% | Inflation<br>rate<br>+0.15% | Inflation<br>rate<br>+0.65% | Inflation<br>rate<br>+1.15% |
|-----------------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| <b>EPCG Employee<br/>benefits</b> | <b>8.9</b>                     | <b>8.8</b>                     | <b>8.5</b>                     | <b>8.4</b>                     | <b>8.8</b>                  | <b>8.6</b>                  | <b>8.5</b>                  | <b>8.3</b>                  |

## 20) Provisions for risks, charges and liabilities for landfills

| <i>Millions of euro</i>                                                | Balance at<br>12 31 2014 | Provisions<br>net of<br>releases | Utilizations | Other<br>changes | Balance at<br>12 31 2015 |
|------------------------------------------------------------------------|--------------------------|----------------------------------|--------------|------------------|--------------------------|
| Decommissioning provisions                                             | 115                      | 1                                | (4)          | 58               | 170                      |
| Landfill closing and post-closing expense provisions                   | 157                      | (5)                              | (5)          | (2)              | 145                      |
| Tax provisions                                                         | 59                       | 6                                | (5)          | (1)              | 59                       |
| Personnel lawsuits and disputes provisions                             | 78                       | 54                               | (2)          | 1                | 131                      |
| Other risk provisions                                                  | 89                       | 1                                | (9)          | (10)             | 71                       |
| <b>Provisions for risks, charges and liabilities<br/>for landfills</b> | <b>498</b>               | <b>57</b>                        | <b>(25)</b>  | <b>46</b>        | <b>576</b>               |

“Decommissioning provisions”, which amounted to 170 million euro, include charges for costs of dismantling and recovery of production sites mainly related to thermoelectric plants and waste-to-energy plants. Changes for the year related to provisions for 1 million euro, utilizations for 4 million euro, to cover the expenses incurred during the year. Other changes, for 58 million euro, mainly refer to the effects of the addendum to the expert appraisals to support the decommissioning provision, as further specified in note 1.

The “Landfill closing and post-closing expense provisions”, which amounted to 145 million euro, refer to all the costs that will have to be incurred in the future for the sealing of the landfills in cultivation at the reporting date and for the subsequent post-operative management, thirty-year and fifty-year, provided by the AIA (Integrated Environmental Authorization). Changes in the year were related to surpluses for 5 million euro, relating to the effects of the discounting of the provisions which, for closed landfills, have not been capitalized, utilizations for 5 million euro, which represent the actual outlays for the year, and other decreases of 2 million euro. The estimated costs to be incurred for the closing and post-closing management of the landfills has been subjected to the adequacy test by specialized companies, which have issued certification of correctness of the amounts provided by the company.

“Tax Provisions”, which amounted to 59 million euro, refer to provisions for pending or potential litigation with the tax authorities or territorial entities for direct and indirect taxes, levies and excises. Net provisions for the year, for 6 million euro, were mainly related to the ICI/IMU dispute with territorial entities. Utilizations, for 5 million euro, refer to disbursements in the year due mainly to the subscription of transactions with territorial entities, with regard to pending litigation or pre-litigation. Other changes, negative for 1 million euro, refer to the reclassification under “Other current liabilities” of the portions of the provision that will be used in the early months of the following year for which payment notices have already been received.

The “Personnel lawsuits and disputes provisions” amounted to 131 million euro and mainly refer to lawsuits pending with social security institutions, for 32 million euro, related to social security contributions that the Group believes it is not required to pay and for which specific disputes are pending, to lawsuits with third parties, for 96 million euro, and with employees, for 3 million euro, to cover the liabilities that could arise from litigations in progress. Provisions of the year, equal to 54 million euro, mainly refer to the provision subsequent to the filing of the Award regarding compensation for damages in favour of Pessina Costruzioni in relation to the dispute for Asm Novara S.p.A. For further information, reference shall be made to the specific paragraph in “Other information – Asm Novara S.p.A. dispute”. Utilizations amounted to 2 million euro, while other changes led to an increase of 1 million euro.

“Other provisions”, which amounted to 71 million euro, mainly refer to provisions relating to public water derivation fees for 20 million euro, to the mobility provision for the costs arising from the corporate restructuring plan, for 7 million euro, to the provision for extraordinary maintenance of the waste-to-energy plant in Acerra, for 16 million euro, to the risks provision related to EPCG, for 13 million euro, as well as other provisions for 15 million euro. Net provisions of the year amounted to 1 million euro. Utilizations, amounting to 9 million euro mainly refer to outlays during the year for public water diversion fees and employee mobility provision. Other changes, negative for 10 million euro, were mainly related to the reclassification to payables of the provisions of the subsidiary EPCG and the reclassification to payables of the portion of the mobility provision, payment of which will be made early next year.

## 21) Other non-current liabilities

| <i>Millions of euro</i>                    | Balance at<br>12 31 2014 | Changes<br>during the<br>year | Balance at<br>12 31 2015 | of which included<br>in the NFP |            |
|--------------------------------------------|--------------------------|-------------------------------|--------------------------|---------------------------------|------------|
|                                            |                          |                               |                          | 12 31 2014                      | 12 31 2015 |
| Other non-current liabilities              | 296                      | (224)                         | 72                       | -                               | -          |
| Non-current derivatives                    | 68                       | (41)                          | 27                       | 68                              | 27         |
| <b>Total other non-current liabilities</b> | <b>364</b>               | <b>(265)</b>                  | <b>99</b>                | <b>68</b>                       | <b>27</b>  |

At December 31, 2015, this item decreased by 265 million euro compared to the balance at the end of the previous year. “Non-current derivatives” amounted to 27 million euro, a decrease of 41 million euro compared to the previous year-end. The change in the fair value of financial instruments at year-end had a negative impact of 23 million euro; the reclassification under “Other current liabilities” of the portion of derivatives related to financial hedging, the underlying debt of which has been reclassified to “Current financial liabilities”, had a negative impact of 13 million euro, and the closing of a derivative, following the voluntary

early repayment of the underlying loan, had a negative impact of 5 million euro. “Other non-current liabilities”, which showed a balance of 72 million euro, mainly refer to security deposits from customers, for 55 million euro, to liabilities pertaining to future years for 12 million euro, to medium/long-term payables to suppliers for 3 million euro, as well as other non-current liabilities for 2 million euro. The decrease is mainly due to the reclassification of 196 million euro under “Minority interests” and for 39 million euro to “Group equity” of payables to third parties for the valorization of put options on the Edipower S.p.A. shares, as further described in notes 15 and 17 and in the specific paragraph “Consolidation policies and procedures”.

## Current liabilities

### 22) Trade payables and other current liabilities

| Millions of euro                                                                               | Balance at<br>12 31 2014 | Changes<br>during the<br>year | Balance at<br>12 31 2015 | of which included<br>in the NFP |            |
|------------------------------------------------------------------------------------------------|--------------------------|-------------------------------|--------------------------|---------------------------------|------------|
|                                                                                                |                          |                               |                          | 12 31 2014                      | 12 31 2015 |
| Advances                                                                                       | 5                        | -                             | 5                        | -                               | -          |
| Payables to suppliers                                                                          | 1,249                    | (84)                          | 1,165                    | -                               | -          |
| <b>Total trade payables</b>                                                                    | <b>1,254</b>             | <b>(84)</b>                   | <b>1,170</b>             | -                               | -          |
| Payables to social security institutions                                                       | 38                       | (1)                           | 37                       | -                               | -          |
| Current derivatives                                                                            | 67                       | (16)                          | 51                       | -                               | 7          |
| Other current liabilities of which:                                                            | 506                      | (73)                          | 433                      | -                               | -          |
| - Payables to personnel                                                                        | 83                       | (11)                          | 72                       | -                               | -          |
| - Payables to CCSE - Cassa Conguaglio Settore Elettrico (Electricity Sector Equalization Fund) | 85                       | 15                            | 100                      | -                               | -          |
| - Tax payables                                                                                 | 89                       | (45)                          | 44                       | -                               | -          |
| - Payables for tax transparency                                                                | 8                        | -                             | 8                        | -                               | -          |
| - Payables for energy tariff components                                                        | 107                      | (2)                           | 105                      | -                               | -          |
| - Payables to third-party shareholders EPCG                                                    | -                        | 20                            | 20                       | -                               | -          |
| - Payables to third-party shareholders Ecolombardia 4 S.p.A.                                   | 2                        | (2)                           | -                        | -                               | -          |
| - Payables for A.T.O.                                                                          | 7                        | -                             | 7                        | -                               | -          |
| - Payables to customers for work to be performed                                               | 15                       | (1)                           | 14                       | -                               | -          |
| - Payables to customers for interest on security deposits                                      | 3                        | -                             | 3                        | -                               | -          |
| - Payables for liabilities of competence of the following year                                 | 19                       | 2                             | 21                       | -                               | -          |
| - Payables for auxiliary services                                                              | 29                       | (28)                          | 1                        | -                               | -          |
| - Payables to the Municipality of Varese for RIA management                                    | 5                        | (5)                           | -                        | -                               | -          |
| - Payables for collections to be allocated                                                     | 8                        | -                             | 8                        | -                               | -          |
| - Payables to insurance companies                                                              | 3                        | -                             | 3                        | -                               | -          |
| - Payables for damage compensation to third parties                                            | -                        | 2                             | 2                        | -                               | -          |
| - Payables to waterway municipalities                                                          | 1                        | -                             | 1                        | -                               | -          |
| - Payables for excise compensation                                                             | 6                        | -                             | 6                        | -                               | -          |
| - Payables for environmental compensation                                                      | 3                        | -                             | 3                        | -                               | -          |
| - Payables to Dolomiti Energia S.p.A. for trade of Edipower S.p.A. shares                      | 12                       | (12)                          | -                        | -                               | -          |
| - Sundry payables                                                                              | 21                       | (6)                           | 15                       | -                               | -          |
| <b>Total other current liabilities</b>                                                         | <b>611</b>               | <b>(90)</b>                   | <b>521</b>               | -                               | 7          |
| <b>Total trade payables and other current liabilities</b>                                      | <b>1,865</b>             | <b>(174)</b>                  | <b>1,691</b>             | -                               | 7          |

“Trade receivables and other current liabilities” amounted to 1,691 million euro (1,865 million euro at December 31, 2014), representing an overall decrease of 174 million euro.

“Trade payables” amounted to 1,170 million euro, a decrease of 84 million euro compared to the end of the previous year.

As of 2014, the Group has implemented certain factoring agreements, typically in the technical form of reverse factoring, as more fully described in the paragraph “Accounting standards and policies”, to which reference is made. As these transactions did not change the primary obligation and did not result in a substantial change in the average payment terms of the Group, they maintain their nature and therefore remain classified as trading liabilities. At December 31, 2015, the value of the trade payables subject to adhesion to reverse factoring schemes amounted to 95 million euro (120 million euro at December 31, 2014).

“Payables to social security institutions” amounted to 37 million euro (38 million euro at December 31, 2014) and relate to the Group’s debt position with social security and pension institutions, related to contributions on the month of December 2015 not yet paid.

“Current derivatives” amounted to 51 million euro (67 million euro at December 31, 2014) and refer to the fair value measurement of both commodity derivatives and financial hedging derivative, mainly in relation to Interest Rate Swap (IRS) contracts to hedge the risk of adverse changes in interest rates on bonds due within one year.

“Other current liabilities” mainly refer to:

- payables to employees for 72 million euro (83 million euro at December 31, 2014), relating to payables to employees for the productivity bonus accrued during the year, as well as the expense for holidays accrued but not taken at December 31, 2015;
- payables to the CCSE - Cassa Conguaglio Settore Elettrico (Electricity Sector Equalization Fund) for 100 million euro at December 31, 2015 (85 million euro at December 31, 2014) regarding the payable for the tariff components, invoiced in the fifth and sixth two-month period in 2015 and not yet paid, as well as the payable relating to equalization liabilities related to prior years and the year 2015;
- tax liabilities for 44 million euro (89 million euro at December 31, 2014) and refer to payables to the tax authorities for VAT, excise and withholding taxes;
- payables for fiscal transparency for 8 million euro to the associate Ergosud S.p.A.;
- payables for electricity tariff components for 105 million euro at December 31, 2015 (107 million euro at December 31, 2014);
- payables to minority shareholders of EPCG for 20 million euro, reclassified from “Minority interests”;
- payables for A.T.O. for 7 million euro (7 million euro at December 31, 2014) relating to the payment of the fee for concessions regarding the management of the water service;
- payables to customers for work to be performed for 14 million euro (15 million euro at the end of the previous year). They refer to estimates already paid by customers for work that will be completed in the following year;
- payables to customers for interest on security deposits accrued but not yet paid for 3 million euro, unchanged over the previous year;

- payables for the following year liabilities for 21 million euro (19 million euro at December 31, 2014) relating to the suspension of portions of costs and revenues relating to future years;
- payables for ancillary services, amounting to 1 million euro (29 million euro at December 31, 2014), relating to the remaining debt on the dispute with the CCSE for ancillary services on the waste-to-energy plant in Filago. During the year, the payables were paid relating to the pending dispute regarding the waste-to-energy plant of Corteolona, for 17 million euro, and an advance payment for the dispute regarding the waste-to-energy plant of Filago, for 11 million euro.

### 23) Current financial liabilities

| <i>Millions of euro</i>                    | Balance at<br>12 31 2014 | Changes<br>during the<br>year | Balance at<br>12 31 2015 | of which included<br>in the NFP |            |
|--------------------------------------------|--------------------------|-------------------------------|--------------------------|---------------------------------|------------|
|                                            |                          |                               |                          | 12 31 2014                      | 12 31 2015 |
| Non-convertible bonds                      | 52                       | 519                           | 571                      | 52                              | 571        |
| Payables to banks                          | 121                      | (2)                           | 119                      | 121                             | 119        |
| Finance lease payables                     | 1                        | -                             | 1                        | 1                               | 1          |
| Financial payables to related parties      | 3                        | (2)                           | 1                        | 3                               | 1          |
| <b>Total current financial liabilities</b> | <b>177</b>               | <b>515</b>                    | <b>692</b>               | <b>177</b>                      | <b>692</b> |

“Current financial liabilities” amounted to 692 million euro, compared to 177 million euro at December 31, 2014.

The increase of 515 million euro is mainly due to the reclassification of the item “Non-current financial liabilities” of the bond maturing in November 2016 and coupon of 4.50%, partially repurchased in February 2015 for 258 million nominal euro. The nominal value of this bond is currently 503 million euro. Accounting is at fair value hedge; the bond is therefore measured at amortized cost, adjusted for the change in fair value of the risk hedged. The risk of change in fair value of the bond due to interest rate fluctuations, has been hedged by means of subscription of a fix to variable IRS derivative. Said hedge is documented and currently effective (as demonstrated by the results of the efficacy tests performed). The adjustment of the carrying value of the bond due to changes in the fair value of the hedged risk is recognized in the Income Statement, where it is offset with the changes in the fair value of the hedging derivative.

Interest of 53 million euro (52 million euro at December 31, 2014) accrued on the bonds at December 31, 2015.

24) Tax liabilities

| Millions of euro | Balance at<br>12 31 2014 | Changes<br>during the<br>year | Balance at<br>12 31 2015 |
|------------------|--------------------------|-------------------------------|--------------------------|
| Tax liabilities  | 2                        | 41                            | 43                       |

“Tax liabilities” amounted to 43 million euro (2 million euro at December 31, 2014) representing an increase of 41 million euro over the previous year-end.

25) Liabilities directly associated with non-current assets held for sale

| Millions of euro                                                      | Balance at<br>12 31 2014 | Changes<br>during the<br>year | Balance at<br>12 31 2015 | of which included<br>in the NFP |            |
|-----------------------------------------------------------------------|--------------------------|-------------------------------|--------------------------|---------------------------------|------------|
|                                                                       |                          |                               |                          | 12 31 2014                      | 12 31 2015 |
| Liabilities directly associated with non-current assets held for sale | -                        | 20                            | 20                       | -                               | -          |

At December 31, 2015, the item in question amounts to 20 million euro (zero balance at December 31, 2014) and mainly refers to the reclassification of deferred tax liabilities of Edipower S.p.A. in relation to the non-proportional demerger as further described in note 12 of these Notes, to which reference is made.

## Net debt

### 26) Net debt

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

The following table provides details of net debt.

| <i>Millions of euro</i>                                    | <b>Notes</b> | <b>12 31 2015</b> | <b>12 31 2014</b> |
|------------------------------------------------------------|--------------|-------------------|-------------------|
| Bonds - non-current portion                                | 18           | 2,431             | 2,936             |
| Bank loans - non-current portion                           | 18           | 657               | 941               |
| Finance leases - non-current portion                       | 18           | 1                 | 2                 |
| Other non-current liabilities                              | 21           | 27                | 68                |
| <b>Total medium/long-term debt</b>                         |              | <b>3,116</b>      | <b>3,947</b>      |
| Non-current financial assets - related parties             | 3            | (5)               | (7)               |
| Non-current financial assets                               | 3            | (52)              | (50)              |
| Other non-current assets                                   | 5            | -                 | (34)              |
| <b>Total medium/long-term financial receivables</b>        |              | <b>(57)</b>       | <b>(91)</b>       |
| <b>Total non-current net debt</b>                          |              | <b>3,059</b>      | <b>3,856</b>      |
| Bonds - current portion                                    | 23           | 571               | 52                |
| Bank loans - current portion                               | 23           | 119               | 121               |
| Finance leases - current portion                           | 23           | 1                 | 1                 |
| Current financial liabilities - related parties            | 23           | 1                 | 3                 |
| Other current liabilities                                  | 22           | 7                 | -                 |
| <b>Total short-term debt</b>                               |              | <b>699</b>        | <b>177</b>        |
| Other current financial assets                             | 9            | (165)             | (126)             |
| Current financial assets - related parties                 | 9            | (6)               | -                 |
| Other current assets                                       | 8            | (16)              | -                 |
| <b>Total short-term financial receivables</b>              |              | <b>(187)</b>      | <b>(126)</b>      |
| Cash and cash equivalents                                  | 11           | (636)             | (544)             |
| Cash and cash equivalents included in assets held for sale | 12           | (38)              | -                 |
| <b>Total current net debt</b>                              |              | <b>(162)</b>      | <b>(493)</b>      |
| <b>Net debt</b>                                            |              | <b>2,897</b>      | <b>3,363</b>      |

## Notes to the income statement

Following the acquisition in the second quarter of the year of additional shareholdings, the companies Bellisolina S.r.l., Bergamo Servizi S.r.l. and SED S.r.l., previously accounted for using the equity method, as of June 2015, were fully consolidated, as further described in the paragraph “Scope of consolidation”.

The relative income statement items for operating revenues and expense and the financial balance of the company SEASM S.r.l. held 67% by A2A S.p.A., previously fully consolidated, were reclassified, as it is a discontinued operation in accordance with IFRS 5, to “Net result from discontinued operations” following the management’s decision to divest. It is specified that the impact on the Income Statement of this reclassification is not significant because less than one million euro.

With reference to the economic items of Edipower S.p.A. subject of the agreement signed between A2A S.p.A. and Cellina Energy, a company wholly owned by Società Elettrica Altoatesina S.p.A., which approved the project for the non-proportional demerger of Edipower S.p.A., has not proceeded to any economic reclassification, as it is an operation considered as a disposal group in accordance with IFRS 5.

### 27) Revenues

Revenues for the year totalled 4,921 million euro (4,984 million euro at December 31, 2014), therefore decreasing by 63 million euro.

Details of the more significant items are as follows:

| <b>Revenues</b> - Millions of euro                        | <b>12 31 2015</b> | <b>12 31 2014</b> | <b>Changes</b> |
|-----------------------------------------------------------|-------------------|-------------------|----------------|
| Revenues from the sale of goods                           | 3,947             | 4,000             | (53)           |
| Revenues from services                                    | 768               | 742               | 26             |
| Revenues from long-term contracts                         | 17                | 19                | (2)            |
| <b>Total revenues from the sale of goods and services</b> | <b>4,732</b>      | <b>4,761</b>      | <b>(29)</b>    |
| <b>Other operating income</b>                             | <b>189</b>        | <b>223</b>        | <b>(34)</b>    |
| <b>Total revenues</b>                                     | <b>4,921</b>      | <b>4,984</b>      | <b>(63)</b>    |

“Revenues from the sale of goods and services” amounted in total to 4,732 million euro (4,761 million euro at December 31, 2014), decreasing by 29 million euro. This decrease is due to lower sales revenues of 53 million euro, an increase in service revenues of 26 million euro and a decrease in long-term contract revenues of 2 million euro.

“Other operating income” amounted to 189 million euro, a decrease of 34 million euro over the previous year.

Further details of the main items are as follows:

| <i>Millions of euro</i>                                                                        | <b>12 31 2015</b> | <b>12 31 2014</b> | <b>Changes</b> |
|------------------------------------------------------------------------------------------------|-------------------|-------------------|----------------|
| Sale and distribution of electricity                                                           | 2,738             | 2,837             | (99)           |
| Sale and distribution of gas                                                                   | 842               | 828               | 14             |
| Sale of heat                                                                                   | 173               | 157               | 16             |
| Sale of materials                                                                              | 12                | 7                 | 5              |
| Sale of water                                                                                  | 46                | 45                | 1              |
| Sales of certificates and emission rights                                                      | 114               | 98                | 16             |
| Connection contributions                                                                       | 22                | 28                | (6)            |
| <b>Total revenues from the sale of goods</b>                                                   | <b>3,947</b>      | <b>4,000</b>      | <b>(53)</b>    |
| Services to customers                                                                          | 768               | 742               | 26             |
| <b>Total revenues from services</b>                                                            | <b>768</b>        | <b>742</b>        | <b>26</b>      |
| <b>Revenues from long-term contracts</b>                                                       | <b>17</b>         | <b>19</b>         | <b>(2)</b>     |
| <b>Total revenues from the sale of goods and services</b>                                      | <b>4,732</b>      | <b>4,761</b>      | <b>(29)</b>    |
| Reintegration of costs plant S. Filippo del Mela (plant essential Unit)                        | 116               | 141               | (25)           |
| Damage compensation                                                                            | 20                | 8                 | 12             |
| Contributions CCSE - Cassa Conguaglio Settore Elettrico (Electricity Sector Equalization Fund) | 5                 | 4                 | 1              |
| Rents receivable                                                                               | 2                 | 1                 | 1              |
| Contingent assets                                                                              | 34                | 54                | (20)           |
| Other revenues                                                                                 | 12                | 15                | (3)            |
| <b>Other operating income</b>                                                                  | <b>189</b>        | <b>223</b>        | <b>(34)</b>    |
| <b>Total revenues</b>                                                                          | <b>4,921</b>      | <b>4,984</b>      | <b>(63)</b>    |

Further details on the reasons for the performance of revenues relating to the various Business Units can be found in the paragraph “Result by sector”.

## 28) Operating expenses

“Operating expenses” amounted to 3,244 million euro (3,311 million euro at December 31, 2014), therefore representing a decrease of 67 million euro.

The main components of this item are as follows:

| <b>Operating expenses</b> - Millions of euro         | <b>12 31 2015</b> | <b>12 31 2014</b> | <b>Changes</b> |
|------------------------------------------------------|-------------------|-------------------|----------------|
| Raw materials and consumables                        | 2,286             | 2,349             | (63)           |
| Service costs                                        | 706               | 700               | 6              |
| <b>Total expenses for raw materials and services</b> | <b>2,992</b>      | <b>3,049</b>      | <b>(57)</b>    |
| <b>Other operating expenses</b>                      | <b>252</b>        | <b>262</b>        | <b>(10)</b>    |
| <b>Total operating expenses</b>                      | <b>3,244</b>      | <b>3,311</b>      | <b>(67)</b>    |

“Total expenses for raw materials and services” amounted to 2,992 million euro (3,049 million euro at December 31, 2014), decreasing by 57 million euro.

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

- a decrease of 63 million euro in the purchase of raw materials and consumables, due to a decrease of 79 million euro in costs for the purchase of power and fuel, a decrease of 11 million euro for the purchase of materials, a decrease of 2 million euro in the cost of purchasing water, an increase of 27 million euro in costs relating to the purchase of emission certificates and allowances and the net effect of 2 million euro arising from hedging gains/losses on operating derivatives;
- an increase of 6 million euro in costs for delivery, subcontracted work and services.

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

| <i>Millions of euro</i>                                                 | <b>12 31 2015</b> | <b>12 31 2014</b> | <b>Changes</b> |
|-------------------------------------------------------------------------|-------------------|-------------------|----------------|
| Purchases of power and fuel                                             | 2,116             | 2,195             | (79)           |
| Purchases of materials                                                  | 73                | 84                | (11)           |
| Purchases of water                                                      | 3                 | 5                 | (2)            |
| Hedging losses on operating derivatives                                 | 6                 | 2                 | 4              |
| Hedging gains on operating derivatives                                  | (8)               | (6)               | (2)            |
| Purchases of emission certificates and allowances                       | 73                | 46                | 27             |
| <b>Total expenses for raw materials and consumables</b>                 | <b>2,263</b>      | <b>2,326</b>      | <b>(63)</b>    |
| Delivery and transmission costs                                         | 272               | 276               | (4)            |
| Maintenance and repairs                                                 | 152               | 144               | 8              |
| Services from associates                                                | 1                 | 1                 | -              |
| Other services                                                          | 281               | 279               | 2              |
| <b>Total service costs</b>                                              | <b>706</b>        | <b>700</b>        | <b>6</b>       |
| <b>Change in inventories of fuel and materials</b>                      | <b>23</b>         | <b>23</b>         | <b>-</b>       |
| <b>Total expenses for raw materials and services</b>                    | <b>2,992</b>      | <b>3,049</b>      | <b>(57)</b>    |
| Leasehold improvements                                                  | 77                | 86                | (9)            |
| Concession fees distribution networks Municipality of Milan and Brescia | 8                 | 8                 | -              |
| Water derivation concession fees                                        | 60                | 64                | (4)            |
| Contributions to territorial entities, consortia and AEEGSI             | 13                | 15                | (2)            |
| Taxes and duties                                                        | 52                | 51                | 1              |
| Damages and penalties                                                   | 5                 | 7                 | (2)            |
| Contingent liabilities                                                  | 20                | 15                | 5              |
| Other costs                                                             | 17                | 16                | 1              |
| <b>Other operating expenses</b>                                         | <b>252</b>        | <b>262</b>        | <b>(10)</b>    |
| <b>Total operating expenses</b>                                         | <b>3,244</b>      | <b>3,311</b>      | <b>(67)</b>    |

## Trading margin

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

| <b>Trading margin - Millions of euro</b> | <b>Notes</b> | <b>12 31 2015</b> | <b>12 31 2014</b> | <b>Changes</b> |
|------------------------------------------|--------------|-------------------|-------------------|----------------|
| Revenues                                 | <b>27</b>    | 1,145             | 1,908             | (763)          |
| Operating expenses                       | <b>28</b>    | (1,136)           | (1,892)           | 756            |
| <b>Total trading margin</b>              |              | <b>9</b>          | <b>16</b>         | <b>(7)</b>     |

The margin of Trading activities at the end of 2015 amounted to 9 million euro, down by 7 million euro compared to the previous year.

This performance is mainly attributable to the decline seen in results recorded in ordinary activities of the power portfolio (electricity and gas trading) and green (trading of environmental certificates).

## 29) Labour costs

Net of capitalized expenses, labour costs at December 31, 2015 amounted to 629 million euro (649 million euro at December 31, 2014). The decrease compared to the closing of the previous year was mainly due to lower mobility costs that had been recognized to the income statement in the year 2014 for about 17 million euro.

“Labour costs” may be analyzed as follows:

| <b>Labour costs</b> - Millions of euro | <b>12 31 2015</b> | <b>12 31 2014</b> | <b>Changes</b> |
|----------------------------------------|-------------------|-------------------|----------------|
| Wages and salaries                     | 414               | 412               | 2              |
| Social security charges                | 163               | 156               | 7              |
| Employee leaving entitlement (TFR)     | 25                | 25                | -              |
| Other costs                            | 27                | 56                | (29)           |
| <b>Total labour costs</b>              | <b>629</b>        | <b>649</b>        | <b>(20)</b>    |

The table below shows the average number of employees during the year, broken down by category:

|               | <b>2015</b>   | <b>2014</b>   | <b>Changes</b> |
|---------------|---------------|---------------|----------------|
| Executives    | 189           | 194           | (5)            |
| Managers      | 552           | 542           | 10             |
| White collars | 5,258         | 5,339         | (81)           |
| Blue collars  | 6,299         | 6,137         | 162            |
| <b>Total</b>  | <b>12,298</b> | <b>12,212</b> | <b>86</b>      |

The increase in the average workforce derives mainly from the extension of the scope of consolidation.

## 30) Gross operating income

As a result of the above changes, consolidated “Gross operating margin” at December 31, 2015 amounted to 1,048 million euro (1,024 million euro at December 31, 2014).

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

### 31) Depreciation, amortization, provisions and write-downs

“Depreciation, amortization, provisions and write-downs” totalled 833 million euro (662 million euro at December 31, 2014), representing an increase of 171 million euro.

The following table provides details of the individual items:

| <b>Depreciation, amortization, provisions and write-downs</b><br><i>Millions of euro</i> | <b>12 31 2015</b> | <b>12 31 2014</b> | <b>Changes</b> |
|------------------------------------------------------------------------------------------|-------------------|-------------------|----------------|
| Amortization of intangible assets                                                        | 54                | 61                | (7)            |
| Depreciation of tangible assets                                                          | 341               | 385               | (44)           |
| Write-downs of fixed assets                                                              | 359               | 159               | 200            |
| <b>Total amortization, depreciation and write-downs</b>                                  | <b>754</b>        | <b>605</b>        | <b>149</b>     |
| Provision for risks                                                                      | 57                | 30                | 27             |
| Bad debt provision on receivables recognized as current assets                           | 22                | 27                | (5)            |
| <b>Total depreciation, amortization, provisions and write-downs</b>                      | <b>833</b>        | <b>662</b>        | <b>171</b>     |

“Depreciation, amortization and write-downs” totalled 754 million euro (605 million euro at December 31, 2014), representing an overall increase of 149 million euro.

Depreciation of tangible assets decreased by 44 million euro compared to December 31, 2014 as a result of lower depreciation, for 30 million euro, related to the write-downs made in the previous year, to lower depreciation, for 19 million euro, referred to the review of the remaining useful lives of the thermoelectric plants (in the previous year) and the completion of the depreciation process of some plants as well as the increase in depreciation of 5 million euro related to investments entered into production during the year. The amortization of intangible assets decreased by 7 million euro mainly due to the adjustment of the amortization of the gas distribution networks following publication of the tender notice by the Municipality of Milan for the assignment in concession of the service gas distribution at local level.

“Write-downs of fixed assets” amounted to 359 million euro (159 million euro in the previous year) and relate mainly to write-downs of some CCGT plants of the Generation and Trading Business Unit, for 104 million euro, and the hydroelectric and thermoelectric generation plants and distribution networks of EPCG, for 246 million euro. The portion of write-down of EPCG for the Group amounted to 103 million euro, while the portion attributable to minority shareholders amounted to 143 million euro. The write-downs were made following the results emerged during the Impairment Test, performed on them by an independent external expert appointed by the Group; said write-downs are aimed at adjusting their book value to lower income prospects as reflected by the activity conducted for the purposes of the Impairment Test, to which reference is made for further clarification (note 2 of these Notes).

Regarding the transposition of the “Growth Decree” which lays down procedures for calculating the surrender value of the water system works used to supply water under

concession to hydroelectric power plants (the “wet works”), the calculation criteria (revaluation coefficients and useful lives) needed to quantify the surrender value at the end of the relative concessions have not been set yet by the relevant authorities. In the absence of a regulatory framework, the A2A Group carried out a series of simulations estimating the revaluations using ISTAT coefficients, which were found to be the only possible data objectively usable, and made its own estimates of the economic and technical lives of the assets. The results of these simulations led to a very wide variability range, confirming that it is currently impossible to make a reliable estimate of the surrender values at the end of the concessions. Nevertheless, for concessions close to expiry the net carrying amount of the wet works was significantly lower than the range of results obtained. As a result, therefore, as of June 30, 2012, depreciation and amortization is no longer charged only for those concessions nearing expiry, while the same valuation methods continue to be applied to the remaining concessions.

The balance of “Provisions for risks and charges” shows a net effect of 57 million euro (30 million euro at December 31, 2014) due to allocations of 87 million euro made during the year, offset by the 30 million euro of risk provisions made in previous years, released in the current year since the original disputes have ceased to exist. Net provisions for the year concerned for 1 million euro the decommissioning provisions, for 5 million euro excess amounts relating to provisions for landfill closure and post-closure costs, for 6 million euro for tax provisions, for 54 million euro for personnel lawsuits and disputes provisions, including the provision for the Asm Novara S.p.A. dispute, and for 1 million euro other risk provisions, as further described in note 20) Provisions for risks, charges and liabilities for landfills.

For further information on the dispute with Pessina Costruzioni for Asm Novara S.p.A., reference is made to the specific paragraph “Other information - Asm Novara S.p.A. dispute”.

The “Bad debt provision” amounted to 22 million euro (27 million euro at December 31, 2014), consisting of the accrual for the period.

### **32) Net operating income**

“Net operating income” amounted to 215 million euro (362 million euro at December 31, 2014); if the impairment losses discussed above related to third parties are excluded, the Net operating income would have been 358 million euro.

### 33) Result from non-recurring transactions

The “Result from non-recurring transactions” was negative for 1 million euro and is related to the subsidiary EPCG.

In the previous year, this item was positive for 9 million euro and included for 12 million euro the positive effect from the finalization of the exchange contract between A2A S.p.A. and Dolomiti Energia S.p.A. by which the Edipower shares owned by Dolomiti Energia S.p.A. were transferred to A2A S.p.A. in exchange for the shares of Dolomiti Energia held by A2A S.p.A. plus a settlement balance in cash or assets, partly offset by the negative effect of non-recurring income of the subsidiary EPCG for 3 million euro.

### 34) Financial balance

The “Financial balance” closed with net expense of 138 million euro (net expense of 210 million euro at December 31, 2014).

Details of the more significant items are as follows:

| <b>Financial balance</b> - Millions of euro | <b>12 31 2015</b> | <b>12 31 2014</b> | <b>Changes</b> |
|---------------------------------------------|-------------------|-------------------|----------------|
| Financial income                            | 28                | 32                | (4)            |
| Financial expense                           | (162)             | (197)             | 35             |
| Affiliates                                  | (4)               | (45)              | 41             |
| <b>Total financial balance</b>              | <b>(138)</b>      | <b>(210)</b>      | <b>72</b>      |

“Financial income” amounted to 28 million euro (32 million euro at December 31, 2014) and may be analyzed as follows:

| <b>Financial income</b> - Millions of euro                     | <b>12 31 2015</b> | <b>12 31 2014</b> | <b>Changes</b> |
|----------------------------------------------------------------|-------------------|-------------------|----------------|
| Bank income                                                    | 10                | 12                | (2)            |
| Fair value of derivatives                                      | 1                 | 2                 | (1)            |
| Realized on financial derivatives                              | 9                 | 11                | (2)            |
| Other financial income of which:                               | 8                 | 7                 | 1              |
| - Financial income from the Municipality of Brescia (IFRIC 12) | 3                 | 3                 | -              |
| - Foreign exchange gains                                       | 1                 | -                 | 1              |
| - Other income                                                 | 4                 | 4                 | -              |
| <b>Total financial income</b>                                  | <b>28</b>         | <b>32</b>         | <b>(4)</b>     |

The decrease is attributable for approximately 2 million euro to the impact of the Liability Management on the financial derivatives of the bond maturing November 2016 and for approximately 2 million euro to the reduction in the average rate on cash uses.

“Financial expense”, which amounted to 162 million euro, decreased by 35 million euro over the balance at December 31, 2014, and may be analyzed as follows:

| <b>Financial expenses</b> - Millions of euro            | <b>12 31 2015</b> | <b>12 31 2014</b> | <b>Changes</b> |
|---------------------------------------------------------|-------------------|-------------------|----------------|
| Interest on bond loans                                  | 125               | 135               | (10)           |
| Interest charged by banks                               | 13                | 20                | (7)            |
| Interest on Cassa Depositi e Prestiti loans             | 2                 | 8                 | (6)            |
| Fair value of derivatives                               | (5)               | 1                 | (6)            |
| Realized on financial derivatives                       | 10                | 7                 | 3              |
| Decommissioning costs                                   | 2                 | 2                 | -              |
| Other financial expenses of which:                      | 15                | 24                | (9)            |
| - IAS discounting charges                               | 6                 | 12                | (6)            |
| - Financial expenses Municipality of Brescia (IFRIC 12) | 4                 | 4                 | -              |
| - Foreign exchange losses                               | 1                 | 1                 | -              |
| - Other expenses                                        | 4                 | 7                 | (3)            |
| <b>Total financial expenses</b>                         | <b>162</b>        | <b>197</b>        | <b>(35)</b>    |

The “Portion of income and charges when shareholdings are carried at equity” was negative for 4 million euro (negative for 45 million euro at December 31, 2014) and is related to the write-down of the investment in the company Rudnik Uglja Ad Pljevlja for 7 million euro partly offset by the equity valuation of the investment in ACSM-AGAM S.p.A. and other minor investments positive for 3 million euro. At December 31, 2014, this item mainly included the write-down of the shareholding Ergosud S.p.A. for 54 million euro following the results of impairment testing carried out by an external expert, partially offset by an increase of 7 million euro from accounting for the shareholdings in Dolomiti Energia S.p.A. and ACSM-AGAM S.p.A. using the equity method.

### 35) Income taxes

| <b>Income taxes</b> - Millions of euro | <b>12 31 2015</b> | <b>12 31 2014</b> | <b>Changes</b> |
|----------------------------------------|-------------------|-------------------|----------------|
| Current taxes                          | 111               | 114               | (3)            |
| Deferred tax assets                    | 142               | 291               | (149)          |
| Deferred tax liabilities               | (120)             | (226)             | 106            |
| <b>Total income taxes</b>              | <b>133</b>        | <b>179</b>        | <b>(46)</b>    |

“Income taxes” for the year amounted to 133 million euro (179 million euro in the year ended December 31, 2014).

Following the provision of art. 1, paragraph 20, of Law December 23, 2014, no. 190 (“2015 Stability Law”), from the current tax period, the entire labour costs relating to employees with permanent contracts with consequent benefits, for 23 million euro, are deducted from IRAP

with respect to the previous year, both on current taxes and on deferred tax assets recorded for the Employee benefits provision. Also with reference to IRAP, taxes for previous years and the period implement the new method of calculation, based on the application of art. 6, par. 9 of Legislative Decree December 15, 1997 no. 446 (method of “industrial holdings”), introduced following the positive confirmation, by the Revenue Agency, to the specific request for clarification filed by A2A, which resulted in a one-off benefit of 8 million euro.

Following the provision of art. 1, paragraph 61 of Law 208/2015, which ordered the reduction of 3,50% of the IRES rate from January 1, 2017, effective for tax periods following the current year at December 31, 2016, in these financial statements, the amount of deferred tax assets and liabilities has been adjusted to the new rate (24%). The net effect is equal to 20 million euro of additional taxes.

We note that following Sentence no. 10/2015 of the Constitutional Court, which declared the additional IRES of 6,50% (“Robin Hood Tax”) to be unconstitutional with effect from February 12, 2015, in these financial statements there is no effect for said tax, since the tax assets and liabilities on temporary differences generated in previous years were fully reversed in the year 2014.

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

| <i>Millions of euro</i>                                                   | <b>2015</b> | <b>2014</b> |
|---------------------------------------------------------------------------|-------------|-------------|
| <b>Result before taxes</b>                                                | <b>76</b>   | <b>161</b>  |
| Tangible assets write-downs                                               | 350         | 153         |
| <b>Result before taxes adjusted for write-downs</b>                       | <b>426</b>  | <b>314</b>  |
| Theoretical rates based on applicable tax rates <sup>(1)</sup>            | 117         | 107         |
| Tax effect of write-downs                                                 | (28)        | (44)        |
| Permanent differences                                                     | 15          | 34          |
| IRAP one-off effect                                                       | (10)        | -           |
| IRES one-off effect rate adjustment from 27,5% to 24%                     | 20          | -           |
| Robin Tax one-off effect                                                  | -           | 65          |
| Differences between international tax rates and theoretical Italian rates | (4)         | (8)         |
| Difference for companies not subject to IRES surtaxes                     | -           | (12)        |
| <b>Total taxes charged to income statement (excluding IRAP)</b>           | <b>110</b>  | <b>142</b>  |
| Current IRAP                                                              | 23          | 37          |
| <b>Total taxes charged to income statement</b>                            | <b>133</b>  | <b>179</b>  |

(1) Taxes were calculated using a theoretical rate of 27,5% for 2015 and 34% for 2014.

### **36) Result of minorities**

The “Result of minorities” is positive for the Group for 130 million euro and mainly includes the portion attributable to minority interests of the write-down of EPCG assets following the Impairment Test process. In the previous year, the item showed a negative balance for the Group for 19 million euro.

### **37) Group result of the year**

The “Group result of the year” was positive for 73 million euro (negative for 37 million euro at December 31, 2014).

## Earnings per share

### 38) Earnings per share

|                                                                                                | 01 01 2015<br>12 31 2015 | 01 01 2014<br>12 31 2014 |
|------------------------------------------------------------------------------------------------|--------------------------|--------------------------|
| Earnings (loss) per share (in euro)                                                            |                          |                          |
| - basic                                                                                        | 0.0234                   | (0.0122)                 |
| - basic from continuing operations                                                             | 0.0234                   | (0.0122)                 |
| - basic from discontinued operations                                                           | -                        | -                        |
| - diluted                                                                                      | 0.0234                   | (0.0122)                 |
| - diluted from continuing operations                                                           | 0.0234                   | (0.0122)                 |
| - diluted from discontinued operations                                                         | -                        | -                        |
| Weighted average number of outstanding shares for the calculation of earnings (loss) per share |                          |                          |
| - basic                                                                                        | 3,105,987,668            | 3,105,987,668            |
| - diluted                                                                                      | 3,105,987,668            | 3,105,987,668            |

## Note on related party transactions

### 39) Note on related party transactions

“Related parties” are those indicated by the international accounting standard that concerns Related Party Disclosures (IAS 24 revised).

#### Relationships with parent companies and their subsidiaries

On October 5, 2007, the Municipalities of Milan and Brescia signed a Shareholders’ Agreement to regulate the ownership structure of A2A S.p.A.; this gave the Municipalities joint control over the company.

Specifically, the merger effective January 1, 2008, regardless of the legal structure established, was considered a joint venture, whose joint control was exercised by the Municipalities of Milan and Brescia, each of which owned a share equal to 27.5%.

On June 13, 2014, the Shareholders’ Meeting modified the company’s governance system, passing from the original two-tier system, adopted in 2007, to a “traditional” system of management and control with the appointment of the Board of Directors.

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

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

Similarly, the A2A Group companies entertain commercial relationships with the companies controlled by the Municipalities of Milan and Brescia, for example, Metropolitana Milanese

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

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

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

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

## Relationships with subsidiaries and affiliates

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

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

For the financial year 2015, A2A S.p.A. and its subsidiaries have adopted the VAT procedure of the Group.

Note that for IRES purposes, A2A S.p.A. files for tax on a consolidated basis, together with its main subsidiaries, in accordance with arts. 117-129 of DPR 917/86. To this end, with each of the subsidiaries joining, a special contract was drawn up to regulate the tax advantages/disadvantages transferred, with specific reference to the current entries. These contracts also govern the transfer of any excess of ROL as set forth by prevailing legislation.

The parent company provides the subsidiaries and affiliates with administrative, fiscal, legal, management and technical services in order to optimize the resources available in the company and to use the existing expertise in terms of economic convenience. These services

are regulated by special intercompany service contracts stipulated annually. A2A S.p.A. also provides its subsidiaries and affiliates with office spaces and operating areas, at their own sites, as well as the services related to their use, at market conditions.

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

Telecom services are provided by the subsidiary Selene S.p.A..

Finally, it is noted that pursuant to Consob communication issued on September 24, 2010, bearing the provisions regarding related party transactions in accordance with Consob Resolution no. 17221 of March 12, 2010, as amended, on November 11, 2010, the Group had approved the procedure for related party transactions which took effect on January 1, 2011, and which aims to ensure the transparency and substantial fairness of the related party transactions executed by A2A S.p.A. directly, or through subsidiaries, identified in accordance with the IAS 24 revised accounting standard. On June 22, 2015, the Board of Directors resolved, with the prior approval of the Risks Control Committee, the adaptation of the procedure to the traditional governance system.

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

| Balance sheet                         | Total<br>12 31 2015 | Of which with related parties     |                           |                               |                                                    |                                 |                                                      |                                        |                             | % effect<br>on the<br>balance<br>sheet<br>item |
|---------------------------------------|---------------------|-----------------------------------|---------------------------|-------------------------------|----------------------------------------------------|---------------------------------|------------------------------------------------------|----------------------------------------|-----------------------------|------------------------------------------------|
|                                       |                     | Associa-<br>ted<br>compa-<br>nies | Related<br>compa-<br>nies | Munici-<br>pality<br>of Milan | Subsi-<br>diaries<br>Munici-<br>pality<br>of Milan | Munici-<br>pality<br>of Brescia | Subsidi-<br>aries<br>Munici-<br>pality<br>of Brescia | Related<br>parties<br>indivi-<br>duals | Total<br>related<br>parties |                                                |
| Millions of euro                      |                     |                                   |                           |                               |                                                    |                                 |                                                      |                                        |                             |                                                |
| <b>TOTAL ASSETS OF WHICH:</b>         | <b>9,801</b>        | <b>68</b>                         | <b>27</b>                 | <b>71</b>                     | <b>4</b>                                           | <b>11</b>                       | <b>1</b>                                             | <b>-</b>                               | <b>182</b>                  | <b>1.9%</b>                                    |
| Non-current assets                    | 6,866               | 59                                | 11                        | -                             | -                                                  | 3                               | -                                                    | -                                      | 73                          | 1.1%                                           |
| Shareholdings                         | 68                  | 59                                | 9                         | -                             | -                                                  | -                               | -                                                    | -                                      | 68                          | 100.0%                                         |
| Other non current<br>financial assets | 69                  | -                                 | 2                         | -                             | -                                                  | 3                               | -                                                    | -                                      | 5                           | 7.2%                                           |
| Current assets                        | 2,730               | 9                                 | 16                        | 71                            | 4                                                  | 8                               | 1                                                    | -                                      | 109                         | 4.0%                                           |
| Trade receivables                     | 1,485               | 3                                 | 16                        | 71                            | 4                                                  | 8                               | 1                                                    | -                                      | 103                         | 6.9%                                           |
| Current financial assets              | 171                 | 6                                 | -                         | -                             | -                                                  | -                               | -                                                    | -                                      | 6                           | 3.5%                                           |
| <b>TOTAL LIABILITIES OF WHICH:</b>    | <b>6,522</b>        | <b>9</b>                          | <b>12</b>                 | <b>8</b>                      | <b>-</b>                                           | <b>8</b>                        | <b>-</b>                                             | <b>-</b>                               | <b>37</b>                   | <b>0.6%</b>                                    |
| Current liabilities                   | 2,426               | 9                                 | 12                        | 8                             | -                                                  | 8                               | -                                                    | -                                      | 37                          | 1.5%                                           |
| Trade payables                        | 1,170               | -                                 | 12                        | 8                             | -                                                  | 8                               | -                                                    | -                                      | 28                          | 2.4%                                           |
| Other current liabilities             | 521                 | 8                                 | -                         | -                             | -                                                  | -                               | -                                                    | -                                      | 8                           | 1.5%                                           |
| Current financial liabilities         | 692                 | 1                                 | -                         | -                             | -                                                  | -                               | -                                                    | -                                      | 1                           | 0.1%                                           |

| Income statement<br><i>Millions of euro</i> | Total<br>12 31 2015 | Of which with related parties     |                           |                               |                                                    |                                 |                                                      |                                        |                             | % effect<br>on the<br>balance<br>sheet<br>item |
|---------------------------------------------|---------------------|-----------------------------------|---------------------------|-------------------------------|----------------------------------------------------|---------------------------------|------------------------------------------------------|----------------------------------------|-----------------------------|------------------------------------------------|
|                                             |                     | Associa-<br>ted<br>compa-<br>nies | Related<br>compa-<br>nies | Munici-<br>pality<br>of Milan | Subsi-<br>diaries<br>Munici-<br>pality<br>of Milan | Munici-<br>pality<br>of Brescia | Subsidi-<br>aries<br>Munici-<br>pality<br>of Brescia | Related<br>parties<br>indivi-<br>duals | Total<br>related<br>parties |                                                |
| <b>REVENUES</b>                             | <b>4,921</b>        | <b>1</b>                          | <b>61</b>                 | <b>340</b>                    | <b>8</b>                                           | <b>3</b>                        | <b>3</b>                                             | <b>-</b>                               | <b>416</b>                  | <b>8.5%</b>                                    |
| Revenues from sales<br>and services         | 4,732               | 1                                 | 60                        | 340                           | 8                                                  | 3                               | 3                                                    | -                                      | 415                         | 8.8%                                           |
| Other operating revenues                    | 189                 | -                                 | 1                         | -                             | -                                                  | -                               | -                                                    | -                                      | 1                           | 0.5%                                           |
| <b>OPERATING EXPENSES</b>                   | <b>3,244</b>        | <b>-</b>                          | <b>50</b>                 | <b>2</b>                      | <b>2</b>                                           | <b>9</b>                        | <b>-</b>                                             | <b>-</b>                               | <b>63</b>                   | <b>1.9%</b>                                    |
| Expenses for raw materials<br>and services  | 2,992               | -                                 | 5                         | -                             | 2                                                  | -                               | -                                                    | -                                      | 7                           | 0.2%                                           |
| Other operating expenses                    | 252                 | -                                 | 45                        | 2                             | -                                                  | 9                               | -                                                    | -                                      | 56                          | 22.2%                                          |
| <b>LABOUR COSTS</b>                         | <b>629</b>          | <b>-</b>                          | <b>-</b>                  | <b>-</b>                      | <b>-</b>                                           | <b>-</b>                        | <b>-</b>                                             | <b>2</b>                               | <b>2</b>                    | <b>0.3%</b>                                    |
| <b>FINANCIAL BALANCE</b>                    | <b>(138)</b>        | <b>(4)</b>                        | <b>-</b>                  | <b>-</b>                      | <b>-</b>                                           | <b>3</b>                        | <b>-</b>                                             | <b>-</b>                               | <b>(1)</b>                  | <b>0.7%</b>                                    |
| Financial income                            | 28                  | -                                 | -                         | -                             | -                                                  | 3                               | -                                                    | -                                      | 3                           | 10.7%                                          |
| Affiliates                                  | (4)                 | (4)                               | -                         | -                             | -                                                  | -                               | -                                                    | -                                      | (4)                         | 100.0%                                         |

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

\* \* \*

With regard to the compensation paid to the corporate governance bodies, reference shall be made to the document “Remuneration Report – 2015” available on the website [www.a2a.eu](http://www.a2a.eu).

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

### **40) Consob Communication no. DEM/6064293 of July 28, 2006**

There were no atypical and/or unusual and/or non-recurring transactions during the year under review.

## Guarantees and commitments with third parties

| <i>Millions of euro</i> | <b>12 31 2015</b> | <b>12 31 2014</b> |
|-------------------------|-------------------|-------------------|
| Guarantees received     | 460               | 453               |
| Guarantees provided     | 1,545             | 1,340             |

### Guarantees received

Guarantees received amounted to 460 million euro (453 million euro at December 31, 2014) and include 236 million euro for sureties and security deposits issued by subcontractors to guarantee the proper execution of the work assigned and 224 million euro for sureties and security deposits received from customers to guarantee the regularity of payments.

### Guarantees provided and commitments with third parties

Guarantees provided amounted to 1,545 million euro (1,340 million euro at December 31, 2014), of which for obligations undertaken in the loan agreements of 139 million euro. These guarantees have been issued by banks for 396 million euro, insurance companies for 38 million euro and the parent company A2A S.p.A., as parent company guarantee, for 1,111 million euro.

\*\*\*

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

## Other information

### 1) Significant events for the Group after December 31, 2015

For a description, reference is made to the paragraph “Significant events after December 31, 2015” of the Report on operations.

### 2) Information on treasury shares

At December 31, 2015, A2A S.p.A. held 26,917,609 treasury shares, being 0.859% of share capital which consists of 3,132,905,277 shares, unchanged from the end of the previous year. At December 31, 2015, no treasury shares were held through subsidiaries, finance companies or nominees.

### 3) Transactions as per IFRS 3 revised

IFRS 3 revised requires all business combinations to be accounted for using the acquisition method. The acquirer must therefore recognize all the identifiable assets, liabilities and contingent liabilities relating to the acquisition at their fair values at the acquisition date and also recognize any goodwill, which instead of being amortized is subsequently submitted to impairment testing.

In particular, IFRS 3 revised contains the following definitions:

- a “business combination” is a transaction in which a single entity (the acquirer) obtains control of one or more distinct entities or businesses (the acquisition);
- “control” as defined by IFRS 10;
- the “acquirer” is the combining entity that obtains control of the other entities or businesses;
- the “cost of the combination” is the aggregate of:
  1. the fair values, at the date of exchange, of assets acquired, liabilities incurred or assumed, and equity instruments issued by the acquirer and
  2. any costs directly attributable to the business combination;

- “fair value” is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm’s length transaction;
- the “acquisition date” is the date on which the acquirer effectively obtains control of the acquisition;
- the “date of exchange” is the date of each exchange transaction.

In the second quarter of the 2015, A2A Ambiente S.p.A., company controlled 100% by A2A S.p.A., acquired the additional 50% in Bellisolina S.r.l., thus bringing the shareholding in the company to 100% and, acquired 30% in the share capital of SED S.r.l., bringing the shareholding in the company to 80%.

Also in the second quarter of 2015, Aprica S.p.A., a company controlled 100% by A2A Ambiente S.p.A., acquired the remaining 50% of the share capital of Bergamo Servizi S.r.l., thus bringing the shareholding in the company to 100%.

As this was a business combination, the Group fully consolidated the company, using the acquisition method required by IFRS 3, from the second quarter of 2015.

The application of the acquisition method led to the recognition of the assets and liabilities acquired at fair value, based on the agreement between the parties.

The accounting resulted in a purchase price allocation process, which led to the allocation of a higher value of 0.1 million euro on the asset of SED S.r.l. and a higher value of 0.1 million euro on the asset of Bergamo Servizi S.r.l..

#### **4) Information on non-current assets held for sale and discontinued operations (IFRS 5)**

The items “Non-current assets held for sale” and “Liabilities directly associated with non-current assets held for sale” at December 31, 2015, implement the reclassification of certain assets of Edipower S.p.A., related liabilities as part of agreement signed on October 26, 2015 between A2A S.p.A. and Cellina Energy, a company wholly owned by Società Elettrica Altoatesina (SEL), which approved the project for the non-proportional demerger of Edipower S.p.A. whose objective is the overall reorganization of the ownership structure of the company; thus, at the outcome of the transaction, A2A S.p.A. will hold 100% of Edipower S.p.A. in order to allow over time a more systematic valuation of the various assets, even through a different strategic management and a different sharing of related values. The scope of assets of the spin-off refers to the assets of the hydroelectric plant chain of the Cellina Torrent as well as 18 so-called “mini-hydro” plants. Further details may be found in the paragraph “Significant events during the year” of the file Report on Operations.

“Non-current assets held for sale” also include the reclassification of assets owned by the company SEASM S.r.l. consisting of a 380 kV electrical substation called “Voghera” and intended to connect to the national electricity transmission network (RTN) the thermoelectric plant of Voghera Energia.

There was no need for the reclassified balances in either of the above transactions to be written down.

Summarized figures relating to these assets and liabilities are as follows.

| <b>Figures at December 31, 2015</b><br><i>Millions of euro</i> | <b>Assets<br/>Edipower<br/>S.p.A.</b> | <b>Assets<br/>SEASM<br/>S.r.l.</b> | <b>Total</b> |
|----------------------------------------------------------------|---------------------------------------|------------------------------------|--------------|
| <b>ASSETS AND LIABILITIES HELD FOR SALE</b>                    |                                       |                                    |              |
| Non-current assets                                             | 165                                   | 2                                  | 167          |
| Current assets                                                 | 38                                    | -                                  | 38           |
| <b>Total assets</b>                                            | <b>203</b>                            | <b>2</b>                           | <b>205</b>   |
| Non-current liabilities                                        | 20                                    | -                                  | 20           |
| Current liabilities                                            | -                                     | -                                  | -            |
| <b>Total liabilities</b>                                       | <b>20</b>                             | <b>-</b>                           | <b>20</b>    |

It is specified that the impact on the income statement of the reclassification of revenues, operating costs and financial balance of the company SEASM S.r.l. is not significant because less than one million euro.

## 5) Financial risk management

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

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

The commodity price risk of related to the volatility of energy commodity prices (gas, electricity, fuel oil, coal, etc.) and prices of environmental securities (EUA/ETS emission rights, green certificates, white certificates, etc.) consists of the possible negative effects that a change in the market price of one or more commodities may have on the cash flows and income prospects of the company, including the exchange rate risk related to the same commodities.

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

Currency risk not related to commodities is the risk of higher costs or lower revenues because of an unfavourable change in exchange rates between currencies.

Liquidity risk is the risk that financial resources will not be sufficient to meet established financial and business obligations in a timely manner.

Credit risk is the exposure to potential losses deriving from non-performance of commitments by commercial, trading and financial counterparties.

Equity risk is the possibility of incurring losses due to an unfavourable change in the price of shares.

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

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

## **a. Commodity risk**

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

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

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

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

Each year, A2A S.p.A. sets the Group’s commodity risk limits approving PaR and VaR proposed in the Risk Committee, in conjunction with approval of the Budget/Business Plan; the Risk Management supervises the situation to ensure compliance with these limits and proposes to senior management the hedging strategies designed to bring risk within the set limits.

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

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

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

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

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

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

## **a.2) Commodity derivatives, analysis of transactions**

### *Derivatives of the industrial portfolio considered hedges*

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

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

The fair value at December 31, 2015 was -5.5 million euro (-17.4 million euro at December 31, 2014).

*Derivatives of the industrial portfolio not considered hedges*

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

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

The fair value at December 31, 2015 was 0.0 million euro (0.0 million euro at December 31, 2014).

*Derivatives in the trading portfolio*

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

The fair value at December 31, 2015 was 0.5 million euro (1.0 million euro at December 31, 2014).

**a.3) Energy Derivatives, risk assessment of Industrial Portfolio derivatives**

PaR<sup>(1)</sup> or Profit at Risk, is used to assess the impact that fluctuations in the market price of the underlying have on the financial derivatives taken out by the A2A Group that are attributable to the industrial portfolio. It is the change in the value of a financial instruments portfolio within set probability assumptions as the result of a shift in the market indices. The PaR is calculated using the Montecarlo Method (at least 10,000 trials) and a 99% confidence level. It simulates scenarios for each relevant price driver depending on the volatility and correlations associated with each one, using as the central level the forward market curves at the balance sheet date, if available. By means of this method, after having obtained a distribution of probability associated with changes in the result of outstanding financial contracts, it is

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

possible to extrapolate the maximum change expected over a time horizon given by the accounting period at a set level of probability. Based on this methodology, over the time horizon of the accounting period and in the event of extreme market movements and at a 99% confidence level, the expected maximum negative change in financial derivatives outstanding at December 31, 2015 was 50.789 million euro (18.475 million euro at December 31, 2014).

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

| Millions of euro     | 12 31 2015 |           | 12 31 2014 |           |
|----------------------|------------|-----------|------------|-----------|
|                      | Worst case | Best case | Worst case | Best case |
| Profit at Risk (PaR) |            |           |            |           |
| Confidence level 99% | (50.789)   | 62.560    | (18.475)   | 18.200    |

This means that with a 99% probability the A2A Group expects not to have changes in fair value exceeding 50.789 million euro in the fair value of its entire portfolio of financial instruments at December 31, 2015 due to commodity price fluctuations.

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

**a.4) Energy Derivatives, risk assessment of Trading derivatives**

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

Under this method, in the case of extreme market movements, with a confidence level of 99% and a holding period of 1 day, the maximum estimated loss on the derivatives in question was 1,067 thousand euro at December 31, 2015 (1,606 thousand euro at December 31, 2014). In order to ensure closer monitoring of activities, the Stop Loss limits are also set, understood as the sum of VaR, P&L Realized (losses realized) and P&L Unrealized (potential losses).

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

The following are the results of the assessments:

| Millions of euro                           | 12 31 2015 |           | 12 31 2014 |           |
|--------------------------------------------|------------|-----------|------------|-----------|
| Value at Risk (VaR)                        | VaR        | Stop loss | VaR        | Stop loss |
| Confidence level 99%, holding period 1 day | (1.067)    | (1.067)   | (1.606)    | (1.606)   |

## b. Interest rate risk

The volatility of financial expenses associated to the performance of interest rates is monitored and mitigated through a policy of interest rate risk management aimed at identifying a balanced mix of fixed-rate and floating rate loans and the use of derivatives that limit the effects of fluctuations in interest rates.

Bank borrowings and other financing may be analyzed as follows at December 31, 2015:

| Millions of euro | December 31, 2015   |                  |                    | December 31, 2014   |                  |                    |
|------------------|---------------------|------------------|--------------------|---------------------|------------------|--------------------|
|                  | Without derivatives | With derivatives | % with derivatives | Without derivatives | With derivatives | % with derivatives |
| Fixed rate       | 3,066               | 3,218            | 85%                | 3,065               | 3,436            | 85%                |
| Floating rate    | 715                 | 563              | 15%                | 991                 | 620              | 15%                |
|                  | 3,781               | 3,781            |                    | 4,056               | 4,056            |                    |

Derivatives on interest rates at December 31, 2015 refer to the following loans:

| Loan                                                                                                                                                   | Derivative                                                                                                                                                                                  | Accounting                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
|--------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| A2A S.p.A. loan with BEI: expiring in November 2023, residual balance at December 31, 2015 amounting to 152.4 million euro, at floating rate interest. | Collar to fully cover the loan and the same maturity, with a floor on Euribor rate 2.99% and 4.65% cap. At December 31, 2015, the fair value was negative for 17.2 million euro.            | The loan is measured at amortized cost.<br>The collar is a cash flow hedge, with 100% recognized in a specific equity reserve.                                                                                                                                                                                                                                                                                                                                            |
| A2A S.p.A. bond with a nominal value of 503.4 million euro, maturing in 2016 bearing fixed interest at 4.5%.                                           | IRS (“Fix to Float”) on the entire nominal amount with same duration as the loan.<br>At December 31, 2015, the fair value was positive for 16.2 million euro.                               | Fair value hedge<br>The fair value hedge valuation is equal to the amortized cost of financial liabilities increased by accrued interest. The amortized cost includes the portion of competence of the discount and issue costs. This value includes the fair value of the derivative. In the income statement, the change in the fair value of the financial liability is offset by the change in the fair value of the derivative, as the risk hedge is 100% effective. |
|                                                                                                                                                        | Collar on 3.4 million euro with the same duration of the loan, with floor on Euribor rate 2.25% and 4.50% cap.<br>At December 31, 2015, the fair value was negative for 0.1 million euro.   | The collar is measured at fair value through the income statement.                                                                                                                                                                                                                                                                                                                                                                                                        |
|                                                                                                                                                        | Collar on 350 million euro maturing November 2016, with floor on Euribor rate 1.54% and 3.25% cap.<br>At December 31, 2015, the fair value was negative for 5.6 million euro.               | The collar is measured at fair value through the income statement.                                                                                                                                                                                                                                                                                                                                                                                                        |
|                                                                                                                                                        | Collar on 150 million euro maturing November 2016, with floor on Euribor rate 1.20% and double cap 2.80% and 5%.<br>At December 31, 2015, the fair value was negative for 1.9 million euro. | The collar is measured at fair value through the income statement.                                                                                                                                                                                                                                                                                                                                                                                                        |

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

The following are the results of the simulation with the related maximum variances (worst case and best case scenarios) for the 12 months subsequent to December 31, 2015, and a comparison with the 12 preceding months (excluding EPCG):

| Millions of euro                                                                 | Year 2016<br>(base case: -119.6) |           | Year 2015<br>(base case: -135.0) |           |
|----------------------------------------------------------------------------------|----------------------------------|-----------|----------------------------------|-----------|
|                                                                                  | Worst case                       | Best case | Worst case                       | Best case |
| Change in expected cash flows<br>(including hedge flows)<br>Confidence level 99% | (0.3)                            | 0.3       | (0.3)                            | 0.2       |

A sensitivity analysis is provided relating to possible changes in the fair value of derivatives (excluding cross currency swaps) on shifting the forward rate curve by +50 bps and -50 bps:

| Millions of euro                    | 12 31 2015<br>(base case: -8.5) |         | 12 31 2014<br>(base case: -4.1) |         |
|-------------------------------------|---------------------------------|---------|---------------------------------|---------|
|                                     | -50 bps                         | +50 bps | -50 bps                         | +50 bps |
| Change in fair value of derivatives | (3.3)                           | 3.0     | (9.6)                           | 8.1     |
| (of which cash flow hedges)         | (3.3)                           | 3.0     | (4.2)                           | 3.9     |
| (of which fair value hedges)        | 1.4                             | (1.4)   | 4.0                             | (3.9)   |

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

### c. Exchange rate risk not related to commodities

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

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

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

At December 31, 2015, the fair value of the hedge was negative for 10.1 million euro. This fair value would improve by 18.2 million euro in the event of a 10% decline in the forward curve of

the euro/yen exchange rate (appreciation of the yen) and would worsen by 14.9 million euro in the event of a 10% rise in the forward curve of the euro/yen exchange rate (depreciation of the yen).

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

#### d. Liquidity risk

To hedge this risk, the Group ensures the maintenance of adequate financial resources, as well as a liquidity buffer sufficient to meet unexpected commitments. At December 31, 2015, the Group contracted revolving committed credit lines for 800 million euro, unused. The Group also has unused long-term financing for a total of 145 million euro and cash and cash equivalents totalling 674 million euro, 587 million euro of which held by the parent company.

Liquidity risk management is also pursued by directly accessing the capital market, particularly through the Bond Issue Program (Euro Medium Term Note Programme), extended to 4 billion euro, as approved by the Board of Directors on November 6, 2014 and by programming an appropriate distribution of maturities aimed at mitigating the risk of refinancing.

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

| <b>Year 2015</b> <i>Millions of euro</i> | <b>1-3 months</b> | <b>4-12 months</b> | <b>After 12 months</b> |
|------------------------------------------|-------------------|--------------------|------------------------|
| Bonds                                    | 48                | 566                | 3,004                  |
| Payables and other financial liabilities | 51                | 77                 | 718                    |
| <b>Total financial flows</b>             | <b>99</b>         | <b>643</b>         | <b>3,722</b>           |
| Trade payables                           | 412               | 16                 | 2                      |
| <b>Total trade payables</b>              | <b>412</b>        | <b>16</b>          | <b>2</b>               |

| <b>Year 2014</b> <i>Millions of euro</i> | <b>1-3 months</b> | <b>4-12 months</b> | <b>After 12 months</b> |
|------------------------------------------|-------------------|--------------------|------------------------|
| Bonds                                    | 44                | 72                 | 3,533                  |
| Payables and other financial liabilities | 8                 | 130                | 1,047                  |
| <b>Total financial flows</b>             | <b>52</b>         | <b>202</b>         | <b>4,580</b>           |
| Trade payables                           | 433               | 13                 | 3                      |
| <b>Total trade payables</b>              | <b>433</b>        | <b>13</b>          | <b>3</b>               |

#### **e. Credit risk**

Credit risk relates to the possibility that a counterparty, commercial or trading, may be in default, or fail to respect its commitment in the manner and timing provided by contract. This type of risk is managed by the Group through specific procedures (Credit Policy, Energy Risk Management procedure) and appropriate mitigation actions.

This risk is overseen by both the Credit Management function allocated centrally (and the corresponding functions of the operating companies) and the Group Risk Management Organizational Unit responsible for supporting the Group companies with reference to both commercial and trading activities. Risk mitigation is through the prior assessment of the creditworthiness of the counterparty and the constant verification of compliance with exposure limit as well as through the request for adequate guarantees.

The credit terms granted to customers as a whole have a variety of deadlines, in accordance with applicable law and market practice. In cases of delayed payment, default interest is charged as explicitly prescribed by the underlying supply contracts or by current law (application of the default rate as per Legislative Decree 231/2002).

Trade receivables are stated in the balance sheet net of any write-downs; the amount shown is considered to be a correct reflection of the realizable value of the receivables portfolio. For the aging of trade receivables, reference is made to note 7) Trade receivables.

#### **f. Equity risk**

A2A S.p.A. was not exposed to equity risk at December 31, 2015.

At December 31, 2015, A2A S.p.A. held 26,917,609 treasury shares, representing 0.859% of the share capital consisting of 3,132,905,277 shares.

As prescribed by IAS/IFRS, treasury shares do not constitute an equity risk as their purchase cost is deducted from equity, and even if they are sold any gain or loss on the purchase cost does not have any effect on income statement.

#### **g. Covenants compliance risk**

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

| Millions of euro                       | Accounting<br>balance<br>12 31 2015 | Portions<br>maturing<br>within 12<br>months | Portions<br>maturing<br>after 12<br>months | Portion maturing by |            |            |            |              |
|----------------------------------------|-------------------------------------|---------------------------------------------|--------------------------------------------|---------------------|------------|------------|------------|--------------|
|                                        |                                     |                                             |                                            | 12 31 2017          | 12 31 2018 | 12 31 2019 | 12 31 2020 | After        |
| Bonds                                  | 3,002                               | 571                                         | 2,431                                      |                     |            | 746        |            | 1,685        |
| Finance lease payables                 | 2                                   | 1                                           | 1                                          | 1                   |            |            |            |              |
| Finance payables to<br>related parties | 1                                   | 1                                           | -                                          |                     |            |            |            |              |
| Bank loans                             | 776                                 | 119                                         | 657                                        | 73                  | 69         | 74         | 79         | 362          |
| <b>TOTAL</b>                           | <b>3,781</b>                        | <b>692</b>                                  | <b>3,089</b>                               | <b>74</b>           | <b>69</b>  | <b>820</b> | <b>79</b>  | <b>2,047</b> |

At December 31, the Group had bonds for a total book value of 3,002 million euro.

The terms and conditions of these bond issues are in line with the market standard for this type of financial instrument. All the bonds issued by the parent company as part of the EMTN Programme (amounting in total to 2,350 million euro at December 31, 2015) contain a change of control put clause in favour of investors for any changes in control which lead to a resulting downgrading of the rating to sub-investment grade in the following 180 days. If the rating returns to investment grade within the 180-day period the put option is not exercisable.

The private bond in yen (book value of 100 million euro) falling due in 2036 contains a put right clause in favour of the investor, which triggers if the rating falls below BBB- or equivalent level (sub-investment grade).

The loan agreements entered into with the European Investment Bank (book value of 603 million euro) contain a credit rating clause guarding against a rating of below BBB- or equivalent level (sub-investment grade). In the event of a change in control of the parent company, the loan agreements entered into with the European Investment Bank falling due after 2024 for a total of 449 million euro at December 31, 2015, grant the bank the right to invoke early repayment of the loan on providing notice to the company containing an explanation of the underlying reasons.

The agreement entered into by the parent company with UniCredit, brokered by the EIB, for a value of 18 million euro falling due in June 2018 contains a credit-rating clause that provides for a commitment by the company to maintain an investment grade rating for the whole loan term. In the event of non-compliance there are a number of annual financial covenants to be respected based on the ratios of debt to equity, debt to gross operating income and gross operating income to interest expense.

The lines of revolving committed credit in Club Deal for 600 million euro expiring November 2019, and bilateral revolving committed credit lines for a total of 200 million euro falling due in 2017, currently unused, include a Change of Control clause which in the event of a change of

control of the parent company causing a Material Adverse Effect allows the banks to request the facility to be extinguished and early repayment of any amounts drawn. In addition, the revolving facility in Club Deal is subject to the financial covenant NFP/EBITDA.

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

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

With reference to the subsidiary EPCG, there are two loans signed with EBRD (European Bank for Reconstruction and Development, which envisage certain financial covenants): the first signed in November 2010, fully used for 35 million euro, and the second signed in April 2014, amounting to 30 million euro used for 14 million euro at December 31, 2015.

At December 31, there was no situation of non-compliance with the covenants of the A2A Group companies.

**A2A Group - Financial covenants at December 31, 2015**

| Company        | Bank           | Level of reference                                                         | Level at December 31, 2015 |
|----------------|----------------|----------------------------------------------------------------------------|----------------------------|
| A2A            | Pool RCF       | NFP/Ebitda <=4.4                                                           | 2.8                        |
| Abruzzoenergia | IntesaSanpaolo | NFP/Equity <=2<br>NFP/Ebitda<=6                                            | 0.5<br>2.4                 |
| EPCG           | EBRD           | Debt/Ebitda <= 4<br>Curr.Assets/Curr. Liab. >= 1.2<br>Ebitda/Interest >= 4 | 1.5<br>4.4<br>22.2         |
|                | IDA            | self-fin. ratio>=35%<br>collection ratio>94%                               | 169.05%<br>102%            |

## Analysis of forward transactions and derivatives

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

In particular:

- 1) transactions qualifying for hedge accounting under IAS 39: can be analyzed between transactions to hedge cash flows (cash flow hedges) and transactions to hedge fair value of assets and liabilities (fair value hedges). For the cash flow hedges, the accrued result is included in gross operating income when realized on commodity derivatives and in the financial balance for interest rate and currency derivatives, whereas the future value is shown in equity. For fair value hedge transactions, the impacts in the income statement are cancelled within the same line of the financial statements;
- 2) transactions not considered as hedges for the purposes of IAS 39, can be:
  - a. margin hedges: for all hedging transactions of cash flows or the market value in line with internal risk policies, the accrued result and future value are included in gross operating income for commodity derivatives and in the financial balance for interest rate and currency derivatives;
  - b. trading transactions: the accrued result and future value are recognized above gross operating income for commodities transactions and in financial income and expense for interest rate and currency transactions.

The use of derivatives in the A2A Group is governed by a coordinated set of procedures (Energy Risk Policy, Deal Life Cycle) which are based on industry best practices and designed to limit the risk of the Group being exposed to commodity price fluctuations, based on a cash flow hedging strategy.

The derivatives are measured at fair value based on the forward market curve at the balance sheet date, if the asset underlying the derivative is traded on markets with a forward pricing structure. In the absence of a forward market curve, fair value is measured on the basis of internal estimates using models that refer to industry best practices.

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

In compliance with the provisions of IFRS 13, the fair value of an over-the-counter (OTC) financial instrument is determined taking into account the non-performance risk. To quantify the fair value adjustment attributable to this risk, A2A has, in line with best market practices,

developed a proprietary model called the “bilateral Credit Value Adjustment” (bCVA), which takes into account changes in the creditworthiness of the counterpart as well as the changes in its own creditworthiness.

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

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

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

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

Instruments outstanding at December 31, 2015

A) On interest and exchange rates

| Millions of euro                                                                                 | Notional value (a)<br>due within 1 year |               | Notional value (a)<br>due within 1 and 5 years |               | Notional<br>value (a)<br>due over 5<br>years | Amount<br>reported<br>in balance<br>sheet(b) | Progressive<br>effect to<br>the income<br>statement at<br>12 31 2015 (c) |
|--------------------------------------------------------------------------------------------------|-----------------------------------------|---------------|------------------------------------------------|---------------|----------------------------------------------|----------------------------------------------|--------------------------------------------------------------------------|
|                                                                                                  | to be<br>received                       | to be<br>paid | to be<br>received                              | to be<br>paid |                                              |                                              |                                                                          |
| <b>Interest rate risk management</b>                                                             |                                         |               |                                                |               |                                              |                                              |                                                                          |
| - cash flow hedges as per IAS 39                                                                 |                                         | 19            |                                                | 76            | 57                                           | (17)                                         |                                                                          |
| - not considered hedges as per IAS 39                                                            |                                         | 503 (d)       |                                                |               | -                                            | 8 (e)                                        | 8 (e)                                                                    |
| <b>Total derivatives<br/>on interest rates</b>                                                   | -                                       | 522           | -                                              | 76            | 57                                           | (9)                                          | 8                                                                        |
| <b>Exchange rate risk management</b>                                                             |                                         |               |                                                |               |                                              |                                              |                                                                          |
| - considered hedges as per IAS 39<br>on commercial transactions<br>on financial transactions     |                                         |               |                                                |               | 98                                           | (10)                                         |                                                                          |
| - not considered hedges as per IAS 39<br>on commercial transactions<br>on financial transactions |                                         |               |                                                |               |                                              |                                              |                                                                          |
| <b>Total exchange rate derivatives</b>                                                           | -                                       | -             | -                                              | -             | 98                                           | (10)                                         | -                                                                        |

- (a) Represents the sum of the notional value of the elementary contracts that derive from any dismantling of complex contracts.
- (b) Represents the net receivable (+) or payable (-) recognized in the balance sheet following the measurement of derivatives at fair value.
- (c) Represents the adjustment of derivatives to fair value recognized progressively over time in the income statement from the stipulation of the contract to the present day.
- (d) Includes derivative instruments with underlying bond worth 503 million euro, maturing in 2016, and an IRS with notional value of 503 million euro, with no economic effect, as a result of the fair value hedge measurement and three collars with a notional value of 503 million euro, not qualifying as hedges under IAS 39.
- (e) Includes the effect on collars, with a total notional amount of 503 million euro, not considered as hedges according to IAS 39.

## B) On commodities

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

|                                                           | Unit of measurement of the notional value | Notional value expiring within 1 year | Notional value expiring within 2 years | Notional value expiring within 5 years | Balance sheet value (*) (millions of euro) | Progressive effect to income statement (**) (millions of euro) |
|-----------------------------------------------------------|-------------------------------------------|---------------------------------------|----------------------------------------|----------------------------------------|--------------------------------------------|----------------------------------------------------------------|
| <b>Energy product price risk management</b>               |                                           |                                       |                                        |                                        |                                            |                                                                |
| <b>A. Cash flow hedges as per IAS 39, including:</b>      |                                           |                                       |                                        |                                        | <b>(5.5)</b>                               | <b>-</b>                                                       |
| - Electricity                                             | TWh                                       | 6.3                                   | 0.5                                    |                                        | (4.9)                                      |                                                                |
| - Oil                                                     | Bbl                                       |                                       |                                        |                                        |                                            |                                                                |
| - Coal                                                    | Tons                                      | 280,357                               |                                        |                                        | (0.8)                                      |                                                                |
| - Natural gas                                             | Millions of cubic metres                  | 23                                    |                                        |                                        |                                            |                                                                |
| - Exchange rate                                           | Millions of dollars                       |                                       |                                        |                                        |                                            |                                                                |
| - Emission rights                                         | Tons                                      | 1,327,000                             |                                        |                                        | 0.2                                        |                                                                |
| <b>B. Considered fair value hedges as per IAS 39</b>      |                                           |                                       |                                        |                                        | <b>-</b>                                   | <b>-</b>                                                       |
| <b>C. Not considered as hedges as per IAS 39 of which</b> |                                           |                                       |                                        |                                        | <b>0.5</b>                                 | <b>(0.5)</b>                                                   |
| <b>C.1 hedge margin</b>                                   |                                           |                                       |                                        |                                        | <b>-</b>                                   | <b>-</b>                                                       |
| - Electricity                                             | TWh                                       |                                       |                                        |                                        |                                            |                                                                |
| - Oil                                                     | Bbl                                       |                                       |                                        |                                        |                                            |                                                                |
| - Natural gas                                             | MWh                                       |                                       |                                        |                                        |                                            |                                                                |
| - Natural gas                                             | Millions of cubic metres                  |                                       |                                        |                                        |                                            |                                                                |
| - CO <sub>2</sub> emission rights                         | Tons                                      |                                       |                                        |                                        |                                            |                                                                |
| - Exchange rate                                           | Millions of dollars                       |                                       |                                        |                                        |                                            |                                                                |
| <b>C.2 trading transactions</b>                           |                                           |                                       |                                        |                                        | <b>0.5</b>                                 | <b>(0.5)</b>                                                   |
| - Electricity                                             | TWh                                       | 34.7                                  | 4.9                                    |                                        | 0.5                                        | (2.5)                                                          |
| - Natural gas                                             | TWh                                       | 8.0                                   | 0.6                                    |                                        | 0.2                                        | 0.2                                                            |
| - CO <sub>2</sub> emission rights                         | Tons                                      | 1,022,000                             |                                        |                                        | (0.2)                                      | 1.8                                                            |
| - Environmental Certificates                              | MWh                                       |                                       |                                        |                                        |                                            |                                                                |
| - Environmental Certificates                              | Tep                                       |                                       |                                        |                                        |                                            |                                                                |
| <b>Total</b>                                              |                                           |                                       |                                        |                                        | <b>(5.0)</b>                               | <b>(0.5)</b>                                                   |

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

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

## Financial and operating results for derivative transactions at December 31, 2015

The following table shows the balance sheet figures at December 31, 2015, for derivative transactions.

### Effect on the balance sheet

| <i>Millions of euro</i>                                    | <b>Notes</b> |           |
|------------------------------------------------------------|--------------|-----------|
| <b>ASSETS</b>                                              |              |           |
| <b>NON-CURRENT ASSETS</b>                                  |              | -         |
| Other non-current assets - Derivatives                     | 5            | -         |
| <b>CURRENT ASSETS</b>                                      |              | <b>55</b> |
| Other current assets - Derivatives                         | 8            | 55        |
| <b>TOTAL ASSETS</b>                                        |              | <b>55</b> |
| <b>LIABILITIES</b>                                         |              |           |
| <b>NON-CURRENT LIABILITIES</b>                             |              | <b>27</b> |
| Other non-current liabilities - Derivatives                | 21           | 27        |
| <b>CURRENT LIABILITIES</b>                                 |              | <b>51</b> |
| Trade payables and other current liabilities - Derivatives | 22           | 51        |
| <b>TOTAL LIABILITIES</b>                                   |              | <b>78</b> |

## Effect on the income statement

The following table sets out the income statement figures at December 31, 2015 arising from the management of derivatives.

| Millions of euro                                                                   | Notes     | Realized during the year | Change in fair value during the year | Amounts booked to the statement of comprehensive income |
|------------------------------------------------------------------------------------|-----------|--------------------------|--------------------------------------|---------------------------------------------------------|
| <b>REVENUES</b>                                                                    | <b>27</b> |                          |                                      |                                                         |
| Revenues from the sale of goods                                                    |           |                          |                                      |                                                         |
| <i>Energy product price risk management and commodity exchange risk management</i> |           |                          |                                      |                                                         |
| - considered hedges as per IAS 39                                                  |           | -                        | -                                    | -                                                       |
| - not considered hedges as per IAS 39                                              |           | 14                       | (10)                                 | 4                                                       |
| <b>Total revenues from the sale of goods</b>                                       |           | <b>14</b>                | <b>(10)</b>                          | <b>4</b>                                                |
| <b>OPERATING EXPENSES</b>                                                          | <b>28</b> |                          |                                      |                                                         |
| Expenses for raw materials and services                                            |           |                          |                                      |                                                         |
| <i>Energy product price risk management and commodity exchange risk management</i> |           |                          |                                      |                                                         |
| - considered hedges as per IAS 39                                                  |           | 1                        | -                                    | 1                                                       |
| - not considered hedges as per IAS 39                                              |           | (11)                     | 9                                    | (2)                                                     |
| <b>Total expenses for raw materials and services</b>                               |           | <b>(10)</b>              | <b>9</b>                             | <b>(1)</b>                                              |
| <b>Total booked to gross operating income <sup>(*)</sup></b>                       |           | <b>4</b>                 | <b>(1)</b>                           | <b>3</b>                                                |
| <b>FINANCIAL BALANCE</b>                                                           | <b>34</b> |                          |                                      |                                                         |
| Financial income                                                                   |           |                          |                                      |                                                         |
| <i>Interest rate risk management and equity risk management</i>                    |           |                          |                                      |                                                         |
| Gains on derivatives                                                               |           |                          |                                      |                                                         |
| - considered hedges as per IAS 39                                                  |           | -                        | -                                    | -                                                       |
| - not considered hedges as per IAS 39                                              |           | 9                        | 1                                    | 10                                                      |
| <b>Total</b>                                                                       |           | <b>9</b>                 | <b>1</b>                             | <b>10</b>                                               |
| <b>Total financial income</b>                                                      |           | <b>9</b>                 | <b>1</b>                             | <b>10</b>                                               |
| Financial expense                                                                  |           |                          |                                      |                                                         |
| <i>Interest rate risk management and equity risk management</i>                    |           |                          |                                      |                                                         |
| Charges on derivatives                                                             |           |                          |                                      |                                                         |
| - considered hedges as per IAS 39                                                  |           | (5)                      | -                                    | (5)                                                     |
| - not considered hedges as per IAS 39                                              |           | (5)                      | 5                                    | -                                                       |
| <b>Total</b>                                                                       |           | <b>(10)</b>              | <b>5</b>                             | <b>(5)</b>                                              |
| <b>Total financial expenses</b>                                                    |           | <b>(10)</b>              | <b>5</b>                             | <b>(5)</b>                                              |
| <b>TOTAL BOOKED TO FINANCIAL BALANCE</b>                                           |           | <b>(1)</b>               | <b>6</b>                             | <b>5</b>                                                |

(\*) These figures do not include the effect of the net presentation of the trading margin.

### Classes of financial instruments

To complete the analyses required by IFRS 7 and IFRS 13, the following table sets out the various types of financial instrument that are to be found in the various balance sheet items, with an indication of the accounting policies used and, in the case of financial instruments measured at fair value, an indication of where changes are recognized (income statement or equity). The last column of the table shows the fair value of the instrument at December 31, 2015, where applicable.

Millions of euro

Criteria to measure the reported amount of financial instruments

|                                                                                       | Notes     | Financial instruments measured at fair value with changes recognized in: |        |     | Financial instruments measured at amortized cost | Shareholding / Holdings securities convertible into unlisted shareholdings measured at cost | Amount as stated in the consolidated balance sheet at 12 31 2015 | Fair value at 12 31 2015 (*) |
|---------------------------------------------------------------------------------------|-----------|--------------------------------------------------------------------------|--------|-----|--------------------------------------------------|---------------------------------------------------------------------------------------------|------------------------------------------------------------------|------------------------------|
|                                                                                       |           | Income statement                                                         | Equity |     |                                                  |                                                                                             |                                                                  |                              |
|                                                                                       |           | (1)                                                                      | (2)    | (3) | (4)                                              | (5)                                                                                         |                                                                  |                              |
| ASSETS                                                                                |           |                                                                          |        |     |                                                  |                                                                                             |                                                                  |                              |
| Other non-current financial assets:                                                   |           |                                                                          |        |     |                                                  |                                                                                             |                                                                  |                              |
| Shareholding / Securities convertible into shareholdings available for sale of which: |           |                                                                          |        |     |                                                  |                                                                                             |                                                                  |                              |
| - unlisted                                                                            |           |                                                                          |        | 8   |                                                  |                                                                                             | 8                                                                | n.a.                         |
| - listed                                                                              |           |                                                                          |        |     |                                                  |                                                                                             | -                                                                | -                            |
| Financial assets held to maturity                                                     |           |                                                                          |        |     |                                                  |                                                                                             | -                                                                | -                            |
| Other non-current financial assets                                                    |           |                                                                          |        |     | 61                                               |                                                                                             | 61                                                               | 61                           |
| Total other non-current financial assets                                              | 3         |                                                                          |        |     |                                                  |                                                                                             | 69                                                               |                              |
| Other non-current assets                                                              | 5         |                                                                          |        |     | 6                                                |                                                                                             | 6                                                                | 6                            |
| Trade receivables                                                                     | 7         |                                                                          |        |     | 1,485                                            |                                                                                             | 1,485                                                            | 1,485                        |
| Other current assets                                                                  | 8         | 55                                                                       |        |     | 128                                              |                                                                                             | 183                                                              | 183                          |
| Current financial assets                                                              | 9         |                                                                          |        |     | 171                                              |                                                                                             | 171                                                              | 171                          |
| Cash and cash equivalents                                                             | 11        |                                                                          |        |     | 636                                              |                                                                                             | 636                                                              | 636                          |
| Non-current assets held for sale                                                      | 12        |                                                                          |        |     | 205                                              |                                                                                             | 205                                                              | 205                          |
| LIABILITIES                                                                           |           |                                                                          |        |     |                                                  |                                                                                             |                                                                  |                              |
| Financial liabilities                                                                 |           |                                                                          |        |     |                                                  |                                                                                             |                                                                  |                              |
| Non-current and current bonds                                                         | 18 and 23 | 522 (a)                                                                  |        |     | 2,480                                            |                                                                                             | 3,002                                                            | 3,002                        |
| Other non-current and current financial liabilities                                   | 18 and 23 |                                                                          |        |     | 779                                              |                                                                                             | 779                                                              | 779                          |
| Other non-current liabilities                                                         | 21        |                                                                          | 27     |     | 72                                               |                                                                                             | 99                                                               | 99                           |
| Trade payables                                                                        | 22        |                                                                          |        |     | 1,170                                            |                                                                                             | 1,170                                                            | 1,170                        |
| Liabilities directly associated with non-current assets held for sale                 | 22        | 45                                                                       | 6      |     | 470                                              |                                                                                             | 521                                                              | 521                          |
| Passività direttamente associate ad attività non correnti destinate alla vendita      | 25        |                                                                          |        |     | 20                                               |                                                                                             | 20                                                               | 20                           |

(\*) The fair value has not been calculated for receivables and payables not related to derivative contracts and loans as the corresponding book value comes close to it.

(a) Amortized cost + fair value risk hedge, as further specified in note 23) Current financial liabilities.

(1) Financial assets and liabilities at fair value through income statement.

(2) Hedging derivatives (Cash flow Hedges).

(3) Available-for-sale financial assets measured at fair value with gains/losses recognized in equity.

(4) Loans & receivables and financial liabilities valued at amortized cost.

(5) Available-for-sale financial assets consisting of unlisted shareholdings whose fair value is not reliably measurable are measured at the lower of cost less any impairment losses and fair value.

### Fair Value hierarchy

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

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

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

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

| Millions of euro                                 | Note | Level 1   | Level 2            | Level 3    | Total      |
|--------------------------------------------------|------|-----------|--------------------|------------|------------|
| Available-for-sale assets measured at fair value | 3    |           | 8                  |            | 8          |
| Other non-current assets                         | 5    |           |                    |            | -          |
| Other current assets                             | 8    | 39        | 16                 |            | 55         |
| <b>TOTAL ASSETS</b>                              |      | <b>39</b> | <b>24</b>          | <b>-</b>   | <b>63</b>  |
| Non-current financial liabilities                | 18   |           |                    |            | -          |
| Other non-current liabilities                    | 21   |           | 27                 |            | 27         |
| Current financial liabilities                    | 23   |           | 522 <sup>(a)</sup> |            | 522        |
| Other current liabilities                        | 22   | 44        | 8                  | (1)        | 51         |
| <b>TOTAL LIABILITIES</b>                         |      | <b>44</b> | <b>557</b>         | <b>(1)</b> | <b>600</b> |

(a) Amortized cost + fair value risk hedge, as further specified in note 23) Current financial liabilities.

### Sensitivity analysis for financial instruments included in level 3

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

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

6) Concessions

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

|                                                             | Number | Maturity |      | Notes                                                                                                                                                                                   |
|-------------------------------------------------------------|--------|----------|------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                                             |        | from     | to   |                                                                                                                                                                                         |
| Hydroelectric concessions                                   | 77     | 2016     | 2043 | of which:<br>- 12 Concessions past due managed in prorogation.<br>- 6 Concessions regarding the hydroelectric Unit in Udine as of January 1, 2016 transferred to Cellina Energy S.r.l.. |
| District heating concessions                                | 10     | 2022     | 2037 | of which:<br>- 2 Concessions with maturity consistent with the duration of A2A S.p.A..                                                                                                  |
| Electricity distribution concessions                        | 48     | -        | 2030 |                                                                                                                                                                                         |
| Gas distribution concessions                                | 207    | 2016     | 2023 | of which:<br>- 4 Concessions past due managed in prorogation.                                                                                                                           |
| Solid urban waste concessions (“SUW”) (*)                   | 96     | 2016     | 2050 | of which:<br>- 7 Concessions past due managed in prorogation.                                                                                                                           |
| Water service management concessions (**)                   | 114    | 2019     | 2036 | of which:<br>- 10 Concessions past due managed in prorogation.                                                                                                                          |
| Urban illumination and traffic lights management agreements | 7      | 2024     | 2029 | of which:<br>- 2 Concessions managed in tacit renewal.<br>- 2 Concessions with maturity consistent with the duration of A2A S.p.A..                                                     |
| Other concessions                                           | 11     | 2018     | 2050 |                                                                                                                                                                                         |

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

## 7) Update of the main legal and tax disputes still pending

Adequate provisions are provided where necessary for the disputes and litigation described below. It is noted that if there is no explicit reference to the presence of a provision, the Group assessed the corresponding risk as possible without appropriating provisions in the financial statements.

### EC infringement procedure

With regard to the EC infringement procedure, it is noted that the Group has already proceeded, as described below, to the payment of all amounts due. Any developments in the dispute could therefore only result in a benefit for the Group.

On June 5, 2002, the European Commission published Decision no. 2003/193/EC stating that the three-year exemption from income tax provided by article 3 paragraph 70 of Law no. 549/95 and article 66.14 of Decree Law no. 331/1993, converted into Law no. 427/93, is incompatible with community law, considering this to be “State aid” which is prohibited by article 87.1 of the EC Treaty.

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

The process followed by the various community and national appeals was described in the financial statements up until 2012 and in the quarterly reports up until the third quarter of 2013, to which reference is made for brevity. All the amounts requested for the principal and interest for 289.3 million euro have been settled to avoid any executive action.

The situation regarding pending matters is as follows:

- Sentence regarding the First recovery. The verdict has been finalized following the sentence of the first instance rejecting the company’s appeal.
- Sentence regarding the Second recovery. Following the adverse sentence of the Regional Tax Commission the company filed an appeal with the Supreme Court. The case is awaiting discussion.
- Sentence regarding the Third recovery. Following the adverse sentence of the Regional Tax Commission the company filed an appeal with the Supreme Court. The appeal was discussed on November 14, 2013 before the Tax Section. By way of an ordinance published on February 13, 2014, the court suspended the case and ordered that the records be passed to the European Court of Justice, raising a question of a preliminary ruling pursuant to article 267 of the Treaty of the Functioning of the European Union concerning the way in which the interest due on the recovery of the aid should be calculated. The company has made an appearance before the court and filed a brief; the Italian State and the European Commission have done the same, taking a position in opposition to the company. The related proceedings are registered under number C-89/14.

As of today, therefore, the question concerning the quantification of the interest due on the amounts to be recovered is still pending in cassation (whether the interest is compound or simple interest), related to the Second and Third recovery. On this point, the interpretation made by the European Court of Justice is binding on national courts. On March 26, 2015, the Attorney General at the Court of Justice, Melchior Wathelet, submitted his non-binding conclusions to the Court. According to the Attorney General, European legislation does not preclude that national legislation provides for the application of compound interest to a recovery action for illegal aid. However, the same Attorney General found that before 2008, neither European nor national legislation envisaged the application of compound interest for recovery activities.

By sentence ruled on September 3, 2015, the EU Court substantially transposed the opinion of the Attorney General, considering that a national legislation regarding interest on the recovery of State aid, which provides for the application of compound interest, is not contrary to European law. However, the Court highlighted that – before 2008 – no legislation (European and national) provided for the application of compound interest for the recovery of State aid relating to Decisions issued – as in this case – before the entry into force of Reg. no. 794/2004.

Following this binding sentence on the national court, the proceedings in cassation on the Third recovery suspended following the prejudicial referral to the Court of Justice, will resume its course. The date of the hearing for discussion was set for March 18, 2016.

#### **Consult Latina/BAS S.p.A. (now A2A S.p.A.)**

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

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

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

A2A S.p.A. has always instructed legal counsel to settle the case and has recently expressed its willingness to increase previous offers to cover the costs of the suit, although awaiting a specific figure that can then be assessed, also showing its availability to listen to and consider incremental requests. To date, specific requests are pending, considering that the Court urged the parties to find a settlement solution in recent months. Redengas, a subsidiary of HISA, the shares of which are subject to a lien by Consult Latina, has filed a new suit to call for the removal of the lien on the shares that remains in Consult Latina's favor; legal counsel

has advised that the legal counsel of Redengas has announced that it will file a counter suit against A2A S.p.A. and Consult Latina, but several months later this has still to be notified. On June 3, 2014 the court rejected the suit filed by A2A S.p.A. and Consult Latina to remove the sequestration ordered by the judge at the request of Consult Latina on the present and future shares of Redengas, and A2A S.p.A. has filed an appeal.

The Court convened the parties in a council chamber which was held December 18, 2014 to verify the conditions of a conciliation or transaction; following the discussion, the Court has set a new discussion session for February 19, 2015 to receive indications from the parties; in view of subsequent postponements requested by Consult Latina, the parties are continuing to pursue settlement options without formal pleadings being carried out.

The Group has set aside a risk provision of 1.3 million euro.

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

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

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

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

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

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

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

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

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

In view of the intervening bankruptcy of Eurosviluppo Industriale and the process issues raised during such declaration, the Board issued a decision dated November 13, 2012 ordering that the hearing set for November 20, 2012 should not be devoted to an attempt at reaching a settlement and, therefore, would not include the presence of the parties. At the hearing on November 20, 2012, the Board set the deadline for filing the award as July 4, 2013; also, the deadlines for the parties to file briefs were set as December 20, 2012 and January 31, 2013, and February 20, 2013 was set for the hearing date for discussion, to be held at the office of the Chairman of the Board. At the hearing of February 22, 2013 (the hearing was adjourned

from February 20 to February 22 due to a commitment of the Chairman of the Arbitration Board), the Board issued an order requesting A2A S.p.A. and E.ON Europa S.L. to add to their respective attorneys to remedy all possible defects by March 20, 2013, and set March 20, 2013 and April 5, 2013 as the new final dates for the filing of briefs and replies to clarify and explain their respective positions. Subsequent to these obligations, the Board reserved the right to issue an order. On June 5, 2013, the Board filed an order in which it set July 22, 2013 as the date of the hearing for an attempt to reach a settlement and for questioning by the parties; given the deadline of July 4, 2013 previously set for the filing of the decision, the Board made an application to the Chamber for the granting of a reasonable extension.

At the end of the hearing of July 22, 2013, in which the questioning by the parties took place and the absence of the conditions for reaching a settlement was confirmed, the Chamber set a deadline of September 30, 2013 for filing documents and drawing up preliminary motions and October 21, 2013 for any submissions in reply from the lawyers. On October 2, 2013 the Chamber of Arbitration noted that S.F.C. S.A. and the bankruptcies had not paid the contributions requested in July and as of today the proceeding is suspended. On October 22, 2013, S.F.C. S.A., in breach of the terms of the arbitration and the questions raised by the Arbitration Board, filed an appraisal arranged on its behalf having technical content. In a decision on November 27, 2013, the Board ordered an expert witness to verify the co-generation capabilities of the plant and appointed as the expert witness Mr. L. Guizzi. The company appointed Mr. Massardo as its own expert witness, S.F.C. S.A. Mr. Ambrogio and Mr. Lazzeri. After the hearing of January 22, 2014 for formalities relating to the appointment of the expert witnesses, the Board set a deadline of June 16, 2014 for the filing of the related report. The report was filed within the legal terms and contained confirmation of the arguments of A2A S.p.A. and E.ON Europa S.L.. The continuation of the arbitration may be affected by the fact the S.F.C. S.A., Eurosviluppo Industriale S.p.A. and Consorzio Eurosviluppo S.c.a.r.l.. On February 4, 2015, the Arbitration Board set new terms for the expert witness and the parties for replies following the filing of a further technical brief of S.F.C. S.A. to then set the hearing for April 23, 2015. The Chamber of Arbitration ordered the postponement of the deadline for filing the award. At the hearing on April 23, 2015, the Board set new terms for briefs and a hearing date if requested by the parties at September 23. A hearing was not requested and it is therefore necessary to wait for the filing of the award. The Chamber of Arbitration set a new deadline for the filing of the award on February 1, 2016, then postponed to March 2, 2016. On March 1, 2016, the Arbitration Chamber notified the filing of the award signed by the arbitrators on February 29, 2016. The award was approved unanimously and, after rejecting the issue of constitutionality raised by SFC and Eurosviluppo Industriale and the preliminary exceptions carried out by the Bankruptcy Eurosviluppo Industriale, ascertained the non-fulfilment of SFC and Eurosviluppo Industriale of the obligations of private agreements signed with A2A and EON, declared that EON and A2A are not required to pay the third instalment of the price established for the purchase of Ergosud shares (for 10 million euro) and ordered

SFC and Eurosviluppo Industriale to pay jointly the total compensation for damages to A2A and EON of 8.1 million euro plus legal interest, rejects or declares absorbed any other issue and declares fully settled between the parties the costs of arbitration.

The Group has not allocated any provisions as it does not deem as probable the risk related to this pending lawsuit.

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

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

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

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

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

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

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

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

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

The Group has not allocated any provisions as it does not deem as probable the risk related to this pending lawsuit.

## **CIP 6 auxiliary services**

This matter regards the usage of electricity for auxiliary services. According to the Electricity, Gas and Water Authority (AEEGSI), self-consumption by certain types of plant (waste-to-energy) should be considered in the same way as consumption for auxiliary services. It is noted that the Group has various plants that benefited from CIP 6/92 incentives and for which inspection visits have been carried out over the years. In certain cases, the Authority carried out said verifications by mandating the CCSE to act with respect to the Group; in other cases, the Authority has not taken any action; in others, the verifications are underway at the reporting date. To date, it is not deemed that there are potential contingent liabilities or significant in scope such as to require the recording of a provision in the financial statements.

With Sentences December 30, 2014 no. 6430 and December 1, 2014 no. 5946, the State Council confirmed the acts adopted by the AEEGSI towards the Group on the waste-to-energy plants of Corteolona and Filago, which prescribed the return of a portion of CIP 6/1992 incentives,

as attributable - according to the non-shared reading of the AEEGSI and of State Council - to consumption for ancillary services. At the request of the CCSE, the Group paid the allegedly overpaid sums during the year.

With regard to the inspection visit in 2006 by the CCSE at the Silla 2 waste-to-energy plant, to date, no updates were found with respect to as already reported in the Notes to the financial statements of previous years. It is believed that, in the event of measures by the AEEGSI tending to the recovery of the CIP 6/92 facilitation, valid defensive objections can be adopted, even taking into account the peculiarities of the waste-to-energy plant in question. Given the above arguments, the Group believes that as of today the liability is possible but not probable. As a consequence, no amounts have been provided in the interim report on operations at December 31, 2015.

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

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

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

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

On February 22, 2016, the sentence of the Superior Court of Justice of the Valencia Community, which was not further challenged, was notified to the UTE, which A2A Environment holds in the proportion of 1%.

The sentence partially upheld the appeal of the UTE, as it declared the concession null, but confirmed the remainder of the first degree sentence ordering the annulment of the change of the concession contract by which the Consortium (client) paid to the UTE in 2010 extra costs amounting to 19 million euro, due to the non-demonstration of public interest in the contract change.

Under Spanish law, the sentence will have to be implemented by the Consortium within two months of notification. During the transitional period, the conditions will continue to apply of the contract change annulled and the Consortium will have to define the methods for implementation of the provisions of the sentence.

To date, there are no indications regarding decisions of the Consortium in regard. The Spanish lawyer that defended UTE in court highlighted that if the Consortium decides not to approve a new contract change that recognizes the UTE satisfactory economic conditions, the UTE may proceed to trial in order to obtain compensation for damages resulting from failure to recognize the investments made in execution of the second contract change subsequently annulled.

To complete this matter trade and financial receivables of approximately 2.7 million euro due from the UTE were recognized in the financial statements of A2A Ambiente S.p.A. at December 31, 2015.

Given the information available, as outlined above and considering the fact that the Spanish legislation of reference provides for the right of the contractor (UTE) to be compensated for any damages that may result from the annulment (also partial) or from contract termination for reasons not attributable to the latter, it is believed to date that the aforementioned trade and financial receivables are recoverable even if in the medium/long term.

### **Monfalcone Plant investigation**

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

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

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

Nevertheless the A2A Group, and in particular A2A Trading S.r.l., may incur damages, at its sole expense, arising from the qualitative and quantitative differences in the biomasses, since there is the risk for the latter, as toller and in charge of the plant's dispatch, that on the completion of the preliminary stage it may incur increased costs for the biomasses not delivered and increased costs for (others) incorrectly stating the calorific value of the biomasses, delivered and not delivered.

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

If this were the case, the company would have to file corrections to the above-mentioned past declarations and reimburse the income relating to environmental allowances that may have additionally been recognized. To date, the GSE, as it blocked the issuing of licenses for subsequent years, did not address return requests for previous annuities of competence of the A2A Group (second half of 2009-full-year 2010). If the GSE were to take action against the A2A Group, it will evaluate the appropriate actions, including damages, considering also the amount withheld from third-party suppliers.

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

Some provisions have been adopted as part of alternative rites to some of the defendants, with recognition of minimum compensation and recasts of expenses in favor of A2A.

The proceeding passed, for local jurisdiction, before the Court of Gorizia. The debate has started.

The Group has not allocated any provisions as it considers to be the aggrieved party in the proceedings.

**ASM Novara S.p.A. dispute**

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

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

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

The appointed arbitrators are the Lawyers Bruna Gabardi Vanoli, Marco Praino (designated by Pessina) and Salvatore Sanzo (designated by A2A S.p.A.); the hearing for the formal constitution of the board was on July 1, 2013. After this preliminary fulfilment, the parties will specify the applications for arbitration. As a result of the hearing, by means of a summary order, the board fulfilled the requirements for it to be formally established and be able to commence work, setting the deadlines for briefs and preliminary motions and the date of the first hearing. The dates set are October 15 and December 20, 2013 and February 21, 2014 for the submission of briefs and March 5, 2014 for the first hearing. By order of October 8, 2013, the Arbitration Board postponed the deadline for the submission of briefs respectively to October 9, 2013, January 21, 2014 and March 25, 2014. Consequently, the hearing set for March 2014 was postponed to April 10, 2014. The location for the arbitration was set as the offices of the President of the Arbitration Board in Milan. At the hearing of April 10, 2014, preceded by the submission of the parties' briefs, the Board set three new deadlines for the briefs (May 20 for A2A, June 17 for Pessina and June 26 for A2A) and set the date of the merit hearing as July 11, 2014. During the hearing, the plaintiff requested to fix a hearing for conclusions that by order outside the hearing filed on July 22 was set for September 16, 2014. At that hearing, the board set the terms for the filing of the final statements and the date of final hearing; at the request of the parties, such terms were postponed to December 3 and January 7, 2015 for the briefs and February 3, 2015 for the hearing. At that hearing, the board ordered an extension of the deadline for filing the award to 120 days. At the end of May 2015, A2A, having had news of habitual familiarity and commensality elements between the Chair of the Arbitration Board and the lawyer of the claimant, filed at the court of Milan application for recusal of the Chair of the Arbitration Board.

In view of the news of the appeal, with Ordinance 6 issued outside the hearing on June 3, 2015, the Board suspended the filing of the award until the end of the proceeding, or until

the day following the notification of the outcome of the proceeding conducted by the most diligent party.

The Delegated Chair issued an order rejecting the request condemning A2A to litigation costs to the Chair of the Board and to Pessina.

On June 30, 2015, Pessina notified the Board, in execution of Ordinance 6/15, requesting the board to summarize the pending arbitration process.

On June 30, 2015, the Board, with the dissenting opinion of the arbitrator appointed by A2A filed its award that deems A2A responsible for violation of the shareholders' agreement signed on August 4, 2007 and, consequently, the order to pay damages of 37,968,938.95 euro plus legal fees and arbitration expenses.

The company challenged the Award pursuant to art. 829 CPC before the Milan Court of Appeal. The appeal concerns: 1) nullity of the Award for violation of art. 829, paragraph 1, no. 2, CPC, in light of the lack of impartiality of the Chair of the Arbitration Board, the lawyer Bruna Gabardi Vanoli; 2) the nullity of the Award, pursuant to art. 829, no. 4, CPC, as the arbitration board pronounced outside the limits of the arbitration agreement; 3) nullity of the Award for violation of the adversarial principle, pursuant to art. 829, no. 9 CPC, in so far as the arbitration board based its decision on art. III of the Shareholders' Agreement; 4) failure to state reasons under art. 829, no. 5 and 823, no. 5 CPC, and violation of the adversarial principle pursuant to art. 829, no. 9 CPC, as the arbitration board took its decision, excluding, for no reason, the evaluation of the documentation filed in court by A2A; 5) nullity of the Award for violation of the adversarial principle, pursuant to art. 829, no. 9 CPC, as the arbitration board decided on the basis of accepting the importance of the office of an equitable settlement of the damage, without submitting the issue to a hearing of the parties; 6) nullity of the Award pursuant to art. 829, no. 5 and 823, no. 5 CPC, as the arbitration board assessed the damages on an equitable basis pursuant to art. 1226 Civil Code, without justifying the existence of the condition for the applicability of said provision, and without justifying the existence of the damage; 7) nullity of the Award pursuant to art. 829, no. 3, as the arbitration board assessed the damages on an equitable basis pursuant to art. 1226 Civil Code, without the necessary conditions, in violation of public order. After the first hearing held on December 16, 2015, a hearing was scheduled for the final judgement on May 3, 2016.

Simultaneously, in July 2015, A2A filed an appeal for suspension of enforcement of the Award. The Court of Appeal by a decree issued by the Chair of the 1st Civil Section on July 10, 2015, without hearing the parties, suspended the enforceability of the Award until the hearing before the Board set for September 15, 2015. On joint request of the parties on September 11, 2015, said hearing was postponed to November 10, 2015. By order issued outside the hearing on November 19, 2015, the decree issued on July 10 was revoked. By decision 3378 of December 18, the Court of Milan granted the enforceability of the Award requested by Pessina, immediately

suspended the same day by order issued by the President of the First Section of the Court of Appeal at the request of A2A, scheduling a hearing on January 19, 2016. By order of January 26, 2016 notified on February 4, 2016, the Court of Appeals revoked the Presidential Decree of December 18, 2015 and rejected the request for suspension of the contested measure. On February 24, 2016, Pessina notified injunction and on March 7, 2016 notified garnishment (with a leading banking institution with which A2A opened a specifically dedicated bank account), with the simultaneous assumption by the garnishee of the obligations that the law imposes on the keeper. On March 23, 2016, the garnishment was registered and the hearing for the third-party statement was fixed by the Court of Brescia for May 23, 2016.

The Group has taken into account the outcome of the Award in the establishment of appropriations to provisions for future risks and charges, allocating the full amount of the Award plus expenses, despite the firm conviction of its positions.

### **Dispute over public water derivation fees**

#### *Derivations of public water for the production of hydroelectricity in Lombardy*

##### *Mese plant*

With Regional Law no. 22/2011, Lombardy essentially doubled the fee for hydroelectric use of public water, thereby infringing the principles of gradualism and reasonableness in the determination of fees, already recognized by the case law, and also violating the principle of equal competition between operators in the national territory.

Faced with the payment requests made by the Region for the years 2012 and 2013, Edipower S.p.A. therefore paid the fee considering solely the increase arising from the planned inflation rate as compared to the previous year.

As a consequence, for 2012 and 2013 the Region issued injunctions for the payment of the amount not paid by the company; Edipower S.p.A. appealed against these injunctions before the Regional Court of Public Waters of Milan, proposing the exception of unconstitutionality of the regional provision.

The same conduct was adopted by Edipower for the annuities of the 2014 and 2015 fees, for which the Region has not yet issued the related orders to pay the difference.

It is noted that the same issue also concerns the large-scale derivations in Lombardy of A2A, which, however, in view of its specific circumstances, fully pays the fee demanded by the Region and then sues for excess repetition.

For public water derivation fees, the Group set aside risk provisions for 19.7 million euro.

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

On March 24, 2015, Carlo Tassara S.p.A. notified A2A, Electricité de France (EDF) and Edison a summons requesting the Court of Milan to condemn A2A and EDF to compensation for damages allegedly suffered by Carlo Tassara, in its capacity as minority shareholder of Edison, in relation to the mandatory tender offer launched by EDF on Edison shares consequently to the transaction by which, in 2012, A2A sold its indirect shareholding in Edison to EDF and simultaneously acquired 70% of the capital of Edipower from Edison and Alpiq.

Until 2012, in fact, A2A and EDF held joint control of Edison S.p.A. Edison, in turn, held 50% of Edipower S.p.A. (the remaining capital of Edipower was held 20% by Alpiq, 20% by A2A and the remaining 10% by Iren).

In the 2012 transaction, A2A sold its indirect shareholding in Edison to EDF and simultaneously acquired 70% of the capital of Edipower from Edison and Alpiq.

In the summons notified, Carlo Tassara complained that, in the transaction, EDF and A2A agreed on a mutual “discount” on the price paid by EDF for the purchase of Edison shares, on the one hand, and on the price paid by A2A for the purchase of 70% of Edipower, on the other. This discount was expected to be the result of abusive conduct by EDF and A2A as shareholders of Edison and the violation, among other things, of the regulations on transactions with related parties. This - according to Carlo Tassara - was expected to allow maintaining artificially low the price of the Edison shares paid to A2A and consequently the tender offer price paid to minorities of Edison (which by law was expected to be equal to that paid to A2A).

However, in 2012, A2A and EDF had voluntarily subjected the Transaction to the prior examination of Consob precisely in order to confirm the correctness of the tender offer price. Following extensive examinations, Consob had deemed that a compensatory mechanism could be detected in the transaction as a whole (i.e. between the sale of Edipower on the one hand and the sale of Edison shares on the other) and that therefore the tender offer price was to be increased from 0.84 euro to 0.89 euro per share.

In light of said decision, the parties had increased the sale price of the shareholding in Edison based on the price of 0.89 euro per share, for a total increase of around 84 million euro. EDF launched the tender offer at 0.89 euro per share.

Carlo Tassara resorted to Consob in order to further increase the price of the tender offer, but Consob rejected the request.

In addition, pending the tender offer, Carlo Tassara challenged before the TAR the tender offer document and the related resolution of approval by Consob requesting suspensions thereof for reasons of urgency. However, the TAR postponed the decision on the suspension to a date following the closing of the tender offer and, as a result of this, Carlo Tassara adhered to the tender offer and waived the cautionary request.

The writ of summons does not quantify the damages allegedly suffered by Carlo Tassara as a result of these transactions, referring for their determination to the outcome in the course of proceedings.

During the first hearing held on December 1, 2015, the prejudicial and preliminary exceptions were discussed (mainly, preclusion and admissibility of action and the lack of capacity to be sued of Tassara).

At the following hearing on January 26, 2016 for final judgement, solely to develop the aforementioned exceptions, the judge held the case to decision assigning to the parties the terms for the filing of final submissions and reply briefs.

The Group, having fulfilled the requirements of the regulations in force, does not consider likely the risk for which it has not allocated any provisions.

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

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

On January 20, 2014 the Regional Department of the Lombardy Tax Revenue Office – Milan Large Taxpayers Section – initiated a general audit of A2A S.p.A. for IRES, IRAP and VAT purposes for fiscal 2010. This audit was completed on December 15, 2014. The findings related to violations exclusively regarding direct taxation. On January 14, 2015, the company also requested a report of facts ascertained, and following notification of the tax assessments by the Tax Authorities, on March 31, 2015, adhered to the tax claim. At December 31, 2015, no provision for risks is recorded as the Group has already adjusted the tax notices received during the year.

#### **Abruzzoenergia S.p.A. - General IRES/IRAP/VAT audit for fiscal years 2014 and 2015**

On January 19, 2016, the Finance Police - Chieti Tax Unit - initiated a general audit of Abruzzoenergia S.p.A. for IRES, IRAP and VAT purposes for fiscal years 2014 and 2015. The audit is still in progress.

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

On December 27, 2011 the Municipality of Milan served payment notices for COSAP (a fee paid for occupying public spaces and areas) for the years 2003 to 2011. An application was filed for annulment of these notices by internal revocation, which the Municipality rejected. The company filed a summons with the Court of Milan against this rejection on July 11, 2012 and on September 25, 2012 filed an appeal with the regional administrative court. In December 2014, payment notices were served for the years from 2012 to 2014. In February 2015, a settlement agreement was entered into with the Municipality of Milan for the final conclusion of the COSAP litigation for the years 2003 to 2011 and a claim was filed before the Regional Administrative Court of Milan against the payment notices for the years from 2012 to 2014. The Company has set aside a risk provision for 1.8 million euro.

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

On January 24, 2013 the Finance Police - Brescia Unit commenced a general tax audit of Aprica S.p.A. (now A2A Ambiente S.p.A.) for IRES, IRAP and VAT purposes for fiscal 2009 and for fiscal 2010, an audit only to ensure that the requirements of Decree Law no. 78/2009 (the “Tremonti ter”) had been fulfilled. This audit was completed on March 25, 2014. The findings mainly related to violations regarding direct taxation. On July 31, 2014 an assessment was served for 2009 which the company accepted, paying the amount due on August 29, 2014 and thereby putting a final end to the authorities’ claim. For the year 2010, on October 6, 2015, the Regional Directorate of the Revenue Agency of Milan notified assessment notice and, on December 1, 2015, the Company filed a request for assessment with adhesion. To date, there has not yet been any contradictory with the Office. The Company has set aside a risk provision for 1.1 million euro.

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

On September 4, 2014, the Tax Revenue Office - Brescia Provincial Department - began a general tax audit of Partenope Ambiente S.p.A. (now A2A Ambiente S.p.A.) for fiscal year 2011 for IRES, IREP and VAT purposes. This audit was completed on October 6, 2014. The findings mainly related to violations exclusively regarding direct taxation. On July 7, 2015, a notice of assessment was served for the year 2011. On October 5, 2015, the Company filed an application to the assessing office for settlement. On December 22, 2015, the Company and the Office signed the contradictory report defining the tax claim. The company has set aside a risk provision for 0.3 million euro.

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

On March 7, 2013, the Brescia Customs Agency commenced a technical audit of the Brescia waste-to-energy plant owned by Aprica S.p.A. (now owned by A2A Ambiente S.p.A.). The audit was completed on January 16, 2014 with the serving of a formal notice of assessment for the years 2008 to 2011. For 2008 and 2009, the Customs Authority served payment notices on May 7 and 21, 2014 together with the respective penalties. The company appealed against these two demands in July 2014. For the year 2009, in December 10, 2014, the company signed a conciliation agreement with the Customs Agency of Brescia for the final closure of the dispute and the consequent termination of the proceedings. For 2008, the litigation of first instance ended favorably for the company. On September 24, 2015, the Office appealed. The Company filed counter-claims on November 17, 2015. On August 5, 2014, the Customs Authority served formal notices of assessment for 2012 and 2013. The Company is assessing the action to be taken. The company has set aside a risk provision for 5.3 million euro.

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

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

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

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

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

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

The outcomes of the 2002 and 2003 disputes were also favorable for the company but the Tax Revenue Office filed an appeal against both sentences. The appeal for 2002 was discussed on November 30, 2010, and by way of a sentence lodged on February 2, 2011 the

Milan Regional Tax Commission overturned the sentence of the first court, upholding the Tax Revenue Office's appeal on almost all counts with the exception of the hazardous waste category. The company filed an appeal with the Supreme Court for 2002. For 2003 the appeal made by the Tax Revenue Office was discussed on November 7, 2011 before the Regional Tax Commission which rejected it with a sentence filed on November 11, 2011. The Tax Revenue Office has not appealed to the Supreme Court for 2003, 2004 and 2005 and the sentence has become final, thereby closing the litigation. For 2001 and 2002, the hearing dates for discussion before the Supreme Court have not yet been set. The Company has set aside a risk provision for 1.6 million euro.

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

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

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

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

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

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

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

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

On March 12, 2013 the Tax Revenue Office stated its acceptance, for 2006, of the sentence for the part relating to the dispute regarding the green certificates and filed an appeal with respect to the remaining findings (283,454.16 euro). The Regional Tax Commission rejected the appeal and the Office filed an appeal against this decision with the Supreme Court on August 5, 2014, which was followed by a cross appeal by the company. On May 6, 2013 the Tax Revenue Office notified that it was waiving its appeal and applying for a dismissal of the case for 2004 and 2005.

Note that following the request for documentation regarding Green Certifications for the same tolling contract in tax years from 2007 to 2010, on October 28, 2011 the Finance Police - Milan Office served notice of the Report on Findings, highlighting the same failure to bill taxable transactions for the years 2007, 2008 and 2010. No assessment notices have yet been notified.

The Company decided not to allocate any provisions because it considered the claims of the financial administration unfounded.

## 8) Contingent assets

The Group had an excess of environmental certificates (Green Certificates and White Certificates) at December 31, 2015.

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

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## Consob Recommendation no. 61493 of July 18, 2013

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

The investments made in this sector in 2015 were of a marginal amount and due to ordinary maintenance.

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



# O.4

Attachments to the  
notes to the  
consolidated annual  
report

## 1 - Statement of changes in tangible assets

**Tangible assets**  
*Millions of euro*

|                                       | Net book value at 12 31 2014 | First consolidation Bellisolina/SED and Bergamo Servizi | Changes during the year |                     |              |  |
|---------------------------------------|------------------------------|---------------------------------------------------------|-------------------------|---------------------|--------------|--|
|                                       |                              |                                                         | Investments             | Changes in category | AFS (IFRS5)  |  |
| Land                                  | 270                          | 2                                                       |                         |                     | (4)          |  |
| Buildings                             | 949                          | 2                                                       | 3                       | 21                  | (21)         |  |
| Plant and machinery                   | 4,136                        | 1                                                       | 81                      | 109                 | (135)        |  |
| Industrial and commercial equipment   | 20                           |                                                         | 3                       | 1                   |              |  |
| Other assets                          | 52                           |                                                         | 6                       | 12                  |              |  |
| Landfills                             | 30                           |                                                         |                         |                     |              |  |
| Construction in progress and advances | 109                          |                                                         | 146                     | (149)               | (6)          |  |
| Leasehold improvements                | 57                           |                                                         | 14                      | 9                   |              |  |
| Leased assets                         | 2                            |                                                         |                         |                     |              |  |
| <b>Total tangible assets</b>          | <b>5,625</b>                 | <b>5</b>                                                | <b>253</b>              | <b>3</b>            | <b>(166)</b> |  |

**Tangible assets**  
*Millions of euro*

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

| Changes during the year |                |                             |             |                 |                             |              |                                  | Net book<br>value<br>at 12 31 2015 |
|-------------------------|----------------|-----------------------------|-------------|-----------------|-----------------------------|--------------|----------------------------------|------------------------------------|
|                         | Other changes  |                             | Write-downs | Disposals/Sales |                             | Depreciation | Total<br>changes<br>for the year |                                    |
|                         | Gross<br>value | Accumulated<br>depreciation |             | Asset<br>value  | Accumulated<br>depreciation |              |                                  |                                    |
|                         |                |                             |             |                 |                             | (2)          | (6)                              | 266                                |
|                         | (28)           | 28                          | (1)         | (2)             | 1                           | (39)         | (38)                             | 913                                |
|                         | (90)           | 137                         | (358)       | (11)            | 7                           | (269)        | (529)                            | 3,608                              |
|                         | 5              |                             |             |                 |                             | (5)          | 4                                | 24                                 |
|                         | 1              |                             |             | (4)             | 4                           | (15)         | 4                                | 56                                 |
|                         | (2)            |                             |             |                 |                             | (5)          | (7)                              | 23                                 |
|                         | 3              |                             |             |                 |                             |              | (6)                              | 103                                |
|                         | (2)            |                             |             |                 |                             | (6)          | 15                               | 72                                 |
|                         | (2)            | 2                           |             |                 |                             |              | -                                | 2                                  |
|                         | (115)          | 167                         | (359)       | (17)            | 12                          | (341)        | (563)                            | 5,067                              |

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

## 2 - Statement of changes in intangible assets

**Intangible assets**  
*Millions of euro*

|                                                      | Net book value<br>at 12 31 2014 | First consolidation<br>Bellisolina/SED<br>and Bergamo<br>Servizi | Changes during the year |                     |
|------------------------------------------------------|---------------------------------|------------------------------------------------------------------|-------------------------|---------------------|
|                                                      |                                 |                                                                  | Acquisitions            | Changes in category |
| Industrial patent and intellectual property rights   | 34                              |                                                                  | 4                       | 3                   |
| Concessions, licences, trademarks and similar rights | 766                             |                                                                  | 68                      | 5                   |
| Goodwill                                             | 482                             |                                                                  |                         |                     |
| Assets in progress                                   | 15                              |                                                                  | 16                      | (11)                |
| Other intangible assets                              | 21                              |                                                                  |                         |                     |
| <b>Total intangible assets</b>                       | <b>1,318</b>                    | <b>-</b>                                                         | <b>88</b>               | <b>(3)</b>          |

**Intangible assets**  
*Millions of euro*

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

| Changes during the year |                                 |                          |                 |                          |             |              | Net book value<br>at 12 31 2015 |                               |
|-------------------------|---------------------------------|--------------------------|-----------------|--------------------------|-------------|--------------|---------------------------------|-------------------------------|
|                         | Reclassifications/Other changes |                          | Disposals/Sales |                          | Write-downs | Amortization |                                 | Total changes<br>for the year |
|                         | Gross value                     | Accumulated amortization | Asset value     | Accumulated amortization |             |              |                                 |                               |
|                         |                                 |                          |                 |                          |             | (15)         | (8)                             | 26                            |
|                         |                                 |                          | (11)            | 9                        |             | (38)         | 33                              | 799                           |
|                         |                                 |                          |                 |                          |             |              | -                               | 482                           |
|                         |                                 |                          |                 |                          |             |              | 5                               | 20                            |
|                         | 1                               |                          |                 |                          |             | (1)          | -                               | 21                            |
|                         | 1                               | -                        | (11)            | 9                        | -           | (54)         | 30                              | 1,348                         |

| Changes during the year |  |                 |                          |             |              | Net book value<br>at 12 31 2014 |
|-------------------------|--|-----------------|--------------------------|-------------|--------------|---------------------------------|
|                         |  | Disposals/Sales |                          | Write-downs | Amortization | Total changes<br>for the year   |
|                         |  | Asset value     | Accumulated amortization |             |              |                                 |
|                         |  |                 |                          |             | (17)         | (2)                             |
|                         |  | (4)             | 3                        |             | (42)         | 18                              |
|                         |  |                 |                          |             |              | -                               |
|                         |  |                 |                          |             |              | (6)                             |
|                         |  |                 |                          |             | (2)          | 2                               |
|                         |  | (4)             | 3                        | -           | (61)         | 12                              |

### 3 - List of companies included in the consolidated annual report

| Company name                               | Registered office          | Currency  | Share capital<br>(thousands) |
|--------------------------------------------|----------------------------|-----------|------------------------------|
| <b>Scope of consolidation</b>              |                            |           |                              |
| A2A Reti Gas S.p.A.                        | Brescia                    | Euro      | 445,000                      |
| A2A Reti Elettriche S.p.A.                 | Brescia                    | Euro      | 520,000                      |
| A2A Calore & Servizi S.r.l.                | Brescia                    | Euro      | 150,000                      |
| Selene S.p.A.                              | Brescia                    | Euro      | 3,000                        |
| A2A Servizi alla Distribuzione S.p.A.      | Brescia                    | Euro      | 2,000                        |
| A2A Energia S.p.A.                         | Milan                      | Euro      | 2,000                        |
| A2A Trading S.r.l.                         | Milan                      | Euro      | 1,000                        |
| A2A Logistica S.p.A.                       | Brescia                    | Euro      | 250                          |
| A2A Ciclo Idrico S.p.A.                    | Brescia                    | Euro      | 70,000                       |
| A2A Ambiente S.p.A.                        | Brescia                    | Euro      | 220,000                      |
| Aspem Energia S.r.l.                       | Varese                     | Euro      | 2,000                        |
| A2A Montenegro d.o.o.                      | Podgorica (Montenegro)     | Euro      | 100                          |
| Mincio Trasmissione S.r.l.                 | Brescia                    | Euro      | 10                           |
| Abruzzoenergia S.p.A.                      | Gissi (CH)                 | Euro      | 130,000                      |
| Retragas S.r.l.                            | Brescia                    | Euro      | 34,495                       |
| Aspem S.p.A.                               | Varese                     | Euro      | 174                          |
| Varese Risorse S.p.A.                      | Varese                     | Euro      | 3,624                        |
| Ostros Energia S.r.l. in liquidation       | Brescia                    | Euro      | 350                          |
| Camuna Energia S.r.l.                      | Cedegolo (BS)              | Euro      | 900                          |
| A2A Alfa S.r.l.                            | Milan                      | Euro      | 100                          |
| Plurigas S.p.A. in liquidation             | Milan                      | Euro      | 800                          |
| Proaris S.r.l.                             | Milan                      | Euro      | 1,875                        |
| Edipower S.p.A. (*)                        | Milan                      | Euro      | 1,139,312                    |
| Ecofert S.r.l. in liquidation              | S. Gervasio Bresciano (BS) | Euro      | 100                          |
| A3A S.r.l.                                 | Brescia                    | Euro      | 10                           |
| Ecodeco Hellas S.A. in liquidation         | Atene (Grecia)             | Euro      | 60                           |
| Ecolombardia 18 S.r.l.                     | Milan                      | Euro      | 378                          |
| Ecolombardia 4 S.p.A.                      | Milan                      | Euro      | 13,515                       |
| Sicura S.r.l.                              | Milan                      | Euro      | 1,040                        |
| Sistema Ecodeco UK Ltd                     | Canvey Island Essex (UK)   | GBP       | 250                          |
| Vespia S.r.l. in liquidation               | Milan                      | Euro      | 10                           |
| A.S.R.A.B. S.p.A.                          | Cavaglia (BI)              | Euro      | 2,582                        |
| Nicosiambiente S.r.l.                      | Milan                      | Euro      | 50                           |
| Bioase S.r.l.                              | Sondrio                    | Euro      | 677                          |
| Montichiariambiente S.r.l.                 | Brescia                    | Euro      | 10                           |
| Aprica S.p.A.                              | Brescia                    | Euro      | 20,000                       |
| Amsa S.p.A.                                | Milan                      | Euro      | 10,000                       |
| Bellisolina S.r.l.                         | Montanaso (LO)             | Euro      | 10                           |
| SED S.r.l.                                 | Robassomero (TO)           | Euro      | 1,250                        |
| Bergamo Servizi S.r.l.                     | Sarnico (BG)               | Euro      | 10                           |
| Elektroprivreda Cnre Gore AD Nikšić (EPCG) | Nikšić (Montenegro)        | Euro      | 907,108                      |
| EPCG d.o.o. Beograd                        | Beograd (Serbia)           | Dinar RSD | 3,101                        |
| Zeta Energy d.o.o.                         | Danilovgrad (Montenegro)   | Euro      | 14,240                       |
| <b>Equity investments held for sale</b>    |                            |           |                              |
| SEASM S.r.l.                               | Brescia                    | Euro      | 700                          |

(\*) The percentage does not take into account the put option.

|  | %<br>consolidated<br>Group<br>shareholding<br>at 12 31 2015 | Shareholding<br>% | Shareholder                                        | Valuation method           |
|--|-------------------------------------------------------------|-------------------|----------------------------------------------------|----------------------------|
|  | 100.00%                                                     | 100.00%           | A2A S.p.A.                                         | Line-by-line consolidation |
|  | 100.00%                                                     | 100.00%           | A2A S.p.A.                                         | Line-by-line consolidation |
|  | 100.00%                                                     | 100.00%           | A2A S.p.A.                                         | Line-by-line consolidation |
|  | 100.00%                                                     | 100.00%           | A2A S.p.A.                                         | Line-by-line consolidation |
|  | 100.00%                                                     | 100.00%           | A2A Reti Gas S.p.A.                                | Line-by-line consolidation |
|  | 100.00%                                                     | 100.00%           | A2A S.p.A.                                         | Line-by-line consolidation |
|  | 100.00%                                                     | 100.00%           | A2A S.p.A.                                         | Line-by-line consolidation |
|  | 100.00%                                                     | 100.00%           | A2A S.p.A.                                         | Line-by-line consolidation |
|  | 100.00%                                                     | 100.00%           | A2A S.p.A.                                         | Line-by-line consolidation |
|  | 100.00%                                                     | 100.00%           | A2A S.p.A.                                         | Line-by-line consolidation |
|  | 100.00%                                                     | 100.00%           | A2A Energia S.p.A.                                 | Line-by-line consolidation |
|  | 100.00%                                                     | 100.00%           | A2A S.p.A.                                         | Line-by-line consolidation |
|  | 100.00%                                                     | 100.00%           | A2A S.p.A.                                         | Line-by-line consolidation |
|  | 100.00%                                                     | 100.00%           | A2A S.p.A.                                         | Line-by-line consolidation |
|  | 91.60%                                                      | 91.60%            | A2A S.p.A. (87.27%)<br>A2A Reti Gas S.p.A. (4.33%) | Line-by-line consolidation |
|  | 90.00%                                                      | 90.00%            | A2A S.p.A.                                         | Line-by-line consolidation |
|  | 100.00%                                                     | 100.00%           | Aspem S.p.A.                                       | Line-by-line consolidation |
|  | 80.00%                                                      | 80.00%            | A2A S.p.A.                                         | Line-by-line consolidation |
|  | 74.50%                                                      | 74.50%            | A2A S.p.A.                                         | Line-by-line consolidation |
|  | 70.00%                                                      | 70.00%            | A2A Trading S.r.l.                                 | Line-by-line consolidation |
|  | 70.00%                                                      | 70.00%            | A2A S.p.A.                                         | Line-by-line consolidation |
|  | 60.00%                                                      | 60.00%            | A2A S.p.A.                                         | Line-by-line consolidation |
|  | 79.50%                                                      | 79.50%            | A2A S.p.A.                                         | Line-by-line consolidation |
|  | 47.00%                                                      | 47.00%            | A2A S.p.A.                                         | Line-by-line consolidation |
|  | 100.00%                                                     | 100.00%           | A2A S.p.A.                                         | Line-by-line consolidation |
|  | 100.00%                                                     | 100.00%           | A2A Ambiente S.p.A.                                | Line-by-line consolidation |
|  | 98.86%                                                      | 98.86%            | A2A Ambiente S.p.A.                                | Line-by-line consolidation |
|  | 68.58%                                                      | 68.58%            | A2A Ambiente S.p.A.                                | Line-by-line consolidation |
|  | 96.80%                                                      | 96.80%            | A2A Ambiente S.p.A.                                | Line-by-line consolidation |
|  | 100.00%                                                     | 100.00%           | A2A Ambiente S.p.A.                                | Line-by-line consolidation |
|  | 99.90%                                                      | 99.90%            | A2A Ambiente S.p.A.                                | Line-by-line consolidation |
|  | 70.00%                                                      | 70.00%            | A2A Ambiente S.p.A.                                | Line-by-line consolidation |
|  | 99.90%                                                      | 99.90%            | A2A Ambiente S.p.A.                                | Line-by-line consolidation |
|  | 70.00%                                                      | 70.00%            | A2A Ambiente S.p.A.                                | Line-by-line consolidation |
|  | 100.00%                                                     | 100.00%           | A2A Ambiente S.p.A.                                | Line-by-line consolidation |
|  | 100.00%                                                     | 100.00%           | A2A Ambiente S.p.A.                                | Line-by-line consolidation |
|  | 100.00%                                                     | 100.00%           | A2A Ambiente S.p.A.                                | Line-by-line consolidation |
|  | 100.00%                                                     | 100.00%           | A2A Ambiente S.p.A.                                | Line-by-line consolidation |
|  | 80.00%                                                      | 80.00%            | A2A Ambiente S.p.A.                                | Line-by-line consolidation |
|  | 100.00%                                                     | 100.00%           | Aprica S.p.A.                                      | Line-by-line consolidation |
|  | 41.75%                                                      | 41.75%            | A2A S.p.A.                                         | Line-by-line consolidation |
|  | 100.00%                                                     | 100.00%           | EPCG                                               | Line-by-line consolidation |
|  | 57.86%                                                      | 51.00%            | EPCG                                               | Line-by-line consolidation |
|  |                                                             |                   |                                                    |                            |
|  | 67.00%                                                      | 67.00%            | A2A S.p.A.                                         | Line-by-line consolidation |

## 4 - List of shareholdings in companies carried at equity

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

|  | Shareholding<br>% | Shareholder                                        | Carrying<br>amount<br>at 12 31 2015<br>(thousands) | Valuation method |
|--|-------------------|----------------------------------------------------|----------------------------------------------------|------------------|
|  | 50.00%            | AzA Alfa S.r.l.                                    | 2,914                                              | Equity           |
|  | 50.00%            | AzA S.p.A.                                         | -                                                  | Equity           |
|  | 50.00%            | AzA S.p.A.                                         | -                                                  | Equity           |
|  | 50.00%            | AzA Energia S.p.A.                                 | 1,560                                              | Equity           |
|  | 49.00%            | AzA S.p.A.                                         | 724                                                | Equity           |
|  | 49.15%            | AzA S.p.A. (48.77%)<br>AzA Reti Gas S.p.A. (0.38%) | 5,821                                              | Equity           |
|  | 44.50%            | AzA S.p.A.                                         | 1,849                                              | Equity           |
|  | 45.00%            | AzA S.p.A.                                         | 3                                                  | Equity           |
|  | 40.00%            | AzA S.p.A.                                         | 630                                                | Equity           |
|  | 40.00%            | AzA S.p.A.                                         | 10                                                 | Equity           |
|  | 33.33%            | AzA Energia S.p.A.                                 | 227                                                | Equity           |
|  | 24.29%            | AzA S.p.A.                                         | 769                                                | Equity           |
|  | 23.94%            | AzA S.p.A.                                         | 37,344                                             | Equity           |
|  | 20.00%            | AzA Calore & Servizi S.r.l.                        | 638                                                | Equity           |
|  | 12.47%            | Aspem S.p.A.                                       | -                                                  | Equity           |
|  | 52.00%            | AzA Calore & Servizi S.r.l.                        | 78                                                 | Equity           |
|  | 40.00%            | Aprica S.p.A.                                      | 3,400                                              | Equity           |
|  | 50.00%            | AzA Ambiente S.p.A.                                | -                                                  | Equity           |
|  | 25.00%            | AzA Ambiente S.p.A.                                | 255                                                | Equity           |
|  | 39.49%            | AzA S.p.A.                                         | 12,067                                             | Equity           |
|  |                   |                                                    |                                                    |                  |
|  |                   |                                                    | 68,289                                             |                  |

## 5 - List of available-for-sale financial assets

| Company name                                               | Shareholding % | Shareholder         | Carrying amount at 12 31 2015 (thousands) |
|------------------------------------------------------------|----------------|---------------------|-------------------------------------------|
| <b>Available-for-sale financial assets (AFS)</b>           |                |                     |                                           |
| Infracom S.p.A.                                            | 0.44%          | A2A S.p.A.          | 155                                       |
| Immobiliare-Fiera di Brescia S.p.A.                        | 5.83%          | A2A S.p.A.          | 280                                       |
| Azienda Energetica Valtellina e Valchiavenna S.p.A. (AEVV) | 9.39%          | A2A S.p.A.          | 1,846                                     |
|                                                            |                |                     |                                           |
| <b>Other:</b>                                              |                |                     |                                           |
| AQM S.r.l.                                                 | 7.52%          | A2A S.p.A.          |                                           |
| AvioValtellina S.p.A.                                      | 0.18%          | A2A S.p.A.          |                                           |
| Banca di Credito Cooperativo dell'Oglio e del Serio s.c.   | n.s.           | A2A S.p.A.          |                                           |
| Brescia Mobilità S.p.A.                                    | 0.25%          | A2A S.p.A.          |                                           |
| Cavaglià Sud S.r.l. in liquidation                         | 1.00%          | A2A Ambiente S.p.A. |                                           |
| Consorzio DIX.IT in liquidation                            | 14.28%         | A2A S.p.A.          |                                           |
| Consorzio Ecocarbon                                        | n.s.           | A2A Ambiente S.p.A. |                                           |
| Consorzio Italiano Compostatori                            | n.s.           | A2A Ambiente S.p.A. |                                           |
| Consorzio L.E.A.P.                                         | 10.53%         | A2A S.p.A.          |                                           |
| Consorzio Milano Sistema in liquidation                    | 10.00%         | A2A S.p.A.          |                                           |
| Consorzio Polieco                                          | n.s.           | A2A Ambiente S.p.A. |                                           |
| Emittenti Titoli S.p.A.                                    | 1.85%          | A2A S.p.A.          |                                           |
| E.M.I.T. S.r.l. in liquidation                             | 10.00%         | A2A S.p.A.          |                                           |
| Guglionesi Ambiente S.c.a.r.l.                             | 1.01%          | A2A Ambiente S.p.A. |                                           |
| INN.TEC. S.r.l. in liquidation                             | 11.45%         | A2A S.p.A.          |                                           |
| Isfor 2000 S.c.p.a.                                        | 4.94%          | A2A S.p.A.          |                                           |
| S.I.T. S.p.A.                                              | 0.26%          | Aprica S.p.A.       |                                           |
| Stradivaria S.p.A.                                         | n.s.           | A2A S.p.A.          |                                           |

| Company name                                       | Shareholding<br>% | Shareholder         | Carrying<br>amount at<br>12 31 2015<br>(thousands) |
|----------------------------------------------------|-------------------|---------------------|----------------------------------------------------|
| Tirreno Ambiente S.p.A.                            | 3.00%             | A2A Ambiente S.p.A. |                                                    |
| Prva banka Crne Gore A.D. Podgorica <sup>(*)</sup> | 19.76%            | EPCG                |                                                    |
| DI.T.N.E.                                          | 1.45%             | Edipower S.p.A.     |                                                    |
| SIRIO S.c.p.a.                                     | 0.02%             | Edipower S.p.A.     |                                                    |
| ORIONE S.c.p.a.                                    | 0.22%             | Edipower S.p.A.     |                                                    |
| <b>Total other financial assets</b>                |                   |                     | <b>6,146</b>                                       |
|                                                    |                   |                     |                                                    |
| <b>Total available-for-sale financial assets</b>   |                   |                     | <b>8,427</b>                                       |

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

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

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

1. The undersigned Luca Camerano, in the name and on behalf of the entire Board of Directors of A2A S.p.A., and Andrea Eligio Crenna, as Manager in charge of preparing the corporate accounting documents of A2A S.p.A., certify, also taking into account the provisions of art. 154-bis, paragraphs 3 and 4, of Legislative Decree 58 February 24, 1998:
  - the adequacy in relation to the characteristics of the business and
  - the effective application

of administrative and accounting procedures for the preparation of financial statements in the year 2015.

2. It is also certified that:
  - 2.1 the consolidated financial statements:
    - a) have been prepared in accordance with International Financial Reporting Standards as endorsed by the European Community pursuant to Regulation (EC) no. 1606/2002 of the European Parliament and of the Council of July 19, 2002;
    - b) correspond to the information contained in the accounting ledgers and records;
    - c) provide a true and fair representation of the equity, economic and financial situation of the issuer;
  - 2.2 the report on operations includes reliable analysis on the performance, result of operations and the business of the issuer, as well as description of principal risks and uncertainties to which is exposed.

Milan, April 5, 2016

Luca Camerano  
(For the Board of Directors)

Andrea Eligio Crenna  
(Manager in charge of  
preparing the corporate  
accounting documents)

0.5

Independent  
Auditors' Report

## Independent Auditors' Report



### INDEPENDENT AUDITORS' REPORT IN ACCORDANCE WITH ARTICLES 14 AND 16 OF LEGISLATIVE DECREE No. 39 OF 27 JANUARY 2010

To the shareholders of  
A2A SpA

#### Foreword

In accordance with our audit engagement, we performed a statutory audit of the accounts underlying the consolidated financial statements of the A2A Group (the "Group") as of 31 December 2015, as approved by the Board of Directors on 5 April 2016, and consequently we issued our audit report on the draft consolidated financial statements including an unqualified opinion thereon on 15 April 2016.

The consolidated financial statements of the Group as of and for the year ended 31 December 2015 were re-approved by the Board of Directors today to reflect the impacts on the financial statements disclosures of the investigation, which is still covered by judicial secrecy, which led on 15 April 2016 to the execution by the judicial authorities of Montenegro of a pre-trial detention order against the former Chief Financial Officer of EPCG AD, a Montenegrin subsidiary of A2A SpA.

Following this re-approval, we performed the analyses required with ISA No. 560 "Subsequent events".

#### Conclusion

Based on the foregoing, we issue again below our report on consolidated financial statements of the A2A Group as of 31 December 2015:

#### Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of the A2A Group as of 31 December 2015, which comprise the statement of financial position, income statement, statement of comprehensive income, cash flow statement, statement of changes in shareholders' equity for the year then ended, a summary of significant accounting policies and other explanatory notes.

#### Directors' responsibility for the consolidated financial statements

The directors of A2A SpA are responsible for the preparation of consolidated financial statements that give a true and fair view in compliance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/2005.

#### PricewaterhouseCoopers SpA

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### *Auditors' responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (ISA Italia) drawn up pursuant to article 11, paragraph 3, of Legislative Decree No. 39 of 27 January 2010. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing audit procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The audit procedures selected depend on the auditor's professional judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the A2A Group as of 31 December 2015 and of the result of its operations and cash flows for the year then ended in compliance with International Financial Reporting Standards as adopted by the European Union, as well as with the regulations issued to implement article 9 of Legislative Decree No. 38/2005.

### ***Report on compliance with other laws and regulations***

*Opinion on the consistency with the consolidated financial statements of the report on operations and of certain information set out in the report on corporate governance and ownership structure*

We have performed the procedures required under auditing standard (SA Italia) No. 720B in order to express an opinion, as required by law, on the consistency of the report on operations and of the information set out in the report on corporate governance and ownership structure referred to in article 123-bis, paragraph 4, of Legislative Decree No. 58/1998, which are the responsibility of the directors of A2A SpA, with the consolidated financial statements of the A2A Group as of 31 December



2015. In our opinion, the report on operations and the information in the report on corporate governance and ownership structure mentioned above are consistent with the consolidated financial statements of the A2A Group as of 31 December 2015.

Milan, 28 April 2016

PricewaterhouseCoopers SpA

*Signed by*

Giulio Grandi  
(Partner)

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