Consolidated Financial Statements
at 31 December 2013

Form and structure

General information

The consolidated financial statements of the ACEA S.p.A. Group for the financial year 31 December 2013 were approved by Board of Directors' resolution on 10 March 2014. The accounting information was subsequently updated to represent, as a consequence of the completion of the examination carried out, also the qualitative effect from 1 January 2014 on the scope of consolidation as a result of the introduction of IFRS10 and IFRS11 as specified in detail on pages 187 and 188. The Parent Company, ACEA SpA is an Italian joint-stock company, with its registered office in Rome, at Piazzale Ostiense 2 and whose shares are traded on the Milan Stock Exchange.
The ACEA Group's principal operating segments are described in the Report on Operations.

Compliance with IAS/IFRS

The consolidated financial statements have been prepared under the IFRS effective at the end of the reporting period, as approved by the International Accounting Standards Board (IASB) and adopted by the European Union. The standards consist of International Financial Reporting Standards (IFRS), International Accounting Standards (IAS) and the interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and of the Standing Interpretations Committee (SIC), collectively referred to as "IFRS".

Basis of presentation

The consolidated financial statements consists of the consolidated statement of financial position, consolidated income statement, statement of consolidated comprehensive income, consolidated statement of cash flows and the statement of changes in consolidated shareholders' equity. The Report also includes notes prepared under the IAS/IFRS currently in effect.
The income statement is classified on the basis of the nature of expenses; the statement of financial position is based on the liquidity method by dividing between current and non-current items, whilst the statement of cash flows is presented using the indirect method.

The consolidated financial statements have been prepared in euros and all amounts have been rounded off to the nearest thousand euros, unless otherwise indicated.

The figures in these consolidated financial statements are comparable to the figures in the previous period.

Alternative performance indicators

In line with Recommendation CESR/05-178b, the content and meaning of the *non-GAAP* measures of performance and other alternative performance indicators used in these financial statements are illustrated below:

1. for the ACEA Group the *gross operating profit* is an operating performance indicator calculated by adding together the Operating profit and "Amortisation, depreciation, provisions and impairment charges";
2. *net financial position* is an indicator of the ACEA Group's financial structure, obtained by adding together non-current borrowings and financial liabilities net of non-current financial assets (loans and receivables and securities other than investments), current borrowings and other current liabilities net of current financial assets, cash and cash equivalents;
3. *net invested capital* is the sum of "Current assets", "Non-current assets" and assets and liabilities held for sale, less "Current liabilities" and "Non-current liabilities", excluding items taken into account in calculating the *net financial position*

Use of estimates

In application of IFRS, preparation of the consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of revenue, costs, assets and liabilities and the disclosure of contingent assets and liabilities as at the reporting date. The actual amounts may differ from such estimates. Estimates are used for the recognition of provisions for credit risk, obsolescent inventories, impairment charges incurred on assets, employee benefits, fair value of derivatives, taxes and other provisions. The original estimates and assumptions are periodically reviewed and the impact of any change is recognised in the income statement.
In addition, it should be noted that certain estimation processes, particularly the more complex such as the calculation of any impairment of non-current assets, are generally performed in full only when drafting of the annual financial statements, unless there are signs of impairment that call for immediate impairment testing.

Consolidation policies, procedures and scope

Consolidation policies

Subsidiaries

The basis of consolidation includes the Parent Company ACEA S.p.A., and the companies over which it directly or indirectly exercises control via a majority of the voting rights.
Subsidiaries are consolidated from the date on which control is effectively transferred to the Group and are deconsolidated from the date on which control is transferred out of the Group. Where there is loss of control of a consolidated company, the consolidated financial statements include the results for the part of the reporting period in which the ACEA Group had control.

Joint ventures

A *joint venture* is a contractual arrangement in which the Group and other parties jointly undertake a business activity, i.e. the contractually agreed sharing of control whereby the strategic, financial and operating policy decisions can only be adopted with unanimous consent of the parties sharing control. The consolidated financial statements include the Group's share of the income and expenses of jointly controlled entities, accounted for under proportionate consolidation. The application of proportionate consolidation thus means that the consolidated financial statements include the Group's share of all the jointly controlled entities' assets, liabilities, income and expenses, classified according to their nature.
Unrealised profits and losses on transactions between the Group and a jointly controlled entity are eliminated to the extent of the Group's interest in that entity, unless the unrealised losses provide evidence of impairment of the asset transferred.

Associates

An associate is a company over which the Group exercises significant influence, but not control or joint control, through its power to participate in the financial and operating policy decisions of the associate. The consolidated financial statements include the Group's share of the results of associates at Net equity, unless they are classified as held for sale, from the date it begins to exert significant influence until the date it ceases to exert such influence.
When the Group's share of an associate's losses exceeds the carrying amount of the investment, the interest is reduced to zero and any additional losses must be covered by provisions to the extent that the Group has legal or implicit loss cover obligations to the associate or in any event to make payments on its behalf. Any excess of the cost of the acquisition over the Group's interest in the fair value of the associate's identifiable assets, liabilities and contingent liabilities at the date of the acquisition is recognised as goodwill. Goodwill is included in the carrying amount of the investment and subject to *impairment* tests.

Consolidation procedures

General procedure

The financial statements of the Group's subsidiaries, associates and *Joint ventures* are prepared for the same accounting period and using the same accounting standards as those adopted by the Parent Company. Consolidation adjustments are made to align any dissimilar accounting policies applied.

All Intragroup balances and transactions, including any unrealised profits on Intragroup transactions, are eliminated in full. Unrealised losses are eliminated unless costs cannot be subsequently recovered.

The carrying amount of investments in subsidiaries is eliminated against the corresponding share of the shareholders' equity of each subsidiary, including any adjustments to reflect *fair values* at the acquisition date. Any eventual difference will be treated as positive or negative "goodwill", and recognised as such pursuant to IFRS 3.

The minority interest in the net assets of consolidated subsidiaries is shown separately from shareholders' equity attributable to the Group. This interest is calculated on the basis of the percentage interest held in the *fair value* of assets and liabilities recognised at the original date of acquisition and in any changes in shareholders' equity after that date. Losses attributable to the minority interest in excess of their portion of shareholders' equity are subsequently attributed to shareholders' equity attributable to the Group, unless the minority has a binding obligation to cover the losses and is able to invest further in the company to cover the losses.

Business combinations

Acquisitions of subsidiaries are accounted for under the acquisition method. The cost of the acquisition is determined as the sum of the fair value, at the date of exchange, of the assets given, the liabilities incurred or acquired, and the financial instruments issued by the Group in exchange for control of the acquired company.

The identifiable assets, liabilities and contingent liabilities of the acquired company that meet the conditions for recognition under IFRS 3 are accounted for at fair value at the date of acquisition, with the exception of non-current assets (or disposal groups), which are classified as held for sale under IFRS 5 and accounted for at fair value less costs to sell.

If the business combination is recognised in several phases, the purchaser has to recalculate the fair value of the investment previously held (in case of equity method valuation) or the group of net assets attributable to the subsidiary (in case of consolidation according to the proportional method) and recognise any resulting profit or loss in the income statement.

The purchaser has to recognise any contingent consideration at the fair value, at the date of acquisition. The change in fair value of the contingent consideration classified as asset or liability will be recognized according to the provisions included in IAS 39, in the income statement or in other comprehensive income. If the contingent consideration is classified in equity, its value should not be remeasured until its extinction will be booked against equity.

Goodwill arising on acquisition is recognised as an asset and initially valued at cost, represented by the excess of the cost of the acquisition over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities acquired. This goodwill is not amortised, but is tested for impairment. If, on the other hand, the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities exceeds the cost of the acquisition, the relevant amounts are re-determined. If the Group's interest in the resulting fair value of the identifiable assets, liabilities and contingent liabilities still exceeds the cost of the acquisition, the difference is immediately recognised in the income statement.

For every business combination, the purchaser must value any minority stake in the acquired entity at fair value or in proportion to the share of the minority interest in net identifiable assets of the acquired entity.

Consolidation procedure for assets and liabilities held for sale (IFRS5)

Non-current assets and liabilities are classified as held for sale, in accordance with the provisions of IFRS 5.

Consolidation of foreign operations

All the assets and liabilities of foreign operations denominated in a currency other than the euro are translated using the exchange rates at the end of the reporting period.
Revenue and costs are translated using average exchange rates for the period. Any translation differences are recognised in a separate component of Shareholders' equity until the investment is sold.
On initial application of IFRS, accumulated translation differences deriving from the consolidation of foreign operations were reduced to zero. The reserve accounted for in the consolidated financial statements only includes gains or losses generated from 1 January 2004.
Foreign currency transactions are initially recognised at the spot rate on the date of the transaction. Foreign currency assets and liabilities are translated at the exchange rate at the end of the reporting period. Translation differences and those arising on disposal of the foreign operation are recognised under financial management in the income statement.

Basis of consolidation

The Consolidated Financial Statements of the ACEA Group include the financial statements of the Parent Company ACEA and those of its Italian and foreign subsidiaries in which it has a direct or direct holding of the majority of exercisable voting rights at ordinary shareholders' meetings, and therefore the power to govern financial and operating decisions and thereby achieve the related benefits. Entities that the Parent Company jointly controls with other parties are accounted for under proportionate consolidation.
The Group's basis of consolidation is divided into areas:

A) Changes in basis of consolidation

There were changes in the basis of consolidation as at 31 December 2013 in relation to the Consolidated Financial Statements 2012 as a result of the takeover by Aquaser in July 2013 of SAMACE S.r.l. a company operating in the waste recovery sector, producing and selling compost conditioners. The takeover cost 4.8 million euros.

In addition, on July 3, 2013 the capital increase resolved by Aquaser on June 7, 2013 was subscribed and paid in by the shareholders ACEA and Acquedotto del Fiora while the share pertaining to the shareholder Acque was not subscribed. Pursuant to the resolution passed by the shareholders' meeting, the shareholders ACEA and Acquedotto del Fiora were given the right to subscribe the remaining amount not taken up.
As Acquedotto del Fiora did not exercise the right, ACEA fully subscribed the share not taken up on October 30, 2013, thereby determining a change in the percentage ownership held in the company (from 84.92% to 88.29%).

Please note that the demerger in favour of Acea Illuminazione Pubblica (beneficiary company) of ACEA Distribuzione (demerged company) public lighting operations became effective on May 1, 2013. This transaction had no impact on the consolidated financial statements since the companies involved were already owned (directly and/or indirectly) by the Parent Company ACEA.

In addition, in the course of 2013 the following companies that were in liquidation were cancelled:

1. AmeaTad owned by ARIA (55%) and by Arkesia (45%)
2. APICE owned by ACEA (50%) and Pirelli & C. Ambiente (50%)
3. Acque Blu owned by ACEA (55%) and Ondeo Italia (45%)
4. Luce Napoli owned by ACEA (70%).

B) Unconsolidated investments

During application of the above methods of consolidation and of the equity method, Tirana Acque S.c.a.r.l. in liquidation, owned by ACEA (40%), which is accounted for at cost, was excluded. It was possible to resort to this applied simplification by taking into account the fact that this investee is inoperative and insignificant based on qualitative and quantitative factors.

Accounting standards and measurement criteria

Measurement criteria

Conversion of foreign financial statement items

ACEA SpA and its European subsidiaries have adopted the euro as their functional and presentation currency. Foreign currency transactions are initially recognised at the exchange rate on the date of the transaction. Foreign currency monetary assets and liabilities are translated into the functional currency using the exchange rate valid at the end of the reporting period. Exchange differences are recognised in the consolidated income statement, with the exception of differences deriving from foreign currency loans taken out in order to hedge a net investment in a foreign entity. Such exchange differences are taken directly to shareholders' equity until disposal of the net investment, at which time any differences are recognised as income or expenses in the income statement. The tax effect and tax credits attributable to exchange differences deriving from this type of loan are also taken directly to shareholders' equity. Foreign currency non-monetary items accounted for at historical cost are translated at the exchange rate valid on the date the transaction was initially recorded. Non-monetary items accounted for at fair value are translated using the exchange rate valid at the date the value was determined.

Revenue recognition

Revenue from sales and services is recognised when the significant risks and rewards associated with ownership of the goods have been transferred or when the service has been performed. Specifically:

- REVENUE FROM THE SALE AND TRANSPORT OF ELECTRICITY AND GAS is recognised at the time the service is provided, even when yet to be billed, and includes an estimate of the quantities supplied to customers between their last meter reading and the end of the period. Revenue is calculated on the basis of the related laws, provisions contained in Electricity and Gas Authority resolutions in effect during the period and existing provisions regarding equalisation.
- REVENUE FROM INTEGRATED WATER SERVICES are determined on the basis of the Temporary Tariff Method (MTT), valid for determining tariffs for the years 2012 and 2013, approved with AEEG Resolution No. 585/12/R/idr, as amended.
  On the basis of the interpretation of the legal nature of the New Investment Fund tariff component, the amount payable to the water companies is recognized as revenue where it is expressly recognized by the Area Authorities which establish its intended use.
  Revenues for the year also include the adjustment relative to so-called pass-through items (i.e. electricity, wholesale water...), the details of which are provided in the aforementioned resolution.
  On the contrary, revenues for the year do not include any adjustment related to I.W.S. costs incurred due to exceptional events (i.e. water emergencies, environmental emergencies, ...) as the current regulatory framework provides that an investigation be carried out prior to their recognition.

Financial income

Interest income is recognised on a time proportion basis that takes account of the effective yield on the asset (the rate of interest required to discount the stream of future cash receipts expected over the life of the asset to equate to the initial carrying amount of the asset). Interest is accounted for as an increase in the value of the financial assets recorded in the accounts.

Dividend income

Dividend income is recognised when the shareholder's right to receive payment is established. Dividend income is classified as a component of finance income in the income statement.

Grants

Grants related to plant investments received from both public and private entities are accounted for at *fair value* when there is reasonable assurance that they will be received and that the envisaged conditions will be complied with.
Water connection grants are recognised as non-current liabilities and taken to the income statement over the life of the asset to which they refer if they relate to an investment, or recognised in full as income if matched by costs incurred during the period.
Grants related to income (disbursed in order to provide an enterprise with immediate financial aid or as compensation for expenses and losses incurred in a previous period) are recognised in the income statement in full, once the conditions for recognition have been complied with.

Construction contracts

Construction contracts are accounted for on the basis of the contractual payments accrued with reasonable certainty, according to the percentage of completion method (cost to cost), attributing revenue and profits of the contract to the individual reporting periods in proportion to the stage of contract completion. Any positive or negative difference between contract revenue and any prepayments received are recognised in assets or liabilities.
In addition to contract fees, contract revenue includes variations, price changes and the payment of incentives to the extent that it is probable that they will form part of actual revenue and that they can be reliably determined. Expected losses are recognised regardless of the stage of contract completion.

Employee benefits

Post-employment employee benefits in the form of defined benefit and defined contribution plans (such as Staff Termination Benefits, Bonuses, Tariff Subsidies, as described in the notes) or other long-term benefits are recognised in the period in which the related right accrues. The valuation of the liabilities is performed by independent actuaries. Such funds and benefits are not financed.
The cost of the benefits involved in the various plans is determined separately for each plan based on the actuarial valuation method, using the projected unit credit method to carry out actuarial valuations at the end of the reporting period.
The profit and loss deriving from the actuarial calculations are recorded in the operating profit, therefore in a specific Equity Reserve, and are not subject to subsequent recognition in the income statement.

Taxation

Income taxes for the period represent the aggregate amount of current and deferred taxes.
Current taxes are based on the taxable profit (tax loss) for the period. Taxable profit (tax loss) differs from the accounting profit or loss as it excludes positive and negative components that will be taxable or deductible in other periods and also excludes items that will never be taxable or deductible. Current tax liabilities are calculated using the tax rates enacted or substantively enacted at the end of the reporting period, and taking account of tax instruments permitted by tax legislation (the domestic tax consolidation regime and/or tax transparency).
Deferred taxes are the taxes expected to be paid or recovered on temporary differences between the carrying amounts of assets and liabilities in the Statement of Financial Position and the corresponding tax bases, accounted for using the liability method. Deferred tax liabilities are generally recognised on all taxable temporary differences, whilst deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary difference can be utilised. Deferred tax assets and liabilities are not recognised if the temporary differences derive from goodwill or the initial recognition of an asset or liability in a transaction, other than a business combination, that at the time of the transaction affects neither accounting nor taxable profit nor loss.

Deferred tax liabilities are recognised on taxable temporary differences arising on investments in subsidiaries, associates and jointly controlled entities, unless the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that, based on the plans approved by the Parent Company's Board of Directors, it is no longer probable that sufficient future taxable profit will be available against which all or part of the assets can be recovered.

Deferred taxes are determined using tax rates that are expected to apply to the period in which the asset is realised or the liability settled. Deferred taxes are taken directly to the income statement, with the exception of those relating to items taken directly to shareholders' equity, in which case the related deferred taxes are also taken to equity.

Property, plant and equipment

Property, plant and equipment is stated at historical cost, including any directly attributable costs of making the asset ready for its intended use, less accumulated depreciation and any accumulated impairment charges.

The cost includes the costs of dismantling and removing the asset and cleaning up the site at which the asset was located, if covered by the provisions of IAS 37. The corresponding liability is recognized in the provisions for liabilities and charges. Each component of an asset with a cost that is significant in relation to the total cost of the item, and having a different useful life, is depreciated separately.

The costs of improvements, modernization and transformation that increase the value of property, plant and equipment are capitalized when it is probable that they will increase the expected future economic benefits of the asset.

Land, whether free of constructions or annexed to civil and industrial buildings, is not depreciated as it has an unlimited useful life.

Depreciation is calculated on a straight-line basis over the expected useful life of the asset, applying the following rates:

Plant and machinery used in operations	1.25% - 6.67%
Other plant and machinery	4%
Industrial and commercial equipment used in operations	2.5% - 6.67%
Other industrial and commercial equipment	6.67%
Other assets used in operations	12.50%
Other assets	6.67% - 19.00%
Motor vehicles used in operations	8.33%
Other motor vehicles	16.67%

With reference to the repowering project of Tor di Valle industrial site, taking into account the current integrated functional structure of the two plants (combined cycle and cogeneration), the useful life of the plants was revised with specific reference to the components that will not survive after entry into operation of new plants.

Plant and machinery in the course of construction for use in operations or for purposes yet to be determined, is stated at cost, less any impairment charges. The cost includes any professional fees and, if applicable, interest expense capitalised. Depreciation of such assets, in line with all the other assets, begins when they are ready for use. In the case of certain complex assets subject to performance tests, which may be of a prolonged nature, readiness for use is recognised on completion of the related tests.

An asset held under a financial lease is depreciated over its expected useful life, in line with assets that are owned, or, if lower, over the lease term.

Gains and losses deriving from the disposal or retirement of an asset are determined as the difference between the estimated net disposal proceeds and the carrying amount of the asset and are recognised as income or expense in the income statement.

Investment property

Investment property, represented by property held to earn rentals or for capital appreciation or both, is stated at cost, including any negotiating costs less accumulated depreciation and any impairment charges.
Depreciation is calculated on a straight-line basis over the expected useful life of the asset. The rates applied range from a minimum of 1.67% to a maximum of 11.11%.

Investment property is eliminated from the accounts when sold or when the property is unusable over the long-term and its sale is not expected to provide future economic benefits.
Sale and lease-back transactions are accounted for based on the substance of the transaction. Reference should therefore be made to the policy adopted for Leasing.
Any gain or loss deriving from the elimination of an investment property is recognised as income or expense in the income statement in the period in which the elimination takes place.

Leases

Leases are classified as finance leases when the terms of the contract substantially transfer all the risks and benefits of ownership of an asset to the lessee. All other leases are considered as operating leases.
Assets held under a finance lease are recognised as assets belonging to the Group and accounted for at amounts equal to fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The underlying liability to the lessor is included in the statement of financial position as an obligation to pay future lease payments. Payments for rentals are apportioned between principal and interest in order to achieve a constant interest rate on the residual liability.
Finance costs, whether certain or estimated, are recognised on an accruals basis unless they are directly attributable to the acquisition, construction or production of an asset, which justifies their capitalisation.
Lease payments under operating leases are recognised as an expense in the income statement on a straight-line basis over the lease term. The benefits received or to be received as an incentive for entering into operating leases are also recognised on a straight-line basis over the lease term.

Intangible assets

Intangible assets are identifiable assets without a physical substance which are under the control of the company and capable of producing future economic benefits as well as goodwill acquired against valuable consideration. Intangible assets acquired separately are capitalised at cost, whilst those deriving from a business combination are capitalised at *fair value* at the date of acquisition. After initial recognition, an intangible asset is carried at cost. The useful life of an intangible asset may be defined as finite or indefinite.
Intangible assets are tested for impairment annually: the tests are conducted in respect of each intangible asset or, if necessary, in respect of each cash-generating unit. Amortisation is calculated on a straight-line basis over the expected useful life of the asset, which is reviewed annually and any resulting changes, if possible, applied prospectively. Amortisation begins when the intangible asset is ready for use.
Gains and losses deriving from the disposal of an intangible asset are determined as the difference between the estimated net disposal proceeds and the carrying amount of the asset and are recognised as income or expense in the income statement.

Goodwill

Goodwill from business combinations (among which, as an example only, the acquisition of subsidiaries, jointly controlled entities, or the acquisition of business units or other extraordinary transactions) represents the excess of the cost of the acquisition over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary or jointly controlled entity at the date of the acquisition. Goodwill is recognised as an asset and is subject to an annual impairment review. Any impairment charges are immediately recognised in the income statement and are not subsequently reversed.

Goodwill emerging at the date of acquisition is allocated to each of the cash-generating units expected to benefit from the synergies deriving from the acquisition. Impairment charges are identified via tests that assess the capacity of each unit to generate cash sufficient to recover the portion of goodwill allocated to it. Should the recoverable amount of the cash-generating unit be less than the allocated carrying amount, an impairment charge is recognised.

On the sale of a subsidiary or jointly controlled entity, any unamortised goodwill attributable to it is included in the calculation of the gain or loss on disposal.

Concessions

This item includes the value of the thirty-year right of Concession granted by Roma Capitale, regarding the use of fresh and waste water assets, formerly conferred to ACEA and subsequently transferred, as of 31 December 1999, to the spun-off company, ACEA Ato2, and relating to publicly owned assets belonging to the category of so-called "incidental public property" for fresh and waste water services. This right is amortised over the residual concession term (thirty years from 1998). The residual amortisation period is in line with the average term of contracts awarded by public tender.

This item also includes:

- the net value at 1 January 2004 of the goodwill deriving from the transfer of sewerage services to ACEA Ato2 by Roma Capitale with effect from 1 September 2002,
- the net value at 1 January 2004 of goodwill deriving from the acquisition of the Acque di Pisa Group by the subsidiary ABAB,
- the net value at 1 January 2005 of goodwill deriving from the acquisition of G.O.R.I. by the subsidiary, Sarnese Vesuviano,
- the goodwill, attributable to this item, deriving from the acquisition of Publiacqua by Acque Blu Fiorentine,
- the goodwill, attributable to this item, deriving from ACEA's acquisition of Umbra Acque,
- the goodwill, attributable to this item, deriving from the acquisition of the A.R.I.A. Group, with particular reference to SAO, the company that manages the waste dump in Orvieto,
- the goodwill, attributable to this item, deriving from ACEA's acquisition of ACEA Ato5.

Concessions are amortised on a straight-line basis over the residual term of each concession.

Right on infrastructures

Pursuant to IFRIC 12, this item includes the aggregate amount of tangible infrastructures used for the management of the water service.

As regards the rates used, the costs of intellectual property, included under intangible assets, are amortised over an estimated useful life of three years.

Impairment of assets

At each end of the reporting period, the Group reviews the value of its property, plant and equipment and intangible assets to assess whether there is any indication that an asset may be impaired (impairment test). If any indication exists, the Group estimates the recoverable amount of the asset in order to determine the impairment charge.

When it is not possible to estimate the recoverable amount of the individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.
Intangible assets with indefinite useful lives, including goodwill, are tested for impairment annually and each time there is any indication that an asset may be impaired, in order to determine the impairment charge.
The test consists of a comparison between the carrying amount of the asset and its estimated recoverable amount.
The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. In calculating value in use, future cash flow estimates are discounted using a pre-tax rate that reflects current market assessments of the value of money and the risks specific to the business.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount is reduced to its recoverable amount. An impairment charge is immediately recognised as an expense in the income statement, unless the asset is represented by land or buildings, other than investment property, carried at a revalued amount, in which case the impairment charge is treated as a revaluation decrease.

When an impairment no longer exists, the carrying amount of the asset (or cash-generating unit), with the exception of goodwill, is increased to its new estimated recoverable amount. The reversal must not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment charge been recognised for the asset in prior periods. The reversal of an impairment charge is recognised immediately as income in the income statement, unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase.

Where an impairment charge is recognised in the income statement, it is included among amortisation, depreciation and impairment charges.

Emission allowances, green and white certificates

Different accounting policies are applied to allowances or certificates held for own use in the "Industrial Portfolio", and those held for trading purposes in the "Trading Portfolio".
Surplus allowances or certificates held for own use, which are in excess of the company's requirement in relation to the obligations accruing at the end of the year, are accounted for at cost in other intangible assets. Allowances or certificates assigned free of charge are accounted for at a zero value. Given that these are assets for instant use, they are not amortised but are tested for impairment. The recoverable amount is the higher of the asset's value in use and its market value.
If, on the other hand, there is a deficit, because the requirement exceeds the allowances or certificates in portfolio at the end of the reporting period, provisions are made in the financial statements for the charge needed to meet the residual obligation; this is estimated on the basis of any spot or forward purchase contracts already signed at the end of the reporting period; otherwise, on the basis of market prices.

The burden resulting from the fulfilment of the energy efficiency obligation is estimated on the basis of the average purchase price for the contracts concluded, taking into accounts the certificates in the portfolio at the financial statements date; a provision is allocated for the difference between the purchase cost and the contribution estimated pursuant to AEEGSI Resolution No. 13/2014/R/efr, to be paid at the time the certificates are delivered in fulfilment of the obligation.

Allowances or certificates held for trading in the "Trading Portfolio" are accounted for in inventories and measured at the lower of purchase cost and estimated realisable value, based on market trends.

Allowances or certificates assigned free of charge are accounted for at a zero value. Market value is established on the basis of any spot or forward sales contracts already signed at the end of the reporting period; otherwise, on the basis of market prices.

Inventories

Inventories are valued at the lower of cost and net realisable value. The cost comprises all materials and, where applicable, direct labour, production overheads and all other costs incurred in bringing the inventories to their present location and condition. The cost is calculated using the weighted average cost formula. The net realisable value is the estimated selling price less the estimated costs of completion and the estimated costs necessary in order to make the sale.
Impairment charges incurred on inventories, given their nature, are either recognised in the form of specific provisions, consisting of a reduction in assets, or, on an item by item basis, as an expense in the income statement in the period the impairment charge occurs.

Financial Instruments

Financial assets and liabilities are recognised at the time when the Group becomes a party to the instruments' contractual clauses.

Financial assets related to service concession arrangements

With reference to the application of IFRIC 12 to the public lighting service concession, ACEA adopted the Financial Asset Model recognizing a financial asset to the extent that it has an unconditional contractual right to receive cash flows.

Trade receivables and other assets

Trade receivables, which have normal commercial terms, are recognised at face value less estimated provisions for the impairment of receivables.
The estimate of uncollectible amounts is made when collection of the full amount is no longer probable.
Trade receivables refer to the invoiced amount which, at the date of these financial statements, is still to be collected, as well as the receivables for revenues for the period relating to invoices that will be issued later.

Financial assets

Financial assets are recognised and derecognised at the trade date and initially recognised at cost, including any directly attributable acquisition costs.
At each future balance sheet date, the financial assets that the Group has a positive intention and ability to hold to maturity (held-to-maturity financial assets) are recognised at amortised cost using the effective interest method, less any impairment charges applied to reflect impairments.
Financial assets other than those held to maturity are classified as held for trading or as available for sale, and are stated at *fair value* at the end of each period.
When financial assets are held for trading, gains and losses deriving from changes in *fair value* are recognised in the income statement for the period. In the case of financial assets that are available for sale, gains and losses deriving from changes in fair value are recognised directly in a separate item of shareholders' equity until they are sold or impaired. At this time, the total gains and losses previously recognised in equity are recycled through the income statement for the period. The total loss is equal the difference between the acquisition cost and current *fair value*.

The *fair value* of financial instruments traded in active markets is based on quoted market prices (*bid prices*) at the end of the reporting period. The *fair value* of investments that are not traded in an active market is determined on the basis of quoted market prices for substantially similar

instruments, or calculated on the basis of estimated future cash flows generated by the net assets underlying the investment.
Purchases and sales of financial assets, which imply delivery within a timescale generally defined by the regulations and practice of the market in which the exchange takes place, are recognised at the trade date, which is the date the Group commits to either purchase or sell the asset.

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are initially stated at *fair value*.
After initial recognition, they are carried at amortised cost using the effective interest method.
At the end of each reporting period, the Group assesses if there has been impairment for a financial asset, or a group of financial assets. A financial asset or a group of financial assets is subject to impairment if, and only if, there is evidence of impairment, as a consequence of one or more events that occurred after initial recognition, which had an impact on future estimated cash flows. Impairment can be shown by indicators such as financial difficulties, failure to meet obligations, non-payment of significant amounts, the probability that the debtor goes bankrupt or is subject to another form of financial reorganisation, and if objective data shows that there is a measurable decrease in future estimated cash flows.

Cash and cash equivalents

Cash and cash equivalents include cash at bank and in hand, demand deposits and highly liquid short-term investments, which are readily convertible into cash and are subject to an insignificant risk of changes in value.

Financial liabilities

Financial liabilities are stated at amortised cost. Borrowing costs (transaction costs) and any issue premiums or discounts are recognised as direct adjustments to the nominal value of the borrowing. Net financial costs are consequently re-determined using the effective rate method.

Derivative financial instruments

Derivative financial instruments are initially recognised at cost and then re-measured to *fair value* at subsequent end of the reporting periods. They are designated as hedging instruments when the hedging relationship is formally documented at its inception and the periodically verified effectiveness of the hedge is expected to be high.
Fair Value Hedges are recognised at *fair value* and any gains or losses recognised in the Income Statement. Any gains or losses resulting from the *fair value* measurement of the hedged asset or liability are similarly recognised in the Income Statement.
In the case of *Cash Flow Hedges*, the portion of any *fair value* gains or losses on the hedging instrument that is determined to be an effective hedge is recognised in shareholders’ equity, whilst the ineffective portion is recognised directly in the Income statement.

Trade payables

Trade payables, which have normal commercial terms, are stated at face value.

Derecognition of financial instruments

Financial assets are derecognised when the Group has transferred all the related risks and the right to receive cash flows from the investments.
A financial liability (or portion of a financial liability) is derecognised when, and only when, it is extinguished, i.e. when the obligation specified in the contract is either fulfilled, cancelled or expires.
If a previously issued debt instrument is repurchased, the debt is extinguished, even if the Group intends to resell it in the near future. The difference between the carrying amount and the amount paid is recognised in the income statement.

Provisions for liabilities and charges

Provisions for liabilities and charges are made when the Group has a present (legal or constructive) obligation as a result of a past event, if it is more likely than not that an outflow of resources will be required to settle the obligation and the related amount can be reliably estimated.

Provisions are measured on the basis of Management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period, and are discounted when the effect is significant.

Where the financial effect of time is significant and the obligation due dates can be reliably estimated, the provision is determined by discounting the expected future cash flows determined by taking into account the risks associated with the obligation at the average borrowing rate of the company; the increase in the provision resulting from the time value of money is recognized in the income statement under "Net financial income/(expense)".

When the liability regards the cost of dismantling and/or repairing an item of property, plant and equipment, the initial provisions are accounted for as a contra entry in respect of the asset to which they refer. The provisions are released to the income statement through depreciation of the item of property, plant and equipment to which the charge refers.

Accounting standards, amendments, interpretations and improvements applied from 1 January 2013

The following documents have already been issued by the IASB and endorsed by the European Union as amendments to international accounting standards in force from 1 January 2013:

Amendments to IAS 1: *Presentations of Items of Other Comprehensive Income*
On 16 June 2011, the IASB issued the document "*Presentations of Items of Other Comprehensive Income (amendments to IAS 1)*", the result of joint work carried out with the FASB, which provides a guide on the presentation and classification of items contained in the statement of *Other Comprehensive Income* ("OCI").
The standard does not modify the possibility of presenting all revenue and cost items recorded in one financial year in a single statement of comprehensive income, or in two statements: one statement which shows profit (loss) components for the year (separate income statement) and a second statement which starts with profits (losses) for the year and shows the items of the statement of Other Comprehensive Income.
The standard requires items of Other Comprehensive Income be grouped together into two categories, depending on whether they can be reclassified or not, in the income statement in a future period.
The amendments to the standard were endorsed and published in Official Journal of the European Union No. 146 on 6 June 2012. They must be retrospectively applied to financial statements in years beginning 1 July 2012 or thereafter.

Amendments to IAS 19: "*Employee Benefits*"
On 16 June 2011, the IASB issued an amended version of IAS 19 "*Employee Benefits*".
Said document modifies the accounting of *defined benefit plans* and *termination benefits*.
In the first place, it eliminated the possibility of using the "corridor method" for recording actuarial profits and losses. In particular, all actuarial profits and losses must be recorded in the statement of *Other Comprehensive Income* ("OCI"), with no other option available, in order to show the complete net balance of the plan surplus/deficit in the statement of financial position. During the transition in line with the requirements of the amended standard, an entity that currently uses the "corridor method" may have to record a higher liability/lower asset in the Statement of Financial Position (with a matching entry in the *Other Comprehensive Income* and, therefore, *Equity*). When fully applied, said amendment will generate higher volatility in the statement of financial position and in the statement of *Other Comprehensive Income*, but the income statement will no longer be affected by the amortisation of actuarial profits/losses.
Secondly, provision is made for a new approach to the presentation and accounting of changes in the following components of *defined benefit obligations* and *plan assets* in the income statement and the statement of *Other Comprehensive Income*:

- *Service Costs* are charged to the income statement: these include costs for services provided in the year, effects generated by *past service costs* and *curtailments* (both now recorded immediately in the year they occur) and profits/losses generated by settlement of the plan (in particular, generated by payments not in keeping with the terms of the plan, for example, early termination of the plan)
- *Net Interests* which are recorded in the income statement,
- *Remeasurements* which are booked to the Statement of Other Comprehensive Income: these include, among other things, actuarial profits/losses on plan liabilities. Remeasurements are never reclassified to the income statement, but can be transferred to shareholders' equity (e.g. among profit reserves).

Thirdly, the new Standard requires additional disclosures, to be provided in the notes.

The amendments to the standard were endorsed and published in Official Journal of the European Union No. 146 of 6 June 2012. They must be applied to financial statements in years beginning 1 January 2013 or thereafter and early adoption is permitted. Retrospective application is required with certain exceptions and comparative *sensitivity analysis* for financial years starting before 1 January 2014.

Amendments to IFRS 1 "First-time adoption of International Financial Reporting Standards - Severe hyperinflation and removal of fixed dates for first-time adopters" and to IAS 12 "Income taxes - Deferred tax: recovery of underlying assets", adoption of IFRS 13 "*Fair value* measurement"

With Regulation (EU) No. 1255/2012 of the Commission of 11 December 2012, published in Official Journal L 360 on 29 December 2012, the amendments to IFRS 1 "First-time adoption of International Financial Reporting Standards - Severe hyperinflation and removal of fixed dates for first-time adopters" and to IAS 12 "Income taxes - Deferred tax: recovery of underlying assets" were adopted. IFRS 13 Fair value measurement, published by the IASB on 12 May 2011, was also adopted.

The objective of the amendments to IFRS 1 is to introduce a new exception to the scope of application of IFRS 1: entities that were subject to severe hyperinflation are authorised to use *fair value* to replace the cost of assets and liabilities in their first statement of financial position drawn up in compliance with IFRS.

Furthermore, those amendments also replace the references to fixed dates in IFRS 1 with references to the transition date.

As regards IAS 12, which defines the accounting of income taxes, the objective of the amendments is to introduce an exception to the measurement principle into the principle itself in the form of a rebuttable presumption based on which the carrying amount of the investment property measured based on the *fair value* model would be recovered through sale, and an entity would be required to apply the tax rate applicable to the sale of the underlying asset.

Companies are required to apply the aforementioned amendments at the latest from the beginning of the first annual period starting after the date the regulation comes into effect (third day after publication in the Official Journal of the European Union) or subsequently.

IFRS 13 establishes a single IFRS framework for *fair value* measurements and provides a complete guide on how to measure the *fair value* of financial and non-financial assets and liabilities. IFRS 13 applies when another IFRS requires or allows *fair value* measurements or requires additional information on *fair value* measurements.

The companies shall begin applying IFRS 13, at the latest, on the first day of the first financial year beginning on or after 1 January 2013.

Improvements to IFRSs (2009-2011 cycle)

The document was published by the IASB in May 2012 and endorsed by Regulation (EU) No. 301 on 27 march 2013. This is the result of the fourth annual improvement process which aims to simplify and clarify international accounting standards and the relevant interpretations of the same. Amendments must be applied in financial statements for years beginning on or after 1 January 2013.

Accounting standards, amendments and interpretations applicable after the end of the year and not adopted in advance by the Group

A) New Accounting standards, amendments to accounting standards and Interpretations adopted in the European Union

IFRS 10 – *Consolidated Financial Statement*
IFRS 12 – *Disclosure of interests in Other Entities*
The documents were issued on 12 May 2011 as part of the IASB project aimed at incorporating two consolidation criteria present in IAS 27 (more focused on control) and SIC 12 (more focused on risks and benefits) into a single standard, and therefore providing the most complete guidelines for establishing under what conditions an SPE or an entity whose majority of voting rights (also potential) is not held should be consolidated or not.
In summary, a situation of control occurs when it can be demonstrated that the investor has the power to make decisions about the business of the company in which he has invested and when the investor is exposed to the variability of that company's returns, and therefore is able to use his power to influence its returns.

IFRS 11 – Joint Arrangements
The document was issued on 12 May 2011, and is intended to replace the current IAS 31. IFRS 11 is based on the following core principles:
- classification of arrangements in only two manners (*joint operation* and *joint venture*) instead of the three set forth in IAS 31
- distinction between the two types of arrangement based on their content
- reporting of contractual rights and obligations resulting from the arrangement on the basis of its content
- assessment of the investment in a *joint venture* based on the shareholders' equity method instead of the proportionate method, which is no longer permitted

The new standard sets forth that:
1. if the assets and liabilities are **not** contained in a special vehicle, the *joint arrangement* is a *joint operation*
2. if the arrangement's assets and liabilities are contained in any vehicle (partnership, joint stock company, consortium, etc.) the *joint arrangement* may be either a *joint operation* or a *joint venture*.

In a nutshell, **a *joint arrangement* is a *joint venture* if:**
- the arrangement's assets and liabilities are contained in a vehicle whose legal form does not grant the parties rights to the assets and obligations for the liabilities contained in the vehicle,
- contractual agreements do not change the vehicle's legal form and
- the vehicle is able to operate independently from the parties.

The principles were endorsed and published in Official Journal of the European Union No. 360 on 29 December 2012. The companies shall begin applying IFRS 10, IFRS 11, IFRS 12, the amended IAS 27 and the amended IAS 28, at the latest, on the first day of the first financial year beginning on or after 1 January 2014.

Although the accounting principles have been endorsed at the end of 2012, throughout 2013, and in the early months of 2014, there were several issues concerning the application of the international accounting standards described above. These issues are principally due to the significant change in the method of accounting for joint ventures introduced with IFRS11. It should be noted that, in January, 2014, the IFRIC received numerous requests for clarifications on the application of IFRS11 in relation to which there are still some important issues concerning the classification of joint arrangement in the two types of joint operations and joint ventures.

In order to verify whether the new concept of control will mean changes in the consolidation method used by some Companies, the Group analysed corporate deeds and documents (by-laws, shareholders' agreements, contracts, …).

As well as this *on the paper* analysis, the effective and concrete dynamics of corporate governance were analysed, taking also into account the shareholders' identity, the aim of their respective equity investments and the contribution of each party to the development of business.

This analysis involved several investments in the Acea Group with particular reference to the investments in the water companies in Tuscany, Umbria and Campania that under the existing provisions of the articles of associations or shareholders' agreements on ownership structure and *governance* are consolidated using the proportionate method.

Despite ACEA is the industrial partner for the companies in question and, through the Chief Executive Officer, whom it is entitled to designate by virtue of the shareholders' agreements in place, has wide management powers over current operations in all areas of activity, the outcome of the analyses confirmed that the investments in the water companies in Tuscany, Umbria and Campania fall within the scope of IFRS11 according to which, from 1 January 2014, the only permitted consolidation method is the equity method. Accordingly, the summary results from consolidation according to the equity method of such investments shall be included in the Group's EBITDA, as no events occurred leading to a change in the provisions of the articles of associations or the shareholders' agreements in place or in the management activity carried out by the industrial partner.

The principal legal entities subject to the above analysis are listed below.

Operating segment	Company	Consolidation method until 31/12/2013	Consolidation method as of 01/01/2014
Environment	Ecomed	Proportionate	Equity method
Energy	Umbria Energy	Proportionate	Line-by-line
	Elga Sud	Proportionate	Line-by-line
	Voghera Energia Vendita S.p.A. in liquidation	Proportionate	Equity method
Water	Consorcio Agua Azul	Proportionate	Equity method
	Acque and subsidiaries	Proportionate	Equity method
	Publiacqua and subsidiaries	Proportionate	Equity method
	Umbra Acque	Proportionate	Equity method
	Acquedotto del Fiora	Proportionate	Equity method
	GORI	Proportionate	Equity method
	Intesa Aretina and Nuove Acque	Proportionate	Equity method
Networks	Ecogena	Proportionate	Equity method

Amendments to IFRS 10, IFRS 12 and IAS 27 "Investment entity"

Regulation (EU) No. 1174/2013 of the Commission of 20 November 2013 was published in Official Journal L 312 on 21 November 2013, and adopts the Amendments to IFRS 10, IFRS 12 and IAS 27 "Investment entity" published by the IASB on 31 October 2012.

The document makes some amendments to IFRS 10 and therefore also to IFRS 12 and IAS 27 (2011) to grant companies managing and evaluating its investments at *fair value* (generally called "*Investment entity*") exemption from the consolidation obligations required by IFRS 10.

The ratio of the exemption derives from the fact that for said company, the arrangement pursuant to the *fair value* measurement of its investments is of greater significance than that deriving from the consolidation of investment assets and liabilities.
Companies must apply these amendments for years beginning on or after 1 January 2014. Earlier application is permitted.

Guidelines for transitional provisions (amendments to IFRS 10, 11 and 12)
Regulation (EU) 313/2013 of the Commission of 4 April 2013 was published in Official Journal L 95 on 5 April 2013, adopting the Guidelines to transitional provisions (Amendments to IFRS 10, 11 and 12).
The aim of the amendments is to clarify the intent of the IASB on first publication of the guidelines for transitional provisions in IFRS 10. The amendments also include a further streamlining of the transition in IFRS 10, IFRS 11 and IFRS 12, limiting the obligation to provide adjusted comparison information to the previous comparison period. Furthermore, for information concerning non-consolidated structured entities, the amendments exclude the obligation of presenting comparative information for years before the date on which IFRS 12 is applied for the first time.
The companies shall begin applying the amendments, at the latest, on the first day of the first financial year beginning on or after 1 January 2014.

Amendments to IFRS 7 "Financial instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities and to IAS 32 Financial instruments: Presentation - Offsetting Financial Assets and Financial Liabilities"
Regulation (EU) No. 1256/2012 of the Commission of 13 December 2012 was published in Official Journal L 360 on 29 December 2012, and adopts the Amendments to IFRS 7 Financial instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities and to IAS 32 Financial instruments: Presentation - Offsetting Financial Assets and Financial Liabilities (published by the IASB on 16 December 2011).
The amendments to IFRS 7 aim to provide additional quantitative information to allow users to compare and reconcile information generated by the application of IFRS and that generated by the application of US *Generally Accepted Accounting Principles* (GAAP) in a better way.
Furthermore, the IASB amended IAS 32 in order to provide additional instructions to decrease inconsistencies in the practical application of the principle.
The companies shall begin applying the aforementioned amendments to IFRS 7 and IAS 32 on the first day of their first financial year which begins on or after 1 January 2013.
The additional amendments to IAS 32 shall apply, at the latest, on the first day of their first financial year which begins on or after 1 January 2014.
This Regulation also cancels paragraph 13 of IFRS 7, which should have occurred with the adoption of the Amendments to IFRS 7 Financial instruments: Disclosures - Transfers of Financial Assets were adopted with Regulation (EU) No. 1205/2011 of the Commission of 22 November 2011. The provision in question must be applied from 1 July 2011 in order to be effective. It must be applied retroactively to ensure legal certainty for the issuers concerned.

Amendments to IAS 36 "Disclosures on recoverable amount of non-financial assets"
Regulation (EU) No. 1374/2013 of the Commission of 19 December 2013 was published in Official Journal L 346 on 20 December 2013, adopting Disclosures on the recoverable amount of non-financial assets (Amendments to IAS 36).
The amendments aim to clarify the information which must be provided on the recoverable amount of assets, when this value is based on *fair value* net of divestment costs, only for assets for which the value has been reduced.
The companies shall begin applying the amendments, at the latest, on the first day of the first financial year beginning on or after 1 January 2014.

Amendments to IAS 39 "Financial instruments: Recognition and assessment – Novation of derivatives and continuation of hedge accounting"

Regulation (EU) No. 1375/2013 of the Commission of 19 December 2013 was published in Official Journal L 346 on 20 December 2013, and adopts the Amendments to IAS 39 "*Financial instruments: Recognition and assessment – Novation of derivatives and continuation of hedge accounting*" published by the IASB on 27 June 2013.

The amendments concern the introduction of some exemptions to the *hedge accounting* requirements of IAS 39 if an existing derivative must be replaced with a new derivative which has, by law or regulation, directly (or even indirectly) a Central Counterparty (CCP).

The document is inspired by the introduction of the *European Market Infrastructure Regulation* (EMIR) on *over-the-counter* (OTC) derivatives, which aims to implement central *clearing* for certain classes of OTC derivatives (as required by the G20 in September 2009).

The amendments shall apply retrospectively, at the latest, on the first day of the company's first financial year which begins on or after 1 January 2014, with earlier application permitted.

B) New Accounting standards, and IASB amendments to accounting standards

IFRS 9 *Financial instruments - Hedge Accounting*

On 19 November 2013 the IASB published the document "*IFRS 9 Financial Instruments - Hedge Accounting and amendments to IFRS 9, IFRS 7 and IAS 39*" concerning the requirements of the new *hedge accounting* model.

The document aims to answer the criticism of the requirements in IAS 39 held to be too strict and unsuitable for reflecting the *risk management policies* of entities.

The greater flexibility of the new accounting rules is counterbalanced by requests for additional information on the company's *risk management* activities.

The endorsement procedure has currently been suspended.

Annual Improvements: 2010-2012 Cycle and *2011-2013 Cycle*

On 12 December 2013 the IASB published the documents "*Annual Improvements to IFRSs: 2010-2012 Cycle*" and "*Annual Improvements to IFRSs: 2011-2013 Cycle*" adopting these amendments to principles in the annual process of improvement of the same, concentrating on amendments considered necessary, but not urgent.

Companies must apply these amendments for years beginning on or after 1 July 2014. Earlier application is permitted.

IFRS 14 Regulatory Deferral Accounts

On 30 January 2014 the IASB published *IFRS 14 Regulatory Deferral Accounts*, the *interim standard* for the *Rate-regulated activities* project.

IFRS 14 lets those who adopt the IFRS for the first time continue to recognise *rate regulation* amounts using the accounting principles adopted previously. To improve the comparison with the entities already applying IFRS that do not recognise said amounts, the standard requires that the effect of the *rate regulation* must be presented separately from other items.

The standard applies from 1 January 2016, though earlier application is permitted.

Exposure Drafts issued by the IASB

- On 2 December 2013 the IASB published the *Exposure Draft* ED 2013/10 "*Equity Method in Separate Financial Statements (Proposed amendments to IAS 27)*". IAS 27 Separate Financial Statements requires that an entity should recognise its equity investments in subsidiaries, in

jointly controlled entities and in associates at cost or in accordance with the requirements of IFRS 9 (or IAS 39 for entities who have not yet adopted IFRS 9).
The document, which does not specific a deadline for application, proposes to introduce the option to use the equity method in the separate financial statement of an entity to recognise equity investments in subsidiaries, jointly controlled entities and associates.

- On 11 December 2013 the IASB published Exposure Draft ED 2013/11 "*Annual Improvements to IFRSs*: *2012-2014 Cycle*". These amendments must be applied for years beginning on or after 1 January 2016.

- *IFRS 5 Non-current Assets Held for Sale and Discontinued Operations – Changes in methods of disposal*
  The proposed amendment introduces specific *guidance* for IFRS 5 if an entity reclassifies an *asset* (or a *disposal group*) transferring it from the *held for sale* category to the *held-for-distribution* category (or vice versa), or when the recognition of a *held-for-distribution* activity has ceased.

- *IAS 19 Employee Benefits – Discount rate: regional market issue*
  This document proposes amendments to IAS 19 to clarify that the *high quality corporate bonds* used to determine the discount rate of *staff termination benefits* should be issued in the same currency used for the payment of *benefits*. The proposed amendments would mean that the scope of the *high quality corporate bond* market to consider would be the same as that of the currency.

- *IAS 34 Interim Financial Reporting – Disclosure of information "elsewhere in the interim report"*
  The document proposes amendments to clarify the requirements in the case in which the information required is presented in the *interim financial report* but not in the *interim financial statements*. The amendment proposes that said information be included through a *cross-reference* from the *interim financial statements* and other parts of the interim *financial report* and that said document is made available to people reading the financial statement in the same way and at the same time as for the *interim financial statement*.

Changes to comparative data

The statement of financial position differs from that published on December 31, 2012 owing to the retrospective application of IAS 19R *(Restated Financial Information).*
The company also deemed it appropriate to adjust the discount rate in order to timely align itself to the new provisions of IAS 19R.

Consolidated Income Statement

Notes Ref.		31/12/2013	*of which with related parties*	31/12/2012	*of which with related parties*	Increase/ (Decrease)
1	Revenue from sales and services	3,473,429		3,522,752		(49,323)
2	Other revenue and proceeds	97.154		69.170		27.984
	Consolidated net revenue	**3,570,583**	**209.482**	**3,591,922**	**214.205**	**(21,339)**
3	Staff costs	279.516		282.069		(2,553)
4	Costs of materials and overheads	2,525,043		2,632,098		(107,055)
	Consolidated operating costs	**2,804,559**	**26.998**	**2,914,167**	**92.175**	**(109,608)**
5	**Net income/(costs) from commodity risk management**	**67**		**(232)**		**300**
	Gross Operating Profit	**766.092**	**182.485**	**677.524**	**122.030**	**88.569**
6	Amortisation, depreciation, provisions and impairment charges	382.296		395.919		(13,623)
	Operating profit/(loss)	**383.796**	**182.485**	**281.605**	**122.030**	**102.191**
7	Financial income	40.297	3	28.119	1	12.178
8	Financial costs	(137,724)		(148,673)		10.949
9	(Costs)/Income from Equity Investments	(4,762)		862		(5,623)
	Profit/(loss) before tax	**281.607**	**182.488**	**161.912**	**122.031**	**119.695**
10	Taxation	128.324		86.052		42.271
	Net profit/(loss) from continuing operations	**153.284**	**182.488**	**75.860**	**122.031**	**77.424**
11	Net profit/(loss) from discontinued operations	0		9.440		(9,440)
	Net profit/(loss)	**153.284**	**182.488**	**85.300**	**122.031**	**67.984**
	Profit/(loss) attributable to non-controlling interests	*11.344*		*7.917*		*3.427*
	Net profit/(loss) attributable to the Group	**141.940**	**182.488**	**77.383**	**122.031**	**64.557**
12	**Earnings (loss) per share attributable to Parent Company's shareholders**					
	Basic	**0.6665**		**0.3634**		**0.3031**
	Diluted	**0.6665**		**0.3634**		**0.3031**
	Earnings (loss) per share attributable to Parent Company's shareholders, net of Treasury Shares					
	Basic	**0.6678**		**0.3641**		**0.3037**
	Diluted	**0.6678**		**0.3641**		**0.3037**

Amounts in € thousand

Consolidated Statement of Comprehensive Income

	31/12/2013	31/12/2012 *Restated*	Increase/ (Decrease)
Net profit/(loss)	**153,284**	**85,300**	**67,984**
Profit/(Loss) from translation of financial statements expressed in a foreign currency	(2,612)	277	(2,889)
Profit/(Loss) from remeasurement of financial assets available for sale	0	0	0
Profit/(Loss) from the effective portion of hedging instruments	17,709	(23,072)	40,781
Actuarial Profit/(Loss) on defined benefit pension plans	4,722	(21,040)	25,762
Taxation	(6,301)	12,549	(18,850)
Total other comprehensive income, net of Tax	13,518	(31,286)	44,804
Total comprehensive income net of tax	**166,802**	**54,014**	**112,788**
Total comprehensive income (loss) net of tax attributable to:			
Non-controlling interests	11,510	7,279	4,231
Group	155,292	46,735	108,557

Amounts in € thousand

Consolidated Statement of Financial Position

Notes Ref.	ASSETS	31 December 2013	*of which with related parties*	31 December 2012 *Restated*	*of which with related parties*	Increase/ (Decrease)	01 January 2012 *Restated*
13	Property, plant and equipment	2,057,724		2,066,439		(8,715)	2,021,364
14	Investment property	2,872		2,933		(61)	2,993
15	Goodwill	148,971		147,082		1,889	151,244
16	Concessions	1,825,093		1,730,591		94,502	1,553,946
17	Other intangible fixed assets	84,478		77,730		6,748	115,067
18	Equity investments in subsidiaries and associates	11,407		16,415		(5,009)	14,795
19	Other equity investments	3,279		4,716		(1,437)	4,686
20	Deferred tax assets	343,164		361,642		(18,478)	355,683
21	Financial assets	34,788	32,328	32,959	30,899	1,829	19,939
22	Other assets	86,765		58,484		28,282	63,189
	NON-CURRENT ASSETS	**4,598,542**	**32,328**	**4,498,991**	**30,899**	**99,552**	**4,302,905**
	Inventories	37,342		41,983		(4,641)	66,106
	Trade receivables	1,500,667	156,144	1,477,207	190,744	23,460	1,510,012
	Other current assets	127,877		135,774		(7,898)	189,518
	Current tax assets	109,463	23	85,562	57	23,900	57,089
	Current financial assets	117,268	59,101	152,225	71,787	(34,957)	172,768
	Cash and cash equivalents	589,471		423,698		165,773	321,022
23	**CURRENT ASSETS**	**2,482,087**	**215,268**	**2,316,450**	**262,588**	**165,638**	**2,316,514**
24	**Non-current assets held for sale**	**6,722**		**6,722**		**0**	**0**
	TOTAL ASSETS	**7,087,352**	**247,595**	**6,822,162**	**293,487**	**265,189**	**6,619,419**

Amounts in € thousand

Notes Ref.	LIABILITIES	31 December 2013	*of which with related parties*	31 December 2012 *Restated*	*of which with related parties*	Increase/ (Decrease)	01 January 2012 *Restated*
	Shareholders' equity						
	share capital	1,098,899		1,098,899		0	1,098,899
	statutory reserve	170,707		165,087		5,619	113,731
	other reserves	(459,476)		(449,461)		(10,016)	(377,321)
	retained earnings/ (losses)	370,564		346,968		23,595	399,967
	profit (loss) for the year	141,940		77,383		64,557	
	Total Group shareholders' equity	**1,322,633**	**0**	**1,238,877**	**0**	**83,756**	**1,235,277**
	Non-controlling interests	82,806		77,183		5,623	74,667
25	**Total shareholders' equity**	**1,405,439**	**0**	**1,316,060**	**0**	**89,379**	**1,309,944**
26	Staff termination benefits and other defined benefit plans	117,379		128,742		(11,363)	107,181
27	Provision for liabilities and charges	262,545		272,401		(9,856)	250,892
28	Borrowings and financial liabilities	2,507,623		2,211,609		296,014	2,298,916
29	Other liabilities	351,377		278,663		72,715	278,415
30	Provision for deferred taxes	104,830		93,603		11,227	99,969
	NON-CURRENT LIABILITIES	**3,343,755**	**0**	**2,985,019**	**0**	**358,736**	**3,035,373**
	Trade payables	1,306,882	130,259	1,267,161	92,864	39,721	1,344,785
	Other current liabilities	282,566		299,661		(17,095)	286,441
	Borrowings	698,076	33,565	891,407	1,638	(193,331)	540,645
	Tax Payables	49,290	17	61,510	68	(12,220)	102,232
31	**CURRENT LIABILITIES**	**2,336,813**	**163,842**	**2,519,739**	**94,569**	**(182,926)**	**2,274,102**
24	**Liabilities directly associated with assets held for sale**	**1,344**		**1,344**		**0**	**0**
	TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**7,087,352**	**163,842**	**6,822,162**	**94,569**	**265,189**	**6,619,419**

Amounts in € thousand

Consolidated Statement of Cash Flows

	31/12/2013	*of which with related parties*	31/12/2012 Restated	*of which with related parties*	Increase/ (Decrease)
Cash flow from operating activities					
Profit before tax from continuing operations	281,607		161,912		119,695
Profit before tax from discontinued operations	0		12,165		(12,165)
Depreciation/amortisation	244,493		259,032		(14,539)
Revaluations/impairment charges	94,268		82,675		11,592
Increase/(decrease) in provisions for liabilities	(9,856)		21,545		(31,400)
Net increase/(decrease) in staff termination benefits	(10,248)		(4,231)		(6,017)
Gains on disposals	0		1,953		(1,953)
Net financial interest expense	97,427		120,554		(23,127)
Income taxes paid	(84,607)		(107,528)		22,921
Cash flow generated by operating activities before changes in working capital	**613,084**		**548,078**		**65,006**
Increase in current receivables	(90,884)	*(34,634)*	(49,186)	*(79,203)*	(41,698)
Increase/(decrease) in current payables	39,314	*46,769*	(72,595)	*(238,364)*	111,908
Increase/(decrease) in inventories	4,641		23,895		(19,254)
Change in working capital	***(46,930)***		***(97,886)***		***50,956***
Change in other assets/liabilities during the period	**(27,631)**		**19,370**		**(47,001)**
TOTAL CASH FLOW FROM OPERATING ACTIVITIES	**538,524**		**469,562**		**68,962**
Cash flow from investment activities					
Purchase/sale of property, plant and equipment	(113,018)		(303,859)		190,841
Purchase/sale of intangible fixed assets	(221,796)		(248,362)		26,566
Equity investments	(6,181)		4,098		(10,278)
Purchase/sale of investments in subsidiaries	4,730		0		4,730
Proceeds/payments deriving from other financial investments	33,144	*(11,257)*	(1,825)	*(39,078)*	34,969
Dividends received	0	*0*	823	*823*	(823)
Interest income received	35,577		30,780		4,796
TOTAL	**(267,543)**		**(518,344)**		**250,801**
Cash flow from financing activities					
Non-controlling interests in subsidiaries' capital increase	11		0		11
Repayment of borrowings and long-term loans	(403,027)		(213,708)		(189,319)
Disbursement of borrowings/other medium/long-term loans	695,690		100,000		595,690
Decrease/increase in other short-term borrowings	(193,571)	*31,927*	436,226	*(14,367)*	(629,797)
Interest expenses paid	(126,876)	*0*	(123,247)	*1*	(3,629)
Dividends paid	(77,434)	*(77,434)*	(47,813)	*(47,813)*	(29,621)
TOTAL CASH FLOW	**(105,207)**		**151,458**		**(256,665)**
Cash flows for the period	**165,773**		**102,676**		**63,097**
Net opening balance of cash and cash equivalents	**423,698**		**321,022**		**102,676**
Net closing balance of cash and cash equivalents	**589,471**		**423,698**		**165,773**

Amounts in € thousand

Consolidated Statement Of Changes In Shareholders' Equity

€ thousand	Share capital	Statutory reserve	Other reserves	Profit for the period	Total	Non-controlling interests	Total shareholders' equity
Balances as at 01 January 2012 *Restated*	**1,098,899**	**113,731**	**(47,599)**	**71,764**	**1,236,795**	**74,662**	**1,311,457**
Restated IAS 19	0	0	(1,519)	0	(1,519)	6	(1,513)
Balances as at 01 January 2012 *Restated*	**1,098,899**	**113,731**	**(49,118)**	**71,764**	**1,235,277**	**74,667**	**1,309,944**
Net profit (loss)				77,383	77,383	7,917	85,300
Other comprehensive income (losses)				(30,648)	(30,648)	(637)	(31,286)
Total comprehensive income (loss)	***0***	***0***	***0***	***46,735***	***46,735***	***7,279***	***54,014***
Allocation of 2011 net profit		51,428	20,336	(71,764)	0	0	0
Distribution of dividends		0	(44,635)	0	(44,635)	(3,178)	(47,813)
Change in basis of consolidation		(72)	1,572	0	1,500	(1,585)	(85)
Balances as at 31 December 2012 *Restated*	**1,098,899**	**165,087**	**(71,845)**	**46,735**	**1,238,877**	**77,184**	**1,316,060**

€ thousand	Share capital	Statutory reserve	Other reserves	Profit for the period	Total	Non-controlling interests	Total shareholder s' equity
Balances as at 01 January 2013 *Restated*	**1,098,899**	**165,088**	**(71,845)**	**46,735**	**1,238,877**	**77,184**	**1,316,060**
Net profit (loss)	0	0	0	141,940	141,940	11,344	153,284
Other comprehensive income (losses)	0	0	0	13,360	13,360	158	13,518
Total comprehensive income (loss)	**0**	**0**	**0**	**155,300**	**155,300**	**11,502**	**166,802**
Allocation of 2012 net profit	0	5,607	41,128	(46,735)	0	0	0
Distribution of 2013 interim dividend				(53,241)	(53,241)	0	(53,241)
Distribution of dividends	0	0	(19,025)	0	(19,025)	(5,168)	(24,193)
Change in basis of consolidation	0	12	711	0	722	(711)	11
Balances as at 31 December 2013	**1,098,899**	**170,707**	**(155,514)**	**102,059**	**1,322,633**	**82,806**	**1,405,439**

Amounts in € thousand

Notes to the Consolidated Income Statement

Consolidated net revenue

As at 31 December 2013 these amounted to 3,570,583 thousand euros (3,591,922 thousand euros at 31 December 2012), recording a decrease of 21,339 thousand euros (-0.6%) over the previous year, and are broken down as follows.

€ thousand	31/12/2013	31/12/2012	Increase/ (Decrease)	% Increase/ (Decrease)
Revenue from sales and services	3,473,429	3,522,752	(49,323)	(1.4%)
Other revenue and proceeds	97,154	69,170	27,984	40.5%
Consolidated net revenue	**3,570,583**	**3,591,922**	**(21,339)**	**(0.6%)**

Consolidated net revenue for the period include 14,364 thousand euros for additional revenues pertaining to 2012 recorded in the water companies' financial statements approved after the 2012 ACEA Group Consolidated Financial Statements; this additional revenue comprises 10,586 thousand euros for the FNI - new investment financing- component set by the individual Area Authorities pursuant to Resolution No.585/1012 as specified in the report on operations for the period.

1. Revenue from sales and services - *3,473,429 thousand euros*

This item reported an overall decrease of 49,323 thousand euros (-1.4%) compared to 31 December 2012, which closed with a total of 3,522,752 thousand euros.

The breakdown of this item is provided in the following table.

€ thousand	31/12/2013	31/12/2012	Increase/ (Decrease)	% Increase/ (Decrease)
Revenue from electricity sales and services	2,414,209	2,414,185	24	0.0%
Revenue from gas sales	60,146	53,432	6,714	12.6%
Revenue from the sale of certificates and rights	16,373	37,410	(21,038)	(56.2%)
Revenue from the Integrated Water Service	806,722	792,841	13,881	1.8%
Revenue from Overseas Water Services	13,108	37,384	(24,276)	(64.9%)
Revenue from biomass transfer and landfill management	35,048	32,111	2,936	9.1%
Revenue from services to customers	97,540	128,520	(30,981)	(24.1%)
Connection fees	30,285	26,867	3,418	12.7%
Revenue from sales and services	**3,473,429**	**3,522,752**	**(49,323)**	**(1.4%)**

Revenue from electricity sales and services

Revenue from electricity sales and services amounted to 2,414,209 thousand euros and, net of intercompany eliminations, essentially include the following items:

€ thousand	31/12/2013	31/12/2012	Increase/ (Decrease)	% Increase/ (Decrease)
Electricity and heat generation	45,189	39,059	6,130	15.7%
Electricity sales	1,907,065	1,944,400	(37,335)	(1.9%)
Transport and metering of energy	414,078	382,822	31,256	8.2%
Energy sales from WTE	45,041	45,462	(421)	(0.9%)
Energy from photovoltaic plants	1,156	1,235	(79)	(6.4%)
Cogeneration	1,287	1,098	189	17.2%
Other	392	110	283	257.6%
Total revenue from electricity sales and services	**2,414,209**	**2,414,185**	**24**	**0.0%**

The major changes refer to:

- The increase in revenue from electricity and heat generation amounting to 6,130 euros was mainly driven by the restarting of the Orte plant that only took place during the second quarter of last year, mainly after shutting down plants for repowering operations, During the year the Company achieved a production volume of 500.3 GWh (+133.5 GWh),
- The decrease in revenue from energy sales of 37,335 thousand euros as a result of lower sales volumes and taking into account the performance of prices. The sale of electricity on the protected categories market was equal to 3,234 GWh. The number of withdrawal points in 2013 totalled 1,072,062 (1,088,701 at 31 December 2012). The decrease is linked to the opening up of the market following completion of the liberalisation process. The sale of electricity on the free market came to 9,382 GWh with 301,276 withdrawal points recorded at 31 December 2013 (they were 297,988 at 31 December 2012),
- The increase of 31,256 thousand euros in revenue from the transport and metering of energy primarily due to the different value attributed to the tariff parameters, as well as the combined effect of the reduced electricity fed into the grid and the increased amount. Revenue in 2013 was recognised on the basis of the new rules introduced by the AEEGSI for the fourth regulatory period that introduced significant changes compared to the previous tariff period; indeed the "business tariff" was introduced that absorbs the specific equalisation and some forms of general equalisation envisaged in the previous regulatory periods. The application of the general equalisation mechanisms resulted in income of 77,981 thousand euros at 31 December 2013 with a greater impact of 29,135 thousand euros compared to the prior year.
  In addition to the equalisation items mentioned above, revenue was higher by 13,900 thousand euros for recoveries of general equalisations for the years prior to 2013, following the Equalisation Fund and the AEEGSI notifications relating to adjustments on the general equalisation amounts.

Revenue from gas sales

Revenue from gas sales amounted to 60,146 thousand euros, up 6,714 thousand euros compared to 31 December 2012 due to the increased volumes sold by the companies in the Energy Segment (+1.1% compared to 2012). Furthermore, the company sold 100 million smc of gas to end customers and wholesalers corresponding to 98,676 redelivery points.

Revenue from the sale of certificates and rights

Revenue from the sale of certificates and rights amounted to 16,373 thousand euros, down 21,038 thousand euros compared to the previous year. This item includes the recognition of revenue from

green certificates by Acea Produzione (16,228 thousand euros) accruing in relation to energy produced at the Salisano plant and the Orte plant after repowering operations completed in 2012. The value of white certificates (EEB - Energy Efficiency Bonds) decreased by 23,628 thousand euros due to the effect of completion of energy-saving projects.
The breakdown of this item by type is as follows:

€ thousand	31/12/2013	31/12/2012	Increase/ (Decrease)	% Increase/ (Decrease)
Green certificates	16,237	12,107	4,130	34.1%
CO2 rights	136	1,676	(1,540)	(91.9%)
EEB	0	23,628	(23,628)	0.0%
Total	**16,373**	**37,410**	**(21,038)**	**(56.2%)**

Revenue from the Integrated Water Service

Revenue from the Integrated Water Service is generated by companies managing the service in Tuscany, Umbria, Lazio and Campania.
These revenues amounted to 806,772 thousand euros, up 13,881 thousand euros (+1.8%) compared with the previous year (792,841 thousand euros).
Details of the breakdown by company are given below.

€ thousand	31/12/2013	31/12/2012	Increase/ (Decrease)	Increase/ (Decrease) %
ACEA Ato2	471,497	502,618	(31,121)	(6.2%)
GORI	58,914	51,956	6,958	13.4%
ACEA Ato5	54,129	53,069	1,060	2.0%
Gesesa	6,569	5,969	601	10.1%
Crea Gestioni	3,793	3,355	438	13.1%
Total Lazio-Campania	**594,903**	**616,966**	**(22,064)**	**(3.6%)**
Publiacqua	87,702	67,171	20,531	30.6%
Acque	53,296	45,534	7,762	17.0%
Acquedotto del Fiora	35,737	30,646	5,091	16.6%
Umbra Acque	27,491	24,627	2,864	11.6%
Nuove Acque	7,593	7,465	129	1.7%
Other minor entities	0	433	(433)	(100.0%)
Total Tuscany-Umbria	**211,820**	**175,875**	**35,945**	**20.4%**
Revenue from the Integrated Water Service	**806,722**	**792,841**	**13,881**	**1.8%**

The revenue for the period was impacted positively by recognition of the NIF (New Investments Fund) component accruing in 2012 and 2013 this was resolved by the Area Authorities ex Article 6 of AEEG Resolution No. 585/2012 (Temporary Tariff Method for the years 2012 and 2013). The total amount of this component was 45,500 thousand euros, of which 10,586 thousand euros referred to 2012. With reference to the previous year, the component was recognized for the following companies: Publiacqua (7,649 thousand euros), Acquedotto del Fiora (2,209 thousand euros) and Acque (731 thousand euros).
Note that, in 2012, this item included higher tariff adjustments for the 2006-2011 period awarded to ACEA Ato2 by resolution of the Mayors' Conference on 17 April 2012 (40,398 thousand euros).

Revenue from Overseas Water Services

These revenues amounted to 13,108 thousand euros, down 24,276 thousand euros compared with the previous year (37,384 thousand euros).
The change was mainly due to the expiry of the Aguazul Bogotá concession contract on 31 December 2012. The activity continued by entering into a series of service agreements that provide for the use of tools and technical personnel by the new operator.

Revenue from biomass transfer and landfill management

These revenues amounted to 35,048 thousand euros, up 2,936 thousand euros compared with the previous year (32,111 thousand euros).
The breakdown by company is provided below:

€ thousand	31/12/2013	31/12/2012	Increase / (Decrease)
A.R.I.A.	17,535	12,145	5,390
SAO	9,959	12,461	(2,502)
Kyklos	4,700	4,577	123
Aquaser	2,296	2,752	(456)
Solemme	239	176	63
Samace	78	0	78
Innovation and environmental sustainability	240	0	240
Revenue from biomass transfer and landfill management	**35,048**	**32,111**	**2,936**

The performance in 2013 was essentially due to the Terni WTE plant going into production at the end of the 2012 financial year, and an increase in the quantities conferred and average price.

Revenue from services to customers

This item amounted to 97,540 thousand euros (128,520 thousand euros at 31 December 2012) recording a decrease of 30,981 thousand euros.
This type of revenue comprises:

€ thousand	31/12/2013	31/12/2012	Increase/ (Decrease)	Increase/ (Decrease) %
Public Lighting - Rome	53,285	64,616	(11,331)	(17.5%)
Public Lighting - Naples	7,776	7,598	178	2.3%
Revenue from services requested by third parties	20,840	29,623	(8,783)	(29.7%)
Intercompany services	6,392	5,755	637	11.1%
PV power	1,853	13,248	(11,395)	(86.0%)
GIP revenue	7,394	7,681	(287)	(3.7%)
Revenue from services to customers	**97,540**	**128,520**	**(30,981)**	**(24.1%)**

The decrease in the period was essentially due to: **i)** revenue from Public Lighting referred to Roma Capitale (- 11,331 thousand euros) essentially as a result of no new constructions being installed, partially offset by the increased amount paid for the service agreement (+ 3,869 thousand euros), following its review based on the lighting points installed during the previous financial year; **ii)** lower revenue generated by ARSE for sales and installation activities of photovoltaic panels on behalf of third parties (- 11,395 thousand euros).
The work carried out at the request of third parties decreased by 8,783 thousand euros due to a reduction in the activities carried out by ACEA Ato2 and ACEA Distribution.

The table below shows the breakdown of this item by operating segment:

€ thousand	31/12/2013	31/12/2012	Increase / (Decrease)	Increase / (Decrease) %
Environment	1,399	1,425	(26)	(1.8%)
Energy	2,190	2,242	(52)	(2.3%)
Water	16,933	23,725	(6,792)	(28.6%)
Networks	13,949	26,600	(12,651)	(47.6%)
Parent Company	63,069	74,528	(11,459)	(15.4%)
Revenue from services to customers	**97,540**	**128,520**	**(30,981)**	**(24.1%)**

Connection fees

This item amounted to 30,285 thousand euros, up by 3,418 thousand euros. These fees are broken down as follows:

- free and protected markets: 24,274 thousand euros (+ 3,350 thousand euros).
- water: 6,011 thousand euros (+ 68 thousand euros).

2. Other revenue and proceeds - *97,154 thousand euros*

This item increased by 27,984 thousand euros (+40.5%) compared to 31 December 2012, which closed with a total of 69,170 thousand euros.

The change was mainly due to the following opposing effects:

(i) the increase in non-recurring gains for 14,821 thousand euros, mainly from costs for which provisions had been allocated in previous years but not incurred and revenue pertaining to previous years, as well as from energy related items. The change was also due to the allocation of revenues from previous years for the construction of public lighting systems;

(ii) increase of 9.245 thousand euros of the item other revenues mainly attributable to the energy area;

(iii) decrease of 4,350 thousand euros in the bonus for service continuity recognized by the Authority for Electricity and Gas to ACEA Distribuzione,

(iv) the increase of 5,995 thousand euros in the grant assigned by the Italian State to supplement the revenue from services provided to the State of Vatican City. The change is due to the different treatment of the grant in determining the restriction on the Guaranteed Income (VRG) of ACEA Ato2.

A breakdown of this item, compared to 31 December 2012, is provided in the table below.

€ thousand	31/12/2013	31/12/2012	Increase/ (Decrease)	Increase/ (Decrease) %
Non-recurring gains and	36,956	22,136	14,821	67.0%
other revenues	20,651	11,407	9,245	81.0%
Reimbursement for damages, penalties and charge-backs	8,720	6,059	2,661	43.9%
Regional grants	7,750	6,534	1,217	18.6%
Feed-in-tariff	5,391	5,515	(125)	(2.3%)
Government grant (Prime Ministerial Decree of 23/04/04)	7,911	1,916	5,995	312.9%

Seconded staff	1,830	3,127	(1,296)	(41.5%)
Property income	1,668	2,543	(875)	(34.4%)
IFRIC 12 margin	1,594	1,870	(276)	(14.7%)
Income from end users	1,526	888	638	71.9%
Service continuity bonuses	1,141	5,490	(4,350)	(79.2%)
Recharged cost for company officers	1,093	864	229	26.5%
Coverage of tariff subsidies to employees	587	685	(98)	(14.3%)
Other	336	138	198	144.0%
Other revenue and proceeds	**97,154**	**69,170**	**27,984**	**40.5%**

Consolidated operating costs

As at 31 December 2013 these amounted to 2,804,559 thousand euros (2,914,167 thousand euros at 31 December 2012), recording a decrease of 109,608 thousand euros (-3.8%) over the previous year.
The breakdown is as follows:

€ thousand	31/12/2013	31/12/2012	Increase/ (Decrease)	% Increase/ (Decrease)
Staff costs	279,516	282,069	(2,553)	(0.9%)
Costs of materials and overheads	2,525,043	2,632,098	(107,055)	(4.1%)
Consolidated operating costs	**2,804,559**	**2,914,167**	**(109,608)**	**(3.8%)**

It should be noted that operating costs for the period include 1,814 thousand euros for costs pertaining to 2012 which were recognised in the water companies' financial statements approved after the 2012 ACEA Group consolidated financial statements.

3. Staff costs - *279,516 thousand euros*

€ thousand	31/12/2013	31/12/2012	Increase / (Decrease)	% Increase / (Decrease)
Staff costs including capitalised costs	343,203	354,320	(11,117)	(3.1%)
Capitalised costs	(63,687)	(72,252)	8,565	(11.9%)
Total staff costs	***279,516***	***282,069***	***(2,553)***	***(0.9%)***
Staff costs	**279,516**	**282,069**	**(2,553)**	**(0.9%)**

The decrease in staff costs, including capitalised costs, amounted to 11,117 thousand euros, substantially determined by the decrease recorded in ACEA (- 4,517 thousand euros) and Agua Azul Bogotà (- 9,269 thousand euros).

Staff costs were affected by the partial release of provisions set aside for the second round of the medium - long term Incentive Scheme and those set aside for senior and middle managers' MBO and Bonuses, as the objectives assigned were only partially achieved.
It should be noted that the employment contract for the Electric sector was renewed which provides for the payment of a one-off sum for the period January-March 2013 and the increase in

minimum pay effective from 1 April 2013; also the Federgasacqua contract was renewed that provides, among other things, an increase in minimum pay for the three-year period 2014-2016 and a one-off sum for the period during which there is no effective labour agreement in place.

A decrease is to be noted of 8,587 thousand euros with regard to capitalised costs, essentially attributable to the water companies with specific reference to ACEA Ato2.

The following tables show the average number of staff by operating sector compared to same period of the previous year. The figure for the end-year 2013 is also shown.

	Average number of employees		
	31/12/2013	31/12/2012	Δ
Environment	212	199	14
Energy	536	519	18
Water	3,543	4,349	(806)
Lazio-Campania	*2,102*	*2,162*	*(60)*
Tuscany-Umbria	*876*	*710*	*166*
Overseas	*406*	*1,325*	*(918)*
Engineering and services	*158*	*152*	*6*
Networks	1,403	1,433	(31)
Parent Company	680	679	0
TOTAL	**6,374**	**7,179**	**(805)**

	End-of-period number of employees		
	31/12/2013	31/12/2012	Δ
Environment	216	193	23
Energy	515	530	(15)
Water	3,522	4,442	(920)
Lazio-Campania	*2,081*	*2,119*	*(38)*
Tuscany-Umbria	*876*	*869*	*8*
Overseas	*404*	*1,298*	*(894)*
Engineering and services	*160*	*156*	*4*
Networks	1,385	1,410	(25)
Parent Company	666	683	(17)
TOTAL	**6,304**	**7,257**	**(953)**

4. Costs of materials and overheads – *2,525,043 thousand euros*

This item reported an overall decrease of 107,055 thousand euros (-4.1%) compared to 31 December 2012, which closed with a total of 2,632,098 thousand euros.

€ thousand	31/12/2013	31/12/2012	Increase/ (Decrease)	% Increase/ (Decrease)
Electricity, gas and fuel	2,036,287	2,084,204	(47,917)	(2.3%)
Materials	36,437	62,401	(25,965)	(41.6%)
Services	311,772	330,545	(18,773)	(5.7%)
Concession fees	66,657	74,018	(7,361)	(9.9%)
Cost of leased assets	28,071	29,363	(1,291)	(4.4%)
Other operating costs	45,819	51,568	(5,749)	(11.1%)
Consolidated operating costs	**2,525,043**	**2,632,098**	**(107,055)**	**(4.1%)**

It should be noted that the item Materials was mainly influenced by fewer activities related to sales, supply and installation of photovoltaic panels carried out by ARSE until 31 December 2012.

Electricity, gas and fuel costs

€ thousand	31/12/2013	31/12/2012	Increase/ (Decrease)
Purchase and transport of electricity	2,008,212	2,027,249	(19,038)
Gas	20,714	36,315	(15,601)
Green certificates and CO2 rights	15	7	7
White certificates	0	12,177	(12,177)
Other costs	7,346	8,456	(1,109)
Total	**2,036,287**	**2,084,204**	**(47,917)**

The change was mainly due to: **i)** lower costs relating to the procurement of electricity for the protected and free market and the related transportation costs (-19,038 thousand euros) due to the combined effect of the lower amount of electricity distributed and sold and the different price/quantity mix in the various months and time brackets. The Single Buyer ("Acquirente Unico") costs, excluding energy equalisation, amounted to 267,875 thousand euros (304,560 thousand euros at 31 December 2012); **ii)** the costs related to ARSE white certificates that decreased to zero.

Materials

The cost of materials amounted to 36,437 thousand euros and represents the cost of materials used during the period net of capital expenditure, as shown in the table below.

€ thousand	31/12/2013	31/12/2012	Increase/ (Decrease)	Increase/ (Decrease) %
Purchase of materials	63,038	90,126	(27,088)	(30.1%)
Change in inventories	778	2,370	(1,591)	(67.2%)
Change in inventories	**63,816**	**92,496**	**(28,680)**	**(31.0%)**
Capitalised costs	(27,380)	(30,095)	2,715	(9.0%)
Total	**36,437**	**62,401**	**(25,965)**	**(41.6%)**

This item's performance is essentially attributable to: **i)** ARSE (- 12,964 thousand euros) as a result of discontinued purchases of photovoltaic panels used to produce owned or held for sale systems; **ii)** Agua Azul Bogotà (- 4,617 thousand euros) **iii)** ACEA Distribuzione (- 4,691 thousand euros).

Capitalised costs posted a decrease of 2,715 thousand euros mainly attributable to ACEA Distribuzione (- € 1,000 thousand euros) and Acea Ato2 (- € 1,123 thousand euros).

The costs for materials incurred by the operating segments are detailed below.

€ thousand	31/12/2013	31/12/2012	Increase/ (Decrease)	% Increase/ (Decrease)
Environment	4,851	4,244	607	14.3%
Energy	1,044	936	108	11.5%
Water	22,179	30,133	(7,954)	(26.4%)

€ thousand	31/12/2013	31/12/2012	Increase/ (Decrease)	% Increase/ (Decrease)
Networks	7,624	24,100	(16,746)	(68.4%)
Parent Company	739	2,988	(2,249)	(75.3%)
Costs for materials	**36,437**	**62,401**	**(25,964)**	**(41.6%)**

The main change is attributable to the networks and specifically to ARSE.

Services and contract work

This item amounted to 311,772 thousand euros, down by 18,773 thousand euros from 330,545 thousand euros at 31 December 2012. An analysis of the breakdown reveals the following:

€ thousand	31/12/2013	31/12/2012	change	% Change
Contract work	58,511	67,071	(8,560)	(12.8%)
Electricity, water and gas consumption	52,551	51,468	1,083	2.1%
Technical and administrative services (including consulting and freelance work)	44,951	45,450	(500)	(1.1%)
Disposal and transport of sludge, slag, ash and waste	31,747	45,673	(13,926)	(30.5%)
Other services	27,940	27,937	3	0.0%
Payroll services	18,396	19,133	(737)	(3.9%)
Insurance costs	17,928	15,879	2,048	12.9%
Telephone and data transmission costs	8,713	8,421	292	3.5%
Internal use of electricity	7,773	8,957	(1,184)	(13.2%)
Postal expenses	6,771	5,813	958	16.5%
Advertising and sponsorship costs	5,933	6,777	(844)	(12.5%)
Intragroup services	5,934	6,087	(153)	(2.5%)
Cleaning, transport and porterage	5,541	4,654	887	19.1%
Corporate bodies	5,330	5,747	(417)	(7.3%)
Maintenance fees	4,859	4,032	828	20.5%
Bank charges	3,588	3,485	103	3.0%
Meter readings	2,668	1,799	869	48.3%
Seconded staff	1,001	581	420	72.3%
Travel and accommodation expenses	1,146	1,068	79	7.4%
Printing costs	489	511	(22)	(4.3%)
Costs for services	**311,772**	**330,545**	**(18,773)**	**(5.7%)**

During 2012 the costs related to the disposal and transport of sludge were higher than in 2013 owing to the seizure of some purifiers of Acea Ato2.

Concession fees

The total amount was 66,657 thousand euros (- 7,360 thousand euros compared to 31 December 2012 which closed with a total of 74,018 thousand euros) and refers to companies that manage Area Authorities under concession in Lazio and Campania, Tuscany and Umbria.
The following table shows a breakdown by Company, compared to the previous year.

€ thousand	31/12/2013	31/12/2012	Increase/ (Decrease)	% Increase/ (Decrease)
ACEA Ato2	33,664	36,128	(2,464)	(6.8%)
ACEA Ato5	6,984	6,881	103	1.5%
Gori	4,877	9,555	(4,678)	(49.0%)
Gesesa	286	302	(16)	(5.4%)
Crea Gestioni	52	52	0	0.0%
Lazio - Campania area	**45,862**	**52,917**	**(7,055)**	**(13.3%)**
Publiacqua	11,379	12,265	(886)	(7.2%)
Acque	4,985	4,672	313	6.7%
Acquedotto del Fiora	2,136	2,086	50	2.4%
Umbra Acque	1,563	1,322	241	18.2%
Nuove Acque	733	733	0	0.0%
Lunigiana	0	23	(23)	(100.0%)
Tuscany - Umbria Area	**20,795**	**21,101**	**(306)**	**(1.4%)**
Concession fees	**66,657**	**74,018**	**(7,360)**	**(9.9%)**

The decrease is due to the reclassification to costs for concession fees of the previously capitalised portion of IWS loans that was carried out by GORI in the previous year.

Cost of leased assets

This item amounted to 28,071 thousand euros, down 1,291 thousand euros compared to the previous year.

The following table illustrates the changes by operating segment:

€ thousand	31/12/2013	31/12/2012	Increase/ (Decrease)	Increase/ (Decrease) %
Environment	1,444	821	623	75.9%
Energy	3,467	7,018	(3,552)	(50.6%)
Water	9,176	9,172	4	0.0%
Networks	4,667	4,475	192	4.3%
Parent Company	9,318	7,876	1,442	18.3%
Cost of leased assets	**28,071**	**29,363**	**(1,291)**	**(4.4%)**

This item includes lease payments of 13,543 thousand euros and charges relating to other lease payments and rentals for 14,528 thousand euros, slightly down compared to 31 December 2012.

Other operating costs

This item amounted to 45,810 thousand euros at 31 December 2013, down by 5,758 thousand euros.

The table below provides details of this item by type:

€ thousand	31/12/2013	31/12/2012	Increase/ (Decrease)	% Increase/ (Decrease)
General and administrative expenses	13,084	9,438	3,646	38.5%
Taxes and duties	11,987	13,386	(1,399)	(10.5%)
Non recurring losses	13,943	14,185	(242)	(1.7%)
Contributions paid and membership fees	3,401	2,864	537	18.7%
Damages and outlays for legal disputes	2,343	2,442	(99)	(4.1%)
Losses on asset disposals	535	397	138	34.8%
Fines and penalties	525	8,855	(8,330)	(94.1%)
Total other operating costs	**45,810**	**51,568**	**(5,758)**	**(11.2%)**

The change in the period mainly refers to:

(i) the increase in overheads, with specific reference to the Energy segment;

(ii) a fine of 8,300 thousand euros due to the Antitrust Authority by ACEA and Suez Environment in the previous period on the basis of order no. 17623 of 22 November 2007, concerning irregularities committed during tenders carried out in 2001 - 2004, for the awarding of water services in Tuscany.

5. Net income/(costs) from commodity risk management

As at 31 December 2013 the change in the fair value measurement of financial contracts recognised in the consolidated income statement was positive for 67 thousand euros.

The portfolio of financial instruments under *Hedge Accounting* was the predominant component of the overall portfolio.

For further details please refer to the section *"Additional disclosures on financial instruments and risk management policies"* in the 2013 Consolidated Financial Statements.

Please note that the assessment of counterparty risk carried out in accordance with IFRS 13 does not affect the effectiveness test carried out on the instruments measured under *Hedge Accounting* rules.

6. Amortisation, depreciation, impairment charges and provisions - *382,296 thousand euros*

Compared to the previous year this item decreases by 13,623 thousand euros.

The breakdown is as follows:

€ thousand	31/12/2013	31/12/2012	Increase/ (Decrease)	% Increase/ (Decrease)
Amortisation and depreciation	244,493	257,866	(13,373)	(5.2%)
Provision for impairment of receivables	89,506	83,537	5,969	7.1%
Provision for liabilities and charges	48,297	54,516	(6,219)	(11.4%)
TOTAL	**382,296**	**395,919**	**(13,623)**	**(3.4%)**

Amortisation and depreciation

€ thousand	31/12/2013	31/12/2012	Increase/ (Decrease)
Depreciation of tangible assets	123,683	143,214	(19,531)
Amortisation of intangible assets	118,990	110,318	8,672
Impairment charges	1,820	4,334	(2,514)
Total	**244,493**	**257,866**	**(13,373)**

The decrease in depreciation and amortisation amounting to 13,373 thousand euros resulted from the combined effects listed below:

- lower depreciation of 29,606 thousand euros in ACEA Distribuzione owing to the full depreciation of part of the MV network;
- higher depreciation of 6,227 thousand euros in Acea Produzione due to the reduction in the useful life of the Tor di Valle plant as a result of a technical-engineering analysis of the

entire production site which led to a reassessment of the useful lives of certain components;

- higher depreciation for the entry into service of certain assets such as the WTE plant in Terni following the *revamping* of the system;
- higher amortisation/depreciation recorded by the water companies in Tuscany as a result of the regulatory changes occurred in 2013, with specific reference to the useful life of the assets to be relinquished at the end of the concession.

The impairment refers to the partial write-down of the property, plant and equipment carried out as a result of the fire that took place in June 2013 in the industrial site of Paliano, which affected part of the production plant and part of the PV system.

Impairment charges and losses on receivables

This item amounted to 89,506 thousand euros, up 5,969 thousand euros, as a result of opposing factors: on the one hand, the increase of 25,254 thousand euros in the companies of the Energy segment and, on the other, the reduction in all the other segments, with specific reference to the Water segment (- 13,289 thousand euros).

The breakdown by operating segment is provided below:

€ thousand	31/12/2013	31/12/2012	Increase / (Decrease)	Increase / (Decrease) %
Environment	141	1,207	(1,066)	(88.3%)
Energy	60,999	35,745	25,254	70.7%
Water	22,296	35,585	(13,289)	(37.3%)
Networks	3,526	3,210	317	9.9%
Parent Company	2,543	7,791	(5,247)	(67.4%)
Impairment charges and losses on receivables	**89,506**	**83,537**	**5,969**	**7.1%**

Provisions

At 31 December 2013 provisions amounted to 48,297 thousand euros; their breakdown by type is as follows:

€ thousand	31/12/2013	31/12/2012	Increase/ (Decrease)
Legal	3,743	13,274	(9,532)
Tax	970	3,152	(2,182)
Regulatory risks	11,176	10,403	773
Investees	1,541	6,986	(5,445)
Contributory risks	1,796	6,150	(4,354)
Early retirements and redundancies	15,409	152	15,257
Contracts and supplies	2,061	2,683	(622)
Insurance excess	1,310	850	459
Other liabilities and charges	1,372	958	414
Total	**39,377**	**44,609**	**(5,213)**
IFRIC 12 restoration charges	8,920	9,907	(988)
Total Provisions	**48,297**	**54,516**	**(6,219)**

The breakdown of provisions by operating segment are shown in the following table:

€ thousand	31/12/2013	31/12/2012	Increase/ (Decrease)	% Increase/ (Decrease)
Environment	612	2,652	(2,041)	(76.9%)

€ thousand	31/12/2013	31/12/2012	Increase/ (Decrease)	% Increase/ (Decrease)
Energy	3,798	6,862	(3,065)	(44.7%)
Water	20,431	30,860	(10,428)	(33.8%)
Networks	15,809	4,954	10,854	219.1%
Parent Company	7,648	9,187	(1,539)	(16.8%)
Provisions	**48,297**	**54,516**	**(6,219)**	**(11.4%)**

The most significant provisions allocated during the year include those for early retirement and staff redundancy costs (15,390 thousand euros) and those for the estimated charge to purchase and/or produce energy efficiency certificates that help fulfil the objective assigned to ACEA Distribuzione for 2013 taking into account of the certificates in the portfolio at the balance sheet date, and representing the difference between the purchase cost and the estimated grant pursuant to AEEGSI Resolution No. 13/2014/R/efr, which will be paid when the certificates are delivered in fulfilment of the objective,
Further information is provided in note 27 and in the section *"Update on major disputes and litigation"*.

7. Financial income - *40,297 thousand euros*

€ thousand	31/12/2013	31/12/2012	Increase / (Decrease)
Interest on loans and receivables	705	1,867	(1,163)
Bank interest income	1,638	553	1,084
Interest on trade receivables	16,024	19,344	(3,320)
IAS 19 Financial Income	0	374	(374)
Interest on other receivables	2,385	2,833	(448)
Financial income from discounting to present value	17,119	1,926	15,193
Financial income from measurement of fair value hedges	821	0	821
Other income	1,606	1,221	384
Financial income	**40,297**	**28,119**	**12,178**

Financial income amounted to 40,297 thousand euros, up 12,178 thousand euros compared to the previous year.
The change is mainly attributable to the recognition of income from discounting to present value the amount payable by GORI to the Campania Region as a result of the Agreement signed with the Region for rescheduling the debt; according to the Agreement no interest will be charged for the first 10 years and legal interest will be due only from the eleventh year. Therefore according to IAS/IFRS the debt was measured at fair value. A 2.44% rate was applied to determine the new value recorded as financial income and amounting to 14,389 thousand euros.
Income from valuation of fair value hedges amounted to 821 thousand euros and refer to the derivative instrument entered into to hedge the interest rate risk on a part of the bond issued on September 2013.
Interest on trade receivables was down 3,320 thousand euros, of which 1,983 thousand euros relating to the Energy segment and the remaining portion to the Water segment.

8. Financial costs - *137,724 thousand euros*

€ thousand	31/12/2013	31/12/2012	Increase / (Decrease)
Costs (Income) on interest rate swaps	7,010	6,825	186
Interest on bonds	48,372	42,330	6,042
Interest on medium/long-term borrowings	34,022	43,116	(9,094)
Interest on short-term borrowings	14,639	18,037	(3,398)
Default interest and interest on deferred payments	4,697	4,345	351
Interest cost net of actuarial gains and losses	3,476	4,753	(1,277)
Factoring fees	18,233	25,254	(7,021)
Interest on payments by instalment	1,462	1,173	289
Costs from discounting to present value	1,143	0	1,143
Other financial charges	3,575	2,031	1,544
Interest payable to end users	913	864	49
Foreign exchange gains (losses)	183	(55)	237
Financial costs	**137,724**	**148,673**	**(10,949)**

Financial costs amounted to 137,724 thousand euros, down 11,949 thousand euros compared to 2012.
The average overall "All in" cost of the ACEA Group's debt at 31 December 2013 stood at 3.41% against 3.46% of the previous period.

With regard to finance costs related to borrowings, the following changes should be noted:

- interest on bonds was up 6,042 thousand euros compared to 31 December 2012 as a result of the Bond placed on the market at the beginning of September 2013;
- financial expense on medium, long and short term borrowings decreased by a total of 12,492 thousand euros due to the decrease in the average rate of interest;
- factoring fees decreased 7,021 thousand euros for the cumulative effect of a reduction in the rate applied and a reduction in the amount of factored receivables.

9. Income and costs from Equity Investments - *(4,762) thousand euros*

€ thousand	31/12/2013	31/12/2012	Increase/ (Decrease)
Income from investments in associates	3,016	1,602	1,414
(Costs) from investments in associates	(7,778)	(741)	(7,037)
(Costs)/Income from investments	**(4,762)**	**862**	**(5,623)**

Losses on equity investments refer to the consolidation of certain Group companies according to the equity method (mainly Marco Polo for 5,967 thousand euros and WRC Plc for 1,446 thousand euros and Sinergia Group for 204 thousand euros).

Income from investments mainly refer to the equity accounted investments in Agua de San Pedro for 772 thousand euros, GEAL for 695 thousand euros and Sogea for 114 thousand euros. The item also includes the reversal of provisions for liabilities and charges related to equity investments which proved in excess for 1,396 thousand euros.

10. Income Tax - *128,324 thousand euros*

Tax expenses for the year were 128,324 thousand euros compared to 86,052 thousand euros the previous year. In order to make the comparison more useful, the difference in taxes including discontinued operations in the previous year is commented below.

Income taxes for the year can be broken down as follows:

- ✓ Current taxes: 101,859 thousand euros (89,367 thousand euros at 31 December 2012),
- ✓ Net deferred/(prepaid) taxes: 24,465 thousand euros (-589 thousand euros in 2012).

The overall increase recorded in the period, equal to 39,546 thousand euros, is the result of the combined effect of the increase in profit before tax and the higher number of companies subject to the Corporate Income Tax (IRES) surcharge.

The table below shows the breakdown of taxes for the period and the correlated percentage weight calculated on consolidated pre-tax profit

€ thousand	2013	%	2012	%
Profit/(loss) before tax	281,607		174,078	
Theoretical tax charge at 27.5% on profit before tax (A)	77,442	27.5%	47,872	27.5%
Net deferred taxation (B)	26,465	9.4%	(589)	(0.3%)
Permanent differences (C)	(41,533)	(14.7%)	(22,357)*	12.9%
IRES (corporate income tax) for the period (D) = (A) + (B) + (C)	62,374	22.1%	24,925	14.3%
IRAP (REGIONAL INCOME TAX) (E)	39,236	13.9%	35,627	20.1%
Tax Assets (F)	6,710	2.4%	6,710	3.9%
Total taxes recognised in Income statement (G) = (D) + (E) + (F)	**108,320**	**38.5%**	**67,261**	**38.6%**
Tax differences on intercompany transactions between companies subject and not subject to Corporate Income Tax (Ires) surcharge (H)	20,004	7.1%	21,516	12.4%
Total taxes recognised in Income statement (I) = (G) + (H)	**128,324**	**45.6%**	**88,778**	**51.0%**

* The permanent differences for the year 2012 include IRES and IRAP reimbursement whose value was 15,815 thousand euros with an improvement in the tax rate of 9.1%

The tax rate for the year was 45.6% (51.0% in 2012).

11. Non-current assets held for sale and discontinuing or discontinued operations

At 31 December 2012, this item includes the costs and revenues related to the **PV business unit** sold by ARSE to RTR Capital S.r.l. on 28 December 2012.

The transaction regarded the disposal of Apollo S.r.l., operating in the PV sector, whose asset portfolio includes plants located in Puglia, Lazio and Campania, with total installed power of 32.544 MW.

€ thousand	31/12/2012
Operating revenues	18,926
Staff costs	(22)
Operating costs	1,836
GROSS OPERATING PROFIT	**17,112**
Amortisation, depreciation and impairment charges	5,500
EBIT	**11,612**
Financing activities	(4,200)
Profit before taxes	7,412
Taxation	(2,707)
Net profit (loss)	**4,705**
TOTAL CONSOLIDATION ADJUSTMENTS	**4,144**
TOTAL	**8,849**

Net transferred assets	***28.12.2012***
Property, plant and equipment	103,738
Intangible Assets	2,896
Inventories	227
Advances	24
Trade receivables	321
Other receivables	0
Loans (Escrow account)	7,771
Cash and cash equivalents	0
Staff termination benefits and other defined benefit plans	
Provisions for deferred tax liabilities	
Provisions for liabilities and charges	
Tax payables	26
Trade payables	(5,055)
Payables to the Parent Company ACEA	
Other payables	
Bank borrowings	(81,036)
Other borrowings	(23,839)
Total	**5,074**
Gain (loss) on disposal	**1,953**
Investment price	**7,027**
paid as follows:	
Net cash flow from the disposal	**93,524**

Investment price collection (ARSE)	7,027
Loan repayment	78,401
Loan repayment at 31.01.2013	8,095

Please refer to corresponding section in the 2012 Consolidated Financial Statements for further information.

12. Earnings per share

Earnings per share, determined in accordance with IAS 33, are shown below:

€ thousand	as at 31/12/2013	as at 31/12/2012	Increase/ (Decrease)
Net profit attributable to the Group (€/000)	141,940	77,383	64,557
Net profit attributable to ordinary equity holders of the Group (€/000) (A)	141,940	77,383	64,557
Weighted average number of ordinary shares for the purpose of determining earnings per share			
- basic (B)	212,964,900	212,964,900	0
- diluted (C)	212,964,900	212,964,900	0
Earnings per share (€)			
- basic (A/B)	**0.6665**	**0.3634**	**0.3031**
- diluted (A/C)	**0.6665**	**0.3634**	**0.3031**

€ thousand	as at 31/12/2013	as at 31/12/2012	Increase/ (Decrease)
Net profit attributable to the Group (€/000)	141,940	67,943	73,997
Net profit attributable to ordinary equity holders of the Group (€/000) (A)	141,940	67,943	73,997
Weighted average number of ordinary shares outstanding for the purpose of determining earnings per share			
- basic (B)	212,547,907	212,547,907	0
- diluted (C)	212,547,907	212,547,907	0
Earnings per share (€)			
- basic (A/B)	**0.6678**	**0.3197**	**0.3481**
- diluted (A/C)	**0.6678**	**0.3197**	**0.3481**

Notes to the Consolidated Statement of Financial Position

Assets

As at 31 December 2013 these amounted to 7,087,352 thousand euros (6,822,162 thousand euros at 31 December 2012), representing an increase of 265,189 thousand euros or 3.9% over the previous year; they are broken down as follows.

€ thousand	31/12/2013	31/12/2012	Increase/ (Decrease)	Increase/ (Decrease) %
Non-current assets	4,598,542	4,498,991	99,551	2.2%
Current assets	2,482,297	2,316,450	165,847	7.2%
Non-current assets held for sale	6,722	6,722	0	0%
Total assets	**7,087,352**	**6,822,162**	**265,189**	**3.9%**

13. Property, plant and equipment - *2,067,162 thousand euros*

The detail and changes of tangible assets in 2013 are shown below.

	Land and buildings	Plant and machinery	Industrial equipment	Other assets	Assets under constructio n	Assets to be relinquishe d	Investment property	Total property, plant and equipment
31/12/2012	**396,600**	**1,163,493**	**421,704**	**38,453**	**33,988**	**12,202**	**2,933**	**2,069,372**
Assets held for sale	0	0	0	0	0	0	0	**0**
Additions/Acquisitions	6,058	68,727	30,895	5,897	12,437	1,620	0	**125,634**
Change in basis of consolidation	3,118	749	10	67	0	0	0	**3,945**
Depreciation	(14,562)	(82,254)	(15,936)	(9,186)		(1,685)	(61)	**(123,683)**
Other changes	968	4,074	900	(704)	(13,206)	19		**(7,949)**
31/12/2013	**392,182**	**1,154,790**	**437,573**	**34,526**	**33,220**	**12,156**	**2,872**	**2,067,318**

Capital expenditures during the reporting period were down compared to the prior year for 168,7 million euros. Capital expenditures are primarily those carried out by:

- ✓ **ACEA Distribution** for 102,510 thousand euros for the expansion and works on the HV lines, the installation or reconstruction of primary substations, maintenance and other operations on MV and LV lines, in accordance with the priorities set out in the plan and the operating needs arising during the period.
- ✓ **A.R.I.A.** for 6,300 thousand euros mainly for completion of the revamping works on the WTE plant in Terni and the 1st line of the San Vittore plant and works for technical and structural restoration and system improvement of the 2nd and 3rd line of the San Vittore del Lazio plant.
- ✓ **Acea Produzione** for 5,230 thousand euros for capital expenditures primarily related to the production facilities and more specifically the repowering work carried out on the hydroelectric plant in Salisano and Orte and the extension of the district heating network in the district of Torrino Mezzocammino. It should be noted that as a result of authorizations obtained for the repowering of the Tor di Valle plant, a technical-engineering analysis of the entire production site was carried out, which led to a reassessment of the useful lives of certain components and consequent higher depreciation for the financial year 2013 of 5,780 thousand euros.
- ✓ **ACEA** per 5,571 thousand euros, mainly related to extraordinary maintenance on the registered office and capital expenditures in hardware required for the projects to improve and develop the IT network.

Other changes refer to reclassifications due to the commissioning of assets under construction and disposals and divestments of assets that specifically included:

- ✓ disposal of all computer equipment of the Group since an agreement was signed that provides for the rental of electronic equipment;
- ✓ the write-down of the Paliano plant (541 thousand euros) as a result of the huge fire that caused its destruction; the facility was subsequently seized by the judicial authorities for evidentiary purposes;
- ✓ other write-downs on fixed assets of ACEA Distribution.

The **change in the basis of consolidation** refers to the acquisition occurred on 1 July 2013 of 100% of SAMACE S.r.l. by Aquaser.

14. Investment property - *2,872 thousand euros*

Investment property primarily includes land and buildings not used in operations and held for rental. The decrease compared to the end of last year is due to the effect of depreciation for 61 thousand euros.

15. Goodwill - *148,971 thousand euros*

At 31 December 2013 goodwill amounted to 148,971 thousand euros (147,082 thousand euros at 31 December 2012). The increase of 1,889 thousand euros compared to the prior year resulted from the acquisition of the business for the sale of electricity and gas from Arkesia Energia e Gas S.p.A. and represents the difference between the purchase price (including the price adjustment) and the carrying amount of the business unit.

The table below shows each CGU by operating segment:

€ thousand	31/12/2012	Acquisitions	Impairments/ Revaluations	Other changes	Total
Energy:	**137,436**	**480**	**0**	**0**	**137,917**
Acea Produzione	91,618				91,618
Acea Energia	45,327	480		0	45,808
Acea Energia Holding	491				491
Water:	**773**	**0**	**0**	**0**	**773**
Laboratori	773				773
Environment :	**8,872**	**1,409**		**0**	**10,281**
ARIA	7,744				7,744
Aquaser Group	1,128	1,409			2,537
Goodwill	**147,082**	**1,889**	**0**	**0**	**148,971**

In compliance with IAS 36, said balance sheet item, given that it is an intangible asset with an indefinite useful life, is not subject to amortisation, but subject to an analysis of congruity on an annual basis or more frequently where events occur or there is a change of circumstances that may lead to impairments.

Goodwill emerging at the date of acquisition is allocated to each of the cash-generating units expected to benefit from the synergies deriving from the acquisition. Impairment charges are identified via tests that assess the capacity of each unit to generate cash sufficient to recover the portion of goodwill allocated to it.
The test to verify the value of goodwill is performed by calculating the difference between the recoverable amount, which is the higher of the value in use and the fair value less costs to sell, and the carrying amount of each Cash Generating Unit to which goodwill has been allocated.
The value in use is the current value of expected financial flows which can be assumed will derive from the continuative use of the assets of the CGU. The *fair value* less costs to sell represents the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties.
The impairment test was performed by an authoritative independent expert who estimated the recoverable amount in terms of value in use of the CGUs by discounting the flows from operating results at a post-tax rate equal to the weighted average cost of the capital.
The recoverable amount of the CGUs – expressed in terms of value in use – was estimated using a combination of the financial method, sensitivity analyses and Montecarlo simulation techniques.
The application of the financial method to calculate the recoverable amount and the subsequent comparison with the relevant carrying amounts, involved estimating post tax wacc, operating flows and the terminal value (TV) and, especially, the growth rate used for the flow projection beyond the period of the plan; management forecasts were used to determine operating flows and TV. The recoverable amount of the CGUs using the financial method was determined as the sum of the present value of the cash flows and the present value of the TV.

The table below shows some of the CGUs that were allocated a significant goodwill value compared to the overall goodwill recognised in the financial statements, specifying the discount rates used and cash flows time horizon for each type of recoverable value considered. Following the impairment test, the values in the financial statements were confirmed since they are recoverable.

Operating area/CGU	Amount € millions	Recoverable value	*WACC*	Terminal value	Cash flow period
Energy:					
Acea Produzione	91.6	value in use	6.6%	Perpetuity *	2018
Acea Energia	45.3	value in use	6.6%	Perpetuity without growth	2018
Environment:					
ARIA	7.7	value in use	6.1%	Invested capital**	2018

* The *terminal value* was determined in two stages: the first stage concerns a normalized cash flow for the 2019-2029 period which was applied a 1% growth rate of; the second stage refers to the period beyond 2029 in which a zero growth rate was applied.
** The *terminal value* was determined in two stages: the first stage through a normalized cash flow for the period 2019-2038 (useful life of the investment); the second stage is the net invested capital at the end of 2038. Normalized cash flow was capitalized considering a prudential zero growth rate.

Intangible Assets

€/thousand	Patent rights	Other intangible assets	Fixed assets in progress	Concessions	Total Intangible assets
31/12/2012	**48,203**	**23,772**	**5,756**	**1,730,591**	**1,808,322**
Assets held for sale					**0**
Additions/Acquisitions	9,182	4,206	13,807	189,490	**216,685**
Change in basis of consolidation	(305)	300	130	0	**125**
Amortisation	(22,522)	(3,921)		(92,494)	**(118,937)**

€/thousand	Patent rights	Other intangible assets	Fixed assets in progress	Concessions	Total Intangible assets
Other changes	67	2,522	3,282	(2,494)	**3,377**
31/12/2013	**34,625**	**26,879**	**22,975**	**1,825,093**	**1,909,572**

16. Concessions and Rights on Infrastructure - *1,825,093 thousand euros*

This item includes the values of concessions received from the municipalities (219,469 thousand euros at 31 December 2013) and, pursuant to IFRIC 12, the aggregate amount of tangible infrastructures used for the management of the water service (1,605,624 thousand euros).
More specifically, **Concessions** (amounting to 219,469 thousand euros) refer to:

- ✓ for 185,981 thousand euros to the thirty-year concession from Roma Capitale on the assets consisting of water and sewage treatment facilities, and for 542 thousand euros to the right arising from taking over the management of the integrated water service in the Municipality of Formello. Rights are systematically amortised on the basis, respectively, of the remaining term of the concession signed between ACEA S.p.A. and Roma Capitale and the remaining term of the Management Agreement signed by the Mayors;
- ✓ for 26,080 thousand euros to concessions recognised in the financial statements of companies operating in Tuscany;
- ✓ for 3,071 thousand euros to concessions recognised in the financial statements of Gori. That item decreased by 15,317 euros compared to last year due to the reclassification of instalments of integrated water service loans from that item to operating costs in compliance with the Area Authority's General Meeting resolution of 27 October 2012.

This item also includes goodwill arising from consolidation representing goodwill attributable to integrated water service contracts and the A.R.I.A. Group, above all with regard to SAO (3,480 thousand euros).

Infrastructural rights recognised in the financial statements amount to 1,605,624 thousand euros (1,493,261 thousand euros as at 31 December 2012) and include material infrastructures used for the management of the integrated water service.
Capital expenditures during the period amounted to 189,490 thousand euros and mainly refer to the work performed for the remediation and expansion of water and sewage pipelines in the various municipalities, the extraordinary maintenance of water facilities and works on treatment facilities and new connections as a result of works carried out in several municipalities.

The item **Other changes** include 3,470 thousand euros for future obligations assumed by ACEA Ato2, consisting in works financed by grants from 2012 to 2017, against the non-application of penalties regarding application of the MALL parameter decided by the Mayors' Conference at its 17 April 2012 session and due for the years until 2012. The commitment extends over a period of six years (2012-2017).

17. Other intangible assets - *84,478 thousand euros*

The increase over the previous year is due to the net effect of capital expenditures during the period of 27,195 thousand euros, net of amortisation charges.

Capital expenditures incurred during the period refer to **(i)** charges incurred by ACEA Distribuzione for the re-engineering of the information and commercial systems for distribution (8,828 thousand euros) and the harmonization of systems in support of metering activities (3,531 thousand euros), **(ii)** capital expenditures carried out by Acea Energia for the NETA software used for the protected categories market (1,861 thousand euros), the software used for the free market (SAP-ISU and SIRIUS) for 803 thousand euros and CRM software for 1,738 thousand euros. Additional capital expenditures mainly refer to the implementation of the Web Portal - Front End software for an amount of 144 thousand euros, the implementation of the Data Warehouse software for 273 thousand euros, the development and maintenance of the Credit Care platform for 154 thousand euros and the purchase of User Licenses for application software for 441 thousand euros; **(iii)** capital expenditures carried out by the Parent Company for 6,302 thousand euros, which mainly refer to the purchase and upgrade of software to support treasury and administration activities.

The item **"Disposals and other changes"** mainly refers to differences in the classification of intangible assets in the opening balances.

18. Investments in unconsolidated subsidiaries and associates - *11,291 thousand euros*

The composition of ACEA Group's investment portfolio is shown in the following table.

€ thousand	Historical cost	Revaluations	Impairments	Changes/ Reclassifications	Net value
Balances at 01 January 2013	**163,601**	**45,699**	**(97,965)**	**(94,920)**	**16,415**
Changes in 2013:					
acquisitions				0	0
revaluations		1,323			1,323
impairments			(6,448)		(6,448)
Total changes in 2013	**0**	**1,323**	**(6,448)**	**0**	**(5,124)**
Balances at 31 December 2013	**163,601**	**47,023**	**(104,413)**	**(94,920)**	**11,291**

The breakdown of changes during the period is as follows:

- **Revaluations**: these refer essentially to the valuation according to the equity method of the investments in Agua de San Pedro (377 thousand euros), Sienergia Group (209 thousand euros), Umbriadue (125 thousand euros), Umbria Distribuzione Gas (101 thousand euros) and GEAL (28 thousand euros),
- **Acquisitions**: these refer to payment by Ecogena of the share capital increase decided by Eur Power (775 thousand euros),
- **Impairments**: these relate to the measurement, using the equity method, of investments in So.ge.a, Azga Nord and Eur Power, and the impairment of the investment in Marco Polo;

19. Other investments - *3,278 thousand euros*

This item, totalling 3,278 thousand euros (4,715 thousand euros at the end of the previous year), consists of equity interests that do not qualify as subsidiaries, associates or joint ventures.

20. Deferred tax assets - *343,164 thousand euros*

At 31 December 2013 these amounted to 343,164 thousand euros (361,642 thousand euros at 31 December 2012) and are broken down as follows: **(i)** the temporary differences between the carrying amounts recognised in the financial statements of subsidiaries, following transfers of business units, and the corresponding amounts recognised in the consolidated financial statements, amounting to 46,602 thousand euros (53,312 thousand euros at 31 December 2012), **(ii)** lower accelerated depreciation/amortisation of 151,150 thousand euros (146,980 thousand euros at 31 December 2012), **(iii)** tax deductible provisions for liabilities of 34,295 thousand euros (46,933 thousand euros at 31 December 2012), **(iv)** provision for doubtful receivables amounting to 41,883 thousand euros (52,031 thousand euros at 31 December 2012).

The following table details the changes in this item:

€ thousand	2012 *Restated*		Changes 2013				
€ thousand	Balance	Change in basis of consolidation	Adjustments/reclassifications	Changes in shareholders' equity	Utilisations	IRES/IRAP provisions	Balance
Deferred tax assets							
Tax losses	614	0	236	0	0	5	855
Remuneration of BoD members	1,061	0	(7)	0	(43)	28	1,039
Provision for liabilities and charges	46,933	0	0	0	(24,953)	12,315	34,295
Impairments of receivables and investments	52,031	0	(308)	0	(11,403)	1,202	41,883
Depreciation/amortisation	146,980	0	12	0	(7,462)	11,619	151,150
Defined benefit and defined contribution plans	15,673	0	(1,513)	1,136	(1,395)	428	14,328
Tax assets on consolidation adjustments	53,312	0	0	0	(6,710)	0	46,602
Fair value commodities and other financial instruments	14,674	0	58	4,796	(6)	0	19,406
Others	30,364	0	(2,236)	0	(2,433)	7,910	33,606
Total	**361,642**	**0**	**(3,873)**	**5,932**	**(54,045)**	**33,506**	**343,164**
Deferred taxes							
Depreciation/amortisation	82,767	0	(278)	0	(3,727)	7,137	85,897
Defined benefit and defined contribution plans	867	0	3,371	(2,334)	(428)	70	1,569
Fair value commodities and other financial instruments	1,197	0	28	7,499	0	1,047	9,771
Others	8,772	0	(2,924)	0	(3,891)	5,659	7,592
Total	**93,603**	**0**	**196**	**5,165**	**(8,047)**	**13,913**	**104,830**
Net	**268,039**	**0**	**(4,070)**	**767**	**(45,998)**	**16,516**	**238,334**

The item "Other" includes deferred taxation concerning connection fees.

The Group recognises deferred tax assets based on earnings forecasts in the Group's business plans, which confirm the probability that sufficient future taxable profit will be available against which all of the deferred tax assets recognised in the financial statements can be recovered.

21. Non-current financial assets - *34,788 thousand euros*

These amounted to 34,788 thousand euros (32,959 thousand euros at 31 December 2012), marking an increase of 1,829 thousand euros.

This item essentially includes receivables from Roma Capitale for 32,328 thousand euros relating to works carried out to upgrade systems in compliance with safety and regulatory requirements as well as new constructions as per the addendum to the public lighting agreement, which were carried out in 2013. This receivable refers to the long-term portion and results from application of the financial method as envisaged in IFRIC 12 on Service Concession Agreements.

22. Other non-current assets - *86,765 thousand euros*

At 31 December 2013, there were composed as follows:

€ thousand	31/12/2013	31/12/2012	Increase/ (Decrease)	% Increase/ (Decrease)
Amounts due from the State	119	127	(8)	(6.2%)
Advances and deposits	1,328	1,189	140	11.8%
Other receivables	52,144	57,167	(5,023)	(8.8%)
Receivables for tariff adjustments - GORI	33,174	0	33,174	100.0%
Other non-current assets	**86,765**	**58,483**	**28,282**	**48.4%**

Other receivables totalled 52,144 thousand euros (they were 57,176 thousand euros at 31 December 2012) and refer to long-term receivables generated by the public lighting service agreement in the city of Rome, which represent the total investments made at 31 December 2010 for this service, now due following adoption of the financial method according to IFRIC 12 as a result of the additional agreements between ACEA and Roma Capitale on the service agreement in question.

Receivables for tariff adjustments recognised in Gori amounted to 33,174 thousand euros and refer to the long-term portion of tariff adjustments for the years up to 2011, approved by the Area Authority by Resolution of 27 October 2012 and adjusted as a result of both the Judgment of the Council of State and the implementation of Regional Resolution No.171/2013. On the basis of the Agreement signed in June 2013 with the Campania Region and the Area Authority and subject to the decisions on this matter by the AEEG, these receivables should be recovered in the period 2013-2025.

23. Current assets - *2,482,087 thousand euros*

€ thousand	31/12/2013	31/12/2012	Increase/ (Decrease)	% Increase/ (Decrease)
Inventories	**37,342**	**41,983**	**(4,641)**	**(11.1%)**
Trade receivables:				
Receivables from customers	1,399,424	1,346,848	52,576	3.9%
Amounts due from the Parent Company	69,661	94,350	(24,689)	(26.2%)
Amounts due from subsidiaries and associates	31,582	36,009	(4,427)	(12.3%)
TOTAL TRADE RECEIVABLES	**1,500,667**	**1,477,207**	**23,460**	**1.6%**
Other receivables and current assets	127,877	135,774	(7,898)	(5.8%)

€ thousand	31/12/2013	31/12/2012	Increase/ (Decrease)	% Increase/ (Decrease)
Current financial assets	117,268	152,225	(34,957)	(23.0%)
Current tax assets	109,463	85,562	23,900	27.9%
Cash and cash equivalents	589,471	423,698	165,773	39.1%
CURRENT ASSETS	**2,482,087**	**2,316,450**	**170,278**	**7.4%**

Inventories

These totalled 37,342 thousand euros (down 4,641 thousand euros compared to 31 December 2012); the breakdown by operating segment is as follows:

€ thousand	31/12/2013	31/12/2012	Increase/ (Decrease)
Environment	3,448	3,193	255
Energy	1,830	2,656	(827)
Water	13,460	12,952	508
Networks	18,334	20,648	(2,314)
Parent Company	270	2,534	(2,264)
Inventories	**37,342**	**41,983**	**(4,641)**

The decrease was primarily determined by ACEA Distribuzione (- 8,512 thousand euros) and ACEA (- € 2,264 thousand euros); the increase was determined by ACEA Illuminazione Pubblica for inventory of supplies and spare parts for the "Public Lighting" activity (+ 6,180 thousand euros).

Trade receivables

These amounted to 1,500,667 thousand euros, marking an increase of 23,460 thousand euros compared to the previous year, when the figure was 1,477,207 thousand euros.

Trade receivables

€ thousand	31/12/2013	31/12/2012	Increase/ (Decrease)
End users for bills issued	640,691	574,828	65,863
End users for bills to be issued	529,697	497,270	32,428
Total receivables due from end users	**1,170,389**	**1,072,098**	**98,290**
Receivables from other customers	206,740	252,429	(45,690)
Disputed receivables	22,296	22,320	(25)
Total receivables from customers	**1,399,424**	**1,346,848**	**52,576**

The increase of 52,576 thousand euros compared to 31 December 2012 is attributable to the increase in amounts due from end users for bills issued and to be issued mainly regarding the water area companies, following the recognition of tariff adjustments, partially mitigated by the effect of actions taken during the year, which amongst other things included receivables factored and write-offs.
The table below summarises the changes by operating segment:

€ thousand	31/12/2013	31/12/2012	Increase/ (Decrease)
Environment	27,310	43,805	(16,494)
Energy	610,021	583,235	26,787
Water	626,050	583,826	42,224

Networks	92,011	90,041	1,969
Parent Company	44,032	45,941	(1,910)
Total receivables from customers	**1,399,424**	**1,346,848**	**52,576**

Environment segment receivables

These amounted to 27,310 thousand euros, down 16,494 thousand euros compared to 31 December 2012, essentially due to lower receivables in ARIA (- 9,414 thousand euros) mainly attributable to the reclassification of receivables from GSE for the sale of green certificates under "other receivables" and in SAO (- 7,420 thousand euros) following collections received during the year by the city of Orvieto.

Energy segment receivables

Receivables in this segment are primarily generated by the sale of electricity to the protected and free market and by gas sales; they amounted to 610,021 thousand euros, recording an increase of 26,787 thousand euros. This change is the result of the increase in receivables of Acea Energia (+ 49,949 thousand euros) on the one hand, and the decrease reported by Acea Produzione (- 10,740 thousand euros), Acea Energia Holding (- 9,006 thousand euros) and Umbria Energy (- € 1,240 thousand euros) on the other.

It should be noted that during the year Acea Energia sold its receivables from private entities for 540.067 thousand euros under the securitisation contract entered into in 2009 and entered into non-recourse and recourse sales of receivables from the Public Administration, for a total nominal value of approximately 195,707 thousand euros of which 58,722 thousand euros for revolving sales.

The provision for impairment of receivables at 31 December 2013 amounted to 106,630 thousand euros, up by 43,562 thousand euros compared to 31 December 2012.

Water segment receivables

These totalled 626,050 thousand euros and were composed as follows:

€ thousand	31/12/2013	31/12/2012	Increase/ (Decrease)
Italian water services	623,137	575,211	47,926
Lazio-Campania	*546,343*	*504,255*	*42,088*
Tuscany-Umbria	*76,794*	*70,956*	*5,838*
Overseas Water Services	2,390	7,850	(5,460)
Engineering and Laboratory Services	523	765	(242)
Receivables from Water customers	**626,050**	**583,826**	**42,224**

The increase of 42,224 thousand euros compared to 2012 is mainly attributable to the following phenomena: **i)** increase of 63,364 thousand euros in receivables from end users not yet billed (including applicable tariff adjustments), determined in accordance with the transitional tariff method (MTT) approved by AEEGSI Resolution No. 585/2012/R/idr, for rates in the years 2012 and 2013; **ii)** decrease in billed receivables for 47,038 thousand euros as a result of collections in the year and recovery measures implemented by the companies during the financial year. During 2013, ACEA Ato2 transferred, as part of the securitisation contract signed in 2009, receivables due from private entities amounting to 262,872 thousand euros and entered into spot transfer operations which involved the non-recourse sale of receivables, totally amounted to 42,547 thousands euros, due from the Public Administration amounting to 32,742 thousand euros.

The provision for impairment of receivables at 31 December 2013 amounted to 66,578 thousand euros, up by 15,721 thousand euros compared to 31 December 2012, net of utilisations.

Network segment receivables

These amounted to a total of 92,011 thousand euros, recording an increase of 1,969 thousand euros compared to 31 December 2012. They refer to:

- receivables from wholesalers for 39,877 thousand euros attributable to ACEA Distribuzione; this item includes receivables generated by transport activities to free market customers,
- receivables from other customers for 52,133 thousand euros which mainly comprise receivables recognised in ARSE (37,120 thousand euros) for contracts relating to air quality, photovoltaic, sale of energy efficiency certificates (White Certificates) and receivables recognised in Ecogena for 2,884 thousand euros.

The provision for impairment of receivables for this area totals 9,019 thousand euros, up by 1,929 thousand euros, due mainly to ACEA Distribuzione.
Please note that during the year ACEA Distribuzione sold receivables amounting to 333,218 thousand euros and other receivables amounting to 40,133 thousand euros under the securitisation contract in place.

Parent Company receivables

These totalled 44,032 thousand euros (- 1,910 thousand euros compared to the end of 2012); the change was largely due to receivables from the City of Naples.
The provisions for impairment of receivables amounted to 6,645 thousand euros, up 2,043 thousand euros as a result of the write-downs recorded during the year on receivables due from public counterparts, with specific reference to the City of Naples.

For more information related to credit ageing, please see the tables attached hereto.

Receivables due from the Parent Company Roma Capitale

Trade receivables due from Roma Capitale totalled 71,588 thousand euros at 31 December 2013 (94,350 thousand euros at 31 December 2012).
The total amount of receivables (including financial receivables resulting from the public lighting contract and both current and non-current receivables) is equal to 154,037 thousand euros compared to 188,553 thousand euros in the previous year.
The following table presents an analysis of the ACEA Group's relations with Roma Capitale regarding both receivables and payables, including those of a financial nature.

€ thousand	31/12/2013	31/12/2012	Increase/ (Decrease)
RECEIVABLES	154,037	188,553	(34,516)
PAYABLES (including dividends)	120,527	61,613	58,914
BALANCE	**33,510**	**126,940**	**(93,430)**

The individual Group companies report the following net balances:

- ✓ ACEA: +46,367 thousand euros (-44,147 thousand euros compared to 2012)
- ✓ ACEA Distribuzione: -2,278 thousand euros (+4,264 thousand euros compared to 2012)
- ✓ ACEA Ato2: -23,550 thousand euros (-44,883 thousand euros compared to 2012)
- ✓ ACEA Energia: -12,962 thousand euros (-235 thousand euros compared to 2012)
- ✓ Other minor entities: +12,000 thousand euros (-387 thousand euros compared to 2012)

The following tables also provide a breakdown of Group receivables/payables due from/to Roma Capitale.

Amounts due from Roma Capitale	31/12/2013	31/12/2012	Increase/ (Decrease)
	A)	B)	A) - B)
Utility receivables	42,516	53,083	(10,567)
Contract work and services	19,253	17,604	1,649
Receivables for services to City of Rome	1,388	6,584	(5,196)
Other receivables: seconded staff	332	127	205
Total services billed	**63,488**	**77,398**	**(13,909)**
Grants receivable	2,402	2,402	0
Surcharges receivable	0	0	0
Total services requested	**65,890**	**79,799**	**(13,909)**
Receivables for bills to be issued: Public Lighting	5,372	10,389	(5,017)
Receivables for bills to be issued: other	1,423	3,543	(2,121)
Total services to be billed	**6,794**	**13,932**	**(7,138)**
Advances	**750**	**2,101**	**(1,351)**
Total trade receivables	**73,435**	**95,833**	**(22,398)**
Financial receivables for Public lighting services	**50,121**	**63,304**	**(13,183)**
Financial receivables for billed Public lighting services	37,824	3,131	34,693
Financial receivables for Public lighting services to be billed	12,297	60,173	(47,876)
Total receivables due within one year (A)	**123,555**	**159,136**	**(35,581)**

Amounts due to Roma Capitale	31/12/2013	31/12/2012	Increase/ (Decrease)
	A)	B)	A) - B)
Sewerage and water treatment payables	0	0	0
Electricity surtax payable	(14,752)	(14,532)	(220)
Lease payable on company offices	0	0	0
Concession fees payable	(48,937)	(23,934)	(25,004)
Total trade payables	**(63,690)**	**(38,466)**	**(25,224)**
Total payables due within one year (B)	**(63,690)**	**(38,466)**	**(25,224)**
Total (A) - (B)	**59,866**	**120,670**	**(60,805)**
Other financial receivables/payables	**(657)**	**30,030**	**(30,686)**
Receivable from Parent Roma Capitale for dividends	(32,984)	(869)	(32,115)
Medium/long term financial receivables for Public lighting services	32,328	30,899	1,429
Other trade receivables/(payables)	**(25,699)**	**(23,760)**	**(1,939)**
of which: Disputed payables - Vatican City	(20,516)	(20,516)	0
Net balance	**33,510**	**126,940**	**(93,430)**

At the end of the year there was a significant decrease in trade receivables (22,398 thousand euros) mainly due to the amounts that Roma Capitale paid to Group companies (186,803 thousand euros), following the issue of Legislative Decree 35/2013.
The Group collected the following amounts:

(i) 103,997 thousand euros of receivables generated by the public lighting contract,
(ii) 69,984 thousand euros relating to receivables from water and electricity users

(iii) 12,822 thousand euros for works and services

Activities already started in 2012 aimed at reducing receivables for invoices to be issued were continued in 2013. More specifically, in 2013 invoices were issued for a total amount of 134,724 thousand euros, of which 92,881 thousand euros relating to services provided up to 2012.

As a result of the above actions, the remaining balance at 31 December 2013 attributable to prior years amounted to 112,234 thousand euros.
With respect to payables to Roma Capitale there was an increase over the previous year, both in terms of financial and trade payables.
The reasons for the increase are described below:

- ✓ Payables recorded in ACEA only referred to dividends and amounted to 30,485 thousand euros; they were 869 thousand euros in 2013. The increase is attributable for 27.153 thousand euros to dividends accrued, as 2013 interim dividend, at December 2013 and for 2,462 thousand euros for residual dividends accrued in 2012 after the approval of the 2012 financial statements;
- ✓ in Acea Ato2, the increase is attributable to the 2013 fee of 25,004 thousand euros and the payable accrued for the recognition of dividends for the year 2012 of 2,500 thousand euros.

In 2013, 7,313 thousand euros were paid or offset as 2012 dividends.

Trade receivables due from subsidiaries and associates

€ thousand	31/12/2013	31/12/2012	Increase/ (Decrease)	% Increase/ (Decrease)
Amounts due from associates	6,649	5,633	1,016	18.0%
Amounts due from subsidiaries	24,933	30,376	(5,442)	(17.9%)
Total amounts due from subsidiaries and associates	**31,582**	**36,009**	**(4,427)**	**(12.3%)**

Receivables from subsidiaries

These receivables totalled 24,933 thousand euros (30,376 thousand euros at 31 December 2012), down 5,442 thousand euros; they refer to amounts due from proportionately consolidated companies. In particular, the change primarily concerned receivables recognised in Acea Energia, which are due from its subsidiaries for 6,071 thousand euros (at 31 December 2013 they amounted to 19,652 thousand euro).

Receivables from associates

These receivables totalled 6,649 thousand euros (5,633 thousand euros at 31 December 2012) and primarily refer to amounts due from Marco Polo for 1,329 thousand euros (+752 thousand euros), Agua de San Pedro for 864 thousand euros (-423 thousand euros), Sogea for 1,050 thousand euros (+337 thousand euros and Si(e)nergia for 639 thousand euros (+12 thousand euros).

Other current receivables and assets

€ thousand	31/12/2013	31/12/2012	Increase/ (Decrease)	Increase/ (Decrease) %
Receivables from others	116,144	124,078	(7,934)	(6.4%)
Accrued income and prepayments	11,686	8,846	2,839	32.1%
Receivables from commodity derivatives	47	2,850	(2,803)	(98.3%)
Total other receivables and current assets	**127,877**	**135,774**	**(7,897)**	**(5.8%)**

Receivables from others

These totalled 116,144 thousand euros, with breakdown of the main contributing items as follows:

€ thousand	31/12/2013	31/12/2012	Increase/ (Decrease)
CCSE Energy Equalisation	41,097	16,612	24,485
Receivables due from Authority for Tariff adjustments	17,975	31,531	(13,556)
Receivables due from Trifoglio property company	10,250	10,250	0
Receivables due from Municipal Authorities	7,398	7,262	137
Receivables due from INPS welfare contributions in accordance with article 41, paragraph 2, letter A of Act 488/1999	7,071	0	7,071
Regional grants due	4,754	6,703	(1,949)
Receivables from Equitalia	4,108	7,565	(3,457)
Receivables due from social security institutions	3,887	4,196	(309)
Receivables due for green certificate revenue accrued	3,238	0	3,238
Security deposits	2,931	1,483	1,448
Suppliers' advances	2,929	1,867	1,062
Receivable due from single transfers	2,635	5,491	(2,856)
Other receivables due from Equalisation Fund	1,241	2,412	(1,171)
Receivable from CCSE for TEP reimbursement	383	14,142	(13,759)
Receivables due for repayment of tariff restrictions	151	206	(55)
Receivables due from GDF Suez for activities performed before winding-up	0	3,253	(3,253)
Other minor receivables	6,096	11,107	(5,010)
Total receivables from others	**116,144**	**124,078**	**(7,934)**

The decrease of 7,934 thousand euros compared to 2012 is mainly attributable to the following phenomena:

- ✓ - 13,556 thousand euros refers to "amounts due from the Area Authority", following the recognition of additional adjustments in ACEA Ato5 (- 13,673 thousand euros), justified on the basis of surplus costs incurred by the National Grid Operator in the 2006-2011 period (Decision of 30 May 2013 by the Special Commissioner pursuant to Order No. 607 of the Lazio Regional Administrative Court on 26 July 2012),
- ✓ - 13,759 thousand euros recorded by ACEA Distribuzione due from the Equalisation Fund for Energy Efficiency Bonds corresponding to the 2013 energy saving target assigned by the Authority,
- ✓ - 3,457 thousand euros recorded by ACEA for amounts due from Equitalia Gerit as a result of the decision by the Provincial Tax Commission of Rome that ordered the repayment of sums seized to the Parent Company in respect of a tax assessment for alleged lower VAT payments; these amounts were offset by Equitalia with the corresponding payable recognised vis à vis Equitalia,
- ✓ - 3,253 thousand euros for receivables due from GDF Suez for activities performed before winding-up,
- ✓ - 1,949 thousand euros for regional grants, particularly in Acea Ato2 towards the Lazio Region,
- ✓ + 24,485 thousand euros recorded by ACEA Distribuzione relating to the general equalisation for 2010 and 2013,

- ✓ 7,071 thousand euros recorded by ACEA Distribuzione for assets resulting from the payment of contributions due to INPS pursuant to Article 41, paragraph 2, point A of Law No. 488 of 23 December 1999,
- ✓ + 3,238 thousand euros recorded by ARIA on the sale of green certificates to GSE.

Accrued income and prepayments

These amounted to 11,686 thousand euros (12,546 thousand euros at 31 December 2012) and refer mainly to rent on public land, rentals and insurance.
The change was a positive 2,839 thousand euros, primarily attributable to Acea Energia (+ 1,533 thousand euros) and Acea Ato2 (+ 1,063 thousand euros).

Receivables from commodities derivatives

The fair value of commodity contracts at 31 December 2013 amounted to 47 thousand euros, while it was 2,850 thousand euros at 31 December 2012, entirely attributable to Acea Energia Holding.

Current tax assets

These amounted to 109,463 thousand euros (85,562 thousand euros at 31 December 2012) and refer to the following:

€ thousand	31/12/2013	31/12/2012	Increase/ (Decrease)
VAT receivables	41,182	28,856	12,327
IRAP and IRES receivables	22,331	18,415	3,916
Municipal and provincial surcharge, revenue tax	11,727	1,912	9,815
Other tax receivables	34,222	36,380	(2,157)
Current tax assets	**109,463**	**85,562**	**23,900**

Current financial assets

€ thousand	31/12/2013	31/12/2012	Increase/ (Decrease)	% Increase/ (Decrease)
Financial receivables from the Parent Company	50,121	63,304	(13,183)	(20.8%)
Financial receivables from subsidiaries and associates	8,980	8,483	497	5.9%
Financial receivables from third parties	58,167	80,438	(22,271)	(27.7%)
Total current financial assets	**117,268**	**152,225**	**(34,957)**	**(23.0%)**

Financial receivables from the Parent Company

These amounted to 50,121 thousand euros (63,304 thousand euros at 31 December 2012) and represent the unconditional right to receive cash flows in line with the methods and timing envisaged in the service agreement for public lighting management. Further details are provided in the note "Receivables due from the Parent Company Roma Capitale".

Financial receivables from subsidiaries and associates

These amounted to 8,980 thousand euros (8,483 thousand euros at 31 December 2012) and refer for 2,838 thousand euros to dividends receivable from proportionally consolidated companies, for 2,500 thousand euros to the loan granted in November 2010 to Sienergia to cope with the funding requirements of certain investment projects and for 2,887 thousand euros to receivables recorded in Crea Gestioni for amounts due from Umbriadue.

Financial receivables from third parties

These receivables totalled 58,167 thousand euros (80,438 thousand euros at 31 December 2012) and are mainly broken down as follows:

- 29,106 thousand euros in financial receivables for the sale of securitised receivables in December 2013; those receivables were collected in early 2014,
- 10,700 thousand euros in Acea Ato 5 for amounts due from the ATO and accrued over three years; one-third of the above amount was due December 31 of each year, with the first instalment due 31 December 2007. The Settlement Agreement entered into by the Company and the ATO concerns the issue of higher operating costs incurred in the 2003-2005 period and provides for the recognition of higher costs net of sums relating to (i) the tariff portion - corresponding to amortisation/depreciation and return on inflated invested capital - relating to the investments set out in the Area Plan and not carried out in the first three-year period (ii) the portion of inflation accrued on concession fees and (iii) fines for the non-fulfilment of contractual obligations in the three-year period.

The change compared to 31 December 2012 (- 22,271 thousand euros) is due to: **(I)** the collection of the receivable from the sale of the photovoltaic business operated by the subsidiary Apollo, which was completed on 28 December 2012 (10,488 thousand euros), **(ii)** the collection, which took place by offsetting mutual receivables and payables, of the balance resulting from the dissolution of the joint venture with GDF Suez Energia Italia, amounting to 13,477 thousand euros,

Cash and cash equivalents

The closing balance for the period of bank current accounts and postal accounts, opened with the various banks and Post Offices by the consolidated companies, except by companies held for sale, amounted to 589,471 thousand euros.

A breakdown and changes in this item by operating segment are shown in the table below:

€ thousand	31/12/2013	31/12/2012	Increase/ (Decrease)
Environment	2,435	1,715	719
Energy	1,421	974	447
Water	43,287	42,847	440
Networks	803	597	206
Corporate	541,526	377,565	163,960
Cash and cash equivalents	**589,471**	**423,698**	**165,773**

24. Non-current assets held for sale/Liabilities directly associated with assets held for sale - *5,378 thousand euros*

The balance at 31 December 2013 amounted to 5,378 thousand euros, unchanged from 31 December 2012. It includes the recognition of 6,722 thousand euros as the fair value of the repurchase commitment, if certain contractual conditions are not satisfied, as a result of the possible exercise of the put option granted to the buyer of the PV business unit, and the recognition of 1,344 thousand euros for the amount due to the buyer for the repayment of equity corresponding to the plants subject to the put.

For more information, please see section 10 “Non-current assets held for sale and discontinuing or discontinued operations”.

Liabilities

As at 31 December 2013 these amounted to 7,087,352 thousand euros(6,822,162 thousand euros at 31 December 2012), recording a decrease of 265,189 thousand euros (+3.9%) over the previous year, and are broken down as follows.

€ thousand	31/12/2013	31/12/2012	Increase/ (Decrease)	Increase/ (Decrease) %
Shareholders' equity	1,405,439	1,316,060	89,379	6.8%
Non-current liabilities	3,343,755	2,985,019	358,736	12.0%
Current liabilities	2,336,813	2,519,739	(182,926)	(7.3%)
Liabilities directly associated with assets held for sale	1,344	1,344	0	0.0%
Total Liabilities	**7,087,352**	**6,822,162**	**265,189**	**3.9%**

25. Shareholders’ equity - *1,405,439 thousand euros*

At 31 December 2013, shareholders’ equity amounted to 1,405,439 thousand euros (1,316,060 thousand euros at 31 December 2012).
Changes in shareholders’ equity during the period are shown in the appropriate statement.

Share capital

The share capital totals 1,098,899 thousand euros, represented by 212,964,900 ordinary shares with a par value of 5.16 euros each, as shown in the Shareholders’ Register. The share capital is subscribed and paid-up in the following manner:

- **Roma Capitale: 108,611,150** ordinary shares with an overall par value of 560,433 thousand euros;
- **Free float: 103,936,757** ordinary shares with an overall par value of 536,314 thousand euros;
- **Treasury shares: 416,993** ordinary shares for a total par value of 2,152 thousand euros.

Statutory reserve

This reserve reflects the allocation of 5% net profit for previous years, in accordance with article 2430 of the Italian Civil Code.
It increased by 5,619 thousand euros, from 165,087 thousand euros at 31 December 2012 to 170,707 thousand euros at 31 December 2013, mainly due to the allocation of profit for 2012. The statutory reserve of the Parent Company amounted to 78,704 thousand euros.

Other reserves and retained earnings

At 31 December 2013 this item was negative for 88,912 thousand euros against 102,492 thousand euros at 31 December 2012. The increase of 13,580 thousand euros is mainly due to the change in retained earnings (+ 23,595 thousand euros).
The change, was essentially due to changes in the cash flow hedge reserve related to financial instruments for 15,256 thousand euros (net of taxation), in the reserve for the fair value measurement of derivative contracts of ACEA Energia Holding for - 2,417 thousand euros and the application, as of 1 January 2013, of the new accounting method required by IAS 19 following the drafting of the new accounting standard for + 3,291 thousand euros.

The remainder of the change is due to the allocation of the profit from 2012 and the distribution of the 2012 interim dividend.

At 31 December 2013 ACEA holds 416,993 treasury shares to be used for future medium/long-term incentive schemes. At this time there are no medium/long-term share-based payment schemes planned.

Non-controlling interests

Non-controlling interests totalled 82,806 thousand euros, having risen 5,623 thousand euros. The difference between the two periods compared mainly reflects the combined effect of the portion of net profit attributable to minority interests, the decrease in shareholders' equity as a result of the distribution of dividends from net profit for 2012 and the change in the basis of consolidation.

In compliance with AEEG Resolution No. 585/2012, the FoNI tariff components posted as revenues for the consolidated companies which manage integrated water services are subject to the allocation restriction established by that resolution and, therefore, they are unavailable for the distribution of dividends until the verification of the realisation of the investments financed with those components.

26. Staff termination benefits and other defined benefit plans - *117,379 thousand euros*

At 31 December 2013, said item totalled 117,379 thousand euros (128,472 thousand euros as at 31 December 2012) and represents termination and other benefits payable to employees on retirement or termination of employment.

The following table shows the change in actuarial liabilities during the year.

€/thousand	31/12/2013	31/12/2012	Increase/ (Decrease)	% Change
Benefits payable upon termination of employment				
- Staff termination benefits	76,498	81,458	(4,960)	(6.1%)
- Monthly bonuses	9,083	9,877	(794)	(8.0%)
- Long-term incentive plans (LTIPs)	1,595	3,635	(2,040)	(56.1%)
Post-employment benefits				
- Tariff subsidies	30,202	33,772	(3,570)	(10.6%)
TOTAL	**117,379**	**128,742**	**(11,363)**	**(8.8%)**

The change reflects: **(i)** the allocation for the period of 15,251 thousand euros, **(ii)** the partial release of amounts allocated for the second round of the medium/long term Incentive Scheme as the objectives underlying this Plan were only partially achieved; this was partially offset by the allocation related to the third round of the same Scheme for the period 2013 - 2015, **(iii)** employees ceased during the period and **(iv)** the impact of the entry into force of the amendments to IAS 19 which, in summary, concern the abolition of the corridor method for the recognition of actuarial gains and losses to be recognized instead in "*Other Comprehensive Income*" (OCI).

The impact of these changes resulted in an increase in liabilities at 1 January 2013, measured on the basis of IAS 19, of approximately 23,445 thousand euros which also include a review of the discount rate compared to the rate used at end of 2012.

As required by paragraph 78 of IAS 19, the interest rate used to calculate the present value of the obligation was based on returns, at the end of the reporting period, on securities of major companies listed on the same financial market as ACEA, and on returns on government bonds in circulation at the same date that have terms to maturity similar to the residual term of the liability for the workforce in question. In order to ensure consistency of valuation and comply with the provisions of IAS 19, the same basis has been used for the various types of plan.

In particular, as regards the economic and financial scenario, a 3.17% discount rate was used for the evaluation (compared to a rate of 2.80% used for last year In addition the following parameters were used for the evaluation:

	December 2013	**December 2012 *restated***
Discount Rate	3.17%	2.80%
Revenue growth rate (average)	1.6%	1.6%
Long-term inflation	2.0%	2.0%

With regard to the measurement of Group Employee Benefits (Staff termination benefits (TFR), Monthly bonuses, tariff subsidies of staff in force and retired staff) a sensitivity analysis was performed to assess the changes in the liability resulting from both positive and negative shifts in the rate curve (+ 0.5% shift /- 0.5% shift). The results of this analysis are summarized below.

Type of plan	**+0.5%**	**-0.5%**
	€ millions	€ millions
Staff termination benefits (TFR)	-3.7	+3.9
Tariff subsidies	-1.4	+1.5
Monthly bonuses	-0.6	+0.6
LTIP	-0.1	+0.1

. In addition, a sensitivity analysis was carried out in relation to the age of the workforce, assuming one year less than the actual age.

Type of plan	**-1 Year of age**
	€ millions
Staff termination benefits (TFR)	-0.2
Tariff subsidies	+0.6
Monthly bonuses	-0.5

No sensitivity analyses were conducted on other variables such as, for example, the inflation rate.

27. Provisions for liabilities and charges - *262,545 thousand euros*

At 31 December 2013, these provisions total 262,545 thousand euros (272,401 thousand euros at 31 December 2012) and are intended to cover potential liabilities that may derive from litigation pending, estimated on the basis of information provided by the company's internal and external legal advisors. The provisions do not take account of the effects of litigation that is expected to be concluded in the company's favour or of litigation where the potential liability arising from a negative outcome is merely considered possible.
In calculating the size of the provisions, account is taken both of the estimated costs that may derive from litigation or other disputes arising during the year and an update of estimates of the potential liabilities deriving from the litigation involving the Company in previous years.

The following table shows a breakdown of provisions and changes in the period:

		Increase/ (Decrease)			
€/thousand	**31/12/2012**	**Utilisations**	**Reclassifications/ Other changes**	**Provisions**	**31/12/2013**
		(-)	(-)/(+)	(+)	
Provisions for liabilities	191,807	43,072	24	23,987	172,746
Sundry provisions	16,148	14,040	0	15,390	17,498
Provisions for restoration charges	64,446	1,065	0	8,920	72,301
Total provisions	**272,401**	**58,177**	**24**	**48,297**	**262,545**

The major changes refer to:

- **uses,** amounting to 58,177 thousand euros, primarily include:
  - ✓ 14,040 thousand euros used by a number of companies relating to the provision for redundancy and retirement costs, essentially due to ACEA (4,040 thousand euros), ACEA Distribuzione (3,479 thousand euros), ACEA Ato2 (3,124 thousand euros), ACEA Ato5 (1,786 thousand euros) and Acea Energia(1,086 thousand euros);
  - ✓ 10,704 thousand euros for the adjustment resulting from the Special Commissioner's decisions which, among other things, determined the adjustments and service levels of Acea Ato5 for the 2006-2011 management period,
  - ✓ for 5.857 thousand euros for social security contributions and in particular: ACEA Distribuzione (2,691 thousand euros), ACEA (1,396 thousand euros), Acea Ato2 (566 thousand euros), Laboratori (472 thousand euros), Acea Ato 5 (339 thousand euros), ACEA Produzione (154 thousand euros) and Acea Energia Holding (131 thousand euros),
  - ✓ for 6,033 thousand euros of provisions used by the Parent Company and certain subsidiaries in relation to litigation.
  - ✓ for 4,857 thousand euros for provisions used by Acea Ato2, following the non-application of penalties for the application of the MALL parameter on the works financed by grant from 2012 to 2017, to cover the investments carried out,
  - ✓ for 3,686 thousand euros as a result of use of the provision recognised in Gori as at 31 December 2012 due to the reclassification as payables pursuant to the agreement implementing Regional Resolution No. 171/2013,
  - ✓ for 2,377 thousand euros for use of the provision recognised in Crea Gestioni for court litigation risks vis à vis Energia Sicilia and Slim Sicilia,
  - ✓ for 1,157 thousand euros in the Parent Company primarily due to the use of the provision at 31 December 2012 to cope with the resolutions passed by the shareholders of Marco Polo to partially cover the 2012 losses.
  - ✓ for 1,197 thousand euros in ARIA primarily due to the use of the provision in relation to the tax assessment carried out against the company, as absorbing company of EALL S.r.l. for improper VAT deduction in the years 2009, 2010 and 2011; the assessment also concerned the IRAP tax limited to 2010. In 2013, 2 instalments were paid to the Italian Revenue Agency,
  - ✓ for 683 thousand euros in Acea Energia mainly due to the use of the safeguard provision,
  - ✓ for 1,065 thousand euros for use of the provision set aside to cover the costs to be incurred in order to maintain the infrastructure used in the management of water services.
- Allocations, amounting to 48,297 thousand euros, primarily include:
  - ✓ the recognition of 15,390 thousand euros for costs generated by early retirements and voluntary redundancy procedures,

- ✓ 8,377 thousand euros for the estimated charge to purchase and/or produce energy efficiency certificates that help fulfil the objective assigned to ACEA Distribuzione for 2013 taking into account of the certificates in the portfolio at the balance sheet date, and representing the difference between the purchase cost and the estimated grant pursuant to AEEGSI Resolution No. 13/2014/R/efr, which will be paid when the certificates are delivered in fulfilment of the objective,
- ✓ 3,743 thousand euros for provisions allocated in relation to litigation costs and contingent liabilities that the companies will have to pay in the event of unfavourable outcome in ongoing disputes,

For more details about the nature of the allocation please refer to note 6.

The provision for liabilities and charges also includes charges relating to the commitment declared by ACEA Distribuzione to AEEGSI (1,500 thousand euros) to remedy the alleged improper conduct charged in the investigation started by Resolution No. 300/2013/S/eel ("Start of sanctioning proceedings due to violations concerning metering aggregation") and the commitment by Acea Energia (400 thousand euros) as a result of proceedings started against the Company .
Finally, this item includes the amount of 8,920 thousand euros concerning the costs necessary to keep the infrastructure used for water service management in good state of repair.

At 31 December 2013, the provision for liabilities and charges essentially included the types of provisions specified in the table.

Type of provision	31/12/2013	31/12/2012	Increase/ (Decrease)
Legal	27,014	32,870	(5,857)
Tax	4,306	4,489	(182)
Regulatory risks	74,176	83,577	(9,401)
Investees	8,756	9,960	(1,203)
Contributory risks	7,031	11,182	(4,151)
Early retirements and redundancies	2,007	656	1,350
Post mortem	26,399	26,399	0
Concession fees	0	0	0
Other liabilities and charges	28,063	21,472	6,591
TOTAL	**177,752**	**190,605**	**(12,853)**
Provisions for restoration charges	72,301	64,446	7,855
Contractual commitments	12,493	17,350	(4,857)
TOTAL PROVISION	**262,545**	**272,401**	**(9,856)**

The component covering regulatory risks includes the overall amount of 58 million euros to face the uncertainties of ACEA Ato5 (18.8 million euros) and GORI (39.2 million euros).

ACEA considers that the settlement of ongoing disputes and other potential disputes should not create any additional charges for Group companies, with respect to the amounts set aside, which represent the best estimate possible on the basis of elements available as of today.
For further information please refer to the section "Update on major disputes and litigation".

28. Non-current borrowings and financial liabilities - *2,507,623 thousand euros*

€ thousand	31/12/2013	31/12/2012	Increase/ (Decrease)
Bonds	1,290,759	1,011,123	279,636
Medium/long-term borrowings	1,216,864	1,200,487	16,377
Total	**2,507,623**	**2,211,609**	**296,014**

The figures in the table include the fair value, at the balance sheet date, of hedging instruments stipulated by ACEA and certain Group companies which are shown separately from the hedged instrument in the table below.

€ thousand	Hedged instrument	*Fair value of derivative*	31/12/2013	Hedged instrument	*Fair value of derivative*	31/12/2012
Bonds	1,254,582	36,177	1,290,759	1,000,351	10,772	1,011,123
Medium/long-term borrowings	1,195,742	21,122	1,216,864	1,169,967	30,520	1,200,487
Non-current borrowings and financial liabilities	**2,450,324**	**57,299**	**2,507,623**	**2,170,318**	**41,291**	**2,211,609**

Bonds

These amounted to 1,254,582 thousand euros (1,000,351 thousand euros at 31 December 2012) and refer to the following:

- 601,465 thousand euros (including accrued interest) referring to a 5-year bond issued by ACEA at the beginning of September and maturing 12 September 2018. This payable, net of positive Fair Value recognised under net finance costs in the income statement equal to 821 thousand euros, amounts to 600,644 thousand euros. The bonds pay a 3.75% fixed annual coupon and the issue price was 99.754. The gross effective yield at maturity is therefore 3.805% corresponding to a return of 230 base points on top of the reference rate (*mid-swap* at 10 years). The bonds are subject to British law. The settlement date is 12 September 2013. Interest accrued during the period amounts to 6,842 thousand euros,
- 515,268 thousand euros (including accrued interest) refer to a 10-year bond issued by ACEA in March 2010, maturing 16 March 2020. Interest accrued during the period amounts to 22,500 thousand euros,
- 138,670 thousand euros relating to the *Private Placement* which, net of the *Fair Value* of the hedge, a negative 36,177 thousand euros, amounted to 178.847 thousand euros. The *Fair Value* was allocated to a specific equity reserve. The exchange rate difference - negative by 26,955 thousand euros - calculated at 31 December 2013 on the hedged instrument was allocated to a translation reserve. The exchange rate at the end of 2013 was 144,72 euros compared to 113,61 euros at 31 December 2012. Interest accrued during the period amounts to 3,600 thousand euros,

Medium/long-term borrowings

They totalled 1,312,428 thousand euros (1,465,936 thousand euros at 31 December 2012) and include: **(i)** principal outstanding at 31 December 2013 and falling due beyond twelve months amounting to 1,216,684 thousand (1,200,487 thousand euros at 31 December 2012), **(ii)** the portions of the same borrowings falling due in the twelve months thereafter, totalling 388,358 thousand euros (265,450 thousand in 2012) and **(iii)** 21,122 thousand euros as the negative fair value of interest rate risk and exchange rate risk hedges.

The following table shows medium/long–term borrowings by maturity and type of interest rate:

Bank Loans:	TOTAL RESIDUAL DEBT	DUE BY 31.12.2014	DUE BETWEEN 31.12.2014 and 31.12.2018	DUE AFTER 31.12.2018
fixed rate	348,052	23,006	85,425	239,621
floating rate	704,617	56,351	396,007	252,259
floating rate to fixed rate	259,758	16,206	94,565	148,987
Total	**1,312,428**	**95,564**	**575,998**	**640,866**

The following table provides a breakdown by company of the fair value of hedging derivatives compared with the figures from the previous year.

€ thousand	31/12/2013	31/12/2012	Increase/ (Decrease)
Acque	(10,648)	(15,268)	4,619
Nuove Acque	(1,058)	(1,510)	453
Umbra Acque	(718)	(1,053)	335
ACEA	(8,697)	(12,689)	3,992
Total	**(21,122)**	**(30,520)**	**9,398**

- Acque swapped 80% of the loan taken on at the end of 2006 to fixed rate The company signed two different swap contracts with fair value estimated at 10,648 thousand euros (15,268 thousand euros at 31 December 2012), recognised in a separate equity reserve,
- Nuove Acque swapped the basic and revolving facilities of the project financing agreement signed in 2005 to fixed rate. The duration of the swap runs from 15 March 2005 to 15 September 2021 with a fixed rate of 4.115%. At 31 December 2013 this value amounted to 1,058 thousand euros and is allocated to a special reserve of shareholders' equity,
- Umbra Acque swapped to fixed rate: the fair value of this instrument was a negative 718 thousand euros (1,053 thousand euros as at 31 December 2012)
- ACEA swapped the interest rate on the 100 million euros loan obtained on 27 December 2007 for a fixed rate. The swap was entered into on 24 April 2008, effective as of 31 March 2008 (drawdown date of the underlying loan) and expires on 21 December 2021, The fair value of this instrument was a negative 8,697 thousand euros (12,689 thousand euros at 31 December 2012), recognised in a separate equity reserve;

The Group's principal medium/long–term borrowings are subject to covenants to be complied with by the borrowing companies in accordance with normal international practices.
In particular, the loan to ACEA Distribuzione is subject to a financial covenant expressed in the current agreement as a two decimal places ratio of 0.65 between net financial debt and the sum of net financial debt and shareholders' equity, which must not be exceeded at the end of each reporting period; this ratio must be complied with by both the borrowing company and the ACEA Group. The ratio, calculated with the same criteria as the aforementioned agreement, has been complied with in 2013.

The loan agreements entered into by the Parent Company envisage:

- standard Negative Pledge and Acceleration Events clauses;
- clauses requiring compulsory credit rating monitoring by at least two major agencies;
- clauses requiring the company to maintain a credit rating above certain levels;
- the obligation to arrange insurance cover and maintain ownership, possession and usage of the works, plant and machinery financed by the loan through to the maturity date;
- periodic reporting requirements;
- clauses giving lenders the right to call in the loans on the occurrence of a certain event (i.e. serious errors in the documentation provided when negotiating the agreement, default on repayments, the suspension of payments), giving the bank the right to call in all or a part of the loan.

During the year there was no evidence that any of the covenants had not been complied with.

The table below shows the fair value of borrowings broken down by type of loan and the interest rate as at 31 December 2013. The fair value of medium/long-term debt is calculated on the basis of the risk-free and the risk-adjusted interest rate curves.

Bank Loans:	Amortised cost	RISK-FREE FV	increase/ (decrease)	RISK ADJUSTED FV	increase/ (decrease)
	(A)	(B)	(A)-(B)	(C)	(A)-(C)
Bonds	1,597,044	1,741,482	(144,438)	1,696,405	(99,361)
fixed rate	348,052	426,947	(78,894)	400,440	(52,388)
floating rate	704,617	723,884	(19,267)	723,285	(18,668)
floating rate to fixed rate	259,758	201,053	58,706	201,011	58,748
Total	**2,909,472**	**3,093,366**	**(183,895)**	**3,021,141**	**(111,669)**

Information on the fair value of the above borrowings is provided in the section “Additional disclosures on financial instruments and risk management policies”.

29. Other non-current liabilities - *351,377 thousand euros*

€ thousand	31/12/2013	31/12/2012	Increase/ (Decrease)	% Change
Advances from end users and customers	118,324	114,205	4,118	3.6%
Due to the Campania Region	61,203	0	61,203	0.0%
Water connection fees	56,233	60,258	(4,025)	(6.7%)
Capital grants, accrued liabilities and deferred income	115,618	104,200	11,418	11.0%
TOTAL	351,377	278,663	72,715	26.1%

Advances

Advances from users regarding the supply of fresh water are not interest-bearing, whilst those regarding the distribution and sale of electricity and urban heating distribution accrue interest according to the conditions established by Electricity and Gas Authority Resolution No. 204/99 and the Supply Regulations, respectively.

The following table provides the breakdown by industrial area:

€ thousand	31/12/2013	31/12/2012	Increase/ (Decrease)	% Change
Energy	32,977	31,244	1,734	5.5%
Water	84,092	81,707	2,385	2.9%
Networks	1,232	1,232	0	0.0%
Parent Company	23	23	0	0%
Total	**118,324**	**114,205**	**4,118**	**3.6%**

Due to the Campania Region

This amounted to 61,203 thousand euros and relate to the amount due to the Region of Campania as a result of the agreement entered into with said Region.

The repayment plan of this loan provides for reimbursement of the principal of 212,249 thousand euros (Group share 78,638 thousand euros) over twenty years and the payment of interest only from the eleventh year. As a result of the covenants in the agreement, the debt was discounted to present value: this effect amounted to 38,836 million euros (Group share 14,389 euros) and resulted in an increase in deferred tax liabilities of 3,956 thousand euros. The current portion of the

Gori payables to the Campania Regional Authorities amounted to 4,800 thousand euros (Group share 1,778 thousand euros) and was recognized as trade payables.

Water connection fees

These amounted to 56,233 thousand euros (60,258 thousand euros at 31 December 2012) and consist of:

€ thousand	31/12/2013	31/12/2012	Increase/ (Decrease)
Lazio-Campania Water Services	25,346	26,011	(665)
ACEA Ato2	*20,587*	*21,251*	*(665)*
ACEA Ato5	*4,759*	*4,759*	*0*
Tuscany-Umbria Water Services	30,887	34,247	(3,361)
Acquedotto del Fiora	*4,300*	*4,089*	*211*
Acque	*11,314*	*11,613*	*(298)*
Publiacqua	*9,361*	*8,354*	*1,007*
Umbra Acque	*5,911*	*10,191*	*(4,280)*
Water connection fees	**56,233**	**60,258**	**(4,025)**

Capital grants

These amounted to 115,618 thousand euros at 31 December 2013 (104,200 thousand euros at 31 December 2012) and refer to grants received. The grants are accounted for in liabilities and progressively recognised in the income statement each year over the duration of the investment to which the grant is connected. The amount recognised as income is determined on the basis of the useful life of the asset to which it refers.

The change from 31 December 2012 amounted to + 11,418 thousand euros and was mainly attributable to Umbra Acque (+ 10,168 thousand euros) due to the different method used to account for capital grants (from the net amount method to that of the net deferred income).

30. Provision for deferred taxes - *104,830 thousand euros*

At 31 December 2013 the provisions totalled 104,830 thousand euros (93,603 thousand euros at 31 December 2012). These provisions above all regard the difference between economic and technical rates of depreciation and tax-related rates. Uses in the period totalling 8,047 thousand euros and allocations amounting to 13,913 thousand euros contributed to this item. Please see note 19 for details.

31. Current liabilities - *2,336,813 thousand euros*

€ thousand	31/12/2013	31/12/2012	Increase/ (Decrease)	% Change
Financial payables	698,076	891,407	(193,331)	(21.7%)
Trade payables	1,306,882	1,267,161	39,721	3.1%
Tax Payables	49,078	61,510	(12,432)	(20.2%)
Other current liabilities	282,566	299,661	(17,095)	(5.7%)
Current liabilities	**2,336,813**	**2,519,739**	**(182,926)**	**(7.3%)**

Financial payables

€ thousand	31/12/2013	31/12/2012	Increase/ (Decrease)
Short-term bank credit lines	64,397	488,400	(424,004)

€ thousand	31/12/2013	31/12/2012	Increase/ (Decrease)
Bank loans	401,849	265,450	136,399
Due to the municipality of Rome	32,984	869	32,115
Due to subsidiaries and associates	581	768	(187)
Payables due to third parties	198,265	135,919	62,347
Borrowings	**698,076**	**891,407**	**(193,331)**

Short-term bank credit lines

These amounted to 64,397 thousand euros (488,400 thousand euros at 31 December 2012), showing a decrease of 424,004 thousand euros, mainly due to lower bank borrowings in ACEA (-415,743 thousand euros) due to the repayment of credit lines outstanding at 31 December 2012.

Bank loans

These totalled 401,849 thousand euros and refer to the current portion of bank loans falling due within twelve months. Further details are provided in note 21 of this report.

Due to the Parent Company Roma Capitale

The figure, equal to 32,984 thousand euros, refers to payables for dividends in ACEA (30,485 thousand euros) and ACEA Ato2 (2,500 thousand euros). Financial payables to Roma Capitale increased by 32,115 thousand euros due to the distribution of the 2013 interim dividend approved by the Board of Directors on 18 December 2013,

For further information on the composition and changes of the item, reference should be made to the corresponding item in assets.

Due to subsidiaries and associates

These amounted to 581 thousand euros (768 thousand euros at 31 December 2012) and refer to financial payables recognised by Ecogena to Eur Power S.r.l. for the portion of capital to be paid up following the capital increase approved on 27 April 2012.

Payables due to third parties

These amounted to 198,265 thousand euros (135,919 thousand euros at 31 December 2012). The breakdown of this item mainly concerns:

€ thousand	31/12/2013	31/12/2012	Increase/ (Decrease)
Dividends payable to shareholders	**30,828**	**23,755**	**7,074**
Environment	*387*	*0*	*387*
Energy	*43*	*43*	*0*
Water	*4,414*	*1,885*	*2,529*
Networks	*0*	*0*	*0*
Parent Company	*25,985*	*21,827*	*4,157*
Payables due to third parties	**167,437**	**112,164**	**55,273**
Environment	*3,029*	*56*	*2,972*
Energy	*81,226*	*54,238*	*26,989*
Water	*33,464*	*34,931*	*(1,467)*
Networks	*47,949*	*21,169*	*26,779*
Parent Company	*1,769*	*1,769*	*0*
TOTAL	**198,265**	**135,919**	**62,347**

The change compared to 31 December 2012 amounted to + 62,347 thousand euros, mainly attributable to higher amounts to be returned to factoring companies for receivables sold and collected after the sale, primarily in (i) ACEA Energia (+ 38,754 thousand euros), in (ii) ACEA Distribuzione (+ 26,779 thousand euros) and the decrease in (iii) ACEA Produzione (- 13,477 thousand euros) due to the settlement, which took place in the early months of 2013, of the accounts payable/receivable arising from the dissolution of the joint venture with GDF SUEZ.

Trade payables

€ thousand	31/12/2013	31/12/2012	Increase / (Decrease)	% Increase / (Decrease)
Trade payables	1,212,900	1,193,080	19,820	1.7%
Trade payables to Parent Company	85,615	60,743	24,872	40.9%
Trade payables to subsidiaries and associates	8,367	13,338	(4,971)	(37.3%)
Trade payables	**1,306,882**	**1,267,161**	**39,721**	**3.1%**

Amounts due to third-party suppliers

Trade payables amounted to 1,212,900 thousand euros; the breakdown by operating segment is shown in the following table:

€ thousand	31/12/2013	31/12/2012	Increase / (Decrease)	% Change
Environment	33,513	55,859	(22,346)	(40.0%)
Energy	483,303	370,710	112,593	30.4%
Water	313,946	372,045	(58,098)	(15.6%)
Networks	315,682	314,202	1,480	0.5%
Parent Company	66,455	80,264	(13,809)	(17.2%)
Amounts due to third-party suppliers	**1,212,900**	**1,193,080**	**19,820**	**1.7%**

The increase of 19,820 thousand euros is the result of contrasting factors:

- **Environment:** decrease of 22,346 thousand euros is mainly due to the change recorded in ARIA (- 20,231 thousand euros) relating to the payment of payables accrued in 2012 for the revamping of the energy plant in Terni.
- Energy: the increased exposure to suppliers is mainly attributable to ACEA Energia (+ 88,145 thousand euros) and Acea Energia Holding (+ 38,296 thousand euros), partly offset by the reduction in Acea Produzione (- 12,772 thousand euros) and Acea8cento (- 1,930 thousand euros),
- **Water**: decrease of 58,098 thousand euros compared to 31 December 2012 The change was partly attributable to the companies operating in Lazio and Campania for - 57,499 thousand euros: in particular, there was a reduction in the amount of payables recognised in GORI (- 40,518 thousand euros) due to the reclassification of the payable to the Campania Region and in Acea Ato2 (- 21,047 thousand euros),
- **Networks:** the greater exposure to suppliers is due to ACEA Distribuzione for 18,156 thousand euros and Acea Illuminazione Pubblica + 7,297 thousand euros, partially offset by ARSE (- 24,542 thousand euros).
- **Parent Company ACEA:** recorded a decrease of 13,809 thousand euros compared to the end of 2012. Please note that this change reflects the settlement reached with GDF Suez Energia Italia.

Trade payables due to the Parent Company Roma Capitale

These payables totalled 85,615 thousand euros. Details are provided in Note 23 on trade receivables.

Trade payables due to subsidiaries and associates

€ thousand	31/12/2013	31/12/2012	Increase/ (Decrease)	% Increase/ (Decrease)
Due to subsidiaries	1,167	2,466	(1,299)	(52.7%)
Amounts due to associates	7,199	10,871	(3,672)	(33.8%)
Total amounts due to subsidiaries and associates	**8,367**	**13,338**	**(4,971)**	**(37.3%)**

Due to subsidiaries

Amounts payable to subsidiaries mainly include the debts of Acea Energia Holding (672 thousand euros) and Ecomed (390 thousand euros).

Due to associates

The balance, amounting to 7,199 thousand euros, includes the payables recognised in: **(i)** ACEA and its subsidiaries vis à vis Marco Polo for the services of cleaning and maintenance of buildings carried out in previous years (2,606 thousand euros) and **(ii)** vis à vis the associate Citelum Napoli Pubblica Illuminazione (4,033 thousand euros).

Tax payables

These amounted to 49,290 thousand euros (61,510 thousand euros at 31 December 2012) and include IRAP tax payable for the period of 11,564 thousand euros and VAT of 27,441 thousand euros. The remainder includes 24,899 thousand euros for additional municipal and provincial tax payables.

The decrease amounted to 12,220 thousand euros, mainly due to current tax for the period.

Other current liabilities

These amounted to 282,566 thousand euros with breakdown as shown in the following table:

€ thousand	31/12/2013	31/12/2012	Increase/ (Decrease)	% Increase/ (Decrease)
Amounts due to social security institutions	21,450	21,228	222	1.0%
Amounts due to end users for tariff restrictions	1,154	7,085	(5,931)	(83.7%)
Payables arising from commodity derivatives	485	21	464	2,214.1%
Other current liabilities	254,941	271,327	(16,386)	(6.0%)
TOTAL	**282,566**	**299,661**	**(17,095)**	**(5.7%)**

Due to social security institutions

These amounted to 21,450 thousand euros (21,228 thousand euros at 31 December 2011); their breakdown by operating segment is as follows:

€ thousand	31/12/2013	31/12/2012	Increase/ (Decrease)	% Change
Environment	601	561	40	7.1%
Energy	1,761	1,495	266	17.8%
Water	9,955	10,637	(682)	(6.4%)

Networks	5,888	5,551	337	6.1%
Parent Company	3,246	2,985	261	8.7%
Amounts due to social security institutions	**21,450**	**21,228**	**222**	**1.0%**

Payables arising from commodity derivatives

This item totalling 485 thousand euros represents the fair value of certain financial contracts signed by Acea Energia Holding.

Other current liabilities

These totalled 254,941 thousand euros, down 16,386 thousand euros compared to 31 December 2012. This item essentially consists of:

€ thousand	31/12/2013	31/12/2012	Increase/ (Decrease)
Other payables due to Municipalities	26,870	41,943	(15,074)
Payables to INPS, due in instalments	7,427	16,223	(8,796)
Payables due to Equitalia	13,239	21,313	(8,074)
Payables to municipalities for concession fees	55,853	60,705	(4,852)
Other amounts due to end users for repayment of tariff restrictions	1,155	7,085	(5,930)
Accrued liabilities and deferred income	5,370	6,107	(737)
Payables for environmental premium Art. 10 of ATI4 agreement of 13/08/2007	1,287	1,705	(418)
Payables for collections subject to verification	43,021	32,533	10,488
Payables to Equalisation Fund	31,848	23,735	8,113
Amounts due to staff	41,714	37,805	3,908
Welfare contribution payables	11,977	8,110	3,867
Payables to Area Authority	2,538	0	2,538
Payables for staff termination benefits from single transfers	487	17	470
Remuneration payable to the BoD	239	220	18
other payables	11,919	13,826	(1,908)
TOTAL	**254,941**	**271,327**	**(16,386)**

The change, amounting to 16,386 thousand euros, primarily include:

- 16,820 thousand euros for the effect of recognition of the amount payable by GORI to the Campania Region among medium/long term liabilities as a consequence of the Agreement signed in June 2013.
- 8,796 thousand euros for lower debts payable in instalments to INPS, particularly in Acea Ato 2 and Acea Distribuzione,
- 8,074 thousand euros for lower debts payable in instalments to Equitalia, particularly in Acea Ato2 and Acea Distribuzione,
- 10,488 thousand euros relating to amounts collected from users, particularly in ACEA Energia,
- 8,113 thousand euros for higher payables to the Equalisation Fund: in ACEA Distribution they refer to payables for excise duty liabilities for the last four months of 2013 (21,960 thousand euros), for general 2012 equalisations (2,925 thousand euros), for Specific Tariff (CTS) (3,287 thousand euros) and for charges pursuant to art_52_TIQE (807 thousand euros).

Acquisitions during the period

On 1 July 2013, the Group, through its subsidiary Aquaser, acquired 100% of SAMACE S.r.l.
The acquisition price amounted to 4.8 million euros and is subject to adjustment for the changes occurred in the net financial position at the acquisition date compared to the date set in the contract.

Net acquired assets	Carrying amount of acquired company	Fair value Adjustments	Fair Value
Property, plant and equipment	547.2	3,285.0	3,832.2
Intangible Assets	25.7		25.7
Trade receivables	274.3		274.3
Other receivables	17.5		17.5
Cash and cash equivalents	30.0		30.0
Staff termination benefits and other defined benefit plans	(131,2)		(131,2)
Tax payables	(14,2)	(303,0)	(317,1)
Trade payables	(44,0)		(44,0)
Other payables	(45,9)		(45,9)
Bank borrowings	(124,2)		(124,2)
Other financial payables	(125,6)		(125,6)
NET BALANCE	**409.6**	**2,986.0**	**3,395.6**
Of which attributable to non-controlling interests			0.0
Goodwill			1,409
Investment price			**4,800.0**
Total Outlay			**4,800.0**
Net cash outflow for the acquisition			**4,770.0**
Cash payment of the purchase price			4,800.0
Cash & cash equivalents acquired			(30,0)

Amounts in €/thousand

The acquisition was accounted for using the acquisition method on a provisional basis.

Commitments and contingencies

Endorsements, sureties and guarantees

At 31 December 2013 they totalled 688,641 thousand euros; they amounted to 559,217 thousand euros at 31 December 2012 and showed an increase of 129,424 thousand euros. The balance is made up of:

- the issue of a bank guarantee for 120,000 thousand euros issued in January 2012 by Cassa Depositi e Prestiti in the interests of the European Investment Bank for the loan agreement signed between ACEA and the EIB on 14 September 2009,
- 100,000 thousand euros for the guarantee agreement entered into by the European Investment Bank and Cassa Depositi e Prestiti on 9 July 2013, with reference to the loan agreement of 100,000 thousand euros entered into on 25 October 2012 by ACEA and the European Investment Bank;
- 68,277 thousand euros in favour of the Acquirente Unico and in the interests of Acea Energia as a back-to-back guarantee relating to the electricity sale agreement signed between the parties;
- 66,000 thousand euros in favour of Acea Energia and in the interests of Enel Distribuzione S.p.A. as a back-to-back guarantee for the transport of electricity;
- 53,666 thousand euros in the form of a bank guarantee issued by ACEA to Cassa Depositi e Prestiti in relation to refinancing of the loan issued to ACEA Distribuzione. This is a sole guarantee giving the lender first claim and covering all obligations linked to the original loan (493 million euros). The sum of 53,666 thousand euros refers to the guaranteed portion exceeding the loan originally disbursed (439 million euros);
- 46,185 thousand euros issued in favour of the Tax Authority to guarantee agreement on payment by instalments of the amounts due following demands accepted by Acea Energia (9,158 thousand euros) and ACEA (37,027 thousand euros),
- 41,090 thousand euros for the bank guarantees issued by Acea Energia, mostly in favour of Terna relative to the electricity dispatch service contract;
- 25,000 thousand euros for the Global Guarantee issued in favour of Egl Italia in the interests of Acea Energia Holding as a back-to-back guarantee on electrical energy trading transactions agreed or to be agreed between the parties;
- the Global Guarantees for 15,000 thousand euros and 10,000 thousand euros issued in favour of Barclays Bank and BNP Paribas, respectively, in the interests of Acea Energia Holding as back-to-back guarantees on transactions agreed or to be agreed between the parties under the terms of the ISDA Master Agreement reached.
- 21,424 thousand euros issued by insurance institutions on behalf of SAO: **(i)** in favour of the Province of Terni for the management of landfill operations and post-closure operations (15,492 thousand euros) and waste disposal (3,157 thousand euros) and **(ii)** in favour of suppliers to back contracts (2,775 thousand euros).
- the guarantee of 15,000 thousand euros in favour of Enel Trade in the interests of Acea Energia Holding as a back-to-back guarantee on electrical energy trading transactions;
- the guarantee in favour of Deutsche Bank AG for 10,000 thousand euros, issued in the interests of Acea Energia Holding as back-to-back guarantees on transactions agreed or to be agreed between the parties under the terms of the ISDA Master Agreement entered into on 25 July;
- the guarantee in favour of Iren Mercato S.p.A. in the amount of 8,000 thousand euros for the precise fulfilment of the EFET agreement entered into in July 2012 between the beneficiary company and Acea Energia Holding;

- a surety of 7,747 thousand euros issued by ACEA Ato2 to the Area Authority, guaranteeing the correct fulfilment of the obligations undertaken as part of the concession agreement. This surety runs out on 6 August 2007 and is renewable;
- 4,202 thousand euros for the bank guarantee issued in favour of Roma Capitale in relation to the "Progetto Tecnologico" contract for the construction of the new multi-service pipe network of Via Tiburtina and adjacent streets, in the interest of Acea Distribuzione for 2,701 thousand euros and Acea Ato2 for 1,501 thousand euros;
- the bank guarantees of 4,127 thousand euros issued by BBVA on behalf of ARSE to guarantee agreements for the planning, supply and installation of PV plants in the municipalities of Scalea, Villapiana, Cassano and Orsomarso;
- the extension to 2,606 thousand euros of the guarantee issued in favour of Italgas SpA in the interest of Acea Energia in October 2010;
- 1,295 thousand euros relating to the bank guarantee issued by bank Bilbao Vizcaya Argentaria to GSE for the exact fulfilment of the reimbursement obligation undertaken by the company A.R.I.A. S.r.l. to GSE;
- the bank guarantee of 432 thousand euros issued in favour of Umbria Distribuzione Gas SPA on behalf of Acea Energia to guarantee the natural gas distribution service provided by Acea Energia.

This item finally includes the corporate guarantees and sureties issued:

(i) by insurance companies on behalf of ARIA in favour of the Umbria Regional Government (1,320 thousand euros) to guarantee authorisation for management of the Paliano plant, and the Lazio Regional Government (3,829 thousand euros) for authorised operations on lines I and II of the San Vittore plant in Lazio,

(ii) by ACEA to Aquaser to guarantee the credit line granted to Solemme for 1,471 thousand euros;

(iii) in the interests of ARIA, in favour of Terna as a guarantee for the hedging of direct and indirect risks and charges deriving from works that Terna will have to carry out for the connection to the national grid of the San Vittore waste-to-energy plant in Lazio, for 3,783 thousand euros;

(iv) by Unicredit on behalf of Acea Ato5, as surety pursuant to art 31 of the Technical Regulations, in favour of the ATO for 2,844 thousand euros calculated on 10% of the average three-year Financial- Tariff Plan of the A.A.T.O. Area Authority;

(v) by Assicurazioni Generali on behalf of Aria for an amount of 2,099 thousand euros in favour of the Lazio Regional Government for the share capital increase guaranteed following higher annual and daily quantities of Lines II and III authorised by the Lazio Regional Government with Decree 1305477 of 20 August 2012.

Sureties issued also include those issued by ACEA to Sidra S.p.A., totalling 6,830 thousand euros, in relation to a contract to carry out a “Project to repair water leaks in the Catania distribution network” and sureties amounting to 5,165 thousand euros issued to the Sarnese Vesuviano Area Authority in order to take part in the tender process to select a partner to take an interest in GORI S.p.A.

Service Concession Arrangements

The ACEA Group operates water, environmental and public lighting services under concession. It also manages the selection, treatment and disposal of urban waste produced in municipalities in ATO 4 Ternano–Orvietano via SAO and the ARIA Group.

For additional information on the legislative and regulatory framework, please refer the Report on Operations.

Public Lighting - Rome

The service is carried out by the Parent Company based on a deed of concession issued by Roma Capitale for a period of thirty years (from 1 January 1998). No fee was paid for this concession, which is implemented through a special service agreement, which given its accessorial nature, expires on the same date of the concession (2027).
The service agreement provides for an annual update of the fee concerning consumption of electricity and maintenance and the annual increase of the lump-sum fee in relation to the new lighting installed.
Furthermore, the investments required for the service may be **(i)** applied for an funded by the Municipal Authorities or **(ii)** financed by ACES: in the first case, such works will be paid based on a price list agreed by the parties (and subject to review every two years) and will result in a percentage decrease in the ordinary fee. In the second case, the Municipality is not bound to pay a surcharge; however, ACEA will be awarded all or part of the savings expected in both energy and economic terms according to pre-established methods.
Moreover, it has been established that qualitative/quantitative parameters shall be renegotiated in 2018.
Upon natural or early expiry - also due to cases envisaged under Law Decree no. 138/2011 - ACEA will be awarded an allowance corresponding to the residual carrying amount, that will be paid by the Municipality or the incoming operator if this obligation is expressly set out in the call for tenders for the selection of the new operator.
Finally, the contract sets out a list of events that represent a reason of anticipated revocation of the concession and/or resolution of contract by the will of the parties. Among these events, reference is made to newly arising needs linked with public interests, according to which ACEA has the right to receive an allowance according to the product, that is discounted based on the percentage of the annual contractual amount and the number of years until expiry of the concession.
On the basis of the number of public lighting plants as at 31 December 2009, the supplemental agreement establishes the ordinary annual fee as 39.6 million euros, including all costs relative to the provision of electricity to supply the plants, ordinary operations and ongoing and extraordinary maintenance.
Further information is provided in the section “Related Party Transactions”.

Integrated Water Service

This service is provided under concession in the following regions:

- Lazio, where ACEA Ato2 S.p.A. and ACEA Ato5 S.p.A. provide services in the provinces of Rome and Frosinone, respectively,
- Campania, where G.O.R.I. S.p.A. provides services in the area of the Sorrento Peninsula and Capri island, the Vesuvio area, the Monti Lattari Area, as well as in the hydrographic basin of the Sarno river,
- Tuscany, there the ACEA Group operates in the province of Pisa, through Acque S.p.A., in the province of Florence, through Publiacqua S.p.A., in the provinces of Siena and Grosseto,

through Acquedotto del Fiora S.p.A. and in the province of Arezzo through Nuove Acque S.p.A. It also provides the service in Lucca and province of Lucca through the company GEAL S.p.A.,

- Umbria, where the Group operates in the province of Perugia, through Umbra Acque S.p.A.

The Group is also in charge of several former CIPE services in the province of Benevento with GESESA S.p.A. and in the municipalities of Termoli and Campagnano with Crea Gestioni S.p.A.

Lazio - ACEA Ato2 S.p.A. (Ato2 - Central Lazio - Rome)

ACEA Ato2 provides integrated water services on the basis of a thirty-year agreement signed on 6 August 2002 by the company and Rome Provincial Authority (representing the Authority for the ATO comprising 111 municipalities, including Roma Capitale). In return for award of the concession, ACEA Ato2 pays a fee to all the municipalities based on the date the related services are effectively acquired, which is expected to occur gradually: to date, the survey work (including that for municipalities already taken over) has been completed for 94 municipalities out of 112, equivalent to around 3,800,000 residents (source ISTAT).
The larger Municipalities which haven't been acquired yet include Civitavecchia to which the Lazio Regional Authority in Decree of the Regional Government No. 318 - 10/10/2013, attributed powers of substitution to transfer the integrated water service to the ATO 2 sole operator, appointing a Commissioner to do so.

With reference to the process of approval for the 2012 and 2013 tariff proposals, note that the Mayors' Conference met for the first time on 29 April 2013 without resolving any of the items on the agenda due to lack of a quorum. A valid meeting was then held on 27 January 2014 and a specific resolution was passed on the return on invested capital for the period 21 July – 31 December 2011 approving the enquiry in AEEGSI Resolution No. 273/2013/R/idr of 25 June 2013. The amount to return, adjusted for inflation, as calculated by the AEEG up to 2014 in the hypothesis that the sum is returned in this financial year, amounts to 3,228,356.59 euros.
The 2012 and 2013 tariff proposals prepared by the Operational-Technical Secretariat on the basis of the rules established by the Temporary Tariff Method (MTT) indicate (i) for 2012, substantial confirmation of the level of revenue recognised in the 2012 statements and (ii) for 2013, an average tariff increase of around 1.8% on that set for the same year by the Mayors' Conference of 17 April 2012. Furthermore, the FNI (New Investments Fund) for 2013 is equal to 11.3 million euros.

As a result of the regulatory changes at the end of 2013, there have been changes in the approval procedure to streamline the same.
In particular, if the Local Authority fails to approve its tariff proposal by 27 December 2013 (date of publication of the AEEGSI Resolution No. 643/2013/R/idr), within the 30 following days the Operator can autonomously send a request to the same Local Authority with a note sent to AEEGSI.
On receipt of said proposal, AEEGSI must give the Local Authority notice to fulfil their obligations within 30 days following receipt of said notice, after which the Operator's request is understood to be approved on the principle of consent by silence.
Following consent by silence, the Operator therefore has the right to directly ask AEEGSI, which must respond within 30 days following receipt of the request, to evaluate and finally approve the proposal for a tariff update proposal presented by the same and implicitly approved.
On 24 January 2014 Acea Ato2 has, therefore, applied to the local Authority requesting a tariff adjustment pursuant to art. 9.2 of Resolution No. 643, giving simultaneous communication to AEEGSI.

On 4 March 2014, following the notice to comply sent on 6 February 2014 by AEEGSI to the local authority, the Conference of Mayors approved the tariffs for the regulatory period 2012-2013 and the tariff and financial plan for the same years.

As established by article 6 of AEEG Resolution No. 585/2012, while awaiting the decisions on 2012 and 2013 tariffs, in 2013 the Company applied the tariff set by the Mayors' Conference and the Chairmen of Ato2 Central Lazio - Rome on 17 April 2012 (cent. €/m^3 122,35).
The Mayors' Conference and the Chairmen of Ato2 Central Lazio - Rome met to discuss and resolve various issues regarding the Average Area Tariff including additional tariff adjustments generated by the difference between guaranteed and actual revenues for 2006 – 2011 equal to approximately 94 million euros. The Mayors' Conference established that these adjustments, including interest (totalling 118.4 million euros), will be arranged over six years at a constant rate (19.73 million euros) from 2012.

Revenues in 2013, including adjustments of the pass-through items, totalled 477.9 million euros, of which 11.3 million euros related to the NIF component.

As required by Resolution No. 643/2013, by 31 March 2014 the Area Authorities must approve the tariff proposal for 2014 including the 2012 adjustments of so-called pass-through items and, if required, also the costs for I.I.S. activities borne for exceptional events, and send the same to the AEEG. With reference to this last type of costs, ACEA Ato2 has requested STO and AEEGSI acknowledge the higher costs borne in 2012 to deal with the water and environmental emergencies (approximately 12 million euros): as required by the regulation in force, these costs must be specifically acknowledged after a specific enquiry by the Regulatory Authority.

Lazio - ACEA Ato5 S.p.A. (Ato5 - Southern Lazio - Frosinone)
ACEA Ato5 provides integrated water services on the basis of a thirty-year agreement signed on 27 June 2003 by the company and Frosinone Provincial Authority (representing the Authority for the ATO comprising 86 municipalities). In return for being awarded the concession, ACEA Ato5 pays a fee to all the municipalities based on the date the related services are effectively acquired.
The management of the integrated water service in the territory of ATO 5 - Southern Lazio-Frosinone involves a total of 85 municipalities (management still remains to be surveyed in the municipalities of Atina, Paliano and Cassino Centro Urbano) for a total population of around 480,000 inhabitants, about 460,000 inhabitants supplied and a number of end users equal to around 188,214.
No new acquisitions were formalised in the period.

As a result of the events mentioned in relation to applied tariff legitimacy, in its bills the company applied the tariff that was published for 2005 until 31 December 2011, in compliance with the Area Authority's instructions. However, it assesses its revenue on the basis of the minimum volumes guaranteed by the plan underlying the invitation to tender valued at the real average tariff, equal to that of the bid plus forecast and compound inflation.
For the year 2012 (and also 2013), Acea Ato5 applied the real average tariff (1.359 €/m^3) to its customers and the corresponding tariff structure established by the Special Commissioner, Mr. Passino, in the "Decree Protocol No. F66 of 8 March 2012 - Determination of the integrated water service tariff applicable for the year 2012 in the ATO-5 Southern Lazio-Frosinone".
It should be remembered that the aim of the mentioned document was to quickly deal with a service economic-financial imbalance, caused by the failure to update the tariff based on the trend in inflation and forecasts in the area plan and management agreement. This tariff, therefore, does not take into account the difference between planned and actual investments and, in general, between the estimates of the Area Plan and the actual performance of managed operations in previous years, which will have to be analysed as part of the tariff review. These analyses are included in a report of 28 June 2012 (F 129/2012) on the “choice of criteria, tariff verification and management for the years 2006 to 2011, estimate of the adjustments and service levels”.

By Decision of 30 May 2013, the Special Commissioner, appointed by the Regional Administrative Court of Latina, in replacement of Mr. Passino, submitted a final report on the determination of adjustments and service levels with reference to the 2006-2011 period and the review of the 2011-2013 3-year plan.
The Commissioner set ACEA Ato5's tariff adjustment at 75.2 million euros net of the penalties applied: within 90 days of notice of determination, the Area Authority, after consulting the company, will define the instruments, mechanisms and amounts for recognition of the items adjusted and deliver its reasoned opinions to AEEG so the same can determine its tariffs.
By appeal notified on 31 July 2013 with the Lazio Regional Administrative Court – Latina District - A.ATO 5 challenged the 30 May 2013 final report of the appointed Commissioner, requesting the cancellation of the same subject to effective suspension.
On 9 September 2013 the Company filed a memorandum of appearance and cross-appeal, and the following day A.ATO 5 filed a formal renouncement to the claim for an injunction order requested in appeal. On the date of today, we are waiting for the hearing to be called.
On 6 December 2013, ACEA Ato5 gave notice to A.ATO5 to put the Commissioner's 30 May 2013 Decision into full effect within 30 days. No reply has been received from A.ATO5 to this date.

The company decided not to bring legal action against the Area Authority to oblige the sameto implement the commissioner's Resolution of 30 May 2013, since the subsequent AEEGSI Resolution No. 643/2013 published on 27 December 2013, established methods and procedures for the recovery of said previous years items, which the company intends to pursue starting next July.

Pursuant to Article 9, paragraph 9.2, of AEEGSI Resolution No. 643/2013, dated 23 January 2014, the Company filed an Application with the Area Authority requesting an adjustment of the integrated water service tariff for the years 2012 and 2013. Furthermore, ACEA Ato5 sent a separate note to AEEGSI to inform the same that they had sent a request and asking for notice to be given to the Area Authority. On 6 February 2014 AEEGSI gave notice to the Area Authority to determine the tariffs for 2012 and 2013 of its competence by 8 March 2014 with a warning that, after said term had expired, the Operator's request would be approved by the Area Authority on the principle of consent by silence and would be sent by the Operator to the Authority for evaluation and final approval within the following thirty days.

The Operator's proposal submitted pursuant to art. 9.2 of Resolution No. 643/2013 provides for a Θ tariff multiplier for 2012 and 2013 of 1.350 and 1.397, subject respectively therefore, to special AEEGSI investigation as it exceeds the maximum permissible limits (1.065 for 2012 and 1.134 for 2013).

Note that the Mayors' Conference of 5 March 2014 resolved as follows:

(i) *to approve the proposed calculation, as per technical report, that determines a provisional applicable tariff of €/m^3 1.447 for the tariff multiplier applicable for the year 2012 (Θ = 1.065); and a provisional tariff of €/m^3 1.541 for the tariff multiplier for the year 2013 (Θ = 1.134), provided that with respect to the θ values proposed by the operator resulting in tariff changes in absolute terms exceeding the MTN limit, an investigation shall be ordered by the Authority*

(ii) *to forward this document to the AEEG, together with the documentation on the agenda for subsequent investigation, as the conditions mentioned in art. 7, paragraph 7.1 of Resolution 585/2012/R/idr are satisfied*

Putting the resolutions passed by the Mayors Conference on 5 March 2014 into effect, on 3 April 2014 the ATO's STO sent the AEEGSI (after publication on the ATO's website on 2 April 2014) the resolution document, together with the tariff proposal submitted by the operator, to which no objections has been made.

Concerning the reimbursement of the portion of return on invested capital for the period 21 July 2011 – 31 December 2011, the Operational-Technical Secretariat of ATO 5 Southern Lazio-Frosinone sent AEEGSI a note that indicates that no such reimbursement is due as "*the deduction of sums* (accounted for - editor's note) *from the portion of return on invested capital, reproportioned for the period of reference results in a negative reimbursement ….*".

It should be noted that, by its own Resolution No. 163/2014 published on 3 April 2014, the AEEGSI, following the successful check carried out on the information produced by the AATO, confirmed that nothing is due by Acea Ato 5 to its users by way of reimbursement of the tariff component representing the return on invested capital for the period 21 July 2011 - 31 December 2011.

Revenues in 2013, including adjustments to the pass-through items (i.e. electricity) totalled 57.2 million euros, calculated, as in 2012, using a tariff multiplier higher than the maximum allowed multiplier. In particular, the θ used for 2013 is equal to 1.397, as per the Operator's proposed tariff attached to the tariff application examined at the Mayors Conference of 5 March 2014 and currently under examination by the AEEGSI. It should be noted that the revenue difference between application of θ resulting from the 2013 Transitional Tariff Method (1.397) contained in the application submitted by the Operator and the maximum allowable in the first phase (1.134) amounted to 10.8 million euros for 2012 and 12 million euros for 2013. Recovery of these higher amounts, submitted pursuant to Article 7.1 of Resolution No. 585/2012 to a special investigation by the AEEGSI, is uncertain and an unfavourable outcome in the aforementioned investigation could have significant effects on the financial position and operating results of Acea Ato 5.

As at 31 December 2013, the Company set aside a provision of 18.8 million euros; at the end of the previous year this provision amounted to 30 million euros and was used to take account of the effects of the decisions made by the Special Commissioner and contained in the Resolution of 30 May 2013.

Campania - GORI S.p.A. (Sarnese Vesuviano)

GORI provides integrated water services in 76 municipalities in the provinces of Naples and Salerno, on the basis of a thirty-year agreement signed on 30/09/2002 by the company and the Sarnese Vesuviano Area Authority. GORI pays a fee to the grantor (the Sarnese Vesuviano Area Authority) of the concession, based on the date the right to manage the related services is effectively acquired. The area of operations has remained essentially unchanged compared to the previous year, since the process of acquiring management is now complete. In fact, 76 municipalities are managed, i.e. all those falling under ATO 3 in the Campania Region.

Tariffs

The Extraordinary Commissioner of the Sarnese Vesuviano Area Authority, in observance of AEEG Resolution No. 585/2012 - 28 December 2012, passed Resolution No. 17 - 29/04/2013 establishing the Restriction on guaranteed revenues (VRG) for 2012 and 2013 and the *theta* tariff multiplier for the same years. Based on this resolution revenues for the year were estimated at 151.5 million euros (Group share 56.1 million euros).

The AEEGSI has not yet completed the analysis on the 2012-2013 tariffs as in April 2013 the Special Commissioner of the Sarnese Vesuviano Area failed to send the planned update of the ATO 3 (PEF) Financial Plan, together with the resolution establishing the Restriction on guaranteed revenues (VRG)and the tariff multiplier. Failure to send this document resulted in the following issues:

- difficulties in determining the operating cost of the Regional Works to be transferred pursuant to the Regional Council Resolution No. 172/2013 (see *below),*

- need to restate the prior-year items as defined (for an amount of approximately 109 million euros at 31 December 2011) by the Agreement of 24 June 2013, implementing the Regional Council Resolution No. 171/2013 (see *below).*

Only on 24 January 2014, using the new tools introduced by art. 9.2 of AEEGSI Resolution No.643/2013/R/IDR, did the Commissioner send to AEEGSI the update of the ATO 3 Economic-Financial Plan, valid for I.I.S. tariffs for 2012 and 2013, drawn up in accordance with the provisions of Resolution No. 585/2012/R/idr and on the basis of the assumptions in art. 4 of Resolution No. 73/2013/R/idr and subsequent amendments. This will allow AEEGSI to complete the procedure for the approval of the tariffs.

Relations with the Campania Regional Government

Resolution No. 171 passed on 3 June 2013 by the Campania Regional Government laid the foundations for the final settlement of the dispute between the Regional Government (and their regional operator Acqua Campania S.p.A.), the Sarnese Vesuviano Area Authority and GORI; more specifically, this resolution established the principles for drawing up an agreement, which the above subjects signed on 24 June 2013, in which

(i) relations are normalized through the acknowledgement and application of regional tariffs for the wholesale water supply services and the collection and treatment of waste water provided through regionally operated plants,

(ii) GORI's overall debt with the Regional Government is acknowledged, reducing it through the application of the specific provisions of the 2012 regional financial law (total 212 million euros as at 31 December – Group share 79.5 million euros) with a consequent 20-year repayment plan (without payments in the first ten years and with payments beginning from the eleventh year at the legal interest rate valid when the agreement was signed) which will be supported also by a gradual repayment plan for the tariff adjustments matured by GORI in previous years.

(iii) Likewise, concomitantly with the GORI debt for an equivalent amount, also the total of previous tariff adjustments is reduced, equal to 109.5 million euros as at 31 December 2011 (Group share 40.6 million euros).

This agreement solves the dispute between the Campania Regional Government and its operator Acqua Campania on the one hand, and between the Area Authority and GORI on the other.
Furthermore, the agreement specifically requires the parties to redefine their economic-financial agreements - including the Debt repayment plan and the tariff adjustment repayment plan - as a consequence of and in accordance with any provisions of pro tempore regulations in force and tariff measures adopted by the competent Public authorities, AEEG first and foremost.
As a result of the above-mentioned agreement, GORI will also lose its subsidies in the case of default of the debt repayment plan by GORI.

Furthermore, regional resolution No. 172/2013 requires that the Regional Works are transferred to the Extraordinary Commissioner of the Area Authority, and therefore, to GORI by the relevant act of transfer within 150 days from the date of publication of said resolution (Official Gazette of the Campania Regional Government No. 32 - 10/06/2013); in any case, the Regional Works will be understood to have been transferred automatically on expiry of the above 150-day term, regardless of whether the state and condition has been drawn up or the transfer signed. GORI considers this way of transferring works to be prejudicial, as it does not allow for some fundamental and functional aspects for correct I.W.S. management such as the exact acknowledgement of the state of the Work also from a technical-management point of view (verification and examination of all relevant costs), which makes it impossible to enter the economic and financial data required to guarantee full coverage of operating costs for Regional Works, in the Area Plan's Economic-Financial Plan. For these reasons, the company challenged Resolution No. 172/2013 before the Campania Regional Administrative Court in Naples which, suspended the effects until the case is heard.

In this context on 17 January 2014, the company "GEST.I.RE. s.r.l. – Gestione Impianti Regionali" was established, GORI being the sole shareholder, to which the regional plants will be transferred.

Please note that a provision of 39.2 million euros, allocated in 2011 for 44.1 million euros, is recognised in the Consolidated Financial Statements, designed to cope with the uncertainties affecting GORI.

Tuscany - Acque S.p.A. (Ato2 - Basso Valdarno)

The management agreement, which came into force on 1 January 2002 with a twenty-year duration, was signed on 28 December 2001. In accordance with said agreement, the Operator took over the exclusive integrated water service of ATO2, comprising all public water collection, abstraction and distribution services for civil use, sewage systems and the treatment of waste water. The Area includes 57 municipalities. In return for award of the concession, Acque pays a fee to all the municipalities, including accumulated liabilities incurred under previous concessions awarded.

Since the start of operation and up to 31 December 2011 (i.e. during the applicability of the Standardised Method) the Area Authority issued three tariff revisions.
The last tariff review of 6 December 2011 for the 2008-2010 period was accompanied by the review of the Area Plan which was performed on two separate scenarios. The first (2026 Plan) provides for a 5 year extension of the concession (until 2026) with an increase of planned investments of about 250 million euros in the period 2011-2026. The second (2021 Plan) provides for an unchanged investment amount compared to the original, already funded plan; however, it provides for a rescheduling, which makes the 2011-2013 period coincide with the previous assumption and a subsequent reduction in the remaining period.
In this manner, investments for approximately 40 million euros more than in the original plan are envisaged for 2011-2013.
The 2026 Plan will become effective only after:

- approval by the current Lenders
- confirmation that the plan can be financed

If the above conditions are not met the 2021 Plan will become effective.
The only difference between the two plans is in the part referring to investments, whilst all other aspects - including the tariff to be applied in the first three-year period 2011-2013 - coincide.
In order not to exceed the K limit in tariff increases set at 5% by the Standardised Method, the 2021 Plan, which envisages higher amortisation in the first three-year period due to the reduced duration of the financial amortisation, involves reducing the fee due from the municipalities and recovery in subsequent years.

Following adoption of the AATO Resolutions two appeals were filed as follows:

- An appeal filed by Federconsumatori Utenti Toscana against AATO 2 and Acque challenging the legitimacy of Resolution 12 by which AATO 2 extended the duration of the concession to Acque to 2026 and requesting its cancellation,
- An appeal filed by the Forum Toscano dei Movimenti per l'Acqua and a number of individuals resident in ATO 2 against the AIT, AATO 2 and Acque is more wide-ranging than that mentioned previously, challenging - amongst other things - the legitimacy of Resolutions 12 and 13, requesting their cancellation and also challenging the fact that in the tariff reviews Resolutions 12 and 13 take into account the return on capital invested component despite the results of the June 2011 referendum. On 21 March 2013, the application was declared inadmissible by the Tuscany Regional Administrative Court.

Note that on 22 April 2013, the Tuscany Regional Administrative Court passed sentence on the appeal filed for cancellation of Co.N.Vi.Ri. Resolution No. 60 - 27 April 2011, with reference to the re-examination of the review for the 2005-2008 3-year period of the Toscana – Basso Valdarno AATO 2 area plan. The Section, ruling against the previous sentence (Tuscany Regional Administrative Court sec. II, 23 December 2010 No. 6863), adhered to the prevailing view of the Council of State (Council of State, sec. VI, 27 October 2011 No. 5788) and rejected the appeal.

With reference to the process of approval for the 2012 and 2013 tariff proposals by the Area Authorities in article 6 of resolution 585/2012, note that in a meeting held 30 April 2013 the Tuscan Water Authority approved the proposals of the Tuscan Water Authority Conference and acknowledged a New Investments Fund for 2012 and 2013 respectively of 1.6 million euros (Group share 0.7 million euros) and 10.3 million euros (Group share 4.7 million euros). On 17 October 2013, in Resolution No. 10 AIT also approved the Economic-Financial Plan in accordance with AEEG Resolution No. 73/2013. Finally, on 14 November 2013, in Resolution No. 518, the AEEG approved the tariffs passed in the AIT resolution.

Revenues in 2013 amount to a total of 117.5 million (Group share 52.9 million) euros, including adjustments of so-called pass-through items (i.e. electricity), inclusive of the 2012 and 2013 New Investments Fund component.

Tuscany - Acquedotto del Fiora S.p.A. (Ato6 - Ombrone)

Based on the agreement signed on 28 December 2001, the operator (Acquedotto del Fiora) is to supply integrated water services on an exclusive basis in ATO 6, consisting of public services covering the collection, abstraction and distribution of water for civil use, sewerage and waste water treatment.

The concession term is twenty-five years from 1 January 2002.

In August 2004, ACEA – via the vehicle Ombrone SpA – completed its acquisition - of an interest in the Company.

In December 2011 the Area Authority approved the new Tariff Review for 2008-2010 and the review of the 2011-2026 Area Plan and Investment Plan, in line with the principles of sustainability and medium/long-term economic and financial balance. In this context and as invited some time ago by the company, the Area Authority took the opportunity to reduce remaining discrepancies between the operator planning (Economic-Financial Plan for project financing) and regulator planning (the Authority's Economic-Financial Plan). The volumes of water sold included by the Authority in the new Area Plan are therefore aligned to those expected of Acquedotto del Fiora.

With reference to the process of approval for the 2012 and 2013 tariff proposals by the Area Authorities in article 6 of resolution 585/2012, note that in a meeting held 30 April 2013 the Tuscan Water Authority approved the proposals of the Tuscan Water Authority Conference and acknowledged a New Investments Fund for 2012 and 2013 respectively of 5.5 million euros (Group share 2.2 million euros) and 10.2 million euros (Group share 4.1 million euros). Acquedotto del Fiora 2012 and 2013 tariffs were also subject to approval by the AEEG in Resolution No. 518/2013/R/IDR on 14 November 2013.

Revenues in 2013 amount to a total of 90.5 million (Group share 36.2 million) euros, including adjustments of so-called pass-through items (i.e. electricity), inclusive of the 2012 and 2013 New Investments Fund component.

Tuscany - Publiacqua S.p.A. (Ato3 - Medio Valdarno)

The management agreement, which came into force on 1 January 2002 with a twenty-year duration, was signed on 20 December 2001. In accordance with said agreement, the Operator took over the exclusive integrated water service of ATO 3, comprising all public water collection, abstraction and distribution services for civil use, sewage systems and the treatment of waste water. The Area includes 49 municipalities, of which 6 managed via agreements inherited from the

previous operator, Fiorentinagas. In return for awarding the concession, the Operator pays a fee to all the Municipalities, including accumulated liabilities incurred prior to award of the related contracts.
In June 2006, ACEA - via the vehicle Acque Blu Fiorentine S.p.A. – completed its acquisition - of an interest in the company.
Please note that, on 17 December 2010, the general meeting of the Area Authority approved the 2010-2021 tariff development. The Board of Directors was entrusted by the Meeting to draw up the new Chapter 6 of the Area Plan, containing comments and details concerning the approved tariff profile, as well as the tables of the economic-financial plan set out in art. 149, paragraph 4 of Italian Legislative Decree 152/2006.
With resolutions no. 4 and no. 32 of 2011 and no. 8 of 2012, the Board of Directors of the Area Authority and the Regional water authority approved the area plan, the economic-financial plan and the action plan, respectively for 2010-2021.
As noted previously, Publiacqua filed an appeal against those deeds with the Regional Administrative Court of Tuscany. The appeal is based on various factors such as the lack of jurisdiction (given the object of the resolution is a matter for the General Meeting and not the Board of Directors), the non-adjustment of the analysis of service criticalities and investment objectives, and, therefore, incompleteness of the document, also shown by the absence of the definition of investments to be carried out. The Regional Administrative Court section I has not yet set the date for the first hearing.

Again on regulatory issues, in 2011 Conviri also filed a second instance appeal with the Council of State against the Regional Administrative Court of Florence's judgement which, by ruling 6863 of 23 December 2010, cancelled that Committee's resolution no. 3 of 16 July 2008. The resolution challenged the legitimacy of the settlement agreed by the Area Authority and Publiacqua. This was designed to resolve numerous disputed items that, in the end, gave rise to the payment of 6.2 million euros to the operator. Ruling no. 5788 of the Council of State of 27/10/2011 overturned the judgment of the Regional Administrative Court of Tuscany, therefore accepting Conviri's requests. The Supreme Court subsequently delivered its judgment No. 21586/13 by which it quashed the appeal filed by Publiacqua as inadmissible, confirming the decision of the Council of State.
Publiacqua already notified the Tuscan Water Authority that the ineffectiveness of the transaction of March 2007 determines the revival of all original claims formulated by the Area Authority in 2006 and therefore requested to re-open the proceeding to review all items. With decree no. l6/2012, the Director of the Tuscan Water Authority resolved to temporarily exclude from 2013 tariffs sums inherent to the adjustment relative to the settlement deed, and re-opened the proceeding to verify the entirety of the items requested by Publiacqua, after which it will be possible to assess the resolution of the transaction.
Lastly, note that following completion of the inspection to ascertain the accounting methods for the investment costs, by letter dated 9 March the Regional Water Authority informed the operator of its intention to recognise only actual costs incurred by Ingegnerie to provide the various services to Publiacqua, thereby introducing a change to the current regulatory system, envisaged in the agreement, and not agreed with the operator. An appeal was then filed requesting cancellation of the note of the Tuscan water authority – Territorial Conference no. 3 – Middle Valdarno – ref. no. 1187/3/12 of 9 March 2012 on the subject of "The services assigned to Ingegnerie Toscane s.r.l. – Results of the 2011 inspection". A subsequent appeal was lodged for additional reasons, challenging also the note of the Tuscan Water Authority - Territorial Conference no. 3 - Middle Valdarno ref. no.2907/12 of 14 May 2012 concerning "Response to the warning letter of Publiacqua dated 03/04/2012 (ref. no. 15342) about the services assigned to Ingegnerie Toscane s.r.l.".
A number of additional resolutions were also challenged as deemed to be in violation of the rights guaranteed by the Concession Agreement; most notably the company requested the annulment of decision no.33 issued on 11 May 2012 by the Tuscan Water Authority - Territorial Conference No. 3 Middle Valdarno, concerning "Programme Agreement in the drinking water sector IWS

Disbursement to Publiacqua S.p.a. of funds granted by the Region of Tuscany by executive decrees no. 3225/09 and no. 6812/09", because it infringes the disbursement method of the sums covered by the regional funding, especially with respect to the amount. For the same reasons, a joint request was made for the annulment of AIT decisions no. 61 and no. 62 of 12.09.2012 and decision no. 41 of 11 June 2012. Both appeals are pending before the Regional Administrative Court of Tuscany.

In addition, on 16 April 2012 Publiacqua filed an appeal against the Ministry of the Environment and Protection of Land and Sea for the annulment of decree 3076/TRI/Di/V.I.R.I. of 20 January 2012 which approved report no.17 of 17 January 2012 "Verification of the correct preparation of the ordinary review of the Area Plan of AATO 3 Middle Valdarno". The litigation is still pending waiting for the hearing to be set.

With reference to the procedure for approval of the tariff proposals for 2012 and 2013 by the Area Authorities required by article 6 of resolution 585/2012, on 19 April 2013 the Tuscan Water Authority Conference decided not to approve the 2012 and 2013 tariff proposals submitting the decisions on the matter to the Tuscan Water Authority also with reference to the New Investments Fund component.
On 30 April 2013 the Tuscan Water Authority, with regard to Publiacqua, postponed deliberation on the revision of Economic-Financial Plans and decided not to revise the contractual clauses and other acts regulating relations with Operators. The Tuscan Water Authority also requested the Tuscan Water Authority Conference to examine the relative tariff proposals again. On 10 May 2013 the Tuscan Water Authority Conference approved the New Investments Fund component for 2012 and 2013. Furthermore, on 17 October 2013 the Tuscany Water Authority approving the Economic-Financial Plan, set the 2012 New Investments Fund investment allocation at 22.7 million euros.
As a result of these acts, the Tuscan Water Authority only sent AEEG the resolution concerning the Fund, as it hadn't been able to pass resolutions on tariffs or draw up an Economic-Financial Plan.
On 17 October 2013 the Meeting of the Tuscany Water Authority finally approved the tariff economic plan (and therefore the tariffs) in Resolution No. 10/2013 and, on 14 November 2013, in Resolution No. 518, the AEEG approved the tariffs passed by AIT resolution for 2012 and 2013 setting the tariff multiplier for the same years.
2013 revenues were calculated on the basis of AEEGSI tariff calculations, which amount to a total, including adjustments of so-called pass-through items (i.e. electricity), of 217.6 million euros (Group share 87.0 million euros). The revenues are inclusive of the 2012 and 2013 New Investments Fund component (53.1 million euros - Group share 21.2 million euros)

Umbria - Umbra Acque S.p.A. (Ato1 - Umbria 1)
On 26 November 2007 ACEA S.p.A. was definitively awarded the tender called by the Area Authority for selection of the minority private business partner of Umbra Acque S.p.A. The tender procedure requires the successful bidder to subscribe an 11.335% increase in the post-increase share capital of Umbra Acque S.p.A. and the purchase of 4,457,339 shares owned by outgoing private shareholders (ACEA already holds an interest in Umbra Acque through the subsidiary Crea), corresponding to 28.665% of the post-increase share capital of Umbra Acque S.p.A..
Before the end of 2007, ACEA completed the subscriptions of the share capital increase and the purchase of shares owned by outgoing private shareholders, thus acquiring ownership of 40.00000257% of the share capital of Umbra Acque S.p.A.

With reference to the tariff applied to users in 2013, the tariff was calculated on the basis of Single Assembly Resolution No. 4 - 30/04/2013 of ATI No.1 and No.2 concerning the “AEEGSI 2012 and 2013 new temporary tariff system”: with said resolution the Area Authorities agreed to a New Investments Fund component of 4.0 million euros (Group share 1.6 million euros) for Umbra Acque in 2013 alone. Subsequently, on 7 November 2013, AEEGSI approved the tariffs and related Economic-financial Plans in Resolution No. 505/R/idr.

Revenues in 2013 amount to a total of 62.9 million (Group share 25.2 million) euros, including adjustments of so-called pass-through items (i.e. electricity), inclusive of the 2013 New Investments Fund component.

Related Party Transactions

ACEA GROUP AND ROMA CAPITALE

Trading relations between ACEA Group companies and Roma Capitale include the supply of electricity and water and provision of services to the Municipality.
Among the principal services are the management, maintenance and upgrading of public lighting facilities and, with regard to environmental–water services, the maintenance of fountains and drinking fountains, the additional water service, as well as contract work.
Such relations are governed by appropriate service contracts and the supply of water and electricity is conducted on an arm's length basis.
ACEA and ACEA Ato2, respectively, provide public lighting and integrated water services under the terms of two thirty–year concession agreements. Further details are provided in the section "Service concession arrangements".
With regard to public lighting, the Group provides public lighting services on an exclusive basis within the Rome area. As part of the thirty-year free concession granted by the Municipality of Rome in 1998, the economic terms of the concession services are currently governed by a service contract signed by the parties, effective as of May 2005 until the concession expiry (31 December 2027). On 15 March 2011, ACEA and Roma Capitale signed a supplemental agreement effective as of the beginning of the year.
The supplements regard the following elements:

- alignment of the term of the service contract with the expiry of the concession (2027), given that the contract is merely additional to the agreement;
- annual update of the compensation concerning consumption of electricity and maintenance;
- annual increase in the lump-sum payment with regard to the new lighting points installed.

Furthermore, the investments required for the service may be (i) applied for an funded by the Municipal Authorities or (ii) financed by ACES: in the first case, such works will be paid based on a price list agreed by the parties (and subject to review every two years) and will result in a percentage decrease in the ordinary fee. In the second case, the Municipality is not bound to pay a surcharge; however, ACEA will be awarded all or part of the savings expected in both energy and economic terms according to pre-established methods.
Moreover, it has been established that qualitative/quantitative parameters shall be renegotiated in 2018.
Upon natural or anticipated expiry, ACEA will be awarded an allowance corresponding to the residual carrying amount, which will be paid by the Municipality or the incoming operator if this obligation is expressly set out in the call for tenders for the selection of the new operator.
The contract sets out a list of events that represent a reason of early termination of the concession and/or resolution of contract by the will of the parties. Among these events, reference is made to newly arising needs attributable to the public interest including that set out in Article 23 *bis* of Law Decree 112/2008 repealed following the referenda of 12 and 13 June 2011, on the basis of which ACEA has the right to receive an allowance according to the discounted result of a defined percentage of the annual contractual amount multiplied by the number of years until expiry of the concession.
Based on the fact that the supplementary agreement exceeds the reference thresholds set out by the Company with regard to Related Party Transactions, it was analysed by the Board of Directors and approved during the meeting held on 1 February 2011, having obtained the favourable opinion of the Committee for Related Party Transactions.

The current contract, as amended by the supplemental agreement, involves a lump-sum payment which pays a compensation for ordinary operations, ongoing and extraordinary maintenance and the supply of electricity.

The consideration accrued at 31 December 2013, calculated on the basis of lighting points as at 31 December 2012, amounts to 26.9 million euros and is billed in monthly instalments with payment set at 60 days.
The new constructions and investments contribute to the increase in the lump-sum figure due to the annual accrual calculated according to the capital allowance mechanism envisaged for the plants underlying the specific operation as well as the percentage reduction of the ordinary fee due by Roma Capitale, the amount of which is defined in the technical-economic project document.
A variable interest rate is applied to the invested capital.
As a local authority, Roma Capitale has the power to regulate municipal taxes and duties that the Group companies are required to pay and which fall under its territorial jurisdiction. However, the Group is not solely liable for any such taxes and duties with respect to other companies operating in the municipality.

The reciprocal receivables and payables – with regard to payment terms and conditions – are governed by each single contract:

a) for the public lighting service contract, payment shall be made within sixty days of receipt of the invoice and, in case of delayed payment, the legal interest rate will be applied for the first sixty days, after which the default interest rate will be applied, as set out from year to year by a Decree of the Ministry of Public Works and the Ministry of Economy and Finance,
b) with reference to all other service contracts, the payment term for Roma Capitale as regards service contracts is sixty days from receipt of invoice, and in the case of late payment the parties have agreed to apply the current bank rate at the time.
c) for the supply of electricity and water to Roma Capitale (solely with reference to regulated market users), it is envisaged that Roma Capitale makes an advance payment of 90% within 40 days of receiving a summary list of the invoices issued by Group companies. Moreover, Roma Capitale must settle the remaining balance by June of the following year. In the case of late payment for electricity or water, interest is payable to the extent permitted under the terms of prevailing AEEG provisions,
d) the prices applied to sales of electricity to free market users are in line with the commercial policies of Acea Energia. Payment terms are sixty days and, in case of delay, a default interest rate will be applied,
e) the terms of payment for the ACEA Group relating to fees for the water services concession and the rental on its head office premises are set at thirty days from receipt of the invoice, and in the case of late payment interest shall be paid in accordance with the current bank rate at the time.

For further information regarding relations between the ACEA Group and Roma Capitale, reference should be made to the disclosures regarding receivables and payables vis à vis the Parent Company in note 22.b of this document.

The revenues and costs deriving from the most significant financial relations of the ACEA Group at 31 December 2013 (compared to those at 31 December 2012) are shown below.

	Revenue		Costs	
€ thousand	31/12/2013	31/12/2012	31/12/2013	31/12/2012
Supply of fresh water	31,277	30,646	0	0
Supply of Electricity	33,082	28,881	0	0
Public lighting service contract	53,203	49,334	0	0
Public lighting contract interest	538	1,513	0	0
Water maintenance service contract	585	1,140	0	0

	Revenue		Costs	
€ thousand	31/12/2013	31/12/2012	31/12/2013	31/12/2012
Monumental fountain service contract	585	1,140	0	0
Concession fee			20,303	20,655
Rental expenses			154	253
Taxes and duties			5,454	5,223

In 2013 Roma Capitale made payments for a total of 186,803 thousand euros.

Reference should be made to note 23 for details on the impact of these transactions, while the table below summarises the changes in receivables and payables.

€ thousand	31/12/2012	Collections/ Payments:	Accruals 2013	31/12/2013
Receivables	188,553	(186,803)	151,754	153,504
Payables	61,613	(7,313)	66,227	120,527

ACEA GROUP AND ROMA CAPITALE GROUP

The ACEA Group also maintains trading relations with other companies, special companies and entities owned by Roma Capitale, concerning the supply of electricity and water.
The supply of services to entities owned by the Roma Capitale Group is conducted on an arm's length basis. The prices applied to sales of electricity to free market users are in line with the sales policies of Acea Energia.
With regard to relations with the AMA, this company has paid the total sum of 19.5 million euros, thereby paying all the instalments due under the repayment plan. It should be noted that this plan covered receivables and payables until 31 October 2012.
With regard to the supply of electricity, please note that ATAC is no longer supplied by Acea Energia with effect from 1 February 2012.

The following table shows the most significant amounts of revenues, costs, receivables and payables deriving from relations between the ACEA Group and entities owned by the Roma Capitale Group.

€ thousand	Revenue		Costs		Receivables		Payables	
	31/12/2013	31/12/2012	31/12/2013	31/12/2012	31/12/2013	31/12/2012	31/12/2013	31/12/2012
Cotral Group	188	180	0	0	142	112	0	0
Trambus	0	0	0	0	0	0	12	7
AMA	8,202	9,913	164	1,485	7,197	10,517	1,409	0
ATAC	1,462	5,718	0	0	43,655	43,410	100	1
Palaexpò	0	0	0	0	17	0	0	0
Musica per Roma	47	45	0	50	81	77	61	61
Risorse per Roma	142	14	171	0	194	598	0	0
Rome Opera House	24	21	0	0	0	0	0	0
Bioparco S.p.A.	17	15	0	0	1	1	0	0
Total	**10,083**	**15,905**	**335**	**1,535**	**51,287**	**54,715**	**1,582**	**69**

The following table summarises receivables and payables due from and to entities owned by the Roma Capitale Group.

€ thousand	31/12/2013	31/12/2012	Increase/ (Decrease)
Trade receivables	122,875	149,065	(25,190)
Trade payables	89,125	60,812	28,313
Net balance of trade items	**33,750**	**88,253**	**(54,503)**
Financial receivables	82,448	94,203	(11,754)
Financial payables	32,984	869	32,115
Net balance of financial items	**49,464**	**93,333**	**(43,869)**
NET BALANCE	**83,214**	**181,586**	**(98,372)**

THE ACEA GROUP AND ITS MAIN ASSOCIATES

Up until 31 December 2011, i.e. the natural expiry date of the business unit lease, Marco Polo carried out *facility management* services. From 1 January 2012 the aforementioned business unit returned to ACEA, including the staff and the *facility management* activities involved.
Marco Polo was converted into a limited liability company and has been placed in liquidation as of 8 May 2013.

The following table shows the most significant amounts of revenues, costs, receivables and payables deriving from relations between the ACEA Group and the company Marco Polo.

	Revenue		Costs		Receivables		Payables	
	31/12/2013	31/12/2012	31/12/2013	31/12/2012	31/12/2013	31/12/2012	31/12/2013	31/12/2012
Marc o Polo	1,727	1,056	0	95	3,034	2,135	2,607	7,361

ACEA GROUP AND MAIN GdF-Suez GROUP COMPANIES

At the reporting date, essentially all purchase and supply agreements signed under the terms of the Framework Agreement had expired, although they continued to have some effects in 2013 with regard to energy and gas purchases.
Furthermore, on 18 February 2013, ACEA and GSEI also signed a Settlement Agreement aimed at settling, pursuant to art. 1965 of the Italian Civil code, the reciprocal positions generated by the closing of debt and credit items, some of which resulted from the termination of the joint venture agreement in March 2011. As a result of that Agreement, the items recognised and subject to the settlement were finally and definitively settled between the parties.
The following table shows the most significant amounts of revenues, costs, receivables and payables deriving from relations between the ACEA Group and the companies of the GDF Suez Group.

	Revenue		**Costs**		**Receivables**		**Payables**	
€ thousand	31/12/2013	31/12/2012	31/12/2013	31/12/2012	31/12/2013	31/12/2012	31/12/2013	31/12/2012
Gas de France Suez Energia I.	2,094	1,426	365	45,910	26	4,057	9,942	11,648
Gas de France	0	0	0	0	0	0	0	352
Gas de France Suez Produzione	0	73	0	0	0	73	0	0
Roselectra	0	419	0	0	9	5	0	0
Tirreno	0	0	0	14,969	0	0	0	0
Total	**2,094**	**1,918**	**365**	**60,879**	**35**	**4,135**	**9,942**	**12,000**

List of significant related party transactions

Transactions examined and excluded from application of the OPC Procedure since, their amount exceed the threshold of major significance, these transactions, although excluded, are subject to disclosure

- Acea Energia/Umbria Energy: contract for the supply of electricity for an estimated amount of 98 million euros. On 14 June 2013, pursuant to paragraph 7.2.2 of the Procedure ACEA informed CONSOB that an energy supply contract was entered. This was an ordinary transactions that exceed the threshold of major significance, entered into at arm's length conditions, which benefited from exclusion from application of the aforementioned procedure pursuant to art. 9 of said procedure
- Framework Agreement for the supply of electricity for the year 2013 between Acea Energia Holding and Acea Energia (estimated value 604 million euros)
- ACEA - Acea Energia: increase of the corporate or bank "guarantees ceiling", granted by ACEA to cover Acea Energia activities for the period October 2013-December 2014.
- Acea Energia Holding/Acea Energia: Reverse merger of AEH in Acea Energia in implementation of the plan to simplify the corporate structure
- Acea Energia/Acea Ato2: Renewal of the contract for the supply of electricity for the calendar year 2014. Requirements estimated at 366,200 MWh for an estimated amount of 63.7 million euros. Extension of the supply contract under the same terms and conditions for the calendar year 2015, unless any contrary regulations are introduced by AEEG. Consequent charge for the 2014-2015 period of 127.4 million euros for an estimated total of 732,400 MWh

On 18 December 2013 the ACEA Board of Directors approved a number of changes to the OPC procedure. The text of the new procedure and the previous procedure showing the revision of changes made have been available on the company web site since 20 December 2013..

The table below shows the percentage weight of transactions with related parties on the statement of financial position, the income statement and the cash flow statement.

Impact on statement of financial position

€ thousand	31/12/2013	of which with related parties	% weight	31/12/2012	of which with related parties	% weight
Financial assets	34,788	32,328	92.9%	32,959	30,899	93.8%
Trade receivables	1,500,667	156,144	10.4%	1,477,207	190,744	12.9%
Current tax assets	109,463	23	0.0%	85,562	57	0.1%
Current financial assets	117,268	59,101	50.4%	152,225	71,787	47.2%
Trade payables	1,306,882	130,259	10.0%	1,267,161	92,864	7.3%
Financial payables	698,076	33,565	4.8%	891,407	1,638	0.2%
Tax Payables	49,290	17	1.3%	61,510	68	0.1%

Percentage weight on the Income Statement

	31/12/2013	of which with related parties	% weight	31/12/2012	of which with related parties	% weigh t
Consolidated net revenue	3,570,651	209,482	5.87%	3,592,421	214,205	6.0%
Total cost of materials and overheads	2,804,559	26,998	0.96%	2,914,897	92,175	3.2%
Total financial (expense)/income	(97,427)	3	0.00%	(120,554)	1	0.0%

Impact on Statement of Cash Flows

	31/12/2013	***of which with related parties***	***% weight***	**31/12/2012 Restated**	***of which with related parties***	***% weight***
Increase in current receivables	(90,884)	*(34,634)*	*38.1%*	(49,186)	*(79,203)*	*161.0%*
Increase/(decrease) in current payables	39,314	*46,769*	*119.0%*	(72,595)	*(238,364)*	*328.3%*
Proceeds/payments deriving from other financial investments	33,144	*(11,257)*	*-34.0%*	(1,825)	*(39,078)*	*2141.6%*
Decrease/increase in other short-term borrowings	(193,571)	*31,927*	*-16.5%*	436,226	*(14,367)*	*-3.3%*
Interest expense paid	(126,876)	*0*	*0.0%*	(123,247)	*1*	*0.0%*
Dividends paid	(77,434)	*(77,434)*	*100.0%*	(47,813)	*(47,813)*	*100.0%*

Update on major disputes and litigation

Social security issues

INPDAP (National Social Insurance Institute for Civil Servants) contributions.

The Group employs staff registered with both INPDAP and INPS pension funds. Certain contribution rates applied by the two entities differ considerably; these include those for family benefit payments, for which INPDAP applies a rate of that is 3.72 percentage points higher than that applied by INPS.
In response to the failure to pass legislation bringing the pension and social security contributions into line, the Group companies decided that from November 2002 it would pay such contributions at the lower rate. On the other hand, the underlying legal basis is unclear: INPS circular No. 103 of 16 June 2002 reiterated that, whilst awaiting clarification from the Ministry of Economy and Finance and the Ministry of Labour, the rate of 6.20% applied to staff registered with the INPDAP pension fund, reduced to 4.15% for 2011 (although the differential of 3.72 percentage points with respect to staff registered with the INPS pension fund remained unchanged) was to be considered provisional.

The lack of legislative intervention, and the negative and prolonged legal progress of the cases undertaken led the Group to take action to settle the dispute by recognising the debt, and paying family benefit payments as required by INPS from December 2012.
Finally, in the month of December 2013, the Group companies filed an irrevocable waiver for all pending cases.

Tax issues

SAO tax inspection

In October 2008, the Revenue Agency notified the company with two notices of assessment which reassessed, inter alia, the tax reports for the tax years 2003 and 2004 with regard to the IRES tax. The alleged irregularities arise from the application of Article 14, paragraph 4-bis of Law no. 537 of 24 December 1993.
The appeals filed by the Company were merged by the Tax Commission of Terni which, in the month of May 2009, upheld the application for suspension filed by SAO and in November 2009 stayed the proceedings by raising the issue of the constitutionality of Article 14, paragraph 4 bis of Law no. 537 of 24 December 1993, upon which the tax assessment was based.
By decision of March 2011 the Constitutional Court dismissed the constitutionality issue and remanded the proceedings to the Tax Commission of Terni. In January 2013, the Commission upheld the appeals filed by SAO and ordered the Agency Revenue to pay 50% of the legal costs incurred by the Company.
On 24 February 2014, a hearing was held for discussion of the appeal lodged by the Revenue Agency with the Regional Commission of Umbria. The filing of the decision is currently pending.

In addition to the above, in November 2008, the Revenue Agency notified the company, and the former Parent Company EnerTAD S.p.A., with a notice of assessment that reassessed the IRES tax due for the 2004 tax period, establishing an additional tax charge of 2.3 million euros for taxes, net of penalties, where applicable. The alleged irregularities arise from the application of Article 14, paragraph 4-bis of Law no. 537 of 24 December 1993.
SAO defence arguments were upheld by both the Provincial and the Regional Tax Commission. In February 2013, the Revenue Agency appealed to the Supreme Court and the company filed its appearance.

It is believed that the actions of the tax authorities mentioned above are illegitimate, and that the risk of having to pay the full amount is remote, which previous shareholder Enertad, now Erg Renew, will be obliged to pay on the basis of the guarantees issued as part of the purchase/sale agreement regarding the shares of the direct parent company A.R.I.A. S.r.l., formerly Tad Energia Ambiente S.p.A., reaffirmed by the recent award of the Board of Arbitrators.

For the sake of completeness, we also mention that in January 2009, the company challenged the decision ref. no. 2008/27753 of 27 November 2008 by which the Revenue Agency suspended the payment of a VAT refund claimed by the Company for the 2003 tax year. This refund amounting to 1.3 million euros, was recognized by the tax authorities, but it was suspended as a precautionary measure due to the above mentioned tax assessments. The Tax Commission, with Ruling issued following the hearing held in March 2010, upheld the appeal lodged by the company, thus cancelling the cited measure against the aforementioned ruling. The Revenue Agency submitted an appeal in September 2010. The proceedings are in progress. It should be noted that the receivable concerning the above VAT refund was sold for valuable consideration in July 2010. The buyer lodged an appeal, simultaneously requesting discussion at a public hearing for the cancellation of measure 73747/2011 by which the Terni Provincial Department of the Revenue Agency declared the sale of said VAT credit from SAO to said assignee to be unacceptable. By sentence no. 52/04/12 issued on 3 October 2011 and filed on 26 March 2012, the Perugia Regional Tax Commission rejected the appeal filed by the Tax Authorities, with reimbursement of costs. The Revenue Agency appealed to the Supreme Court and the company filed its appearance.

ARSE tax inspection

On 14 June 2012, the Company was delivered a Report on Findings from the Italian Financial Police - Rome Tax Police Department following its inspection to check the correct use of the tax suspension provisions under the VAT tax warehouse system pursuant to article 50-bis of Law Decree no. 331 of 30 August 1993 (“VAT Warehouses”), relating to certain assets imported by the company in 2009, 2010 and 2011.

Based on the alleged abusive use of the aforementioned system by the company, the inspectors charged the company with failure to pay VAT on imports - for 2009, 2010 and 2011 - amounting to 16,198,714.87 euros.

On 6 August 2012 the company submitted a defence brief pursuant to art. 12, paragraph 7, of Law no. 212 of 27 July 2000 concerning the findings contained in the aforementioned Report on Findings.

The issue relating to the concepts of simulated warehouses and the introduction of goods to the country is particularly well-known and debated, and has been the subject of numerous papers on practices issued by the Customs Authority and several cases of legal intervention.

The company considers that all the factual and legal conditions envisaged in the regulation on the use of VAT Warehouses, as interpreted by the relevant administrative bodies, were fully satisfied and therefore the aforementioned Report on Findings is without grounds.

With regard to VAT warehouses, please also note that, as concerns the particular case of the provision of services for the assets held at the VAT warehouses (case set forth in letter h) of art. 50-bis of Law Decree no. 331/1993), art. 34, paragraph 44 of Law Decree no. 179 of 18 October 2012 recently amended art. 16, paragraph 5-bis of Law Decree no. 185 of 29 November 2008 (on the authoritative interpretation of letter h) of art. 50-bis noted above) establishing, for that case, that VAT must be deemed definitively paid if, when the merchandise is taken from the VAT warehouse for marketing within the country, the regulations set forth in paragraph 6 of art. 50-bis of Law Decree 331/93 are correctly implemented, or the reverse charge procedures pursuant to art. 17, paragraph 2, of Presidential Decree no. 633 of 26 October 1972 are correctly applied.

GORI tax inspection

In 2011, the Revenue Agency carried out an inspection for the year 2008. At the end of the inspection, the inspectors charged the company with higher taxes payable for approximately 1 million euros (plus penalties and interest).
As a direct consequence of the tax inspection reported above, the company received: (i) a notice of findings in December 2012 relative to 2007 with which higher IRES corporate income taxes were charged for 3,902 thousand euros, IRAP regional tax for 2,816 thousand euros and VAT for 97 thousand euros. On 13 February 2013, the company submitted a request for tax settlement which was finalized in May involving payment of 1,249 thousand euros; (ii) a notice of assessment in the month of August 2013 for the year 2008, with which higher IRES and IRAP taxes were charged for 2,569 thousand euros and higher VAT for 570 thousand euros. The Company requested and obtained the payment by instalment of the sums assessed which amounted to 1,393 thousand euros; (iii) on 28 January 2014, an internal order of the Campania Regional Revenue Department announcing the opening of a general audit for the year 2010 and a targeted audit for the years 2011 and 2012.

ARIA (formerly EALL) tax inspection

On 17 February 2012, the Terni Tax Police Department of the Guardia di Finanza launched a general inspection (IRES, IRAP and VAT) against EALL for the years 2010/2011 until its merger into ARIA. A request for the 2009 inspection to be extended to VAT was submitted during the course of the inspection.
On 26 April 2012, ARIA S.r.l., as incorporating company of EALL, was served a notice of findings report containing the following findings:

- deductions pursuant to Tremonti ter;
- undue deduction of VAT on the disposal of ash and waste.

Regarding the first of these findings, the inspectors pointed out the incorrect calculation for 2009 of a negative income component, but at the same time recognised the amount due for 2010.
In the opinion of the company this finding does not result in higher taxes as the higher payments made for 2009 fully cover the higher taxes ascertained. It should be remembered, in fact, that the Tremonti ter subsidy was challenged by the Tax Authorities in relation to its aggregation with green certificates and the CIP6, and by virtue of this initial interpretation the subsidy was first excluded and subsequently higher payments were made.
Regarding the second finding, the inspectors charged the company with unlawful deduction in 2009, 2010 and 2011 of part of the VAT on services received for the disposal of ash and waste. In practice the company had received invoices indicating the standard VAT rate rather than the subsidised rate. Following the notification, which took place during the years 2012 and 2013, of the notices of assessment for VAT for the years 2009, 2010 and 2011, in 2013 the company paid the additional tax assessed and the related penalties, assessed on a reduced basis, for a total amount of 844 thousand euros.

ACEA Distribuzione tax inspection

Following the general inspection undertaken on 19 December 2012, the tax authority served ACEA Distribuzione with a Report on Findings on 23 May 2013 The findings concern corporate income taxes (IRES), regional tax (IRAP) and VAT for a total of about 1.5 million euros. The same Report on Findings also identified irregularities for the years 2008-2012 concerning the tax treatment of certain items already identified as irregular and having a multi-year impact on the accounts.
On 14 August 2013, the Lazio Regional Revenue Department - Large Taxpayers Office - on the basis of the irregularities identified in the Report on Findings, issued a notification to the company seeking clarification on the tax treatment of the reported items for the tax period 2008. On 23 September 2013, the company filed its defence brief with the attached supporting documentation at the offices of the Regional Revenue Department.

On 23 and 30 December 2013, the Lazio Regional Revenue Department notified the notices of assessment for 2008, in which it challenged undue deductions for a taxable IRES and IRAP amount of 280 thousand euros and undue VAT deduction for 56 thousand euros.
Against said notices of assessment, the company submitted a request for tax settlement.

Customs inspection of Voghera Energia Vendita in Liquidation

On 20 August 2013, the Pavia Customs Office notified a report on findings to Voghera Energia Vendita which reported the missed declaration, and consequently, failure to pay excise duties and surcharges on electricity for the period 2008 - 2011 for a total amount of 12,532 thousand euros. The same report on findings also reported the failure to account for VAT on excise duty for an amount of 2,524 thousand euros.
On 4 October 2013, the company filed its defence briefs pursuant to art. 12 of Law 212/2000, detailing the transactions carried out in the audited years and filing copious supporting documentation.
Despite the accurate reconstruction of billing operations provided in the brief, on 14 February 2014 the Customs Office served a notice of payment for non-payment of excise duties and surcharges on electricity for the periods ranging from 2008 to 2011 for a total of 10,931 thousand euros plus interest of 941 thousand euros and an order for the payment of administrative penalties (a total of approximately 25 million euros). The company considers that the amounts assessed are not due and will therefore take appropriate defence action.

Other issues

ACEA Ato5 - Tariff

With reference to the complex and vast tariff dispute between Acea Ato5 and the Area Authority we provide the following information:

- the appeal filed by the ATO for the annulment of Decree F66 of 8 March 2012 "Determination of the tariff of the integrated water service applicable for the year 2012 in the ATO 5 Southern Lazio - Frosinone" issued by the Special Commissioner as well as for the annulment, providing additional reasons, of the Report submitted by said Commissioner in June 2012 on the progress of the work was discussed at the hearing on 27 November 2013: by judgment no. 907/2013 the Regional Administrative Court of Lazio - Latina Section - partly upheld the original appeal, to the extent concerning the adequate return on invested capital, while declaring the remaining parts of the original appeal inadmissible in the grounds and procedurally and also declaring the additional grounds as entirely inadmissible. With regard to the portion of the return on invested capital for the period 21 July 2011 – 31 December 2011, the Operational-Technical Secretariat of ATO 5 Southern Lazio-Frosinone sent AEEGSI a note that indicates that no such reimbursement is due as "*the deduction of sums* (accounted for - editor's note) *from the portion of return on invested capital, reproportioned for the period of reference results in a negative reimbursement ….*".
- On 31 July 2013, the Area Authority filed an appeal for the annulment and suspension of the effectiveness of the final report issued by the Special Commissioner on 30 May 2013 concerning the establishment of the tariff adjustments and the service levels for the operating period 2006-2011 and the review of the three-year plan 2011-2013. On 10 September 2013, the Authority filed a formal waiver of the injunction order requested in the same action and, as of today, we are waiting for the hearing on the merits to be scheduled. In December 2013, the Company gave formal notice to the Authority demanding that the Commissioner's 30 May 2013 Decision be put into full effect within 30 days.

ACEA Ato5 - Injunction Order requested for credit collection on the settlement agreement of 2007

With regard to the 10.7 million euro credit for higher costs incurred in the 2003-2005 period, pursuant to the Settlement agreement of 27 February 2007, on 14 March 2012, ACEA Ato5 lodged an appeal for an injunction order concerning the credit recognised by the A.ATO to the company.
Accepting the appeal, the Court of Frosinone issued Injunction Order no. 222/2012, enforceable immediately, notice of which was served to the Area Authority on 12 April 2012.
By notice dated 22 May 2012, the AATO sent notice of its opposition to the injunction order, requesting the cancellation of the order and, as a precautionary measure, the suspension of its provisional enforcement. Moreover, as a counterclaim, it submitted a claim for the payment of concession fees totalling 28,699,699.48 euros.
ACEA Ato5 appeared before the court in the proceedings against the injunction order, challenging the adversary's demands and in turn formulating a counterclaim for the payment of the entire amount of higher costs incurred by the Operator and originally requested, totalling 21,481,000.00 euros.
Following the hearing on 17 July 2012, the Judge - in an Order filed on 24 July - suspended the temporary enforcement of the injunction order, and postponed to a later date the discussion of the merits of the issue.
The judge also rejected the request for an order of payment of the concession fees submitted by the A.ATO.
The hearing for the decision on the evidence submitted by the parties was set on 21 November 2014.

GORI – Dispute over water supplies

ARIN

Several judgments are pending concerning disputes between GORI and A.R.I.N. S.p.A. (Now Azienda Speciale ABC) in relation to the cost of water supplies provided in favour of ATO 3.
ABC operates, obviously, in the territory of the Municipality of Naples and is the special company of that municipality that has taken the place of A.R.I.N. S.p.A. . The Municipality of Naples belongs to the territory of ATO 2 "Naples-Volturno" of the Campania Region.
On the basis of very old concession agreements ABC uses its own sources of supply (Serino Aqueduct of ATO 1 in the Campania Region and the well field of Casalnuovo in ATO 2 in the Campania Region) and also purchases water from the Campania Region.
Currently, ABC directly to supplies water wholesale to several municipalities, to GORI and even to the Region.
The matter in dispute is that the tariff ABC applies to sub-contractors is about three times higher than the regional tariff; the regional rate is equal to 0.1821 €/cu.m, while the ABC's tariff is 0.47376 €/cu.m (from 01.01.2013: 0.497922 €/cu.m).
On the contrary, ABC should be applying the tariff for water distributed wholesale in respect of the EU and national cost orientation principle (see the most recent AEEG provisions on the subject) i.e., with the aim of recovering only "actual costs" incurred to distribute the water, also in consideration of the fact that ABC is not authorized to sell water wholesale.
This discrepancy stems from the fact that the tariff for inter-ATO supply has not yet been established according to law (the duty of the Campania Regional Government and the Area Authority). In this regard, please note that art. 11 of Regional Law no. 14/1997 (law implementing the Galli Law) sets forth that: "*Any interference between the integrated water services of different ATOs, with particular regard to the transfer of resources and the common use of infrastructures, are governed by dedicated agreements between the Area authorities on the basis of the instructions provided by the Regional council*".
Obviously, this situation causes an increase of cost on the integrated water service tariff of ATO no. 3, with repercussions on end users in the municipalities of that ATO.

The above considerations were extensively reported and discussed at a Services Conference called for this purpose by the Sarnese Vesuviano Area Authority, during which it was considered - following the outcome of a special technical investigation - that the operating costs for abstraction works are considerably lower than the tariff applied by ABC.

Campania Region

Resolution No. 171 passed on 3 June 2013 by the Campania Regional Government laid the foundations for the final settlement of the dispute between the Regional Government (and their regional operator Acqua Campania S.p.A.), the Sarnese Vesuviano Area Authority and GORI; more specifically, this resolution established the principles for drawing up an agreement, which the above subjects signed on 24 June 2013, in which

(iv) relations are normalized through the acknowledgement and application of regional tariffs for the wholesale water supply services and the collection and treatment of waste water provided through regionally operated plants,

(v) GORI's overall debt with the Regional Government is acknowledged, reducing it through the application of the specific provisions of the 2012 regional financial law with a consequent 20-year repayment plan (without payments in the first ten years and with payments beginning from the eleventh year at the legal interest rate valid when the agreement was signed) which will be supported also by a gradual repayment plan for the tariff adjustments matured by GORI in previous years.

(vi) Likewise, concomitantly with the GORI debt for an equivalent amount, also the total of previous tariff adjustments is reduced, equal to 109.5 million euros as at 31 December 2011 (Group share 40.6 million euros).

This agreement solves the dispute between the Campania Regional Government and its operator Acqua Campania on the one hand, and between the Area Authority and GORI on the other.

GORI - Dispute with the Commissioner appointed for the social-economic-environmental emergency in the Sarno river water basin

On 29 March 2011, the Appointed Commissioner for the social-economic-environmental emergency in the Sarno river water basin obtained injunction order no. 371/2011 issued by the Campania Regional Administrative Court (Naples), ordering the Area Authority and GORI - as jointly liable - to pay the sum of 5.5 million euros, plus accessory costs, to the Appointed Commissioner as sums due for their part of the loan for which they were deemed liable under the terms of the Memorandum of Understanding signed on 19 March 2004 between the appointed Commissioner, the Campania Regional Government, the Area Authority and GORI. Though this was duly challenged, by sentence no. 6003 of 21 December 2011 the Campania Regional Administrative Court (Naples) confirmed injunction order no. 371/2011.
Consequently, the Area Authority and GORI filed an appeal before the Council of State, which on 24 April 2012 issued order no. 1620/12 which suspended the effects of the sentence challenged until a decision was made on the merits. Currently, the appointed Commissioner has not yet requested that a hearing be set for the discussion of the merits.

A.R.I.A. - Avoided Fuel Cost (CEC)

In January 2013, the company appealed before the Lazio Regional Administrative Court for the cancellation of Ministry of Economic Development (MSE) Decree of 20 November 2012 on “New methods for determining the avoided cost of fuel component (CEC), pursuant to measure Cip 6/92 and determining the value of the CEC adjustment for 2011”, as well as all underlying, resulting and in any case connected deeds, including the AEEG proposal adopted with resolution PAS 9/10, note ref. no. GSE/P20120233904 by the national grid operator of 21/12/2012, received on 3 January 2013, and concerning the “Updating of prices for electricity transferred to the national grid operator in 2010, 2011 and 2012 under the allocated transfer agreements pursuant to Measure CIP no. 6/92”, as well as the Procedure pursuant to art. 3, paragraph 5, of Ministry of Economic

Development Decree of 20 November 2012, published by the national grid operator on 25 January 2013.
The determination of the CEC set forth in that Ministerial Decree, which caused a reduction in the energy sale price under the CIP 6/92 regime beginning in 2010, was deemed illegitimate by the company and other operators as concerns various aspects which include, inter alia, the violation of the legitimate confidence of operators in the stability of the economic conditions of CIP 6/92, also with particular reference to so-called “pre-chosen initiatives” as well as the violation of the principle of certainty of juridical and legal relations. In July 2013, the company lodged an appeal based on additional grounds for the annulment of Ministerial Decree of 24 April 2013 on the "Determination, for the year 2012, of the value of the adjustment of the avoided cost of fuel component (CEC), referred to in measure CIP 6/92" and the measures subsequently taken by the Electricity Sector Equalisation Fund and the National Grid Operator (GSE).
Furthermore, with Opinion 535/2012/EEL of 13 December 2012, the AEEG sent a proposal to the Ministry of Economic Development for the definition of methods for updating the advance and adjustment values of the Avoided Cost of Fuel (CEC), pursuant to Measure CIP 6/92, taking into account some developments in the gas market. In summary, the proposal sets forth that:

- ✓ the component related to the value of natural gas raw materials (CECgas) is calculated on the basis of the value of gas exchanged for balancing purposes;
- ✓ the transport costs component(CECtrasp) is revised net of the portion of transport fees for gas fed into the network and the variable fees applied to the volumes fed into the grid;
- ✓ the component relative to the wholesale marketing margin (CECcom) is removed.

The updating criteria referred to in this proposal do not apply to the 2012 adjustment, as required by the aforementioned Ministerial Decree of 24 April 2013.
An additional legislative action was taken by Decree Law no. 69 of 21 June 2013 ("Decree of Making") concerning the methods for updating the Avoided Cost of Fuel, with effect from 2013. The mentioned decree 69/2013 was converted, with amendments, into law no. 98 of 9 August 2013, which makes reference to the disputed parameters set forth in Ministerial Decree of 20 November 2012.
In particular, Article 5, paragraph 3 of the above mentioned decree, by changing the criteria for determining the advance and adjustment values for 2013, states that "the method of calculation of the transport component is unchanged, as are the specific fuel consumption values set forth in decree no. 280 of the Minister of Economic Development of 20 November 2012, published in Official Gazette on 30 November 2012".
In October 2013 the Company lodged an additional appeal for additional grounds in which the objections on points of law contained in the main application and in the one of the first additional grounds mentioned above, were converted into objections on grounds of non-constitutionality for violation of Articles 3, 41, 111 and 117 paragraph 1, of the Italian Constitution.

E.ON. Produzione S.p.A. proceedings against ACEA, ACEA Ato2 and AceaElectrabel Produzione

These proceedings were launched by E.ON. Produzione S.p.A., as successor to ENEL regarding a number of concessions for the abstraction of public water from the Peschiera water sources for electricity production, to obtain an order against the jointly and severally liable defendants (ACEA, ACEA Ato2 and AceaElectrabel Produzione) for payment of the subtension indemnity (or compensation for damages incurred due to illegitimate subtension), which remained frozen in respect of that defendant in the 1980s, amounting to 48.8 million euros (plus the sums due for 2008 and later) or alternatively payment of the sum of 36.2 million euros.
As for the decision of the TRAP (Regional Court of Public Waters), before which a ruling is pending regarding the matter in question, to arrange for a court-appointed expert as regards the values of subtension for branching off, and subsequent reduction in hydroelectric production and indemnities due, the judge suspended the 3 October 2013 hearing where memoranda were presented

concerning the partial payment of the unpaid fees. At the hearing on 09 January 2014 the judge reserved the decision.

The expert's report shows a calculation according to which the claims actioned in the proceedings, even when unfounded - which is unclear, because the documents containing the metering parameters of the compensation are still deemed to be applicable and effective - would be greatly altered, substantially reducing the amount of equalisation already estimated by the Group.

Vianini Lavori Arbitration

The arbitration proposed by Vianini Lavori S.p.A. (in ATI with the French company STEREAU) ended in March 2013: the Board of Arbitration found Vianini's demands to be partially founded (4.2 million euros plus revaluation and interest) but fully approved ACEA Ato2's counterclaim for damages for breach of contract: the net balance is in ACEA Ato2's favour.

The Arbitration Board also passed sentence on the compensation of court costs and legal expenses to be paid by the parties.

ACEA/SASI Proceedings

In ruling 6/10, TRAP (Regional Court of Public Waters) accepted the request submitted by ACEA against the Società Abruzzese per il Servizio Integrato S.p.A. (SASI) for the compensation for damages for the illegitimate withdrawal of water from the Verde river. ACEA was awarded 9 million euros, plus interest accrued from 14 June 2001 until 30 July 2013 in compensation for damages.

The sentence, which is not temporarily enforceable, was appealed by SASI before the TSAP (Higher Court for Public Waters) and ACEA filed a cross-appeal. In non-definitive judgment No. 117/13 on 11/06/13 the TSAP, upholding one of the reasons for appeal, adjourned the proceedings appointing a court-appointed expert to estimate the damages suffered by ACEA in the period 2010/2013. The TSAP set the hearing for 23 October 2013, then adjourned the proceedings until 27 November 2013. At this hearing the same court-appointed expert from the first instance was assigned to the case which was adjourned until 14 May 2014 for the court-appointed expert's findings.

A.S.A. – Acea Servizi Acqua – SMECO

By means of summons notified in autumn 2011, ACEA was summoned to court to respond to the presumed damages that its alleged non-compliance with unproven and inexistent obligations which are assumed to have been adopted under the shareholders' agreement relating to subsidiary A.S.A. – Acea Servizi Acqua – would have produced for minority shareholders of the latter, and their respective shareholders. The *claim* is over 10 million euros.

The judge upheld SMECO's claim and appointed a court-appointed accountant to calculate the costs borne, loss of profit and any payable fees by effect of the seller's option in the shareholders' agreements.

At the 11 February 2014 hearing, which was held to discuss the comments on the expert report, the judge gave the parties a deadline for comments on the court-appointed expert's statement and called the court-appointed expert for clarifications on 20 March 2014.

Following the above-mentioned comments, the Delegated Judge, at the hearing of 20 March 2014 issued a decision, substantially admitting the pleadings of the defence and of ACEA's appointed expert and postponed the case to the hearing on 1 July 2014, in order to better define, jointly with the parties and the party's appointed expert, the documentation to be acquired from ACEA Ato 2 and proceed to supplement the Court Expert Report.

Sorical dispute

The subsidiary Acea Energia (AE) was awarded a tender at the end of 2010 for the supply of electricity on the free market in favour of Sorical, a mixed public-private company that manages the wholesale water supply in the Calabria Region. The contract was regularly executed by AE, while the customer immediately began to accumulate conspicuous overdue payments, enough to

cause AE to reschedule the debt already in summer 2011. Additional, subsequent payment delays led to the negotiation of a new repayment agreement, at the end of 2011, which was then repudiated by Sorical. Indeed, with evident self-serving and delaying purposes, that company called AE before the court to have it sentenced for alleged supply irregularities.
AE appeared before the court and made a counterclaim for the balance of amounts billed and unpaid, totalling roughly 24 million euros, plus interest and accessory costs pursuant to the law. The judge issued an injunction order in accordance with art. 186 of the Code of Civil Procedure, by writ of execution, in favour of AE for approximately 8 million euros, plus costs and interest, which went unchallenged, pending the continuation of the proceedings adjourned to March 2014 for the presentation of closing statements. Following this hearing, after the term for presentation of the defence's memoranda, the Judge should pass sentence before the end of the year.
In the meantime, AE disconnected its supply to Sorical, and the latter was placed under the regime subject to additional safeguards, while its shareholders resolved on its placement in liquidation and, on 30 May 2013, filed an application for settlement under Italian Bankruptcy law for the reorganisation, rather than liquidation, of distressed and failing businesses, which it formally waived in December 2013 requesting application of the ordinary legislative procedure.

Volteo Energie

ARSE submitted an application for an injunction order against Volteo Energie, to which only partially paid PV panels were supplied. The remaining exposure is approximately 2 million euros. The counterparty opposed the immediately notified claim, and also submitted claims for compensation for alleged production gaps in the supply. While the proceedings continue - and without prejudice to the fact that any faults in the panels can be charged back to the manufacturer – by order on 12 February 2013, the Court approved provisional enforcement of the injunction order for 1.283.248,02 euros plus interest and costs (suspending a decision on the remaining 654.136,66 euros until the end of the enquiry).
After requisition of 1.347.787,38 euros, Volteo proposed payment in instalments.
They have already paid the entire amount of the requisition equal to 1.347.787,38 euros. The proceedings continue to evaluate the portion of ARSE receivables not covered by the provisional enforcement and to examine Volteo's application for acknowledgment of the penalty and damages. The case was adjourned to 21 October 2014 for tests to be performed and, when the results of said tests are known, appointment of a court-appointed expert if necessary, while a settlement of the dispute does not seem probable.

Milano '90 dispute

This issue concerns Milano '90's failure to pay 5 million euros due for the balance of the sale price of the area in the municipality of Rome with access from via Laurentina No. 555, formalised on 28 February 2007 and with a subsequent supplementary deed of 5 November 2008. With the supplementary deed, the parties agreed to change the fee from 18 to 23 million euros, while eliminating the *earn out*, setting 31 March 2009 as the payment deadline.
Given the purchaser's failure to act, the procedure to collect amounts due was initiated by preparing a notice warning Milano '90 to pay and through application for an injunction order which, on 28 June 2012, was granted in a temporarily executive form.
Therefore, the aforementioned injunction order was notified on 3 September 2012 and on 23 November, it was delivered to the Judicial Officer for third-party seizures, for the coercive collection of the amounts due.
Today, the objection by Milano '90 is pending before section X of the Court of Rome. An additional proceeding within this case was established pursuant to art. 649 of the Code of Civil Procedure, aimed at suspending the temporary execution of the challenged injunction order. This suspension was approved by the Judge.
Enforcement was also suspended, after the temporary enforcement of the injunction order.
At the hearing on 13 March 2014, the Judge reserved a decision as to the admission of evidence.

By decision dated 7 April 2014 the Judge, considering that a technical survey was needed to assess the land planning situation of the property and deciding to admit the witnesses evidence as requested by ACEA, adjourned the hearing to 18 December 2014 for the witness hearing and nominate the Court appointed expert. The Investigating Judge also ordered ACEA to deliver the documentation requested by the opposing party.

Trifoglio dispute

This issue concerns the breach by Trifoglio of its obligation to pay the balance of the amount due (10.3 million euros), pursuant to the sale contract regarding the so-called Autoparco property, which should have been paid on 22 December 2011.
In consideration of Trifoglio's breach, a notice was served aimed at signing a deed to voluntarily terminate the sale agreement of 22 December 2010, and then to file a claim before the Court of Rome, pursuant to art. 702-bis of the Code of Civil Procedure. The hearing for the appearance of the parties before the court set for 13 November 2012 was postponed to 30 April 2013 following Trifoglio's call of a third-party to appear before the court (Piano Assetto C9 Stazione Ostiense Consortium).
In the meantime, ATAC Patrimonio filed a claim for the termination of the sale agreement of 22 December 2010 for the portion for which it is responsible.
After changing the proceedings from summary to ordinary, the Court adjourned the case to 7 may 2014 for admission of evidence, by granting the time limit for filing briefs pursuant to art. 183, paragraph 6 of the Italian Code of Civil Procedure with effect from 14 January 2014.
Together with the submission of briefs pursuant to art. 183 No. 1 of the Italian Code of Civil Procedure, a new defence counsel for Trifoglio filed its appearance in the proceedings that charged ACEA for a new breach on account of the alleged impossibility to complete the development of the area covered by the sale agreement.
In addition a new summons by Trifoglio was acknowledged, again concerning the deed of sale and aimed at having it declared null and void. In the summons, Trifoglio requested joinder with the proceedings instituted by ACEA, in addition to requesting the admission of expert advice. The summons, which as well as to ACEA was also served to ATAC Patrimonio, contains a claim for damages of approximately 20 million euros.
In the briefs submitted pursuant to art. 183 no. 2 of the Italian Code of Civil Procedure, the counterparty requested the admission of the expert advice essentially to assess the possibility to proceed with development of the area.
The hearing for discussion of the summons submitted by Trifoglio has been scheduled for 27 May 2014.
As matters stand, the objections raised by the opposing party appear to be groundless.

Kuadra dispute

Within the scope of the Kuadra S.r.l. dispute against the subsidiary Marco Polo S.r.l. in liquidation for alleged breach of contract related to participation in the ATI for the CONSIP order, lawsuits were also filed against the same Kuadra S.r.l. and the partners of Marco Polo (therefore: ACEA, AMA and EUR) as well as Roma Capitale.
This summons was filed by the counterparty on the basis that Marco Polo was under the management and coordination of all direct and indirect Shareholders.
ACEA holds that, also in consideration of the generic nature of Kuadra S.r.l.'s reasoning attributing responsibility to the Shareholders of Marco Polo S.r.l. in liquidation, the risk of an unfavourable ruling is considered remote, while the indirect risk as a Marco Polo Shareholder, has already been considered in the assessment of risks with the subsidiary.

Additional disclosures on financial instruments and risk management policies

Classes of financial instruments

The following table shows the breakdown of financial assets and liabilities required by IFRS 7 based on the categories defined by IAS 39.

€ thousand	Held for trading financial instruments at fair value	Loans and receivables	Available-for-sale financial instruments	Carrying amount	Notes
Non-current assets	0	34,788	3,279	38,067	
Other equity investments			3,279	3,279	18
Financial assets due from Parent Company, subsidiaries and associates		32,328		32,328	21
Financial assets due from third parties		2,460		2,460	21
Current assets	0	2,248,477	0	2,248,477	
Trade receivables from customers		1,399,424		1,399,424	23
Trade receivables from related parties		76,310		76,310	23
Other current assets: fair value measurement of contracts for difference and commodity swaps with changes recognised in equity (*)				0	23
Other current assets: fair value measurement of contracts for difference and commodity swaps with changes recognised in profit or loss (*)		47		47	23
Other current assets: energy equalisation and specification		41,024		41,024	23
Other current assets: subsidiaries		24,933		24,933	23
Financial assets due from Parent Company, subsidiaries and associates		59,101		59,101	23
Financial assets due from third parties: derivatives designated as hedges with changes recognised in equity (**)		0		0	23
Financial assets due from third parties: derivatives not designated as hedges with changes recognised in profit or loss (**)				0	23
Financial assets due from third parties		58,167		58,167	23
Cash and cash equivalents		589,471		589,471	23
TOTAL FINANCIAL ASSETS	0	2,283,265	3,279	2,286,544	

€ thousand	Financial instruments held for trading	Liabilities at amortised cost	Carrying amount	Notes
Non-current liabilities	0	2,507,623	2,507,623	
Bonds		1,290,759	1,290,759	28
Bank borrowings (non-current portion)		1,216,864	1,216,864	28
Financial payables to related parties		0	0	28

€ thousand	Financial instruments held for trading	Liabilities at amortised cost	Carrying amount	Notes
Current liabilities	0	2,026,564	2,026,564	
Bank borrowings		466,245	466,245	31
Payables to third parties		41,174	41,174	31
Financial payables to factoring companies		157,091	157,091	31
Financial liabilities due to third parties: derivatives designated as hedges with changes recognised in equity (**)		21,027	21,027	31
Financial liabilities due to third parties: derivatives not designated as hedges with changes recognised in profit or loss (**)		94	94	31
Financial payables to subsidiaries and associates		33,565	33,565	31
Trade payables		1,212,900	1,212,900	31
Trade payables due to Parent Company, subsidiaries and associates		93,982	93,982	31
Other current liabilities: fair value measurement of contracts for difference and commodity swaps with changes recognised in equity (*)		485	485	31
Other current liabilities: fair value measurement of contracts for difference and commodity swaps with changes recognised in profit or loss (*)		0	0	31
TOTAL FINANCIAL LIABILITIES	0	4,534,187	4,534,187	

(*) This refers to the fair value measurement of contracts to purchase or sell commodities that qualify for application of IAS 39, with changes recognised through profit or loss or in shareholders' equity.

(**) This refers to interest rate swaps, with changes in fair value recognised in shareholders' equity or through profit or loss as shown in the table.

Fair value of financial assets and liabilities

The fair value of medium/long-term financial payables and receivables is calculated on the basis of the risk-free and the risk-adjusted interest rate curves.
The fair value of trade receivables and payables falling due within twelve months is not calculated as their carrying amount approximates to fair value.
In addition, fair value is not calculated when the fair value of financial assets and liabilities cannot be objectively determined.

Type of financial risks and related hedging policies

Foreign exchange risk

The Group is not particularly exposed to this type of risk, which is concentrated in the conversion of the financial statements of its overseas subsidiaries.
As regards the 20 billion yen *Private Placement*, the exchange rate risk is hedged through a *cross currency* swap described in the section on interest rate risk.

Market risk

The Group is exposed to market risk, represented by the risk that the fair value or future cash flows of a financial instrument fluctuate as a result of market price movements, above all in relation to the risk of movements in the prices of commodities in which the Group trades.

Through the Risk Control unit, Acea Energia Holding analyses and measures exposure to market risk in line with the Guidelines of ACEA's Internal Control System and with the general Risk limit criteria of the Energy Industrial Area.
Risk analysis and management is performed according to a *Risk Management* process which involves the execution of activities throughout the entire year, on the basis of different frequencies (annual, monthly and weekly). The execution of those activities is distributed between the Risk Control Unit and the Risk Owners.
Specifically:

- on an annual basis, measurements of risk indicators, i.e. limits, must be defined, which must be complied with in the management of the portfolio. These activities are the responsibility of the Risk Committee which approves the Risk Control proposal;
- on a monthly basis, the Risk Control Unit is required to check the exposure to market risk of the companies in the Energy Segment and to check compliance with the limits defined. As required by the Internal Control System, the Risk Control Unit is responsible for sending ACEA's Internal Audit Department the required information in the proper format.

The risk limits of the Energy Industrial Area are defined in such a way as to:

- minimise the overall risk of the entire area,
- guarantee the necessary operating flexibility in trading and hedging activities,
- reduce the possibility of over-hedging deriving from the variation in expected volumes for the definition of hedges.

Market risk is distinguished from price risk, i.e. the risk related to the variation in commodity prices, and volume risk, i.e. the risk connected with the variation in volumes produced and sold.

Risk analysis and management objectives are as follows:

- to protect the primary margin, also through the reduction of volatility,
- to protect the primary margin against unforeseen and unfavourable short-term shocks in the energy market which affect revenues or costs,
- to stabilise the primary margin in the time necessary to re-adjust activities in line with permanent changes in the energy market,
- to identify, measure, manage and represent the exposure to risk of all ACEA operating companies in the Energy Industrial Area,
- to reduce risks through the preparation and application of adequate internal controls, procedures, information systems and expertise,
- delegate risk owners with the job of defining the necessary strategies for hedging individual risks, in respect of pre-established minimum and maximum levels.

The evaluation of risk exposure involves the following activities:

- aggregation of the commodities and structure of the risk books,
- detailed analysis of the time pattern of purchases and sales and limiting of open positions, namely the exposure from physical purchases and sales of individual commodities, within set volume limits;
- creation of reference scenarios (prices, indexes).

Derivative transactions are entered into for the purpose of hedging the risk of fluctuations in commodity prices and in compliance with the provisions of Risk Management Manuals for the Energy Industrial Area.

In terms of the Group's commitments for the coming year, in order to stabilise cash flows in relation to the composition of its sale and purchase portfolio, almost all existing hedging activities carried out have the principal purpose of cash flow hedges, since the effectiveness of the hedge is demonstrable. Only a limited number of transactions are not classified under this option, and as a result are measured at fair value. The financial instruments used fall under swaps and contracts for difference (CFD). It should be noted that the hedges put in place on the purchases portfolio were conducted with the leading operators in the electricity market and the financial sector.

Acea Energia Holding designates the hedge in respect of commitments to buy and sell electricity. The company prepares specific documentation demonstrating the prospective effectiveness of the hedge. This is done via simulation of what are assumed to be representative movements in the forward price curve for the respective indices, and the related comparison between movements in the fair values of the actual and hypothetical derivative instruments, where the latter represents a derivative financial instrument with contract terms matching those applicable to the physical contract. Power portfolio transactions qualify as effective when the hedging relationship, calculated on the basis of the ratio in absolute terms of movements in the actual derivative instrument and those in the hypothetical derivative instrument, lies within a range of 80%-125%, as defined by IAS 39. The retrospective and prospective effectiveness test applied to these transactions at the end of the year confirmed the hedging relationship.

However, should the derivative instrument, at the time of execution, be designated as a hedge of purchases of electricity in the form of contracts for difference (CFD), the company does not prepare specific documentation demonstrating the effectiveness of the hedge. In fact, the Group treats CFDs as financial instruments, which are activated when the relevant contractual condition is met, i.e. when at a certain hour of a certain day the price on the electricity exchange is higher or lower than the strike price (reference parameter). As a result, these transactions do not qualify as contracts that may be defined as hedging physical underlying transactions pursuant to IAS 39.
Gains and losses resulting from the management of market risk using these contracts are, in the case of both CFDs and derivative instruments, measured at fair value with the differences recorded in the income statement.

The portfolio of financial instruments accounted for under hedge accounting, which represents the main component of the entire portfolio, is perfectly balanced in terms of the risks from the underlying assets in the hedge. The remaining financial instruments not accounted for under hedge accounting, despite not fully satisfying the requirements of IAS 39 for hedge accounting (cash flow hedge), are however, exposed to risk factors in contrast to those affecting physical portfolios for purchase/sale, in such a way as to balance their potential variations with a view to "operational" hedging in line with company guidelines.

Shown below is all the information necessary for the description of transactions entered into, aggregated by index hedged with validity effective as of 1 January 2013,

Swaps	Purpose	Purchases/Sales	Fair Value in € thousand	Amount recognised in shareholders' equity	Amount recognised in income statement
ITRemix	Hedge power portfolio	electricity purchase/sale	2	2	0
GRP911	Hedge power portfolio	electricity purchase/sale	586	586	0
GRP913	Hedge power	electricity	14	14	0

Swaps	Purpose	Purchases/Sales	Fair Value in € thousand	Amount recognised in shareholders' equity	Amount recognised in income statement
	portfolio	purchase/sale			
ITEC	Hedge power portfolio	electricity purchase/sale	5	5	0
ITEC 12	Hedge power portfolio	electricity purchase/sale	169	169	0
PUN	Hedge power portfolio	electricity purchase/sale	(965)	(969)	4
IPE_BRENT	Hedge power portfolio	electricity purchase/sale	43	0	43
EEX	Hedge power portfolio	electricity purchase/sale	(257)	(257)	0
CONSIP	Hedge power portfolio	electricity purchase/sale	(35)	(35)	0
			(437)	**(484)**	**47**

In March 2009, the IASB issued an amendment to IFRS 7, introducing a series of changes aimed at adequately meeting the need for greater transparency resulting from the financial crisis and linked to elevated uncertainty over market prices. These changes included the establishing of the fair value hierarchy. In particular, the amendment defines three levels of fair value (IFRS 7, para. 27A):

- **level 1:** if the financial instrument is listed on an active market;
- **level 2:** if the fair value is measured according to assessment techniques referring to inputs observable in the market, other than the listings of the financial instrument;
- **level 3:** if the fair value is calculated according to assessment techniques referring to inputs that cannot be observed in the market.

It should be noted that, as regards the types of commodity whose fair value is calculated,

→ for derivatives on single commodities (PUN - unique national price - standard base load products, Peak/Off Peak, …) the fair value level is 1 given they are listed on active markets,

→ for complex indexes (ITRemix, PUN profiled products, ….) the fair value level is 2 given these derivatives are the result of formulas containing a mix of commodities listed on active markets.

For certain components of complex indexes, the fair value level is 3 as they do not derive from listing on active markets but, instead, estimates.

Liquidity risk

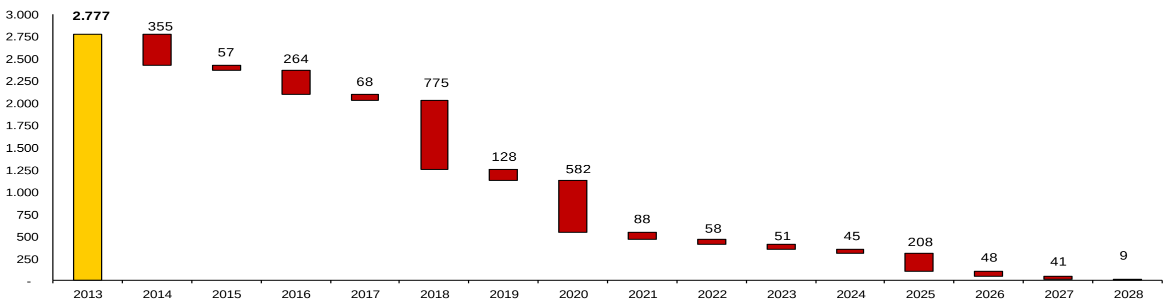
ACEA SpA's liquidity risk management policy is based on ensuring the availability of significant bank lines of credit. Such lines exceed the average requirement necessary to fund planned expenditure and enable the Group to minimise the risk of extraordinary outflows. In order to minimise liquidity risk, the ACEA Group has adopted a centralised treasury management system, which includes the most important Group companies, and provides financial assistance to the companies (subsidiaries and associates) not covered by a centralised finance contract.
As at 31 December 2013, the Parent Company held committed and uncommitted lines of credit totalling 719 million euros and 200 million euros, respectively. No guarantees were issued to obtain these credit lines.

The committed lines of credit are revolving and have terms of between twelve months and three years from subscription. A total of (i) 200 million euros of said credit lines is available until the end of 2014, (ii) the remaining 300 million euros until the end of 2015; the contracts entered into provide for the payment of a fee for non-use plus an upfront fee paid at the time the credit lines are opened.
On the amounts drawn down, ACEA pays an interest rate equal to the one, two, three or six month Euribor (depending on the period of use chosen beforehand), plus a *spread* which, in some cases, may vary in line with the *rating* assigned to the Parent Company. In some cases, there is also a *utilisation* fee linked to the amount disbursed.
At the end of the year, ACEA had no loans, term deposits and similar transactions.

With reference to some water companies operating in Tuscany and Campania it should be pointed out that:

- Publiacqua: on 29 November 2012 the company entered into a new bridge loan, with maturity after 18 months less one day, or until 23 May 2014, for a total of 75 million euros, of which a total of 60 million euros were disbursed on the signing date; in order to meet its financial requirements, in March 2013, the Company submitted a Drawdown Request on the amount of the loan granted and on 18 March 2013, the Lenders made an additional disbursement of 5 million euros,
- Gori: the bridge loan of 40 million euros, granted by BIIS, expired on 30 June 2011; it was renegotiated with the bank and on 10 January 2014, the bank approved the consolidation of the aforementioned loan that was converted into a multi-year loan with maturity 31 December 2021
- Aqueduct Fiora: an extension of the bridge loan was signed for a further eighteen months (expiry date: September 2013) and the total amount of 12.8 million euros was increased to 92.8 million euros. Finally, on 5 September 2013 a further extension of the *Bridge* was agreed up to 105.0 million euros, expiring 30 September 2014 and required to cover the remaining new investments in 2013 and a significant portion of the investments listed in the Plan for 2014.

The graph below depicts the future development of all debt maturities, forecast based on the situation at the end of the year.



Regarding trade payables (1,212.9 million euros), it should be noted that the portion which is due to expire in the next twelve months amounted to 910.4 million euros. The amount already expired of 302.5 million euros will be paid by the first quarter of 2014.

Interest rate risk

The ACEA Group's approach to managing interest rate risk, which takes the structure of *assets* and the stability of the Group's cash flows into account, has essentially been targeted, up to now, at

hedging *funding* costs and stabilising cash flows, in such a way as to safeguard margins and ensure the certainty of cash flows deriving from ordinary activities.
The Group's approach to managing interest rate risk is, therefore, prudent and the methods used tend to be static in nature.
A static (as opposed to dynamic) approach means adopting a type of interest rate risk management that does not require daily activity in the markets, but periodic analysis and control of positions based on specific needs. This type of management therefore involves daily activity in the markets, not for trading purposes but in order to hedge the identified exposure over the medium/long term.
ACEA has, up to now, opted to minimise interest rate risk by choosing a mix *range* of fixed and floating rate funding instruments.
As previously noted, fixed rate funding protects a borrower from *cash flow* risk in that it stabilises financial outflows, whilst heightening exposure to *fair value risk* in terms of changes in the market value of the debt.
In fact, an analysis of the consolidated debt position shows that the risk to which the ACEA Group is exposed is mainly in the form of fair value risk, such position being composed, as at 31 December 2013, by 63% of fixed rate borrowings, taking into account the hedging in place. With reference to the current portfolio make-up, the Group is partly exposed to the risk of fluctuation in future cash flows and, by contrast, to a greater extent than changes in fair value.
ACEA is bringing consistency to its decisions regarding interest rate risk management that essentially aims to both control and manage this risk and optimise borrowing costs, taking account of stakeholder interests and the nature of the Group's activities, and based on the prudence principle and best market practices. The objectives of these guidelines are as follows:

- to identify, from time to time, the optimum mix of fixed and floating rate debt,
- to pursue a potential optimisation of the Group's borrowing costs within the risk limits established by governance bodies and in accordance with the specific nature of the business,
- to manage derivatives transactions solely for hedging purposes, should the Group decide to use them, in respect of the decisions of the Board of Directors and, therefore, the approved strategies and taking into account (in advance) the impact on the income statement and statement of financial position of said transactions, giving preference to instruments that qualify for hedge accounting (typically cash flow hedges and, under given conditions, fair value hedges).

The Group currently uses derivative instruments to hedge interest rate risk exposure for the following companies:

- Acque opted for fixed rate for 80% of the loan taken on at the end of 2006. The company entered into two separate swap contracts with the same notional amount,
- ACEA:
  - swapped the 100 million euros loan obtained on 27 December 2007 to a fixed rate. The *swap*, a *plain vanilla* IRS, was stipulated on 24 April 2008, effective as of 31 March 2008 (date of drawdown of the underlying loan) and expires on 21 December 2021,
  - completed a *cross currency* transaction to transform to euro – through a *plain vanilla* DCS *swap* – the currency of the private placement (yen) and the yen rate applied to a fixed euro rate through a *plain vanilla* IRS *swap*,
  - swapped to floating rate 300 million euros of the 5-year 600 million euros fixed rate bond placed on the market in September 2013.
- Umbra Acque swapped a medium/long term loan to fixed rate.

All the derivative instruments taken out by ACEA and listed above are non-speculative and their fair values were respectively - 8.7 million euros, - 36.2 million euros and + 0.8 million euros.

Sensitivity analysis has been carried out on medium/long-term financial liabilities using stress testing, thus applying a constant spread over the term structure of the risk-free interest rate curve (for the Euro area at 31 December 2013). The following table shows the overall fair value changes of the debt portfolio based on parallel *shifts* (positive and negative) between –1.5% and +1.5%.

Constant spread applied	Changes in Present Value (€m)
-1.50%	(189.4)
-1.00%	(124)
-0.50%	(60.9)
-0.25%	(30.2)
0.00%	0.0
0.25%	29.6
0.50%	58.8
1.00%	115.5
1.50%	170.3

As regards the type of hedges for which the *fair value* is calculated and with reference to the hierarchies required by the IASB, given they are composite instruments, they are categorised as level 2 in the *fair value* hierarchy.

Credit risk

ACEA has issued the credit policy guidelines in which different strategies have been identified that respond to the *Customer Centric* philosophy*:* through flexible criteria and on the basis of managed activities and customer segmentation, credit risk is managed taking into account both the customer type (public and private) and the non-homogeneous behaviour of individual customers (behavioural score).

The key principles on which the risk management strategies are based are as follows:

- definition of the customer cluster categories through the abovementioned segmentation criteria;
- standard cluster management in ACEA Group companies, based on the same risks and commercial characteristics, of defaulting end users;
- collection methods and instruments used;
- uniformity of standard criteria regarding the application of default interest;
- division into instalments of credit;
- definition of the necessary responsibilities/authorisations for any exceptions.
- adequate reporting and training of dedicated staff.

In this respect, the Credit Management unit was set up within the Administration, Finance and Control function of ACEA; the main responsibilities of the new unit are to develop credit management policies, provide guidance on actions to be taken and analyse and continuously monitor the progress of loan related activities for any corrective action.

As for the *distribution of electricity* activities*,* credit risk is represented by wholesalers: billing to them relates to the transport of energy in the distribution network and the services rendered to the end customers.

The key principles on which the credit risk management strategies are based are as follows:

- homogeneous management of sellers' receivables, deemed of equal risk,
- uniformity of standard criteria for the application of default interest;
- mitigation of credit risk through the signing of a guarantee by sellers;

- adequate monitoring through credit ageing reports;
- training of dedicated staff.

Credit management starts with the "behavioural score" or knowledge of the individual reseller through the constant analysis of payment attitudes/habits and is subsequently broken down into a series of targeted actions ranging from phone collection activities carried out in-house, reminders sent electronically, sending of notice letters via registered post, as provided under Resolution ARG/elt 4/08, to termination of the transportation contract.

As regards sales of electricity, credit risk was measured beforehand, especially in relation to the sale of gas and electricity to industrial and business customers.
The activity was performed in accordance with Credit Risk Policy Manual rules, through an in-house process involving the evaluation of credit reliability, assignment of an internal rating and recognition of the maximum limits of financial exposure to the counterparty.

Customer evaluation

In Acea Energia, the first step in credit management is the prior assessment of the client**.** The aforementioned central Credit Management unit has the task, among others, to make a customer evaluation prior to activating the contract (for the free market). This prior scoring activity started in 2013 within the company and then continued with the central Credit Management function, although formal procedures are not yet in place.
In parallel, the Company activated the management of an insurance coverage on a portfolio of business customers, also using the results of the evaluations of the insurance company to determine customer credit worthiness.
As a result of organizational changes that took place in August 2013, Acea Group's credit policy is being updated.
Specifically, ACEA is issuing a scoring procedure according to which evaluation activities are structured in terms of customer segmentation and authorization levels within the Group, depending on the credit limits to be assigned. Future scoring methods will take into account the performance indicators (bonus/malus) that have been implemented in management systems in recent years. Other procedures currently being issued regard instalment payments, repayment plans and write-offs.
In September 2013, Acea Energia SpA began using the credit management system "CREDIT CARE" also for the protected categories market, thereby taking advantage of the system functionalities for all customers, especially in terms of automatic management strategies for individual customer clusters.
Again with respect to management activities, monitoring has been strengthened on collection reconciliations and on the management of complaints that affect customer payment defaults and, consequently, the Company credit exposure.

With regards to the supply of water, the implementation of credit risk management strategies started with a macro-distinction between public sector end users (municipalities, public administrations, etc.) and private sector end users (industrial, commercial, condominium, etc.), given that said categories present different levels of risk, in particular:

- low risk of insolvency and high risk of late payment for public sector end users,
- variable risk of insolvency and late payment risk for private sector end users.

As regards credits due from public sector end users, which account for over 30% of the past due receivables, they are converted to cash through the without-recourse factoring to financial partners and a residual portion is managed directly through the offsetting of receivables/payables or by means of settlement agreements.
Credit management for private sector end users, which represent approximately 70% of the past due receivables, starts with behavioural scores or "knowledge in terms of the probability of default of each individual customer through the constant analysis of payment attitudes/habits", and is

subsequently implemented through a series of targeted actions ranging from reminder letters, assignment to specialised companies for credit recovery via phone collection, to detachment of the defaulting end users and receivable factoring transactions.
The water segment is also characterised by a significant amount of invoices to be issued which are determined by the characteristics of the business.

The table below shows the aging of trade receivables, gross of the allowance for doubtful accounts, detailed in Note 22.

- Trade receivables non yet expired: 883.5 million euros

- Past due trade receivables: 709.0 million euros, of which:

    - Within 180 days: 237.8 million euros
    - Between 180 and 360 days: 94.6 million euros
    - Over 12 months: 376.6 million euros

CONSOB communication no. DEM/6064293 of 28 July 2006

In accordance with CONSOB instructions, the table below shows the net financial position reconciled with net debt presented according to ACEA Group method as reported in Note 20 "Group financial position and cash flows" of Acea Group Report on Operations.

in €000	31/12/2013	31/12/2012	Increase/ (Decrease)
Cash and cash equivalents	589,470	423,698	165,772
Securities	12	73	(61)
Cash and cash equivalents and securities	589,483	423,771	165,711
Current financial assets	29,049	57,092	(28,043)
Current financial assets - subsidiaries	2,997	2,664	333
Current financial assets - associates	3,308	5,820	(2,511)
Financial receivables from Roma Capitale	50,121	63,304	(13,183)
Current financial receivables	85,474	128,879	(43,405)
Bank borrowings	(64,397)	(488,400)	424,004
Bonds - current portion	(306,285)	0	(306,285)
Loans - current portion	(95,564)	(265,450)	169,886
Other current financial payables	(199,610)	(137,263)	(62,347)
Financial liabilities due to subsidiaries	(581)	(768)	187
Amounts due to Roma Capitale	(32,984)	(869)	(32,115)
Total current financial payables	(699,420)	(892,751)	193,331
Net current financial position	(24,463)	(340,101)	315,638
Bonds	(1,290,759)	(1,011,123)	(279,636)
Loans: medium-long term portion	(1,216,864)	(1,200,487)	(16,377)
Financial receivables from third parties	2,461	2,060	401
Medium-long term financial receivables from Roma Capitale	32,328	30,899	1,429
Net non current financial position	(2,472,835)	(2,178,650)	(294,184)
NET FINANCIAL POSITION (as per CONSOB communication)	(2,497,298)	(2,518,751)	21,453
Financial receivables from factoring companies	29,106	23,273	5,833
Net debt	**(2,468,192)**	**(2,495,478)**	**27,286**

Annexes to the Notes

A. List of consolidated companies

B. Reconciliation of shareholders' equity and statutory profit – consolidated

C. Remuneration of Directors, Statutory Auditors, Key Managers and Independent Auditors

D. Information provided pursuant to CONSOB Ruling no. 6064293

E. Segment information: statement of financial position and income statement

F. Financial Highlights of Companies accounted for under Proportionate Consolidation

A. List of consolidated companies

Name	Registered Office	Share capital (in euros)	% interest	Group's consolidated interest	Method of Consolidation
ACEA Distribuzione S.p.A.	P.le Ostiense, 2 - Rome	345,000,000	100.00%	100.00%	Line-by-line
ACEA Ato2 S.p.A.	P.le Ostiense, 2 - Rome	362,834,320	96.46%	100.00%	Line-by-line
Acea Reti e Servizi Energetici S.p.A.	P.le Ostiense, 2 - Rome	300,120,000	100.00%	100.00%	Line-by-line
Acque Blu Arno Basso S.p.A.	P.le Ostiense, 2 - Rome	8,000,000	69.00%	100.00%	Line-by-line
Acque Blu Fiorentine S.p.A.	P.le Ostiense, 2 - Rome	15,153,400	69.00%	100.00%	Line-by-line
Ombrone S.p.A.	P.le Ostiense, 2 - Rome	6,500,000	84.57%	100.00%	Line-by-line
LaboratoRI S.p.A.	Via Vitorchiano – Rome	2,444,000	100.00%	100.00%	Line-by-line
ACEA Ato5 S.p.A.	Viale Roma - Frosinone	120,000	94.48%	100.00%	Line-by-line
Sarnese Vesuviano S.r.l.	P.le Ostiense, 2 - Rome	100,000	99.16%	100.00%	Line-by-line
CREA S.p.A. (In liquidation)	P.le Ostiense, 2 - Rome	2,678,958	100.00%	100.00%	Line-by-line
Crea Gestioni S.r.l.	P.le Ostiense, 2 - Rome	100,000	100.00%	100.00%	Line-by-line
Gesesa S.p.A.	Industrial Zone Pezzapiana - Benevento	520,632	59.52%	100.00%	Line-by-line
Lunigiana S.p.A. (In liquidation)	Via Nazionale 173/A – Aulla (MS)	750,000	95.79%	100.00%	Line-by-line
Aguaazul Bogotá S.A. Esp	Bogotà-Colombia	1,482,921	51.00%	100.00%	Line-by-line
Acea Dominicana	Santo Domingo	644,937	100.00%	100.00%	Line-by-line
ARIA S.r.l.	Via G. Bruno 7 - Terni	2,224,992	100.00%	100.00%	Line-by-line
S.A.O. S.r.l.	Loc. Pian del Vantaggio 35/b	7,524,400	100.00%	100.00%	Line-by-line
Ecoenergie S.r.l. (In liquidation)	Via San Francesco d'Assisi 15 C - Paliano (FR)	10,000	90.00%	100.00%	Line-by-line
Aquaser S.r.l.	Via dei Lecceti, 16 – Volterra (PI)	9,050,000	88.29%	100.00%	Line-by-line
Kyklos S.r.L	Via Ferriere – Nettuno n. km 15 Aprilia (LT)	500,000	51.00%	100.00%	Line-by-line
Solemme S.p.A.	Località Carboni in Monterotondo Marittimo (GR)	761,400	100.00%	100.00%	Line-by-line
S.A.M.A.C.E. S.r.l.	Via Lungo Sisto, 60 Sabaudia (LT)	38,480	100,00%	100,00%	Line-by-line
Acea8cento S.p.A.	P.le Ostiense, 2 - Rome	120,000	100.00%	100.00%	Line-by-line
Acea Gori Servizi Scarl	Via ex Aeroporto s.n.c. località Area "Consorzio Sole" - Pomigliano d'Arco Line-by-line	1,000,000	69.82%	100.00%	Line-by-line
Acea Illuminazione Pubblica S.p.A.	P.le Ostiense, 2 - Rome	1,120,000	100.00%	100.00%	Line-by-line
Acea Produzione S.p.A.	P.le Ostiense, 2 - Rome	5,000,000	100.00%	100.00%	Line-by-line
Acea Energia Holding S.p.A.	Via dell'Aeronautica,	153,500,000	100.00%	100.00%	Line-by-line

Name	Registered Office	Share capital (in euros)	% interest	Group's consolidated interest	Method of Consolidation
	7 – Rome				
Acea Energia S.p.A.	P.le Ostiense, 2 - Rome	10,000,000	100.00%	100.00%	Line-by-line
Acea Servizi Acqua S.r.l. (In liquidation)	P.le Ostiense, 2 - Rome	10,000	70.00%	100.00%	Line-by-line
Acque Blu S.r.l. (In liquidation)	Via U.Bassi, 34 - Montecatini Terme	10,000	55.00%	100.00%	Line-by-line
Innovazione Sostenibilità Ambientale S.r.l.	Via Ravano K.m. 2.400 - Pontecorvo (FR)	91,800	51.00%	100.00%	Line-by-line

Name	Registered Office	Share capital (in euros)	% interest	Group's consolidated interest	Method of Consolidation
Acque S.p.A.	Via Garigliano,1- Empoli	9,953,116	45.00%	45.00%	Proportionate
Acque Industriali S.r.l.	Via Garigliano,1- Empoli	100,000	100.00%	45.00%	Proportionate
Acque Servizi S.r.l.	Via Garigliano,1- Empoli	400,000	100.00%	45.00%[4]	Proportionate
Consorcio Agua Azul	Los Pinos 399 – 27 Lima - Peru	17,379,190	25.50%	25.50%	Proportionate
Umbria Energy S.p.A.	Via B. Capponi, 100- Terni	1,000,000	50.00%	50.00%	Proportionate
Voghera Energia Vendita S.p.A. in liquidation	Largo Toscanini, 5 – Voghera (PV)	250,000	50.00%	50.00%[5]	Proportionate
Elga Sud S.p.A.	Via Montegrappa, 6 – Trani	250,000	49.00%	49.00%[5]	Proportionate
Ecogena S.p.A.	P.le Ostiense, 2 - Rome	4,000,000	51.00%	51.00%	Proportionate
Ecomed S.r.l.	P.le Ostiense, 2 - Rome	50,094	50.00%	50%	Proportionate
Publiacqua S.p.A.	Via Villamagna 90/c - Florence	150,280,057	40.00%	40.00%	Proportionate
Publiutenti S.r.l. (In liquidation)	Via Niccolò da Uzzano-Florence	100,000	100.00%	40.00%	Proportionate
GORI S.p.A.	Via Trentola,211 – Ercolano	44,999,971	37.05%	37.05%	Proportionate
Umbra Acque S.p.A.	Via G. Benucci,162 (PG)	15,549,889	40.00%	40.00%	Proportionate
A.P.I.C.E S.r.l. (In liquidation)	P.le Ostiense, 2 - Rome	86,113	50.00%	50.00%	Proportionate
Intesa Aretina Scarl.	Via B.Crespi, 57 - Milan	18,112,000	35.00%	35.00%	Proportionate
Nuove Acque S.p.A.	Cuculo - Arezzo	34,450,389	46.16%	16.16%	Proportionate
Ingegnerie Toscane S.r.l.	Via Bellatalla, 1- Florence	100,000	43.01%	43.01%	Proportionate
CONSORCIO AZB-HCI (Conazul)	Cal. 21 Nro. 751- San Sidro Lima-Perù	750,786	60.00%	60.00%	Proportionate
Acquedotto del Fiora S.p.A.	Via Mameli,10 Grosseto	1,730,520	40.00%	40.00%	Proportionate

The following companies are consolidated using the equity method:

Name	Registered Office	Share capital (in euros)	% interest
SI(E)NERGIA S.p.A.	Via Fratelli Cairoli 24 Perugia	132,000	42.08%
Cesap Vendita Gas S.r.l.	Via del Teatro, 9 Bastia	80,000	42.08%

Name	**Registered Office**	**Share capital (in euros)**	**% interest**
	Umbra (PG)		
Azga Nord S.p.A. (In liquidation)	P.zza Repubblica – Pontremoli (Massa Carrara)	217,500	49.00%
Geal S.p.A.	Viale Leporini, 1348 – LUCCA	1,450,000	28.80%
Sogea S.p.A.	Via Mercatanti, 8 - RIETI	260,000	49.00%
Aguas De San Pedro SA	Las Palmas, 3 - San Pedro (Honduras)	6,162,657	31.00%
Umbriadue Servizi Idrici scarl	Strada Sabbione zona ind. A72 - TERNI	100,000	34.00%
Coema	P.le Ostiense, 2 - Rome	10,000	33.50%
Amea S.p.A.	Via San Francesco d'Assisi 15 C – Frosinone	1,689,000	33.00%
Arkesia S.p.A. in liquidation	Via –Garibaldi 7/e- Paliano (FR)	170,827	33.00%
Citelum Napoli Pubblica Illuminazione scarl	Via Monteverdi, 11 - Milan	90,000	32.18%
Largo Virgilio Testa, 23 - Roma	Largo Virgilio Testa, 23 - Roma	4,100,000	25.00%
Le Soluzioni	Via Garigliano, 1- Empoli	250,678	30.50%
Sinergetica Srl	Via Fratelli Cairoli, 24 - Perugia	10,000	21.46%
Sinergetica Gubbio Srl	Via Fratelli Cairoli, 24 - Perugia	15,000	21.46%
Sinergetica Project Srl	Via Fratelli Cairoli, 24 - Perugia	40,000	21.46%
Sienergas Distribuzione S.r.l.	Via Fratelli Cairoli, 24 - Perugia	20,000	42,08%
Marco Polo Srl (in liquidation)	Via Marco Polo, 31 – Rome	10,000	33.00%

B. Reconciliation of shareholders' equity and statutory profit – consolidated

	Profit for the year		Shareholders' Equity	
	31/12/2013	31/12/2012	31/12/2013	31/12/2012
Balances in ACEA's statutory financial statements	**94,479**	**87,060**	**1,360,340**	**1,331,684**
Surplus of shareholders' equity and profit for the year at current values compared to book values	148,430	95,079	121,670	105,744
Higher depreciation and amortisation in consolidated financial statements	(4,368)	(1,619)	(22,070)	(17,701)
Elimination of effects of business combination of entities under common control	(1,591)	(1,591)	(1,591)	(1,591)
Elimination of tax effects, including those from previous years	(6,710)	(6,710)	27,103	33,813
accounted for using the equity method	1,189	1,748	49,178	47,989
Elimination of dividends	(121,176)	(130,560)	0	0
Goodwill Acea ATO2 Acea Distribuzione Produzione S.p.A	24,741	35,112	(218,944)	(243,685)
Elimination of extraordinary items	6,947	(1,135)	6,947	(1,135)
BALANCES IN CONSOLIDATED FINANCIAL STATEMENTS	**141,940**	**77,383**	**1,322,633**	**1,255,118**

C. Remuneration of Directors, Statutory Auditors and Key Managers

Board of Directors and Board of Statutory Auditors

€ thousand	Remuneration due				
	Remuneration for the office	Non-monetary benefits	Bonuses and other incentives	Other compensation	**Total**
Board of Directors in office until 15 April 2013	95	0	0	281	**376**
Board of Directors in office as of 15 April 2013	225	96	440	794	**1,555**
Board of Statutory Auditors in office until 15 April 2013	149	0	0	12	**161**
Board of Statutory Auditors in office as of 15 April 2013	348	0	0	0	**348**

Key Managers

Fees due to executives with strategic responsibilities for 2013 amount to:

- salaries and bonuses (including contributions) 1,614 thousand euros,
- non-monetary benefits 178 thousand euros.

Remuneration paid to key managers is established by the Remuneration Committee based on average levels of pay in the labour market.
Said executives with strategic responsibilities also enjoy non-monetary benefits including supplementary pension, health insurance and unlimited use of company cars.

For additional information please refer to the Remuneration Report

Independent Auditors

As required by article 149 duodecies of the CONSOB Regulations for Issuers, the fees paid to the Independent Auditors, Reconta Ernst & Young, are shown in the table below.

Società ***€ thousand***	**Audit Related Service**	**Audit Services**	**Non Audit Services**	**Total**
ACEA S.p.A.	288	289	36	613
ACEA Group	235	917	151	1.303
Total	**523**	**1.206**	**187**	**1.916**

D. Segment information: statement of financial position and income statement

Please note the following for a greater understanding of this section:

- generation, trading/energy management and sales refer to the Energy segment which, from an organizational standpoint, is responsible for the companies Acea Energia Holding, Acea Energia, Umbria Energy, Voghera Energia Vendite, Elga Sud and Acea Produzione,
- distribution, public lighting (Rome and Naples) and PV systems refer to the Networks segment which, from an organisational standpoint, is responsible for ACEA Distribuzione, ARSE, Ecogena and Acea Illuminazione Pubblica,
- analysis and research services refer to the Engineering and Services Department, which, from an organizational standpoint, is responsible for Laboratori S.p.A. and research consortia,
- Overseas Water Services refer to the Water segment which, from an organizational standpoint, is also responsible for the water companies operating abroad,
- Italian Water Services refer to the Water segment which, from an organizational standpoint, is responsible for the water companies operating in Lazio, Campania, Tuscany and Umbria, and for AceaGori Servizi,
- environment refers to the Environment segment which, from an organizational standpoint, is responsible for the Companies of the ARIA. Group and the Aquaser Group.

The statements of financial position and income statements as at 31 December 2013 and 31 December 2012 are included in the annexes.

2012 statement of financial position

	Generation	Distribution	Sales	Energy Management	Public Lighting	Italian water services	Overseas	Engineering	Corporate	Environment	PV power	Total	Consolidation adjustments	Group total
Investments	19,259	101,727	7,306	545	0	223,100	253	991	122,343	37,483	165	514,846	0	513,172
Operating Segments														
Property, plant and equipment	173,035	1,351,619	632	1,466	0	69,250	1,095	2,165	169,998	265,919	32,629	2,067,807	1,564	2,069,372
Intangible Assets	9,907	30,236	92,195	695	5,172	2,134,757	7,735	117	8,758	(14,855)	0	2,274,717	(319,313)	1,955,404
Non-current financial assets measured at equity														16,415
Non current financial assets														4,716
Other non-current trading assets														420,126
Other non-current financial assets														32,959
Inventories	2,656	13,480	0	0	9,492	12,132	820	0	0	3,193	209	41,983	0	41,983
Trade receivables from third parties	15,437	195,193	562,204	49,415	19,499	580,076	7,850	21,917	26,103	61,760	32,704	1,572,158	(225,310)	1,346,848
Trade receivables from Parent Company	1,950	3,967	53,406	22	17,147	46,286	0	29	504	199	0	123,511	(29,161)	94,350
Trade receivables from subsidiaries and associates	0	0	25,475	67,154	176	5,784	0	0	58,604	277	0	157,469	(121,460)	36,009
Other current trading assets														221,337
Other current financial assets														152,225
Cash and cash equivalents														423,698
Non-current assets held for sale											6,722	6,722		6,722
Total assets														**6,822,162**

Amounts in €/thousand

2012 statement of financial position

	Generation	Distribution	Sales	Energy Management	Public Lighting	Italian water services	Overseas	Engineering	Corporate	Environment	PV power	Total	Consolidation adjustments	Group total
Segment liabilities														
Trade payables to third parties	17,667	248,413	321,020	163,679	66,099	443,444	1,439	2,689	74,672	59,038	14,597	1,412,758	(219,678)	1,193,080
Trade payables to Parent Company	1,761	24,287	85,969	191	2,800	43,653	141	477	20,516	410	399	180,604	(119,860)	60,743
Trade payables to subsidiaries and associates	0	1,220	70	17,764	3,668	4,111	15	45	12,417	569	0	39,880	(26,542)	13,338
Other current trading liabilities														361,171
Other current financial liabilities														891,407
Staff termination benefits and other defined-benefit plans	2,410	39,545	3,937	319	1,599	41,885	225	3,031	33,361	2,443	0	128,755	(12)	128,742
Other provisions	1,379	6,470	7,826	169	813	163,470	524	2,472	39,932	31,543	1,633	256,231	16,171	272,401
Provision for deferred taxes														93,603
Other non-current trading liabilities														278,663
Other non-current financial liabilities														2,211,609
Liabilities directly associated with assets held for sale											1,344	1,344		1,344
Shareholders' equity														1,316,060
Total liabilities and shareholders' equity														**6,822,162**

Amounts in €/thousand

Income Statement as at 31 December 2012

	Generation	Distribution	Sales	Energy Management	Public Lighting	Italian water services	Overseas	Engineering	Corporate	Environment	PV power	Total	Consolidation adjustments	Group total
Third party revenues	33,123	214,223	334,267	808,153	42,686	843,874	38,393	351	110,059	28,659	12,060	2,465,849	(851,322)	1,614,528
Inter-segment sales	20,824	230,638	1,933,668	157,829	35,372	4,953	0	26,594	109	41	94,800	2,504,829	(526,936)	1,977,893
Staff costs	4,408	59,296	18,058	1,654	10,417	121,983	12,707	9,041	8,729	575	55,742	302,609	(20,541)	282,069
Energy purchase	6,475	72,217	2,134,158	965,211	0	295	0	0	1,653	9,553	424	3,189,986	(1,105,783)	2,084,204
Sundry materials and overheads	11,677	82,528	76,104	9,087	59,931	406,528	15,527	7,467	50,448	14,205	67,155	800,657	(252,032)	548,625
EBITDA	**31,388**	**230,819**	**39,614**	**(9,970)**	**7,711**	**320,021**	**10,159**	**10,437**	**49,338**	**4,368**	**(16,461)**	**677,426**	**98**	**677,524**
Depreciation/amortisation	10,363	113,268	50,293	1,552	0	154,218	1,770	1,215	30,303	2,287	32,944	398,214	(2,295)	395,919
EBIT	**21,025**	**117,551**	**(10,679)**	**(11,522)**	**7,710**	**165,803**	**8,389**	**9,222**	**19,035**	**2,081**	**(49,404)**	**279,212**	**2,393**	**281,605**
Finance (costs)/income														(120,554)
(Costs)/Income from investments		592	(5)			(525)	669	(9)			139	862		862
Profit/(loss) before tax														161,912
Taxation														86,052
Profit/(loss) from discontinued operations										5,296		5,296	4,144	9,440
Net profit (loss)														**85,300**

Amounts in €/thousand

2013 statement of financial position

	Generation	Distribution	Sales	Energy Management	Public Lighting	Italian water services	Overseas	Engineering	Corporate	Environment	PV power	Group total	Consolidation adjustments	Total Consolidated
Investments	**5,230**	**102,510**	**5,987**	**177**	**289**	**201,841**	**211**	**485**	**11,874**	**12,137**	**1,350**	**342,091**	**0**	**342,091**
Operating Segments														
Property, plant and equipment	162,398	1,380,540	346	1,507	459	58,561	1,034	2,156	166,508	255,532	29,992	2,059,032	1,554	2,060,586
Intangible Assets	8,274	31,244	92,854	(383)	2,073	2,241,759	6,272	87	10,396	(14,440)	0	2,378,136	(319,583)	2,058,553
Non-current financial assets measured at equity		0	0									2,013,590	(2,002,183)	11,407
Non current financial assets														3,279
Other non-current trading assets														429,929
Other non-current financial assets														34,788
Inventories	1,830	11,944	0	0	6,451	13,235	226	0	(0)	3,448	209	37,342	0	37,342
Trade receivables from third parties	3,898	166,122	606,737	64,459	18,305	625,269	2,390	19,279	26,603	46,890	35,215	1,615,167	(215,743)	1,399,424
Trade receivables from Parent Company	6,057	1,162	42,994	0	61,824	28,359	0	21	771	315	0	141,503	(71,843)	69,661
Trade receivables from subsidiaries and associates	0	0	19,472	69,665	0	6,281	77	0	37,565	109	0	133,169	(101,587)	31,582
Other current trading assets														237,339
Other current financial assets														117,268
Cash and cash equivalents														589,471
Non-current assets held for sale											6,722	6,722		6,722
Total assets														7,087,352

Amounts in €/thousand

2013 statement of financial position

	Generation	Distribution	Sales	Energy Management	Public Lighting	Italian water services	Overseas	Engineering	Corporate	Environment	PV power	Group total	Consolidation adjustments	Total Consolidated
Segment liabilities														
Trade payables to third parties	5,409	308,964	375,841	201,284	11,915	397,159	1,174	3,015	64,773	37,792	5,296	1,412,621	(199,721)	1,212,900
Trade payables to Parent Company	1,655	6,021	84,288	67	2,704	70,033	0	198	20,521	915	1	186,403	(100,788)	85,615
Trade payables to subsidiaries and associates	0	33	70	16,923	59,671	1,447	551	0	5,030	407	24	84,156	(75,790)	8,367
Other current trading liabilities														331,856
Other current financial liabilities														698,076
Staff termination benefits and other defined-benefit plans	2,259	34,554	3,839	298	2,719	39,209	200	2,839	28,787	2,688	0	117,391	(12)	117,379
Other provisions	3,254	14,754	7,064	44	337	148,755	398	2,262	35,735	30,499	2,695	245,795	16,750	262,545
Provision for deferred taxes														104,830
Other non-current trading liabilities														351,377
Other non-current financial liabilities														2,507,623
Liabilities directly associated with assets held for sale											1,344	1,344		1,344
Shareholders' equity														1,405,439
Total liabilities and shareholders' equity														7,087,352

Amounts in €/thousand

2013 Income Statement

	Generation	Distribution	Sales	Energy Management	Public Lighting	Italian water services	Overseas	Engineering	Environment	PV power	Corporate	Group total	Consolidation adjustments	Total Consolidated
Third party revenues	60,995	248,657	371,596	692,053	68,076	862,959	13,991	263	114,784	8,751	11,045	2,453,170	(786,585)	1,666,585
Inter-segment sales	557	219,329	1,872,651	196,458	19	3,930	147	24,904	644	51	100,093	2,418,783	(514,717)	1,904,066
Staff costs	5,245	62,677	18,546	1,257	8,264	125,560	3,415	9,541	10,156	451	50,155	295,267	(15,751)	279,516
Energy purchase	6,387	79,481	2,096,651	873,991	0	80	0	0	3,106	0	83	3,059,780	(1,023,493)	2,036,287
Sundry materials and overheads	12,242	80,764	78,094	11,192	53,405	382,000	5,961	7,164	53,757	2,559	63,673	750,810	(262,055)	488,756
EBITDA	**37,678**	**245,064**	**50,956**	**2,071**	**6,427**	**359,249**	**4,762**	**8,461**	**48,409**	**5,793**	**(2,774)**	**766,097**	**(4)**	**766,092**
Depreciation/amortisation	18,421	95,311	68,748	1,207	1,196	144,433	687	1,030	28,251	0	23,724	383,008	(712)	382,296
EBIT	**19,257**	**149,753**	**(17,791)**	**863**	**5,231**	**214,816**	**4,075**	**7,431**	**20,159**	**5,793**	**(26,498)**	**383,089**	**707**	**383,796**
Finance (costs)/income														(97,427)
(Costs)/Income from investments			(195)			885	772		(17)		(6,206)	(4,762)		(4,762)
Profit/(loss) before tax														281,607
Taxation														128,324
Net profit (loss)														153,284

Amounts in €/thousand

E. Financial highlights of companies consolidated on a proportionate basis

	Acque	Acque Industriali	Acque Servizi	Publiutenti	Publiacqua	Gori	Voghera Vendite	Umbria Energy	Elga Sud	Ecogena	Overseas	Umbra Acque	Apice	Ecomed	Intesa Aretina	Nuove Acque	Ingegnerie Toscane srl	Acquedotto del Fiora
Total net revenues	58,264	3,405	9,328	161	87,039	60,944	2,419	71,179	5,336	1,482	2,716	27,270			266	8,141	8,223	35,541
Total Operating Costs	31,071	2,816	8,112	48	47,398	47,873	2,696	69,845	5,397	1,463	993	19,180	24	1	277	5,049	6,285	21,057
Gross Operating Profit	27,193	589	1,216	113	39,641	13,071	(277)	1,334	(60)	18	1,723	8,090	(24)	(1)	(11)	3,092	1,938	14,484
% of Revenues	*47%*	*17%*	*13%*	*70%*	*46%*	*21%*	*-11%*	*2%*	*-1%*	*1%*	*63%*	*30%*	*10000%*	*10000%*	*-4%*	*38%*	*24%*	*41%*
Amortisation, depreciation and impairment charges	(19,365)	(251)	(253)		(19,072)	(11,946)	(111)	(920)	(9)	(220)	(511)	(5,532)			(36)	(1,510)	(358)	(7,827)
EBIT	7,828	338	963	113	20,569	1,125	(388)	414	(69)	(201)	1,211	2,559	(24)	(1)	(46)	1,582	1,580	6,657
Net Profit (loss) for the year	2,851	210	601	104	12,937	9,720	(233)	144	(41)	(224)	512	1,189	(24)	(6)	538	662	960	2,839
Statement of Financial Position																		
Net Invested Capital	127,319	1,790	3,308	0	118,800	43,795	(2,672)	5,891	645	5,514	7,151	22,948	0	(383)	7,376	16,539	5,825	63,673
Current assets	25,838	1,651	6,658	0	41,173	106,122	5,048	20,651	2,196	3,695	372	12,668	0	42	142	2,630	6,889	17,458
Current liabilities	(30,311)	(1,140)	(3,600)	0	(42,235)	(56,916)	(7,747)	(15,601)	(1,592)	(3,844)	(154)	(16,475)	0	(428)	(472)	(2,278)	(3,966)	(17,540)
Net current assets/(liabilities)	*(4,473)*	*511*	*3,058*	*0*	*(1,062)*	*49,206*	*(2,699)*	*5,050*	*604*	*(149)*	*217*	*(3,807)*	*0*	*(386)*	*(329)*	*352*	*2,923*	*(82)*
Non-current assets	179,799	1,455	564	0	178,064	104,141	152	1,598	52	8,126	7,028	50,259	0	3	7,705	20,646	3,437	84,995
Non-current liabilities	(48,006)	(177)	(314)	0	(58,202)	(109,552)	(125)	(756)	(11)	(2,463)	(94)	(23,505)				(4,459)	(535)	(21,239)
Net non-current assets/(liabilities)	*131,792*	*1,279*	*250*	*0*	*119,862*	*(5,411)*	*27*	*841*	*41*	*5,663*	*6,934*	*26,754*	*0*	*3*	*7,705*	*16,187*	*2,902*	*63,755*
Shareholders' Equity	*(25,303)*	*(966)*	*(2,946)*	*0*	*(83,557)*	*(33,606)*	*2,649*	*(1,298)*	*(85)*	*(1,568)*	*(5,985)*	*(9,212)*	*0*	*296*	*(7,739)*	*(7,109)*	*(3,710)*	*(17,237)*
Net financial position/(net debt)	(102,016)	(824)	(362)	0	(35,242)	(10,189)	23	(4,593)	(560)	(3,946)	(1,065)	(13,735)	0	86	364	(9,429)	(2,115)	(46,436)
Current financial assets	7,148	118	493		6,520	7,234	732	436	1	821	883	164	0	125	364	1,550	255	1,326
Current financial liabilities	(1,425)	(236)	(808)		(32,075)	(17,423)	(708)	(5,029)	(561)	(713)	(694)	(5,515)	0	(39)		(68)	(2,375)	(43,841)
Total net current financial assets/(liabilities)	*5,724*	*(118)*	*(316)*	*0*	*(25,555)*	*(10,189)*	*23*	*(4,593)*	*(560)*	*108*	*189*	*(5,351)*	*0*	*86*	*364*	*1,483*	*(2,120)*	*(42,515)*
Non-current financial assets					11							0					5	0
Non-current financial liabilities	(107,739)	(706)	(46)		(9,698)					(4,054)	(1,255)	(8,385)				(10,912)		(3,921)
Total net non-current financial assets/(liabilities)	*(107,739)*	*(706)*	*(46)*	*0*	*(9,687)*	*0*	*0*	*0*	*0*	*(4,054)*	*(1,255)*	*(8,385)*	*0*	*0*	*0*	*(10,912)*	*5*	*(3,921)*

Amounts in €/thousand