Consolidated Financial Statements

at 31 December 2014

Part three

Form and structure

General information

The Consolidated Financial Statements of the ACEA S.p.A. for the financial year ended at 31 December 2014 were approved by Board of Directors' resolution on 11 March 2015. The Parent Company, ACEA S.p.A. 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 endorsed by the European Union according to the procedure as per Art. 6 of Regulation (EC) n. 1606/2002 of the European Parliament and the Council of 19 July 2002 and pursuant to Art. 9 of Legislative Decree 38/05. 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 consist 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 equity. The Report also includes notes prepared under the IAS/IFRS currently in effect.
It is pointed out that the income statement is classified on the basis of the nature of expenses; the items of the statement of financial position are based on the liquidity method by dividing between current and non-current items, and the income statement shows the integrated economic balance of revenue and charges which, by express provisions of the IAS/IFRS standards are recorded directly under equity, while the statement of cash flows is presented using the indirect method.
The consolidated financial statements are presented in euros and all amounts are rounded off to the nearest thousand euros unless otherwise indicated.
The figures in these consolidated financial statements are comparable to the figures for the comparative 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* (or EBITDA) is an indicator of operating performance, and from 1 January 2014 also includes the condensed result of investees under joint control, for which the consolidation method has been modified following the implementation of the new international accounting standards for financial reporting IFRS10 and IFRS11. The *gross operating profit* is 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.

For further details on the procedures for estimating these amounts, see under the subsequent paragraphs

Changes to comparative data

The provisions of IFRS 10 "Consolidated Financial Statements" (henceforth IFRS 10), IFRS 11 "Joint Control Agreement" (henceforth IFRS 11) and IAS 28 "Investments in subsidiaries and Joint Ventures" (henceforth IAS 28), approved with Regulation n. 1254/2012 issued by the European Commission on 11 December 2012, are applied with retroactive effect, adjusting the opening amounts of the statement of financial position at 1 January 2013 and the economic and equity data for 2013 included for comparative purposes.
The amounts of the statement of financial position opening at 1 January 2013, of the statement of financial position at 31 December 2013, and of the income statement, the statement of comprehensive income and the cash flow statement for 2012 and 2013 compared, have been restated following the adoption of IFRS 10 and IFRS 11. For more detail see the paragraph "*Effects deriving from the application of IFRS10 (Consolidated Financial Statements) and IFRS11 (Arrangements for joint control)*".

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 using the equity method.

Associates

Associates are companies 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 using the equity method, 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 items influenced by dissimilar accounting policies applied.

All Intragroup balances and transactions 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 positive difference must be treated as "goodwill" and any negative difference entered in the income statement at the acquisition date.

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 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 acquired, 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 IFRS3 are accounted for at fair value on the date of acquisition, with the exception of non-current assets (or disposal groups), which are classified as held for sale under IFRS3 and accounted for at fair value net of costs to sell.

If the business combination is recognised in several phases, the fair value of the investment previously held (in the case of Equity Method valuation) any resulting profit or loss is recognised in the income statement.

The purchaser has to recognise any contingent consideration at fair value, on the date of acquisition. The change in fair value of the contingent consideration classified as asset or liability is 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 is remeasured until its extinction is booked against equity.

Goodwill 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 enterprises

All the assets and liabilities of foreign enterprises 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 indirect 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 using the equity method.
The Group's basis of consolidation is divided into areas:

A. Changes in the basis of consolidation

The basis of consolidation at 31 December 2014 underwent changes with respect to the Consolidated Financial Statements 2013 as a result of the increase in the percentage of investment in Ecogena which resulted in the exclusive control over the company and, accordingly, the line-by-line consolidation thereof.

It is pointed out that on 4 April 2014, ACEA purchased a share of the investment held by Monte Paschi Siena in Acque Blu Fiorentine (ABF), Acque Blu Arno Basso (ABAB) and Ombrone. In particular ACEA purchased:

1. 910,848 ABF shares for € 4,213,582.85; with a percentage share of 75.0102%,
2. 545,185 ABAB shares for €1,368,414.35; with a percentage share of 75.8148%,
3. 970,818 Ombrone shares for €1,953,285.82; with a percentage share of 99.5103%

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 (40% owned by ACEA), which is accounted for at cost, was excluded. The exclusion of this company from consolidation did not involve any significant effects with respect to the equity, profit and loss and financial position of the Group.

Accounting standards measurement criteria

Measurement criteria

International accounting standards IFRS10 (Consolidated Financial Statements), IFRS11 (Joint control agreements) and IFRS12 (Investments in Other Companies) as well as the consequent changes to IAS27 (Separate financial statements) and IAS28 (Investments in associates and joint ventures) apply from 1 January 2014.
These new standards change the consolidation method for consolidated equity investments on the basis of the proportional method up to 31 December 2013. In particular, 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. Despite this, ACEA is the Industrial Partner of the companies in question with extensive management powers over current operations in all segments of activity, through the Chief Executive Officer with partial rights of designation.

Accordingly, the condensed results from consolidation according to the equity method of such investments shall be included in the Group's EBITDA under item **No. 6** Income/(Costs) from equity investments of a non-financial nature, as no events occurred leading to a change in the provisions of the By-laws or the shareholders' agreements in place or in the management activity carried out by the industrial partner.

Conversion of items denominated in foreign currency

ACEA S.p.A. 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 THE INTEGRATED WATER SERVICES is 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 of the interpretation of the legal nature of the New Investment Fund tariff component (Fo.N.I.), 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.

Revenue for the year also includes the adjustment relative to so-called pass-through items (i.e. electricity, wholesale water etc.), the details of which are provided in the afore-mentioned resolution. Likewise included are Integrated Water Service costs incurred due to exceptional events (i.e. water emergencies, environmental emergencies etc.) if the investigation conducted prior to recognition has given positive results.

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.
It is classified in the income statement as a component of income from investments.

Grants

Grants related to plant investments received from both public and private entities are recognised 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 in progress

Construction contracts in progress 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 differences between contract revenue and any prepayments received are recognised in assets or liabilities.
In addition to contract fees, contract revenue includes variations, price revisions 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. Ascertained 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 tax for the period represents the aggregate amount of current and deferred tax.
Current tax is based on the taxable profit for the period. The taxable profit 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 system and/or tax transparency).
Deferred tax comprises tax 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, while 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 or 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 tax is determined using tax rates that are expected to apply to the period in which the asset is realised or the liability settled. Deferred tax is taken directly to the income statement, with the exception of tax relating to items taken directly to shareholders' equity, in which case the related deferred tax is also taken to equity.

Property, plant and equipment

Property, plant and equipment are 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 under 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, 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.

Leasing

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. Leasing instalments are apportioned between principal and interest in order to achieve a constant interest rate on the residual liability.
Financial charges, 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:

1. 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;
2. 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;
3. 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. The classification under this derives from the application of IFRIC12 starting in 2010, on the basis of the intangible asset model. Under this interpretation, instead of recognising the tangible structures as a whole for the management of the service, a single intangible asset is recognised as representing the right of the concessionaire to require the users of the public service to pay the tariff.
Costs for replacement and planned maintenance are allocated to a specific fund called "Provision for restoration charges".

Rights for utilization of intellectual property
The costs regarding this item are included under intangible assets and are amortised over a 3-year period of presumed use.

Impairment
At the end of each 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
The Group applies different accounting policies to allowances and certificates held for own use in the "Industrial Portfolio" and those held for trading 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.

The charge 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 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.

Financial instruments

Financial assets and liabilities are recognised at the time when the Group becomes a party to the contract clauses of the instrument.

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
This item includes 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, while 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 ha a present (legal or implicit) 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 2014

The following documents have already been issued by the IASB and endorsed by the European Union as amendments to international accounting standards in force.

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 *<u>joint venture</u>* 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 arrangements in the two types of joint operations and joint ventures.

For more information on the analysis conducted by ACEA on the application of thee principles, reference is made to the Consolidated Financial Statements 2013 and the paragraph "Effects deriving from the application of IFRS10 (Consolidated Financial Statements) and of IFRS11 (Joint arrangements)".

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 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 annuls 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.

Accounting principles, 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 by the European Union

IFRIC 21 - Taxation

Regulation (EU) No. 634/2014 of the Commission of 13 June 2014 was published in Official Journal L 175 on 14 June 2014, and adopts the IFRS 21 Interpretation - Taxation.

This Interpretation concerns the accounting of a liability related to the payment of a tax if said liability comes under the scope of application of IAS 37 and the accounting of a liability related to the payment of a tax the times and amount of which are unknown.

IFRIC 21 applies to financial years starting 17 June 2014.

B. New accounting standards and amendments to accounting standards issued by the IASB in the period

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.

Amendments to IFRS 11: Accounting for Acquisitions of Interest in Joint Operations

On 7 May 2014 the IASB published the above Amendments to explain the accounting principles for acquisitions of interest in a joint operation that represents a business.

Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation

On 13 May 2014 the IASB published the above Amendments to explain that the methods of depreciation and amortization based on revenues resulting from the asset (so-called revenue-based method) are not held to be appropriate as they only show the flow of revenues resulting from said asset and not, however, the method in which the economic benefits incorporated in the asset are used. The amendment is effective from the financial years starting on or after 1 January 2016.

IFRS 15 *Revenue from Contracts with Customers*

On 29 May 2014 IASB and FASB jointly published the new provisions for accounting revenues, after a decade of studies and consultation. In 2017 the new standard will replace IAS 18 (Revenues) and IAS 11 (Work in progress).

The fundamental parts for accounting purposes are to:

- identify the commercial contract, defined as a (written or verbal) agreement between two or more parties which results in rights and obligations with the customer having the right to legal protection;
- identify the obligations (distinctly identifiable) in the contract;
- determine the price of the transaction, as the fee the enterprise expects to receive for the transfer of assets or the performance of services to the customer, in accordance with the techniques in the Standard and depending on the possible presence of financial components;
- allocate the price to each "performance obligation";

- recognise the revenue when the obligation is regulated, allowing for the fact that the services may not be provided at a specific time, but over a period of time.

The standard should not introduce particular differences to accounting the most common operations. Greater differences in the times required to recognise and determine amounts should be indicated in medium/long-term service contracts and agreements containing several obligations, on the basis of which the operators reported the major criticalities of the current regulation. The disclosure on revenue should be improved by providing extensive qualitative and quantitative information so stakeholders can clearly understand the content and important elements to determine revenues.
The standard applies from 1 January 2017, though earlier application is permitted.

IFRS 9 Financial Instruments

On 25 July 2014 the IASB published IFRS 9 - Financial Instruments, including the part on the classification and measurement of financial instruments, the impairment model and hedge accounting.
IFRS 9 has revised the accounting rules of IAS 39 with reference to the recognition and measurement of the financial instruments, including hedging transactions.
The principle established the following three categories for the classification of financial assets:

- financial assets measured at *amortised cost*;
- financial assets measured at fair value recognised in the income statement ("FVTPL" – "*Fair value through profit and loss*");
- financial assets measured at fair value through in other comprehensive income ("FVOCI" – "*fair value through other comprehensive income*").

With reference to this classification, the following provisions are likewise pointed out:

- *non-trading equity instruments*, which should be classified in the FVTPL category, can be classified on the basis of an irrevocable decision by the entity drafting the financial statements under the FVOCI category. In this case the changes in fair value (including exchange rate difference) will be recognised in OCI and will never be reclassified under profit/(loss) for the year;
- if the financial assets classified in the category "amortised cost" or "FVOCI" create an "*accounting mismatch*", the entity drafting the financial statements can decide irrevocably to use the "fair value option" classifying these financial assets in the "FVTPL" category;
- with reference to "debt instruments" classified in the FVOCI category, it is pointed out that interest receivable, expected credit losses and exchange rate differences must be recognised in profit/(loss) for the year. On the other hand, OCI will include the other effects deriving from measurement at fair value, which will be reclassified under profit/(loss) for the year only in case of derecognition of the financial asset.

With regard to financial liabilities, the standard provides for the classification previously stated in IAS 39, but introduces an important innovation for financial liabilities classified in the "FVTPL" category, since the rate of change in fair value attributable to own credit risk must be recognised in OCI instead of in profit/(loss) for the year as set forth currently in IAS 39. Under IFRS 9, an entity that experiences a worsening in own credit risk, while being required to reduce the amount of own liabilities measured at fair value, the effect of this reduction attributable to own credit risk will not involve positive effects on profit/(loss) for the year but rather in OCI.
IFRS 9 introduces a new impairment model based on expected losses. Starting immediately, and independently from an eventual trigger event, the entity must enter expected losses on its financial assets, and must continuously update the estimate, also taking into account changes in counterpart credit risk, based not only on past and present events and data, but giving the proper emphasis to future estimates. Future losses must be estimated initially with reference to expected losses in the next 12 months, and then, with reference to overall losses in the life of the credit. The expected losses in the next 12 months are the portion of losses that would be incurred in case of a default by the counterpart within 12 months from the reporting date, and are given by the product between maximum loss and the probability of a default occurring.
Total losses during the life of the financial asset are the current amount of average future losses multiplied by the likelihood of default during the life of the financial asset.

IFRS 9 aligns hedge accounting more closely with risk management undertaken by the company, focusing on the fact that if a risk factor can be identified and measured, independently from the type of risk and/or item, the instrument created to cover this risk can be recognised in hedge accounting, with the simple limitation that this risk could have an impact on profit and loss or other items of the comprehensive income statement (OCI).
The standard also allows information produced internally by the company to be used as the basis for hedge accounting, so that it is no longer necessary to demonstrate compliance with complex criteria and measurements created exclusively for accounting requirements. The main changes are as follows:

- efficacy test: the 80-125% threshold is abolished and replaced with an objective test to verify the economic relationship between the instrument hedged and the hedging instrument (for example of there is a loss in the former there must be a gain in the latter);
- components hedged: not only financial assets and liabilities but any components or group of components al long as the risk is separately identifiable and measurable;
- cost of hedge: the time value of an option, forward points and currency spread can be excluded from hedge accounting and recognised immediately as the cost of coverage, and therefore all the fluctuations of mark to market can be temporarily recognised under other items of the comprehensive income statement (OCI);
- disclosure: ample disclosure is provided on the risks hedged and the instruments used, eliminating the current disclosure statement based on the distinction between cash flow hedge and fair value hedge instruments; these accounting terms often confuse investors, who are clearly more interested in the risks and how these are hedged than in the accounting classification of the hedging instruments as such.

The new standard will be applied starting from **1 January 2018**. Early application is allowed as long as the IASB document has already been endorsed by the European Union.

Amendments to IAS 27: Equity Method in Separate Financial Statements
On 18 August 2014 the IASB published this amendment to IAS 27 which will allow entities to use the equity method for stating the investments in subsidiaries, joint ventures and associates in the separate financial statements. The amendment to IAS 27 will be effective from the financial years starting on or after 1 January 2016.

Amendments to IFRS 10 and IAS 28: *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*
On 11 September 2014, the IASB published the aforesaid amendments aimed at clarifying the accounting treatment both in case of the loss of control over a subsidiary (governed by IFRS 10) and in case of downstream transactions governed by IAS 28, according to whether or not the object of the transaction is a business, as defined by IFRS 3.
If the object of the transaction is a business, then the profit must be recognised in full in both cases (i.e. loss of control and downstream transactions) while if the object of the transaction is not a business, then the profit must be recognised in both cases only for the proportionate amount of the non-controlling interests.
These amendments will come into force from 1 January 2016 but early application is in any case allowed.

Defined Benefit Plans: Employee Contributions (Amendments to IAS 19)
The amendment to IAS 19 – Employee Benefit Plans was necessary to facilitate the accounting for defined benefit plans involving contributions by employees or third parties, as long as certain conditions apply.
In detail, the amendment to IAS 19 allows contributions by employees or third parties to be recognised as a reduction of service costs in the period when the relative employment services have been rendered, if there is compliance with the following conditions:

- there is formal provision for employee or third party contributions in the conditions of the plan;

- the contributions are related to the services rendered;
- the amount of the contribution does not depend on the number of years of employment.

In all the other cases, the recognition of such contributions will be more complex since they must be attributed to the single periods of the plan by the actuarial calculation of the corresponding liability.
The amendment to IAS 19 must be applied retroactively starting from the financial statements of the years starting on or after 1 July 2014. Early application is allowed as long as the IASB document has already been endorsed by the European Union.

Annual Improvements to IFRSs (2010-2012 Cycle)
In the document "*Annual Improvements to IFRSs (2010-2012 Cycle)*", the IASB amended the following accounting standards with reference to some aspects requiring clarification:

- IFRS 2 Share based payments: in the amendments to IFRS 2, the IASB clarified that a "performance condition" requires compliance with the following criteria:
  a) a specific period of services must be undertaken;
  b) achievement of a specified performance target during a specified period of service (if the target is achieved after the period of service, this shall be considered as a "non-vesting condition").

  Furthermore, the IASB has clarified that a performance target must be based on a specific target of the entity (e.g.: EBITDA, profit for the year, total revenue etc.) or on the price of the shares of the same entity. If the target is based on a share index, this this shall be considered as a "non-vesting condition", since the index also includes the equity performance of other entities.
- IFRS 3 Business combinations: by the amendment to IFRS 3, the IASB has clarified the classification and measurement aspects of contingent considerations. The following was clarified:
  a) a contingent consideration is assessed either as a financial liability or equity instrument according to the provisions of IAS 32 Financial instruments: Presentation in the financial statements;
  b) subsequently contingent consideration, recognised as an asset or liability, is to be remeasured at fair value with the changes shown through profit or loss for the year.
- IFRS 8 Operating segments: by the amendments to IFRS 8, the IASB:
  a) has introduced a new disclosure requirement, requiring a brief description of the operating segments that have been aggregated and the economic indicators used for this aggregation;
  b) has clarified that reconciliation of the reportable operating segments assets with the total assets of the entity is required only if a measure of segment assets is regularly provided to the chief operating decision maker (CODM) of the entity.
- IFRS 13 Fair value measurement: by the amendment of IFRS 13, the IASB has clarified that the amendments to IAS 39 made after the publication of IFRS 13 were not intended to remove the expedient of measuring short term receivables and payables without taking into account the effect of discounting, where this effect is immaterial.
- IAS 16 Property, plant and equipment and IAS 38 Intangible assets: by the amendments to IAS 16 and IAS 38, the IASB has clarified the procedures for applying the method of restating the amount required by the said standards. Specifically, they clarified the procedure for adjusting historical cost and the amount of accumulated depreciation for these assets in order to update the to fair value.
- IAS 24 Related party disclosures: by the amendment to IAS 24, the IASB:
  a) has extended the definition of "related parties" to the entities within the Group providing key management personnel services. Such entities are usually referred to as "*management companies*";
  b) has clarified that it is sufficient to report the overall amount of the cost charged by the management company without separately indicating the individual types of benefits paid to the reporting entity employees by the management company.

All of the aforesaid amendments must be applied prospectively starting from the financial statements of the years starting on or after 1 July 2014. Early application is allowed as long as the IASB document has already been endorsed by the European Union.

Annual Improvements to IFRSs (2011-2013 Cycle)

In the document "*Annual Improvements to IFRSs (2011-2013 Cycle)*", the IASB amended the following accounting standards with reference to some aspects requiring clarification:

a) *IFRS 1 First-time adoption of International Financial Reporting Standards*: by the amendment to IFRS 1, the IASB has clarified that when issuing it first financial statements drawn up in accordance with IFRSs, a "first-time adopter" can, though not being obliged, use documents issued by the IASB but not yet effective, that permit early adoption.
b) *IFRS 3 Business combinations*: by the amendment to IFRS 3, the IASB has clarified that the provisions of this standard are not applicable to the formation of all joint control arrangements thus also including joint operations. This exclusion refers to financial statements drafted with reference to the business combination.
c) *IFRS 13 Fair value measurement*: by the amendment to IFRS 13, the IASB has clarified that the exception provided for measurement at fair value on the net basis of a portfolio of assets and liabilities is also applicable to contracts coming within the scope of application of IAS 39 or IFRS 9, irrespective of whether such meet the definition of a financial asset or liability under IAS 32 (e.g.: contracts for the purchase or sale of non-financial assets involving net cash settlement).
d) *IAS 40 Investment property*: with the amendment to IAS 40, the IASB has clarified the link between this standard and the provisions of IFRS 3. In detail the following was clarified:
    1. the entity must determine whether it has acquired investment property as defined in IAS 40;
    2. the entity must conduct a separate measurement on the basis of IFRS 3 in order to determine whether the investment property acquired comes under the definition of business combination.

All of the aforesaid amendments must be applied prospectively starting from the financial statements of the years starting on or after 1 July 2014. Early application is allowed as long as the IASB document has already been endorsed by the European Union.

***Exposure Draft* issued by the IASB**

- On 25 March 2014 lo IASB published the *Exposure Draft* and 2014/1 "*Disclosure Initiative (Proposed amendments to IAS 1)*".

  The purpose of the document to provide clarification on doubts expressed with respect to reporting requirements. In detail, the amendments regard the following aspects:
    - materiality: clarifications as to the fact that aggregation or disaggregation should not obscure useful information and that materiality applies to the main statements, the notes and the specific disclosures required by IFRS standards;
    - the balance sheet, income statement and other components of overall profit: the clarifications regard the fact that the individual line items may need to be disaggregated and aggregated. Introduction of guidance for the use of sub-total to be inserted in the charts in the financial statements;
    - explanatory notes: it is clarified that entities are entitled to flexibility in the structure of the explanatory notes. Introduction of guidance on how to define a systematic order in the notes. Furthermore, it is proposed to eliminate examples that are not useful for identifying the main accounting policies;
    - recognition in OCI of items deriving from investments measured with the equity method: the Amounts included under OCI regarding equity measurement of investments in Associates and Joint Ventures must be aggregated in individual items according to whether such amounts are recognised in the income statement.

  The deadline for submitting comments to the *Exposure Draft* expired on 23 July 2014.

- On 30 January 2014 the IASB published a *Request for Information* (RFI) for the revision of IFRS 3 *Business Combinations* with the aim of collecting informations on the issued deriving from the application of the standard.

The start-up of the revision process was originally scheduled for 2012 but was only announced on 25 July 2013. From this date, the IASB collected information to determine the extent of the revision and to identify the main issues raised by the application of IFRS 3.
The document presents some questions and is a public consultation. After the deadline for submitting comments, the IASB will examine the observations received and the information collected by other consultation activities and the results of research conducted on this topic. The final conclusions of the IASB will be presented in a report and a feedback statement that will also define the measures that the IASB intends to apply after the revision.
The technical issues discussed in the RFI regard the following areas:

- definition of a business;
- fair value*;*
- separate recognition of intangible assets and goodwill and recognition of negative goodwill*;*
- indefinite-lived goodwill and intangible assets should not be amortised;
- non-controlling assets,
- step acquisitions and loss of controlling interest;
- disclosure requirements;
- other issues that the parties wish to address.

The deadline for submitting comments to the RFI expired on 30 May 2014.

On 25 August 2014 the IASB published the *Exposure draft Recognition of Deferred Tax Assets for Unrealised Losses (Proposed amendments to IAS 12)*.

The proposed changes aim to clarify the recognition of deferred tax assets for debt instruments measured at fair value. The consultation ended on 18 December 2014.

On 25 September 2014 the IASB published the *Exposure draft Measuring Quoted Investments in Subsidiaries, Joint Ventures and Associates at Fair Value (Proposed amendments to IFRS 10, IFRS 12, IAS 27, IAS 28 and IAS 36 and Illustrative Examples for IFRS 13*).
The proposed amendments regard the measurement of investments in subsidiaries, Joint Ventures and associates measured at fair value, when these investments are quoted in an active market.

The consultation ended on 16 January 2015

On 25 November 2014 the IASB published the *Exposure draft Classification and Measurement of Share-based Payment Transactions (Proposed amendments to IFRS 2*). The consultation ended on 25 March 2015.

Changes to comparative data

The data in the statement of financial position and the income statement differ from those published on 31 December 2013 due to the retroactive application of IFRS10 and IFRS11.

Consolidated income statement

Notes Ref.		31.12.2014	*of which with related parties*	31.12.2013 *Restated*	*of which with related parties*	Increase / (Decrease)
1	Revenue from sales and services	2,931,592		3,203,569		(271,978)
2	Other revenue and proceeds	106,661		85,446		21,215
	Consolidated net revenue	**3,038,253**	**203,943**	**3,289,015**	**150,058**	**(250,762)**
3	Staff costs	229,543		238,327		(8,784)
4	External costs	2,109,768		2,405,669		(295,902)
	Consolidated operating costs	**2,339,311**	**28,248**	**2,643,996**	**26,358**	**(304,685)**
5	**Net income/(costs) from commodity risk management**	**(47)**		**67**		**(115)**
6	**Income/(costs) from equity investments of a non-financial nature**	**18,822**		**30,309**		**(11,487)**
	Gross operating profit	**717,716**	**175,696**	**675,395**	**123,701**	**42,321**
7	Amortisation, depreciation, provisions and impairment charges	327,273		312,162		15,110
	Operating profit	**390,444**	**175,696**	**363,233**	**123,701**	**27,211**
8	Financial income	28,170	3,065	27,084	74	1,086
8	Financial charges	(129,348)	0	(126,386)	70	(2,962)
9	Income/(costs) from investments	527		(4,762)		5,288
	Profit (loss) before tax	**289,793**	**178,761**	**259,170**	**123,844**	**30,623**
10	Taxation	120,874		105,786		15,088
	Net profit (loss) from continuing operations	**168,919**	**178,761**	**153,383**	**123,844**	**15,536**
	Net profit (loss) from discontinued operations	0		0		0
	Net profit (loss)	**168,919**	**178,761**	**153,383**	**123,844**	**15,536**
	Profit/(loss) attributable to non-controlling interests	*6,460*		*11,443*		*(4,984)*
	Net profit (loss) attributable to the Group	**162,459**	**178,761**	**141,940**	**123,844**	**20,519**
12	Earnings (loss) per share attributable to Parent Company's shareholders					
	Basic	0.7628		0.6665		0.0963
	Diluted	0.7628		0.6665		0.0963
	Earnings (loss) per share attributable to Parent Company's shareholders net of Treasury Shares					
	Basic	0,7643		0,6678		0,0965
	Diluted	0,7643		0,6678		0,0965

Amounts in € thousand

Consolidated statement of comprehensive income

	31.12.2014	31.12.13 *Restated*	Increase / (Decrease)
Net profit (loss)	**168,919**	**153,383**	**15,536**
Profit/(loss) deriving from the translation of financial statements expressed in a foreign currency	2,917	(2,612)	5,529
Profit/(loss) deriving from the remeasurement of financial assets available for sale	0	0	0
Profit/(loss) deriving from the effective portion of hedging instruments	(21,205)	17,709	(38,914)
Actuarial profit/(loss) on defined benefit pension plans	(15,293)	4,722	(20,015)
Taxation	10,088	(6,301)	16,390
Total other comprehensive income	(23,492)	13,518	(37,010)
Total comprehensive income (loss) net of tax	**145,427**	**166,902**	**(21,475)**
Total comprehensive income (loss) net of tax attributable to:			
Non-controlling interests	5,260	11,602	(6,342)
Group	140,167	155,300	(15,133)

Amounts in € thousand

Consolidated statement of financial position

Notes Ref.	ASSETS	31 December 2014	*of which with related parties*	31 December 2013 *Restated*	*of which with related parties*	Increase / (Decrease)	1 January 2013 *Restated*
13	Property, plant and equipment	2,031,410		2,006,192		25,218	2,012,319
14	Investment property	2,819		2,872		(53)	2,933
15	Goodwill	150,772		149,608		1,164	147,719
16	Concessions	1,398,571		1,317,286		81,285	1,243,267
17	Other Intangible assets	85,284		68,790		16,495	64,603
18	Equity investments in subsidiaries and associates	224,767		211,952		12,815	184,347
19	Other investments	2,482		3,321		(838)	4,763
20	Deferred tax assets	296,224		308,969		(12,744)	326,374
21	Financial assets	34,290	32,580	34,788	32,328	(498)	32,283
22	Other assets	43,972		48,770		(4,797)	53,861
	NON-CURRENT ASSETS	**4,270,593**	**32,580**	**4,152,547**	**32,328**	**118,046**	**4,072,468**
	Inventories	29,229		33,754		(4,525)	39,126
	Trade receivables	1,259,920	159,362	1,346,556	156,892	(86,636)	1,302,308
	Other current assets	141,467		111,410		30,058	121,152
	Current tax assets	99,843	0	91,984	0	7,859	67,191
	Current financial assets	92,130	72,134	118,302	60,983	(26,172)	152,832
	Cash and cash equivalents	1,017,967		563,066		454,900	405,510
23	**CURRENT ASSETS**	**2,640,556**	**231,496**	**2,265,072**	**217,875**	**375,484**	**2,088,118**
24	Non-current assets held for sale	497		6,722		(6,225)	6,722
	TOTAL ASSETS	**6,911,645**	**264,075**	**6,424,340**	**250,203**	**487,305**	**6,167,308**

Amounts in € thousand

Notes Ref.	LIABILITIES	31 December 2014	*of which with related parties*	31 December 2013 *Restated*	*of which with related parties*	Increase / (Decrease)	01 January 2013 *Restated*
	Shareholders' equity						
	share capital	1,098,899		1,098,899		0	1,098,899
	statutory reserve	176,119		167,353		8,766	162,190
	other reserves	(477,826)		(468,673)		(9,153)	(445,730)
	retained earnings (losses)	470,915		383,115		87,800	423,518
	profit (loss) for the year	162,459		141,940		20,519	
	Total Group Shareholders' equity	**1,430,566**	**0**	**1,322,633**	**0**	**107,933**	**1,238,877**
	Non-controlling interests	71,825		84,195		(12,370)	78,471
25	**Total Shareholders' equity**	**1,502,391**	**0**	**1,406,828**	**0**	**95,563**	**1,317,349**
26	Staff termination benefits and other defined benefit plans	118,004		106,910		11,094	118,329
27	Provision for liabilities and charges	168,644		206,058		(37,414)	216,098
28	Borrowings and financial liabilities	3,040,712		2,360,907		679,805	2,032,609
29	Other liabilities	177,990		161,549		16,440	157,131
30	Provision for deferred taxes	93,284		92,964		319	84,257
	NON-CURRENT LIABILITIES	**3,598,633**	**0**	**2,928,389**	**0**	**670,244**	**2,608,424**
	Trade payables	1,249,366	130,872	1,207,601	105,821	41,765	1,130,381
	Other current liabilities	287,259		239,082		48,177	230,160
	Borrowings	189,957	8,229	599,869	32,984	(409,912)	822,741
	Tax payables	83,941	0	41,228	0	42,713	56,908
31	**CURRENT LIABILITIES**	**1,810,522**	**139,101**	**2,087,779**	**138,805**	**(277,257)**	**2,240,192**
24	Liabilities directly associated with assets held for sale	99		1,344		(1,245)	1,344
	TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**6,911,645**	**139,101**	**6,424,340**	**138,805**	**487,305**	**6,167,308**

Amounts in € thousand

Consolidated statement of cash flows

€ thousand	31.12.2014	*Related parties*	31.12.2013 *Restated*	*Related parties*	Increase / (Decrease)
Cash flow from operating activities					
Profit before tax from continuing operations	289,793		259,170		30,623
Profit before tax from discontinued operations	0		0		0
Depreciation / amortisation	203,543		194,775		8,768
Revaluations/Impairment charges	90,817		54,012		36,805
Increase / (Decrease) in provisions for liabilities	(37,414)		(10,039)		(27,374)
Net increase / (Decrease) in staff termination benefits	(3,181)		(10,018)		6,837
Gains on disposals	0		0		0
Net financial interest expense	101,178		99,302		1,876
Income taxes paid	(60,631)		(84,607)		23,977
Cash flows generated by operating activities before changes in working capital	**584,105**		**502,594**		**81,511**
increase in current receivables	(15,958)	*(2,469)*	(118,891)	*(34,634)*	102,933
increase /decrease in current payables	38,657	*25,052*	76,812	*46,769*	(38,156)
increase/(decrease) in inventories	4,525		5,373		(847)
Increase / (decrease) working capital	**27,224**		**(36,706)**		**63,930**
Increase / (decrease) in other assets/liabilities during the period	**37,045**		**(20,101)**		**57,146**
TOTAL CASH FLOW FROM OPERATING ACTIVITIES	**648,374**		**445,787**		**202,587**
Cash flow from investment activities					
Purchase/sale of property, plant and equipment	(134,556)		(109,814)		(24,741)
Purchase/sale of intangible fixed assets	(181,143)		(154,826)		(26,317)
Investments	9,590		(8,480)		18,069
Purchase/sale of investments in subsidiaries	(4,220)		4,730		(8,950)
Proceeds/payments deriving from other financial investments	27,616	*11,403*	32,041	*(11,257)*	(4,425)
Dividends received	51	*51*	0	*0*	51
Interest income received	45,007		39,487		5,520
TOTAL	**(237,657)**		**(196,862)**		**(40,795)**
Cash flow from financing activities					
Non-controlling interests in subsidiaries' capital increase	(7,531)		11		(7,542)
Repayment of borrowings and long-term loans	33,880		(370,742)		404,622
Disbursement of borrowings/other medium/long term loans	599,223		695,690		(96,467)
Decrease/increase in other short-term borrowings	(411,842)	*(24,755)*	(223,112)	*31,927*	(188,730)
Interest expenses paid	(125,696)		(115,782)	*0*	(9,914)
Dividends paid	(43,852)	*(43,852)*	(77,434)	*(77,434)*	33,582
TOTAL CASH FLOW	**44,182**		**(91,369)**		**135,552**
Changes in shareholders' equity net of profit	**0**		**0**		**0**
Cash flows for the period	**454,900**		**157,556**		**297,344**
Net opening balance of cash and cash equivalents	**563,066**		**405,510**		**157,556**
Net closing balance of cash and cash equivalents	**1,017,967**		**563,066**		**454,900**

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 at 01 January 2013 *Restated*	**1,098,899**	**165,088**	**(71,845)**	**46,735**	**1,238,877**	**77,184**	**1,316,060**
Restated IFRS11		*(2,897)*	*2,897*		*0*	*1,288*	*1,288*
Balances at 01 January 2013 *Restated*	**1,098,899**	**162,190**	**(68,948)**	**46,735**	**1,238,877**	**78,472**	**1,317,349**
Net profit (loss)				141,940	141,940	11,444	153,384
Other comprehensive income (loss)				13,360	13,360	158	13,518
Total comprehensive income (loss)	**0**	**0**	**0**	**155,300**	**155,300**	**11,602**	**166,902**
Allocation of 2012 net profit		5,607	41,128	(46,735)	(0)		(0)
Distribution of dividends			(72,266)		(72,266)	(5,168)	(77,434)
Increase / (Decrease) basis of consolidation		(444)	1,167		722	(711)	11
Balances at 31 December 2013 *Restated*	**1,098,899**	**167,353**	**(98,920)**	**155,300**	**1,322,633**	**84,195**	**1,406,828**

€ thousand	share capital	statutory reserve	Other reserves	Profit for the period	Total	Non-controlling interests	Total Shareholders' equity
Balances at 1 January 2014 *Restated*	**1,098,899**	**167,353**	**(98,920)**	**155,300**	**1,322,633**	**84,195**	**1,406,827**
Net profit (loss)				162,459	162,459	6,460	168,919
Other comprehensive income (loss)				(22,292)	(22,292)	(1,200)	(23,492)
Total comprehensive income (loss)	**0**	**0**	**0**	**140,167**	**140,167**	**5,260**	**145,427**
Allocation of 2013 profit		4,619	150,681	(155,300)	0	0	0
Distribution of dividends			(36,204)	0	(36,204)	(7,648)	(43,852)
Change in basis of consolidation		4,147	(177)	0	3,970	(9,982)	(6,012)
Balances as at 31 December 2014	**1,098,899**	**176,119**	**15,381**	**140,167**	**1,430,566**	**71,825**	**1,502,391**

Notes to the consolidated income statement

Consolidated net revenue

As at 31 December 2014 these amounted to 3,038,253 thousand euros (3,289,015 thousand euros at 31 December 2013) marking a decrease of 250,762 thousand euros (-7.6%) over the previous year, and are broken down as follows:

€ thousand	31.12.2014	31.12.2013 *Restated*	Increase / (Decrease)	Increase / (Decrease) %
Revenue from sales and services	2,931,592	3,203,569	(271,978)	(8.5%)
Other revenue and proceeds	106,661	85,446	21,215	24.8%
Consolidated net revenue	**3,038,253**	**3,289,015**	**(250,762)**	**(7.6%)**

1. Revenues from sales and services – *2,931,592 thousand euros*

This item reported an overall decrease of 271,978 thousand euros (-8.5%) compared to 31 December 2013 which closed with a total of 3,203,569 thousand euros.

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

€ thousand	31.12.2014	31.12.2013 *Restated*	Increase / (Decrease)	Increase / (Decrease) %
Revenue from electricity sales and services	2,101,452	2,417,094	(315,643)	(13.1%)
Revenue from gas sales	59,015	63,780	(4,765)	(7.5%)
Revenue from sale of certificates and rights	21,633	16,373	5,261	32.1%
Revenue from Integrated Water Service	580,374	535,988	44,385	8.3%
Revenue from Overseas Water Services	7,707	10,409	(2,702)	(26.0%)
Revenue from biomass transfer and landfill management	39,419	36,382	3,037	8.3%
Revenue from services to customers	93,516	95,011	(1,495)	(1.6%)
Connection fees	28,476	28,531	(55)	(0.2%)
Revenue from sales and services	**2,931,592**	**3,203,569**	**(271,978)**	**(8.5%)**

Revenue from electricity sales and services

This item amounted to 2,101,452 thousand euros, and net of intercompany eliminations, essentially consist of the following items:

€ thousand	31.12.2014	31.12.2013 *Restated*	Increase / (Decrease)	Increase / (Decrease) %
Electricity and heat generation	38,357	45,189	(6,832)	(15.1%)
Electricity sales	1,613,799	1,911,630	(297,831)	(15.6%)
Transport and metering of energy	403,799	414,078	(10,279)	(2.5%)
Energy sales from WTE	42,387	45,041	(2,654)	(5.9%)
Energy from photovoltaic plants	556	1,156	(601)	(52.0%)
Cogeneration	2,554	0	2,554	100.0%
Total Revenue from electricity sales and services	**2,101,452**	**2,417,094**	**(315,643)**	**(13.1%)**

The major changes refer to:

- The decrease in revenue from electricity and heat generation amounting to 6,832 thousand euros was mainly driven by the district heating sector following the decline of market prices under the expected minimum levels, leading to the suspension of production of the combined cycle process of the Tor di Valle plant, as well as the lower amounts of heat produced (73.1 GWht in 2014 compared to 76.6 GWht in 2013). It is pointed out that during the year, Acea Produzione, by its directly owned plants, recorded a production volume totalling 498.1 GWh (+ 2.2 GWh compared to 2013);
- The reduction of revenue deriving from energy sales of 297,831 thousand euros was the direct consequence of the fall in electricity sales and in the Enhanced Protection Market (-7.2%) as well as in the free market service (-15.9%). Electricity sales in the Enhanced Protection Market totalled 3,000 GWh. The number of withdrawal points totalled 1,023,316 (1,071,557 as at 31 December 2013). The reduction is related to the opening up of the market following the liberalisation process, now practically completed. Electricity sales on the free market was 7,887 GWh for 346,908 withdrawal points recorded at 31 December 2014 (there were 301,276 at 31 December 2013);
- Revenue from the transport and metering of energy for the Enhanced Protection Market and free market fell by 10,279 thousand euros. This lower revenue is mainly 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 reduction of the amounts. Overall equalisation was substantially in line with 2013 (+527 thousand euros), while with reference to the markets served, it is pointed out that with regard to the free market, there was a decrease of 0.53% in the amounts distributed, falling from 7,410 GWh as at 31 December 2013 to the current level of 7,371 GWh; it is likewise pointed out that the average number of free market customers rose by 31,104 over the previous year. Energy distributed to customers in the Enhanced Protection Market (2,923 GWh) fell by 13.37% compared to the previous year. The amount of equalisation recoveries for years previous to 2014 recorded 14,692 thousand euros in higher revenue.

Revenue from gas sales

This item totalled 59,015 thousand euros, marking a decrease of 4,765 thousand euros compared to 31 December 2013, mainly due to the decrease in the volumes sold by Umbria Energy. Acea Energia sold 103.5 million standard cubic metres of gas to final customers and wholesalers (including retain joint ventures) corresponding to 154,601 redelivery points (compared to 98,676 at 31 December 2013).

Revenue from the sale of certificates and rights

This item amounted to 21,633 thousand euros marking an increase of 5,261 thousand euros over the previous year. The item includes the recognition of revenue from green certificates: **(i)** by Acea Produzione (16,895 thousand euros) accruing in relation to energy produced by the Salisano plant and the Orte plant after the repowering operations completed in 2012 and **(ii)** by A.R.I.A. (4,191 thousand euros) deriving from a system of incentives for renewable sources equal to 4,103 thousand euros from the Terni WTE plant and 88 thousand euros from the San Vittore del Lazio WTE plant,

The breakdown of this item by type is as follows:

€ thousand	31.12.2014	31.12.2013 *Restated*	Increase / (Decrease)	Increase / (Decrease) %
Green certificates	21,585	16,237	5,349	32.9%
CO2 rights	48	136	(88)	(64.6%)
Total	**21,633**	**16,373**	**5,261**	**32.1%**

Revenue from Integrated Water Service

As mentioned in the paragraph to which reference is made for more detailed explanations, Revenue from the Integrated Water Service is almost exclusively generated by the companies managing the service in Lazio and to a lesser extent those in Campania.

These revenues amounted to 580,374 thousand euros, up by 44,385 thousand euros (+8.3%) over the l previous year (535.988 thousand euros).
Details of the breakdown by company are given below:

€ thousand	31.12.2014	31.12.2013 *Restated*	Increase / (Decrease)	Increase / (Decrease) %
ACEA Ato2	504,006	471,497	32,509	6.9%
ACEA Ato5	64,826	54,129	697	19.8%
Gesesa	7,701	6,569	1,131	17.2%
Crea Gestioni	3,841	3,793	48	1.3%
I.W.S. Revenue	**580,374**	**535,988**	**44,385**	**8.3%**

The increase is mainly due to the updating of the 2014 tariffs by ACEA Ato2 and ACEA Ato5. The quantification of the Restriction on Guaranteed Revenue (VRG) of ACEA Ato2 took place on the basis of AEEGSI Resolution of 25 September 2014 approving the 2014-2015 tariffs proposed by the ATO2 Central Lazio - Rome Mayors' Conference. This increase is also due to the adjustments in so-called pass-though items, i.e. recognition in the tariff of some types of costs for the years 2012 and 2013. Specifically, for ACEA Ato2 these adjustments contributed 23.5 million euros to the growth of revenue in the period, and include the covering of costs incurred to deal with environmental emergencies and other cost components (i.e. electricity and local charges) besides inflation provided for under existing regulations.

Revenue from overseas water services

This item totalled 7,707 thousand euros, down 2,702 thousand euros compared to the previous year (10,409 thousand euros). The change was basically due to the decrease in the Aguazul Bogotà activities.

Revenue from biomass transfer and landfill management

This item totalled 39,419 thousand euros, up by 3,037 thousand euros compared to the previous year (36,382 thousand euros).
The breakdown by company is provided below:

€ thousand	31.12.2014	31.12.2013 *Restated*	Increase / (Decrease)
A.R.I.A.	22,015	17,535	4,480
SAO	9,328	9,959	(632)
Kyklos	3,130	4,700	(1,569)
Aquaser	3,528	3,631	(103)
Solemme	200	239	(39)
Samace	918	78	840
Innovazione e sostenibilità ambientale	300	240	60
Revenue from biomass transfer and landfill management	**39,419**	**36,382**	**3,037**

The trend in 2014 is determined by the increase both in the quantities conferred, in particular by agriculture and composting and by the average price.

Revenue from services to customers

This item totalled 93,516 thousand euros (95,011 thousand euros at 31 December 2013) and fell by 1,495 thousand euros.
This type of revenue comprises:

€ thousand	31.12.2014	31.12.2013 *Restated*	Increase / (Decrease)	Increase / (Decrease) %
Public Lighting - Rome	60,139	53,285	6,854	12.9%
Public Lighting - Naples	7,572	7,776	(203)	(2.6%)
Services requested by third parties	11,337	16,893	(5,556)	(32.9%)
Intercompany services	6,947	7,810	(863)	(11.0%)
PV power	393	1,853	(1,460)	(78.8%)
GIP revenue	7,127	7,394	(268)	(3.6%)
Revenue from customers	**93,516**	**95,011**	**(1,495)**	**(1.6%)**

The decrease was due to the combined effect of the following: **i)** an increase in revenue for Public Lighting for Roma Capitale (+6,854 thousand euros) as a result of the recognition of charges for design, works management and archaeological consultancy, amounting to 10% in addition to the fee set for the works undertaken in 2011, 2012 e 2013, in compliance with the provisions of the addendum to the service contract stipulated in 2011 (totalling 3,551 thousand euros) and increased activities for design and construction of new plants conducted during the year (3,307 thousand euros); **ii)** a decrease in services rendered to Group companies (-863 thousand euros); **iii)** a decrease in revenue from works undertaken on request by third parties of 5,556 thousand euros, mainly on the basis of specific agreements stipulated with developers of new areas to be urbanized; **iv)** a decrease in proceeds recorded by ARSE for marketing and installation on behalf of third parties of photovoltaic panels (-1,460 thousand euros).

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

€ thousand	31.12.2014	31.12.2013 *Restated*	Increase / (Decrease)	Increase / (Decrease) %
Environment	532	1,465	(933)	(63.7%)
Energy	876	4,081	(3,205)	(78.5%)
Water	10,863	12,227	(1,364)	(11.2%)
Networks	12,279	13,795	(1,516)	(11.0%)
Parent Company	68,965	63,443	5,522	8.7%
Revenue from services to customers	**93,516**	**95,011**	**(1,495)**	**(1.6%)**

Connection fees

This item totalled 28,476 thousand euros and are substantially in line with the previous year (-55 thousand euros compared to 2013). It comprises the following items:

- Energy Segment: 17,119 thousand euros (-921 thousand euros),
- Water Segment: 4,150 thousand euros (-112 thousand euros),
- Networks Segment: 7,206 thousand euros (+977 thousand euros).

2. Other revenue and proceeds – *106,661 thousand euros*

This item increased by 21,215 thousand euros (+24.8%) compared to 31 December 2013 which closed with a total of 85,446 thousand euros.

The change was mainly due to the following opposing effects:

1. the recognition of 36,717 thousand euros in contributions from Entities for Energy Efficiency Certificates, of which 28,340 thousand euros refer to the estimated tariff contribution due to ACEA Distribuzione in relation to its meeting the obligation for 2013 and 2014, while 8,377 thousand euros refer to the release of the provision for risks and charges allocated in 2013 to

cover the costs for purchasing the certificates, which were incurred during the period to meet the aforementioned regulatory energy efficiency requirement;

2. reduction of the items non-recurring gains and other revenue by 9,851 thousand euros and 7,246 thousand euros respectively;
3. recognition of revenue related to fraudulent power tapping in accordance with AEEGSI Resolution n. 637/2013 of 5,389 thousand euros;
4. decrease of 2,950 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;
5. decrease of 929 thousand euros in the service continuity bonus payable by the AEEGSI to ACEA Distribuzione.

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

€ thousand	**31.12.2014**	**31.12.2013 *Restated***	**Increase / (Decrease)**	**Increase / (Decrease) %**
Contribution Entities for Energy Efficiency Certificates	36,717	383	36,334	9,486.7%
Non-recurring gains	25,372	35,223	(9,851)	(27.9%)
Other revenue	11,088	18,334	(7,246)	(39.5%)
Reimbursement for damages, penalties and charge-backs	7,659	7,403	256	3.5%
Feed-in tariff	5,045	5,391	(346)	(6.4%)
Income related to fraudulent power tapping	5,389	0	5,389	100.0%
Government grant as per Prime Minister's Decree 23/04/04	4,947	7,897	(2,950)	(37.4%)
Regional grants	2,105	1,793	312	17.4%
Income from end users	2,353	1,526	827	54.2%
Seconded staff	1,518	2,024	(506)	(25.0%)
Property income	1,659	1,668	(9)	(0.5%)
IFRIC 12 margin	1,227	903	324	35.9%
Recharged cost for company officers	1,109	1,464	(355)	(24.2%)
Gains from disposal of assets	261	296	(35)	(11.8%)
Service continuity bonuses	212	1,141	(929)	(81.4%)
Other revenue and proceeds	**106,661**	**85,446**	**21,215**	**24.8%**

Consolidated operating costs

At 31 December 2014 these amounted to 2,339,311 thousand euros (2,643,996 thousand euros at 31 December 2013) marking a decrease of 304,685 thousand euros (-11.5%) compared to the previous year.
The breakdown is as follows:

€ thousand	31.12.2014	31.12.2013 *Restated*	Increase / (Decrease)	Increase / (Decrease) %
Staff costs	229,543	238,327	(8,784)	(3.7%)
External costs	2,109,768	2,405,669	(295,902)	(12.3%)
Consolidated operating costs	**2,339,311**	**2,643,996**	**(304,685)**	**(11.5%)**

3. **Staff costs –** *229,543 thousand euros*

€ thousand	31.12.2014	31.12.2013 *Restated*	Increase / (Decrease)	Increase / (Decrease) %
Staff costs including capitalised costs	298,581	295,364	3,217	1.1%
Release of provision allocated in 2012 for MBO and bonuses	0	(6,196)	6,196	100.0%
Total	**298,581**	**289,168**	**9,413**	**3.2%**
Capitalised costs	(69,038)	(50,841)	(18,196)	35.8%
Staff costs	**229,543**	**238,327**	**(8,784)**	**(3.7%)**

The increase in staff costs, inclusive of capitalised costs, amounted to 9,413 thousand euros and was influenced by the partial release, in the first quarter of 2013, of the amounts allocated for MBO and bonuses for Executives and Middle Managers since the targets set were only partially achieved.
The change was also affected by the wage increase resulting from contract renewals in 2013.

With regard to capitalised costs, they posted an increase of 18,196 thousand euros, substantially attributable to the water companies, the networks segment and the Parent Company. This increase derives from the considerable effort made by Group personnel with respect to the Acea2.0 Project and the revision of procedures for capitalising internal costs.

The following tables show the average number and actual number of employees by industrial segment compared to the previous year.

	Average number in the period		
	31.12.2014	31.12.2013 *Restated*	Changes
Environment	216	212	4
Energy	532	546	(14)
Water	2,413	2,423	(10)
Lazio-Campania	*1,837*	*1,852*	*(16)*
Tuscany-Umbria	*0*	*15*	*(15)*
Overseas	*414*	*398*	*15*
Engineering and services	*163*	*158*	*5*
Networks	1,377	1,400	(23)
Parent Company	670	680	(10)
TOTAL	**5,207**	**5,261**	**(54)**

	End-of-period number of employees		
	31.12.2014	31.12.2013 *Restated*	Changes
Environment	221	216	5
Energy	522	526	(4)
Water	2,366	2,405	(39)
Lazio-Campania	*1,792*	*1,834*	*(42)*
Tuscany-Umbria	*0*	*15*	*(15)*
Overseas	*412*	*396*	*16*
Engineering and services	*162*	*160*	*2*
Networks	1,335	1,382	(47)
Parent Company	661	666	(5)
TOTAL	**5,105**	**5,195**	**(90)**

4. **External costs –** *2,109,768 thousand euros*

This item showed an overall decrease of 295,902 thousand euros (-12.3%) compared to 31 December 2013 which closed with 2,405,669 thousand euros.

€ thousand	31.12.2014	31.12.2013 *Restated*	Increase / (Decrease)	Increase / (Decrease) %
Electricity, gas and fuel	1,746,466	2,042,068	(295,602)	(14.5%)
Materials	27,541	28,409	(868)	(3.1%)
Services	234,861	228,983	5,878	2.6%
Concession fees	43,115	40,985	2,130	5.2%
Cost of leased assets	23,907	23,801	106	0.4%
Other operating costs	33,877	41,423	(7,546)	(18.2%)
Consolidated operating costs	**2,109,768**	**2,405,669**	**(295,902)**	**(12.3%)**

Costs for electricity, gas and fuel

€ thousand	31.12.2014	31.12.2013 *Restated*	Increase / (Decrease)
Purchase of electricity	1,145,884	1,365,667	(219,782)
Purchase of gas	16,676	25,434	(8,758)
Transport of electricity and gas	552,038	650,250	(98,212)
White certificates	30,995	0	30,995
green certificates and CO2 rights	873	717	156
Total	**1,746,466**	**2,042,068**	**(295,602)**

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 (219,782 thousand euros and 98,212 thousand euros respectively) 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; these effects were partially offset **ii)** by payables to the Equalisation Fund for EEB in the Acea Distribuzione portfolio to cover the 2013 and 2014 obligation (30,995 thousand euros).

Materials

Costs for materials amount to 27,541 thousand euros and represent the cost of materials used during the period net of capital expenditure, as shown in the table below.

€ thousand	31.12.2014	31.12.2013 *Restated*	Increase / (Decrease)	Increase / (Decrease) %
Purchase of materials	43,973	50,518	(6,545)	(13.0%)
Change in inventories	4,069	1,827	2,242	122.7%
Change in inventories	**48,042**	**52,345**	**(4,302)**	**(8.2%)**
Capitalised costs	(20,501)	(23,935)	3,434	(14.3%)
Total	**27,541**	**28,409**	**(868)**	**(3.1%)**

Capitalised costs posted a decrease of 3,434 thousand euros basically attributable to ACEA Distribuzione (-2,455 thousand euros) and ACEA Ato2 (-507 thousand euros).
The costs for materials incurred by the operating segments are detailed below.

€ thousand	31.12.2014	31.12.2013 *Restated*	Increase / (Decrease)	Increase / (Decrease) %
Environment	5,346	4,851	495	10.3%
Energy	481	1,055	(574)	(54.5%)
Water	13,522	14,164	(643)	(4.5%)
Networks	7,243	7,601	(358)	(4.7%)
Parent Company	951	739	212	28.7%
Costs for materials	**27,541**	**28,409**	**(868)**	**(3.1%)**

Services and contracts

This item totalled 234,861 thousand euros, up by 5,878 thousand euros with respect to 228,983 thousand euros at 31 December 2013. The breakdown of the item is detailed below:

€ thousand	31.12.2014	31.12.2013 *Restated*	Increase / (Decrease)	Increase / (Decrease) %
Technical and administrative services (including consultancy e freelance work)	46,489	38,603	7,886	20.4%
Contract work	43,245	46,507	(3,263)	(7.0%)
Disposal and transport of sludge, slag, ash and waste	27,395	28,341	(945)	(3.3%)
Other services	26,414	21,715	4,699	21.6%
Payroll services	16,429	16,656	(226)	(1.4%)
Insurance costs	13,104	14,361	(1,257)	(8.8%)
Electricity, water and gas consumption	9,529	9,967	(438)	(4.4%)
Internal use of electricity	8,461	7,773	688	8.9%
Intragroup services	7,617	5,766	1,851	32.1%
Telephones and data transmission costs	5,977	7,503	(1,526)	(20.3%)
Postal expenses	5,976	5,867	109	1.9%
Maintenance fees	4,590	4,006	584	14.6%
Cleaning, transport and porterage	4,264	4,832	(568)	(11.8%)
Advertising and sponsorship costs	3,851	5,481	(1,630)	(29.7%)
Corporate bodies	3,702	4,727	(1,025)	(21.7%)
Meter readings	2,756	2,094	661	31.6%
Bank charges	2,265	2,490	(225)	(9.0%)
Travel and accommodation expenses	1,311	1,108	204	18.3%
Seconded staff	1,290	771	519	67.3%
Printing costs	196	415	(220)	(52.8%)
Costs for services	**234,861**	**228,983**	**5,878**	**2.6%**

Concession fees

These fees amounted to 43,115 thousand euros (+2,130 thousand euros compared to 31 December 2013) and regard fees paid by companies that manage certain areas of Lazio and Campania under concession.
The following table shows a breakdown by Company, compared to the previous year.

€ thousand	31.12.2014	31.12.2013 *Restated*	Increase / (Decrease)	Increase / (Decrease) %
ACEA Ato2	35,632	33,364	1,968	5.8%
ACEA Ato5	7,089	6,984	105	1.5%
Gesesa	343	286	57	19.9%
Crea Gestioni	51	52	(1)	0.0%
Concession fees	**43,115**	**40,985**	**2,130**	**5.2%**

Reference is made to the section entitled "*Service concession arrangements*".

Cost of leased assets

This item amounted to 23,907 thousand euros and is substantially in line with the previous year (23,801 thousand euros at 31 December 2013).
The following table illustrates the changes by operating segment:

€ thousand	31.12.2014	31.12.2013 *Restated*	Increase / (Decrease)	Increase / (Decrease) %
Environment	1,069	1,444	(374)	(25.9%)
Energy	3,563	3,481	82	2.4%
Water	5,310	4,896	414	8.5%
Networks	4,193	4,663	(470)	(10.1%)
Parent Company	9,771	9,318	453	4.9%
Cost of leased assets	**23,907**	**23,801**	**106**	**0.4%**

This item comprises lease payments of 11,173 thousand euros (11,982 thousand euros at 31 December 2013) and charges for other lease payments and rentals totalling 12,734 thousand euros (11,819 thousand euros at 31 December 2013).

Other operating costs

This item totalled 33,877 thousand euros at 31 December 2014 and fell by 7,546 thousand euros.
The following table provides details of this item by type:

€ thousand	31.12.2014	31.12.2013 *Restated*	Increase / (Decrease)	Increase / (Decrease) %
General and administrative expenses	3,191	11,735	(8,543)	(72.8%)
Taxes and duties	12,555	11,300	1,255	11.1%
Non-recurring losses	13,010	12,076	934	7.7%
Contributions paid and membership fees	3,398	3,816	(419)	(11.0%)
Damages and outlays for legal disputes	1,352	1,436	(83)	(5.8%)
Losses on assets disposals	370	1,060	(689)	(65.0%)
Total Other operating costs	**33,877**	**41,423**	**(7,546)**	**(18.2%)**

The change in the period was mainly due to the decrease in general expenses by Acea Energia regarding costs recorded in 2013 and no longer present in 2014.

5. **Net income / (costs) from commodity risk management –** *(47) thousand euros*

As at 31 December 2014 the change in the fair value measurement of financial contracts recognised in the consolidated income statement was negative for 47 thousand euros.
The portfolio of financial instruments under Hedge Accounting was the predominant component of the overall portfolio.
For more details see the paragraph *"Additional disclosures on financial instruments and risk management policies"* in the 2014 Consolidated Financial Statements.
It is pointed out 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. **Income/(Charges) from equity investments of a non-financial nature –** *18,822 thousand euros*

As described in the section "Effects from adoption of IFRS10 (Consolidated Financial Statements) and IFRS11 (joint control arrangements)" in this document, this item is the consolidated result according to the equity method that is included among the components of the consolidated gross operating profit. The breakdown of this item is detailed below:

€ thousand	31.12.2014	31.12.2013 *Restated*	Increase / (Decrease)
MOL	125,714	122,273	3,441
Amortisation, depreciation, impairment charges and provisions	(82,353)	(71,064)	(11,289)
Financing activities	(9,717)	2,008	(11,726)
Taxation	(14,822)	(22,908)	8,086
Income from equity investments of a non-financial nature	**18,822**	**30,309**	**(11,487)**

The decrease compared to 31 December 2013 was mainly due:

- ✓ in terms of gross operating profit, the recognition in 2013 of higher revenue (12,800 thousand euros) pertaining to 2012 with particular reference to the NIF (New Investments Fund) approved by the Area Authorities in 2013;
- ✓ in terms of financial management the recognition in 2013 of the 14,389 thousand euros financial income deriving from the discounting of GORI's debt with the Campania Regional Government: note that in June 2013 GORI, the Area Authority and the Campania Regional Government signed an Agreement, among other things, to determine the debt for the purchase of water as 212 million euros (Group share 78.6 million euros) and define a 20-year repayment plan with interest applied from the eleventh year.

Net of these extraordinary effects, the trend for the period is substantially in line with 2013.
The details of the assessments of the companies are shown below.

€ thousand	31.12.2014	31.12.2013 *Restated*	Increase / (Decrease)
Publiacqua	7,209	14,135	(6,925)
Gruppo Acque	6,329	2,515	3,814
Acquedotto del Fiora	3,455	3,462	(7)
Umbra Acque	17	122	(105)
Gori	69	10,464	(10,395)
Nuove Acque and Intesa Aretina	242	123	119
Agua Azul	742	512	230
Voghera Energia Vendite in liquidation	(357)	(343)	(14)
Ingegnerie Toscane	970	(106)	1,076
Ecomed in liquidation	145	(368)	513
Ecogena	0	(204)	204

€ thousand	31.12.2014	31.12.2013 *Restated*	Increase / (Decrease)
Apice in liquidation	0	(24)	24
Total	**18,822**	**30,289**	**(11,467)**

7. Amortisation, depreciation, impairment charges and provisions - *327,273 thousand euros*

Compared to the previous year this item increased by 15,110 thousand euros.
The breakdown is as follows:

€ thousand	31.12.2014	31.12.2013 *Restated*	Increase / (Decrease)	Increase / (Decrease) %
Amortisation and depreciation	203,543	194,775	8,768	4.5%
Provision for impairment of receivables	110,165	79,559	30,606	38.5%
Provision for liabilities and charges	13,564	37,827	(24,263)	(64.1%)
TOTAL	**327,273**	**312,162**	**15,110**	**4.8%**

Amortisation and depreciation

€ thousand	31.12.2014	31.12.2013 *Restated*	Increase / (Decrease)
Depreciation of tangible assets	118,655	118,155	500
Amortization of intangible assets	81,199	75,063	6,136
Impairment charges	3,688	1,557	2,131
Total	**203,543**	**194,775**	**8,768**

The increase in depreciation and amortisation, amounting to 8,768 thousand euros, results from the increase in:

- amortisation of intangible assets of 6,136 thousand euros owing to the implementation of new software for improvement and technological development. The higher amortisation mainly refers to Acea Energia (+3,025 thousand euros) and the Parent Company (+2,277 thousand euros);
- impairment charges on some assets such as the Paliano plant affected by a fire in 2013 (1,309 thousand euros) e photovoltaic assets as a result of reduced income rates caused by the "incentives distribution" decree (640 thousand euros). This item also includes impairment charges for the start-ups at indefinite useful life for Laboratori and the proportional part of Kyklos (totalling 1,079 thousand euros).

Impairment charges and losses on receivables

This item totalled 110,165 thousand euros with an increase of 30,606 thousand euros of which 13,892 thousand euros for the Energy Segment companies and 12,405 thousand euros for the Water Segment companies. We can likewise point out an increase in impairment charges for ACEA Distribuzione (+2,981 thousand euros compared to 2013).
The breakdown is as follows by industrial segments:

€ thousand	31.12.2014	31.12.2013 *Restated*	Increase / (Decrease)	Increase / (Decrease) %
Environment	52	141	(89)	(63.1%)
Energy	75,630	61,738	13,892	22.5%

€ thousand	31.12.2014	31.12.2013 *Restated*	Increase / (Decrease)	Increase / (Decrease) %
Water	24,015	11,611	12,405	106.8%
Networks	6,744	3,526	3,218	91.3%
Parent Company	3,723	2,543	1,180	46.4%
Impairment charges and losses on receivables	**110,165**	**79,559**	**30,606**	**38.5%**

Provisions

At 31 December 2014, provisions, net of releases for redundancies, amounted to 13,564 thousand euros. Their breakdown by type is as follows:

€ thousand	31.12.2014	31.12.2013 *Restated*	Increase / (Decrease)
Legal	2,664	3,410	(746)
Tax	2,376	272	2,104
Regulatory risks	(14,635)	8,520	(23,155)
Investees	117	1,541	(1,423)
Contributory risks	112	1,796	(1,683)
Early retirement and redundancies	19,047	15,409	3,637
Post mortem	(1,936)	0	(1,936)
Contracts and supplies	865	1,841	(976)
Other liabilities and charges	422	900	(477)
Total	**9,031**	**33,690**	**(24,659)**
Restoration charges IFRIC12	4,533	4,138	396
Total provisions	**13,564**	**37,827**	**(24,263)**

There follows the breakdown of provisions by industrial segments:

€ thousand	31.12.2014	31.12.2013 *Restated*	Increase / (Decrease)	Increase / (Decrease) %
Environment	(302)	612	(914)	(149.0%)
Energy	6,098	3,770	2,328	61.8%
Water	(9,533)	9,989	(19,522)	(195.4%)
Networks	8,666	15,809	(7,143)	(45.2%)
Parent Company	8,638	7,648	990	12.9%
Provisions	**13,564**	**37,827**	**(24,263)**	**(64.1%)**

Among the most significant allocations during the year we can mention the ones for early retirement and redundancies of staff, totalling 19,047 thousand euros, and allocations for charges to Acea Produzione for extra fees of the Bacino Imbrifero Montano of 1,853 thousand euros.

It is pointed out that the entire provision in ACEA Ato5 totalling 18,774 thousand has been offset since the provision no longer exists for potential liabilities deriving from the issue of the legitimacy of the tariffs applied by the company for the years 2006 – 2010. Among the other uses we can point out the adjustment of the SAO *Post Mortem* Fund (-1,936 thousand euros) and the release of 1,361 thousand euros in LaboratoRI for the recovery of plant efficiency as a result of the completions of the procedures for the sale of instruments and technical equipment owned by ACEA S.p.A.

For more details see note n. 27 and the section on *"Update on major disputes and litigation"*.

8. **Financial income -** *28,170 thousand euros*

€ thousand	31.12.2014	31.12.2013 *Restated*	Increase / (Decrease)
Interest on loans and receivables	3,363	707	2,655
Bank interest income	813	1,531	(718)
Interest on customer receivables	20,040	15,372	4,668
Interest on other receivables	808	207	601
Financial income from discounting	2,447	2,730	(284)
Financial income from measurement of fair value hedges	349	821	(473)
Other income	353	5,716	(5,364)
Financial income	**28,170**	**27,084**	**1,086**

Financial income, amounting to 28,170 thousand euros, recorded an increase of 1,086 thousand euros over the previous year.
The change is mainly attributable to the recognition of financial income to Roma Capitale (+2,655 thousand euros) and higher interest invoiced to customers on the electricity market.
Income from measurement of fair value hedges amounted to 349 thousand euros and concerns derivatives entered into to hedge the interest rate risk on the bond issue.

9. **Financial costs** - *129,348 thousand euros*

€ thousand	31.12.2014	31.12.2013 *Restated*	Increase / (Decrease)
Costs (Income) on Interest Rate Swaps	3,843	6,706	(2,863)
Interest on bonds	66,002	48,372	17,631
Interest on medium/long-term borrowing	29,914	29,266	648
Interest on short-term borrowings	4,382	12,052	(7,670)
Default interest and interest on deferred payments	4,783	4,667	117
Interest cost net of actuarial gains and losses	3,230	3,190	40
Factoring fees	13,553	18,233	(4,680)
Interest on payments by instalment	924	1,462	(539)
Costs from discounting to present value	1,387	162	1,225
Other financial charges	1,088	1,518	(430)
Interest payable to end users	283	744	(461)
Foreign exchange gains/(losses)	(41)	13	(54)
Financial charges	**129,348**	**126,386**	**2,962**

Financial costs amounted to 129,348 thousand euros, up by 2,962 thousand euros compared to 2013.
The average overall *"All in"* cost of the ACEA Group's debt at 31 December 2014 stood at 3.12% compared to 3.41% in the previous year.

With reference to the financial charges on borrowings the following changes should be noted:

- interest on bonds, compared to 31 December 2013, was up 17,631 thousand euros due to the bonds placed on the market in early September 2013 (+16,256 thousand euros) and to the issue in July 2014 under the EMTN programme of 7,680 thousand euros, partially offset by the decrease in interest on the 300,000 thousand euro bond issue in 2004 and reimbursed on 22 July 2014 (-6,289 thousand euros);
- financial costs on medium and long-term borrowings decreased by 7,022 thousand euros due to the decrease in the average interest rate. The reduction of short-term financial charges is due to the substantial elimination of short-term credit lines;

- factoring fees fell by 4,680 thousand euros for the cumulative effect of the reduction of the rate applied and a slight reduction of factored receivables.

10. Income and costs from Equity Investments – *527 thousand euros*

€ thousand	31.12.2014	31.12.2013 *Restated*	Increase / (Decrease)
Income from investments in Associates	3,369	3,016	353
(Costs) from investments in Associates	(2,842)	(7,778)	4,936
(Costs) and Income from investments	**527**	**(4,762)**	**5,288**

Costs from investments refer to consolidation of certain Group companies using the equity method (mainly the Sienergia Group for 1,139 thousand euros, Azga Nord for 369 thousand euros and Eur Power in liquidation per 349 thousand euros.
Income from investments mainly refers to Marco Polo in liquidation for 2,300 thousand euros, Agua de San Pedro for 585 thousand euros, GEAL for 471 thousand euros and Sogea for 12 thousand euros. With regard to Marco Polo, it is pointed out that the income arose from a revision of the estimate on the completion of the liquidation.

11. Income tax - *120,874 thousand euros*

The tax payables for the period totalled 120,874 thousand euros compared to 105,786 thousand euros in the previous year.
The breakdown essentially as follows:

- ✓ current tax: 105,998 thousand euros (83,570 thousand euros at 31 December 2013),
- ✓ net deferred/(prepaid) tax: 14,876 thousand euros (22,215 thousand euros in 2013).

The overall increase recorded in the year, amounting to 15,088 thousand euros, derives from the increase in profit before tax and the restatement of deferred taxation for the IRES (corporate income tax) Additional Tax following the publication of the sentence of the Constitutional Court, which has declared this tax to be unconstitutional starting from the fiscal year 2015 (17,051 thousand euros).

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

€ thousand	31.12.2014	%	31.12.2013 *Restated*	%
Profit (loss) before tax	289,793		259,170	
Theoretical tax charge at 27.5% on profit before tax (A)	79,693	27.5%	71,272	27.5%
Net deferred taxation (B)	8,166	2.8%	15,623	6.0%
Permanent differences (C)	(7,863)	(2.7%)	(22,070)	(8.5%)
IRES (corporate income tax) for the period (D) = (A) + (B) + (C)	79,996	27.6%	64,825	25.0%
IRAP (regional income tax) (E)	34,168	11.8%	34,252	13.2%
Tax Assets (F)	6,710	2.3%	6,710	2.6%

€ thousand	31.12.2014	%	31.12.2013 *Restated*	%
Total taxes recognised in income statement (G)=(D)+(E)+(F)	**120,874**	**41.7%**	**105,786**	**40.8%**

The tax rate for the year amounted to 41.7% (compared to 40.8% in 2013).

12. Earnings per share

Basic earnings per share is calculated by dividing the profit for the year pertaining to ACEA by the weighted average number of ACEA shares in circulation in the year, excluding Treasury Shares. The weighted average number of shares in circulation was 212,547,907 in the 2013 and 2014 financial years. Diluted earnings per share is calculated by dividing the profit for the year pertaining to ACEA by the weighted average number of ACEA shares in circulation in the year, excluding Treasury Shares, increased by the number of shares that might potentially be placed in circulation. As at 31 December 2013 and 2014, there are no shares that could potentially be placed in circulation, and therefore the weighted average number of share for calculating the basic earnings coincides with the weighted average number of shares for the calculation of the diluted earnings.
Earnings per share, determined in accordance with IAS 33, are shown below:

€ thousand	at 31.12.2014	at 31.12.2013 *Restated*	Increase / (Decrease)
Net profit attributable to the Group (€/000)	162,459	141,940	20,519
Net profit attributable to ordinary equity holders of the Group (€/000) (A)	162,459	141,940	20,519
Weighted average number of ordinary shares outstanding 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 (in €)			
- basic (A/B)	**0.7628**	**0.6665**	**0.0963**
- diluted (A/C)	**0.7628**	**0.6665**	**0.0963**

€ thousand	at 31.12.2014	at 31.12.2013 *Restated*	Increase / (Decrease)
Net profit attributable to the Group (€/000)	162,459	141,940	20,519
Net profit attributable to ordinary equity holders of the Group (€/000) (A)	162,459	141,940	20,519
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 (in €)			
- basic (A/B)	**0.7643**	**0.6680**	**0.0964**
- diluted (A/C)	**0.7643**	**0.6680**	**0.0964**

Notes to the Consolidated Statement of Financial Position

Assets

As at 31 December 2014 these amounted to 6,911,645 thousand euros (6,424,340 thousand euros at 31 December 2013) marking an increase of 487,305 thousand euros or 7.6% over the previous year; they are broken down follows:

	31.12.2014	31.12.2013 *Restated*	Increase / (Decrease)	Increase / (Decrease) %
Non-current assets	4,270,593	4,152,547	118,046	2.8%
Current assets	2,640,556	2,265,072	375,484	16.6%
Non-current assets held for sale	497	6,722	(6,225)	-92.6%
Total assets	**6,911,645**	**6,424,340**	**487,305**	**7.6%**

13. Property, plant and equipment - *2,031,410 thousand euros*

Property, plant and equipment mainly comprise (approximately 69%) the net carrying amount of the infrastructures used for the distribution of electricity (1,407,2 million euros).

The remaining 31% consist mainly of the following:

a) a total of 243.2 million euros for assets in the environment segment, including the waste to energy plant that produces electricity remunerated by CIP6 and green certificates, composting plant owned by the Kyklos, Solemme and Samace companies e the Orvieto waste dump managed by SAO,

b) a total of 204.7 million euros from the net carrying amount of plant in the generation segment (circa 345 MW of installed power of which 122 MW regarding hydroelectric power plants), photovoltaic production with overall power just over 13 MWp and the cogeneration e trigeneraiton plant managed by Ecogena,

c) a total of 161.0 million euros from property, plant and equipment owned by ACEA and consisting mainly og the net carrying amount of the company headquarters building and the technology infrastructures of the computer systems utilised by the major Group companies.

The detail and changes of property, plant and equipment in 2014 are shown below.

	Land and buildings	Plant and machinery	Industrial equipment	Other assets	Fixed asset in progress	Assets to be relinquished	Total property, plant and equipment
31.12.2013 *Restated*	**381,239**	**1,136,761**	**434,262**	**30,908**	**21,205**	**1,818**	**2,006,192**
Assets held for sale	0	0	0	0	0	0	0
Additions/Acquisitions	5,731	64,508	38,000	2,059	20,926	434	131,659
Change in basis of consolidation	732	7,358	(2)	6	5,637	0	13,730
Depreciation/amortisations	(14,297)	(79,330)	(17,369)	(7,275)	0	(318)	(118,588)
Other changes	1,597	5,419	3,435	2,335	(14,368)	0	(1,582)
31.12.2014	**375,002**	**1,134,715**	**458,327**	**28,032**	**33,400**	**1,934**	**2,031,410**

Capital expenditures during the reporting period increased over the previous year and amounted to 131,659 million euros. Capital investments mainly refer to those incurred by:

- ✓ **ACEA Distribuzione** for 101,578 thousand euros for expansion and works on the HV lines, installation or reconstruction of primary substations, maintenance and work for expansion and modernisation of MV and LV lines, reconstruction and extraordinary maintenance of secondary substations, in accordance with the priorities set out in the plan;

- **A.R.I.A.** for 6,854 thousand euros mainly due to the completion of revamping for the Terni and San Vittore del Lazio WTE plants, for system improvement of the San Vittore del Lazio plant and refurbishing of the pulper and safety plant at the Terni facility;
- **Acea Produzione** for 6,011 thousand euros, basically for extraordinary maintenance of the plant in the Tiber basin, modernisation of the Tor di Valle plant and the extension of the district heating network;
- **Ecogena** for 5,358 thousand euros basically for the construction of the new trigeneration plant serving the "Europarco" complex in Rome EUR, and for the construction of the Cinecittà Parchi cogeneration plant which came into operation in July 2014;
- **SAO** for 3,913 thousand euros regarding work undertaken for compacting the soil of the waste dump and for completing the company office building and for the project for "Revamping the waste treatment plant and expansion of the site for non-dangerous waste";
- **ACEA** for 3,651 thousand euros mainly regarding the investments for the hardware necessary for the computer network improvement and development plan.

Other changes refer to reclassifications due to the commissioning of assets under construction, disposals and disinvestment, and impairment of assets. In particular the following is pointed out:

- depreciation applied in SAO for 645 thousand euros for the assets involved in the revamping of the waste treatment plant;
- depreciation of 915 thousand euros applied to the assets of the Paliano plant damaged in the fire;
- impairment charges in Arse for 1,143 thousand euros mainly attributable to the photovoltaic plant installed in Paliano and affected by the afore-mentioned fire, and the write-down of the value after the impairment test undertaken to determine the effects of the "incentives distribution" decree. A WACC of 6.3% was used in the test, and to determine measurement of the of the operating flows, reference is made to the plans for the individual plants with a timespan from 2015 to the end of useful life (end of the incentive);
- other disposals of ACEA Distribuzione assets.

The change in the **basis of consolidation** refers to Ecogena which was fully consolidated starting from 1 January 2014.

14. **Investment property -** *2,819 thousand euros*

This item primarily includes land and buildings not used in operations and held for rental. The reduction compared to the previous year is basically due to the effect of amortisation of 61 thousand euros.

€ thousand	31.12.2013 *Restated*	Investments / Acquisitions	Increase / (Decrease) basis of consolidation	Amortisation	Disposals and other changes	31.12.2014
Investment property	2,872	8	0	(61)	0	2,819
TOTAL	**2,872**	**8**	**0**	**(61)**	**0**	**2,819**

15. **Goodwill -** *150,772 thousand euros*

As at 31 December 2014 goodwill amounted to 150,772 thousand euros (149,607 thousand euros at 31 December 2013). The increase over the previous year, totalling 1,164 thousand euros, derives from the net effect of the following:

- the decrease of 591 thousand euros deriving from the definition of Business Combination regarding the acquisition of Samace made on 1 July 2013. This amount, on the basis of a specific expert report, was attributed to property, plant and equipment;
- depreciation of goodwill regarding Laboratori for 773 thousand euros;

- ✓ depreciation of 306 thousand euros applied as a result of the impairment test conducted on to measure the Aquaser investment in Kyklos;
- ✓ recognition of goodwill, totalling 2,839 thousand euros, arising at the time of acquisition in October 2104 of 49% of Ecogena.

The following table shows the individual cash generating units by industrial segment:

€ thousand	31.12.2013 *Restated*	Acquisitions	Impairment charges/ Revaluations	Other changes	Total
Energy	**138,553**	**2,839**	**0**	**0**	**141,392**
Acea Produzione	91,618	0	0	0	91,618
Acea Energia	46,444	0	0	491	46,935
Acea Energia Holding	491	0	0	(491)	0
Ecogena	0	2,839	0		2,839
Water:	**773**	**0**	**(773)**	**0**	**0**
Laboratori	773	0	(773)	0	0
Environment:	**10,281**	**0**	**(306)**	**(596)**	**9,379**
ARIA	7,744	0	0	0	7,744
Aquaser	2,537	0	(306)	(596)	1,635
Goodwill	149,608	2,839	(1,079)	(596)	150,772

In accordance 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. All the CGUs shown in the above table were subjected to impairment tests except for Ecogena e Laboratori.
It is pointed out that the Ecogena goodwill derives from the acquisition during the second half of the year, of the equity owned by Energie Alternative (33%).
Any 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 (CGU) 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 process for 2014 provides the estimate of an interval regarding the recoverable value of the individual Cash Generating Units in terms of value in use on a continuous basis compared to the previous year, i.e. by discounting of flows of operating results at a post-tax rate equal to the weighted average cost of the capital
The recoverable value 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. In order to determine the operating flows and terminal value (TV), estimates for the 2015

Budget and updates on the CGU plans were used in the framework of the 2014 – 2018 plans, with regard to the years from 2016 to 2018. All the documents underlying the impairment were submitted to the Board of Directors of ACEA. 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.

Operating segment/CGU	Amount € million	Recoverable value	WACC	Terminal value	Cash flow period
Energy:					
Acea Produzione	91.6	value in use	6.5%	two stages	up to 2019
Acea Energia	46.9	value in use	6.5%	Perpetuity zero growth	up to 2019
Environment:					
ARIA	7.7	value in use	6.3%	two stages	up to 2018

The Terminal Value was determined:

- ✓ for Acea Produzione: in two stages considering for both a zero growth rate. The first stage concerns a normalized cash flow for the period 2020-2029 while the second stage refers to the period after 2029
- ✓ for the environment segment: in two stages considering for both a zero growth rate. The first stage concerns 2019, the useful life of the plant, while the second stage includes the remaining value of net invested capital at the end of useful life.

Furthermore, the discount rate and other parameters (for example the growth rate) were simulated using the static Montecarlo simulation technique, and stress test were conducted on some key variable in the corporate plans, also in relation to external factors.
The surplus of recoverable value of the CGU show above compared to the corresponding carrying amount comprehensive of the relative goodwill will be offset when one of the following events occurs:

(i) for Acea Produzione: increase of one percentage point in the discount rate;
(ii) for Acea Energia: 30% of the failure to implement actions for containing working capital;
(iii) for Aquaser: no criticalities recorded, even in the case of a discount rate increased by 200 base points;
(iv) for ARIA: considering that the value in use and the carrying amount are substantially the same, the increase of 0.2% in the discount rate leads to a deficit.

Following the impairment test, the values recognised have been confirmed as being recoverable.

Intangible assets

€ thousand	Patent rights	Other intangible assets	Fixed assets in progress	Concessions	Total
31.12.2013 *Restated*	**32,468**	**14,367**	**21.955**	**1,317,286**	**1,386,076**
Assets held for sale					
Additions/Acquisitions	14,731	374	25,774	146,031	**186,910**
Change in basis of consolidation					**0**
Amortisation	(25,895)	(1,243)		(54,060)	**(81,198)**
Other changes	26,808	3,294	(27,348)	(10,687)	**(7,933)**
31.12.2014	**48,111**	**16,791**	**20,381**	**1,398,571**	**1,483,855**

Intangible fixed assets compared to 31 December 2013 recorded an increase of 97,779 thousand euros.

16. Concessions and rights on infrastructure – *1,398,571 thousand euros*

This item mainly refers to the water business and substantially comprises the following:

1. the net carrying amount of the tangible infrastructures acquired and constructed for managing the Integrated Water Service (1,222,352 thousand euros at 31 December 2014). This item totalled 1,126,968 thousand euros in 2013;
2. the concessions acquired for the payment of a fee totalling 172,766 thousand euros, being the concession granted by Roma Capitale to ACEA (and subsequently conferred by the latter to ACEA Ato2), for the assets consisting of water and sewage treatment facilities. This intangible asset is amortised on a systematic basis according to the duration of the relative concession (amounting to 30 years starting from the year 1998),
3. the net carrying amount of the total attributed to the item as a result of the acquisition of SAO. This asset (2,911 thousand euros) is also amortised on a systematic basis in accordance with agreements signed with the bodies having jurisdiction.

Investments for the year regarding **Rights on infrastructure** totalled 146,031 thousand euros and mainly refer to the works 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 the City of Rome and several municipalities, as well as measures for transport plant.

The item also comprises 4,329 thousand euros for the amount of assets deriving from the acquisition by ACEA Ato2 of the corporate branch of the company Acque Potabili S.p.A.

This acquisition took place on 29 December 2014 with the signature of a Framework Agreement between ACEA Ato2 S.p.A., Acque Potabili S.p.A., the Municipalities of Canterano, Capranica Prenestina, Gerano, Olevano Romano, Rocca Canterano aned Rocca di Papa, and the Operational Secretariat of the Mayors' Conference of ATO 2 Central Lazio – Rome for the transfer of the management of the Integrated Water Service to the aforesaid Municipalities by the signature of a contract for the sale of a corporate branch (by Acque Potabili to ACEA Ato2 signed on 29 December 2014), in accordance with the contents of the Resolutions by the Mayors' Conference n. 02/2007 and n. 03/2009 and the Communication of 10 July 2014. Accordingly the Service has been assigned by the Municipalities to ACEA Ato2 in its quality as manager of the Integrated Water Service of ATO 2 Central Lazio – Rome according to the terms, conditions and the duration of the 2002 management agreement.

The item **Other changes** includes the decrease of 13,880 thousand euros due to the decisions taken by the Mayors' Conference in the session of 10 July regarding the tariffs for 2014 that involve the anticipated implementation of the obligations of ACEA Ato2 deriving from Resolution n. 7 of 17 April 2012. It is recalled that according to this resolution, instead of the MALL penalty, the Manager would have undertaken the obligation of incurring the cost for future investments for a total of 3,470 thousand euros for a period of six years. The reduction of assets has involved the annulment of the Obligations Fund of the convention specifically set up in 2012. Per more details see note 27 "*Provisions for liabilities and charges*".

17. Other intangible assets - *85,284 thousand euros*

The increase over the previous year, totalling 16,495 thousand euros, derives from the investments incurred in the year (40,879 thousand euros) net of amortisation (-27,138 thousand euros) and reclassifications for the commissioning of assets.

Investments made in the year totalled 40,879 thousand euros and comprise the following:

- charges incurred by ACEA Distribuzione for the investments regarding the new invoicing system (8,518 thousand euros) and for the improvement, optimization and monitoring of the continuity of service and the implementation of new criteria for the management of the distribution network (€ 10,285 thousand euros);

- the investments of Acea Energia regarding CRM software (2,971 thousand euros), the creation of the Data Warehouse software, the purchase of user licenses for software applications and the software for the NETA system;
- investments of the Parent Company for 10,508 thousand euros mainly to purchase and upgrade administrative and security software.

The item "**disposals and other changes**" mainly regards the increase in the green certificates of Acea Produzione and Aria, which recorded an overall increase of 5,556 thousand euros compared to 31 December 2013, and reclassifications for the commissioning of assets.

18. Equity investments in unconsolidated subsidiaries and associates - *224,767 thousand euros*

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

€ thousand	31.12.2013 *Restated*	Impact on income statement	Impact on equity	Change in basis of consolidation	Other changes	31.12.2014
Equity investments in subsidiaries and associates	211,952	20,278	(1,920)	389	(5,931)	224,767

The changes recorded in the year refer to a:

- ✓ the valuations for the companies consolidated with the equity method and having an impact on the income statement totalling 20,278 thousand euros; these amounts are reflected in the income statement mainly under the item "Income/charges from equity investments of a non-financial nature" (18,821 thousand euros) and in the item "Charges/Income from investments" (527 thousand euros);
- ✓ the "change in the basis of consolidation" reflecting the effect of the acquisition of exclusive control of the company Ecogena, measured in the previous year with the equity method. The change in the equity held by Arse in Ecogena is the result of the completion in October of the purchase of all the shares in the investee, resulting in the valuation of the company in the consolidated assets with the full inclusion method;
- ✓ the impact of the valuations of the companies consolidated with the equity method under Shareholders' equity (-1,920 thousand euros);
- ✓ the dividends distributed by the companies Acque, Publiacqua and Ingegnerie Toscane.

Economic/financial and consolidated balance sheet data is provided for the main investments in subsidiaries using the equity method.

31.12.2014 € thousand	Non-current assets	Current assets	Non-current liabilities	Current liabilities	Revenue	Net profit/ (loss)	NMP
Publiacqua	181,328	45,453	(64,188)	(76,638)	88,949	7,279	(36,225)
Acque	184,097	35,463	(156,232)	(35,210)	62,728	4,882	(103,582)
Intesa Aretina	8,096	831	0	(602)	266	586	340
Nuove Acque	20,388	4,247	(14,755)	(2,331)	8,202	666	(9,246)
GORI	70,148	154,975	(59,414)	(132,004)	74,663	184	(7,346)
Umbra Acque	50,083	14,901	(30,756)	(24,800)	27,569	301	(12,695)
Ingegnerie Toscane	3,354	7,087	(607)	(5,755)	8,693	970	(2,126)
Acquedotto del Fiora	93,226	21,519	(26,638)	(66,673)	38,968	3,940	(49,031)
Voghera vendite	169	4,887	(237)	(7,825)	3	(357)	290
Ecomed	3	285	0	(290)	232	145	74

31.12.2014 € thousand	Non-current assets	Current assets	Non-current liabilities	Current liabilities	Revenue	Net profit/ (loss)	NMP
Consorcio Agua Azul	6,989	1,006	(283)	(932)	2,734	742	614
Acque industriali	1,457	1,984	(805)	(1,500)	3,805	233	(705)
Acque servizi	558	7,734	(418)	(4,655)	9,932	554	391

31.12.2013 *Restated* € thousand	Non-current assets	Current assets	Non-current liabilities	Current liabilities	Revenue	Net profit/ (loss)	NMP
Publiacqua	178,075	47,694	(67,900)	(74,311)	94,823	18,558	(35,253)
Acque	179,799	32,986	(155,746)	(31,736)	58,605	2,336	(102,016)
Intesa Aretina	7,705	506	0	(472)	266	489	364
Nuove Acque	20,646	4,180	(15,371)	(2,346)	8,127	582	(9,429)
GORI	104,141	113,356	(109,552)	(74,339)	63,756	10,718	(10,189)
Umbra Acque	50,260	12,833	(31,890)	(21,990)	28,540	1,236	(13,736)
Ingegnerie Toscane	3,442	7,144	(535)	(6,341)	8,223	694	(2,120)
Acquedotto del Fiora	84,995	18,784	(25,160)	(61,381)	37,341	4,229	(46,436)
Voghera vendite	152	5,780	(125)	(8,456)	2,419	(343)	23
Ecomed	3	167	0	(467)	0	(368)	86
Consorcio Agua Azul	29,420	7,880	(11,218)	(12,277)	2,716	512	(5,824)
Acque industriali	1,455	1,769	(882)	(1,376)	3,405	209	(824)
Acque servizi	564	7,150	(360)	(4,409)	9,328	599	(362)

19. Other investments - *2,482 thousand euros*

The item totalling 2,482 thousand euros (3,321 thousand euros in the previous year) refers to equity investments that do not qualify as subsidiaries, associates or joint ventures .
The change over the previous year amounted to 838 thousand euros and mainly refers to the impairment charges applied to the amount of the equity held in Wrc Plc and Centro Svilupp Materiali. With regard to the latter, it is pointed out that the majority shareholder, R.I.N.A., has expressed the intention to cover losses of the company, while the non-strategic nature of the holding for ACEA has been confirmed. The final deadline ultimo for the eventual option is set at 30 September 2015.

20. Deferred tax assets - *296,224 thousand euros*

As at 31 December 2014 this item amounted to 296,224 thousand euros (308,969 thousand euros at 31 December 2013) and basically refers to the following: **(i)** 39,893 thousand euros (46,602 thousand euros at 31 December 2013) for 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; **(ii)** 127,240 thousand euros (150,332 thousand euros at 31 December 2013) for lower depreciation/amortisation, **(iii)** 19,370 thousand euros for tax deductible provisions for liabilities (29,920 thousand euros at 31 December 2013); **(iv)** 52,338 thousand euros for doubtful receivables (34,488 thousand euros at 31 December 2013).
It is pointed out that:

- the column "adjustments/reclassifications" shows the amounts for the restatement of deferred tax assets and liabilities as a result of the decision by the Constitutional Court which has declared the IRES Additional Tax to be unconstitutional, starting from 1 January 2015,
- utilisations in the year are applied considering the IRES additional tax where applicable.

The following table details the changes in this item:

€ thousand	2013			Changes in 2014				
€ thousand	Balance	Change in basis of consolidation	Adjustments/ Reclassification	Changes in shareholders' equity	Utilisations	Rate adjustment	IRES/IRAP provisions	Balance
Anticipated tax								
Tax losses	788	131	0	0	(43)	0	120	996
Directors' fees	901	0	0	0	(64)	0	13	849
Provision for liabilities and charges	29,920	0	(655)	0	(19,179)	(180)	9,464	19,370
Impairment of receivables and investments	34,488	0	(2,863)	0	(871)	0	21,584	52,338
Depreciation / amortisation	150,332	7	34	0	(8,763)	(26,130)	11,761	127,240
Defined benefit and defined contribution plans	14,328	0	246	2,696	(623)	0	228	16,876
Tax assets on consolidation adjustments	46,602	0	0	0	(6,710)	0	0	39,893
Fair value commodities and other financial instruments	13,390	0	0	5,205	0	0	0	18,596
Others	18,218	0	26	0	(910)	(238)	2,971	20,067
Total	**308,969**	**137**	**(3,212)**	**7,901**	**(37,163)**	**(26,549)**	**46,140**	**296,224**
Deferred tax								
Amortisation	82,615	0	0	(540)	(3,597)	(9,498)	7,011	75,992
Defined benefit and defined contribution plans	1,144	(1)	(412)	(849)	(348)	0	154	(311)
Fair value commodities and other financial instruments	9096	0	230	162	0	0	261	9,749
Others	109	0	4,423	0	(1,941)	0	5,262	7,854
Total	**92,964**	**(1)**	**4,242**	**(1,226)**	**(5,885)**	**(9,498)**	**12,688**	**93,284**
Net	**216,006**	**138**	**(7,454)**	**9,127**	**(31,277)**	**(17,051)**	**33,452**	**202,941**

The item "Other" includes deferred taxation related to 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 – 34,290 thousand euros

This item totalled 34,290 thousand euros (34,788 thousand euros at 31 December 2013) marking a decrease of 498 thousand euros.
The item basically comprises receivables from Roma Capitale for 32,580 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 - 43,972 thousand euros

At 31 December 2014 these consisted of the following:

€ thousand	31.12.2014	31.12.2013 *Restated*	Increase / (Decrease)	Increase / (Decrease) %
Receivables from the State	113	119	(6)	-4,77%
Advances and deposits	1,327	973	354	36,38%
Other receivables	41,567	45,845	(4,278)	-9,33%
Accrued income and deferred charges	965	1,833	(868)	-47,37%
Other non-current assets	**43,972**	**48,770**	**(4,798)**	**48,40%**

Other receivables totalled 43,972 thousand euros (48,770 thousand euros at 31 December 2013) and primarily refer to long-term receivables deriving from the Public Lighting service contract in the City of Rome, which represents the overall investments made up to 31 December 2010 in connection with this service, and applied following the adoption of the financial method in accordance with IFRIC 12, as a result of the additions to the service contract agreed between ACEA and Roma Capitale.

23. Current assets - 2,640,556 thousand euros

	31.12.2014	31.12.2013 *Restated*	Increase / (Decrease)	Increase / (Decrease) %
Inventories	**29,229**	**33,754**	**(4,525)**	**(13.4%)**
Trade receivables:				
Customer receivables	1,162,973	1,244,371	(81,398)	(6.5%)
Amounts due from the Parent Company	67,231	69,650	(2,419)	(3.5%)
Amounts due from subsidiaries and associates	29,716	32,536	(2,819)	(8.7%)
TOTAL TRADE RECEIVABLES	**1,259,920**	**1,346,556**	**(86,636)**	**(6.4%)**
Other receivables and current assets	141,467	111,410	30,058	27.0%
Current financial assets	92,130	118,302	(26,172)	(22.1%)
Current tax assets	99,843	91,984	7,859	8.5%
Cash and cash equivalents	1,017,967	563,066	454,900	80.8%
CURRENT ASSETS	**2,640,556**	**2,265,072**	**375,484**	**16.6%**

Inventories

These totalled 29,229 thousand euros (33,754 thousand euros at 31 December 2013) and the breakdown by industrial segment is as follows:

€ million	31.12.2014	31.12.2013 *Restated*	Increase / (Decrease)
Environment	3,410	3,448	(38)
Energy	1,515	1,830	(315)
Water	8,420	9,872	(1,452)
Networks	15,613	18,334	(2,721)
Parent Company	270	270	0
Total	**29,229**	**33,754**	**(4,525)**

The decrease essentially derives from ACEA Distribuzione (-2,752 thousand euros) and ACEA Ato2 (-1,357 thousand euros).

Trade receivables

This item totalled 1,259,920 thousand euros marking a decrease of 86,636 thousand euros compared to the previous year which closed with a total of 1,346,556 thousand euros.

Customer receivables

This item totalled 1,162,973 thousand euros and marked a decrease of 81,398 thousand euros compared to 31 December 2013.

€ thousand	31.12.2014	31.12.2013 *Restated*	Increase / (Decrease)
Receivables from customers for bills issued	549,835	496,617	53,218
Receivables from customers for bills to be issued	416,132	530,941	(114,809)
Total receivables from customers	**965,967**	**1,027,559**	**(61,592)**
Receivables from other customers	175,148	194,516	(19,369)
Disputed receivables	21,858	22,296	(437)
Total receivables	**1,162,973**	**1,244,371**	**(81,398)**

The decrease compared to 31 December 2013 is attributable to the reduction of utilities customer receivables, with particular reference to the companies in the water and Network segments, following the billing of water tariff adjustments, partially mitigated by the increase in receivables from utilities and other customers in the companies in the energy and environment segments.
The table below summarises the changes by operating segment:

€ thousand	31.12.2014	31.12.2013 *Restated*	Increase / (Decrease)
Environment	29,702	27,627	2,075
Energy	643,955	627,482	16,472
Water	406,340	456,160	(49,819)
Networks	43,638	89,126	(45,488)
Parent Company	39,337	43,975	(4,638)
TOTAL	**1,162,973**	**1,244,371**	**(81,398)**

Receivables are shown net of the provision for impairment of receivables which at 31 December 2014 totalled 278,191 thousand euros, with an increase of 110,070 thousand euros over the previous year.

Environment segment receivables

These total 29,702 thousand euros, up by 2,075 thousand euros compared to 31 December 2013. The increase is due to the net effect of the decrease recorded in SAO of receipts from the municipalities that dispose of their waste in the waste dump, the increase in the amount of electricity produced and sold by the ARIA WTE plant, offset by the fall in the volume of business in Kyklos after the plant was impounded.

Energy segment receivables

This item totalled 643,955 thousand euros and is mainly attributable to the sale of electricity to customers of the Enhanced Protection Market and free market, and by the sale of gas. The increase compared to 2013 amounted to 16,472 thousand euros and is attributable to the increase of Acea Energia receivables (12,109 thousand euros) and Acea Produzione (6,279 thousand euros) receivables, partly offset by the decrease recorded in Umbria Energy (- 5,703 thousand euros).
It is pointed out that during the year, Acea Energia, under the securitisation contract stipulated in 2009, transferred receivables from private entities for an amount of 468,927 thousand euros and in non-recourse and recourse sales of receivables mainly from customers in the Public Administration, for a total value of approximately 136,470 thousand euros, of which 116,447 thousand euros for revolving disposals.
The provision for impairment at 31 December 2014 totalled 188,415 thousand euros, posting an increase, net of utilisations, of 83,251 thousand euros compared to 31 December 2013.

Water segment receivables

These amounted to 406,340 thousand euros and are broken down as follows:

€ thousand	31.12.2014	31.12.2013 *Restated*	Increase / (Decrease)
Italian water services	403,990	453,454	(49,465)
Lazio-Campania	*403,728*	*452,788*	*(49,060)*
Tuscany-Umbria	*262*	*666*	*(404)*
Overseas water services	1,823	2,182	(359)
Engineering and Laboratory services	528	523	5
Water customer receivables	**406,340**	**456,160**	**(49,819)**

The decrease of 49,819 thousand euros compared to 2013 is mainly due to the following:

- the decrease posted in ACEA Ato2 of tariff adjustments at 31 December 2012 for billing undertaken in 2014 (96,190 thousand euros);
- the increase of 61,589 thousand euros in customer receivables not yet billed by ACEA Ato2;
- the decrease in other customer receivables in ACEA Ato2 for payments collected from municipalities and consortiums;
- the increase of 30,720 thousand euros in receivables from customer members of ACEA Ato5. This item increased mainly due to the reallocation within the item of 17,858 thousand euros in receivables for the higher operating costs incurred in the years 2006 – 2011 in relation to the Area Authority ("Ente d'Ambito") and previously classified in other receivables. Recognition of 2014 adjustments is also comprised here;
- the decrease related to various sales transactions completed during the year by ACEA Ato2. In particular receivables for bills to be issued, we should point out the non-recourse sales of receivables for 2012-2013 tariff adjustments (38,874 thousand euros) and the revolving non-recourse sales of receivables from private entities (10,447 thousand euros).
  With reference to bills issued we can note: **(i)** the revolving non-recourse sale under the securitisation contract stipulated in 2010 for receivables from private entities totalling 318,504 thousand euros; **(ii)** spot sales transactions by which receivables from the Public Administration have been sold on a non-recourse basis for 44,544 thousand euros.

The provision for impairment at 31 December 2014 totalled 66,187 thousand euros with an increase, net of utilisation, of 21,111 thousand euros compared to 31 December 2013.

Network segment receivables

These amounted to 43,638 thousand euros with a decrease of 45,488 thousand euros compared to 31 December 2013, attributable to: **(i)** the decrease in receivables from wholesalers for 26,257 thousand euros in ACEA Distribuzione, **(ii)** the decrease of the non-attributable portion of receipts in progress (6,700 thousand euros) of ACEA Distribuzione; **(iii)** the increase of the provision for impairment of receivables in ACEA Distribuzione for 5,125 thousand euros; **(iv)** the decrease of ARSE customer receivables for receipts related to the Fiera di Rimini contract.

The provision for impairment of receivables amounted to 14,438 thousand euros and posted an increase of 5,418 thousand euros basically attributable to ACEA Distribuzione.

It is pointed out that during the year ACEA Distribuzione sold receivables for 308,952 thousand euros, and 81,860 thousand euros classified in other receivables, under the securitisation contract in place.

Parent Company receivables

These totalled 39,337 thousand euros and decreased by 4,638 thousand euros compared to 2013. This is substantially due to the change in receivables from the Municipality of Naples.

The provision for impairment of receivables amounted to 6,750 thousand euros and increased by 105 thousand euros as a result of the impairments applied during the year.

For further information on the ageing of receivables see the information in the section "Additional disclosures on financial instruments and risk management policies" attached to this document.

Amounts due from the Parent Company Roma Capitale

Trade receivables from Roma Capitale at 31 December 2014 totalled 67,231 thousand euros (at 31 December 2013 they amounted to 69,650 thousand euros).
The total amount of receivables, including financial receivables deriving from the public lighting contract and both current and non-current receivables, is 162,273 thousand euros compared to 154,026 thousand euros at the end of 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	31.12.2014	31.12.2013 *Restated*	Increase / (Decrease)
RECEIVABLES	162,273	154,026	8,247
PAYABLES (including Dividends)	119,888	120,527	(639)
BALANCE	**42,385**	**33,499**	**8,886**

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

Amounts due from Roma Capitale	31.12.2014	31.12.2013 *Restated*	Increase / (Decrease)
Utility receivables	51,318	42,516	8,802
Receivables for contract work and services	16,494	20,630	(4,136)
Other receivables: Seconded staff	151	332	(180)
Total services billed	**67,963**	**63,478**	**4,485**
Grants receivable	2,402	2,402	0
Total services requested	**70,364**	**65,890**	**4,474**
Receivables for bills to be issued: Public Lighting	1,013	5,721	(4,707)
Receivables for bills to be issued: other	1,512	1,423	89
Total services to be billed	**2,525**	**7,143**	**(4,618)**
Advances	0	750	(750)
Total trade receivables	**72,889**	**73,783**	**(894)**
Financial receivables for Public Lighting	**62,389**	**50,121**	**12,268**
Financial receivables for billed Public Lighting	49,713	37,824	11,889
Financial receivables for Public Lighting to be billed	12,676	12,297	379
Total receivables due within one year (A)	**135,278**	**123,893**	**11,385**

Amounts due to Roma Capitale	31.12.2014	31.12.2013 *Restated*	Increase / (Decrease)
Electricity surtax payable	(15,178)	(14,752)	(425)
Concession fees payable	(74,047)	(48,937)	(25,110)
Total trade payables	**(89,225)**	**(63,690)**	**(25,535)**
Total payables due within one year (B)	**(89,225)**	**(63,690)**	**(25,535)**

Amounts due to Roma Capitale	31.12.2014	31.12.2013 *Restated*	Increase / (Decrease)
Total (A) - (B)	**46,053**	**60,204**	**(14,151)**
Other financial receivables/(payables)	**29,442**	**(657)**	**30,098**
Receivables for Dividends	(3,138)	(32,984)	29,847
Medium/long-term financial receivables for Public Lighting	32,580	32,328	252
Other trade receivables/(receivables)	**(33,111)**	**(26,048)**	**(7,063)**
of which: disputed payables – Vatican City fees	(20,516)	(20,516)	0
Net balance	**42,385**	**33,499**	**8,886**

Overall receivables at 31 December 2014 showed an increase of 11,385 thousand euros compared to the previous year. In particular these comprise the following:

- an increase of receivables for utilities amounting to 8,802 thousand euros mainly referring to ACEA Ato2 (6,216 thousand euros). It is pointed out that this change is due to the increase in Company sales as a result of of the tariff changes approved, and despite the fact that in 2014 Roma Capitale paid an amount 7.0 million higher compared to payments made in this respect in 2013;
- an increase of financial receivables for Public Lighting for 12,268 thousand euros, mainly due to the low level of payment by Roma Capitale for receivables accumulated in previous years (10,514 thousand euros). It is in any case observed that in the year Roma Capitale settled a total of 60,645 thousand euros referring to the period January – November 2014;
- a decrease of 4,316 thousand euros in trade receivables accumulated for works and services substantially to to overall receipts of 5,152 thousand euros attributable to ACEA for 1,700 thousand euros and to ACEA Ato2 for 3,452 thousand euros.

In 2014, the Group collected receivables totalling 163,970 thousand euros; in particular regarding:

(i) 73,512 thousand euros for receivables deriving from the Public Lighting contract,

(ii) 86,575 thousand euros for receivables for water and electric utilities, of which 78,622 thousand euros for utilities provided in 2014,

(iii) 3,883 thousand euros mainly due to contract works and services.

Remaining receivables at 31 December 2014 referring to previous years (excluding the medium/long-term component) totalled 95,954 thousand euros of which:

- 34,715 thousand euros for water and electricity utilities;
- 41,843 thousand euros referring to the Public Lighting service;
- 19,396 thousand euros for contract works and services.

With regard to payables to Roma Capitale, there was an overall reduction of 639 thousand euros. This change is due to: **i)** the increase of 25,110 thousand euros in the amount of the concession fee accumulated in the year 2014; **ii)** the increase of other payables for 5,527 thousand euros, offset by the **iii)** decrease of payables for dividends totalling 29,847 thousand euros.
The change in other payables was mainly due to the increase in the cost of repairing street paving, which rose by 38% from 1 January 2014 as a consequence of an order issued by Roma Capitale.
With regard to financial payables, the reduction substantially derives from the elimination of this item after the payment (by compensating the amount) of the advance on the profit for 2013 approved by the ACEA Board of Directors in the month of December 2013. It is pointed out that the balance of the ACEA dividend for 2013 totalling 18,464 thousand euros, was also paid in 2014 (by compensating the amount).

Trade receivables due from subsidiaries and associates

€ thousand	31.12.2014	31.12.2013 *Restated*	Increase / (Decrease)	Increase / (Decrease) %
Amounts due from associates	7,351	7,344	7	0.1%
Amounts due from subsidiaries	22,366	25,192	(2,826)	(11.2%)
Total amounts due from subsidiaries and associates	**29,716**	**32,536**	**(2,819)**	**(8.7%)**

Receivables from associates

This item totalled 7,351 thousand euros (7,344 thousand euros at 31 December 2013) and primarily refer to receivables from Umbriadue Servizi Idrici for 1,310 thousand euros, from Marco Polo for 1,229 thousand euros, from Sogea for 1,117 thousand euros, from Agua de San Pedro for 568 thousand euros and from Si(e)nergia for 639 thousand euros.

Receivables from subsidiaries

This item totalled 22,366 thousand euros (25,192 thousand euros at 31 December 2013), and decreased by 2,826 thousand euros. It refers to receivables from companies consolidated with the equity method. In particular, the amount consists of receivables recognised by Acea Energia as due from its subsidiaries for 15,356 thousand euros, and 6,909 thousand euros recognised by Sarnese Vesuviano as due from its subsidiary GORI.

Other current receivables and assets

€ thousand	31.12.2014	31.12.2013 *Restated*	Increase / (Decrease)	Increase / (Decrease) %
Receivables from others	126,783	101,243	25,540	25.2%
Accrued income and prepayments	14,685	10,120	4,565	45.1%
Receivables from commodity derivatives	0	47	(47)	(100.0%)
Total other receivables and current assets	**141,467**	**111,410**	**30,058**	**27.0%**

Receivables from other

These totalled 126,783 thousand euros, with breakdown of the main contributing items as follows:

€ thousand	31.12.2014	31.12.2013 *Restated*	Increase / (Decrease)
Receivables due from the Energy Equalisation Fund	47,299	41,097	6,202
Receivables due from the Equalisation Fund for TOE	18,501	383	18,118
Other receivables due from the Equalisation Fund	17,708	1,241	16,467
Financial receivables due from Trifoglio property company	10,250	10,250	0
Receivables due from INPS welfare contributions in accordance with article 41, para. 2, letter A of Law 488/1999	6,240	7,071	(832)
Regional grants due	6,521	4,341	2,180
Receivables from Equitalia	4,157	4,108	49
Other minor receivables	4,354	2,417	1,937
Security deposits	3,566	4,145	(579)
Receivables due from social security institutions	3,301	3,671	(370)
Receivables from single transfers	2,465	2,467	(2)
Suppliers' advances	1,722	2,194	(472)
Receivables due to insurance settlement	700	0	700
Receivables due to District Authorities for tariff adjustments	0	17,858	(17,858)
Total	**126,783**	**101,243**	**25,540**

The increase totalling 25,540 thousand euros is mainly due to the following:

- 18,118 thousand euros for the increase in receivables in ACEA Distribuzione due from the Equalisation Fund for Energy Efficiency Bonds corresponding to the 2013 energy saving target assigned by the Authority for 2013 and 2014;
- 16,467 thousand euros for the recognition in Acea Energia of receivables from the Equalisation Fund for the revision of the energy sales tariff (RCV);
- 6,202 thousand euros in receivables in ACEA Distribuzione representing the remaining portion of receivables for the general equalisation for 2014;
- the elimination, due to reclassification under utilities receivables, of the receivables from the District Authority of ACEA Ato5 amounting to 17,858 thousand euros, as the result of the changes in regulations that allow the Company to bill the adjustments from previous periods, as established by the Commissioner appointed for this purpose, in three annual instalments starting from 1 July 2014.

Accrued income and prepayments

This item totalled 14,685 thousand euros (10,120 thousand euros at 31 December 2013) and mainly refers to rent on public land, rentals and insurance.

The change was a positive 4,565 thousand euros and is mainly due to the net result of the increase for Acea Energia (+6,259 thousand euros) and the decreases recorded in ACEA Ato2 (-1,174 thousand euros) and in the Parent Company (-775 thousand euros).

Receivables from commodity derivatives

The fair value of commodities contracts at 31 December 2014 was zero, while at 31 December 2013 it totalled 47 thousand euros, entirely attributable to Acea Energia.

Current tax assets

This item totalled 99,843 thousand euros (91,984 thousand euros at 31 December 2013) and includes the following:

€ thousand	31.12.2014	31.12.2013 *Restated*	Increase / (Decrease)
VAT receivables	55,566	31,053	24,514
IRAP and IRES receivables	11,770	18,769	(6,999)
Municipal and provincial surcharge, revenue tax	906	9,986	(9,079)
Other tax receivables	31,600	32,176	(576)
Current tax assets	**99,843**	**91,984**	**7,859**

Current financial assets

€ thousand	31.12.2014	31.12.2013 *Restated*	Increase / (Decrease)	Increase / (Decrease) %
Financial receivables from the Parent Company	62,389	50,121	12,268	24.5%
Financial receivables from subsidiaries and associates	6,653	10,862	(4,210)	(38.8%)
Financial receivables from third parties	23,088	57,319	(34,231)	(59.7%)
Total current financial assets	**92,130**	**118,302**	**(26,172)**	**(22.1%)**

Financial receivables from the Parent Company

This item totalled 62,389 thousand euros (50,121 thousand euros at 31 December 2013) and represents 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

This item totalled 6,653 thousand euros (10,862 thousand euros at 31 December 2013) with 2,719 thousand euros for a loan, including the accrued interest, granted to Sienergia in November 2010 to cover certain investment projects, while 2,982 thousand euros recognised in Crea Gestioni for a loan to Umbriadue Servizi, including the accrued interest of 619 thousand euros; 321 thousand euros refers to the loan granted to the company Citelum Acea Napoli Pubblica Illuminazione.

Financial receivables from third parties

This item totalled 23,088 thousand euros (57,319 thousand euros at 31 December 2013) and mainly consists of the following:

- 10,700 thousand euros in ACEA Ato5 for amounts due 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;
- 6,000 thousand euros recognised in ACEA for receivables from the transfer of the Laurentina property complex,
- 5,370 thousand euros of receivables accrued for the management of the Public Lighting service.

The change derives from the collection of receivables, totalling 29,106 thousand euros, from the securitisation operation completed by ACEA Distribuzione in December 2013.

Cash and cash equivalents

The closing balance in 2014 of bank current accounts and postal accounts, held in various banks and Poste Italiane, for the various consolidated companies except those held for sale amounted to 1,017,967 thousand euros.

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

€ thousand	31.12.2014	31.12.2013 *Restated*	Increase / (Decrease)
Environment	1,140	2,342	(1,202)
Energy	1,532	1,126	405
Water	36,215	18,090	18,125
Networks	639	0	639
Parent Company	978,440	541,507	436,933
Total	**1,017,967**	**563,066**	**454,900**

24. Non-current assets held for sale/liabilities directly associated with assets held for sale - *398 thousand euros*

The balance at 31 December 2014 totalled 398 thousand euros, and decreased by 4,980 thousand euros compared to 31 December 2013. It includes the recognition of 497 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 99 thousand euros for the amount due to the buyer for the repayment of equity corresponding to the plants subject to the put. The change refers to the redemption of the commitment related to a plant at the end of the month of June 2014.

Liabilities

At 31 December 2014 amounted to 6,911,645 thousand euros (6,424,340 thousand euros at 31 December 2013) marking an increase of 487,305 thousand euros (+7.6%) compared to the previous year and are broken down as follows:

€ thousand	31.12.2014	31.12.2013 Restated	Increase / (Decrease)	Increase / (Decrease) %
Shareholders' equity	1,502,391	1,406,828	95,563	6.8%
Non-current liabilities	3,598,633	2,928,389	670,244	22.9%
current liabilities	1,810,522	2,087,779	(277,257)	(13.3%)
Liabilities directly associated with assets held for sale	99	1,344	(1,245)	(92.6%)
Total liabilities	**6,911,645**	**6,424,340**	**487,305**	**7.6%**

25. Shareholders' equity - *1,502,391 thousand euros*

Consolidated shareholders' equity at 31 December 2014 amounted to 1,502,391 thousand euros (1,406,828 thousand euros at 31 December 2013).
The changes in shareholders' equity during the period are shown in the appropriate statement.

Share capital

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

- **Roma Capitale: n. 108,611,150** for an overall par value of 560,434 thousand euros;
- **Free float: n. 103,936,757** for an overall par value of 536,314 thousand euros;
- **Treasury Shares: n. 416,993** ordinary shares for an overall par value of 2,151 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 from 167,353 thousand euros at 31 December 2013 to 176,119 thousand euros at 31 December 2014, with an increase of 8,766 thousand euros primarily due to the allocation of the 2013 profit. The statutory reserve of the Parent Company amounted to 83,428 thousand euros.

Other reserves and retained earnings

At 31 December 2014 this item decreased to 6,911 thousand euros compared to 85,559 thousand euros at 31 December 2013. The change of 78,648 thousand euros is due to the net effect of the change in retained earnings (+87,700 thousand euros) and the changes in the cash flow hedge reserve for financial instruments amounting to 15,472 thousand euros (net of taxation), the changes in the fair value measurement of derivative contracts of Acea Energia amounting to 98 thousand euros and the change in actuarial gains and losses amounting to 11,036 thousand euros.
The change was also affected by the dividend distribution of 36,204 thousand euros.

At 31 December 2014 ACEA held n. 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 71,825 thousand euros and decreased by 12,370 thousand euros. The difference between the two periods compared mainly reflects the combined effect 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 2013 and the change in the basis of consolidation after the acquisition on 1 April 2014 of a further shareholdings in the companies: Acque Blu Arno Basso, Ombrone and Acque Blu Fiorentine.

26. Staff termination benefits and other defined benefit plans - *118,004 thousand euros*

At 31 December 2014 this item amounted to 118,004 thousand euros (106,910 thousand euros at 31 December 2013) and reflects the 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	31.12.2014	31.12.2013 *Restated*	Increase / (Decrease)	Increase / (Decrease) %
Benefits payable upon termination of employment				
- Staff termination benefits	69,116	66,029	3,087	4.7%
- Monthly bonuses	10,792	9,083	1,708	18.8%
- Long-term incentive plans (LTIPs)	2,016	1,595	421	26.4%
Post-employment benefits				
- Tariff subsidies	36,080	30,202	5,878	19.5%
TOTAL	**118,004**	**106,910**	**11,094**	**10.4%**

It is pointed out that the liabilities shown above includes the amounts for service cost totalling 13,022 thousand euros and the interest cost of 3,230 thousand euros; the former is recognised under the item staff costs and the latter under the item financial charges.

The change is likewise affected by the allocation, which after the reform of staff termination benefits accounts for the staff termination benefits of employees up to 31 December 2006, and by the impact of the review of the discount rate used for evaluation in accordance with IAS19, which results in an increase in liabilities due to the effect of the remeasurement of actuarial gains and losses (15,293 thousand euros) accounted for in "Other Comprehensive Income" (OCI).

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.

As regards the economic and financial scenario, a 2.39% discount rate was used for the evaluation, compared to a rate of 3.17% used for the 2013 financial year. In addition the following parameters were used for the evaluation:

	December 2014	December 2013
Discount rate	1.49%	3.17%
Revenue growth rate (average)	1.6%	1.6%
Long-term inflation	1.0%	2.0%

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

Type of plan	+0.5%	-0.5%
	€ million	€ million
Staff termination benefits	-4.4	+4.8
Tariff subsidies	-1.4	+2.3
Monthly bonuses	-0.6	+0.7
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 old
	€ million
staff termination benefits	-0.4
Tariff subsidies	+0.5
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 - 168.644 thousand euros

At 31 December 2014 provisions for liabilities and charges amounted to 168,644 thousand euros (206,058 thousand euros at 31 December 2013) and are intended to cover potential liabilities that may derive from pending litigations, 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 litigations where the potential liability arising from a negative outcome is merely considered possible.

When 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 movements in the period:

Type of provision	31.12.2013 *Restated*	Provisions	Release of redundancy funds	Utilisations and other changes	31.12.2014
Regulatory risks	65,836	4,140	(18,774)	(4,606)	46,595
Post-Operational	26,399		(1,936)	(1,326)	23,137
Legal	17,721	2,664	0	(12)	20,372
Other liabilities and charges	20,442	2,648	0	(13,918)	9,172
Provision for restoring plant efficiency	1,360	0	(1,360)	0	0
Investees	11,994	117	0	263	12,374
Contribution risks	6,569	112	0	(88)	6,594
Early retirement and redundancies	1,972	19,047	0	(18,309)	2,710
Tax	2,719	2,376	0	(491)	4,604
TOTAL	**155,012**	**31,102**	**(22,071)**	**(38,486)**	**125,557**
Provision for Restoration Charges	38,553	4,533	0	0	43,087
Contractual commitments	12,493	0	0	(12,493)	0
TOTAL PROVISIONS	**206,058**	**35,635**	**(22,071)**	**(50,979)**	**168,644**

The decrease of 37,414 thousand euros compared to 31 December 2013, resulted from:

- **utilisation** amounting to 50,979 thousand euros and mainly attributable to:
  - ✓ contractual commitments provisions allocated by ACEA Ato2 in 2012 to cover the obligation deriving from the MALL penalty, which was used in full (12,493 thousand euros) as a consequence of the decisions taken by the Mayors' Conference of 10 July 2014 concerning 2014 tariffs. The tariff proposal drawn up by the Operational-Technical Secretariat, published on the web site of the Area Authority and for which we are still waiting for the relevant resolution to be published, envisages the reduction of 2012 financial increases (on the basis of the 2014 tariff) by the amount of obligatory Operator's own investments in advance in accordance with the obligations deriving from Resolution No. 7 - 17 April 2012;
  - ✓ the provision set aside in 2013 in relation to the estimated burden arising from the purchase and/or production of energy efficiency certificates to meet the objective assigned to ACEA Distribuzione that was fully utilized (8,377 thousand euros) as a result of the purchase of a number of certificates sufficient to fulfil the obligation;
  - ✓ the provisions for regulatory liabilities with a decrease of 4,606 thousand euros, essentially essentially due to the effect **(i)** of the definition in accordance with Resolution No. 163/2014/R/idr - 3 April 2014, of liabilities related to the repayment of the 2011 return on invested capital due from ACEA Ato2 to its users (3,228 thousand euros), and **(ii)** use of the provision set aside to cover the risks related to the expiry of maturity of green certificates produced by the Orte plant (1,017 thousand euros) and **(iii)** for the for the utilization of 361 thousand euros in Acea Energia;
  - ✓ the early retirement and redundancies provision, utilised in the year for 18,039 thousand euros. In particular the utilisations refer to the following companies: ACEA Ato2 for 6,790 thousand euros, ACEA Distribuzione for 5,125 thousand euros, ACEA for 3,855 thousand euros and Acea Energia for 1,334 thousand euros;
  - ✓ the utilisation of 1,326 thousand euros by SAO for the *Post-Operational provision*.
- **allocations** net of the release of the redundancies fund totalled 13,564 thousand euros and decreased by 24,263 thousand euros compared to 2013. This change mainly reflects the release of the redundancies fund amounting to 20,071 thousand euros, of which:
  - ✓ 18,774 thousand euros in ACEA Ato5 for the fund for allocation of customer tariffs, which was entirely utilised since there was no longer any risk of a failure to recognise previous adjustments for 2006 – 2011;
  - ✓ 1,361 thousand euros in LaboratoRI for the provision for restoring plant efficiency as a result of the completion of the procedure for the transfer of instruments and technical equipment owned by ACEA S.p.A. The provision had been allocated under a contract with the Parent Company ACEA S.p.A. for renting the corporate branch regarding the use of the Grottarossa laboratory, which expired on 31 December 2006 and was renewed in 2007 in the form of a rental contract lasting six years;
  - ✓ 1,936 thousand euros in SAO for the release of the proportional amount of the provision allocated to the Post-Operational provision, since after an expert analysis this amount proved to be in excess.

The item also includes allocations for the recognition of: **(i)** 19,047 thousand euros for charges deriving from the early retirement and voluntary redundancies procedure; **(ii)** 3,124 thousand euros for additional fee liabilities; **(iii)** 2,664 thousand euros for allocations for litigation and contingent liabilities which the companies would have to pay if they lose the litigation in disputes in progress; **(iv)** 2,376 thousand euros for tax liabilities.

The item for coverage of regulatory risks amounted to 39,205 thousand euros and covers the uncertainties related to GORI.

The provisions for liabilities include the commitment provided by ACEA Distribuzione to the 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").

For more details on the nature of the allocations see note n. 7.

The following table shows the composition by type and the changes occurring during the year:

Type of provision	31.12.2014	31.12.2013 *Restated*	Increase / (Decrease)
Regulatory risks	46,595	65,836	(19,241)
Post-Operational	23,137	26,399	(3,262)
Legal	20,372	17,721	2,651
Investees	12,374	11,994	380
Other liabilities and charges	9,172	20,442	(11,270)
Provision for restoring plant efficiency	0	1,360	(1,360)
Early retirement and redundancies	2,710	1,972	738
Contribution risks	6,594	6,569	24
Tax	4,604	2,719	1,885
TOTAL	**125,557**	**155,012**	**(29,455)**
Provision for Restoration Charges	43,087	38,553	4,533
Contractual commitments	0	12,493	(12,493)
TOTAL PROVISIONS	**168,644**	**206,058**	**(37,414)**

The allocations for restoring at 31 December 2014 increased by 4,533 thousand euros, following the allocations in 2014 for the charges required to ensure that the infrastructure used in the water management service is properly maintained.

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 toay.
For further information please refer to the section "Update on major disputes and litigation".

28. Non-current borrowings and financial liabilities - *3,040,712 thousand euros*

€ thousand	31.12.2014	31.12.2013 *Restated*	Increase / (Decrease)
Bonds	1,909,117	1,290,759	618,358
Medium/long-term borrowings	1,131,595	1,070,148	61,447
Total	**3,040,712**	**2,360,907**	**679,805**

The figures in the table include the fair value at the end of the year of hedging instruments stipulated by ACEA, which are shown separately from the hedged instrument in the table below

€ thousand	Instrument hedged	Fair Value of hedge	31.12.2014	Instrument hedged	Fair Value of hedge	31.12.2013 *Restated*
Bonds	1,855,385	53,732	1,909,117	1,255,403	35,356	1,290,759
Medium/long-term borrowings	1,122,558	9,037	1,131,595	1,061,451	8,697	1,070,148
Non-current borrowings and financial liabilities	**2,977,943**	**62,769**	**3,040,712**	**2,316,854**	**44,053**	**2,360,907**

Bonds

This item totalled 1,909,117 thousand euros (1,290,759 thousand euros at 31 December 2013) and refer to the following:

- 599,223 thousand euros (including accrued interest and issuing costs) for the bonds issued by ACEA in July 2014, with a duration of 10 years and fixed rate interest, in connection with the Euro Medium Term Notes (EMTN) programme worth 1.5 billion.
  The bonds, which have a minimum unit value of 100,000 euro with maturity date 15 July 2024, pay a gross annual coupon of 2.625% and have been placed at an issue price of 99.195%. The gross effective yield on maturity is 2.718%, corresponding to a yield of 128 basis points over the 10-year mid-swap rate. The bonds are governed under UK law. The settlement date was 15 July 2014. The amount of interest accrued in the period was 7,336 thousand euros,
- 602,177 thousand euros (including accrued interest) for the bonds issued by ACEA in early September 2013, with a duration of 5 years and maturity on 12 September 2018. This loan, net of positive fair value recognised in the financial management of the income statement at 1,170 thousand euros, amounted to 601,007 thousand euros.
  The bonds pay a gross annual coupon of 3.75% and were placed at an issue price of 99.754%. The gross effective yield upon maturity is therefore 3.805% corresponding to a yield of 230 basis points above the reference rate (10-year mid-swap). The bonds are governed under UK law. The settlement date was 12 September 2013. The amount of interest accrued in the period was 22,500 thousand euros,
- 515,788 thousand euros (including accrued interest) for the bonds issued by ACEA in March 2010, with a duration of 10 years and maturity on 16 March 2020. The amount of interest accrued in the period was 22,500 thousand euros. The bonds issued have a minimum unit value of 50 thousand euros, pay a gross annual coupon of 4.5% and are were placed at an issue price of 99.779%. The gross effective yield a maturity is therefore 4.528% corresponding to a yield of 120 basis points above the reference rate (10-year mid-swap). The bonds are governed under UK law. The settlement date was 16 March 2010,
- 138,197 thousand euros (including accrued interest) for the Private Placement which, net of fair value of the negative hedging instrument for 54,902 thousand euros, amounted to 193,099 thousand euros. This fair value is allocated in a specific provision of shareholders' equity. The exchange rate difference, negative for 27,440 thousand euros, of the instrument hedged and calculated at 31 December 2014, is covered in the corresponding provision. The exchange rate at the end of 2014 was € 145.23 compared to € 144.72 at 31 December 2013. The interest accrued in the period was 3,598 thousand euros. This Private Placement bond for an amount of 20 billion Japanese Yen has a 15 year maturity (2025). The Private Placement was fully subscribed by a single investor (AFLAC). Le coupons are paid half-yearly on a deferred basis each 3 March and 3 September, applying a fixed rate in Yen of 2.5%. At the same time a cross currency transaction was made to convert the Yen into Euro and the Yen rate applied to a fixed rate in Euro. Under the cross currency transaction, the bank would pay to ACEA, half-yearly on a deferred basis, 2.5% on the 20 billion Japanese Yen, while ACEA must pay the coupons to the bank on a deferred quarterly basis at a fixed rate of 5.025%. The borrowing and hedging contract contain an option, the former in favour of the investor and the latter in favour of the agent bank, linked to the rating trigger: the debt and the relative hedge can be recalled in their entirety if the rating of ACEA falls under *i*nvestment grade level if the borrowing instrument loses its rating. At the end of the year the conditions for exercising the option did not arise.

Medium/long-term borrowings (including short term portions)

This item totalled 1,178,058 thousand euros (1,120,541 thousand euros at 31 December 2013) and consisted of the following: **(i)** principal outstanding and falling due beyond twelve months for 1,131,595 thousand euros (1,070,148 thousand euros at 31 December 2013); **(ii)** the portions of the same borrowings falling due in the subsequent twelve months for 46,462 thousand euros (50,393 thousand euros in 2013); **(iii)** negative fair value for 9,037 thousand euros of the interest rate and exchange rate hedging derivatives.

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

Bank loans:	Total Residual debt	Due by 31.12.2015	from 31.12.2015 to 31.12.2019	Due after 31.12.2019
Fixed rate	322,491	20,702	83,706	218,082
Floating rate	788,181	17,425	410,647	360,109
Floating rate to fixed rate	67,386	8,335	46,551	12,500
Total	**1,178,058**	**46,462**	**540,904**	**590,691**

The fair value of the ACEA hedging derivatives is negative for 9,307 thousand euros and increased over 2013 by 339.6 thousand euros (in 2013 it was negative for 8,697 thousand euros).

The main medium/long-term borrowings of the Group are subject to covenants to be complied with by the borrowing companies in accordance with normal international practices.
In particular:

- the loan taken out by 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 the first half of 2014;
- the loan stipulated by Ecogena is subject to a financial covenant consisting in the ratio (i) between ' equity and capital invested from the 4th year to the 10th year, less than or equal to 20% and (ii) between the sum of equity with the medium and long-term financial sources and fixed assets, greater than or equal to 1.

With regard to the loan agreements by the Parent Company, the contracts 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.

It is pointed out that during year there was no evidence that any of the covenants had not been complied with.

With regard to indications on the fair value of the loans described above see the section "Additional disclosures on financial instruments and risk management policies".

29. Other non-current liabilities - *177,990 thousand euros*

€ thousand	31.12.2014	31.12.2013 *Restated*	Increase / (Decrease)	Increase / (Decrease) %
Advances from end users and customers	102,464	91,437	11,027	12.1%
Water connection fees	24,681	25,346	(665)	(2.6%)

€ thousand	31.12.2014	31.12.2013 *Restated*	Increase / (Decrease)	Increase / (Decrease) %
Capital grants for plant	18,259	16,761	1,498	8.9%
Accrued liabilities and deferred income	32,586	28,006	4,580	16.4%
TOTAL	**177,990**	**161,549**	**16,440**	**10,2%**

Advances from end users and customers

The Advances item comprises: i) the amount of guarantee deposits and consumption advances of the water companies; ii) the amount of advances for liabilities for advances on electricity consumption paid by protected market customers and accruing interest under the conditions set forth by AEEGSI regulations (Resolution n. 204/99).

The following table provides the breakdown by industrial area:

€ thousand	31.12.2014	31.12.2013 *Restated*	Increase / (Decrease)
Energy	36,142	33,467	2,675
Water	65,066	56,715	8,351
Networks	1,232	1,232	0
Parent Company	23	23	0
Total	**102,464**	**91,437**	**11,027**

The increase of 11,027 thousand euros mainly reflects the companies in the water segment (+8,351 thousand euros): in particular, for ACEA Ato5 it is pointed out that, while in the previous year this item included the liabilities for advances on consumption paid by end users (amounts returned by the Company to the end users during 2014), at 31 December 2014 this item comprised the guarantee deposit billed to end users as set forth by AEEGSI Resolution n. 86/2013/R/IDR of 28 February 2013, amended by Art. 34 Annexe A of the Resolution by the same authority n. 643/2013/R/IDR of 27 December 2013. As provided for in the afore-mentioned AEEGSI resolutions, the guarantee deposit is returned to the end users upon the termination of the effects of the supply contract, together with the legal interest on the amount.

Water connection fees

This item totalled 24,681 (25,346 thousand euros at 31 December 2013) and refers to ACEA Ato2 and ACEA Ato5

Capital grants for plant

At 31 December 2014 this item totalled 18,259 thousand euros (16,761 thousand euros at 31 December 2013) and refers to capital grants for plant in ACEA Ato2. These grants are recognised under liabilities, annually transferred in instalments to profit and loss in relation to the duration of the investment to which the disbursement of the grant refers. The payback rate is determined on the basis of the useful life of the asset concerned.

Deferred liabilities and accrued income

This item totalled 32,586 thousand euros and mainly reflects the grants received, transferred to profit and loss at a rate equivalent to the depreciation produced by the investment to which they are connected. In particular, this item includes the contribution received by ACEA Distribuzione for the replacement of electromechanical meters with electronic meters (AEEG Resolution 292/06).

30. Provision for deferred taxes - *93,284 thousand euros*

As at 31 December 2014 provision totalled 93,284 thousand euros (92,964 thousand euros at 31 December 2013). These provisions above all regard the difference between economic and technical rates of depreciation and tax-related rates. Uses in the period totalled 5,885 thousand euros and allocations for 12,688 thousand euros and allocations for rate adjustment of 9,498 thousand euros. This item, under "other", also comprises deferred taxes on default interest not received totalling 7,854 thousand euros, while the item reclassifications includes 4,423 thousand euros due upon the presentation of additional tax returns for the year 2012. For details see note 20.

31. Current liabilities - *1,810,522 thousand euros*

€ thousand	31.12.2014	31.12.2013 *Restated*	Increase / (Decrease)
Borrowings	189,957	599,869	(409,912)
Trade payables	1,249,366	1,207,601	41,765
Tax payables	83,941	41,228	42,713
Other current liabilities	287,259	239,082	48,177
TOTAL	**1,810,522**	**2,087,779**	**(277,257)**

Borrowings

€ thousand	31.12.2014	31.12.2013 *Restated*	Increase / (Decrease)
Short term bank credit lines	11,699	14,666	(2,967)
Bank loans for bonds payable (short-term)	0	306,285	(306,285)
Bank loans	46,462	50,393	(3,930)
Due to Municipality of Rome	3,138	32,984	(29,847)
Due to subsidiaries and associates	1,735	0	1,735
Due to third parties	126,923	195,540	(68,618)
TOTAL	**189,957**	**599,869**	**(409,912)**

Short term bank credit lines

This item totalled 11,699 thousand euros (14,666 thousand euros at 31 December 2013) and posted a decrease of 2,967 thousand euros.

Bank loans for bonds payable

The change amounting to 306,285 thousand euros refers to the short-term bonds, due to the effect of the payment in the month of July of the bonds for a value of 300,000 thousand euros issued in 2004.

Bank loans

This item totalled 46,462 thousand euros and refer to the current portion of bank loans falling due within twelve months. Further details are provided in note 28 of this report.

Payables due to Parent Company Roma Capitale

The figure, totalling 3,138 thousand euros, refers to payables for dividends, down compared to 31 December 2013. Payables to the Parent Company decreased by 29,504 thousand euros due to the effect of the almost complete offsetting of the dividends recognised in the 2013 financial statements (for 30,485 thousand euros) and at the same time the dividends approved in 2014 (18,353 thousand euros); in ACEA Ato2 totalled 2,157 thousand euros compared to 2,500 thousand euros at 31 December 2013.

In particular, during the year, the 2013 dividends for 2,157 thousand euros were recognised, and at the same time the 2012 dividends recognised for 2,500 thousand euros were eliminated by offsetting.
For further information on the composition and changes of the item, reference should be made to the corresponding item in assets.

Payables due to subsidiaries and associates

This item totalled 1,735 thousand euros mainly reflects financial payables recognised by Ecogena to Eur Power S.r.l. in liquidation for the portion of capital to be paid up following the capital increase approved on 27 April 2012.

Payables due to third party suppliers

This item totalled 126,923 thousand euros (195,540 thousand euros at 31 December 2013). The breakdown of this item mainly concerns:

€ thousand	31.12.2014	31.12.2013 *Restated*	Increase / (Decrease)
Dividends payable to shareholders	**4,382**	**28,088**	**(23,707)**
Environment	1,270	387	883
Energy	0	85	(85)
Water	3,110	1,632	1,479
Networks	0	0	0
Parent Company	1	25,985	(25,984)
Due to third party suppliers	**122,541**	**167,452**	**(44,911)**
Environment	2,862	3,010	(147)
Energy	56,555	82,921	(26,367)
Water	53,459	31,804	21,655
Networks	7,896	47,948	(40,052)
Parent Company	1,769	1,769	0
TOTAL	**126,923**	**195,540**	**(68,618)**

As for payables to shareholders for dividends, it is pointed out that the reduction refers to the payment of the advance on the 2013 dividend approved by the ACEA Board of Directors on 18 December 2013 (25,984 thousand euros), pertaining to the market.
It is pointed out that during 2014 factoring payables for the companies ACEA Distribuzione and Acea Energia were partly offset by higher financial payables recognised in ACEA Ato2.

Trade payables

€ thousand	31.12.2014	31.12.2013 *Restated*	Increase / (Decrease)	Increase / (Decrease) %
Amounts due to third party suppliers	1,130,158	1,114,064	16,093	1.4%
Due to the Municipality of Rome	116,678	85,615	31,063	36.3%
Due to subsidiaries and associates	2,531	7,921	(5,391)	(68.1%)
TOTAL	**1,249,366**	**1,207,601**	**41,765**	**3.5%**

Amounts due to third party suppliers

Trade payables amounted to 1,130,158 thousand euros; the breakdown by operating segment is shown in the following table:

€ thousand	31.12.2014	31.12.2013 *Restated*	Increase / (Decrease)
Environment	38,494	33,412	5,082
Energy	471,599	488,874	(17,275)
Water	247,539	210,586	36,954
Networks	318,507	314,727	3,780
Parent Company	54,018	66,465	(12,447)
Due to Suppliers	**1,130,158**	**1,114,064**	**16,093**

The increase totalling 16,093 thousand euros reflects the following changes:

- **Environment segment**: the growth of 5,082 thousand euros is mainly attributable to Aquaser (+6.568 thousand euros) mainly due to the increase in company's the business volume;
- **Energy segment**: the reduction of 17.275 thousand euros compared to 2013 is mainly attributable to Acea Energia (+31.219 thousand euros), partly offset by the increased recorded by Acea8cento (+3,059 thousand euros) and Umbria Energy (+3,233 thousand euros) and for the effect of Ecogena (+5,829 thousand euros) which at 31 December 2013 was consolidated in equity and not fully;
- **Water segment**: the increase of 36.954 thousand euros, compared to 31 December 2013 is mainly attributable to the companies operating in the Lazio-Campania area, in particular in ACEA Ato2 (+ 34.239 thousand euros);
- **Network segment**: the increased payables to suppliers derives from ACEA Distribuzione (10,200 thousand euros), partly offset by the lower payables recognised in ARSE (6,947 thousand euros);
- **Parent Company**: there was a decrease of 12,447 thousand euros compared to the end of 2013.

Trade payables to the Parent Company Roma Capitale

This item totalled 116,678 thousand euros and are described under trade receivables in note n. 23 of this report.

Trade payables to subsidiaries and associates

€ thousand	31.12.2014	31.12.2013 *Restated*	Increase / (Decrease)	Increase / (Decrease) %
Due to subsidiaries	93	728	(634)	(87.2%)
Due to associates	2,437	7,194	(4,756)	(66.1%)
TOTAL	**2,531**	**7,921**	**(5,391)**	**(68.1%)**

Due to subsidiaries

Payables to subsidiaries include payables to GORI (64 thousand euros) and Acque Industriali (29 thousand euros).

Due to associates

The balance, amounting to 2,437 thousand euros, mainly reflects payables recognised by: **(i)** ACEA payable to the associate Citelum Napoli Pubblica Illuminazione (1,395 thousand euros) and **(ii)** ACEA and subsidiaries payable to Marco Polo for property cleaning and maintenance services rendered in previous years (391 thousand euros).

Tax payables

This item totalled 83,941 thousand euros (41,228 thousand euros at 31 December 2013) and comprises the IRAP and IRES tax payables for 34,844 thousand euros and 46,813 thousand euros for VAT payables. The increase totalled 42,710 thousand euros, mainly reflecting current taxes for the year.

Other current liabilities

This item totalled 287,259 thousand euros and are broken down below:

€ thousand	31.12.2014	31.12.2013 *Restated*	Increase / (Decrease)	Increase / (Decrease) %
Amounts due to social security institutions	17,480	17,490	(11)	(0.1%)
Amounts due to end users for tariff restrictions	44	1,155	(1,110)	(96.2%)
Payables arising from commodity derivatives	349	485	(136)	(28.0%)
Other current liabilities	269,386	219,953	49,433	22.5%
TOTAL	**287,259**	**239,082**	**48,177**	**20.2%**

Due to social security institutions

This item totalled 17,480 thousand euros (17,490 thousand euros at 31 December 2013). The breakdown by industrial area is shown below:

€ thousand	31.12.2014	31.12.2013 *Restated*	Increase / (Decrease)	Increase / (Decrease) %
Environment	694	601	93	15.5%
Energy	1,778	1,794	(16)	(0.9%)
Water	5,992	5,971	21	0.4%
Networks	5,719	5,878	(158)	(2.7%)
Parent Company	3,295	3,246	49	1.5%
TOTAL	**17,480**	**17,490**	**(11)**	**(0.1%)**

Payables arising from commodity derivatives

This item totalled 349 thousand euros and represents the fair value of certain financial contracts signed by Acea Energia (at 31 December 2013 the amount was 485 thousand euros).

Other current liabilities

This item totalled 269,386 thousand euros with an increase of 49,433 thousand euros compared to 31 December 2013. The composition of the item is shown below:

€ thousand	31.12.2014	31.12.2013 *Restated*	Increase / (Decrease)
Payables to Equalisation Fund	78,073	31,848	46,226
Payables to municipalities for concession fees	51,827	48,636	3,191
Payables for collections subject to verification	48,606	41,942	6,664
Amounts due to staff	45,277	37,372	7,905
Other payables due to municipalities	14,296	14,549	(254)
Payables due to Equitalia	11,078	12,833	(1,755)
Welfare contribution payables	8,363	11,977	(3,614)
Other payables	7,695	7,953	(259)
Payables to INPS due in instalments	0	7,427	(7,427)
Payables for environmental premium Art. 10 of ATI4 agreement of 13/08/2007	1,149	1,287	(138)
Payables for purchase of rights of superficies	1,133	1,300	(167)
Payables for acquisition of corporate branch	1,106	0	1,106
Accrued liabilities and deferred income	686	2,828	(2,142)
Amounts due to end users for refund of Tariff Component as per referendum outcome	98	0	98
Other current liabilities	**269,386**	**219,953**	**49,433**

The change, totalling 49,433 thousand euros, mainly reflects the following:

- 46,226 thousand euros for higher payables to the Equalisation Fund: in ACEA Distribuzione it primarily refers to excise duties liabilities for the 4th and 5th bimonthly period of2014, while in Acea Energia it refers to payables for energy equalisation. Application of equalisation has become obligatory, together with other related measures, since the second tariff cycle that came into force on 1 February 2004;
- 6,664 thousand euros in higher payables to be collected from final users, in particular in Acea Energia;
- 7,905 thousand euros in higher payables to staff, in particular in ACEA Ato2 (+4,597 thousand euros) and ACEA Distribuzione (+2,596 thousand euros);
- 1,106 thousand euros for payables to the company Acque Potabili S.p.A. as the amount for the sale of the corporate branch.

The negative changes mainly refer to:

- 7,427 thousand euros for payables to INPS due in instalments;
- 3,614 thousand euros for payables to STO deriving from revenue for the application of the welfare contribution (this revenue is paid into a fund for tariff subsidies to low income household);
- 1,755 thousand euros for payables in instalments to Equitalia, in particular in ACEA Distribuzione and ACEA Ato2;
- 2,142 thousand euros for lower accrued liabilities and deferred income, in particular in ACEA Distribuzione.

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	3,879.8	4,427.1
Intangible assets	25.7		25.7
Trade receivables	274.3		274.3
Other receivables	17.5		17.5
Cash and banks	30.0		30.0
Staff termination benefits and other defined benefit plans	(131.2)		(131.2)
Tax payables	(14.2)	(303.0)	(317.1)
Due to suppliers	(44.0)		(44.0)
Other payables	(45.9)		(45.9)
Due to banks	(124.2)		(124.2)
Other financial payables	(125.6)		(125.6)
NET BALANCE	**409.6**	**3,576.9**	**3,986.5**
of which attributable to non-controlling interests			0.0
Goodwill			**818.1**
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 euros

The acquisition is to be considered definitive.

In 2014 the Group, through the subsidiary ARSE, acquired 49% of Ecogena S.r.l.

Net assets acquired	Carrying amount of acquired company	Fair value adjustments	Fair Value
Property, plant and equipment	17,19		17,19
Intangible assets			
Financial fixed assets	2,01		2,01
Trade receivables	2,39		2,39
Other receivables	2,42		2,42
Cash and banks	2,76		2,76
Staff termination benefits and other defined benefit plans	-23,00		-23,00
Tax payables f	4,00		4,00
Due to suppliers	-8,87		-8,87
Other payables	-4,79		-4,79
Due to banks	-7,69		-7,69
NET BALANCE	**5,39**		**5,39**
of which attributable to non-controlling interests			-
Goodwill			**2,84**
Investment price			**8,23**
Total outlay			**8,23**

Amounts in thousand euros

The acquisition is to be considered definitive.

Commitments and contingencies

Endorsement, sureties and guarantees

At 31 December 2014 these items totalled 713,555 thousand euros, compared to 687,408 thousand euros at 31 December 2013, marking an increase of 26,147 thousand euros.
The balance comprises the following:

- 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 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;
- 84,689 thousand euros for bank guarantees issued by Acea Energia mainly in favour of Terna and Eni Trading regarding the contract for the electricity dispatch service;
- 68,277 thousand euros 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);
- 10,000 thousand euros for the Global Guarantee issued in favour of Axpo Italia in the interest of Acea Energia as a back-to-back guarantee of the electrical trading transaction agreed or to be agreed between the parties;
- Global Guarantees for 10,000 thousand euros and 10,000 thousand euros issued in favour respectively of Barclays Bank (renewed in April 2014 for an amount lower than 5,000 thousand euros with respect to 31 December 2013) and BNP Paribas in the interest of Acea Energia as back-to-back guarantees of the transaction agreed or to be agreed between the parties under the terms of the ISDA Master Agreements 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);
- 16,900 thousand euros in favour of EDF Trading in the interest of Acea Energia as back-to-back guarantee of the electrical trading transactions;
- 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;
- 10,000 thousand euros as guarantees in favour of Deutsche Bank AG and issued on behalf of Acea Energia as back-to-back guarantees of the transaction agreed or to be agreed between the parties under the terms of the ISDA Master Agreements reached;
- 8,000 thousand euros as a guarantee in favour of Iren Mercato S.p.A. for the precise fulfilment of the EFET agreement entered into in July 2012 between the beneficiary company and Acea Energia Holding;

- 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;
- 2,137 thousand euros as bank guarantees issued by BBVA on behalf of ARSE to guarantee the contracts for the design, supply and installation of photovoltaic plants;
- 3,712 thousand euros as a guarantee in favour of Italgas S.p.A. in the interest of Acea Energia renewed in October 2014;
- 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 ARIA S.r.l. to GSE.

This item also comprises sureties issued by ACEA for Sidra S.p.A. totalling 6,830 thousand euros with reference to the works contract for the project "Campaign for the recovery of water leakage in the Catania distribution system" and for Sarnese Vesuviano Area Authority for an amount of 5,165 thousand euros to participate in the tender for the selection of a partner in the GORI company.

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 in Rome

The service is provided 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, among other things 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 Vesuvius 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.

Revenue from Integrated Water Service was recognised on the basis of the AEEGSI resolutions approving the tariff proposals for 2014 and 2015 and adopted by the Area Authorities or by GORI and ACEA Ato5, on the basis of the decisions of the Local Authorities, which are still being evaluated by the National Authority.
These proposals contain, among other things, the adjustments of the so-called pass-through items for the years 2012 and 2013 which had been estimated in the relative financial statements. Therefore, all the differences with respect to the adjustments approved in the 2014 and 2015 Restriction on Guaranteed Revenue (VRG) with reference to the following have been recognised in the 2014 Consolidated Financial Statements:

(i) wholesale water;
(ii) local charges,
(iii) exceptional events and changes in the system.

With regard to the adjustment of the cost of electricity, the 2014 Consolidated Financial Statements contain only any differences with respect to the estimate made in the year 2012; for 2013, we are still awaiting the announcement by the AEEGSI of the average cost of the segment which, with a 10% supplement, represents the cap for measuring the deviation.

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

ACEA Ato2 provides the ACEA Ato2 provides integrated water services on the basis of a thirty-year agreement signed on 6 August 2002 by the company and the 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 3,869,179 residents (source ISTAT).
The larger Municipalities which have not yet been acquired 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 for this purpose.
On 29 December 2014 services for water supply and/or distribution in the Municipalities of Capranica Prenestina, Olevano Romano, Canterano, Rocca Canterano, Gerano and Rocca di Papa (services previously provided by Società Acque Potabili under a system of protected management. With regard to the Municipalities of Capranica Prenestina and Olevano Romano, where the sewerage and waste water treatment services were already conducted, the transfer to ACEA Ato2 will complete the acquisition of the Integrated Water Service, while in the other four Municipalities there will only the acquisition of the water service, since the complete transfer of the Integrated Water service and only take place after the updating of sewerage and waste water treatment plants to current standards.

With regard to the tariff, it is pointed out that tariff proposals for 2012 and 2013 were approved by the Mayors' Conference of ATO2 Central Lazio on 4 March 2014, and on 27 March 2014, the AEEGSI, by Resolution 141/2014/R/idr, approved the tariff multiplier values for 2012 equal to 1.025, and 2013 equal to 1.053 as proposed by the Mayors' Conference. With reference to the period of reference for the Transitional Tariff Method and to make the best of the adjustments for 2014 and 2015, the AEEGSI also concluded the procedure for verifying the economic-financial plan, reserving the right to make further in-depth assessments on the dimensioning of the "New Investments Fund" (FoNI), in relation to recognition of planned operating costs (Op) and in coherence with the Revenue Restriction (VRG) of the Operator. The AEEGSI will use the results of said in-depth assessments in 2014 and 2015 tariff calculations.

With reference to the 2014 – 2015 tariff update and the related economic – financial planning, the Mayors' Conference, convened on 10 July 2014, approved the tariff proposals and the corresponding multiplier value of respectively 1.148 for 2014 and 1.251 for 2015. As stated in the attached Report drafted by the Operational-Technical Secretariat, the tariff multiplier rate does not exceed the maximum level set by Resolution 643/2013 and provides for an annual increase of 9% for both the yearly tariff periods approved.
The approval of the tariff proposals for 2014 and 2015 has had the following consequences:

- the in-depth study in AEEGSI Resolution No. 141/2014 is no longer required as the FNI (New Investments Fund) component for 2013 has been eliminated while the Revenue Restriction (VRG) and tariff multipliers approved on 4 March 2014, remain;
- the amount of prior adjustments has been determined as 71.5 million euros (those matured at 31 December 2011) that ACEA Ato2 can bill on the basis of the times in Resolution No. 643/2013;
- there was a reduction of 2012 financial increases for the Operator's own investments as resolved by the Mayors' Conference on 17 April 2012. As is known, this resolution established that ACEA Ato2 assumes the obligation to make investments that are not relevant for tariff purposes amounting to 3.47 million euros per year for six years; in a similar way to prior adjustments (see previous point) 2012 financial increases were reduced by 17.7 million euros and as a result the Operator's obligations can be considered to have been fulfilled in advance;
- a total of 64.8 million euros in 2012 adjustments are recognised. This amount includes, as well as the volumes and inflation adjustment, also coverage of higher costs (10.9 million euros) borne by the Operator in 2012 for exceptional events such as the water and environmental emergency;
- finally, provisional 2013 adjustment amounting to 41.3 million euros including inflation are recognised.

In order to contain annual tariff increases, the Area Authority, in agreement with the managing body, has reallocate the adjustments for the periods 2012 and 2013, planning their recovery after the year 2015 for an amount of approximately 19 million euros.
By Resolution 463/2014/R/idr of 25 September 2014, the AEEGSI approved the tariff proposals for the above-mentioned years and the relative tariff multipliers, while making the following main observations:

- no recognition approved the costs incurred for water emergencies connected with the potability of the sources of supply, for an amount of approximately 240 thousand euros;
- provisional approval of the other costs incurred for environmental emergencies (9.6 million) while awaiting further investigation and the results of court proceedings;
- approval of the amendment to the tariff structure approved by the Area Authority with the requirement to maintain the specific revenue actually recognised on the basis of 2013 volumes, considering that the AEEGSI reserves the right to verify at the time of application the compliance with the criteria set forth in Art. 39 of Resolution 643/2013.

Accordingly, the 2014 revenue, recognised on the basis of the tariffs approved for 2014, totals 500.2 million including the estimate of the adjustments for the pass-through items and the differences compared to the amount recognised in the years 2012 and 2013.

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 Lazio-Frosinone involves a total of 85 municipalities (management still must be surveyed for the municipalities of Atina, Paliano and Cassino Centro Urbano as regards water services only) for a total population of around 480,000 inhabitants, about 460,000 inhabitants supplied and a number of end users equal to around amounting to 187,101.
During the period no new acquisitions were formalised, but it is pointed out that on 17 September 2014 a memorandum of understanding was signed with the Municipality of Atina in order to definitively conclude

the dispute still pending and finally deliver the plant for the management of the Integrated Water System in municipal territory.
With regard to the Municipality of Paliano, in August 2014, ACEA Ato5 submitted a memorandum of understanding to AMEA, the current manager of the service, aimed at solving the various issues that up to now have prevented the formalisation of the transition to the Integrated Water Service.
With regard to the Municipality of Cassino, in December 2014, the Latina Regional Administrative Court accepted the application made by the Company, ordering the Municipality to complete the procedures within ninety days from notification (or, if earlier, from the communication of the decision via administrative channels) and should they fail to comply within this deadline, a Commissioner appointed by the same decision for this purpose shall enact the said procedures.

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".
Since the Mayors' Conference of 5 March 2014, which approved the tariff proposals for 2012 and 2013, the Company has started to bill the tariff corresponding to the maximum tariff multiplier allowed in accordance with AEEGSI Resolution n. 585/2012.
As already described in the 2013 Consolidated Financial Statements, the proposal made by the operator and transmitted pursuant to Art. 9.2 of Resolution 643/2013 provides a tariff multiplier ϑ for the years 2012 and 2013 of respectively 1.350 and 1.397, and therefore subject to a specific enquiry by the AEEGSI since it was higher than the maximum levels allowed (1.065 for 2012 and 1.134 for 2013).
It is pointed out that the Mayors' Conference of 5 March 2014 resolved as follows:

- *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 ($\Theta = 1.065$); and a provisional tariff of €/m^3 1.541 for the tariff multiplier for the year 2013 ($\Theta = 1.134$), 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*
- *to send this act to the AEEG, with the documentation on the agenda for the consequent enquiry in observance of the conditions of art. 7 paragraph 7.1 of Resolution 585/2012/R/idr.*

Giving effect to the resolutions passed by the Mayors, 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 objection has been made.

With reference to the 2014 – 2015 tariff update and the other correlated economic – financial plan, the Company submitted a specific application to the Area Authority and AEEGSI on 29 April 2014. The tariff multiplier in the application is equal to 1.669 for 2014 and 1.660 for 2015, therefore 9% higher than the required one, subject to enquiry by the AEEGSI.
Following the notice given by the AEEGSI to the Area Authority, on 14 July 2014 the Mayors' Conference approved the tariff multiplier for the years 2014 and 2015 up to the maximum amount provisionally allowed under the tariff method (respectively 1.090 for 2014 to be applied on the 2013 tariffs and 1.090 for 2015 to be applied on the 2014 tariffs), resulting in provisional tariffs of €/m^3 of 1.680 for 2014 and €/m^3. 1.831 for 2015, "it being recalled that with regard to the *theta* values proposed by the operator that result in tariff changes which in absolute terms exceed the MTN limit, an enquiry will be undertaken by the AEEGSI".

The conference likewise approved the new tariff structure, which on the basis of Art. 39 of Annexe A of Resolution n. 643/2013/R/idr, requires the Area Authorities or authorities having jurisdiction to abolish the minimum consumption rate for domestic utilities.
The mayors also resolved "to send the resolution to the AEEGSI, together with the documentation on the agenda for the consequent enquiry, in compliance with the AEEGSI notice of 16 June 2014, referred to in Art. 5 para. 5.6 of Resolution 643/2013/R/idr". The Resolution of the Mayors' Conference was published at the end of the month of September 2014.

On 19 February 2015, in the context of the enquiry referred to in para. 7.1 of Resolution 585/2012, the AEEGSI requested the Area Authority to provide clarifications and information by 6 March 2015, in order to properly verify that the data supplied was correct and their correspondence with the obligatory accounting sources, as well as the efficiency of the metering service in compliance with the aforesaid MTT order governing the cases in which the tariff proposal leads to an annual change exceeding the 6.5% limit. The came note also requested clarifications on the verification of the pertinent technical and economic figures communicated with regard to the tariff calculation for per the years 2014 and 2015.

With reference to prior adjustments for the period 2006 – 2011, quantified by the appointed Commissioner as equal to 75.2 million euros, from July 2014 ACEA Ato5 has started to bill users. As specified in Resolution No. 643/2013, the billing of the adjustments takes place in twelve constant quarterly instalments in full compliance with the recovery methods set by the AEEGSI. The remaining 18.8 million, allocated in previous years to cover the uncertainties deriving from the procedure for recognising tariff adjustments in the period 2006 -2011, was released to profit and loss for 2014 since the Company believes that this regulatory risk is to be considered as overcome, given the definition of the amount of prior adjustments and the start-up of billing, on the basis of the rules in force, which allow its effective recovery.

Revenue in 2014 totalled 67.2 million euros including the estimate of adjustments of the pass-through items and the differences compared to the amount recognised in the years 2012 and 2013. They are calculated, as in the years 2012 and 2013, considering a tariff multiplier exceeding the maximum allowable level. In particular the ϑ used for 2014 was 1.669, as stated in the operator proposal attached to the tariff proposal discussed by the Mayors' Conference of 14 July 2014 and currently being evaluated by the AEEGSI. It is pointed out that the difference in revenue between the application of the ϑ deriving from the tariff method contained in the proposal submitted by the operator and the maximum allowable amount initially amounted to 11.5 million euros for 2012, 10.6 million euros for 2013 and 14.9 million euros per 2014. The recovery of these higher amounts, which pursuant to Art. 7.1 of Resolution 585/2012 and Art 3.4 of Resolution 643/2013, is submitted to the specific investigation by the AEEGSI currently under way, contains some uncertainty, and an eventual negative outcome of this investigation could involve significant effects on the economic, equity financial situation of ACEA Ato5.
ACEA Ato5 has recognised in its financial statements a provision for impairment of receivables totalling 34 million euros, which also takes into account the time necessary for the recovery of the significant amount of bills still to be issued (totalling approximately 120 million euros) with reference to prior adjustments and the difference between the cap multiplier and the multiplier contained in the tariff proposals by the operator.

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

Relations with the Campania Regional Government

It is recalled that under Regional Resolution n. 172/2013, 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.

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

After the application was made, the Campania Region issued Regional Law n. 16/2014, by which, under the provisions of Art. 1, para. 88 to 91, it wholly amended the procedures for the transfer of the plants.

It is likewise pointed out that on 24 March 2014, an addendum to the regulatory agreement of 24 June 2013 was stipulated with the Campania Region and the Extraordinary Commissioner of the Sarnese Vesuviano Area Authority, to redefine and normalize the relations between the parties regarding the management of the ASI Consortium, involving the termination of litigation under way. The agreement has substantially amended the date on which GORI is due to take over the management of the Integrated Water Service, with the exclusive legitimation to utilise under concession the works and infrastructures of the Integrated Water Service to ensure the providing of the Integrated Water Service to the Consortium. This had been scheduled to start from 1 July 2011. The agreement enables the Campania Region to bill and collect the tariffs for the water services furnished to the ASI Consoritum in Naples for the period from 2007 to 30 June 2011; the result is the reduction of the amounts due to GORI from the ASI Consortium in Naples, while there is the recognition of equivalent higher tariff adjustments by the Extraordinary Commissioner of the Sarnese Vesuviano Area Authority.

Accordingly, the economic relations have been defined in such a way as to involve the adjustment of the revenue recognised by GORI with respect to the Consortium, and on the other hand the reduction of costs payable by the Region for the purchase of the water resource. This has involved the remeasurement of the payables to the Campania Region, already defined by the settlement agreement of 24 June 2013. The economic effects of the changes made were offset by the consequent tariff adjustments.

Tariffs

The current Extraordinary Commissioner of the Sarnese Vesuviano Area Authority, in compliance with the AEEG Resolution of 28 December 2012 n. 585/2012, 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. AEEGSI has still not concluded the analysis on the 2012-2013 tariffs.

On the basis of Resolution No. 643/2013, the Extraordinary Commissioner of the Sarnese Vesuviano Area Authority in Resolutions No. 26 and No. 27 of 31/03/2014 revised the Economic-Financial Plan transmitting it to the AEEGSI with the Plan of Action and set the Guaranteed revenue Restriction Limits and the tariff multipliers for 2014 and 2015.

The guaranteed revenue restriction limits and the tariff multipliers allow for the hypothesis that there will be a change in the system due to the transfer of regional works, in accordance with Campania Regional Authority Resolution No. 172/2013 of 03/06/2013. As GORI considered the method of transferring the works specified in the above-mentioned regional resolution to be prejudicial, (and appealed against the same before the Campania Regional Administrative Court), as a precautionary measure, the possible hypothesis has been put forward that the transfer of regional works will produce effects only from December 2014, meaning higher costs for just one month in 2014.

Revenue for 2014 totalled 174.2 million (Group share 64.5 million euros) and was calculated on the basis of the Extraordinary Commissioner's figures and taking into account the changes occurring with an impact on the limitation. In particular, reference was made to the implementation of the afore-mentioned Regional Law which substantially postpones the transfer of the regional plant to 2018.
This revenue, like that of the years 2012 and 2013, includes the difference between the application of the rules in Resolutions 585/2012 and 643/2013 and the maximum allowable level in an initial stage. This difference totals approximately 46 million euros (Group share 17 million euros).

On 3 July 2014, by Resolution n. 46, the current Extraordinary Commissioner of the Sarnese Vesuviano Area Authority, following the previous Resolution of 30 June 2014 n. 43, approving the overall amount of the **adjustments for the period 2003-2011**, totalling 122.5 million euros (Group share 45.4 million euros) approved the following instalments plan for the aforesaid amount:

a) Year 2014: 61.2 million euros (50% of total amount);
b) Year 2015: 20.4 million euros (16,67% of total amount);
c) Year 2016: 20.4 million euros (16,67% of total amount);
d) Year 2017: 20.4 million euros (16,67% of total amount).

From the month of September, the Company has started issue bills to recovery the above-mentioned adjustments.
Considering the initiatives undertaken by the end users for the impact deriving from the above-mentioned charges and above all in order to allow the completion of the administrative activity for the eventual acceptance of the issues raised in the discussions with the AEEGSI and the other institutions having jurisdiction in the area of water services, the Commissioner's management of the Sarnese Vesuviano Area Authority has ordered a series of postponements for the deferral of collection of the amounts connected with prior items. The latest postponement made involved the deferral up to 28 February 2015 which the Company has decided to accept.

It is likewise pointed out that the Area Authority, by Resolution n.47 of 7 July 2014, decided to assign the portion of tariff referring to new investments (FoNi) of the year 2014 to the funding of socially useful tariff subsidies (the so-called water bonus). In this connection, announcements have been published to define the procedures for access to this subsidy, and the Municipalities have also sent the lists of entitled end users.
Furthermore, in order to further support categories in economic difficulty, the Authority has decided to change the assignment of the FoNi amount for the year 2012, previously allocated to making new investments, thus allowing further tariff subsidies for 2015.

With reference to the procedure for adopting eventual sanctions, started by the AEEGSI by Resolution n. 380/2014, it is pointed out that on 3 October 2014 the Company submitted, memorials, documents and arguments pursuant to Art. 13 and 14 of Annexe A of Resolution 242/2012/E/com.

As for the 40 million euros bridge loan that matured 30 June 2011, on 23 April 2014 a contract was signed to reschedule the loan into a multi-year loan with maturity 31 December 2021. The loan has an interest rate equal to the 6-month Euribor plus a spread of 5.5 percentage points.

The critical aspects discussed and for which corporate management is currently taking measures in order to find long-term solutions and to achieve tariff and financial stabilization require a review of the procedures for collecting prior items, with the consequent revision of financial planning, given the decision by Campania Region and the Extraordinary Commissioner of the Sarnese Vesuviano Area

Authority to guarantee tariff equalisation and social sustainability by means including the issue of specific provisions.
The situation described above highlights significant uncertainties on the time involved in billing, collection and the use of financial flows to repay the amounts due to the Region, also taking into account that the Company is basically subject to the provisions that the Campania Region must issue in future in order to guarantee the timing of payments of its own payables, current and future, on a basis compatible with the timing of the collection of its own trade receivables (ordinary and for prior periods), with a possible impact on its capacity (in this context) to obtain adequate financial resources from the banking system.
In the light of the aforesaid intention to review the plan for recovering prior items and more in general of the tariff policy towards customers, measures are now being discussed by GORI, the Area Authority and Campania Region for rescheduling the financial commitments to the Region, in accordance with the safeguarding agreements made between the parties.

The definition of the above measures and the consequent implementation are a necessary condition for maintaining the principle of going concern.

It is recalled that is the Consolidated Financial Statements include provisions of 39.2 million euros, allocated in 2011 for an amount of 44.1 million euros, intended to cover the uncertainties regarding 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 ATO 2, 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. Acque pays a fee to all the municipalities for the concession, including accumulated liabilities incurred under previous concessions awarded.

Tariffs

With reference to the 2014 and 2015 tariff proposal approval process, on 3 April 2014 the Territorial Conference of the Lower Valdarno ATO2 approved the guaranteed Revenue restriction limits and the theta for 2014 and 2015.
Compared to the previous year the theta is equal to 6.5% for both 2014 and 2015. In order to maintain the tariff increase to this level, the tariff recovery of the 2012 adjustments repayment component was postponed to 2017.
On On 24 April 2014 the company sent the tariff update request in accordance with Resolution No. 643/2013/R/idr and the methods required by AEEGSI. On the same date the Meeting of the Tuscan Water Authority approved the tariff proposal as formulated by the Territorial Conference.
The data and evaluations in the update request presented by the company differ from the calculations approved by the Meeting of the Tuscan Water Authority on the formula used to calculate the tariff multiplier as Acque holds the formulation adopted by the Tuscan Water Authority to be incorrect, failing to respect the principle of full cost recovery.
In brief, the company's tariff proposal differs to that approved by the Tuscan Water Authority in the amount of the portion of 2012 adjustments postponed to 2017 and in the final analysis in the total guaranteed tariff revenues.
AEEGSI Resolution 402/2014/R/idr approved the tariff multipliers for 2014 and 2015, respectively amounting to 1.134 and 1.208; these multipliers, considering the size of the planned investments, take into account a shorter useful life of assets with respect to the ones set by regulations, as a result of the option exercised by the AIT to adopt financial depreciation and amortisation.
The tariff proposals were approved while awaiting the outcome of the enquiries by the AIT; in the month of November 2014 that body endorsed the observations submitted by the Company and informed the AEEGSI of the procedures for undertaking the adjustment.

Prior adjustments for 2011 were approved by the Tuscan Water Authority on 30 June 2014 by Resolution No. 35 and amount to 3.8 million euros (Group share 1.7 million euros).

Revenue for 2014, recognised on the basis of the tariff calculations made for that year, totalled 126 million euros (Group share 56.7 million euros) including the estimate of adjustments of the pass-through items and the differences compared to the amount recognised in the years 2012 and 2013.

Extension of the concession to 2026

By resolution n. 12 of 6 December 2011, Consortium Meeting of ATO 2 (now Autorità Idrica Toscana) approved the extension of the management concession of the Integrated Water System of ATO n.2 Basso Valdarno to Acque, currently expiring on 31.12.2021, by another 5 years, therefore, up to 31 December 2026, subject to three conditions which if not met will lead to suspension.
This Resolution set the deadline of 30 April 2012, later postponed to 31 December 2014, for the presentation of the Company proposal to extend the concession.
The Resolution to extend the AIT arises from the requirement of some additional investments not included in the current Area Plan at the time the borrowing agreements were made, and also absent in the subsequent reviews of the plan and the Operational Intervention Plans (OIP). In any case no Authority would have been allowed to require the operator to undertake more measures without a corresponding measure to ensure the economic and financial rebalancing of the contract, which the Authority is required to do by law.
The only instrument identified to guarantee the economic and financial balance was the extension of the duration of the concession.
In the aforesaid 2011 Resolution the extension was subordinated to three conditions which if not met will lead to suspension: **(i)** presentation of a documented proposal by the operator; **(ii)** approval in writing by the bodies currently financing Acque; **(iii)** evidence of the availability on the part of primary banks to finance eventual further financial requirements, when these are not covered by the existing financing entities or by other forms deemed appropriate by the Authority.

The changes regulatory outlook after Resolution n. 12 of 6 December 2011 enabled Acque to draft a proposal for extension of the concession up to 2026, with a revision of the investments plan in accordance with the requirements of the ’AIT, thought without applying to banks and/or any change in the existing borrowing structure, to make more investments in the period 2014-2021. In December 2014, the Board of Directors of Acque then approved this proposal, which was officially sent to the AIT last 16 December .
In particular, with respect to the last plan approved, the new Investment Plan contained in the proposal provides for the following: **(i)** in the period 2014-2021, higher net investments of 67.0 million euros and **(ii)** in the period 2022-2026 total investments of 345 million euros.
The proposal likewise calls for the early start-up of some new works to 2020, for a total of 28.4 million euros, through the use of concessions, with a significant deferral of the payment of the amount that can be made after 31 December 2021, thus without affecting the cash flow of the company earmarked for repayment of existing borrowings.
The AIT approved the proposal on 13 February 2015 and Acque has submitted to the lenders a request for a waiver to obtain consent to the extension and thus make the measure fully efficacious.

The borrowing agreed in 2006 totalled 255 million euros with use of 218 million euros; the loan repayment period starts from 2014 with incremental half-year instalment according to the system defined in the loan agreement.

With reference to the main **litigation and disputes** of the Company, the following is pointed out:

- appeal was presented to the Council of State against the decision by the Tuscany Regional Administrative Court dated 22 April 2013, which rejected the application presented by Acque for the annulment of Resolution n. 60 of 27 April 2011 of the Co.N.Vi.Ri., referring to the review of the revision for the 2005-2008 3-year period of the Area Plan of ATO 2 Toscana – Basso Valdarno. The case is currently pending,

- in November 2014, notice was delivered to the company by which CONSIAG S.p.A. summoned the company to appear before the Florence Court. CONSIAG was, up to 31 December 2001, the operator of the water service in certain Municipalities joined in a consortium, all within the ATO 3 area except for the Municipality of Montespertoli, inserted in ATO2. Besides Acque, the summons was also notified to the AIT and all the publicly-owned Acque partners.
  CONSIAG has claimed from Acque, in relation to the service undertaken in the Municipality of Montespertoli, a 0.792% share in the company and compensation totalling 1,989,834 euros.
  On the pother hand, the Municipality of Montespertoli is already a partner in Acque through Publiservizi (partner of Acque with 19.26% of the share capital) of which it is a partner with an equity holding of 0.98%.
  Therefore Acque, deeming the demand to be unfounded, has not made any allocations for this litigation.

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, conveyance 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.

With reference to the 2014 and 2015 tariff proposal approval process, on 8 April the Territorial Conference No. 6 Ombrone of the Tuscan Water Authority approved the new tariff development and the Economic-Financial Plan for 2014-2021, approved also by the Meeting of the Tuscan Water Authority on 24 April 2014. Compared to the previous year the theta is equal to 6.5% for both 2014 and 2015. The *theta*, compared to the previous year, is equal to 6.5% both for 2014 and 2015. On 31 July 2014 the AEEGSI ratified this by Resolution 402/2014/R/idr approving the tariff multipliers for 2014 and 2015 respectively amounting to 1.134 and 1.208; these multipliers, considering the size of the investments planned, take into account a shorter useful life of assets with respect to the ones set by regulations, as a result of the option exercised by the AIT to adopt financial depreciation and amortisation. Furthermore the limitations on guaranteed revenue include the quantification of the component FNI^{new} calculated on the basis of the parameter ψ amounting to 0.5.
In order to contain annual tariff increases, the Area Authority, in agreement with the operator, has reallocated the adjustments for the years 2012 and 2013, providing for a recovery after 2015 for an amount of approximately 7 million euros (Group share 1.5 million euros).
Prior adjustments for the year 2011 were approved by the Tuscan Water Authority on 30 June 2014 with Resolution n. 38 and amounted to 4.2 million euros (Group share 1.7 million euros).

Revenue for 2014, recognised on the basis of the tariff calculation made for that year, totalled 90.5 million euros (Group share 40.5 million euros) including the estimate of adjustments of the pass-through items and the differences compared to the amount recognised in the years 2012 and 2013.

From the financial point of view, it is recalled that on 5 March 2012 the Company agreed to the extension, for another 18 months, i.e. up to September 2013, of the bridge loan that has increased from 80 million euros to 92.8 million euros, with another 12.8 million euros being provided. Finally, on 5 September 2013 another increase of the bridge loan up to 105.0 million euros was issued (Group share 42.0 million euros) with maturity on 30 September 2014 necessary to cover the of the remaining portion of the new 2013 investments and of many of the investments included in the 2014 plan. The loan was supposed to have contributed, by the maturity date, to the consolidation of the current debt in a

medium/long term financial structure, and to have ensured the low funding still necessary to guarantee the complete implementation of the intervention plan, already in an advanced stage.
At the same time, following new regulatory measures and after the AIT Resolution on the new MTI, the Company has sent the letters of invitation for the selection procedures to one or more banks interested in the project, the deadline for presentation of the offers set for 31 July 2014, afterwards extended, upon request by the banks themselves, to 15 October 2014. Given the above-mentioned extension of the deadline for the offer to provide medium/long-term loans, which are also necessary to refinance the existing bridge loan, the maturity of the bridge loan itself, planned for 30 September 2014, is no longer coherent, and therefore in August the Company promptly requested and obtained an extension of the bridge loan expiry tot 31 March 2015.

Tuscany – Publiacqua S.p.A. (Ato3 – Middle 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, through the vehicle Acque Blu Fiorentine S.p.A., completed its acquisition of an interest in the company.
With reference to the 2014 and 2015 tariff proposal approval process, on 18 April Territorial Conference No. 3 Middle Valdarno of the Tuscan Water Authority approved the new tariff development and the Economic-Financial Plan for 2014-2021, approved also by the Meeting of the Tuscan Water Authority on 24 April 2014. Compared to the previous year the theta is equal to 3.4% for 2014 and 6.4% for 2015.
AEEGSI Resolution 402/2014/R/idr approved the tariff multipliers for 2014 and 2015 respectively amounting to 1.101 and 1.171; these multipliers, considering the size of the investments planned, take into account a shorter useful life of assets with respect to the ones set by regulations, as a result of the option exercised by the AIT to adopt financial depreciation and amortisation. Furthermore the limitations on guaranteed revenue include the quantification of the component FNI^{new} calculated on the basis of the parameter ψ amounting to 0.4.
Revenue for 2014 was calculated on the basis of the above-mentioned approved tariff rates, for a total of 201.9 million euros (Group share 80.7 million euros) including the estimate of adjustments of the pass-through items and the differences compared to the amount recognised in the years 2012 and 2013.

It is pointed out that the Tuscan Water Authority, by its letter of 27 September 2013, started up the fourth tariff update with regard to the costs, announcing its intention to make this update for the years 2010-2011, thus excluding 2012, the year in which the Transitional Tariff Method came into force. The review concluded with the approval of Resolution No. 36 - 30 June 2014: the Tuscan Water Authority calculated an adjustment of 8.9 million euros (Group share 3.6 million euros), approximately 10 million euros (Group share 4 million euros) lower than the amount allocated in the previous years, which represents the recovery of the lower charges for depreciation and amortisation and for the remuneration of invested capital which, with the MTN in force, were recognised to the previous management company.

In terms of financing sources, on 29 November 2012, the company took out a new bridge loan with a duration of 18 months minus one day, until 23 May 2014 for a total of 75 million euros, of which a total of 60 million euros was disbursed on the subscription date.
On 15 May 2014, the Company sent a request to the Agent Bank to extend the Final Expiry of the Loan until 30 November 2014. The request was approved by the Banks and the necessary changes were made to the Loan Agreement.

Upon the expiry of the bridge loan, the Company made bilateral borrowing agreements for an overall amount if 92.5 million euros falling due: **(i)** 55 million euros on 30 June 2015 and **(ii)** 37.5 million euros on 27 November 2015.
The Company also initiated contacts with the major lending banks in order to jointly assess the best solution available for financing the 2015-2021 Economic and Financial Plan.

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.

By Resolution 252/R/idr of 29 May 2014, the AEEGSI approved the tariff proposals for 2014 and 2015 which envisage tariff multipliers of respectively 1.126 and 1.195.
In its specific report on the topic, the Area Authority opted not to apply financial depreciation and amortisation, and in the year chosen under its own discretion decided to annul the FNI^{new} tariff component for the year 2014. An adjustment for the year 2012 amounting to 6.3 million euros was also charged to the tariffs for 2014, 2015 and 2016, for a maximum amount of 2.1 million euros per year.
Revenue for 2014 totalled 60.9 million euros (Group share 24.3 million euros) including the estimate of adjustments of the pass-through items and the differences compared to the amount recognised in the years 2012 and 2013.

Tuscany – GEAL S.p.A., Azga Nord S.p.A. and Lunigiana Acque S.p.A. (Ato1 –North Tuscany)

GEAL S.p.A.
The company GEAL S.p.A. manages the Integrated Water Service in the Municipality of Lucca.
On 18 April 2014 the Tuscan Water Authority approved the 2014 and 2015 tariff proposals and the relevant Economic-Financial Plan, with Resolution No. 6. In particular, the new tariff includes a 6.5 % increase for 2014 on the previous year. Nevertheless, over 60% of said increase is represented by the component intended to cover 2012 tariff adjustments, already accounted for as revenues in the relevant financial year.

The figures required to acknowledge the adjustment of integrated water service fees for 2010 and 2011 were sent to the competent body on 27 June 2014, in accordance with Resolution No. 268/2014. These fees are payable to the company as they were not calculated at the time be CIPE, as required by the Council of State. As there are some errors in the above resolution, the company reserves the right to appeal against the same in the courts having jurisdiction.

Lunigiana Acque S.p.A. in liquidation and AZGA Nord S.p.A. in liquidation
As is known the companies were placed in liquidation respectively on 2 August 2011 and 20 December 2010. Although still in liquidation, both continued to manage the service to guarantee continuation of supply in this essential public service until handing over control to GAIA on 1 April 2012 (Lunigiana) and 1 July 2013 (AZGA Nord).

Lunigiana and AZGA Nord have both stipulated contracts with GAIA for renting corporate branches that must be converted into contracts for definitive transfer in order to collect the amount of the assets not subject to depreciation. It is pointed out that negotiations are under way for completing this transfer.

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 subject to the current market tariffs adjusted for supply conditions.
It is pointed out that 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 from 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 and 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, 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 as compensation for ordinary operations, ongoing and extraordinary maintenance and the supply of electricity.
The amount accrued at 31 December 2014, calculated on the basis of lighting points as at 31 December 2013, amounted to 54.1 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 from Roma Capitale, the amount of which is defined in the technical-economic project document.
A variable interest rate is applied to the invested capital.
It is pointed out that 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:

- 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,
- 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.
- 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 bills 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,
- 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,
- 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.

The electricity sales contract terminated on 28 February 2015

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 23.b of this document.

The following table shows details of revenues and costs at 31 December 2014 of the ACEA Group (compared to those for the same period of the previous year) deriving from the most significant financial relations.

€ thousand	Revenue		Costs	
	31.12.2014	31.12.2013	31.12.2014	31.12.2013
Water supply	34,693	31,277	0	0
Electricity supply	31,948	33,082	0	0
Public Lighting service contract	53,557	53,203	0	0
Interest on Public Lighting contract	3,164	538	0	0
Water service maintenance contract	289	585	0	0
Monumental fountain service contract	289	585	0	0
Concession fee	0	0	20,391	20,303
Rental expenses	0	0	115	154
Taxes and duties	0	0	2,923	5,454

During the year 2014, Roma Capitale and ACEA offset 163,970 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	31.12.2013	Collections/ payments	Accruals 2014	31.12.2014
Receivables	154,026	(163,970)	172,217	162,273
Payables	120,527	(163,970)	163,332	119,888

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 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.

in € thousand	31.12.2014	31.12.2014	31.12.2014	31.12.2014
Roma Capitale Group	**Trade payables**	**Costs**	**Trade receivables**	**Revenue**
TRAMBUS	28	0	0	0
AMA S.p.A.	1,449	1,495	6,235	10,126
ATAC S.p.A.	105	478	39,727	3,037
AZIENDA PALAEXPO'	0	0	725.	970
MUSICA PER ROMA	49	40	179	112
RISORSE PER ROMA R.P.R. S.p.A.	0	0	260	135
Bioparco S.p.A.	0	0	10	354
ROMA METROPOLITANE S.R.L.	0	42	1,062	378
INVESTIMENTI S.p.A.	0	0	3	0
ROMA MULTISERVIZI S.p.A.	1,060	1,495	1	1
ZETEMA PROGETTO CULTURA S.R.L.	610	0	21	130
FONDAZIONE CINEMA PER ROMA	101	100	0	0
MET.RO.	18	1	0	0
FARMACAP	0	0	2	0
AEQUA ROMA	0	0	40	0
ATAC PATRIMONIO SRL	0	0	50	28
FARMACOSOCIOSANITARIA	0	0	2	290
FIERA ROMA SRL	0	0	807	996
ROMA SERVIZI PER LA MOBILITA'	0	0	26	49
LE ASSICURAZIONI DI ROMA	0	0	9	0
HANDICAP DOPO DI NOI ONLUS	0	0	1	0
Total Roma Capitale Group	**3,421**	**3,650**	**49,162**	**16,606**

ACEA GROUP AND MAIN ASSOCIATES

Up until 31 December 2011, i.e. the natural expiry date of the business unit lease, the company **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 was placed in liquidation as of 8 May 2013.

The following table shows amounts (thousands of euros) for revenues, costs, receivables and payables deriving from relations between the ACEA Group and the company Marco Polo.

in € thousand	Revenue	Costs	Receivables	Payables
	31.12.2014	31.12.2014	31.12.2014	31.12.2014
Marco Polo	256	0	2.340	24

ACEA GROUP AND MAIN COMPANIES OF THE SUEZ ENVIRONMENT GROUP

At the reporting date, essentially all purchase and supply agreements signed under the terms of the 2010 Framework Agreement had expired.

ACEA GROUP AND MAJOR COMPANIES OF THE CALTAGIRONE GROUP

The ACEA Group also maintains trading relations with Caltagirone subsidiaries or associates, concerning the supply of electricity and water.
The supply of services to entities owned by this company 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.

The following table shows amounts for the more important equity and economic relations between the ACEA Group and entities owned by the Caltagirone Group at 31 December 2014.

in € thousand	31.12.2014	31.12.2014	31.12.2014	31.12.2014
Caltagirone Group	**Trade payables**	**Costs**	**Trade receivables**	**Revenue**
Total Caltagirone Group	**4,280**	**3,256**	**8,722**	**37,831**

List of significant related parties 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/ACEA Ato2: an Addendum was signed to bring the supply contract into line with AEEGSI requirements, according to which the integrated water service operator must be held harmless from the risk of having to pay a price for the supply higher than the maximum allowed price acknowledged for the tariff.

Transaction examined in the OPC Procedure; since it is defined as being of major significant also apart from the amount:

"Project LED", notified to the OPC Committee on 5 November 2014 as a disclosure in compliance with paragraph 6.2.1 (Negotiation Phase) of the OPC Procedure. The transaction could bes considered as being of major relevance, although the declared values do not exceed the required threshold, since it is part of a broader contract with Roma Capitale for the Public Lighting service). The draft contract, in the form of draft "Executive Act", revised and corrected by ACEA, is being examined by Roma Capitale.

There follows 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	31.12.2014	of which with related parties	% weight	31.12.2013 *Restated*	of which with related parties	% weight
Financial assets	34,290	32,580	95.0%	34,788	32,328	92.9%
Trade receivables	1,259,920	159,362	12.6%	1,346,556	156,892	11.7%
Current financial assets	92,130	72,134	78.3%	118,302	60,983	51.5%
Trade payables	1,249,366	130,872	10.5%	1,207,601	105,821	8.8%
Borrowings	189,957	8,229	4.3%	599,869	32,984	5.5%

Impact on income statement

€ thousand	31.12.2014	of which with related parties	% weight	31.12.2013 *Restated*	of which with related parties	% weight
Consolidated net revenue	3,038,253	203,943	6.7%	3,289,015	150,058	4.6%
Consolidated operating costs	2,339,311	28,248	1.2%	2,643,996	26,358	1.0%
Total financial (expense)/ income	(101,178)	3,065	(3.0%)	(99,302)	144	(0.1%)

Impact on cash flow statement

€ thousand	31.12.2014	of which with related parties	% weight	31.12.2013 *Restated*	of which with related parties	% weight
Increase in current receivables	(15,958)	(2,469)	15.5%	(118,891)	(34,634)	29.1%
increase /decrease in current payables	38,657	25,052	64.8%	76,812	46,769	60.9%
Proceeds/payments deriving from other financial investments	27,616	11,403	41.3%	32,041	(11,257)	(35.1%)
Dividends received	51	51	100.0%	0	0	0.0%
Decrease/increase in other short-term borrowings	(411,842)	(24,755)	6.0%	(223,112)	31,927	(14.3%)
Dividends paid	(43,852)	(43,852)	100.0%	(77,434)	(77,434)	100.0%

Update on major disputes and litigation

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 n. 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 n. 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 Revenue Agency to pay 50% of the legal costs incurred by the Company.
By sentence 419/04/14 issued on 24 February 14, and deposited in July 2014, the Umbria Regional Tax Commission rejected the appeal submitted by the Revenue Agency ordering it to pay the expenses.

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 n. 537 of 24 December 1993.
SAO defense 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, a Report on Findings from the Italian Financial Police - Rome Tax Police Department was delivered to the Company, following the 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 n. 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.
This approach appears to be supported by Circular n. 16/D of 20 October 2014 issued by the Customs Agency following the decision of the Court of Justice of 17 July 2014 n. C-272/13.

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.
The Company has requested implementation of the inspection report and payment by instalment of the sums assessed, totalling 2,970 thousand euros inclusive of fines and interest.

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.
- difetto di competenza su alcuni costi di manutenzione.

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 March 2014, the Terni Revenue Agency notified tax assessment n. T3O0E0300073/2014 to the Company and the Parent Company ACEA for IRES amounting to 3,061 thousand euros (plus fines and interest) for the lack of time correspondence of the "Tremonti ter" deduction of the incorporated company EALL. In September 2014 the agreement to this assessment was signed and at the same time 448 thousand euros inclusive of the interest was paid.
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.
With regard to the third finding, on 15 October 2014 the Terni Revenue Agency notified a tax assessment to the Company and the Parent Company for the amount of 54 thousand euros inclusive of fines. The Company paid the amount due within the required time.

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 the basis of the report in the assessment, the Lazio Regional Revenue Department – Large Taxpayers' Office requested clarifications on the taxation treatment of these items for the fiscal years 2008 and 2009.
With reference al 2008 ACEA Distribuzione paid the sum of 56 thousand euros (plus fines and interest) in adherence to the assessment.
For the year 2009, the Lazio Regional Revenue Department notified assessment reports for excessive IRES and IRAP deductions for a taxable amount of 219 thousand euros and an excess VAT deduction of 163 thousand euros. On 19 February 2015 the Lazio Regional Revenue Department ordered the total annulment of the assessment for the IRES and IRAP items and the partial annulment of the VAT assessment.
On 20 February 2015 the Company presented an application of agreement to the VAT assessments still outstanding.

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, pursuant to art. 12 of Law 212/2000, the company filed its defense briefs, 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). These acts were annulled in as far as almost all sums are concerned as a consequence of the submission of a request for tax settlement which resulted in the payment of 124 thousand euros for 2008 on 16 April 2014.
On 9 September 2014 the Pavia Customs Office notified to Voghera Energia Vendita the start-up of assessment on the consumption declarations for the years 2009-2013, completed at the end of November 2014, calculating for the entire period examined a total amount of unpaid excise duties and surcharge of approximately 130 thousand euros, plus fines and interest of approximately 305 thousand euros which would be reduced to 134 thousand euros in the case of payment within 60 days from the issue of the fines.

Kyklos tax inspection

On 20 March 2014 the Latina Tax Police Department of the Guardia di Finanza launched a general inspection (IRES, IRAP and VAT) against Kyklos for 2012 which concluded with the notification on 6 May 2014 of a Report on the following main findings:

- lack of the principle of time correspondence for the deduction of Directors' fees;
- non-deduction of leasing instalments;
- non-deduction of vehicle maintenance costs.

The total taxable amount subject to tax is 78 thousand euros for IRES; 38 thousand euros for IRAP; 5 thousand euros for VAT.

Gesesa tax inspection

Following the tax inspection regarding the year 2009, the Checking Office of the Revenue Agency – Benevento Provincial Directorate notified two separate assessments:

- the assessment notified to Gesesa on 25 September 2014 for IRAP and VAT tax for an overall amount of 19 thousand euros;
- the assessment notified on 1 October 2014 both to Gesesa (as Group company) and to the Parent Company ACEA (as Parent Company) for the consolidated IRES for an overall amount of 117 thousand euros.

With regard to these assessments the companies presented applications for further checking with agreement, and the procedure closed with the signature of an agreement involving the payment of 30 thousand euros inclusive of fines and interest.

ACEA tax inspection

On 17 September 2014 the Revenue Agency – Lazio Regional Directorate – opened proceedings against ACEA with a general inspection (IRES, IRAP and VAT) for the year 2011, which ended on 23 December 2014 with the notification of an assessment containing a single claim regarding IRAP for a higher taxable amount of 207 thousand euros. On 19 January the Company communicated its agreement to the assessment.

Claims/fiscal disputes related to ARSE

In the month of January 2015, 13 notices for adjustment and liquidation were notified to ARSE and Apollo – the company to which the photovoltaic plants built by ARSE were conferred, and sold to RTR Capital at the end of 2012. These notices regarded the assessment of a higher value, for purpose of register, mortgage and property registration taxes, compared to the amount declared at the time the right of superficies was established for some portions of land where the plant was constructed.

The acts signed substantially involve the extinguishing of the previous land rental contracts and at the same time the establishing of the right of superficies on the same portions of land. The Revenue Agency challenged the value declared in the acts, claiming that the object of these acts was the transfer not only of the real rights to the land, but also of the ownership of the area of the photovoltaic plants. It is pointed out that this plant was constructed by ARSE, and therefore, at the time the right of superficies was established, it already owned the plant, which was later conferred upon Apollo.
The higher tax assessment on ARSE and Apollo, including fines and interest, totals around 9,500 thousand euros.
It is believed that there are well founded reasons, supported by authoritative opinions, to challenge the demands by the tax authorities both in the assumptions and, on a subordinate level, in the amounts.

Other issues

ACEA Ato5 - Tariffs

With reference to the appeal by the Area Authority dated 31 July 2013 for the annulment of the final report of 30 May 2013 by the Commissioner appointed for the purpose, we are currently awaiting the hearing to be scheduled. In any case, the Company, believing the measure to be valid and effective for all the effects of the law, also given the renunciation by the Area Authority of the cautionary application, has considered that the combined effects of Art. 31 and 32 Annexe A of AEEGSI Resolution 643/2013/R establishing the procedures for the recovery of the adjustments without authorization acts by the entity granting the concession to be definitely applicable to the case at hand for all the effects of the law. Therefore, starting from the month of July 2014, ACEA Ato5 has started the recovery of the amounts in question in twelve equal quarterly instalments, since the adjustments are acknowledged to take precedence over the guaranteed revenue limitation. This action has been jointly notified both to A.ATO 5 and the AEEGSI.

ACEA Ato5 – Order to pay for the recovery of credit deriving from the 2007 settlement agreement

With regard to the credit of 10.7 million euros for higher costs incurred in the period 2003 – 2005, referred to in the settlement agreement of 27 February 2007, on 14 March 2012 ACEA Ato5 made an application for an order to pay for the credit items acknowledged to the Company by the A.ATO.
The Frosinone Court, accepting the application, issued Order to pay n. 222/2012, immediately executive, which was notified to the Area Authority on 12 April 2012.
The AATO, with the act of 22 May, filed its opposition to the injunction, requesting its revocation and, on a cautionary basis, the suspension of its provisional execution. Moreover, by way of cross-claim, it filed a demand for payment of concession instalments for € 28,699,699.48.
ACEA Ato5 filed its appearance in this appeal against the order, opposing the demands made and on its part filing a counterclaim for the payment of the entire amount of higher costs incurred by the managing company and originally requested, totalling € 21,481,000.00.
After the hearing of 17 July 2012, the Judge deposited an order on 24 July for suspension of the provisional execution of the order to pay, postponing the discussion of the specific matter.
The judge also rejected the application for issue of an order for payment of the concession instalments filed by the A.ATO.
During the hearing of 21 November 2014, the judge opened discussion on the applications made by the parties, setting the hearing for the conclusions for 17 June 2016.

GORI – Litigation for water supply: ARIN

A number of cases are pending between GORI and ARIN S.p.A. (now called Azienda Speciale ABC) regarding the cost of water supply provided for A.T.O. n. 3.

ABC operates in the territory of the Municipality of Naples, and is the special agency of the Municipality that has replaced ARIN S.p.A. The Municipality of Naples comes within the territory of A.T.O. n. 2 "Naples-Volturno" of the Campania Region.
On the basis of previous concessions, ABC utilises its own water supply sources (the Serino Aqueduct in A.T.O. n. 1 of the Campania Region, and the Casalnuovo wells in A.T.O. n. 2 of the Campania Region) and also purchased water from the Campania Regional authorities.
Currently, ABC directly supplies water on a wholesale basis to some Municipalities, GORI and the Region as well.
The dispute regards the fact that ABC applies to sub-suppliers a tariff approximately three times higher than the regional tariff; the regional tariff is 0.1821 €/m^3 while the ABC tariff is 0.47376 €/ m^3 (from 1 January 2013: 0.497922 €/m^3).
ABC should however charge wholesale water distributed in accordance with European and national standards (see the recent provisions in this are by the AEEGSI) of so-called "cost orientation", i.e. in order to exclusively recover only the "effective costs" incurred for water distribution also since ABC does not have the title to sell water on a wholesale level.
This incoherence is due to the fact that the law had not yet fixed the tariff for supplies between different areas (pertaining to the Campania Region and the Area Authorities). In this regard, it is pointed out that Art. 11 of Regional Law n. 14/1997 (law implementing the "Galli Law") states that: "Any *interference between the integrated water services of different A.T.O., with particular regard to the transfers of resources and the common use of infrastructures, are governed by specific agreements between the Area Authorities on the basis of the indications provided by the Regional Government*".
This situation obviously involves increased costs for the tariff of the Integrated Water Service of A.T.O. n. 3 with repercussions on the final users in the Municipalities falling within that A.T.O.
The above considerations were extensively communicated and discussed in a Service Conference summoned for this purpose by the Sarnese Vesuviano Area Authority, in the context of evaluation, following a specific technical enquiry, showing that the management costs of the water supply works are considerably lower than the tariff applied to ABC. It does not seem justifiable for the Municipality of Naples to set tariffs (applied by ARIN) affecting final users of other Municipalities and even of another A.T.O. (namely ATO n. 3). This is why the dispute is still under way between ABC (formerly ARIN S.p.A.) and GORI.
For these reasons GORI filed the following appeals **(i)** to the Campania Regional Administrative Court against the measures by which ABC, on the basis of AEEGSI resolutions n. 585/2012 and n. 88/2013, determined the new tariff applied to the sub-distributor and **(ii)** to the Lombardy Regional Administrative Court on the basis of AEEGSI Resolution n. 560/2013 in the part approving the tariffs that ABC applied for the year 2013.
We can consider the recent sentence n. 1343/15 issued by the Naples Court, rejecting the claim by the plaintiff ABC regarding the demand for payment of the water supply services for the Municipality of Camposano in the period from the 4th quarter 2007 to the 2nd quarter 2008.

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.
Accordingly, 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. Council of State sentence n. 2941 of 10 June 2014 overturned the decision by

the Campania Regional Administrative Court and declared the termination of the Memorandum of Understanding pursuant to Art. 1467 of the Italian Civil Code for excessive costs.

GORI – Dispute against the Campania Regional Government for annulment of Regional Council Resolution No. 172/2013 - part defining the methods for transferring Regional Works

GORI challenged Regional Council Resolution No. 172/2013, considering this way of transferring Regional Works to be prejudicial, as it does not allow for some fundamental and functional aspects for correct Integrated Water Service 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.
After the filing of the appeal, the Campania Region issued Regional Law n. 16/2014 under which, by the provisions of Art. 1, para. 88 to 91, wholly modified the procedures for the transfer of the works in the dispute, stating that these must be transferred under a "*single and provisional management*" for a period of 36 months to "*one or more bodies managing the Integrated Water Service among those operating in the optimal territorial areas of their jurisdiction*", to be identified by the Region itself within 30 days from the publication of the law. During the period of provisional management, an "*efficiency enhancement plan*", will be implemented by the signature of a specific agreement. This involves charges on the Region. Therefore, with the implementation of the provision, if GORI were to be identified as the provisional manager, it would undertake management with charges payable by the Region and not on its own account. Therefore, on 17 December 2014, the parties jointly requested an adjournment to a date to be set.

ARIA - Avoided Fuel Cost (AFC)

In In a decree passed on 31 January 2014, published on 18 February 2014, the Ministry of Economic Development, establishing the value of the adjustment of the avoided cost of fuel component for 2013 and the advance payment for the first quarter of 2014, confirmed the application of the so-called "pre-chosen initiatives" for the Avoided Cost of Fuel updating criterion based on the "evolution of conversion efficiency" with reference to the specific consumption values in the Italian Ministerial Decree of 20 November 2012.
ARIA already filed an appeal for the annulment of the above-mentioned Italian Ministerial Decree of 20 November 2012, and the Italian Ministerial Decree of 24 April 2013 (respectively, on 24 January 2013 and 16 July 2013). In an appeal filed for additional grounds on 4 October 2013, the question of constitutionality was also brought up for art. 5, paragraphs 3 and 4, of Italian Legislative Decree No. 69 - 21 June 2013, converted into Italian Law No. 98 - 9 August 2013, for the part that attributes legal value to the provisions of the Italian Ministerial Decree of 20 November 2012.
Therefore, as the Italian Ministerial Decree of 31 January 2014, with reference to the parameter of the "specific consumption values" in the Italian Ministerial Decree of 20 November 2012, changed the same profiles of legitimacy that ARIA considered prejudicial, analytically referred to in the introductory appeal, ARIA also lodged an appeal based on additional grounds with the Lazio Regional Administrative Court for annulment of the Ministerial Decree of 31 January 2014.

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 deposit with the TRAP (Regional Court of Public Waters), having jurisdiction regarding the matter in question, of the opinion of the court-appointed expert on the values of subtension for branching off, and subsequent reduction in hydroelectric production and indemnities due, the judge adjourned the matter to the 3 October 2013 hearing, when memorials were deposited concerning partial payments of the instalments not yet paid. At the hearing of 9 January 2014 the case was further adjourned.
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.
On 3 May 2014 the TRAP (Regional Court of Public Waters), in Sentence No. 14/14, quashed E.ON.'s applications ruling that the 1985 agreements are still valid, considering the application to be limited to the 'subtension price', ruling however that relevant to the measurement of adjustments to be inadmissible.
E.ON was ordered to pay 32,000.00 euros court costs plus accessory charges and Court appointed expert fees.
On 23 June 2014 E.ON filed an appeal with the Higher Court of Public Waters, the first hearing of which will be held on 1 October 2014. After subsequent postponements, at the hearing of 14 January 2015, the case was referred to the collegial hearing of 10 May 2015 and also includes the decision on the request by E.ON to renew the expert opinion.

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 of 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 executive, was appealed by SASI before the TSAP (Higher Court for Public Waters) and ACEA filed a counterclaim. In non-definitive judgement 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. The Court appointed expert's assessment reduced the amount due by SASI to 6 million euros, and at the hearing of 28 January 2015, the higher court rejected the application made by the counterparty to request clarifications from the expert, with the case being adjourned for the sentence to 27 May 2015.

A.S.A. – Acea Servizi Acqua - SMECO

By the summons notified in autumn 2011, ACEA was summoned to court to respond to the presumed damages that its even more strongly 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 hearing on 11 February 2014, which was held to discuss the comments on the expert report, the Judge granted the parties time to comment on the Court Expert Report and summoned the Expert for clarification at the hearing 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 adjourned 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. During the hearing on 1 July 2014, the new Judge reserved a decision on the request for additional consultancy. This application was then rejected by an order issued outside the hearing. On 20 January 2015 the hearing of the case was further adjourned.

Sorical dispute

At the end of 2010, the subsidiary Acea Energia (AE) was awarded a tender 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 defensive memoranda, the Judge should pass sentence before the end of the year. The hearing was adjourned to 21 November 2014.

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 procedure.

A debt restructuring agreement was signed between AE, Sorical and the other creditors with entitlement, pursuant to Art. 182 *bis* of Royal Decree 267/42, under which Sorical agreed to pay to AE the sum of 17,698,774.00 euros. The agreement, deposited in the court, came into effect and Sorical has started to pay the amounts due. Among other things, the agreement involves the partial waiver of receivables by AE (30%) and the renunciation of the case pending and of the eventual judiciary titles obtained against Sorical that might come into effect after the collection of the full agreed amount of 17.7 million euros. It is pointed out that as of now the entire amount due has been fully collected.

Volteo Energie proceedings

ARSE has applied for an order of payment against Volteo Energie, to which photovoltaic panels were supplied and only partially paid. The remaining amount due is approximately 2 million euros. The counterparty has opposed the order notified, and has advanced claims of compensation for alleged production defects in the supply. While the lawsuit continued – while recalling that any claims for defects in the panels can be transferred to the manufacturer – under the order dated 12 February 2013, the Court granted provisional execution to the order of payment for the sum of € 1,283,248,02 plus interest and expenses (reserving the decision on the remaining 654,136.66 euros to the final outcome of the case).

After setting of the injunction amount at 1,347,787.38 euros, Volteo proposed payment of the amount due on an instalments basis.

Up to now it has paid the full amount stated in the order of payment, i.e. 1,347,787.38 euros. The case is continuing for the assessment of the amounts due to ARSE and not covered by the provisional execution, and to examine the application by Volteo to obtain the recognition of the penalty and damages. The case was adjourned to the hearing of 21 October 2014 in order to hear the witnesses, and then the eventual allowance of the court-appointed expert; the parties were unable to reach a friendly settlement on the issue. After the rejection of the allowance of the of the court-appointed expert, the case was adjourned for the decision to the hearing of 5 July 2016.

Milano ’90 dispute

The issue involves the failure by Milano '90 to pay the sum of 5 million euros, due as the balance of the price of the sale of the area in the Municipality of Rome with access from Via Laurentina n. 555, completed on 28 February 2007 and with subsequent additional act of 5 November 2008. Under the additional act, the parties agreed to modify the amount from 18 million euros to 23 million euros, while at the same time eliminating the earn out, and setting the final payment deadline for 31 March 2009.
Given the failure of the purchaser to act, the procedure was started to recover the amounts due by the issue of an order to desist against Milano ’90, and then by the deposit of an application of an order of payment, which was granted in a provisionally executive form on 28 June 2012.
The aforesaid order of payment was then notified on 3 September 2012, and on 23 November the distraint by third parties for the enforced collection of the payment requested was delivered to the Court Officer.
The appeal by Milano '90 against the order of payment is now pending before the X Section of the Rome Court. In the context of the lawsuit, further proceedings were undertaken pursuant to Art. 649 Civil Proceedings Code for the suspension of the provisional execution of the contested order of payment; this application was accepted by the judge.
The executive proceedings started after the provisional execution of the order, suspended up to now, were also undertaken.
At the hearing of 13 March 2014, the judge reserved the right to respond to the request for investigative findings.
By on order dated 7 April 2014, the same judge, deeming it necessary to have a technical investigation to assess the town-planning status of the property and to allow for witness testimony by ACEA, adjourned the case to the hearing of 18 December 2014 to hear the witnesses and to appoint the court expert. The investigating judge also ordered ACEA to deliver the documentation requested by the other party. The court-appointed expert was asked to respond to questions regarding the town-planning status of the area at the time of the sale and the construction volume that can be built there. The case was then adjourned to 22 October 2015 for the deposit of the court-appointed expert opinion, which is currently being completed.

Trifoglio dispute

The complex dispute consists of a case filed as a plaintiff and also a case appearing as a defendant.
Case filed as a plaintiff: 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, specifying 14 January 2014 as the limit for presentation of the defensive memoranda in accordance with art. 183 VI of the Italian Code of Civil Procedure.
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.
The hearing was postponed to 14 October 2014 for joinder of proceedings with another case which has the same subject filed by ATAC Patrimonio and for the possible joinder of proceedings with the case filed by Trifoglio see *below*.

Case appearing as a defendant: 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 an expert opinion. The summons, served also to ATAC Patrimonio as well as ACEA, contains a claim for compensation of approximately 20 million euros in damages.
Within the scope of the memoranda in accordance with art. 183 No. 2 of the Code of Civil Procedure, the counterparty requested the admission of the Expert's opinion substantially to assess the possibility of proceeding with the development of the area.
At the hearing held on 27 May 2014 to discuss the summons filed by Trifoglio, the case was remanded to the District Presiding Judge who ruled the proceedings be readmitted to the Judge who heard the case brought by ACEA, as the cases are related. As matters stand, the questions raised by the opposing party appear to be groundless.

The lawsuits have been combined before the judge before whom the case was being heart with ACEA as a plaintiff, and both cases were adjourned to the hearing of 7 April 2015 after the reformulation of the questions posed to the court-appointed expert. The consultancy is currently being undertaken.

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 Temporary Grouping of Companies 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.
The case was postponed to 19 January 2016 for the decision.

Province of Rieti dispute

The Province of Rieti has notified a summons to ACEA and ACEA Ato2 requesting the payment of damages (under various titles) allegedly incurred to to the failure to approve the agreement on so-called inter-area overlapping.
The other parties summoned in the lawsuit, together with ad ACEA and ACEA Ato2, are the Province of Roma, the ATO2 Central Lazio Rome Area Authority, Roma Capitale and the Lazio Region.
The amount of this litigation is high: currently at approximately 90 million euros (25 million euros up to 31 December 2005 and 8 million euros annually for the subsequent period), but the formulation of the defensive arguments, above all regarding ACEA, is rather weak. First of all, the identification of the judge have jurisdiction can be criticised: the ordinary court instead of the Regional Court of Public Waters; then there is the liability for compensation due to the delay in the approval of the agreement on overlapping, definitely not attributable to ACEA since it was not due to the conduct of the company.
The initial hearing is scheduled for 21 April 2015, which could also be changed due to the role of the judge assigned to the case.

Enel Green Power

On 4 September 2014 Enel Green Power (EGP) requested to ACEA Ato2 the payment of the amounts due for the adjustment of the "subtention price" for branching off for hydroelectric and drinking purposes of the "Le Capore" springs, quantified for the period 2009 - 2013 at approximately 17 million euros (excluding VAT), claiming the actualisation of the 1985 ACEA-ENEL agreements and applying as calculation criteria the Single National Price (instead of the "price of HV energy for resale in the Municipality of Rome" provided for in those agreements).

The claim was immediately challenged, citing the jurisprudence arising in the E.ON. case involving the same subject of dispute, and established by the Regional Court of Public Waters with the rejection of the claim on the relevance of the agreed price and the absence of any automatic integration mechanisms in the agreement.
The invoice regarding the requested fee update was therefore returned to EGP, with total rejection of the economic claims quantified unilaterally and illegally.
Up to now EGP has not reacted and has not served notice on ACEA Ato2, probably awaiting the decisions by the higher court in the lawsuit involving E.ON., ACEA, ACEA Ato2 and Acea Produzione.

It is pointed out that after the end of the year:

- ✓ the former Chairman of ACEA has filed an application to the Rome Civil Court, Labour Section, with requests for compensation and payment of damages;
- ✓ by the note received on 19 March, Roma Capitale, asserting alleged lacking in authorisation, communicated to ARSE the start-up of procedures pursuant to Art. 7 and 8 of Law 241/1990, for the issue of the acts necessary for the recovery of the land, located in the Parco della Mistica, on which a photovoltaic plant for greenhouse cultivation was constructed.

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	Receivables and Loans	Financial instruments available for sale	Carrying amount	Notes
Non-current assets	**0**	**34,290**	**2,482**	**36,772**	
Other equity investments			2,482	2,482	18
Financial assets due from Parent Company, subsidiaries and associates		32,580		32,580	21
Financial assets due from third parties		1,710		1,710	21
Current assets	**0**	**2,416,533**	**0**	**2,416,533**	
Trade receivables from customers		1,162,973		1,162,973	23
Trade receivables from related parties		74,582		74,582	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 (*)		0		0	23
Other current assets: energy equalisation and specification		46,517		46,517	23
Other current assets: subsidiaries		22,366		22,366	23
Financial assets due from Parent Company, subsidiaries and associates		69,042		69,042	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 designated as hedges with changes recognised in profit or loss (**)				0	23
Financial assets due from third parties		23,088		23,088	23
Cash and cash equivalents		1,017,967		1,017,967	23
TOTAL FINANCIAL ASSETS	**0**	**2,450,823**	**2,482**	**2,453,306**	

€ thousand	Held for trading financial instruments	Liabilities at fair Value	Liabilities at amortised cost	Carrying amount	Notes
Non-current liabilities	**0**	**62,769**	**2,977,943**	**3,040,712**	
Bonds			1,855,385	1,855,385	28
Bonds valued at FVH		(1,170)		(1,170)	
Bonds valued at CFH		54,902		54,902	
Bank borrowings (non-current portion)			1,122,558	1,122,558	28
Bank borrowings (non-current portion) valued at		9,037		9,037	

CFH					
Current liabilities	**0**	**349**	**1,439,322**	**1,439,671**	
Bank borrowings			58,161	58,161	31
Payables to third parties			16,564	16,564	31
Financial payables to factoring companies			110,358	110,358	31
Financial payables to subsidiaries, associates			4,873	4,873	31
Due to suppliers			1,130,158	1,130,158	31
Trade payables to Parent Company, subsidiaries and associates			119,208	119,208	31
Other current liabilities: fair value measurement of contracts for difference and commodity swaps with changes recognised in equity (*)		349		349	31
TOTAL FINANCIAL LIABILITIES	**0**	**63,118**	**4,417,265**	**4,480,383**	

(*) 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.

Fair value of financial assets and liabilities

The fair value of securities not quoted in an active market is calculated by using valuation models and techniques prevailing on the market or using the price provided by several independent counterparties.

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 policy

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, i.e. the risk that the fair value or future cash flows of a financial instrument might 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:

- minimize 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 against unforeseen and unfavorable short-term shocks in the energy market which affect revenues or costs;
- 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);
- calculation of risk indicators/measurements (volume exposure, portfolio VAR, PAR, price range);
- checking compliance with the risk limits in force.

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 guidelines for the Energy Industrial Area. In this regard, it is pointed out that ACEA, through the Risk Control Unit, provides the analysis and measurement of exposure to market risks, interacting with the Energy Management Unit of Acea Energia S.p.A., in accordance with the Internal Auditing and Risk Management guidelines of ACEA.
In terms of the Group's commitments to stabilize cash flows in relation to the composition of its electricity sale and purchase portfolio in the coming year, almost all existing hedging activities are managed as cash flow hedges, since the effectiveness of the hedge is demonstrable. The financial instruments used fall under swaps and contracts for difference (CFD).
The aims and policies for the management of market risk, counterparty receivables and legal matters are described in the pertinent section of the Performance Report.
It should be observed that the hedging on the purchases and sales portfolio has been undertaken with the main operators on the electricity market and the financial sector. The following information, in accordance with OIC 3, is provided in compliance with former Art. 2427-bis of the

Italian Civil Code, for the description of the transactions entered into and aggregated by index hedged with validity starting from 1 January 2015:

Swap	Purpose	Purchases/Sales	Fair Value in € thousand	Amount recognised in shareholders' equity	Amount recognised in income statement
PUN	Hedge power portfolio	purchase/ sale electricity	(820)	(820)	0
CONSIP	Hedge power portfolio	purchase/ sale electricity	472	472	0
			(348)	**(348)**	**0**

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 - single 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 etc.) 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.

Finally, It is pointed out that the Group, starting from the year 2014, has applied the provisions of EC Regulations 148 and 149/2013 (jointly and together with Reg. 648/2012, the EMIR rule) and is currently defined as NFC- (Non Financial Counterparty).

Liquidity risk

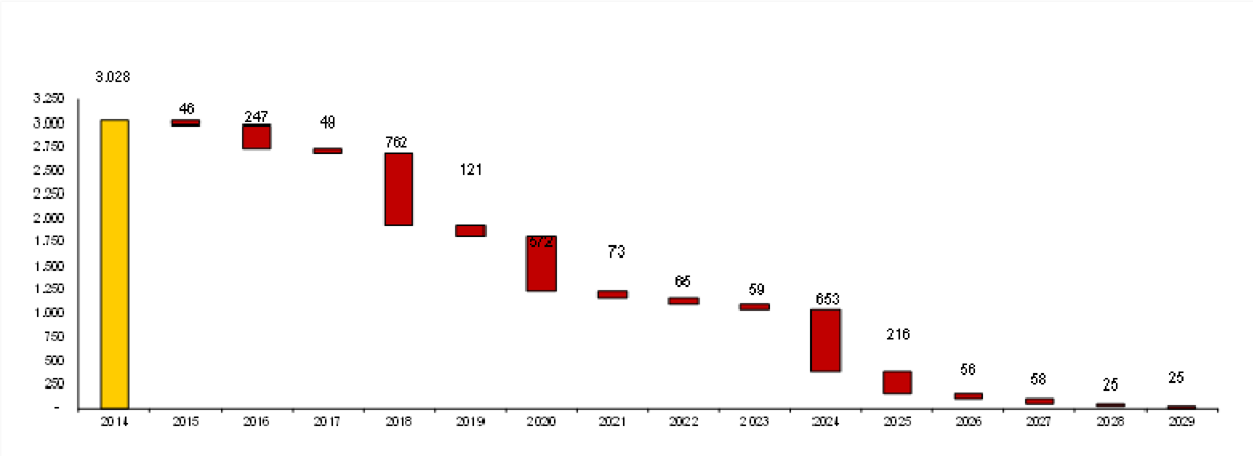
The ACEA S.p.A. liquidity risk management policy is based on ensuring the availability of significant bank lines of credit. Such lines exceed the average requirement necessary to fund planned expenditure and enable the Group to minimise the risk of extraordinary outflows. In order to minimise liquidity 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 2014 the Parent Company held committed and uncommitted lines of credit totalling 799 million euros and 300 million euros, respectively, and not utilised. No guarantees were issued to obtain these credit lines.

The committed lines of credit are revolving and have a 3-year contract duration from the opening. The availability of these lines expires in 2015. The contracts stipulated 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 term deposits.

The following diagram shows the future evolution of the maturity of overall borrowing forecast on the basis of the situation in be at the end of the year.



With regard to trade payables (1,130.2 million euros) it is pointed out that the portion coming due in the next twelve months totals 838 million euros. The amount due of 292.1 million euros will be paid within the first quarter of 2015.

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 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.
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 2014, by approximately 64.32% of fixed rate borrowings, taking into account the hedging in place and thus at a lesser extent to the variations in future cash flows.
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).

Currently, the Group uses derivative instruments to hedge interest rate risk exposure for the following companies:

- 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.

All the derivative instruments taken out by ACEA and listed above are non-speculative and their fair values were respectively:

- negative for 9.0 million euros (negative for 8.7 million euros at 31 December 2013),
- negative for 54.9 million euros (negative for 36.2 million euros at 31 December 2013) and
- positive for 1.2 million euros (+0.3 million euros compared to 0.8 million euros in 2013).

The following table shows the overall fair value changes of the medium/long-term debt portfolio based on curves of risk-less and risk adjusted rates.

Bank borrowings:	Amortised cost	FV RISK LESS	Delta	FV RISK ADJUSTED	Delta
	(A)	(B)	(A)-(B)	(C)	(A)-(C)
Bonds	1,909,117	2,168,211	(259,094)	2,111,619	(202,502)
fixed rate	322,491	424,041	(101,550)	405,490	(83,000)
floating rate	788,181	813,234	(25,054)	811,744	(23,563)
floating to fixed rate	67,386	69,075	(1,689)	67,948	(562)
Total	**3,087,174**	**3,474,562**	**(387,387)**	**3,396,801**	**(309,626)**

This analysis was also made with the curve of the risk adjusted rates, i.e. a curve adjusted for the level of risk and the ACEA segment of activity. The curve utilised the fixed rate bonds denominated in euro, issued by Italian companies in the sector of public services and having a rating between BBB+ and BBB-.

The medium/long-term financial liabilities were subjected to a sensitivity analysis on the basis of the stress testing method, i.e. applying a constant spread to the riskless curve for all the nodes on the curve.

In this allows for the valuation of the impact on fair value and evolution of future cash flows, with reference both to the single instruments forming the portfolio analysed and the portfolio as a whole.

The table shows the overall changes in terms of fair value of the debt portfolio based on parallel shifts (positive and negative) between – 1.5% and + 1.5%.

Constant Spread applied	Changes in *Present Value* (€ million)
-1.50%	(207,3)
-1.00%	(135,2)
-0.50%	(66,2)
-0.25%	(32,7)
0.00%	0,0
0.25%	32,1
0.50%	63,5
1.00%	124,4
1.50%	182,8

With regard to the type of hedging for which the fair value is determined and with reference to the hierarchies required by the IASB, it is pointed out that since these are composite instruments, the level is type 2.

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 above-mentioned 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.

With regard to the ***distribution of electricity*** activities, the 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.

With regard to ***electricity sales*** 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). The prior scoring activity started in 2013 within the company, limited to major Business customers, and was then conducted by Credit Management throughout the second half of 2014 on the same customer basis, both for renewals and for new start-ups. At the end of 2014 Credit Management activated a prior scoring system, managed centrally by Credit Management, in order to make immediate prior evaluations for customer acquisition also for domestic customers.
The system is directly usable by Acea Energia and the commercial agencies appointed by Acea Energia. A subsequent development stage is under way with the definition of specific scorecards to refine prior evaluation of small business and retail customers. At the same time evaluation of large business customers will be implemented on the same platform by the definition of specific workflows. as a result of the organizational changes made in August 2013; the ACEA Group credit policy now includes some operational procedures issued by Credit Management.
In particular, in April 2014 Credit Management issued four procedures: "Customer scoring and assignment", "Payment instalments", "Recovery plans and Settlements" and "Eliminations".
In 2014 Acea Energia used the "CREDIT CARE" software for credit management, also for the protected category service, thus using system functions for all of its customers, above all in terms of the automatic management of strategies for individual customers clusters.
In 2014, judiciary and non-judiciary debt collection was enhanced with the Legal Disputes Unit and for the first time using the services of a primary market operator for the legal recovery of consumer debts to be collected.
From the management standpoint, there were various measures in 2014 for the process of combining collection operations, intervening on the collections channel (elimination of blank payment slips, revision of agreements with banks) on software systems and on the number of staff dedicated to the process.

With regard to the ***supply of water*** the implementation 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 60% 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 ageing of trade receivables, inclusive of the allowance for doubtful accounts, detailed in note 23.

- Total trade receivables inclusive of allowance for doubtful: 1.441 million euros
- Trade receivables due to expire: 676 million euros
- Past due trade receivables: 765 million euros of which:
    - Within twelve months: 329.2 million euros
    - Over twelve months 435.8 million euros.

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. Segment information: statement of financial position and income statement

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	75.81%	100.00%	Line-by-line
Acque Blu Fiorentine S.p.A.	P.le Ostiense, 2 - Rome	15,153,400	75.01%	100.00%	Line-by-line
Ombrone S.p.A.	P.le Ostiense, 2 - Rome	6,500,000	99.51%	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	10,330,000	98.45%	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	Avenida Las Americas 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 Carboli 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 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
Innovazione Sostenibilità Ambientale S.r.l.	Via Ravano K.m. 2.400 - Pontecorvo (FR)	91,800	51.00%	100.00%	Line-by-line
Umbria Energy S.p.A.	Via B. Capponi, 100- Terni	1,000,000	50.00%	50.00%	Line-by-line
Elga Sud S.p.A.	Via Montegrappa, 6 – Trani	250,000	49.00%	49.00%	Line-by-line
Ecogena S.p.A.	P.le Ostiense, 2 - Rome	6,000,000	100.00%	100.00%	Line-by-line
Parco della Mistica S.r.l.	P.le Ostiense, 2 - Rome	10,000	100,00%	100,00%	Line-by-line

Companies accounted for using the equity method as from 1 January 2014 in accordance IFRS11

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%	Shareholders' equity
Acque Industriali S.r.l.	Via Garigliano,1- Empoli	100,000	100.00%	45.00%	Shareholders' equity
Acque Servizi S.r.l.	Via Garigliano,1- Empoli	400,000	100.00%	45.00%	Shareholders' equity
Consorcio Agua Azul	Los Pinos 399 – 27 Lima - Peru	17,379,190	25.50%	25.50%	Shareholders' equity
Voghera Energia Vendita S.p.A. in liquidation	Largo Toscanini, 5 – Voghera (PV)	250,000	50.00%	50.00%	Shareholders' equity
Ecomed S.r.l.	P.le Ostiense, 2 - Rome	10,000	50.00%	50%	Shareholders' equity
Publiacqua S.p.A.	Via Villamagna 90/c - Florence	150,280,057	40.00%	40.00%	Shareholders' equity
GORI S.p.A.	Via Trentola,211 – Ercolano	44,999,971	37.05%	37.05%	Shareholders' equity
Umbra Acque S.p.A.	Via G. Benucci,162 (PG)	15,549,889	40.00%	40.00%	Shareholders' equity
Intesa Aretina Scarl.	Via B.Crespi, 57 - Milan	18,112,000	35.00%	35.00%	Shareholders' equity
Nuove Acque S.p.A.	Loc. Cuculo - Arezzo	34,450,389	46.16%	16.16%	Shareholders' equity
Ingegnerie Toscane S.r.l.	Via di Villamagna 90/c - Florence	100,000	43.01%	43.01%	Shareholders' equity
Acquedotto del Fiora S.p.A.	Via Mameli,10 Grosseto	1,730,520	40.00%	40.00%	Shareholders' equity

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 Umbra (PG)	80,000	42.08%
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 San Francesco d'Assisi 17 C – Frosinone	170,827	33.00%
Citelum Napoli Pubblica Illuminazione scarl	Via Monteverdi, 11 - Milan	90,000	32.18%
Eur Power S.r.l. (In liquidation)	Largo Virgilio Testa, 23 - Roma	4,100,000	25.00%
Le Soluzioni Scarl	Via Garigliano, 1- Empoli	250,678	30.50%
Sinergetica S.r.l.	Via Fratelli Cairoli, 24 - Perugia	10,000	21.46%
Sinergetica Gubbio S.r.l.	Via Fratelli Cairoli, 24 - Perugia	15,000	21.46%
Sinergetica Project S.r.l.	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 S.r.l. (In liquidation)	Via Marco Polo, 31 – Rome	10,000	33.00%
Umbria Distribuzione Gas S.p.A.	Via Bruno Capponi 100 – Terni	2.120.000	15,00%

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

	Profit for the year		Shareholders' Equity	
	31.12.2014	31.12.2013 Restated	31.12.2014	31.12.2013 Restated
Balances in ACEA's statutory financial statements	**89,601**	**94,479**	**1,397,478**	**1,360,340**
Surplus of shareholders' equity and profit for the year at current values compared to book values	170,425	120,718	137,058	94,282
Higher depreciation and amortisation in consolidated financial statements	(1,715)	(1,294)	9,061	10,776
Elimination of effects of business combination of entities under common control	(2,377)	(1,591)	(2,377)	(1,591)
Elimination of tax effects, including those from previous years	(6,710)	(6,710)	20,393	27,103
Accounted for using the equity method	14,614	26,242	63,214	48,600
Elimination of dividends	(126,063)	(116,711)	0	0
Goodwill ACEA Ato2, ACEA Distribuzione, ARIA	24,741	24,741	(194,204)	(218,944)
Elimination of extraordinary items	(57)	2,067	(57)	2,067
Balances in consolidated financial statements	**162,459**	**141,940**	**1,430,566**	**1,322,633**

C. Remuneration of Directors, Statutory Auditors and Key Managers

Board of Directors and Board of Statutory Auditors

	Remuneration due				
€ thousand	Remuneration for the office	Non-monetary benefits	Bonuses and other incentives	Other compensation	**Total**
Board of Directors in office until 5 June 2014	124	53	159	2,031	**2,368**
Board of Directors in office as of 5 June 2014	104	27	118	222	**472**
Board of Statutory Auditors	491	0	0	0	**491**

Key Managers

Fees due to executives with strategic responsibilities for 2014 amount to:

- salaries and bonuses 2,021 thousand euros,
- non-monetary benefits 179 thousand euros.

Remuneration paid to key managers is established by the Remuneration Committee based on average levels of pay in the labour market.

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.

€ thousand	Audit Related Service	Audit Services	Non Audit Services	Total
ACEA S.p.A.	268	253	126	648
ACEA Group	879	120	101	1,098
Total	**1,146**	**373**	**227**	**1,746**

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, Umbria Energy, Voghera Energia Vendite in liquidation, Elga Sud, Acea Produzione, Ecogena and Parco della Mistica,
- 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 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.,
- 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 refer to the Environment segment which, from an organizational standpoint, is responsible for the Companies of the ARIA Group and the Aquaser Group.

2013 restated 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	**5,230**	**102,510**	**5,987**	**177**	**289**	**129,266**	**211**	**485**	**11,874**	**12,137**	**435**	**268,601**	**0**	**268,601**
Operating Segments														
Property, plant and equipment	162,398	1,373,538	360	1,507	459	14,074	977	2,156	166,508	255,532	29,992	2,007,500	1,554	2,009,054
Intangible Assets	8,274	31,244	93,518	(383)	2,073	1,727,767	4	87	10,494	23,210	0	1,896,288	(360,593)	1,535,694
Non-current financial assets measured at equity		0	0									2,189,346	(1,977,394)	211,952
Non current financial assets														3,321
Other non-current trading assets														357,738
Other non-current financial assets														34,788
Inventories	1,830	11,944	0	0	6,451	9,689	183	0	0	3,448	209	33,754	0	33,754
Trade receivables from third parties	3,898	163,238	623,757	64,459	18,305	453,579	2,182	19,279	26,603	46,890	35,215	1,457,404	(213,034)	1,244,371
Trade receivables from Parent Company	6,057	1,151	43,023	0	61,824	28,354	0	21	771	307	0	141,509	(71,859)	69,650
Trade receivables from subsidiaries and associates	0	0	16,036	69,665	0	8,957	77	0	37,575	109	0	132,419	(99,883)	32,536
Other current trading assets														203,393
Other current financial assets														118,302
Cash and cash equivalents														563,066
Non-current assets held for sale											6,722	6,722		6,722
Total assets														6,424,340

Amounts in €/thousand

2013 restated 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	5,409	305,823	381,412	201,284	11,915	292,091	1,148	3,015	64,773	37,792	5,296	1,309,958	(195,894)	1,114,064
Trade payables to Parent Company	1,655	5,646	84,288	67	2,704	69,953	0	198	20,521	881	1	185,915	(100,300)	85,615
Trade payables to subsidiaries and associates	0	33	0	16,923	60,441	1,441	491	0	4,260	17	24	83,631	(75,710)	7,921
Other current trading liabilities														280,310
Other current financial liabilities														599,869
Staff termination benefits and other defined-benefit plans	2,259	34,545	3,937	298	2,719	28,651	200	2,839	28,787	2,688	0	106,922	(12)	106,910
Other provisions	3,254	14,754	9,726	44	337	89,144	304	2,262	31,593	30,499	2,695	184,611	21,448	206,058
Provision for deferred taxes														92,964
Other non-current trading liabilities														161,549
Other non-current financial liabilities														2,360,907
Liabilities directly associated with assets held for sale											1,344	1,344		1,344
Shareholders' equity														1,406,828
Total liabilities and shareholders' equity														6,424,340

Amounts in €/thousand

Income Statement as at 31 December 2013 restated

	Generation	Distribution	Sales	Energy Management	Public Lighting	Italian water services	Overseas	Engineering	Corporate	Environment	PV power	Total	Consolidation adjustments	Group total
Revenues	61,552	466,504	2,255.098	888,511	126,523	576,440	11,421	25,167	115,429	8,802	111,137	4,646,585	(1,357,502)	3,289,083
Staff costs	5,245	62,525	18,975	1,257	8,264	84,341	3,148	9,541	10,156	451	50,155	254,060	(15,733)	238,327
Energy purchase	6,387	79,357	2,102,737	873,991	0	35	0	0	3,106	0	83	3,065,697	(1,023,629)	2,042,068
Sundry materials and overheads	12,242	79,576	80,876	11,192	111,832	254,011	5,234	7,164	53,370	2,559	63,673	681,728	(318,127)	363,601
Income/(Charges) from equity investments of a non-financial nature	(224)		(343)			30,756	512		(392)			30,309		30,309
EBITDA	37,454	245,046	52,168	2,071	6,427	268,808	3,551	8,461	48,404	5,793	(2,774)	675,409	(13)	675,395
Depreciation/amortisation	18,421	95,092	69,463	1,207	1,196	74,315	175	1,030	28,251	0	23,724	312,874	(712)	312,162
EBIT	19,033	149,954	(17,295)	863	5,231	194,494	3,376	7,431	20,154	5,793	(26,498)	362,535	698	363,233
Finance (costs)/income														(99,302)
(Costs)/Income from investments			(195)			885	772		(17)		(6,206)	(4,762)		(4,762)
Profit/(loss) before tax														259,170
Taxation														105,786
Net profit (loss)														153,383

Amounts in €/thousand

2014 statement of financial position

	Generation	Distribution	Sales	Public Lighting	Italian water services	Overseas	Engineering	Corporate	Environment	PV power	Group total	Consolidation adjustments	Total Consolidated
Investments	11,590	121,404	8,142	747	146,839	590	1,499	14,159	13,341	262	318,574	0	318,574
Operating Segments													
Property, plant and equipment	172,035	1,407,170	1,744	765	14,073	2,571	3,008	160,971	243,855	32,699	2,038,890	(4,671)	2,034,219
Intangible Assets	6,504	41,908	128,545	2,407	1,809,739	153	206	14,344	26,085	0	2,029,890	(395,252)	1.634.638
Non-current financial assets measured at equity		0	0								2,079,897	(1,855,130)	224,767
Non current financial assets													2,482
Other non-current trading assets													340,196
Other non-current financial assets													34,290
Inventories	1,515	9,175	0	6,505	8,096	324	0	0	3,410	204	29,229	0	29,229
Trade receivables from third parties	19,434	102,859	707,666	15,598	404,976	1,818	32,244	25,753	53,475	22,819	1,386,641	(223,668)	1,162,973
Trade receivables from Parent Company	469	1,514	37,538	4,533	31,389	5	15	591	88	0	76,141	(8,910)	67,231
Trade receivables from subsidiaries and associates	0	0	16,784	0	8,452	16	0	36,850	317	0	62,419	(32,702)	29,716
Other current trading assets													241,310
Other current financial assets													92,130
Cash and cash equivalents													1,017,967
Non-current assets held for sale										497	497		497
Total assets													6,911,645

Amounts in €/thousand

2014 statement of financial position

	Generation	Distribution	Sales	Public Lighting	Italian water services	Overseas	Engineering	Corporate	Environment	PV power	Group total	Consolidation adjustments	Total Consolidated
Segment liabilities													
Trade payables to third parties	14,493	311,857	532,559	14,043	364,908	725	3,500	49,868	41,526	2,468	1,335,947	(205,789)	1,130,158
Trade payables to Parent Company	3,059	8,082	16,897	100	98,636	0	214	20,523	1,107	0	148,618	(31,941)	116,678
Trade payables to subsidiaries and associates	0	32	5,215	3,282	650	232	0	7,050	29	0	16,489	(13,959)	2,531
Other current trading liabilities													371,199
Other current financial liabilities													189,957
Staff termination benefits and other defined-benefit plans	2,592	38,724	4,672	3,036	31,419	203	3,266	30,685	3,419	0	118,016	(12)	118,004
Other provisions	5,418	8,170	10,502	411	56,954	0	745	35,073	27,613	2,379	147,264	21,380	168,644
Provision for deferred taxes													93,284
Other non-current trading liabilities													177,990
Other non-current financial liabilities													3,040,712
Liabilities directly associated with assets held for sale										99	99		99
Shareholders' equity													1,502,391
Total liabilities and shareholders' equity													6,911,645

Amounts in €/thousand

2014 Income Statement

	Generation	Distribution	Sales	Public Lighting	Italian water services	Overseas	Engineering	Environment	PV power	Corporate	Group total	Consolidation adjustments	Total Consolidated
Revenues	59,356	486,102	2,047,684	67,267	622,630	8,703	31,311	128,412	6,531	122,802	3,580,800	(542,547)	3,038,253
Staff costs	5,528	56,137	20,573	7,384	85,036	2,933	10,067	10,715	314	54,895	253,582	(24,038)	229,543
Energy purchase	5,337	110,597	1,861,963	0	221	0	0	3,012	0	277	1,981,407	(234,941)	1,746,466
Sundry materials and overheads	14,665	77,046	86,932	53,307	277,355	3,892	9,971	60,346	1,819	61,510	646,843	(283,494)	363,348
Income/(Charges) from equity investments of a non-financial nature			(357)	0	18,292	742	0	145	0	0	18,822	0	18,822
EBITDA	33,826	242,322	77,860	6,576	278,310	2,621	11,274	54,485	4,397	6,120	717,790	(73)	717,716
Depreciation/amortisation	19,129	94,279	88,191	611	70,963	286	(36)	26,330	0	27,587	327,340	(68)	327,273
EBIT	14,697	148,042	(10,331)	5,965	207,347	2,335	11,309	28,155	4,397	(21,467)	390,449	(6)	390,444
Finance (costs)/income													(101,178)
(Costs)/Income from investments		(1,139)	(349)		113	585		(55)		1,371	527		527
Profit/(loss) before tax													289,793
Taxation													120,874
Net profit (loss)													168,919

Amounts in €/thousand