



ACEA S.p.A.

**Consolidated Financial Statements
of the ACEA Group**

for the year 2014

Part One

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ACEA Organisational Model

ACEA is one of the leading Italian *multiutility* operators, and has been quoted on the stock exchange since 1999.

ACEA's operational model is based on an organisational structure in line with the Strategic-Business Industrial Plan consolidating its role to govern, guide and control the Holding not only with the current business portfolio focused on areas of greater value, but also on the strategic development of the Group in new business segments and territories. ACEA's macro-structure is broken down into corporate functions and four industrial segments – Environment, Energy, Water and Networks. The activities of each business segment are described below.

Environment segment

The ACEA Group is a major Italian operator in the urban management of environmental services. ACEA runs the biggest waste-to-energy plant and the biggest composting plant in the Lazio region, points of reference for regional RDF (Refuse Derived Fuel) and organic waste operators. In particular, the Group develops investments in the *waste to energy* business, considered high potential, and organic waste management, in accordance with the strategic goal of the Group to produce energy from waste and protect the environment.

Energy segment

The ACEA Group is a major operator in Italy in the sale of electricity, and offers innovative and flexible solutions for the supply of electricity and natural gas to consolidate its position as a *dual fuel* operator. ACEA operates in all market segments, offering its services to families and major companies alike, with the objective of raising the quality of services offered, in particular in the *web* and *social* channels. Finally, the Group operates in the power generation sector, running hydroelectric and thermoelectric plants in Lazio, Umbria and Abruzzo.

Water Segment

The ACEA Group is the biggest Italian operator in the water sector, supplying water to 8.6 million people. The Group manages the integrated water service in Rome and Frosinone and in the respective provinces, as well as in other parts of Lazio, in Tuscany, Umbria and Campania. The Company completes the overall quality of services offered by sustainably managing water resources and protecting the environment. The Group has developed cutting-edge *know-how* in the design, construction and management of integrated water systems: from water sources and aqueducts to distribution, the sewer network and purification. Laboratory services are of particular importance.

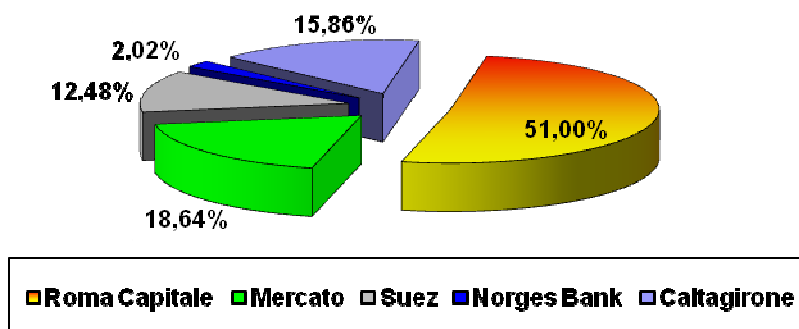
Networks Segment

The ACEA Group is a leading operator in Italy, with 11 TWh of electricity distributed in Rome, where the Group manages the distribution network, providing services for 1.6 million people. The Group also manages the public and artistic lighting of the capital, with over 189,000 light points, applying solutions that seek to continually raise efficiency and reduce environmental impact. By 2020 we plan to replace 100,000 light bulbs with the same number of Led lights. The ACEA Group is committed to energy efficiency projects and the development of new technologies, such as *smart grids* and electric mobility, through particularly innovative pilot projects.

The Group structure, in the various business segments, comprises the following main companies.



At 31 December 2014, ACEA S.p.A.'s share capital was formed as follows:



* The above chart only shows equity investments of more than 2%, as confirmed by CONSOB data



Corporate bodies

Board of Directors ¹

Catia Tomasetti	Chairman
Alberto Irace ²	CEO
Francesco Caltagirone	Director
Diane D'Arras	Director
Giovanni Giani	Director
Elisabetta Maggini	Director
Paola Antonia Profeta	Director

Board Of Statutory Auditors

Enrico Laghi	Chairman
Corrado Gatti	Statutory Auditor
Laura Raselli	Statutory Auditor
Franco Biancani	Alternate Auditor
Antonia Coppola	Alternate Auditor

Executive Responsible for Financial Reporting

Franco Balsamo

Auditing Company

Reconta Ernst & Young

¹ appointed by Shareholders' Meeting of 5 June 2014

² appointed by Board of Directors on 9 June 2014



Letter to shareholders

Effects deriving from application of IFRS10 (Consolidated Financial Statements) and IFRS11 (Joint control agreements)

As from 1 January 2014 it has become obligatory to adopt new international accounting standards for financial reporting.

In particular, these standards are IFRS10 (Consolidated Financial Statements) and IFRS11 (Joint control agreements).

As described in greater detail in the Consolidated Financial Statements, in order to verify whether the new concept of control will mean changes in the consolidation method used by some Companies, the Group analysed corporate deeds and documents (by-laws, shareholders' agreements, contracts, etc.).

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

This analysis involved several investments in the ACEA Group with particular reference to investments in the water companies in Tuscany, Umbria and Campania which, under existing provisions of the by-laws or shareholders' agreements on ownership structure and governance, are consolidated using the proportionate method.

Despite the fact that ACEA is the Industrial Partner in the Companies in question and, through the Chief Executive Officer, who it has the partial right to designate, has ample administrative powers over all operating segments, the result of the analysis confirmed that investments in the Water companies in Tuscany, Umbria and Campania are conventionally considered within the scope of application of IFRS 11, thus, from 1 January 2014, the only consolidation method allowed is the equity method.

The list of the legal entities affected by said change are shown in the table below.

Operating segment	Company	Consolidation method until 31/12/2013	Consolidation methods as of 01/01/2014
Environment	Ecomed	Proportionate	Equity
Energy	Umbria Energy	Proportionate	Line-by-line
	Elga Sud	Proportionate	Line-by-line
	Voghera Energia Vendite in liquidazione	Proportionate	Equity
Water	Consorcio Agua Azul	Proportionate	Equity
	Acque e controllate	Proportionate	Equity
	Publiacqua e controllate	Proportionate	Equity
	Umbra Acque	Proportionate	Equity
	Acquedotto del Fiora	Proportionate	Equity
	GORI	Proportionate	Equity
	Intesa Aretina e Nuove Acque	Proportionate	Equity
Networks	Ecogena	Proportionate	Note ³

³ The Company Ecogena is consolidated by a line-on-line method as from 1 January 2014 due to changes to company structures. For more information refer to paragraph "Basis of consolidation".

Said change has a significant impact on the representation of the income statement items and statement of financial position items of the Group as, instead of using a line-by-line method on the basis of the percentage held by each company, the following has become obligatory:

- in the income statement, to show only the condensed results of said companies obtained substantially from the change in net equity, and
- in the statement of financial position, to show only the item Equity Investments, which is increased or decreased by the condensed result of the period.

As the above-mentioned standards have retrospective effect, the statement of financial position items of the Consolidated Financial Statements at 31 December 2013 were restated and represented for merely comparative purposes.

The following tables show the changes in the consolidated income statement and the consolidated statement of financial position at 31 December 2013.

Condensed income statement (€ millions)	31.12.13	Effects IFRS10 and IFRS11	31.12.13 Restated
Consolidated net revenue	3,570.6	(281.6)	3,289.0
Consolidated operating costs	2,804.6	(160.6)	2,644.0
Income/(costs) from equity investments of a non-financial nature	0.0	30.3	30.3
Net income/(costs) from <i>commodity</i> risk management	0.1	0.0	0.1
Ebitda	766.1	(90.7)	675.4
Amortisation, depreciation, impairment charges and provisions	382.3	(70.1)	312.2
Ebit	383.8	(20.6)	363.2
Finance income/(costs)	(97.4)	(1.9)	(99.3)
Income/(costs) from equity investments	(4.8)	0.0	(4.8)
Profit/(loss) before tax	281.6	(22.4)	259.2
Taxation	128.3	(22.5)	105.8
Net profit (loss)	153.3	0.1	153.4
Profit/(loss) attributable to non-controlling interests	11.3	0.1	11.4
Net profit/(loss) attributable to the group	141.9	0.1	142.0

As can be seen in the above statement, the condensed result deriving from consolidation using the *equity method* is included in the components of the Consolidated Gross operating profit (EBITDA), in the item **(Costs)/Income 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 and the managerial activities of the industrial partners

Condensed Statement of Financial Position (€ millions)	31.12.13	Effects IFRS10 and IFRS11	31.12.13 Restated
Property, plant and equipment and intangible assets	3,970.2	(575.1)	3,395.1
Goodwill	149.0	0.6	149.6
Equity investments	14.7	200.6	215.3
Other non-current assets	464.7	(72.2)	392.5
Non-current assets	4,598.5	(446.0)	4,152.5
Inventories	37.3	(3.6)	33.8
Trade receivables	1,500.7	(154.1)	1,346.6
Cash and cash equivalents	589.5	(26.4)	563.1
Other current assets	354.6	(32.9)	321.7



Condensed Statement of Financial Position (€ millions)	31.12.13	Effects IFRS10 and IFRS11	31.12.13 Restated
Current assets	2,482.1	(217.0)	2,265.1
Assets held for sale	6.7	0.0	6.7
Total assets	7,087.4	(663.1)	6,424.3
Group Shareholders' Equity	1,322.6	0.0	1,322.6
Non-controlling interests	82.8	1.4	84.2
Equity Method	1,405.4	1.4	1,406.8
Staff termination benefits and other defined benefit plans	117.4	(10.5)	106.9
Borrowings and financial liabilities	2,507.6	(146.7)	2,360.9
Provision for liabilities and charges	262.5	(56.5)	206.1
Other non-current liabilities	456.2	(201.7)	254.5
Non-current liabilities	3,343.8	(415.4)	2,928.4
Trade payables	1,306.9	(99.3)	1,207.6
Borrowings	698.1	(98.2)	599.9
Other current liabilities	331.8	(51.5)	280.3
Current liabilities	2,336.8	(249.0)	2,087.8
Liabilities directly associated with assets held for sale	1.3	0.0	1.3
Total Liabilities and Shareholders' Equity	7,087.4	(663.1)	6,424.3



Application of IFRS 10 and 11: 2013 restatement

Income Statement

	At 31.03.2013 <i>Restated</i>	At 30.06.2013 <i>Restated</i>	At 30.09.2013 <i>Restated</i>	At 31.12.2013 <i>Restated</i>
Revenue from sales and services	812.1	1,616.5	2,374.0	3,203.6
Other revenue and proceeds	10.9	25.7	36.3	85.4
Consolidated net revenue	823.1	1,642.2	2,410.3	3,289.0
Staff costs	57.2	118.7	179.3	238.3
Costs of materials and overheads	614.3	1,218.9	1,778.5	2,405.7
Consolidated operating costs	671.5	1,337.6	1,957.8	2,644.0
Net income/(costs) from commodity risk management	0.0	0.0	0.1	0.1
Income/(Costs) from equity investments of a non-financial nature	5.4	26.2	31.8	30.3
Gross Operating Profit	157.0	330.8	484.4	675.4
Amortisation, depreciation, provisions and impairment charges	67.7	149.1	215.3	312.2
Operating profit/(loss)	89.3	181.8	269.0	363.2
Financial income	5.6	10.0	17.0	27.1
Financial costs	(28.8)	(61.3)	(91.8)	(126.4)
Income/(Costs) from investments	1.4	(1.8)	(2.5)	(4.8)
Profit/(loss) before tax	67.5	128.6	191.7	259.2
Taxation	28.6	51.6	78.2	105.8
Net profit/(loss)	38.9	77.1	113.5	153.4
Profit/(loss) attributable to non-controlling interests	2.1	6.4	8.9	11.4
Net profit/(loss) attributable to the Group	36.8	70.6	104.6	141.9
Earnings (loss) per share (€)				
basic	0.1729	0.3316	0.4909	0.6665
diluted	0.1729	0.3316	0.4909	0.6665

Amounts in millions



Balance Sheet

ASSETS	At 31.03.2013 Restated	At 30.06.2013 Restated	At 30.09.2013 Restated	At 31.12.2013 Restated
Property, plant and equipment	2,008.0	2,012.0	2,012.3	2,006.2
Investment property	2.9	2.9	2.9	2.9
Goodwill	147.7	147.7	149.8	149.6
Concessions	1,263.2	1,285.9	1,302.9	1,317.3
Other intangible fixed assets	71.2	63.9	67.9	68.8
Equity investments in subsidiaries and associates	189.8	208.2	211.4	212.0
Other equity investments	4.8	4.7	4.7	3.3
Deferred tax assets	330.3	332.5	338.5	309.0
Financial assets	31.8	34.2	34.5	34.8
Other assets	52.3	51.3	50.0	48.8
NON-CURRENT ASSETS	4,102.0	4,143.4	4,174.8	4,152.5
Inventories	38.8	37.9	37.9	33.8
Trade receivables	1,406.4	1,342.6	1,326.9	1,346.6
Other current assets	129.4	104.3	95.5	111.4
Current tax assets	65.3	58.2	101.1	92.0
Current financial assets	167.2	126.4	143.4	118.3
Cash and cash equivalents	163.0	281.8	360.9	563.1
CURRENT ASSETS	1,970.2	1,951.2	2,065.8	2,265.1
Non-current assets held for sale	6.7	6.7	6.7	6.7
TOTAL ASSETS	6,078.9	6,101.3	6,247.3	6,424.3

LIABILITIES	At 31.03.2013 Restated	At 30.06.2013 Restated	At 30.09.2013 Restated	At 31.12.2013 Restated
Shareholders' equity				
share capital	1,098.9	1,098.9	1,098.9	1,098.9
statutory reserve	162.2	167.2	167.2	167.4
other reserves	(446.5)	(439.8)	(435.2)	(468.7)
retained earnings/ (losses)	422.9	398.1	396.1	383.1
profit (loss) for the year	36.8	70.6	104.6	141.9
Total Group Shareholders' Equity	1,274.3	1,295.0	1,331.5	1,322.6
Non-controlling interests	79.7	81.9	84.1	84.2
Total shareholders' equity	1,354.0	1,376.9	1,415.6	1,406.8
Staff termination benefits and other defined benefit plans	113.9	115.5	112.4	106.9
Provision for liabilities and charges	217.9	204.2	201.1	206.1
Borrowings and financial liabilities	2,017.0	1,998.5	2,379.2	2,360.9
Other liabilities	157.1	156.8	158.1	161.5
Provision for deferred taxes	85.3	88.6	92.1	93.0
NON-CURRENT LIABILITIES	2,591.1	2,563.5	2,942.8	2,928.4
Trade payables	1,086.7	1,121.5	1,067.6	1,207.6
Other current liabilities	227.7	241.7	229.4	239.1
Borrowings	749.0	699.0	476.9	599.9
Tax Payables	69.0	97.4	113.6	41.2
CURRENT LIABILITIES	2,132.4	2,159.6	1,888.9	2,087.8
Liabilities directly associated with assets held for sale	1.3	1.3	1.3	1.3
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	6,078.9	6,101.3	6,247.3	6,424.3

Amounts in millions

Summary of results

As described in the previous paragraph, due to the effect of international accounting standards IFRS10 and IFRS11 coming into force, the economic data and balance sheet data at 31 December 2013 were restated and are shown for merely comparative purposes.

Income Statement Data (million euros)	31.12.2014	31.12.2013 Restated	Increase / (Decrease)	% Increase / (Decrease)
Consolidated net revenue	3,038.3	3,289.0	(250.7)	(7.6%)
Consolidated operating costs	2,339.3	2,644.0	(304.7)	(11.5%)
Income/(Costs) from equity investments of a non-financial nature	18.8	30.3	(11.5)	(37.9%)
- of which: EBITDA	125.7	122.3	3.4	2.8%
- of which: Amortisation, depreciation, impairment charges and provisions	(82.4)	(71.1)	(11.3)	15.9%
- of which: Financing activities	(9.7)	2.0	(11.7)	(587.3%)
- of which: (Profit)/ loss on investments	0.0	0.0	0.0	0.0%
- of which: Taxation	(14.8)	(22.9)	8.1	(35.3%)
Net income/(costs) from commodity risk management	0.0	0.1	(0.1)	(100.0%)
EBITDA	717.7	675.4	42.3	6.3%
EBIT	390.4	363.2	27.2	7.5%
Net profit (loss)	168.9	153.4	15.5	10.1%
Profit/(loss) attributable to minority interests	6.5	11.4	(4.9)	(43.0%)
Net profit/(loss) attributable to the Group	162.5	142.0	20.5	14.4%

EBITDA by Operating Segment (million euros)	31.12.2014	31.12.2013 Restated	Increase / (Decrease)	% Increase / (Decrease)
ENVIRONMENT	54.5	48.4	6.2	12.8%
ENERGY	111.7	91.7	20.0	17.9%
Production	33.8	37.5	(3.6)	(9.6%)
Energy Management	0.0	2.1	(2.1)	(100.0%)
Sales	77.8	52.2	25.6	49.0%
WATER:	292.2	280.8	11.4	4.1%
Overseas	2.6	3.5	(0.9)	(25.7%)
Lazio - Campania	261.1	249.7	11.4	4.6%
Tuscany - Umbria	17.2	19.1	(1.8)	(9.4%)
Engineering	11.3	8.5	2.8	32.9%
NETWORKS	253.3	257.3	(4.0)	(1.5%)
ACEA (Corporate)	6.1	(2.8)	8.9	318.8%
Total EBITDA	717.7	675.4	42.3	6.3%

Consolidated balance sheet data (million euros)	31.12.2014	31.12.2013 Restated	Increase / (Decrease)
Net Invested Capital	3,591.5	3,655.5	(64.0)
Net Debt	(2,089.1)	(2,248.6)	159.5
Consolidated Shareholders' Equity	(1,502.4)	(1,406.8)	(95.6)

Net Debt by Operating Segment (million euros)	31.12.2014	31.12.2013 Restated	Increase / (Decrease)
ENVIRONMENT	179.6	184.6	(5.0)
ENERGY	356.1	302.6	53.5
Production	134.9	140.7	(5.8)
Sales	221.2	162.0	59.3
WATER	488.1	610.8	(122.7)

Net Debt by Operating Segment (million euros)	31.12.2014	31.12.2013 <i>Restated</i>	Increase / (Decrease)
Overseas	(2.0)	(9.6)	7.6
Lazio - Campania	478.2	617.7	(139.5)
Tuscany - Umbria	(0.6)	(0.2)	(0.4)
Engineering	12.5	2.9	9.6
NETWORKS	623.1	683.5	(60.4)
ACEA (includes also public lighting)	442.1	467.0	(24.9)
Total	2,089.1	2,248.6	(159.5)

Investments by Operating Segment (million euros)	31.12.2014	31.12.2013 <i>Restated</i>	Increase / (Decrease)
	13.3	12.1	1.2
ENVIRONMENT	19.7	11.4	8.3
ENERGY	11.6	5.2	6.4
Production	0.0	0.0	0.0
Energy Management	8.1	6.0	2.1
Sales			
	148.9	129.9	19.0
WATER	0.6	0.2	0.4
Overseas	146.8	129.3	17.6
Lazio - Campania	0.0	0.0	0.0
Tuscany - Umbria	1.5	0.5	1.0
Engineering			
	122.4	103.2	19.2
NETWORKS	14.2	11.9	2.3
ACEA (Corporate)			
Total	318.6	268.6	50.0

If the Group continued to apply the accounting standards used up to 31 December 2013, the main economic/financial and consolidated balance sheet figures would be as shown in the following tables.

Economic data (million euros)	31.12.2014 <i>adjusted</i>	31.12.2013	Increase / (Decrease)	% Increase / (Decrease)
EBITDA	824.6	766.1	58.5	7.6%
EBIT	409.6	383.8	25.8	6.7%
NET PROFIT (LOSS)	168.9	153.3	15.6	10.2%

Income Statement Data (million euros)	31.12.2014	<i>adjusted</i>	31.12.2014 <i>adjusted</i>
EBITDA	717.7	106.9	824.6
- Amortisation, depreciation, impairment charges and provisions	327.3	82.4	409.6
EBIT	390.4	24.5	415.0
- Financing activities	(101.2)	(9.7)	(110.9)
- (Costs)/Income from investments	0.5	0.0	0.5
Profit/(loss) before tax	289.8	14.8	304.6
- Taxation	120.9	14.8	135.7
Net profit (loss)	168.9	0.0	168.9
Profit/(loss) attributable to minority interests	6.5	0.0	6.5
Net profit/(loss) attributable to the Group	162.5	0.0	162.5

Consolidated balance sheet data (million euros)	31.12.2014 <i>adjusted</i>	31.12.2013	Increase / (Decrease)	% Increase / (Decrease)
Capex	383.2	342.2	41.0	12.0%
Net Debt	(2,309.0)	(2,468.2)	159.2	(6.5%)

Summary of management and income, equity and financial performance of the Group

Definition of alternative performance indicators

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

1. for the ACEA Group the *gross operating profit* is an operating performance indicator, the sum of Operating profit and "Amortisation, depreciation, provisions and impairment charges";
2. the net financial position is an indicator of the ACEA Group's financial structure, the sum of non-current borrowings and financial liabilities net of non-current financial assets (loans and receivables and securities other than equity 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, minus "Current liabilities" and "Non-current liabilities", excluding items taken into account in calculating the *net financial position*.

ACEA Group: results of operations

Below is an illustration of economic trends for the period, comparing the data at 31 December 2014 with those for the same period of the previous year, suitably "restated", as described in full in the paragraph "Effects deriving from the application of IFRS10 (Consolidated Financial Statements) and IFRS11 (Joint control agreements)" in this document.

Ref. Nota		31.12.2014	31.12.2013 Restated	Increase/ (Decrease)	% Increase/ (Decrease)
1	Revenue from sales and services	2,931.6	3,203.6	(272.0)	(8.5%)
2	Other revenue and proceeds	106.7	85.4	21.2	24.8%
	Consolidated net revenue	3,038.3	3,289.0	(250.8)	(7.6%)
3	Staff costs	229.5	238.3	(8.8)	(3.7%)
4	Cost of materials and overheads	2,109.8	2,405.7	(295.9)	(12.3%)
	Consolidated operating costs	2,339.3	2,644.0	(304.7)	(11.5%)
5	Net income/(costs) from commodity risk management	0.0	0.1	(0.1)	(169.8%)
6	Income/(Costs) from equity investments of a non-financial nature	18.8	30.3	(11.5)	(37.9%)
	Gross Operating Profit	717.7	675.4	42.3	6.3%
7	Amortisation, depreciation, provisions and impairment charges	327.3	312.2	15.1	4.8%
	Operating profit/(loss)	390.4	363.2	27.2	7.5%
8	Financial income	28.2	27.1	1.1	4.0%
8	Financial costs	(129.3)	(126.4)	(3.0)	2.3%
9	(Costs)/Income from Equity Investments	0.5	(4.8)	5.3	(111.1%)
	Profit/(loss) before tax	289.8	259.2	30.6	11.8%
10	Taxation	120.9	105.8	15.1	14.3%
	Net profit/(loss) from continuing operations	168.9	153.4	15.5	10.1%
	Net profit/(loss) from discontinued operations	0.0	0.0	0.0	0.0%
	Net profit/(loss)	168.9	153.4	15.5	10.1%
	<i>Profit/(loss) attributable to minority interests</i>	<i>6.5</i>	<i>11.4</i>	<i>(4.9)</i>	<i>(43.4%)</i>
	Net profit/(loss) attributable to the Group	162.5	142.0	20.5	14.4%

Amounts in millions of euros

Consolidated net revenue - 3,038.3 million euros

1. Revenue from sales and services - 2,931.6 million euros

3,203.6 million euros in 2013, broken down as follows:

€ millions	31.12.2014	31.12.2014 Restated	Increase/ (Decrease)	% Increase/ (Decrease)
Revenue from electricity sales and services	2,101.4	2,417.1	(315.6)	(13.1%)
Revenue from gas sales	59.0	63.8	(4.8)	(7.5%)
Revenue from the sale of certificates and rights	21.6	16.4	5.2	31.7%
Revenue from the Integrated Water Service	580.4	535.9	44.5	8.3%
Revenue from Overseas Water Services	7.7	10.4	(2.7)	(26.0%)
Revenue from biomass transfer and landfill management	39.4	36.4	3.0	8.2%
Revenue from services to customers	93.5	95.0	(1.5)	(1.6%)
Connection fees	28.5	28.5	0	0.0%
Revenue from sales and services	2,931.6	3,203.6	(272.0)	(8.5%)

Revenue from electricity sales and services dropped 315.6 million euros to 2,101.4 million euros compared to last year. This decrease was mainly caused by the following events:

- ✓ a 297.8 million euros reduction in revenue from the sale of electricity due to the lesser quantities sold, with reference to the Protected Categories service (- 7.2%) and the Free Market (- 15.9%);
- ✓ Decrease of 10.3 million euros in revenue from the transport and metering of energy, 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 lower volumes;
- ✓ the decrease in revenues from electricity and heat generation (- 6.8 million euros) mainly derived from district heating, following a drop in market prices to below the expected minimum. This led to production in the combined cycle section of the Tor di Valle plant being suspended.

Revenue from gas sales fell by 4.8 million euros compared with the previous year mainly due to lower volumes sold and lower sale prices.

Revenue from the sale of certificates and rights was up 5.2 million euros due to increased revenue from ACEA Produzione green certificates accrued in relation to energy produced at the Salisano and Orte plants following *repowering* operations.

Revenue from the Integrated Water Service rose by 44.5 million euros, basically due to the updating of ACEA Ato2 and ACEA Ato5 2014 rates. The VRG (Guaranteed Income) for ACEA Ato2 was quantified based on the AEEGSI resolution of 25 September 2014, approving 2014-2015 tariffs. This positive variation was also due to adjustments of "pass-through items", i.e. inclusion in the tariff of some types of costs related to 2012 and 2013. More specifically, for ACEA Ato2 these adjustments contributed 23.5 million euros to revenue growth for the period and included coverage of the costs incurred to address the environmental emergency and other cost components (i.e. electricity and local charges) as well as inflation as envisaged in the regulation in force.

Revenue from Overseas Water Services was down by 2.7 million euros, due mainly to a decrease in Aguazul Bogotá activities.

Revenue from biomass transfer and landfill management rose by 3.0 million euros. The change was influenced both by an increase in transferred quantities, especially from agriculture and composting, and by the average price.

Revenue from services to customers fell by 1.5 million euros, due mainly to some negative events:

- ✓ new Public Lighting in Roma Capitale as a result of greater design and construction activities for new installations in 2014;
- ✓ a fall in the marketing of photovoltaic panels and installation to third parties of 1.5 million euros;
- ✓ a drop in revenue for works performed for third parties of 5.6 million euros.

Connection fees were basically in line with the previous year.

2. Other revenue and proceeds - 106.7 million euros

This item showed a rise 21.2 million euros. Breakdown as follows.

€ millions	31.12.2014	31.12.2013 Restated	Increase/ (Decrease)	% Increase/ (Decrease)
Contributions from Entities for Energy Saving Certificates	36.7	0.4	36.3	9,075.0%
Non-recurring gains and other revenues	25.4	35.2	(9.8)	(27.9%)
Other revenue	11.1	18.3	(7.3)	(39.3%)
Reimbursement for damages, penalties and charge-backs	7.7	7.4	0.3	4.0%
Feed-in-tariff	5.0	5.4	(0.3)	(7.4%)
Proceeds from fraudulent withdrawals	5.4	0	5.4	100.0%
Government grant (Prime Ministerial Decree of 23/04/04)	4.9	7.9	(3.0)	(37.9%)
Regional grants	2.1	1.8	0.3	16.7%
Income from end users	2.4	1.5	0.8	60.0%
Seconded staff	1.5	2.0	(0.5)	(25.0%)
Property income	1.7	1.7	0	(0.5%)
IFRIC 12 margin	1.2	0.9	0.3	35.9%
Recharged cost of governance bodies	1.1	1.5	(0.4)	(24.2%)
Gains on asset disposals	0.3	0.3	0	0.0%
Service continuity bonuses	0.2	1.1	(0.9)	(81.4%)
Other revenue and proceeds	106.7	85.4	21.2	24.8%

Changes vis-à-vis 31 December 2013 were mainly due to the following effects:

- (i) revenues recognized for 36.7 million euros resulting from recognition of energy saving certificates, of which 28.3 million euros refer to the estimated tariff contribution due to ACEA Distribuzione in relation to its meeting the 2013 and 2014 obligations and 8.4 million euros refer to the release of the provision for risks and charges allocated in 2013 to cover the costs of purchasing certificates during the reporting period to meet the aforementioned regulatory energy efficiency requirement;
- (ii) the reduction in non-recurring gains and other revenues, by 9.8 million euros and 7.3 million euros respectively;
- (iii) revenue recognised for fraudulent withdrawals pursuant to AEEGSI resolution no. 637/2013 of 5.4 euros million;
- (iv) 3.0 million euros reduction in contribution from Italian State to supplement income deriving from services supplied to the Vatican State. This change is the result of variations in the consideration of this contribution in quantifying the Restriction on Guaranteed Revenues (VRG) for ACEA Ato2.

- (v) 0.9 million euros drop in the service continuity bonus from AEEGSI to ACEA Distribuzione.

Consolidated operating costs - 2,339.3 million euros

The breakdown is provided in the following table.

€ millions	31.12.2014	31.12.2013 Restated	Increase/ (Decrease)	% Increase/ (Decrease)
Staff costs	229.5	238.3	(8.8)	(3.7%)
Costs of materials and overheads	2,109.8	2,405.7	(295.9)	(12.3%)
Consolidated operating costs	2,339.3	2,644.0	(304.7)	(11.5%)

3. Staff costs - 229.5 million euros

The increase in staff costs, inclusive of capitalised costs, amounted to 9.4 million euros and was influenced by the partial release in the first quarter of 2013 of provisions allocated for MBO and Bonuses to be paid to Executives and Middle Managers, as objectives were only partially achieved. The change was also affected by the wage increase resulting from contract renewals in 2013.

Capitalised costs rose by 18.1 million euros, mainly attributable to the water companies. This increase was due to the great commitment of personnel in Group Companies to the ACEA2.0 Project and to an updating of methods for capitalising internal costs.

The trends by Operating Segment, including capitalised costs, are shown in the following table:

€ millions	31.12.2014	31.12.2013 Restated	Increase/ (Decrease)	% Increase/ (Decrease)
Environment segment	11.2	10.7	0.5	4.7%
Energy segment	23.3	26.0	(2.7)	(10.4%)
Water segment	115.2	114.2	1.0	0.9%
Networks segment	88.5	87.1	1.4	1.6%
Parent company	57.3	51.2	6.2	12.1%
Total staff costs excluding capitalised costs	298.6	289.2	9.4	3.3%

4. Cost of materials and overheads - 2,109.8 million euros

This item showed an overall drop of 295.9 million euros (-12.3%) compared with the figure of 2,405.7 million euros at 31 December 2013.

€ millions	31.12.2014	31.12.2013 Restated	Increase/ (Decrease)	% Increase/ (Decrease)
Electricity, gas and fuel	1,746.5	2,042.1	(295.6)	(14.5%)
Materials	27.5	28.4	(0.9)	(3.1%)
Services	234.9	229.0	5.9	2.6%
Concession fees	43.1	41.0	2.1	5.2%
Lease expenses	23.9	23.8	0.1	0.4%
Other operating costs	33.9	41.4	(7.5)	(18.2%)
Consolidated operating costs	2,109.8	2,405.7	(295.9)	(12.3%)

Purchase costs of electricity, gas and fuel amounted to 1,746.5 million euros, down 295.6 million euros compared with the previous year. This decrease is due to costs for the procurement of electricity for the protected and free markets along with related transport costs (- 318.0 million euros). This decrease resulted from 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, partially offset by recognition of the cost for the purchase of energy saving certificates by ACEA Distribuzione in order to meet its obligations for 2013 and 2014 (+ 30.6 million euros).

Costs for the purchase of materials amounted to 27.5 million euros, a drop of 0.9 million euros.

Service costs were 234.9 million euros, a rise of 5.9 million euros vis-à-vis last year. This result was chiefly the result of: **i)** an increase in technical and consulting services of 7.9 million euros, **ii)** the fall in insurance costs, telephone and advertising charges of 4.4 million euros, **iii)** an increase in expenses for general services of 4.7 million euros and **iv)** a drop in costs for contract work of 3.2 million euros.

Concession fees rose by 2.1 million euros, referring in particular to higher costs borne by ACEA Ato2 (+ 1.9 million euros).

Lease expenses amounted to 23.9 million euros, basically in line with the previous year (23.8 million euros).

Other operating costs amounted to 33.9 million euros, dropping by 7.5 million euros vis-à-vis 2012. The change refers to: lower overheads and a decrease in non-recurring losses related to costs pertaining to previous years.

5. Net income/(costs) from commodity risk management - 0.0 million euros

At 31 December 2014 the change in the *Fair Value* measurement of financial contracts was practically 0.0 million euros.

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

For further details, refer to the section "*Additional disclosures on financial instruments and risk management policies*" in the 2014 Consolidated Financial Statements.

6. Income/(Costs) from equity investments of a non-financial nature - 18.8 million euros

This item is the consolidated result according to the *equity method* that is included among the components of the consolidated EBITDA. The breakdown of this item is detailed below:

€ millions	31.12.2014	31.12.2013 Restated	Increase/(Decrease)
Gross operating profit	125.7	122.3	3.4
Amortisation, depreciation, impairment charges and provisions	(82.4)	(71.1)	(11.3)
Financing activities	(9.7)	2.0	(11.7)
Taxation	(14.8)	(22.9)	8.1
Income from equity investments of a non-financial nature	18.8	30.3	(11.5)

The decrease compared to 31 December 2013 was principally due to:

- ✓ with regard to Gross Operating Profit, recognition in 2013 of higher revenues (12.8 million euros) pertaining to the 2012 financial year, with specific reference to the FNI (New Investments Fund) component approved by the Area Authorities in 2013;
- ✓ with regard to financing activities, recognition in 2013 of financial income of 14.389 thousands euros, arising from the discounting to present value of GORI's payables to the Campania Region; it is recalled that in June 2013 GORI, the Area Authority and the Campania Region signed an agreement that, *inter alia*, set the payables related to water purchases at 212 million euros (Group share 78.6 million euros) and established a twenty-year repayment plan with interest payable as of the eleventh year.

Excluding the effects of these extraordinary items, performance for the period was broadly in line with that of 2013.

7. Amortisation, depreciation, provisions and impairment charges - 327.3 million euros

€ millions	31.12.2014	31.12.2013 <i>Restated</i>	Increase/ (Decrease)	% Increase/ (Decrease)
Amortisation and depreciation	203.5	194.8	8.8	4.5%
Provision for impairment of receivables	110.2	79.6	30.6	38.5%
Provision for liabilities and charges	13.6	37.8	(24.3)	(64.1%)
TOTAL	327.3	312.2	15.1	4.8%

Depreciation and any accumulated impairment charges totalled 203.5 million euros, up 8.8 million euros (+ 4.5%). This increase refers to higher amortisation/depreciation as a result of normal investment trends. The item also includes write-downs on some *assets*, such as the Paliano plant damaged by fire in 2013, and photovoltaic installations as a result of the drop in profitability due to the so-called "stretched feed-in tariff" decree.

Impairment charges amounted to 110.2 million euros, up 30.6 million euros, chiefly due to higher provisions made by Energy companies (+ 13.9 million euros) and water companies (+ 12.4 million euros).

Provisions for liabilities, net of released excess funds, amounted to 13.6 million euros (- 64.1% vis-à-vis previous year). The drop is the combined effect of various events: **i)** the increase in provisions for early retirements and redundancies (+ 3.6 million euros vis-à-vis 2013) and for tax risks (+ 2.1 million euros vis-à-vis 2013) and **ii)** the decrease due to the release of ACEA Ato5 liability funds of 18.8 million euros due to the non-allocation of provisions for potential liabilities deriving from the questioned legitimacy of tariffs applied by the company in the years 2006 - 2010.

It is also noted that in the 2013 financial statements provisions were made for the cost deriving from the purchase of energy saving certificates, estimated at 8.4 million euros. This year this cost was registered in operating costs.

8. Finance costs and income - (101.2) million euros

Net finance costs totalled 101.2 million euros, a rise of 1.9 million euros. This result derives from higher financial costs of 2.9 million euros and higher income of 1.1 million euros. The higher costs are the combined result of an increase in interest on bonds and a drops in **i)** interest on short, medium and long-term borrowing, and **ii)** factoring fees.



9. Income and costs from Equity Investments - 0.5 million euros

These refer to consolidation using the net equity method of some Group companies, with special reference to Agua de San Pedro, GEAL, Sienergia and Marco Polo in liquidation. The latter item includes the reversal of provisions for liabilities and charges which proved in excess by 2.3 million euros.

10. Taxation for the period -120.9 million euros

Overall tax expenses for the period were estimated at 120.9 million euros compared to 105.8 million euros at 31 December 2013.

The overall increase recorded in the period, of 15.1 million euros at December 2014, is the combined effect of the increase in profit before tax and the cost of 17 million deriving from the recalculation of deferred taxation on the IRES surcharge due to publication of the Constitutional Court ruling, declaring the unconstitutionality of the tax as from 2015. The tax rate for 2014 was 41.7% (40.8% in 2013).

Notes to the Consolidated Statement of Financial Position

Ref Note	ACEA GROUP STATEMENT OF FINANCIAL POSITION (in millions of euros)	31.12.2014 (a)	31.12.2013 Restated (b)	Increase/ (Decrease) (a) - (b)	% Increase/ (Decrease)
	NON-CURRENT ASSETS AND LIABILITIES	3,681.6	3,559.7	121.9	3.4%
10	Property, plant and equipment and intangible assets	3,669.4	3,551.5	117.9	3.3%
11	Equity investments	227.2	215.3	12.0	5.6%
12	Other non-current assets	340.2	357.7	(17.5)	(4.9%)
13	Staff termination benefits and other defined benefit plans	(118.0)	(106.9)	(11.1)	10.4%
14	Provisions for liabilities and charges	(165.9)	(203.4)	37.5	(18.4%)
15	Other non-current liabilities	(271.3)	(254.5)	(16.8)	6.6%
	NET WORKING CAPITAL	(90.1)	95.8	(185.9)	(194.1%)
16	Current receivables	1,259.9	1,346.6	(86.6)	(6.4%)
17	Inventories	29.2	33.8	(4.5)	(13.4%)
18	Other current assets	241.3	203.4	37.9	18.6%
19	Current payables	(1,249.4)	(1,207.6)	(41.8)	3.5%
20	Other current liabilities	(371.2)	(280.3)	(90.9)	32.4%
	INVESTED CAPITAL	3,591.5	3,655.5	(64.0)	(1.8%)
21	NET DEBT	(2,089.1)	(2,248.6)	159.5	(7.1%)
	Medium/long-term loans and receivables	34.3	34.8	(0.5)	(1.4%)
	Medium/long-term borrowings	(3,040.7)	(2,360.9)	(679.8)	28.8%
	Short-term loans and receivables	89.4	115.6	(26.2)	(22.7%)
	Cash and cash equivalents	1,018.0	563.1	454.9	80.8%
	Short-term borrowings	(190.1)	(601.2)	411.2	(68.4%)
22	Total shareholders' equity	(1,502.4)	(1,406.8)	(95.6)	6.8%
	FUNDING	(3,591.5)	(3,655.5)	64.0	(1.8%)

Millions of Euros

The above statement of financial position has been reclassified to show the components of invested capital and the corresponding funding.

In particular, the net carrying amounts of non-current assets and net working capital, consisting of current receivables, other receivables, inventories, current payables and the short-term portion of long-term borrowings, have been added together.

The figure obtained for invested capital is then compared with the corresponding amounts for shareholders' equity and net debt, thereby showing the weight of funding.

As at 31 December 2014, the ACEA Group's statement of financial position recorded a reduction in invested capital of 64.1 million euros (-1.8%) compared to 31 December 2013. This change is the result of an increase in net fixed assets (+ 121.9 million euros), offset by a reduction in net working capital (- 185.9 million euros).

Non-current assets and liabilities - 3,681.6 million euros

Compared to 31 December 2013, this item showed an overall increase of 121.9 million euros (+ 3.4%); a breakdown of the item is shown below.

11. Property, plant and equipment/intangible assets - 3,669.4 million euros

This item increased by 117.9 million euros (+ 3.3%) over the year.

The change reflects capital expenditures amounting to 318.6 million euros and amortisation, depreciation and impairments amounting to 203.5 million euros; in addition, due to the line-by-line consolidation of Ecogena, following the acquisition of an additional stake in the capital of this Company, fixed assets increased by 13.7 million euros as a result of the change in the

consolidation basis. The remainder is the result of green certificates for the year falling due, corresponding to 5.6 million euros.

The item also includes 4.3 million euros corresponding to the value of assets from the acquisition of a division of the company Acque Potabili S.p.A. This acquisition came about on 29 December 2014 with the signing of a Framework Agreement between ACEA Ato2, Acque Potabili S.p.A., the Municipalities of Canterano, Capranica Prenestina, Gerano, Olevano Romano, Rocca Canterano and Rocca di Papa and the Technical Operations Secretariat of the Mayors' Conference of ATO 2 Central Lazio – Rome for transfer of the Integrated water service in the above Municipalities by means of a contract for the transfer of the company division (from Acque Potabili to ACEA Ato2, signed on 29 December 2014), in accordance with the provisions of Resolutions adopted by the Mayors' Conference, nos. 02/2007 and 03/2009, and the Notice of 10 July 2014.

Consequently, coming into force from the signing of the division transfer agreement, the Service is entrusted to ACEA Ato2 as operator of the IWS for ATO2 Central Lazio – Rome in accordance with the terms, conditions and duration of the 2002 management Agreement.

There was also a reduction in fixed assets of 13.8 million euros by virtue of decisions taken by the AATO2 Mayors' Conference in its meeting of 10 July 2014 concerning tariffs for 2014, requiring the early fulfilment of ACEA Ato2 obligations deriving from resolution no. 7 of 17 April 2012. The mentioned resolution provided that, in lieu of the MALL penalty, the Operator would assume the obligation to undertake capital expenditures at its own expense of 3.5 million euros per year for a period of six years. The decrease in fixed assets led to the cancellation of the Provision for Contractual Commitments established for this purpose in 2012.

The table below shows the level of capex undertaken in 2014 by Operating Segment, compared to those for the same period of 2013.

€ MILLIONS	31.12.2014	31.12.2013 <i>RESTATED</i>	INCREASE/ (DECREASE)
ENVIRONMENT	13.3	12.1	1.2
ENERGY	19.7	11.4	8.3
<i>PRODUCTION</i>	<i>11.6</i>	<i>5.2</i>	<i>6.4</i>
<i>ENERGY MANAGEMENT</i>	<i>0</i>	<i>0.2</i>	<i>(0.2)</i>
<i>SALES</i>	<i>8.1</i>	<i>6.0</i>	<i>2.2</i>
WATER:	148.9	130.0	19.0
<i>OVERSEAS</i>	<i>0.6</i>	<i>0.2</i>	<i>0.4</i>
<i>LAZIO - CAMPANIA</i>	<i>146.8</i>	<i>129.3</i>	<i>17.6</i>
<i>TOSCANA - UMBRIA</i>	<i>0</i>	<i>0</i>	<i>0</i>
<i>ENGINEERING</i>	<i>1.5</i>	<i>0.5</i>	<i>1.0</i>
NETWORKS	122.4	103.2	19.2
ACEA	14.2	11.9	2.3
TOTAL CAPITAL EXPENDITURE	318.6	268.6	50.0

Capex in the **Environment Segment** was up (+ 1.2 million euros), with particular reference to ARIA, relating to initiatives also in the area of safety, and to SAO for landfill initiatives and the start-up of projects to expand a waste treatment plant.

The **Energy segment** recorded a 8.3 million euros increase, attributable to Capex by ACEA Produzione (1.0 million euros), by Ecogena (5.4 million euros), which was consolidated on a line-by-line basis as of 1 January 2014, and by ACEA Energia (8.1 million euros, + 2.2 million euros vis-à-vis 31 December 2013), aimed mainly at improving IT performance.

Compared to the same period of the previous year, Capex in the **Water Segment** was up by 19.0 million euros, chiefly through ACEA Ato2, with reference to works to clean up and expand water and sewerage piping in some municipalities, and repairs carried out in water plants.

Capex was up by 19.2 million euros in the **Networks Segment**, as a result of the expansion of the HV network and renovation of the LV and MV network.

The **Parent Company** increased the level of Capex by 2.3 million euros compared with 2013 in the area of higher IT performance.

12. Equity investments - 227.2 million euros

Compared to 31 December 2013, equity investments increased by 12.0 million euros, primarily reflecting the valuation of companies consolidated using the equity method as from 1 January 2014, following the application of IFRS 11.

The increase was also affected by the valuation of the company Marco Polo (+ 2.3 million euros) for which a successful outcome of the liquidation procedure is expected.

13. Other non-current assets - 340.2 million euros

The balance of this item is summarised in the table below.

€ millions	31.12.2014	31.12.2013 <i>Restated</i>	Increase/ (Decrease)
Deferred tax assets	296.2	309.0	(12.7)
Receivables from others	43.0	46.9	(3.9)
Accrued income and prepayments	1.0	1.8	(0.8)
Other non-current assets	340.2	357.7	(17.5)

This item recorded a fall of 17.5 million euros (- 4.9%) compared to 31 December 2013, due chiefly to fewer provisions for **deferred tax assets** compared with the end of the previous year (- 12.7 million euros). This reduction is chiefly ascribable to the new tax system in place for impairment charges.

Receivables from others amounted to 43.0 million euros (- 3.9 million euros) and represent the total capital spending incurred up to 31 December 2010 as part of the public lighting service agreement: these receivables were recognised using the financial asset model in application of IFRIC 12

Prepayments and accrued income decreased by 0.9 million euros, and mainly refer to insurance premiums paid in advance, lease payments, maintenance fees and rent on public land.

14. Staff termination benefits and other defined-benefit plans - 118.0 million euros

As at 31 December 2014 the provision increased by 11.1 million euros, mainly due to:

- + 3.1 million euros relating to staff termination benefits,
- + 8.0 million euros relating to tariff subsidies, monthly bonuses and long-term incentive plans.

In addition to the provision which, pursuant to the revised legislation on Termination Benefits, consists of the employee termination benefits accrued until 31 December 2006, the change reflects the revised discount rate used for the valuation according to IAS 19 (from 3.17% in 2013 to 1.49% this year), which led to an increase in the provision due to the restatement of actuarial gains and losses (15.2 million euros) recognized in "Other Comprehensive Income" (OCI).

15. Provisions for liabilities and charges - 165.9 million euros

Provisions for liabilities and charges recorded a decrease of 37.5 million euros compared to the previous year, mainly due to provisions allocated for the period, net of removed excess funds (13.5 million euros), net of uses and other changes (totalling 51.0 million euros).

The following table provides a breakdown by type of provision for liabilities and charges.

Type of provisions	31.12.2013 Restated	Provisions	Excess funds released	Utilisations and other changes	31.12.2014
Regulatory risks	65.8	4.1	(18.8)	(4.6)	46.6
Post mortems	26.4	0.0	(1.9)	(1.3)	23.1
Legal	17.7	2.7	0.0	(0.0)	20.4
Other liabilities and charges	20.4	2.6	0.0	(13.9)	9.2
Plant efficiency restoration	1.4	0.0	(1.4)	0.0	0.0
Investees	9.3	0.1	0.0	0.2	9.7
Contributory risks	6.6	0.1	0.0	(0.1)	6.6
Early retirements and redundancies	2.0	19.0	0.0	(18.3)	2.7
Tax	2.7	2.4	0.0	(0.5)	4.6
TOTAL	152.3	31.1	(22.1)	(38.5)	122.8
Provisions for restoration costs	38.6	4.5	0.0	0.0	43.1
Contractual commitments	12.5	0.0	0.0	(12.5)	0.0
TOTAL PROVISION	203.4	35.6	(22.1)	(51.0)	165.9

The main changes refer to:

- write-off of the Contractual Commitments Fund, allocated by ACEA Ato 2 in 2012 to cope with the MALL penalty obligation, as a result of decisions taken by the Mayors' Conference of AATO2 in the meeting of 10 July 2014 concerning tariffs for 2014. The tariff proposal drawn up by the Technical Operations Secretariat provides for a reduction in fixed assets additions for 2012 (on which the 2014 tariffs are based) by the amount of capital expenditures the Operator is required to make at its own expense, thereby fulfilling in advance its obligations under Resolution No. 7 of 17 April 2012,
- the full utilisation (8.4 million euros) of the provision set aside in 2013 in relation to the estimated burden arising from the purchase of energy saving certificates required to meet the objective assigned to ACEA Distribuzione, as a result of certificates being purchased in sufficient number to fulfil the obligation,
- the provision for regulatory risks decreasing by 19.2 million euros, mainly due to **i)** the settlement, pursuant to Resolution No. 163/2014/R/idr on 3 April 2014, of ACEA Ato2 liability to its users concerning the repayment of the 2011 return on invested capital owed by ACEA Ato2 to its subscribers, and **(ii)** use of the liabilities provision allocated by ACEA Ato5 to deal with the possible non-recognition of tariff adjustments for the period 2006 – 2011 (18.8 million euros),
- the provision for legal disputes increasing by 2.7 million euros, as a result of provisions set aside during the year,
- the provision for restoration costs increasing by 4.5 million euros, as a result of allocations made in 2014 related to the costs required to keep the water service infrastructure in good condition.

16. Other non-current liabilities - 271.3 million euros

This item rose by 16.8 million euros (+ 6.6%) vis-à-vis 31 December 2013.

This item consists of:

€ millions	31.12.2014	31.12.2013 Restated	Increase/ (Decrease)
Advances from end users and customers	102.5	91.4	11.1

€ millions	31.12.2014	31.12.2013 Restated	Increase/ (Decrease)
Capital grants	18.3	16.8	1.5
Water connection fees	24.7	25.3	(0.6)
Provision for deferred taxes	93.3	93.0	0.3
Accrued liabilities and deferred income	32.6	28.0	4.6
TOTAL	271.3	254.5	16.8

Advances includes: **i)** the amount of security deposits and consumption advances subject to adjustment by the water companies; **ii)** the amount of advances relating to liabilities for advances on energy consumption, paid by customers in the Protected Categories market, that bear interest at the conditions set by the regulation issued by AEEGSI (Resolution No. 204/99).

The change is due mainly to the security deposit billed by ACEA Ato5 to users, as established by AEEGSI resolution no. 86/2013/R/IDR of 28 February 2013, amended by article 34 of Annex A to the resolution of the same Authority, no. 643/2013/R/IDR of 27 December 2013. This deposit will be repaid to end users upon termination of the supply contract, together with interest based on statutory interest rates.

Capital grants and **Water connection** grants showed a net overall increase of 0.8 million euros.

The deferred tax provision recorded an overall increase of 0.3 million euros vis-à-vis 31 December 2013.

Accrued liabilities and deferred income, amounting to 32.6 million euros, mainly refer to grants received, recognised in the income statement by an amount equal to the depreciation generated by the associated capital expenditure. In particular, this item includes the contribution received by ACEA Distribuzione for the replacement of electromechanical meters with electronic meters (AEEGSI Resolution No. 292/06).

Net working capital – (90.1 million) euros

This item fell by 185.9 million euros compared with 31 December 2013; its breakdown is as follows.

€ millions	31.12.2014 (a)	31.12.2013 Restated (b)	Increase/ (Decrease) (a-b)
Current receivables	1,259.9	1,346.6	(86.6)
- due from end users	1,163.0	1,244.4	(81.4)
- due from Roma Capitale	67.2	69.6	(2.4)
Inventories	29.2	33.8	(4.5)
Other current assets	241.3	203.4	37.9
Current payables	(1,249.4)	(1,207.6)	(41.8)
- due to Suppliers	(1,130.2)	(1,114.1)	(16.1)
- due to Roma Capitale	(116.7)	(85.6)	(31.1)
Other current liabilities	(371.2)	(280.3)	(90.9)
Net working capital	(90.1)	95.8	(185.9)

17. Current receivables - 1,259.9 million euros

The breakdown is shown in the following table:

€ millions	31.12.2014	31.12.2013 <i>Restated</i>	Increase/ (Decrease)
Trade receivables	1,163.0	1,244.4	(81.4)
Due from Roma Capitale	67.2	69.6	(2.4)
Due from subsidiaries and associates	29.7	32.5	(2.8)
Current receivables	1,259.9	1,346.6	(86.6)

Receivables from users and customers

This item fell by 84,0 million euros compared with the previous year. The table below shows the changes by Operating Segment compared to the end of 2013:

€ millions	31.12.2014			31.12.2013 <i>Restated</i>			Increase/ (Decrease)		
	End users (a)	Customers (b)	Total	End users (c)	Customers (d)	Total	End users (a)-(c)	Customers (b)-(d)	Total
Environment	0.0	29.7	29.7	0.0	27.6	27.6	0.0	2.1	2.1
Energy	584.8	59.2	644.0	570.2	57.3	627.5	14.6	1.9	16.5
Water	375.0	31.3	406.3	417.5	38.7	456.2	(42.4)	(7.4)	(49.8)
Networks	6.2	37.5	43.6	39.9	49.2	89.1	(33.7)	(11.8)	(45.5)
Corporate	0.0	39.3	39.3	0.0	44.0	44.0	0.0	(4.6)	(4.6)
Total	966.0	197.0	1,163.0	1,027.6	216.8	1,244.4	(61.6)	(19.8)	(81.4)

Please note that in 2014 receivables were sold without recourse for a total amount of 1.478,1 million euros. The breakdown by Operating Segment is provided below:

€ millions	31.12.2014	Public Administration
Energy segment	620.9	22.9
Water segment	430.5	44.6
Networks segment	426.7	81.9
Total	1,478.1	149.3

With reference to the main changes in receivables from end users or customers:

- the [Environment Segment](#) increased its total receivables by 2.1 million euros, mainly attributable to the companies ARIA and SAO,
- the [Energy segment](#) recorded an increase in receivables from both users and customers totalling 16.5 million euros compared with the figure recorded at 31 December 2013, of which 12.1 million euros attributable to ACEA Energia and 6.3 million euros to ACEA Produzione; the overall change was also influenced by Ecogena (+ 3.1 million euros) due to its consolidation using the line-by-line method as from 1 January 2014, and Umbria Energy (- 5.7 million euros),
- In the [Water Segment](#) total receivables fell by 49.8 million euros. The change is essentially attributable to the net effect of issues of 2012 tariff adjustments and transfers effected during the year by ACEA Ato2, producing an overall change of 80.4 million euros, partly offset by the increase in receivables for bills to be issued by ACEA Ato5.
- the [Networks segment](#) saw an overall fall in receivables of 45.5 million euros, due to the reduction recorded by ARSE of 12.0 million euros and that of ACEA Distribuzione of 34.5 million euros,
- the [Parent company](#) posted a reduction in receivables of 4.6 million euros, chiefly ascribable to relations with the Municipality of Naples, performing the public lighting service in a joint venture. At 31 December 2014 receivables totalled 39.3 million euros, including contested receivables of 20.5 million euros, regarding the well-known dispute with the Vatican State.

Receivables due from Parent Company Roma Capitale

Trade receivables due from Roma Capitale totalled 67.2 million euros at 31 December 2014 (69.6 million euros at 31 December 2013).

The total amount of receivables (including short-term and medium/long-term financial receivables resulting from the public lighting contract) was 162.2 million euros compared with 154.0 million 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.

Amounts due from Roma Capitale	31.12.2014	31.12.2013 Restated	Increase/ (Decrease)
Utility receivables	51.3	42.5	8.8
Contract work and services	15.9	19.3	(3.3)
Services for Municipality of Rome	0.6	1.4	(0.8)
Other receivables: seconded staff	0.2	0.3	(0.2)
Total services billed	68.0	63.5	4.5
Grants receivable	2.4	2.4	0.0
Total services requested	70.4	65.9	4.5
Bills to be issued: Public Lighting	1.0	5.7	(4.7)
Bills to be issued: other	1.5	1.4	0.1
Total services to be billed	2.5	7.1	(4.6)
Advances	0.0	0.8	(0.8)
Total trade receivables	72.9	73.8	(0.9)
Public lighting loans and receivables	62.4	50.1	12.3
Total receivables due within one year (A)	135.3	123.9	11.4

Amounts due to Roma Capitale	31.12.2014	31.12.2013 Restated	Increase/ (Decrease)
Electricity surtax payable	(15.2)	(14.8)	(0.4)
Concession fees payable	(74.0)	(48.9)	(25.1)
Total trade payables	(89.2)	(63.7)	(25.5)
Total payables due within one year (B)	(89.2)	(63.7)	(25.5)

Total (A) - (B)	46.1	60.2	(14.2)
Other financial receivables/payables	29.4	(0.7)	30.1
to/from Parent company Roma Capitale for dividends	(3.1)	(33.0)	29.8
Medium/Long-term loans for Public Lighting	32.6	32.3	0.3
Other trade receivables/(payables)	(12.6)	(5.5)	(7.1)
Net balance	62.9	54.0	8.9

Receivables outstanding at 31 December 2014 were 11,385 thousands euros up on the previous year, with in particular:

- a 8,802 thousands euros rise in utility receivables, referring chiefly to ACEA Ato2 (6,216 thousands euros). This change derives from the increase in the Company's sales revenue as a result of approved tariff updates, even though Roma Capitale paid in 2014 7 million euros more than payments effected to this end in 2013;
- an increase in financial receivables for public lighting of 12,268 thousands euros, due chiefly to the limited payment by Roma Capitale of receivables accrued in previous years (10,514 thousands euros). Over the year Roma Capitale paid 60,645 thousands euros for the period January – November 2014;

- a decrease of 4,316 thousands euros in trade receivables accrued for works and services, relating basically to overall proceeds of 5,152 thousands euros, 1,700 thousands euros to ACEA and 2,349 thousands euros to ACEA Ato2.

In 2014 the Group collected a total of 163,970 thousands euros; in particular:

- 73,512 thousands euros in receivables due for the public lighting contract,
- 86,575 thousands euros for water and electricity utility receivables, of which 78,622 thousands euros relating to 2014 issues,
- 3,883 thousands euros relating chiefly to works and services.

Other receivables at 31 December 2014 referable to previous years (not including the medium-long-term component) totalled 95,954 thousands euros, of which:

- 34,715 thousands euros for water and electricity utilities,
- 41,843 thousands euros for the public lighting service,
- 19,396 thousands euros for works and services.

Payables due to Roma Capitale fell overall by 639 thousands euros. This change was the result of **i)** a 25,110 thousands euros increase in the 2014 share of the concession fee; **ii)** in increase in other payables of 5,527 thousands euros, offset by **iii)** a fall in payables for dividends of 29,847 thousands euros.

Changes to other payables referred chiefly to the rise in costs for restoring road surfaces which, following a Roma Capitale order, rose by 38% as from 1 January 2014.

With reference to financial payables, the reduction is basically the result of the cancellation, further to payment (by offsetting) of the advance on 2013 profits decided by ACEA's Board of Directors in December 2013. It is also noted that in 2014 the ACEA dividend (18,464 thousands euros) for the whole of 2013 was also paid (by offsetting).

Due from associates

These receivables amounted to 7.4 million euros, substantially in line with the previous year (7.3 million euros).

Due from subsidiaries

These amounted to 22.4 million euros (25.2 million euros at 31 December 2013), down 2.8 million euros. They relate to receivables from companies consolidated using the equity method as a result of the application of IFRS 11.

18. Inventories - 29.2 million euros

This item decreased by 4.5 million euros compared with 31 December 2013. The changes by operating segment are shown in the following table:

€ millions	31.12.2014	31.12.2013 <i>Restated</i>	Increase/ (Decrease)
Environment segment	3.4	3.4	0.0
Energy segment	1.5	1.8	(0.3)
Water segment	8.4	9.9	(1.5)
Networks segment	15.6	18.3	(2.7)
ACEA	0.3	0.3	0.0
Inventories	29.2	33.8	(4.5)

19. Other current assets - 241.3 million euros

There was an overall increase of 37.9 million euros, or 18.6%, compared to the previous year, as follows:

€ millions	31.12.2014	31.12.2013 Restated	Increase/ (Decrease)
Receivables from others	126.8	101.2	25.5
Accrued income and prepayments	14.7	10.1	4.6
Tax receivables	99.8	92.0	7.8
Other current assets	241.3	203.4	37.9

Receivables from others totalled 126,8 million euros, an increase of 25,5 million euros, as shown in the following table, with the breakdown and changes occurring compared to the previous year:

€ millions	31.12.2014	31.12.2013 Restated	Increase/ (Decrease)
Receivables due from the Equalisation Fund	47.3	41.1	6.2
Receivables from Equalisation Fund for successful Tariff Contribution targets	18.5	0.4	18.1
Other receivables from Equalisation Fund	17.7	1.2	16.5
Financial receivables from Trifoglio immobiliare	10.3	10.3	0.0
Regional grants receivable	6.5	4.3	2.2
Receivables due from INPS for welfare contributions in accordance with article 41, paragraph 2, letter A of Law 488/1999	6.2	7.1	(0.8)
Receivables from Equitalia	4.2	4.1	0.0
Other minor receivables	3.8	2.4	1.4
Security deposits	3.6	4.1	(0.6)
Receivables from social security institutions	3.3	3.7	(0.4)
Receivable from individual transfers	2.5	2.5	(0.0)
Suppliers' advances	1.7	2.2	(0.5)
Insurance repayments	0.7	0.0	0.7
Receivables from Citelum for Naples Municipality collections	0.5	0.0	0.5
Receivables due from Area Authority for Tariff adjustments	0.0	17.9	(17.9)
Receivables from others	126.8	101.2	25.5

The increase of 25.5 million euros vis-à-vis 31 December 2013 was chiefly the result of:

- an 18.1 million euros rise in receivables recorded by ACEA Distribuzione, due from the Equalisation Fund for Energy Saving Certificates, corresponding to the energy saving target assigned by the Authority for 2013 and 2014
- the growth in receivables from the equalisation fund of 16.5 million euros, chiefly ascribable to ACEA Energia due to the adjustment of some tariff components pursuant to the resolution of the Electricity, Gas and Water System Authority no. 670 of 2014,
- the writing-off, due to the reclassification to utility receivables, of receivables from the Area Authority of ACEA Ato5, corresponding to 17.9 million euros, as a result of the changing regulatory framework, enabling the Company to bill previous adjustments, as established by the acting Commissioner, in three annual payments as from 1 July 2014.

Accrued income and prepayments amounted to 14.7 million euros (10.1 million euros at 31 December 2013) and mainly refer to rent on public land, lease payments and insurance.

Tax receivables amounted to 99.8 million (+ 7.8 million euros), and mainly include VAT receivables of 55.6 million euros.

20. Current payables - 1.249.4 million euros

€ millions	31.12.2014	31.12.2013 Restated	Increase/ (Decrease)
Due to third-party suppliers	1,130.2	1,114.1	16.1
Due to the Parent Company Roma Capitale	116.7	85.6	31.1
Due to subsidiaries and associates	2.4	7.2	(4.8)
Due to subsidiaries and associates	0.1	0.7	(0.6)
Current payables	1,249.4	1,207.6	41.8

Amounts due to third-party suppliers

Trade payables amounted to 1,130.2 million euros (1,114.1 million euros at 31 December 2013). The following table provides the breakdown by operating segment:

€ millions	31.12.2014	31.12.2013 Restated	Increase/ (Decrease)
Environment segment	38.5	33.4	5.1
Energy segment	471.6	488.9	(17.3)
Water Segment	247.5	210.6	37.0
Networks Segment	318.5	314.7	3.8
ACEA	54.0	66.5	(12.4)
Total	1,130.2	1,114.1	16.1

Payables to suppliers rose by 16.1 million euros, chiefly ascribable to the increase in the Water segment.

Due to Parent Company Roma Capitale

These amounted to 116.7 million euros, a rise of 31.1 million euros, due basically to the concession fee for the integrated water service falling due for the period 2014.

Due to subsidiaries and associates

The balance of 2.4 million euros was 4.8 million euros down on 31 December 2013 and mainly refers to payables arising from the management of the public lighting service provided by the associate Citelum Napoli Pubblica Illuminazione in the Municipality of Naples.

21. Other current liabilities - 371.2 million euros

These were up by 90.9 million euros (32.4%). The following table shows the main items making up the balance and the change compared to 31 December 2013.

€ millions	31.12.2014	31.12.2013 Restated	Increase/ (Decrease)
Other current liabilities	268.7	217.1	51.6
Tax payables	83.9	41.2	42.7
Social security contributions	17.5	17.5	0.0
Amounts due to end users for tariff restrictions	0.0	1.2	(1.2)
Liabilities from commodity derivatives	0.3	0.5	(0.2)
Accrued liabilities and deferred income	0.7	2.8	(2.1)
Other current liabilities	371.2	280.3	90.9

Other current liabilities amounted to 268.7 million euros, with an overall increase of 51.6 million euros compared to 31 December 2013, when they amounted to 217.1 million euros. The following table shows the composition and changes compared to the previous year:

€ millions	31.12.2014	31.12.2013 <i>Restated</i>	Increase/ (Decrease)
Payables to municipalities for concession fees	51.8	48.6	3.2
Payables to Equalisation Fund	78.1	31.8	46.3
Payables for collections subject to verification	48.6	41.9	6.7
Amounts due to staff	45.3	37.4	7.9
Other payables to Municipalities	14.3	14.5	(0.2)
Payables to Equitalia	11.1	12.8	(1.7)
Other payables	10.0	9.3	(0.7)
Solidarity contribution payables	8.4	12.0	(3.6)
Payables to INPS, due in instalments	0.0	7.4	(7.4)
Payables for environmental premium Art. 10 of AT14 agreement of 13/08/2007	1.1	1.3	(0.2)
Other current liabilities	268.7	217.1	51.6

Payables to the Equalisation Fund recorded an increase, as did payables to Municipalities for concession fees, with specific reference to those accrued by ACEA Ato2 and ACEA Ato5. These were partially offset by a reduction in payables to the STO, for the Solidarity contribution intended to provide tariff subsidies to low income families, to reduce adjustments payable for 2012, and the decrease of instalments payable to INPS, due to the instalments paid during the period. The increase in payables for collections subject to verification of 6.7 million euros and due to staff of 7.9 million euros should also be noted.

Tax payables amounted to 83.9 million euros (41.2 million euros at 31 December 2013), and mainly included the VAT tax payable for the period of 46.8 million euros and additional municipal and provincial tax payables of 30.2 million euros.

Social security and welfare payables amounted to 17.5 million euros, unchanged vis-à-vis the previous year (17.5 million euros at 31 December 2013). Below is a breakdown by Operating Segment:

€ millions	31.12.2014	31.12.2013 <i>Restated</i>	Increase/ (Decrease)
Environment segment	0.7	0.6	0.1
Energy segment	1.8	1.8	0.0
Water Segment	6.0	6.0	0.0
Networks Segment	5.7	5.9	(0.2)
Parent company	3.3	3.2	0.1
Total	17.5	17.5	0.0

Payables arising from commodity derivatives included the fair value of a number of financial contracts entered into by ACEA Energia. This value was 0.3 million euros at 31 December 2014, compared with 0.5 million euros for 2013.

Accrued liabilities and deferred income amounted to 0.7 million euros, down by 2.1 million euros vis-à-vis 31 December 2013, ascribable mainly to ACEA Distribuzione.

22. Net debt - (2,089.1) million euros

Group debt at 31 December 2014 fell overall by 159.5 million euros, going from 2,248.6 million euros at the end of 2013 to 2,089.1 million euros.

This fall reflects the positive effects of the current management of working capital (down by 185.9 million euros), particularly significant in the final quarter of the year, also due to the billing of

previous adjustments in the Water segment (billing began as from 1 July) and Acea Energia billing for previous years.

The Net Financial Debt/EBITDA ratio went down from 3.3x in 2013 to 2.9x at the end of 2014.

The following table provides the breakdown of the items concerned:

€ millions	31.12.2014	31.12.2013 Restated	Increase/ (Decrease)
Non-current assets/(liabilities)	1.7	2.5	(0.8)
Non-current financial assets/(liabilities) - intragroup	32.6	32.3	0.3
Non-current borrowings and financial liabilities	(3,040.7)	(2,360.9)	(679.8)
Net medium/long-term debt	(3,006.4)	(2,326.1)	(680.3)
Cash and cash equivalents and securities	1,018.0	563.1	454.9
Short-term bank borrowings	(58.2)	(371.3)	313.2
Current financial assets/(liabilities)	(103.9)	(139.6)	35.6
Current financial assets/(liabilities) intragroup	61.5	25.3	36.1
Net short-term debt	917.3	77.5	839.8
Total net debt	(2,089.1)	(2,248.6)	159.5

Net medium/long-term debt - (3,006.4) million euros

With regard to this component it should be noted that:

- non-current financial assets/(liabilities) recorded a balance of 1.7 million euros, down by 0.8 million euros compared to 31 December 2013 (2.5 million euros),
- Intragroup financial assets/(liabilities) stood at 32.6 million euros and include financial receivables from Roma Capitale for upgrading works completed to adapt systems to safety and regulatory standards and new constructions as envisaged in the *addendum* to the Public Lighting contract.
- non-current payables and financial liabilities totalled 3,040.7 million euros, up 679.8 million euros from 31 December 2013, and can be broken down as follows:

€ millions	31.12.2014	31.12.2013 Restated	Increase/ (Decrease)
Bonds	1,909.1	1,290.8	618.4
Medium/long-term borrowings	1,131.6	1,070.1	61.4
Total	3,040.7	2,360.9	679.8

Bonds - 1,909.1 million euros

The change compared to the end of the previous year, mainly derives from the 10 year maturity bond issued on 8 July 2014 of 600 million euros, as part of the EMTN programme of 1.5 billion euros approved by the Board of Directors on 10 March 2014; the issue was co-arranged by *Banca IMI, BNP Paribas and UniCredit Bank*.

This item therefore consists of:

- 599.2 million euros (inclusive of accrued interest and the contract related costs) relating to the 10-year fixed rate bond issued by ACEA in July 2014, as part of the Euro Medium Term Notes (EMTN) programme of 1.5 billion euros. Interest accrued during the period amounted to 7.3 million euros,
- 601.0 million euros (including accrued interest and fair value of the hedge) related to the bond issued by ACEA in September 2013, with 5 year maturity and expiring on 12 September 2018. The fair value of hedging derivatives on this debt was positive and equal to 1.2 million euros. Interest accrued during the period amounted to 22.5 million euros,

- 515.8 million euros (including accrued interest and fair value of the hedge) related to the bond issued by ACEA in March 2010, with 10 year maturity and expiring on 16 March 2020. Interest accrued during the period amounted to 22.5 million euros.
- 193.1 million euros (including accrued interest and fair value of the hedge) relating to the Private Placement. The fair value of this hedge was a negative 45.9 million euros and was allocated to a specific equity reserve. The exchange rate difference - positive to the tune of 27.4 million euros - calculated at 31 December 2014 on the hedged instrument, was allocated to a translation reserve. The exchange rate at 31 December 2014 was 145.23 euros compared to 144.72 euros at 31 December 2013. Interest accrued during the period amounted to 3.6 million euros.

Medium/long term borrowings 1,131.6 million euros (including short-term portions - 1,178.1 million euros)

They recorded an overall rise of 57.5 million euros, compared to 1,120.5 million euros in 2013, due to the net effect of the payment of due capital instalments and interest accrued during the period, as well as the net effect of the repayment of the loan taken out with B.E.I. (E.I.B) for 100 million euros in January 2012 and the parallel signing of a new 200 million euros loan, maturing in June 2030.

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

Bank loans	Total Residual debt	Due by 31.12.2015	falling due between 31.12.2015 and 31.12.2019	Due after 31.12.2019
fixed rate	322.5	20.7	83.7	218.1
floating rate	788.2	17.4	410.6	360.1
floating rate to fixed rate	67.4	8.3	46.6	12.5
Total	1,178.1	46.5	540.9	590.7

The fair value of ACEA hedging derivatives was a negative 9.0 million euros, increasing 0.3 million euros compared to 31 December 2013 (- 8.7 million euros).

As regards medium/long-term borrowings and bonds conditions, please refer to the 2014 Consolidated Financial Statements.

Net short-term debt - 917.3 million euros

The short-term component was positive, and compared to the end of 2013 there was an overall improvement of 839.8 million euros, mainly due to the reimbursement of a 300 million euros bond in July, the growth in cash and cash equivalents (+ 454.9 million euros) and the reduction in current financial exposure to third parties and Group companies (+ 71.7 million euros).

Cash and cash equivalents amounted to 1,018.0 million euros, an overall rise of 454.9 million euros, mainly due to the change recorded in the period by the Parent Company. The following table provides a breakdown by operating segment:

€ millions	31.12.2014	31.12.2013 Restated	Increase/ (Decrease)
Environment segment	1.2	2.3	(1.2)
Energy segment	1.5	1.1	0.4
Water Segment	36.3	18.1	18.1
Networks Segment	0.6	0.0	0.6
Parent company	978.4	541.5	436.9
Total	1,018.0	563.1	454.9

Short-term bank borrowings totalled 58.2 million euros, down by 313.2 million euros, broken down as follows:

€ millions	31.12.2014	31.12.2013 <i>Restated</i>	Increase/ (Decrease)
Short-term bonds	0.0	306.3	(306.3)
Short-term bank credit lines	11.7	14.6	(2.9)
Short-term bank credit lines - mortgages	46.5	50.4	(3.9)
Total	58.2	371.3	(313.2)

Below is the breakdown by operating segment:

€ millions	31.12.2014	31.12.2013 <i>Restated</i>	Increase/ (Decrease)
Environment segment	4.1	4.0	0.1
Energy segment	7.4	7.7	(0.3)
Water Segment	3.2	5.4	(2.2)
Networks Segment	19.3	19.8	(0.5)
Parent company	24.2	334.4	(310.2)
Total	58.2	371.3	(313.2)

The change in the period (- 313.2 million euros) mainly reflects the repayment of the 300 million euros bond maturing on 22 July 2014.

At 31 December 2014 the Parent Company held uncommitted and committed credit lines totalling 799 million euros and 300 million euros respectively, neither of which is used. No guarantees were issued to obtain these credit lines.

The *committed* credit is *revolving*, with a contractual term of three years from the date of signing. These lines will mature in 2015. The contracts entered into provide for the payment of a commitment fee plus an up-front fee paid at the time the credit lines were opened.

Current financial assets and (liabilities) reported a balance at 31 December 2014 that increases debt by 103.9 million euros (139.6 million euros at 31 December 2013).

Below is the breakdown by operating segment:

€ millions	31.12.2014	31.12.2013 <i>Restated</i>	Increase/ (Decrease)
Environment segment	(4.1)	(3.3)	(0.8)
Energy segment	(56.6)	(78.0)	21.4
Water Segment	(45.1)	(22.2)	(23.0)
Networks Segment	(8.0)	(20.2)	12.2
ACEA	9.9	(15.9)	25.8
Total	(103.9)	(139.6)	35.6

The 35.6 million euros reduction in outstanding debt reflects the reduced exposure to factoring companies for the reimbursement of revenue for receivables sold by the Energy, Water and Networks companies (33.6 million euros), partly offset by the change to the Water segment (+ 23.0 million euros) and by payment of the interim dividend for 2013, approved on 18 December 2013 by ACEA's Board of Directors (26.0 million euros), payable to the market.

It should be noted that, with reference to the sale of the photovoltaic business to RTR Capital at the end of 2012, an escrow account had been set up, for an amount equal to the value of some plants that had to undergo formal checks by the vendor; following the successful results of the checks carried out on the main plant, the escrow account was partially released at the end of June, for 4.9 million euros.

Intragroup current financial assets and (liabilities) reduced borrowings by 61.5 million euros and mainly include the net exposure to Roma Capitale (59.3 million euros).

The overall change of 36.1 million euros primarily derives from the increase in financial receivables (+12.3 million euros) arising from the service agreement for the management of public lighting in the Rome area, and the decrease in the residual dividend payable, recognised in accordance with the Board of Directors' resolution of 18 December 2013 on the advance of 2013 dividends. This reduction, amounting to 29.8 million euros, results from offsetting effected in the period with the trade receivables held by the Group *vis à vis* Roma Capitale.

23. Shareholders' equity – 1,502.4 million euros

The changes occurred during the period, amounting to 95.6 million euros, are detailed in the table below.

The change, net of profit for the period amounting to 162.5 million euros, was essentially due to (i) changes in the cash flow hedge reserve related to financial instruments of - 15.5 million (net of taxation), (ii) changes in the reserve for the fair value measurement of derivative contracts of ACEA Energia, amounting to + 0.1 million euros, and (iii) the change in actuarial gains and losses, amounting to - 11.0 million euros. The change was also affected by the dividend distribution of 36.2 million euros.

Reference context

Performance of the equity markets and the ACEA share

In 2014, the performance of the international stock markets was up and down, with significant differences in the performance of single markets and highly volatile share prices in the final part of the year.

Stock markets were also influenced in 2014 by the Ukraine crisis, intensifying Israeli military action in the Gaza Strip, the Fed's announcement of the end of *Quantitative Easing* measures and plunging oil prices.

ITALIAN STOCK MARKET

Changes in the principal indexes: FTSE Italia All Share -0.33%; FTSE MIB +0.23%; FTSE Italia Mid Cap -3.86%.

PERFORMANCE OF THE ACEA SHARE

In 2014, the ACEA share "out-performed" the market in general with a gain of 8.04%, compared to a 3.86% drop of the FTSE Italia Mid Cap value.

ACEA's share price stood at 8.94 euro at 30 December 2014 (final day of trading of the year, corresponding to a capitalisation of 1,903.9 million euros). In 2014 a high of 11.20 euro was recorded on 10 June, with a low of 7.995 euro on 28 January.

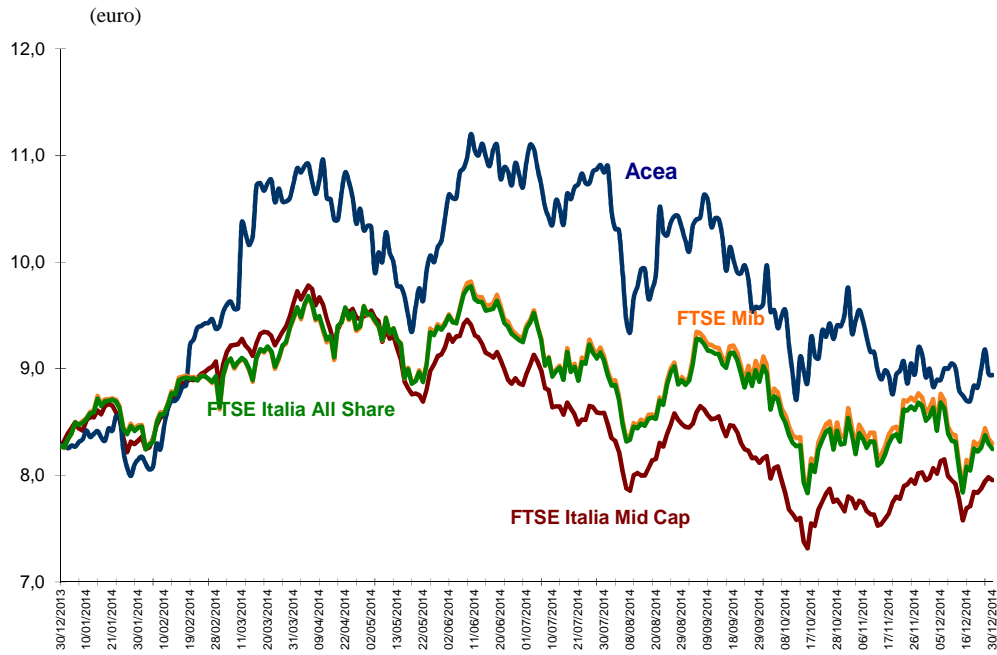
The average daily traded volumes amounted to 110,000.

During the course of 2014 over 100 studies/notes on the ACEA stock were published.



(Source: Bloomberg)

The following graph shows re-based figures for ACEA's share price, compared to Stock Market indexes.



(grafico normalizzato ai valori di Acea – Fonte Bloomberg)

	% increase/decrease 31/12/2014 (compared to 31/12/13)
ACEA	+8.04%
FTSE Italia All Share	-0.33%
FTSE Mib	+0.23%
FTSE Italia Mid Cap	-3.86%

(Source: Bloomberg)

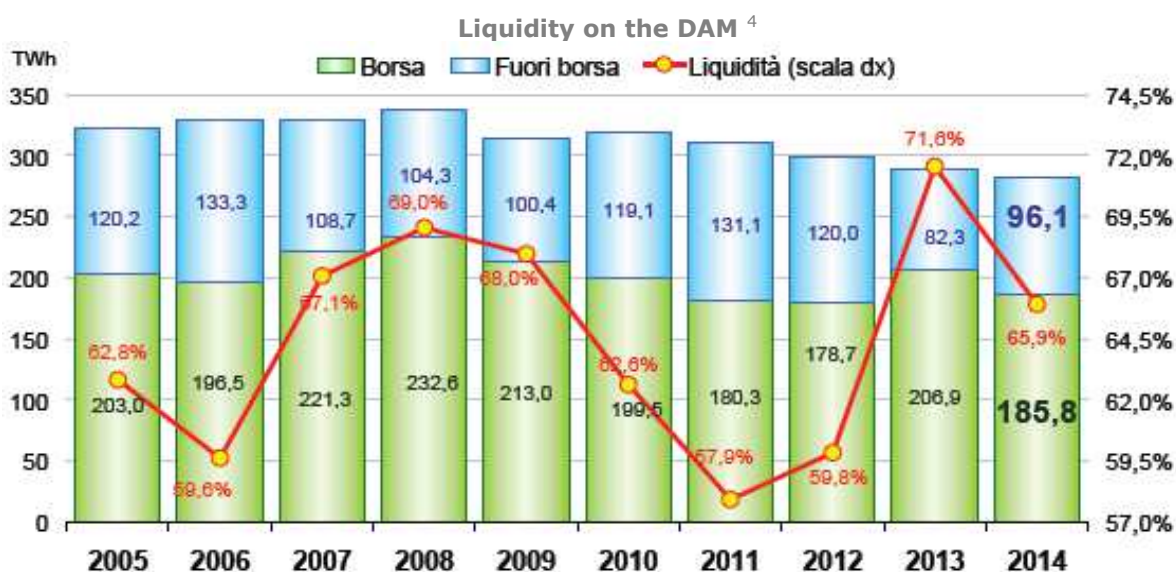
Energy market

In 2014 electricity demand fell again, and Day-ahead Market volumes posted minimum values of just 282 million MWh, 2.5% down on 2013. In Italy electricity demand fell by 9,469 GWh, which in non-calendar terms marked a fall of 2.9%. About 86% of energy requirements were covered by national production, the rest by foreign imports.

In this context, net national production in 2014 (278,832 GWh) decreased by 4.0% compared to 2013, while the balance with overseas grew by 3.7%. With the exception of thermoelectric power (- 9.7%), all other sources of national power posted increases vis-à-vis the previous year: wind power (+ 1.0%), hydroelectric (+ 7.4%), PV (+ 9.8%) and geothermal (+ 4.2%).

GWh	2014	2013	Increase/ Decrease % 2014/2013
Net Production			
-Hydroelectric	58,067	54,068	7.4%
-Thermoelectric	165,684	183,404	(9.7%)
-Geothermal	5,541	5,319	4.2%
-Wind power	14,966	14,812	1.0%
-PV power	23,299	21,229	9.8%
Total Net Production	267,557	278,832	(4.0%)
Imports	46,724	44,338	5.4%
Exports	3,021	2,200	37.3%
Balance with overseas	43,703	42,138	3.7%
Pumping systems consumption	2,254	2,495	(9.7%)
Electricity demand	309,006	318,475	(3.0%)

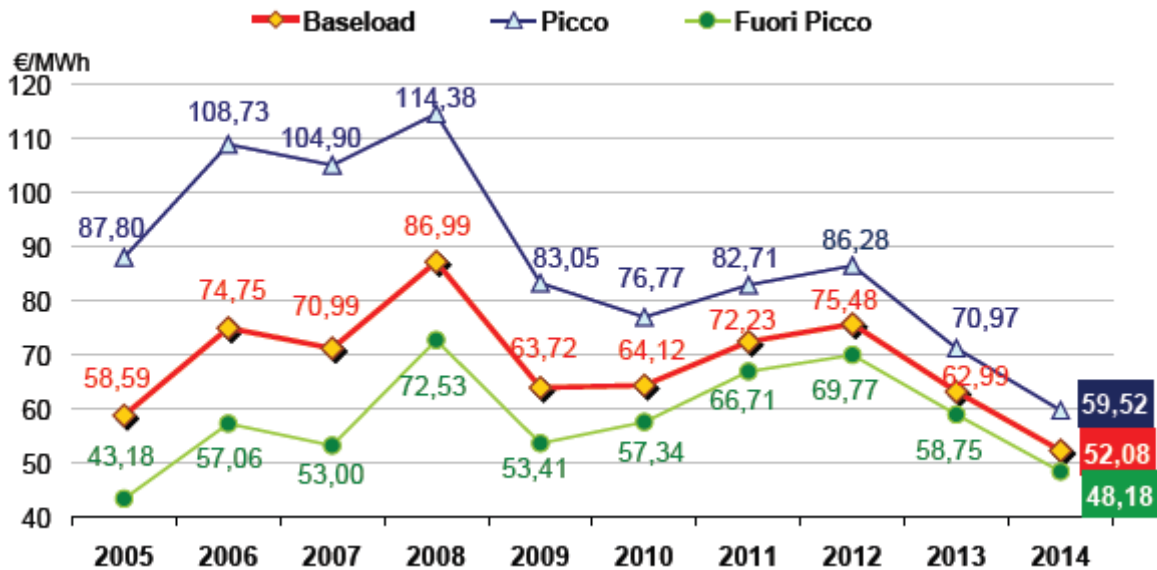
Electricity traded in the Day-ahead Market (DAM) fell significantly during the year (- 2.5% vis-à-vis 2013), with 282.0 million MWh acquired, an all-time low since the introduction of the regulated market. Electricity traded on the energy exchange totalled 185.8 million MWh (- 10.2%), in any case higher than in 2011 and 2012. OTC trade on the PCE and nominated on the DAM grew, reaching 96.1 million MWh, up 16.9% on the previous year. Market liquidity was down 5.7% vis-à-vis 2013 to 65.9%.



There was a 17.3% drop in the average purchase price for electricity (PUN) compared with 2013, reaching 52.08 €/MWh, down 10.91 €/MWh, the lowest ever level recorded.

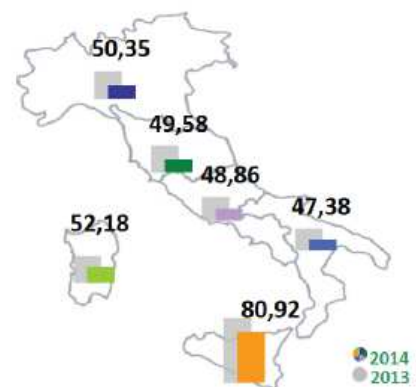
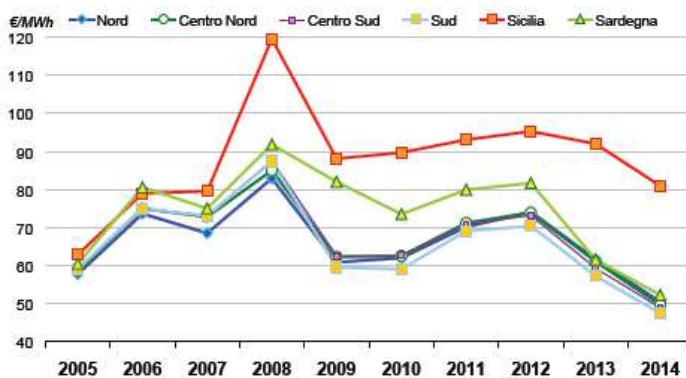
An analysis by time bands shows a yearly fall of 11.45 €/MWh (- 16.1%) at peak times, and 10.57 €/MWh (- 18.0%) at off-peak times, recording minimum values of 59.52 €/MWh and 48.18 €/MWh respectively.

National Single Price (PUN) ⁴



Average sale prices in Italy fell significantly, with the exception of Sicily, where the average price of 80.92 €/MWh marked a 12.0% fall, bucking the trend in other parts of the country, where average prices fell significantly, from 52.18 €/MWh in Sardinia to 47.38 €/MWh in the South.

Sale prices on DAM ⁴

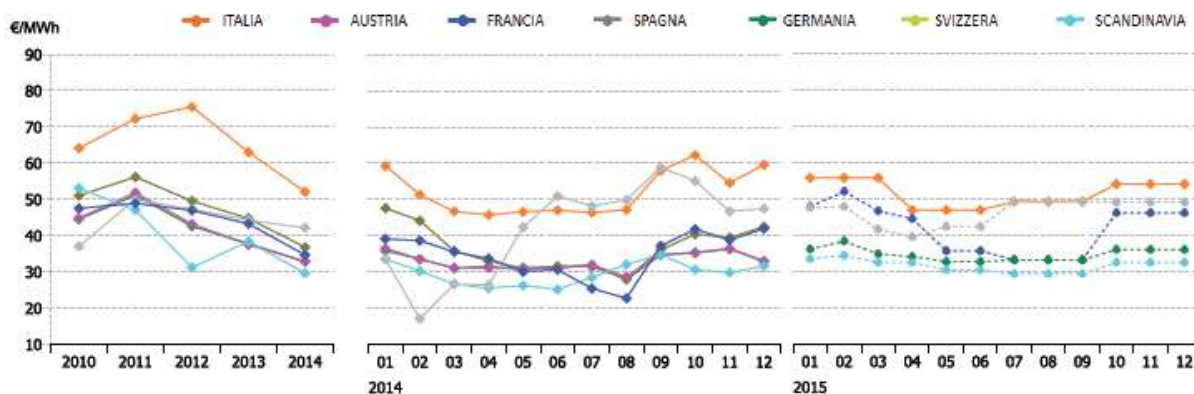


In Europe there was a growth in power traded in major spot markets (France, Germany and Switzerland), offset by a drop in list prices in the Mediterranean area, where there was a drop in trading in Italy, with 186TWh (- 10%) and in Spain, down to 170.8 TWh (- 8%).

⁴ Source: GME – December 2014, GME Newsletter

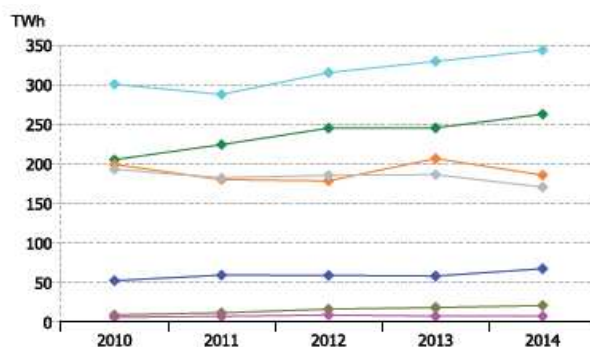
Futures markets do not fear a repeat of the heavy falls recorded in 2014, and suggest for 2015 typical monthly price profiles, with the French price in the first and final quarters of next year moving away from the German price and closer to the Italian one, presenting a higher estimate.

Price on European Energy Exchanges (arithmetic mean €/MWh) ⁴



Annual and Monthly Volumes on European Power Exchange spot markets ⁴

Volumi a pronti (TWh)			
Area	2014	Var Y-1 (%)	Dicembre 14
ITALIA	186,0	- 10 %	14,9
FRANCIA	67,8	+ 16 %	6,9
GERMANIA	262,9	+ 7 %	25,4
SPAGNA	170,8	- 8 %	14,3
AREA SCANDINAVA	343,7	+ 4 %	34,3
AUSTRIA	7,8	+ 0 %	0,7
SVIZZERA	21,2	+ 13 %	1,7



Natural gas consumption in Italy dropped to 61,416 million m³ (- 11.6% vis-à-vis 2013), as a result of a drop in consumption in the thermoelectric segment (-14.3%), due to weak electricity demand, the progressive rise of renewable sources and the collapse in consumption in the residential sector, only partially justified by the moderate temperatures recorded during the year. On the supply side, national production continued on its downward trend (- 6.5%), as did natural gas imports (- 10.1%), while there was an increase in gas supplied from storage systems (stocks + 6.9% at year end).

Regulations and tariffs

Incentive schemes for the production of energy from renewable sources

Evolution of CIP 6/92 agreement regulations

Implementing L.D. 69/2013, on 31 January 2014 the Ministry for Economic Development issued new procedures for calculating the avoided cost of fuel as per the CIP 6/92 measure, identifying the adjustment value for the avoided cost of fuel for 2013 and the advance value for the first quarter of 2014.

With the new Decree the Ministry has confirmed the extension to so-called "pre-determined initiatives" of the criterion for adjusting the avoided cost of fuel (CEC) founded on the "evolution of conversion efficiency", as defined in art. 30, p. 15 of Law 99 of 23 July 2009, and with reference to the "specific consumption value" parameter contained in the M.D. of 20 November 2012.

The electricity, gas and water system Authority subsequently established, pursuant to the cited M.D. of 31 January 2014, values for the advance for the second and third quarters of 2014.

Revision of incentives for power production from renewable sources – Law no. 9 of 21 February 2014 "Conversion of Law Decree no.145 of 23 December 2013

Further to the provisions in question, in order to limit the annual burden on prices and electricity tariffs and, at the same time, maximise the contribution of existing facilities in the medium/long-term, producers that receive benefits (such as green certificates, all-inclusive tariffs or bonus tariffs) have had to choose one of two alternatives:

- a) to continue to benefit from the incentives offered for the remaining period of application.
In this case, for any type of intervention carried out on the same site in the ten years following the end of the above incentive period, no further incentive instruments can be accessed, including dedicated withdrawal and on-site exchange, in relation to electricity prices and tariffs.
- b) to opt for a revision of the incentive scheme, assigning new values to the entire life cycle of the facility. In this case, the producer will have access to an incentive reduced by a specific percentage for each type of facility, procedures being defined in the subsequent ministerial decree of 6 November 2014.

The above reduction will be applied variously, taking into account:

- ✓ the renewable source type;
- ✓ the remaining incentive period;
- ✓ the incentive instrument;
- ✓ costs incurred for the incentive revision operation, including an adequately increased bonus for facilities for which incentives other than on-site exchange and dedicated withdrawal referring to actions on the same site are not contemplated, for the period after the end of the incentive scheme.

The revised incentive scheme will be applicable for a further incentive period, corresponding to the remaining incentive period as at the date on which L.D. 145/2013 comes into effect, plus 7 years.

The cited ministerial decree established the remaining incentive period within which the penalties mentioned in a) above will not be applied.

To safeguard ongoing investments, this remaining period may not end before 31 December 2014.

In order to access the revised scheme as per letter b) – and retain the right to new incentives after the end of the current period of incentives, without waiting for the mentioned ten-year period – the producer must file a specific request with the GSE within 90 days of the coming into force of the Ministerial Decree.

Only facilities receiving the incentives pursuant to CIP 6/92 and new facilities receiving the incentives pursuant to the M.D. of 6 July 2012 (with the exception of those subject to the transitional regime fixed by this decree) cannot benefit from the new provision.

[Changes to the feed-in tariffs for electricity produced by photovoltaic systems - Legislative Decree No. 91 of 24 June 2014](#)

Decree Law 91/2014, converted into Law 116 of 11 August 2014 provides for a restructuring of the feed-in tariff for electricity generated by photovoltaic plants with a nominal output of over 200 kW, with effect from 1 January 2015.

From 1 January 2015, the feed-in tariff for the energy produced by these plants is revised, according to the operator's choice, on the basis of one of the following options to be reported to the GSE by 30 November 2014:

- a) by a percentage of between 25% and 17%, depending on the remaining number of years of incentive for each plant, paid for a period of 24 years beginning from when the plant goes into service;
- b) without prejudice to the 20-year disbursement period, the tariff is restructured with an initial period of use at a lower feed-in tariff compared to the current one, with a second period of use of a feed-in tariff increased by the same amount. The restructuring percentages are established in a Ministry of Economic Development decree, after consulting AEEGSI, so that if all those with a right to an option adhere, there will be savings of at least 600 million euros per year for the 2015-2019 period, compared to the disbursement with the tariffs currently in force;
- c) without prejudice to the 20-year disbursement, the tariff is reduced by the percentage share of the feed-in tariff valid when the decree comes into effect, for the rest of the incentive period, according to the following amounts:
 - (1) 6% for plants with a nominal output of over 200 kW up to a nominal output of 500 kW;
 - (2) 7% for plants with a nominal output of over 500 kW up to a nominal output of 900 kW;
 - (3) 8% for plants with a nominal output of over 900 kW.

If no notification is received from the operator, the GSE will apply the option in letter c).

The same reductions also apply to the incentive component of the all-inclusive tariffs paid pursuant to the Decree of the Minister of Economic Development of 5 July 2012.

The beneficiary of the feed-in-tariff subject to the above provisions can obtain bank loans for a maximum amount equal to the difference between the feed-in tariff already accrued at 31 December 2014 and the restructured tariff as described above. These loans may benefit from dedicated funding or a guarantee granted by Cassa Depositi e Prestiti (CDP), either cumulatively or alternatively on the basis of specific agreements with the banking system; these apply to funds referred to in Article 5, paragraph 7, letter a) of Decree-Law No. 269 of 30 September 2003, converted with amendments into Law No. 326 of 24 November 2003. CDP exposure is guaranteed by the Italian Government pursuant to Article 1, paragraph 47 of Law No. 147 of 27 December 2013, according to the criteria and procedures established by a non-regulatory decree of the Minister of Economics and Finance.

In addition, the validity period of the permits issued for the construction and operation of the photovoltaic plants in question is adjusted to the duration of the restructured feed-in tariff, as described above.

It is also noted that Decree Law No. 91/14 acknowledges the possibility of transferring, through specific bidding procedures, a share of up to 80% of the feed-in tariffs for the production of electricity from renewable sources (not just PV) to purchasers selected from amongst major European financial operators. Within 90 days of the coming into force of the above converted law decree, AEEGSI must take the necessary steps to regulate every aspect of the bidding to transfer the shares of incentives and the purchaser selection procedure to maximize participation. Said mechanism however, is subject to verification of the compatibility of the effects of the operation with the balance of public funds, by the Minister of Economics and Finance.

The above-mentioned decree also provides for the adoption of additional measures, including specifically: (i) the cost of the GSE's activity concerning the mechanisms for providing incentives and support to enterprises for renewable energy and energy efficiency will be met by the beneficiaries of the same activity, and will no longer be considered a general A3 component

charged to consumers, firms and households and (ii) starting from 1 July 2014, AEEGSI must exclude the charges for the employees discount provided by the national collective agreement for the electricity industry from the applied tariffs.

Green Certificates

With regard to 2014, AEEGSI Resolution No. 20/2014/R/EFR established the average annual value of the price for the transfer of electricity recorded in 2013. This value is equal to 65.54 €/MWh.

In January 2014 GSE updated the application procedure for the issue of green certificates for the owners of WTE qualified plants in accordance with the Ministerial Decree of 18 December 2008 for production in the period 2013 - 2015 (the date on which the green certificate incentive scheme ends) also in application of the provisions of the above-mentioned Ministerial Decree of 6 July 2012.

This also clarified that, with the implementation of article 20, paragraph 2, of Ministerial Decree 6 July 2012, Green certificates will no longer be issued on the basis of estimates guaranteeing expected production or on the basis of guarantees, except for certain types of plants, such as those using the biodegradable fraction of waste, for which operators cannot use monthly issues.

The evolution of environmental, water and energy efficiency legislation

Transposition of EU Directive 2010/75 on industrial emissions: changes and new provisions introduced in Chapter II of Italian Legislative Decree No. 152/06 and subsequent amendments of Italian Legislative Decree No. 46/2014.

Legislative Decree No. 46 of 4 March 2014, "Implementation of EU Directive 2010/75 on industrial emissions (Integrated Pollution Prevention and Control)", introduces significant changes and amendments to Italian Legislative Decree No. 152 of 3 April 2006, in particular concerning authorization procedures, sanctioning control and profiles, for activities with a high pollution potential that come within the scope of EC Directive 2008/1, also known as the "IPPC Directive", and the following EU Directive 2010/75.

Particular attention must be paid to the reformulation of Annex VIII in Part II of Italian Legislative Decree No. which specifies new activities subject to Integrated Environmental Authorisation (AIA).

For these activities, subject "ex novo" to Integrated Environmental Authorisation (AIA) regulations, by 7 September 2014 the applicant must present an application for adjustment to the requirements of Chapter III-bis in Part II of Legislative Decree 152/2006.

The Circular of the Ministry of the Environment, Land and Sea, ref. 22295 of 27/10/2014, provided significant explanations and guidelines for relative regulations.

This circular explained that all AIAs in force as at 11 April 2014, are to be extended pursuant to law provisions.

In application of art. 29-sexies, paragraph 9-sexies of legislative decree 152 of 2006, as amended by Leg.Dec. 46/2014, Ministerial decree no. 272 of 13/11/2014 was promulgated, to come into force on 7 January 2015, establishing procedures for drafting the reference report as per article 5, paragraph 1, letter v-bis of said decree.

In particular, this provision states that the managers of plants with State AIAs or of "plants listed in Annex XII in part two of Leg.Dec. 152/2006, except for those consisting exclusively of thermal power stations of at least 300 MW fired exclusively by natural gas", must present:

- by 7 March 2015 the results of the procedure as per art. 3, paragraph 2 of the Decree (cf. art. 4 paragraph 2 of the Decree);
- by 7 January 2016 the reference report (cf. art. 4, paragraph 1 of the Decree).

The managers of plants subject to regional AIAs, or of "plants listed in Annex VIII in part two of Leg.Dec. 152/2006", must initiate the control procedure as per art. 3, paragraph 2 of the Decree, and in the event of a negative outcome report to the competent Authority; in the event of a positive outcome the reference report must be presented to the same Authority.

These measures are particularly relevant for plants subject to new or amended procedures for regional AIAs, since in accordance with art. 4, paragraph 3 of the Decree, since it is likely that the competent Authorities will ask for the fulfilment of the same obligations for the authorisation.

Art. 5 of the same decree sets forth the minimum contents of the reference report, which are dealt with in detail in Annex 2.

Finally, Annex 3 defines the "Criteria for the acquisition of new information on the quality of land and groundwater with reference to the presence of pertinent hazardous substances.

The necessary measures are being taken to bring the relevant plants into line with the above regulations.

[New waste classification provisions.](#)

Decree Law 91 of 24 June 2014, converted into Law 116 of 11 August 2014, introduced new provisions on waste classification, with special reference to the classification of waste having hazardous EWC codes.

In particular, the recitals to annex D in Part Four of Leg. Dec. 152/2006 introduces additional criteria for identifying hazardous waste, coming into force as from 17 February 2015, one hundred and eighty days from the coming into force of the converting law.

With regard to the classification of the waste in question, it should also be noted that on 18 December 2014 the European Commission released two documents modifying and updating previous legislation, namely Commission decision no. 2014/955/EU of 18 December 2014 (published in O.J.E.U. no. L 370/44) and regulation no. 1357/2014 (published in O.J.E.U. no. L 365/89).

[Legislative Decree no. 102 of 4 July 2014: implementing directive 2012/27/EU on energy efficiency](#)

Legislative Decree 102 of 4 July 2014, which came into force on 19 July 2014, implemented European Directive 2012/27/EU on energy efficiency. In particular, measures are envisaged to increase end users' awareness of energy consumption by, on the one hand, promoting systems so end users can gain access to their own consumption figures (including complementary information on past consumption) and real-time energy use, and on the other through more precise invoicing based on real consumption at least once a year. Furthermore, AEEGSI must guarantee processing end users' archives using independent structures not linked to any subject with specific interests in the energy sector or with a potential conflict of interest. On a gradual basis AEEGSI must also adjust the electricity tariff components of domestic customers with the aim of going beyond the progressive structure of consumption and adjust the above components to the cost of the relevant service, to encourage virtuous behaviour by citizens. AEEGSI also acquires competence in the promotion of the development of the district heating and district cooling service, on the basis of Minister of Economic Development guidelines. Furthermore, specific obligations for performing periodic energy diagnostics are envisaged for major companies and energy-intensive enterprises starting 5 December 2015. The new obligations come with a complex system of sanctions which, on the basis of the specific violation, envisages the application of penalties by various subjects (the Minister of Economic Development, the Regional Authorities or the Authority).

[Main innovations of Decree Law 133 of 12 September 2014, so-called "Sblocca Italia" \(Unlock Italy\) decree, converted into Law 262 of 11 November 2014 concerning the management of the integrated water service](#)

Article 7 of the "Unlock Italy" Law Decree introduces a series of changes and integrations to Legislative Decree No. 152/06, the so-called Consolidated Environment Law. In particular, the new regulations on the one hand relate to the institutional and organizational structure of the sector and on the other to the quality of the environment and the service provided for end users, also in relation to observing European standards, through the promotion of actions at an infrastructural level in the sector. Work continues on the process of reordering "governance", as per Law Decree 133/14, requiring **local authorities to participate as part of the regulatory agency**, which

replaces the Area Authority, identified by regional competence for each ATO and to which the powers concerning the management of water resources, including planning sector infrastructures, are transferred. The law converting Decree Law 133/14 has also fixed as final deadline **31 December 2014** by which date those Regions that have not already done so must identify the regulatory agency of the same area. If this deadline is passed, powers of substitution are attributed to Regional Authorities. If powers are not transferred to the regulatory agency within 60 days of the coming into force of DL 133/14, substitution powers are assigned to the President of the Region or, in the event of inaction reported by AEEGSI, to the Prime Minister.

With regard to operators, there is a return to the principle of a **sole area operator**, instead of the unitary criterion previously in place. Furthermore, if the optimal territorial area (ATO) coincides with that of the Region, it may be possible to approve assignments for territorial authorities of the same size as provinces or metropolitan cities. The converting law introduces a clause to safeguard existing autonomous water service operators in mountain municipalities having a population of less than 1,000 inhabitants, created in accordance with paragraph 5 of article 148⁵.

In consideration of the result of the June 2014 referendum, and in order to avoid any doubts related to the same, Law Decree 133/14 clarifies the allocation of the service, which is the sole prerogative of the regulatory agency, in the ways and using the procedures in European legislation in accordance with national laws on the organization of local public services in a network of economic relevance and on the basis of the sole operator principle. The conversion law also specifies that powers may be delegated to *in-house* companies that are controlled directly and exclusively by local authorities operating in the optimal territorial area.

In order to guarantee the efficiency, effectiveness and continuity of the IIS, the regulatory agency must appoint the sole area operator at least six months before the end of the previous concession. On this question, the converting law introduces, with the aim of obtaining a more cost-effective and complete offer and avoiding disputes among the parties involved, the inclusion in tender specifications of the works that the assigned operator must carry out during the management of the service.

As the relations between the regulatory agency and the operator are governed by a uniform agreement drawn up by the regulatory agency on the basis of the agreements adopted by AEEGSI, the following are included in the minimum content of the same agreements: the duration of the concession (no longer than thirty years), the description of works to be carried out during the management of the service, as identified in the tender notice, the **instruments to guarantee economic-financial balancing** (as well as the obligation to achieve this), the regulation of consequences deriving from the termination in advance of the concession, and the criteria and procedures for **evaluating the residual value** of investments undertaken by the outgoing operator. Furthermore, it is obligatory to update any existing agreements so they are in line with new uniform agreements using AEEGSI procedures.

The regulation obliges local authority owners to transfer the management of IIS infrastructures to the regulatory agency within six months of the date on which the decree comes into force or from the date on which the concession is granted if it is a new one. After the above times, powers of substitution are attributed to the Regional Authorities. In the case of **new concessions** the new operator must **"take over the guarantees and obligations deriving from the financing contract in force or discharge the same, and pay the outgoing operator a refund on the basis of criteria established"** by AEEGSI. AEEGSI acquires competence in all situations in which several

⁵Art. 148 para. 5. "Without prejudice to the compulsory participation in the Area Authority of all local authorities pursuant to paragraph 1 above, participation in the unitary management of the integrated water service is optional for municipalities having a population of up to 1,000 inhabitants included in the group of mountain communities, providing the water service is managed directly by the municipal administration or company with wholly public capital controlled by the same municipality. With regard to such management, the Area Authority shall carry out general regulatory and supervisory functions. An ad hoc service agreement reached with the Area Authority, further to a programme agreement, will define the criteria and methods for participation in initiatives promoted by the same Area Authority".

operators in the same territory, operating in various sector segments, require agreements to be signed to divide up tariff revenues. With regard to **existing concessions**, Law Decree 133/14 rewrites Article 172 of the environmental decree in full, introducing the deadline of 30 September 2015⁶ for the drafting of the Area Plan, if not yet drafted, and granting of the service concession to a sole operator, with the consequent termination of concessions that do not conform to the pro tempore regulation in force. The law converting the decree law also introduces the obligation for AEEGSI to submit to Parliament a half-yearly report⁷ on the observance of provisions on the part of Regions with regard to the creation of Area regulatory agencies, on the part of regulatory agencies regarding the assignment of the IIS, and on the part of local authorities regarding participation in regulatory agencies and the free granting of IIS infrastructures to service concession operators. This provision introduces a **departure**, with reference to cases in which current operators, other than the area contractor, provide the service *"on the basis of a concession contract approved in accordance with the pro tempore regulation in force and not declared to be legally terminated"*. In relation to these cases, the provision in question requires that *"the integrated water services operator will take over"* not on the date on which Law Decree 133/14 comes into force, but *"on the expiry date in the service contract or other acts regulating the relations"*. This is basically a clause protecting current concessions.

On first application, the sole area operator will be granted the concession at the end of one or more (compliant) concessions in the territorial area providing services to at least 25% of the population in the ATO. In order to allocate the service to a sole area operator as soon as possible, pending the above 25% being reached, the competent authority, on expiry of existing concessions who provide services to less than 25% of the population in the ATO, will grant the concession for the relevant service for a time in any case not exceeding that required to reach said threshold, in other words for a period no longer than the residual term of the above-mentioned existing concessions, the expiry of which falls chronologically before the others, and the territorial area, added to that of the concessions subject to contract, contains at least 25% of the population in the ATO. Also concerning the above requirements, if the regulatory agency does not act within the specified times, the President of the Regional Government will exercise powers of substitution, and the relevant charges will be paid by the defaulting party. In this case, the operating costs of the regulatory agency recognized in the tariff will be equal to zero for as long as the powers of substitution are exercised.

At the end of the concession period, or in the case of termination in advance of a current concession, **the plants and property of the outgoing integrated water service operator will be transferred directly to the local authority granting the concession** within the limits and on the basis of the procedures in the agreement.

On the question of investments, Law Decree 133/14 simplifies **authorisations**, giving the regulatory agency all the powers for authorisation procedures, to approve projects drawn up for obtaining authorisation⁸, including powers of expropriation which, within the scope of the service agreement, may be delegated to the area operator. In order to promote infrastructure actions in the sector, the regulation also gives the Ministry of the Environment, Land and Sea powers to set up a specific **Fund for said projects** concerning water resources. The Fund is financed through cancellation of resources allocated by CIPE Resolution No. 60/2012 for works in the water sector (and no longer just for waste treatment projects, as previously stated in the Decree) for which, at 30 September 2014, no legally binding acts had yet been approved and for which, following the specific technical checks performed by the ISPRA, there are objective technical-planning or town planning problems stopping the project.

⁶ LD 133/14 established a period of one year from the coming into force of the provision.

⁷ The first expiry date was 31 December 2014 and, in subsequent years, 30 June and 31 December of each year.

⁸ Coordinated with civil defence Plans if approvals are a variant to urban and territorial planning documents.

[Decree of Minister for Economic Development of 15 October 2014: additions to the Decree of 19 December 2013 concerning procedures and criteria for electricity imports for 2014](#)

The above decree granted for 2014 a 50 MW reserve on Italy's transit capacity with overseas in favour of the Vatican City, through a share of revenue from the allocation of rights to use the transport capacity across the French border, so as to ensure equivalent economic effects upon the granting of the reserve on transport capacity, as proposed by the Authority in the approved opinion 445/2014/I/eel dated 18 September 2014.

Terna continues to undertake monthly checks regarding the actual use of this reserve capacity exclusively within the Vatican City, so as to maintain the right.

[The SISTRI waste traceability control system](#)

With Decree Law 192 of 31 December 2014, the so-called "Milleproroghe" decree 2015, published in the Official Journal on 31 December 2014, to allow the digital keeping of loading and unloading books and of papers accompanying transported waste, as well as the application of simplification procedures and regulatory changes, the date on which Sistri operations will get under way has been moved to 31 December 2015.

Consequently, until that date there will be no changes to traditional operational obligations regarding papers and loading and unloading books as per article 188 and following articles of Legislative Decree 152 of 3 April 2006, or to the previous text prior to changes brought by legislative decree 205 of 3 December 2010, and relative sanctions.

With the issue of this measure companies must in any case register with Sistri, also in view of the start date of relative penalties.

On this point, the penalty for non-registration and payment of the contribution "within the set deadlines" (art. 260 bis, paragraphs 1 and 2 of Leg.Dec. 152/2006) will be applied as from 1 February 2015.

Penalties relating to system operations (art. 260 bis, paragraphs 3 to 9, and 260-ter of the same Decree 152/2006) will be applied as from 1 January 2016.

Water service activities of the Authority (AEEGSI)

Resolution 643/2013/R/idr

On 27 December 2013 AEEGSI finally passed Resolution No. 643/2013/R/idr approving the **Water Tariff Method (MTI) for 2014 and 2015**, ending the first regulatory period 2012 – 2015.

This method introduces important changes with which the Authority aims to guarantee conditions that will favour the modernization of water infrastructures, guarantee and facilitate the implementation of regulations and solve credit access problems. In short, the Decision introduces the following changes, amongst others:

- the possibility of using forms of accelerated depreciation;
- replaces the gradual mechanism of the temporary method with a mechanism of regulatory schemes defined on the basis of whether or not it is necessary to change objectives or the operator's perimeter of activity and the sum of investments required in the period 2014/2017 in relation to the value of assets managed;
- recognition of arrearage costs;
- establishment of criteria for quantifying residual values.

The resolution also establishes the procedure for defining tariffs, introducing a system for reducing the regulatory risk, acknowledging that the operator can file a claim with the Authority for the tariff revision in the case of on-performance on the part of the Local Authorities.

Decision no. 5/2014 – DSID – Quality data collection

With Decision no. 5/2014 – DSID "Definition of the procedures for collecting data to study the efficiency of the integrated water service and the relevant regulation of quality", AEEGSI began

collecting data on the regulation of quality, the level of coverage and the efficiency of the water service in Italy with particular focus on the metering service. The data requested, which must be supplied to AEEGSI by the Area Authorities by 12 May 2014, concerns the allocation of the service, investments and arrearage, electricity, aqueduct services, water treatment and sewerage, as well as the quality of the service (Service charter, accessibility and continuity of the service, management of contractual relations, availability of alternative procedures for the settlement of disputes).

Resolution 163/2014/R/idr – Approval of preliminary enquiry on the return of invested capital for 2011

In Resolution No. 163/2014/R/idr "Order to refund the integrated water service tariff component to end users related to the return on capital, repealed by the public referendum of 12-13 June 2011, with reference to the period 21 July-31 December 2011", AEEGSI concludes the procedure opened by completing the list of Area Authorities whose rebate proposal has been verified in positive terms. This list includes the Territorial Areas covered by the ACEA Group, namely:

- a) List of Area Authorities with a positive figure for the portion of the tariff to be returned to end users:
 - Ato2 – Central Lazio – Rome;
 - Ato Tuscany

- b) List of Area Authorities for which, following the evaluations carried in compliance with the principle of covering costs, the refund to end users is equal to zero; in other words Area Authorities whose tariff did not include a return on the capital invested in the period 21 July - 31 December 2011:
 - Ato5 – Frosinone;
 - Ato SV – Sarnese Vesuviano;
 - Ato2 – Perugia.

DC0 171/2014/R/Idr – Consultation Paper on Uniform Agreement

In DC0 171/2014/R/Idr "Guidelines for the preparation of uniform agreement schemes to regulate relations between the awarding party and the water service operator", on 10 April 2014, with an introductory and generic provision, AEEGSI sought to deal with topics concerning the role of uniform agreements to define a clear, stable and coherent water service regulatory framework. This first consultation paper, for which AEEGSI requires a reply by 12 May, will be followed by a second and a third more structured document in July and November to draw up the final provision before the end of the year. This regulation should come into force from 2016. The aim of AEEGSI is to define a matrix of uniform agreement schemes on the basis of the type of awarding and type of regulatory scheme selected in accordance with the Water Tariff Method for "greater flexibility in terms of the growing complexity of the goals which to be attained by the party awarded the service". The "standard" schemes defined as type "A" (awarding through a call for tenders), "B" (awarding to a mixed public-private partnership - PPP) and "C" (in-house providing company) will be drawn up in different ways on the basis of the tariff scheme selected to produce 12 different applicable contractual schemes.

Notwithstanding the need to develop reference legislative criteria for all the uniform agreement schemes, some contractual content will be drawn up in different ways for different schemes in view of the specific aspects of the various types of awarding methods and area selected by the competent bodies.

The provisions of uniform agreement schemes will be imperative, overruling current agreements - within which they must be implemented subject to nullity - and observance of the same will be verified by AEEGSI as part of the controls for approval of the regulatory schemes.

Resolution 465/2014/R/Idr - Renewal of the procedure implemented by Authority Resolution No. 412/2013/R/Idr, to prepare for one or more Uniform agreements for regulating relations between awarding parties and operators for the Integrated Water Service.

With this resolution, AEEGSI integrates and renews the procedure which was implemented in September 2013 with Resolution No. 412/2013/R/Idr (followed by DCO 171/2014). This ruling envisages that the procedure for preparing one or more Uniform agreements "considers the provisions introduced by the Unlock Italy decree" and must be concluded by June 2015. The regulatory framework of reference on the basis of which AEEGSI began defining Uniform Agreement procedures is influenced greatly by the provisions of article 7 of the Unlock Italy Decree, the conversion bill of which is currently being examined by Parliament. It amends the existing provisions of Legislative Decree 152/2006 concerning the territorial organization and awarding of the Integrated Water Service, relations between Regulatory agencies and operators, infrastructures used by the latter and the regulation of existing concessions. If the content of the Unlock Italy decree is confirmed, this would have a considerable impact on the precepts of Uniform Agreement procedures and in particular on the aspects of the legal position chosen for the management of the service, the subject of the contract, the scope of the activity performed, the obligations of the parties, the obligations and procedures for consigning assets and plants, takeover procedures including the definition of criteria and the methods used to calculate the residual value of investments made by the outgoing operator.

DCO 299/2014/R/Idr - Consultation Paper on the definition of tariffs for the collection and treatment of industrial waste that can be discharged in public sewers

The measure contains the initial AEEGSI guidance for defining the tariffs for the collection and treatment of industrial waste allowed into public sewers. The general objective of this paper, in compliance with the objectives set by the EU and the national legislative framework, is to simplify tariff regulations, currently characterized by an excessive layering of measures issued at the central and regional level, and to minimize system charges. The specific objectives underlying the measure include ensuring that service tariffs reflect actual costs and avoiding tariff distortions and misalignments for the same type of wastewater and environmental situation.

The main guiding principles that the AEEGSI sets out in the paper are:

- compliance with the principle "those who pollute more, pay more", which refines the EU "polluter pays principle – PPP" and proposes pricing that is aligned to the costs required to eliminate pollution for each type of waste, taking into account the conditions of economic sustainability of end users;
- the distinction between the sewerage/collection service and the treatment service, since their characteristics require different methods for the calculation of the related tariffs, which should also be based on drivers for the allocation of costs to the different services;
- indication, for the treatment service, of a reference aggregate perimeter (initially the ATOs), rather than the individual plant, as the latter would lead to many tariff unwarranted differences in the same local contexts.

The measures that AEEGSI intends to adopt in the near future are:

- a) a second consultation on detailed regulatory options by October 2014;
- b) adoption of a resolution approving the criteria for determining the new tariff, by December 2014;
- c) an AIR (Analysis of regulatory impact) report for the most relevant aspects of the measure by February 2015.

Lombardy Regional Administrative Court rulings on appeals lodged by "ACQUA BENE COMUNE", "FEDERCONSUMATORI – NATIONAL CONSUMERS AND USERS FEDERATION" and "CODACONS" Associations

Section two of the Lombardy Regional Administrative Court, in judgement Nos. 779/2014 and 780/2014, passed on 26 March of this year, quashed the appeals presented by the above

associations against AEEGSI Resolution No. 585/2012/R/idr (and all related, consequential, previous and related actions) which in December 2012 introduced the Transitional Method (MTI) for calculating Integrated Water Service tariffs. It is noted that ACEA Ato2 ("Codacons appeal") and Publiacqua ("ABC" proceedings) also filed actions in the above appeals.

Therefore the Lombardy Regional Administrative Court approved all of AEEGSI's defence arguments, rejecting the grounds for appeal, which were based respectively on the violation of art. 9 of the Water Framework Directive 2000/60/CE (recovery of water service costs), art. 75 of the Constitution (on abrogative referendum), Italian Presidential Decree 116/2011 (repeal following the referendum on an adequate return on invested capital), art. 154 of Leg. Dec. 152/2006 (integrated water service tariff), art. 10, paragraph 11 of Law Decree 70/2011 (creation of an Italian agency for water regulation and supervision), the method for calculating financial costs according to the standardised costs model, setting up a New Investments Fund (FoNi), the retrospective application of the resolution which although it was adopted in December 2012, produces effects in 2012-2013. According to the panel of judges of the Regional Administrative Court, *"the so-called full cost recovery principle is specifically based not only on Italian law but also on EU legislation"*. Therefore it follows that *"even after the above-mentioned abrogative referendum, the integrated water service must be qualified as a service of economic interest characterised, in terms of tariffs, by the need to cover all costs"*. The Regional Administrative Court explained that AEEGSI, *"when exercising its regulatory powers, generally assigned to it by Italian law No. 481/1995, defined the "financial cost" of invested capital "referring also to the investment of own capital (in cost-opportunity terms)... which is compliant with general practice in the field of economics"*. Moreover, an investment of own funds in durable assets implies a business risk equal to that deriving from the investment of borrowed capital, therefore giving the Operator the right to include the relevant cost in the tariff.

The claims of the petitioning associations, according to which the resolution had retrospective effects, are groundless: *"if the Authority adopted the new tariff method, after the abrogative referendum"* – states the Regional Administrative Court – *"it would in any case be valid for previous tariffs, calculated in accordance with the 1996 method, certainly having more negative effects for consumers than the current method"*.

Concerning the New Investments Fund (FoNi) set up, and the fact that, *"according to the petitioning parties, this goes against the principle of the necessary correspondence of the tariff as it provides for future investments"*, the Regional Administrative Court declares that when AEEGSI provisions are read in conjunction with the rules set forth in art. 155 of the Environmental Code, it is clear that the *"fund is to be used for improving the existing network and plants ("new investments") in favour of users ("served territory"), therefore in observance of the principle of the necessary correspondence of the tariff, as indicated in sentence 335/2008"*.

On 25 June 2014, Acqua Bene Comune and FederConsumatori lodged an appeal against the Administrative Court's ruling. The main argument put forward by the appellants asserts that, given the outcome of the referendum, AEEGSI should have adopted a unique regulation model for the water service that, unlike ordinary ones which provide for a profit and return on capital, should have been based on a balanced budget, with no generation of profits or remuneration of the cost of capital. After the referendum, no "return on the cost of capital" can be envisaged for the water service, and thus no other methods can be used to introduce a refund on the cost of capital. On the contrary, the water tariff has been gradually approaching a regulatory model that is consistent with a pre-referendum situation, similar to a tariff that you would get in any other "normal" regulated sector which permits a return on the cost of capital. The FoNi issue has also been put forward again, also citing the unlawfulness of the component levied by way of depreciation on fixed assets that were paid with non-refundable grants, which, according to the appellants, is a duplication of payment for end users (through public taxation and the water tariff).

Lombardy Regional Administrative Court judgments on actions brought by some Operators

The cited judgements were passed by the Panel of Judges of the Regional Administrative Court from 4 to 22 October 2014, and partly uphold the appeals lodged by Operators against Resolution No. 585/2012 (and 88/2013 - Operators' "ex Cipe" transitional method), Resolutions Nos. 73/2013 and 459/2013 amending Resolution No. 585/2012 and the AEEGSI Transitional Tariff Method calculation tool.

The main issues dealt with and the position of the Panel of Judges are summed up below:

- the objections of the petitioning parties were upheld concerning the non-observance of the **"full cost recovery principle"** for:
 - the non-recognition of **tax costs** in relation to the **FoNi** (the Regional Administrative Court on the other hand considers AEEGSI's decision not to recognise **tax costs** on the FoNi portion to be correct, as the same is fed by the tariff and therefore, the operator bears no financial costs for the constitution of the same);
 - the non-recognition of **IRAP** regional business tax as a cost which cannot be reduced;
 - failure to cover **financial costs** due to the unavailability of **adjustment** sums to be granted from the date the right to collection accrued to the date of actual collection, and the only **partial recovery of inflation**;
 - the unreasonableness of the criteria for calculating the adjustments referred to in Article 46, Annex A, for which the Administrative Court found a violation of the full cost recovery principle, as the calculation takes into account (negatively) the greater revenue from additional water volumes compared to the 2011 budget without considering the higher related costs;
 - inclusion of **arrears** in the tariff, given that, according to the Water Tariff Method (MTI) a component on such basis has in fact been granted to AEEGSI for the subsequent 2014-2015 period;
 - taking into account the losses on receivables in the determination of the tariff component that is used as the basis for the establishment of the FoNi;
 - the illogical nature of the provision in Resolution No. 459 of 2013 is confirmed, as this provision substantially gives the **Area Authority the right to decide whether to apply mechanisms for the recognition of costs necessary to guarantee the economic and financial equilibrium of the operators**. Indeed, if the new provisions are dictated by the need to guarantee full coverage of costs, then the Area Authority must apply those provisions;
- the objections that AEEGSI has no powers to regulate the so-called **white water** sector were upheld, as the regulatory power applies to the integrated water service only. AEEGSI only has jurisdiction for the Integrated Water Service and, accordingly, the provision stating that "other water activities" performed by the operator are to be taken into account in calculating the Integrated Water Service tariff is illegitimate. "The attribution to AEEGSI, by means of Resolution No. 585/2012, of regulatory powers for other water activities, without any legal basis, **violates the principle of the legality of the administrative action**".

As various objections were upheld, the above-mentioned AEEGSI resolutions and the measures for approval of the tariffs by the competent bodies are null and void, having been adjudged to be illegitimate, to the extent that the grounds of the appeals were upheld.

Finally, for the Regional Administrative Court there were no grounds for upholding:

- **the retrospective nature of provisions issued to Area Authorities and operators and their effect on prior contractual relations**: The Regional Administrative Court confirmed AEEGSI's legitimate right to alter current agreements, rejecting the grounds of the appeal. "The principles of legal certainty and legitimate confidence (...) cannot however be invoked to prevent, within the scope of providing a long-term public service, new rules and regulations

from ever being applied". Moreover, Operating Agreements often specify that tariffs can be revised on the basis of new legislative provisions.

- the objections to the method used to calculate **net working capital**, from which revenues and costs from water activities other than the integrated water service are excluded.
- the alleged insufficient value attributed (to guarantee covering costs) to the **parameters Kd, ERP, BETA and CS/CnS**, since not only are these choices made at the technical discretion of AEEGSI, over which the Panel of Judges has no jurisdiction, but they were also not considered to be plainly unreasonable.
- the objection to the so-called **calculation tool** which, as such, does not alone constitute an impugnable act. It was however acknowledged that its construction does substantially violate the provisions of Resolution No. 585/2012, as provisions for "liabilities and charges" are not included in the calculation of the net invested capital. The petitioning parties may if necessary challenge the *contra legem* application of the same resolution, for the point in question.

On 27 June 2014, the State Attorney General, on behalf of AEEGSI, lodged an appeal against the decisions of the Regional Administrative Court of Milan that upheld the main arguments of the operators' appeals.

Resolution 199/2014/E/idr – Completion of fact-finding investigation initiated with Authority resolution 135/2013/E/Idr regarding the supply of the aqueduct service in municipalities subject to restrictions on the use of water intended for human consumption

With resolution 135/2013/E/idr AEEGSI started up a fact-finding investigation on the supply of the aqueduct service in municipalities subject to restrictions on the use of water intended for human consumption. The investigation, carried out via the collection of information from the Area Authorities concerned, with the involvement of the Ministries of Health and the Environment and the National Institute of Health, looked at the current status of drinking water supplies in zones affected by the arsenic and fluoride emergency, structural measures adopted for a rapid solution to the problem and alternative measures adopted to provide drinking water to the local populations. The final act of the investigation was the drafting of an AEEGSI report examining the emergency situation that has continued in particular in Ato 1 and Ato 2 of the Lazio region, where deadlines have come and gone for the performance of actions ordered by the President of the Regional Authority in his capacity as Commissioner in charge of the water emergency. With regard to the territory managed by ACEA Ato2, actions to deal with the arsenic emergency had already been included in the Area Plan, and were to have been carried out in the period 2009-2011, in order to be able to comply with legal limits by 2011 and 2012. All planned investments were funded through the tariff, and no adjustments are to be applied for the non-performance of some of these investments. At the end of 2013, one year after the final extension, the emergency had been resolved in all served municipalities except for the municipality of Velletri, where problems remain. In the period subject to Mayors' orders limiting water use, ACEA Ato2 adopted alternative supply measures such as mobile water tanks and purifiers or bottled water in the managed area and in some Municipalities where it did not operate. In Municipalities still affected by criticalities, AEEGSI believes it would be counterproductive to reduce water rates, and also holds that operators serving these territories must be recognised, for tariff purposes, the costs incurred for adopting alternative measures, providing they are accurately quantified.

Resolution 268/2014/R/Idr – Adjustment of payments for the years 2010 and 2011 for former Cipe operators

This measure is further to DCO 143/2014/R/IDR, in which AEEGSI gave its opinion on tariff settlements for water services provided by former CIPE operators for the years 2010 and 2011. Section four of the State Council passed rulings nos. 255, 319 and related rulings from January 2014, fully confirming AEEGSI's right to settle the positions of former CIPE operators and to remedy the lack of tariff calculations for the years 2010 and 2011. The payments for the above

years are recognised to operators still in activity in the form of adjustments from 2014 onwards, with the application of the Water tariff method. No financial costs have been recognised for these adjustments, which are treated as “items from previous years”. In order to ensure the utmost transparency for users, and in line with the provisions of resolution 643/2013/R/IDR, adjustments are expressed per consumption unit and highlighted in energy bills separately from tariffs approved for the current year, indicating the period they refer to. Furthermore, in order to ensure social sustainability, the operator is required to ensure that said adjustments are to be paid by customers in instalments, as per the MTI.

Area Authorities or other competent bodies were tasked with quantifying and approving these amounts and reporting to AEEGSI by 30 June 2014, coordinating the request for the recognition of said adjustments with the revision of tariffs for the years 2014 and 2015. If the Area Authority/competent body fails to meet this deadline, the resolution gives the operator the possibility of rectifying the situation, after which AEEGSI will serve a formal notice. The measure affected around 1,400 operators (including Geal S.p.A., Gesesa S.p.A. and Sogea S.p.A.) for a served population of about 10 million inhabitants.

Resolution 380/2014/E/Idr - Implementation of proceedings to apply penalties and prescriptive procedures for violations concerning the regulation of the integrated water service

AEEGSI, in collaboration with the Italian Finance Police, performed an audit on G.O.R.I. S.p.A. on 15, 16, 17 and 18 April 2014. The audit concerned integrated water service tariffs for the years 2012 and 2013 and the return of invested capital for the period 21 July 2011 – 31 December 2011. As a consequence of the audit, and after analysing the additional documentation produced by the operator, AEEGSI holds that G.O.R.I. may have committed the following violations: incorrect data on the basis of a comparison between the accounting documentation examined and the values in the forms sent, incorrect information sent and breach of form completion procedures.

In particular, with reference to the **obligations concerning tariff calculation** and the procedure for gathering data on the integrated water service in accordance with Decision 2/2012TQI, AEEGSI reports the following possible violations:

- G.O.R.I. entered a different amount (at current currency value) of the 2013 mortgage instalment repaid to the Local authority for use of its structures, rather than the value approved by the Area Authority before 28 December 2012 (as required by Resolution No. 585/2012);
- G.O.R.I. included the amounts for paying the instalments of the mortgage taken out with the Area Authority to guarantee the capitalisation of the same Company and not the amounts paid to the owners for using their water services infrastructures in the charges paid to owners for the use of their infrastructures;
- On the basis of the analysis performed during the audit, it appears that G.O.R.I. indicated an Accumulated Depreciation equal to zero for some assets, whereas *vice versa*, amortisation is obligatory;
- the operator calculated some assets acquired from Acquedotto Vesuviano (in specific years) including the economic and financial revaluations prohibited by the Transitional Tariff Method.

Concerning the **portion of the tariff for the wastewater treatment service**, AEEGSI reports that the operator, in violation of art. 9.1 of resolution 585/2012, may have applied part of the wastewater treatment service prices to users who were not connected to the relevant system.

On the basis of the above, AEEGSI has opened proceedings to apply penalties and prescriptive procedures in accordance with art. 2, paragraph 20, letters c) and d) of Law 481/95 against G.O.R.I. S.p.A.

Resolutions approving specific regulatory schemes, containing tariff measures for 2014 and 2015, proposed by ATI 1 and 2 Umbria, ATI 3 Umbria and ATI 4 Umbria (resolution 252/2014/R/idr) the Tuscany Water Authority (resolution 402/2014/R/idr) and the Mayors' Conference of ATO 2 Central Lazio – Rome (resolution 463/2014/R/idr).

In resolution 643/2013/R/Idr AEEGSI introduced the Water Tariff Method (MTI) for 2014 and 2015, after the transitional logic and the first 4-year regulatory period (2012-2015). With Resolution No. 203/2014/C/Idr AEEGSI appealed against the recent judgements passed by Section II of the Regional Administrative Court of Lombardy cancelling some of the provisions in Resolutions Nos. 585/2012/R/Idr, 88/2013/R/Idr and 459/2013/R/Idr concerning the Transitional Tariff Method (MTT) valid for 2012-2013. At the same time, in Resolution No. 204/2014/R/Idr, AEEGSI stated that the above-mentioned sentences do not have any temporary effect on the Water Tariff Method (MTI) for 2014 and 2015, the provisions of which are compulsory, with particular reference to time frames and implementation of the procedures therein, while there may be some changes to adjustments for 2012 and 2013. Therefore, in order to **approve the tariff proposals for 2014 and 2015**, the adjustments in the Restriction on Guaranteed Revenues (art. 29 of Annex A to Resolution 643/2013) are calculated, provisionally and while waiting for the settlement of pending disputes, on the basis of the tariff multipliers approved for 2012 and 2013, in other words, in the cases of tariff multipliers that have not been approved, within the price limits of paragraph 7.1 of Resolution No. 585/2012 and paragraph 5.1 of Resolution No. 88/2013.

All the areas affected by the above provisions sent AEEGSI the specific regulatory procedures with tariff proposals for 2014 and 2015 concerning the single concessions operating in their territory, as well as the other elements required, to conclude the tariff approval process. The documents sent, as required by Decision No. 3/2014 – DSID, reveal a series of critical elements in the territories of various areas, which the same Authorities intend to resolve with priority actions to attain specific planning goals. These actions and goals, described in detail in the documentation sent, constitute the basis on which the competent Authority proposes to position the management of the relative area of the matrix of regulatory procedures (in accordance with article 12 of Annex A of Resolution No. 643/2013/R/Idr) which will specify the value of the tariff multiplier *theta* as well as other parameters.

Resolution 662/2014/R/IDR - Identification and stating of environmental and resource costs with reference to the provisions of the Water Tariff Method (MTI) for 2015

This measure, following on from the consultation paper 539/2014 "Identification and stating of environmental and resource costs in the water tariff method (MTI)", approves rules for the identification of a first set of environmental and resource costs in the restriction to operator's revenue for 2015, with the latter and the consequent tariff multiplier unchanged.

The ERC component is intended to capture and incorporate all environmental and resource costs that will be considered as being produced by the IIS and by its users, consistent with the responsibility for having generated them.

As regards 2015, on the other hand, in view of the criticalities raised by a number of operators in response to the consultation paper, AEEGSI has identified only a first set of costs to be transferred to the ERC component, namely the share of local costs pertaining to water diversion and conveyance, grants to mountain communities and other operating costs⁹, intended for the protection and production of water resources or the reduction/elimination of environmental damage or aimed at limiting or mitigating the opportunity cost of the resource. Consequently, the component CO_{res}^{2015} in the VRG will be recalculated net of shares of the same costs quantified in the component ERC^{2015} .

On the other hand, in view of the non-uniform nature of the criteria proposed by consultation participants for the possible allocation of wastewater treatment costs, AEEGSI intends to put off allocation to the *ERC* component of water purification capital costs until the subsequent segregation

⁹ As identified by the component CO_{res}^a as per the MTI, article 28, paragraph 28.1.

phase, scheduled for the second regulatory period, which may benefit from accounting *unbundling* rules for the water sector that have since been defined.

Accordingly, competent bodies will have to quantify and transmit – with time frames and methods still to be decided – the component *ERC*²⁰¹⁵ for each type of management, and to recalculate the components for the restriction on operating revenue in which these cost items had previously been included. AEEGSI will publish the results of the first phase of segregation of environmental and resource costs for 2015 by 31 May 2015.

DCO 665/2014/R/Idr – Regulation of contractual quality of the integrated water service or of each of the single services it is made up of – General framework and lines of action

With this measure AEEGSI seeks to introduce uniform rules for the whole country, overcoming deficiencies in quality standards – and relative indemnities – currently evidenced by service charters adopted by different operators. The harmonisation of quality criteria is an attempt to provide I.I.S. users with the same contractual protection as that guaranteed for the customers of energy sectors.

The consultation focused on the following areas:

1. Billing procedures and corrections,
2. Payments by instalment,
3. Management of customer information offices and preparation of website,
4. Management of telephone services,
5. Requests for information,
6. Complaints management.

The final measure will be published by June 2015, and will be applied as from 1 January 2016. Future measures will tackle service continuity and accessibility, including supply connections and activation (DCO by the summer of 2015) as well as data communication, registration and storage obligations (DCO by June 2015).

AEEGSI activities in the area of electricity

Resolution 13/2014/R/efr – Energy efficiency tariff contribution for electricity distributors 2013 - 2014

Resolution No. 13/2014/R/efr of 23 January 2014 defined the criteria for the quantification of the tariff contribution to cover the costs borne by electricity and gas distributors concerning Energy Saving Certificates (TEE) from the compulsory year 2013, which started 1 June 2013 and will end this coming 31 May. Through this mechanism TEE average market prices can be taken into account, thereby avoiding the recognition of expenses borne by distributors on the basis of actual documented costs.

At the beginning of each compulsory year, AEEGSI defines the value of a preventive contribution which, for 2013, was set at 96.43 €/TEE, on the basis of the market values recorded on the stock exchange over the previous two years, in order to reduce the accumulated imbalance between contributions recognised to date and the average market prices of the bonds.

The final contribution, which will be paid to the distributor on cancellation of the certificates, will be calculated and published at the end of every compulsory year.

Based on the above considerations, therefore, through decision 9/2014 - DMEG of 2 July, AEEGSI announced both the value of the final tariff contribution for 2013, amounting to 110.27 €/TEE, and the tariff contribution for 2014 amounting to 110.39 €/TEE.

Finally, it is noted that with Decision No. 9/2013 – DIUC the Authority published data on the quantity of electricity and natural gas distributed in Italy by liable distributors in 2012, sending the same to the Ministry of Economic Development and the national grid operator. This data is essential to determine the energy efficiency objectives each single distributor must meet for 2014.

Decision No. 6/2014 - DIUC – 2014 equalisation of revenues for the distribution of electricity and transmission costs

With Decision No. 6/2014 - DIUC of 17 March 2014 AEEGSI made the mechanisms of advance payments every two months for the equalisation of revenues from the distribution of electricity and costs of transmission optional for operators for 2014. The Authority, with Decision No. 4/2014 – DIUC of 15 July 2013, introduced a mechanism of advance payments and adjustments for the payment of said equalisation, so that said mechanism (inclusive of the changes made by the decision in 2014):

- ✓ applies to equalisation for 2014 and 2015 on the basis of equalisation data, respectively, from 2012 and 2013;
- ✓ is optional for 2014 and, subject to further changes made by AEEGSI, is compulsory for 2015;
- ✓ requires the payment of six 2-monthly advance payments equal to 80% of the equalisation for the two previous years, and payment of an adjustment instalment calculated on the basis of equalisation for the current year.

Decision 136/2014/R/eel – Tariff of reference for the sale of electricity

With Decision No. 136/2014/R/eel of 27 March 2014 AEEGSI revised the retail tariff for the sale of electricity in the protected categories market, as from 1 April 2014. This tariff was increased due to the effect of a revision of the tax rate incorporated in the rate of return on net invested capital (WACC), now equal to 8%, and the separate recognition of IRAP regional business tax in the tariff, which was previously incorporated in the WACC.

At the end of 2013, with Resolution No. 637/2013/R/eel, AEEGSI increased the tariff for the sale of electricity starting from the first quarter of 2014, to allow for the risk of end user arrearage. At the same time, the Authority, pending the definition of a final operating mechanism, also set up a transitional mechanism to compensate for arrearage in the case of fraudulent withdrawals, for which operators in the protected categories market will present a proposal for settlement by 30 June 2014.

Resolution 154/2014/R/eel – 2014 tariff of reference for the distribution of electricity

With Resolution No. 154/2014/R/eel of 3 April 2014 AEEGSI published the tariffs of reference for 2014 electricity distribution. Both the parameters used to quantify the revenue allocated to each distributor for the electricity distribution service alone (specific corporate tariffs) and the parameters for covering marketing costs, for the electricity distribution service (national single tariff) were revised.

Resolution 169/2014/R/eel – Equalisation of network losses 2012 - 2014

With Resolution No. 169/2014/R/eel of 10 April 2014, for 2015 AEEGSI decided to apply the transitional equalisation mechanism among distributors to electricity losses on distributors' networks in 2014, as already specified in Resolution No. 559/2012/R/eel (for 2012 losses), as amended by Resolution No. 608/2013/R/eel, and valid for 2014 further to equalisation for the year 2013.

In brief, pending publication of the final mechanisms for calculating the equalisation on network losses, which will be published after the conclusion of the study on specific corporate network losses at the end of 2014, distributors with network losses lower than standard losses (such as ACEA Distribuzione) will receive 1/4 of the equalisation amount for energy pertaining to 2014, as already happened in 2013 (for 2012 the same distributors received half the sum). Consequently, distributors with network losses exceeding standard losses will pay reduced amounts.

Furthermore, late adjustments (energy related to periods prior to 2012, 2013 and 2014) will be considered in the recalculation of the distributors' sums.

It should be noted that the Lombardy Regional Administrative Court, following an appeal lodged by the company A2A reti elettriche S.p.A., with ruling no. 1307 of 20 May 2014 annulled Resolutions

559/2012/R/eel and 608/2013/R/eel, i.e. the transitional equalisation mechanism for network losses in 2012 and 2013. The reason for this decision is that, despite taking into account the results of a study commissioned to the Politecnico of Milan, which showed a significant difference between actual losses and standard losses at a local level mainly due to fraudulent withdrawals, AEEGSI accordingly corrected the existing equalisation mechanism by reducing both positive and negative amounts, in the absence of further information that would have allowed for a more complete review of the entire equalisation mechanism and should have led to the definition of company-specific loss coefficients rather than national averages; conversely, this objective is being pursued by the Authority with the still ongoing study on network losses, which was started by the same resolution 559/2012/R/eel. Therefore, according to the Regional Administrative Court AEEGSI should first have waited for the results of that study and then, on the basis of the information collected, should have changed the equalisation mechanism for network losses. AEEGSI appealed to the Council of State, against the judgment of the Administrative Court of Lombardy.

Resolution 179/2014/R/efr – Minimum guaranteed prices for plants fuelled by renewable sources

By Resolution 179/2014/R/efr of 17 April 2014, following the conversion of Decree Law no. 145 of 23 December 2013 into Law no. 9 of 21 February 2014, AEEGSI revised Resolution no. 280/07 on the application of minimum guaranteed prices for plants fuelled by renewable energy sources (RES), i.e. the withdrawal price that the National Grid Operator applies to electricity produced by small-scale RES plants, that have high operating and maintenance costs, limited annual output and nominal power of up to 1 MW.

This resolution provides that minimum guaranteed prices apply to:

- PV systems with nominal power up to 100 kW that have access to incentives for the electricity produced;
- hydroelectric plants with nominal power up to 500 kW that have access to incentives for the electricity produced;
- hydroelectric plants, and other renewable sources, with nominal power up to 1 MW that do not have access to incentives for the electricity produced;

The above is subject to the principle that, if the guaranteed minimum prices are lower than hourly zonal prices (i.e. market prices), the latter shall apply.

In all cases other than those mentioned in Resolution 179/2014/R/efr, hourly zone prices apply, as required by Decree Law no. 145 of 23 December 2013.

The aforementioned resolution also provides that, where hydroelectric plants with an electrical output of up to 500 kW and access to incentives for the electricity produced during the year exceed the aforementioned power, the National Grid Operator shall revoke the guaranteed minimum prices for that year, making the necessary adjustments in line with the zonal price.

In addition, RES plants as defined in Resolution 179/2014/R/efr shall benefit from the guaranteed minimum prices even if the electricity produced, instead of being allocated to the National Grid Operator, is sold to a trader or directly on electricity markets.

Resolution 231/2014/R/com – Accounting unbundling 2014

By Resolution 231/2014/R/com on 22 May 2014, the Authority approved the new Consolidated Accounting Unbundling Regulation (Annex A - TIUC), which replaces the previous provisions contained in the TIU (Consolidated Unbundling Regulation - Annex A to Resolution no. 11/07). Annex A to the resolution states that:

- TIUC provisions shall be applicable as of the year 2014;
- a technical committee with operators and trade associations is to be established, aimed at drawing up a regulatory accounting manual containing detailed technical specifications for the preparation of annual separated accounts pursuant to the TIUC;
- the regulatory accounting manual: (i) has to establish specific techniques that are useful for the preparation of the annual separated accounts, (ii) must ensure consistency between the

changes in fixed assets communicated for the purposes of accounting separation and those communicated to the Authority during data collection for the purpose of determining the tariff, (iii) has to define uniform rules for the construction of drivers used to chargeback items of common services and shared operational functions and to quantify transactions within the corporate group;

- the simplification of mandatory disclosures, when such information is already collected through other means by the Authority, is to be defined through accounting schedules relating to future separated annual accounts to be published by AEEGSI Offices.

On 13 October 2014 AEEGSI convened the first meeting of the above-mentioned technical committee which, in addition to discussing the topics cited above regarding changes to fixed assets and the construction of drivers, also examined the following questions:

- ways of quantifying transactions within the group, with the possible applicability of OECD guidelines;
- criteria for the reporting of balance sheet and income statement items useful for determining the recognised cost (with special reference to operating costs and capitalisation of fixed assets) of infrastructural services and payments to cover marketing costs;
- problems regarding definition of the perimeter of activities and sectors subject to accounting separation;
- content of the items of accounting statements of separate annual accounts;
- criteria for the separation of accounting items contained in the consolidated financial statements.

Resolution 205/2014/R/eel – Experimental tariff 2014 for domestic customers with heat pumps for heating

Through Resolution 205/2014/R/eel of 8 May 2014, AEEGSI launched an experimental tariff on a national basis aimed at all residential domestic customers that use electric heat pumps as the sole source of heating. Such experimentation, conducted on a national basis, allows eligible customers to take advantage of the D1 network rate, which, unlike the current D2 and D3 tariffs, bypasses energy invoicing by consumption brackets which, as a matter of fact, limits the use of energy efficient technologies due to the high price of energy in the higher consumption brackets. The request for application of the D1 rate can be submitted as of 1 July 2014 to operators in the protected categories market (mandatory regime) and to the free market vendors participating in experimentation (optional system).

Resolution 266/2014/R/com – Revision, through legislative decree 21/2014, of the Code of Business Conduct and other provisions relating to consumer protection

Legislative decree 21 of 21 February 2014 has transposed Directive 2011/83/EU on consumer rights into Italian law, amending certain provisions of the Consumer Code (Legislative Decree no. 206 of 6 September 2005) relating to contracts between professional operators and consumers that are negotiated away from business premises, distance contracts and contracts other than the latter (i.e. negotiated within business premises). The new provisions also expressly apply to contracts for the supply of water, gas, electricity or district heating, concluded as of 14 June 2014.

The legislative decree in question introduces new requirements regarding:

- pre-contractual information that professional operators have to provide to consumers prior to the conclusion of contracts; by way of example, in contracts negotiated away from business premises or distance contracts, operators must inform consumers that, if they wish the service to begin during the period available for exercising the right of withdrawal (14 days), they must explicitly request so on a durable medium;
- formal requirements for contracts negotiated away from business premises and distance contracts. Specifically, distance contracts now require confirmation on a durable medium. Contracts concluded by telephone (teleselling) also require confirmation of the offer by the

professional operator and acceptance by the consumer, who is bound only after signing the offer or accepting it in writing, or after providing his/her consent on a durable medium;

- consumers' right to withdraw, following the conclusion of a distance contract or a contract negotiated away from business premises; this right may be exercised within a period of 14 calendar days, compared to 10 working days under the previous rules. Where a consumer exercises the right to withdraw after having requested the provision of the service during the withdrawal period, the consumer has to pay the operator an amount proportional to the service provided up to the time the consumer has informed the vendor of his/her intention to exercise the right of withdrawal.

In light of the foregoing, by resolution 266/2014/R/com, AEEGSI amended the provisions of the Code of Business Conduct (Annex A to Resolution ARG/com 104/10) concerning the fulfilment of pre-contractual obligations and the way residential customers may exercise the right of withdrawal, adapting them to the new provisions of the Consumer Code.

In addition, by the same measure, the Authority introduced new and transitional provisions, applicable to residential end users only, replacing part of the provisions laid down in Resolution 153/2012/R/com (unsolicited contracts) relating to sellers' obligations in the case of contracts concluded away from business premises or distance contracts, or such as to ensure specific timing for the submission of complaints and the smooth running of re-activation measures, where applicable; with regard to non-residential end customers, the previous provisions contained in Resolution 153/2012/R/com shall continue to apply.

According to the new wording of Article 66-quinquies of the Consumer Code on unsolicited supplies, consumers are exempted from the obligation to provide any consideration. According to the Authority, this provision does not conflict with the provisions on unsolicited supplies provided for by Resolution 153/2012/R/com, but rather supplements them, as the re-activation procedures provided for by the latter are protection tools that can operate concurrently with those provided by the Consumer Code (judicial protection and protection by the Antitrust Authority) to which end users may resort at all times; indeed, the purpose of re-activation measures is to enable end customers, on their own initiative, to be able to restore the contractual relationship still in place with the vendor preceding the "unsolicited" one.

Council of State judgement for dispatching costs of non-programmable renewable sources

The Council of State judgment no. 2936 of 9 June 2014, definitively declared as groundless the appeals lodged by AEEGSI against the judgments of the Regional Administrative Court of Lombardy, nos. 1613/2013, 1614/2013, 1615/2013 and 1830/2013, which nullified resolutions nos. 281/2012/R/efr, 343/2012/R/efr and 493/2012/R/efr, limited to the criteria for calculating the imbalance prices attributed to producers of electricity from "non-programmable" renewable sources.

The Council of State, confirming the judgments of the Regional Administrative Court, held that the above-mentioned resolutions of the Authority violated the non-discrimination principle.

Specifically, the Council of State said that *"non-programmable sources of electricity are characterised by the fact that, although predicting the energy produced and fed into the grid is not objectively impossible, nevertheless, given the type of source and the variables that influence their operation, such prediction cannot achieve the same level of precision as programmable sources"*.

Accordingly, the imposition of imbalance prices must take the peculiarities of this source into account. The provision of special allowances is not considered suitable to meet this obligation, as allowances are not differentiated based on the type of source. As a result, the Council of State urged the Authority to identify a system for allocating imbalance costs, by introducing *"mechanisms calibrated according to the sources' specific characteristics"* that would take into account *"the consequent difficulties in forecasting the energy fed into the grid with the same degree of reliability that has to be ensured by the units that produce programmable energy"*.

In addition, the Council of State also pointed out the unlawfulness of the previous system, in which, the imbalance costs caused by the mentioned production units were commonly shared, thereby leading to “*discrimination between operators, providing an unjustified advantage to those that produce programmable energy*”.

With resolution 522/2014/R/eel dated 23 October the Authority, implementing the judgement of the Council of State no. 2936/14 and the consequent consultation paper (302/2014/R/efr), revised the rules on unbalancing for non-programmable renewable sources, previously defined with resolution 281/2012/R/efr. In greater detail:

- “bands” have been defined for the various renewable energy sources subject to imbalances, so as to take into account the specificity of single sources, for instance 31% for PV plants and 8% for flowing-water plants. These thresholds may be lowered in the future to take into account the evolution of systems that predict the capacity of single sources (and consequently power output) and the fact that a more active participation in the Intraday Market should help to reduce unbalancing;
- it has been established that outside the band the electricity to which unbalancing refers is quantified using the same methods as those currently used to quantify the unbalancing of unenabled programmable production units and consumption units (average prices);
- it has been established that within the band the electricity to which unbalancing refers is quantified using a unit price that is different according to the market zone but not also the source (zonal equalisation component). This price, expressed in euro/kWh, is calculated as the ratio between the economic value of imbalances of non-programmable renewable sources within the bands (the economic difference between the sum of imbalance prices, inside and outside the bands, and the sum total of imbalance prices outside the bands) and the sum total of electricity to which unbalancing refers falling into the same bands. With this option it is possible to promote the correct forecasting of feed-ins from plants powered by non-programmable renewable sources, preventing imbalance prices from being transferred to end users, and to introduce imbalance prices as tools for the correct quantification of electricity fed in to the grid, without penalising producers or users.

As an alternative to the above method, and in order to increase flexibility, dispatching users may choose the application of imbalance prices without bands – in other words adopting the method in place for unenabled programmable plants – thus preventing imbalances from being quantified based on prices not broken down by source type.

With regard to the period from 1 January 2013 (date on which resolution 281/2012/R/efr came into force) to 31 December 2014, Terna will apply the imbalance prices as initially defined in resolution no. 111/06 (article 40, paragraphs 40.4 and 40.5), and will effect the relative adjustments by 31 December 2014.

The new measure will come into force on 1 January 2015, and in the first months of the new regime Terna may activate advance and adjustment mechanisms when billing imbalance prices for non-programmable renewable sources.

Finally, since the provisions mentioned entail changes to Terna’s Grid Code, with resolution 643/2014/R/efr of 18 December the Authority approved such changes, including the publication in Terna’s Grid Code of the unit value (and of the terms this derives from) of the zonal equalisation component which is calculated, for the imbalances falling within the bands, in accordance with resolution 522/2014/R/eel.

Electricity imbalances in Sardinia: ruling of Lombardy regional administrative court no. 1648 of 24 June 2014

With this ruling the TAR of Lombardy upheld the appeal lodged by Illumia S.p.A., thus annulling the resolutions of the Authority 342/2012/R/eel, 239/2013/R/eel, 285/2013/R/eel, and 197/2013/E/eel in the sphere of imbalance regulations in Sardinia.

The TAR first of all accepted the argument about the absence of urgency, as claimed by the Authority as a condition for the adoption of resolution 342/2012/R/eel: this resolution completely

fails to demonstrate the existence of such a condition, i.e. of risks to the safety of the electricity system. This was subsequently confirmed by the findings of the exploratory investigation completed with resolution 197/2013/E/eel. Furthermore, the Authority's resolution was flawed by the non-performance of the consultation procedure which, indeed, would have revealed in advance the non-existence of the urgency condition. The ruling refers to case law in this sphere, according to which the delegation of regulatory powers to independent Authorities is warranted within the legal system by virtue of the system of prior consultations in place.

Finally, the regulations contained in the contested resolution had a retroactive effect, at odds with the freedom of economic initiative and with the expectations of operators. The TAR therefore concluded that it was unclear why Terna should have modified the calculation criterion for determining the imbalance price, even though this was already governed by art. 39.1 of resolution no. 111/06, and since trading activities were not held to be unlawful or unjustified.

With resolution 321/2014/C/eel dated 30 June 2014 the Authority decided to appeal against this ruling, seeking a precautionary suspension. On 2 October 2014 order no. 4497 was filed, rejecting the precautionary suspension request and arranging a public hearing for 20 January 2015 to announce the grounds of its decision. On 23 March 2015 the ruling of the Council of State rejecting the appeal lodged by AEEGSI was published.

Sale of electricity: tariff of reference 2014

At the end of 2013, with Resolution No. 637/2013/R/eel, AEEGSI increased the tariff for the sale of electricity (RCV) starting from the first quarter of 2014, to allow for the risk of end user arrearage, measured by the rate of defaulting bills 24 months after issue (unpaid ratio). At the same time, the Authority, pending the definition of a final operating mechanism, also set up a transitional mechanism to compensate for arrearage in the case of fraudulent withdrawals, for which the operators in the protected categories market will present a proposal for settlement by 30 June 2014.

With Decision No. 136/2014/R/eel of 27 March 2014 AEEGSI revised the retail tariff for the sale of electricity in the protected categories market, from 1 April 2014. This tariff was increased due to the effect of a revision of the *tax rate* incorporated in the rate of return on net invested capital (WACC), now equal to 8%, and the separate recognition of IRAP regional business tax in the tariff, which was previously incorporated in the WACC.

Subsequently, further to reports from some protected market operators, AEEGSI, in a note dated 23 July 2014, requested additional detailed information from these operators regarding the breakdown of the *unpaid ratio* between urban areas and non-urban areas, and information about actions taken to manage and recoup debts. Further to the request, the consultation paper (DCO) 576/2014/R/eel was published, illustrating the analysis of data supplied by operators in response to the note of 23 July 2014, and the Authority's thoughts in relation to the ways of covering arrearage costs, including costs relating to arrearage in the case of end user fraudulent withdrawals. This analysis did not show up any clear difference in the arrearage phenomenon between urban and non-urban areas, consequently AEEGSI did not arrange for further differences in the RCV component compared to the current situation (RCV component broken down by user type and region group). The same Authority did however recognise the existence of external factors that may have a bearing on the phenomenon of arrearage for the single operator compared to the national situation and reflected in the RCV tariff: one reason for the planned introduction of a compensation mechanism (voluntary participation of the operator) to be applied in those cases in which the unpaid ratio of the protected market operator is greater than the *unpaid ratio* used for calculating the RCV. On the question of recognising costs for fraudulent withdrawals, the Authority stated that the current transitional compensation mechanism should come into full force, with some changes regarding calculation methods.

With resolution 670/2014/R/eel dated 29 December AEEGSI defined at a national level the 24-month *unpaid ratio* for 2015, corresponding to 1.36%, about 0.07 percentage points up on the 2014 tariff level, net of fraudulent withdrawals, and consequently determined for 2015 the

components DISPBT and RCV, as well as the PCV payment applied to non-domestic end users. Further to the conclusions of DCO 576/2014/R/eel, the Authority also created two compensation mechanisms (arrearage and arrearage in cases of fraudulent withdrawals), that can be used by operators in the protected market that have undertaken efficient actions to manage and recoup debts in addition to the procedure of suspending the defaulting withdrawal point. To make use of these mechanisms operators must present, by 30 April, an ad hoc application to CCSE accompanied by a report from the auditing company certifying the consistency of declared amounts (turnover and revenue) with values given in the company's financial statements. By 30 June CCSE will inform single operators of the figures involved in such mechanisms, and these amounts will then be paid by CCSE by 31 July 2014. In greater detail:

- the offsetting mechanism for end user arrearage costs is applied to protected market operators that have experienced a significant deviation of the actual *unpaid ratio* value compared with that assumed for calculating the RCV component applied during the year. This mechanism is valid, provisionally, for 2014, since the Authority reserves the right to conduct further studies in 2015 on the cost structure of protected market operators;
- the compensation mechanism for arrearage costs in cases of end user fraudulent withdrawals is based on the *unpaid ratio* relating to fraudulent withdrawals compared to sales revenue referable exclusively to such consumption, which have been declared to be of a fraudulent nature by the local distributor.

Furthermore, the resolution in question provides for the start-up of a procedure for reviewing the ways of calculating costs recognised to protected market operators by means of RCV components, bearing in mind the information given by operators about other costs not currently recognised by the method used by the Authority. To this end, AEEGSI will assess in particular the differences in terms of *unpaid ratio* levels with reference to end users still served after a period of 24 months, and to terminated end users, and the impact that these differences may have on single operators, and additional costs incurred by protected market operators and relative determinants (such as size of the enterprise, and the presence/absence of economies of scale).

Finally, the measure sets out a review of the ways of calculating the PCV payment applied to protected market customers to cover marketing costs based on costs incurred by an efficient free market vendor, as well as the desirability of reviewing the breakdown of the RCV component, passing from a monomial tariff, expressed in euro/customer, to a binomial tariff, expressed in euro/customer and euro/sold energy.

Resolution 593/2014/S/efr – Definition of methods of calculating penalties in the sphere of energy saving certificates

AEEGSI has defined methods for calculating penalties in the sphere of energy saving certificates, supplementing general criteria for quantifying the penalty as per resolution 243/2012/E/com. It has in particular established that:

- a) a "late penalty" will be inflicted on the liable party that fails to achieve a quota equal to or exceeding the minimum value of its compulsory objective (corresponding to 50% for the period 2013-2014 and 60% for the years 2015-2016), calculated according to the number of certificates needed to attain the minimum quota, without prejudice to compensation obligations for the following two-year period;
- b) a "final" penalty will be inflicted on the liable party who in the two-year period after the compulsory year fails to rectify the non-performance, based on the number of energy saving certificates still to be obtained to achieve the objective. This penalty will have to be quantified taking into account:
 - ✓ the greater seriousness of this non-performance compared with the lateness as per point a);
 - ✓ the following parameters:



- the average value of certificates in the market and in bilateral contracts in the period from 1 June of the year after that the compulsory year to 31 May of the second year after;
 - the number of certificates making up the non-performance being penalised;
 - costs avoided by the liable party due to the non-performance;
- c) a party that has achieved, for each year, a quota equal to or above the minimum its compulsory objective but below 100%, and in the following two-year period fails to offset the remaining quota, a penalty will be inflicted, based on the criteria as per letter b).

Trends of operating segments

Economic results by segment

The results by segment are shown on the basis of the approach used by the management to monitor Group performance in the financial years compared in observance of IFRS 8 accounting standards. It is noted that the results of the "Other" area include those deriving from ACEA corporate activities as well as intersectoral adjustment.

2014	Environment	Energy					Water				
		Generation	Sale	Energy Management	Intra-segment adjustment	Total Segment	Italian Water Services	Overseas	Engineering	Intra-segment adjustment	Total Segment
Revenue	129	59	2,047	0	(33)	2,074	641	9	31	(28)	654
Costs	74	26	1,969	0	(33)	1,962	363	7	20	(28)	362
Gross operating profit	55	34	78	0	0	112	278	3	11	0	292
Depreciation and accumulated impairment charges	26	19	88	0	0	107	71	0	0	0	71
Operating profit/(loss)	28	15	(10)	0	0	4	207	2	11	0	221
Investments	13	12	8	0	0	20	147	1	1	0	149

2014	Networks					Other		Consolidated total
	Distribution	Public lighting	PV power	Intra-segment adjustment	Total Segment	Corporate	Consolidation adjustments	
Revenue	486	67	7	(9)	551	123	(473)	3,057
Costs	244	61	2	(9)	298	117	(473)	2,339
Gross operating profit	242	7	4	0	253	6	0	718
Depreciation and accumulated impairment charges	94	1	0	0	95	28	0	327
Operating profit/(loss)	148	6	4	0	158	(21)	0	390
Capex	121	1	0	0	122	14	0	319

2013 Restated	Environment	Energy					Water				
		Generation	Sale	Energy Management	Intra-segment adjustments	Total Segment	Italian Water Services	Overseas	Engineering	Intra-segment adjustments	Total Segment
Revenue	115	61	2,255	889	(40)	3,165	607	12	25	(20)	624
Costs	67	24	2,203	886	(40)	3,073	338	8	17	(20)	343
Gross operating profit	48	37	52	3	0	92	269	4	8	0	281
Depreciation and accumulated impairment charges	28	18	69	1	0	89	74	0	1	0	76
Operating profit/(loss)	20	19	(17)	2	0	3	194	3	7	0	205
Capexs	12	5	6	0	0	11	129	0	1	0	130

2013 Restated	Networks					Other		Consolidated total
	Distribution	Public lighting	PV power	Intra-segment adjustments	Total Segment	Corporate	Consolidation adjustments	
Revenue	467	127	9	(1)	601	111	(1,297)	3,319
Costs	221	120	3	(1)	344	114	(1,297)	2,644
Gross operating profit	245	6	6	0	257	(3)	0	675
Depreciation and accumulated impairment charges	95	1	1	0	96	24	(1)	312
Operating profit/(loss)	150	5	5	0	161	(26)	1	363
Capex	103	0	0	0	103	12	0	269

It is noted that as from 1 January 2014 the Company Ecogena has been placed under the responsibility of the Energy – Generation segment, after having been in the Networks segment up until 31 December 2013. As from 2014 the company Ecogena is consolidated according to the line-by-line method due to changes to corporate structures.

Revenue in the above tables includes the condensed result of equity investments (of a non-financial nature) consolidated using the equity method.

Environment operating segment

Operating figures, equity and financial results for the period

Operating figures	U.M.	2014	2013 Restated	Increase/ (Decrease)	Increase/ Decrease %
WTE conferment	kTon	342	292	50	17.0%
RDF production plant conferment	kTon	0	20	(20)	(100.0%)
Electricity transferred	GWh	249	222	26	11.9%
Waste going into Orvieto plants	kTon	95	120	(25)	(21.0%)
Waste Recovered/Disposed of	kTon	337	298	39	13.0%

Equity and financial results (millions of euros)	2014	2013 Restated	Increase/ (Decrease)	Increase/ Decrease %
Revenue	128.6	115.0	13.6	11.8%
Costs	74.1	66.6	7.5	11.3%
Gross operating profit	54.5	48.4	6.1	12.6%
Operating profit/(loss)	28.2	20.2	8.0	39.6%
Average number of staff	216	212	4	1.9%
Capex	13.3	12.1	1.2	9.9%
Net debt	179.6	184.6	(5.0)	(2.7%)

The Segment closed 2014 with an EBITDA of 54.5 million euros, up by 6.1 million euros over the year, mainly due to better results reported by ARIA (+ 7.4 million euros), with special reference to the Terni plant, as a result of larger *post-revamping* operations and to the San Vittore plant in terms of volumes. The Aquaser Group recorded a lower gross operating margin by 1.6 million euros, chiefly due to Kyklos following the seizure of the plant at the end of July as a result of a fatal accident befalling two workers from a contracting firm.

The average number of staff on 31 December 2014 was 216, four less than last year. The increase refers to Aquaser (+ 2 units) and ARIA (+ 2 units).

Segment capital expenditures amounted to 13.3 million euros, substantially in line with the same period of the previous year.

Net debt in the Segment amounted to 179.6 million euros, 5.0 million euros down on the end of 2013. The change is mainly attributable to the Aquaser Group (- 4.2 million euros), due to higher revenues, plus an improvement from the companies ARIA and SAO, which reduced their debt by a further 0.9 million euros.

Operating review

ARIA

ARIA directly manages the assets of subsidiaries Terni En.A., E.A.L.L., Enercombustibili and Ergo En.A., incorporated during 2011. The Company has electricity vending relations with ACEA Energia, the market operator, to which it transfers volumes of energy produced by the two new lines of the San Vittore plant over and above that withdrawn by the national grid operator (GSE) under the CIP 6/92 regime.

Terni waste-to-energy plant (UL1)

The Terni waste-to-energy plant produces electricity from renewable sources, specifically in a pulper paper mill waste-to-energy plant.

The regular operation of various sections of the plant, and the turbo generator in particular, made it possible for the testers to start testing the revamped plant. The final test certificates, a summary

of the various interventions carried out, will be issued during the course of 2015. Furthermore, contracts for the conferment of pulper waste guaranteed 2014 plant fuel requirements.

With reference to the national grid operator's inspections carried out by RSE starting in December 2013, the joint control of the method used to determine the biodegradable fraction of the waste subject to incentives was completed, and the company has applied for the issue and collection of the corresponding green certificates.

In October 2014 a new authorisation application was filed to obtain an expansion of non-hazardous waste categories (C.E.R. codes) for the recovery of energy at the Terni waste-to-energy plant. This initiative does not entail plant alterations, and is aimed at obtaining new types of non-hazardous waste that may potentially be conferred by producers in the Umbria Region and neighbouring areas, in compliance with the EU "proximity" principle for waste collection in respect of production sites.

With regard to the integration of C.E.R. codes, the Company has filed a coordinated request for an Environmental Impact Assessment and update of the Integrated Environmental Authorisation with the Umbria Region. The application takes into account the provisions of art. 35 of LD 133/2014 ("Unlock Italy"), with special reference to the functioning of the thermal load saturation plant. The procedure is already under way, with the Umbria Region having notified the company of the "Admissibility of the filed application", and the EIA procedure is ongoing with the Provincial Authority of Terni, as the competent body in this sphere.

Paliano RDF production plant (UL2)

The Paliano RDF production plant possesses a single authorisation for the production of RDF, expiring on 30 June 2018.

As already mentioned, in June 2013 part of the plant was partly destroyed by a major fire, and the facility was subsequently seized by the judicial authorities for evidentiary purposes until November 2014. The fire was considered to be a case of arson perpetrated by third parties.

Following the release of the plant seizure, the company began preliminary checks to start removing the debris left by the fire and restore the site to put the plant back into service and implement a plan of action for the complete replacement and reconstruction of the RDF production plant.

The Company thus appointed a major firm in the industry to perform the required technical inspections and prepared the characterization and safety plan of the areas, the waste management plan and the demolition plan, all of which were submitted to the Provincial Authority of Frosinone for approval. The whole procedure will be carried out in consultation with the relevant Bodies and Authorities, and with the technicians appointed by the insurance companies already involved in relation to the various risks associated with and resulting from the event. The technical checks performed to verify the state of the site and structures after the fire have been completed, and work has started on the site to rebuild the plant. It is believed that in the first half of 2015 the planning process for the reconstruction of the RDF production plant will be completed. A tender call has been completed for demolition works.

The insurance settlement will be calculated on the basis of the cost of reconstructing the new plant which, on the basis of contractual clauses, will be reduced by 20% as the fire is considered to be a case of arson perpetrated by third parties. Lastly, accepting the requests submitted by the company, the insurance company granted an advance compensation of 2 million euros for damage suffered.

San Vittore waste-to-energy plant, Lazio (UL3)

The San Vittore waste-to-energy plant in Lazio produces electricity from renewable sources, particularly RDF. In the reporting period, lines 2 and 3 of the plant guaranteed regular service, both in terms of the electricity produced and in terms of RDF used for energy recovery.

With reference to the preliminary phase of the process for renewing the Integrated Environmental Authorization, the company completed the submission of technical documentation, and is awaiting the conclusion of the administrative procedure and issue of the new Integrated Environmental

Authorization which, based on recent regulatory changes in the sector, will have a duration of 16 years.

With reference to the provisioning of RDF used in the waste-to-energy process, the Company drew up an adequate number of contracts to guarantee supply for the continuous operation of the two Lines. New contracts for 2015 are being drawn up to saturate currently authorised annual quantities for Lines 2 and 3.

With reference to reconstruction work on Line 1, the procedure for choosing the enterprise that will perform *revamping* operations was completed, and the relative contract was drawn up.

The intervention sites will presumably be selected and consigned in the first quarter of 2015. Scheduled works will end during the course of 2016.

With regard to the provisions of art. 35 of LD 133/2014 ("Unlock Italy"), it is further noted that the Company has also sent to the Lazio Region, as competent authority, the request to update the AIA authorisation for the plant, with the use of the two Energy Recovery lines currently working, at the maximum thermal load.

SAO

The company owns the waste dump located in the municipality of Orvieto and manages municipal and special waste.

The Company collaborated with Umbria ATI4 to revise and update the Economic-Financial Plan for the management of the group of Orvieto plants. This Plan was approved by ATI4 in Resolutions Nos. 2 and 3 on 21/01/2014; said resolutions also contain the new tariffs and various biomass transfer components in force from 1 January 2014.

In March 2014 the company notified the competent local authorities that, in accordance with the authorisations issued, it had called a public tender for the Orvieto waste treatment plant revamping contract and, as a consequence, in observance of the area plans and the above authorisations, waste transfer to this plant would stop, as indeed it stopped, on 30 April 2014. The company also stated that, from 1 May 2014 non-separated solid urban waste would be treated in an alternative way for subsequent placement in landfill, as authorised by the Terni Provincial Authority. On 6 June 2014, the Province of Terni authorized the alternative treatment and subsequent placement in landfill as long as there is no dedicated plant available in the Umbria ATI4 area.

On 19 June 2014, the company informed the relevant authorities that it would begin construction of the *frontal capping* for the reclamation of layer No. 8 of the Orvieto landfill; work was completed on 27 November 2014.

In August 2014 the company filed an Integrated Environmental Authorization application to make substantial changes to the Orvieto plants, with a project for the "Morphological adaptation of the site and optimization of volumes and summit capping" of the open landfill (2nd gully). In particular, this project involves the implementation of another berm, the remodelling of berm 10, the optimisation of the summit capping and use of a new landfill management system. The main goals and effects of the project are as follows: the extension of landfill volumes, proposing an alternative cultivation system to optimise the running of currently managed areas (2nd gulley), an increase in the net capacity of the landfill in quantitative terms of waste that can be conferred on site, extension of the useful life of the landfill guaranteeing continuity of the essential public service for the municipal waste processed, coverage of the area planning and the possibility of handling inter-ATI mutual support as required by current Regional Legislation and the Area Plan, control of the tariff for the disposal of waste in the landfill for the benefit of the Municipalities using the same, and savings in natural resources to use as technical materials.

The authorisation procedure includes a phase for Assessing Environmental Impact by the Umbria Regional Authority, and the substantial modification of the current Integrated Environmental Authorization by the Terni Provincial Authority.

The Umbria Regional Authority declared the application feasible from an administrative point of view, while the Terni Provincial Authority has already held the first preliminary services conference, where the processes and assessment procedures of the documentation presented were verified.

AQUASER Group

Aquaser

Aquaser operates in the area of ancillary services associated with the integrated water cycle, recovering and disposing of sludge from biological treatment and waste produced from water treatment, treating effluent and liquid waste and providing the services connected thereto.

It currently transports and recovers treatment sludge for most of the water companies in the ACEA Group. The location of the plants is also extremely important from a strategic viewpoint, with two in Lazio, which process the sludge transferred under the contract with ACEA Ato2 and ACEA Ato5, and one in Tuscany near Grosseto, which processes the sludge transferred under the contracts with companies operating in Tuscany and Umbria, resulting in a reduction of transportation costs.

The sludge is recovered through delivery to composting plants, mostly third party, and by spreading sludge on farmland according to largely third party authorisation.

In the reporting period the company continued to consolidate its position on the market.

It is noted that as part of the broader project to reorganise the structure of the ACEA Group, designed, among other things, to simplify and optimise the organisational and operational structure and rectify relative credit positions, the General Meeting of Shareholders of 30 December 2014 resolved to sell to parent company ACEA all of the equity investments held in Solemme and SAMACE. Furthermore, the project for the merger of SAMACE with Solemme was filed, and will come into force for accounting and tax purposes as from 1 January 2015.

The aim of the above operation is to form a single company for the management of organic waste, modifying company functions involved in the process so as to restore to Aquaser its original role as sludge management intermediary, leaving all the organic waste management activity with the company that will be in charge of plant engineering.

KYKLOS

Kyklos operates in the waste treatment sector, producing and marketing mixed compost conditioners. In particular, it operates in the locality of Campoverde in Aprilia on the basis of a Single Authorisation for special non-hazardous waste treatment and recycling plants granted by the Province of Latina, having a maximum capacity of 66,000 tonnes/year.

On 8 June 2010, the authorisation procedure was started for the upgrading of the current plant and increase in its capacity to up to 120,000 tonnes/year through the construction of a biogas plant with recovery of electricity and heat energy.

It is noted that on 28 March 2013 the Provincial Authorities of Latina granted a single authorisation for a substantial variation in the waste treatment and recycling plant and for the production of energy. The authorised intervention, which will bring compostable waste treatment capacity up to 120,000 t/year, is to ensure that organic waste recycling requirements are met, in particular considering the current waste emergency at a regional level, avoiding dumping, and consolidating the primary role of Kyklos in the territory of reference.

As a result of the appeal for the repeal of the above authorisation, further to its suspension, filed by the Municipality of Nettuno, and of the appeal filed by Kyklos for the cancellation of some parts of the same authorisation, on 25 February 2014 the Company presented a request for suspension of the term for the start of work (within twelve months of issue) until the Latina Regional Administrative Court passes sentence on the above. The request was approved by the Latina Provincial Authority in April 2014.

An accident occurred on 28 July 2014 in the company's composting plant. Two people working for one of the external contractors collecting and transporting the leachate produced in the plant died. Leachate is a liquid, non-hazardous waste, obtained from the treatment of non-hazardous waste in the plant, it is collected on a daily basis in operations performed in the open air, pumped into tankers, to be disposed of in suitable, authorized plants.

On 30 July 2014 the Deputy Public Prosecutor's Office of the Latina Law Court ordered "*the urgent preventive seizure of the Kyklos composting plant, authorizing from this moment only activities for processing material already on site in accordance with the provisions of the Local Health Authority, the supervisory authority for the authorised activity*", appointing the plant's Technical Manager as guardian.

The competent Judicial Authority duly initiated proceedings, with an enquiry that is ongoing. Those under investigation are the owners of the haulage firm and of the company providing services for the transportation and disposal of leachate, and the company's legal representative at the time of the accident and the technical manager.

Even the technical and administrative staff of Kyklos S.r.l. have demonstrated the correctness of their actions in relation to all licensing and legal obligations, they have provided their utmost cooperation to the ongoing activities of the competent Authorities, complying with everything ordered thereby.

In light of the above, it is hoped that once activities have been completed to retrieve and dispose of materials still present in the plant, and further measures deemed necessary by the cited Authorities have been adopted, it will be possible to remove the precautionary seizure and restore conditions for the normal functioning of the plant, which performs work of public interest, recycling the organic fraction from separated waste collection of numerous municipalities, mainly in the Lazio Region.

It is also important to mention that, since the composting plant opened it has been continuously inspected, without any of the inspections reporting critical elements concerning ordinary plant management.

As the plant is under seizure, it is impossible for Kyklos to produce revenue, while the Company is obliged to pay the costs of its commitments. The continuing seizure has resulted in a greater liquidity need that the company has asked its shareholders to meet. ACEA has provided Kyklos with the financial resources needed to pay wages (as well as social security contributions and withholding taxes) and debts incurred for the disposal of leachate, and given the necessary support for the recouping of unpaid debts. All actions will naturally be carried out to ensure the resumption of business activities during the course of 2015.

SOLEMME

Solemme operates in the waste recycling sector, composting organic waste, in particular sludge from civil waste water treatment and producing mixed compost conditioners. The composting plant is part of the Grosseto Provincial Authorities' Waste management plan.

Solemme's market of reference is sewer sludge produced in Tuscany, in particular within the scope of ATO6 Ombrone, for the Province of Grosseto and Siena, and the treatment of waste from separate collection.

The current capacity of the plant is insufficient to guarantee recycling the amount currently produced, and an increase in production is expected considering the increase in sewer waste treatment.

The difficulties in developing an integrated WTE solution for this sludge led to the start of the decision-making procedure to upgrade the existing plant.

The composting plant has been the subject of discussion with the municipality of Monterotondo Marittimo for some time, concerning its development and industrial typology.

The Municipal Authority filed an appeal with the Regional Administrative Court against the authorisation issued by the Grosseto Provincial Authorities concerning the proposal for the new biogas and composting plant presented by Solemme with a capacity of 70,000 T/year.

This authorisation for plant development requires the approval of the Monterotondo Marittimo Municipal Authority for the implementing plan presented by the company, which the Municipal Administration refuses to give after passing a town council resolution on 26 March 2013. The parties involved met in February 2014 to attempt to clarify all the technical aspects and find a solution to obtain the authorisations which are still required.

On 11 April 2014 the Grosseto Provincial Authority extended the plant operating authorisation until 14 April 2015. A meeting was held in June with the new administration to overcome the pending litigation and approve the preparatory implementing plan prior to construction of the new plant, which should be approved this year.

The Municipality of Monterotondo Marittimo approved, with Resolution no. 36 of 25 November 2014, the Implementing Plan, which is about to be published (on 28 February 2015), as preparation for the decision that will make it possible, upon granting of the building permit, to start work on the construction of the new plant.

The Company and Municipality of Monterotondo Marittimo are about to enter into an agreement for:

- the finalisation of a procedure to approve the Implementing Plan by 31 December 2014 (now completed), and all authorisations needed for the construction and running of the new plant;
- the waiving of claims on the part of the Company and the Municipality of Monterotondo Marittimo in pending disputes, before (i) the T.A.R. for the Company, against the municipal decision not to approve the Implementing Plan, and (ii) the Council of State for the Municipality, against the validity of the Environmental Impact Assessment;
- the improvement (jointly with ENEL) of the road leading to the plant once the plant has been built and is in operation;
- after the entry into service and generation of revenues, mitigation initiatives and actions to prevent, reduce and eradicate environmental impacts generated by the plant;
- the payment of forms of environmental compensation to the Municipality for waste coming from outside the ATO.

SAMACE

The Company was taken over completely by Aquaser on 5 July 2013.

It operates in the waste recycling sector, producing and selling compost conditioners. The Company operates in Sabaudia with a Single Authorisation for the treatment and recycling of special non-hazardous waste granted by the Province of Latina. On 22 May 2014 the Company filed an application to increase capacity up to 60,000 tonnes/year of compostable waste, with the construction of a new aerobic composting section, so as to attain an overall capacity of 90,000 tonnes of treatable waste. With Decision no. G17953 of 12 December 2014 the Lazio Region decided to submit the project to an EIA procedure.

ISA

Isa operates in the logistics and transportation sector, and is deemed to be of strategic importance in achieving market consolidation objectives. In fact, the Company was bought to strengthen group organisation and provide group services in a more independent way, not only transportation but also services relating to other activities associated with and complementary to the farmland spreading of sludge, maintenance of drying beds and automatic discharge services, which have led to a significant increase in business activities. In particular, the fields of sludge dewatering and liquid waste transportation were significantly developed with a view to improving the service offered, and to keeping down recycling and/or disposal and transport costs, basically due to the distance of treatment plants from sludge production sites.

It is noted that the company currently has its own fleet for haulage activities.

Energy Operating Segment

Operating figures, equity and financial results for the period

Operating figures	U.M.	2014	2013 Restated	Increase/ (Decrease)	Increase/ decrease %
Energy produced	GWh	498	500	(2)	(0.4%)
Electricity sold – Free market	GWh	7,887	9,382	(1,495)	(15.9%)
Electricity sold – Protected market	GWh	3,000	3,234	(234)	(7.2%)
Electricity no. Free market customers (P.O.D.)	N/000	347	301	46	15.4%
Electricity no. Protected market customers (P.O.D.)	N/000	1,023	1,072	(48)	(4.5%)
Gas sold	Msm ³	103	100	4	3.9%
Gas no. Free market customers	N/000	155	99	56	56.7%

Equity and financial results (millions of euros)	2014	2013 Restated	Increase/ (Decrease)	Increase/ decrease %
Revenue	2,073.7	3,164.7	(1,091.0)	(34.5%)
Costs	1,962.0	3,073.0	(1,111.0)	(36.2%)
Gross operating profit	111.7	91.7	20.0	21.8%
Operating profit/(loss)	4.4	2.6	1.8	69.2%
Average number of staff	532	546	(14)	(2.6%)
Capex	19.7	11.4	8.3	72.8%
Net debt	356.1	302.6	53.5	17.7%

The Segment closed 2014 with an EBITDA of 111.7 million euros, 20.0 million euros up on the previous year.

This positive change was the result of alternating fortunes:

- production activity performed by ACEA Produzione fell by 3.6 million euros, as a result of a drop in the energy margin (- 3.6 million euros) due to lower prices (despite larger quantities of energy produced due to greater hydraulicity), whereas other costs were basically unchanged vis-à-vis 2013 (+ 0.1 million euros),
- the sales segment closed 2014 with an EBITDA of 77.8 million euros, compared with 54.2 million euros in 2013; this change was due to the higher energy margin (+ 15.6 million euros), partially offset by the rise in external costs incurred by ACEA Energia (+ 2.8 million euros). With reference to the energy margin it is noted that **i)** the margin for the protected categories service was 49.1 million euros, up on 2013 (+ 14.4 million euros) chiefly due to the tariff update for the sale of energy (RCV), further to Resolutions 637/2013, 136/2014 and 670/2014 of AEEGSI, which created two compensation mechanisms (arrearage and arrearage of fraudulent withdrawals), that can be used by operators in the protected categories market that have carried out efficient debt management and recovery actions in addition to the suspension of the defaulting withdrawal point; **ii)** the margin for the Free market was 77.0 million euros, 12.4 million euros up on 2013, due to the results of the *mass market* segment, partially offset by the lower margins of the B2B segment (lower volumes), and by the bonus for actions to optimise energy flows, positively influenced by the ruling of TAR Lombardy of 24 June 2014, repealing AEEGSI resolutions nos. 342/2012, 239/2013, 285/2013 and 197/2013 regarding unbalancing regulations; **iii)** the margin for the sale of Gas was 10.5 million euros, up significantly on 2013 (+ 18.6%), due mainly to the better unit margins.

In terms of staff numbers, at 31 December 2014 the average number of employees was 532, 14 fewer than the previous year, the result of a drop in staff numbers in ACEA800 (- 23 units) and an increase in ACEA Energia (+ 8 units).

Segment capital expenditure stood at 19.7 million euros, an increase of 8.3 million euros, mainly due to expenditure undertaken by Ecogena (+ 5.4 million euros).

Net debt at the end of 2014 increased to 356.1 million euros, 53.5 million euros higher than the figure at the end of 2013. This increase is primarily attributable to the sales sector (59.3 million euros), basically due to the increase in net working capital, thanks to greater billing, which resulted in greater liquidity needs and a worsening net financial position. The fall in the production sector (-5.8 million euros) was mainly in relation to a drop in debt for ACEA Produzione (-14.0 million euros), partly offset by higher debt of 8.2 million euros reported by Ecogena which, in 2013, was consolidated using the equity method.

Operating review

Energy Management

As from 1 January 2014 the merger of Acea Energia Holding with **Acea Energia** came into effect; the latter also performs “Energy Management” activities, as these are necessary for Group operations, sale and production in particular.

The Company also liaises with the Energy Market Operator and with TERNA. In relation to the institutional entity Terna, the Company is the input Dispatch User on behalf of Acea Produzione and other companies in the ACEA Group. It performed the following main activities in the period:

- the optimization and assignment of electricity produced by the Tor di Valle and Montemartini thermoelectric plants and by the S. Angelo hydroelectric plant,
- the negotiation of fuel procurement contracts for the power generating plants,
- the procurement of natural gas and electricity for the sales company to sell to end customers,
- the sale of environmental certificates (green certificates, issue rights and renewable source production certificates) for Acea Energia and Acea Produzione,
- the optimisation of the supply portfolio for the procurement of electricity and management of the Energy segment companies’ risk profile.

In 2014, Acea Energia purchased a total 9,960 Gwh of electricity from the market, of which 7,853 Gwh through bilateral agreements and 2,107 Gwh through the Energy Exchange, essentially for resale to free market end users and partly set aside for the optimization of energy flows and purchases portfolio.

Electricity production

The **Acea Produzione** production system comprises a series of power generating plants with a total installed capacity of 344.8 MW, including five hydroelectric plants (three in Lazio, one in Umbria and one in Abruzzi), two so-called “mini-hydro” plants in Cecchina and Madonna del Rosario, two thermoelectric plants, Montemartini and Tor di Valle (the latter fitted with a combined cycle module for steam turbine extraction and an open-cycle turbogas module providing cogeneration for the district heating in the Torrino Sud, Mostacciano and Torrino-Mezzocammino districts of Rome).

Through its directly owned plants, in 2014 the company achieved a production volume of 498.1 GWh of which **(i)** 485.8 GWh from hydroelectric plants, **(ii)** 2.1 GWh from mini-hydro plants and **(iii)** 10.2 GWh from thermoelectric production.

In the district heating segment, through the Tor di Valle plant’s cogeneration unit, Acea Produzione supplied 2,659 end users located in the Torrino Sud, and Mostacciano districts (located in the southern part of Rome) with 73.1 GWh of power.

The hydroelectric segment recorded production of 487.9 GWh, benefiting from the contribution of the run-of-river Salisano drinking-water plant, slightly above the ten-year historic average (+1.9%). Production at the Castel Madama, Mandela and Orte run-of-river plants was significantly higher (+27.9%) than the ten-year average due to an increase in the level of water input for

plants on the Tiber basin (Aniene and Nera rivers), also due to the putting back to 2015 of the project to improve abstraction tunnels at Castel Madama.

An increase in production was recorded compared to the ten-year average by the S. Angelo plant (+22.1%), with 186.1 GWh. The average water inputs of the Aventino river (6.2 m³/s) and Sangro river (11.8 m³/s), were respectively +28% e +14% compared to the average in the three previous years 2011/2013. Although the autumn weather was quite dry, particularly in November and December, the high rainfall in the winter and spring seasons ensured positive water input values from the rivers, with an average power output of 21.3 MW.

The company's [thermoelectric production](#) stood at 10.2 GWh at 31 December 2014.

The negative production trend for the combined cycle of the Tor di Valle plant, for which planning and engineering to modernise the plant has begun, is confirmed. In addition, particularly low market prices have also affected cogeneration, which recorded a further drop in output compared to the past. The combined cycle, kept running as a cold reserve, played a dual role in 2014, that of feeding unit in accordance with the Emergency Plan for the city of Rome, and back-up for the cogeneration unit by means of the steam extraction system connected to the district heating network. With regard to the cogeneration section, the constraint imposed in terms of emissions of NO_x in the TG3 unit made it necessary to use ancillary boilers for the generation of heat for district heating. The above is in any case in line with the company's plans to modernise the power plant, for which the Lazio Region has issued a favourable environmental compatibility opinion.

2014 was the seventh year of operation of the Montemartini plant as a generating unit essential to the security of the National Electricity System, pursuant to AEEGSI Resolution No. 111/06, as part of the National Electricity System Security Plan – Emergency Plan for the City of Rome.

Electricity and gas sales

As for the sales market, the refocusing of **Acea Energia's** sales strategy continued in the period with a more in-depth and careful selection of customers, and a plan divided into two parts. The first tends to favour contracting small customers (residential and microbusiness) while the second consists of maintaining the current joint ventures when deep-rooted in the territory if they can guarantee adequate profitability.

Investment management continued in the period for **Umbria Energy** and **Elga Sud** operating respectively in Umbria and Puglia, in line with the above. The Tax Authorities (BAT Provincial Office) started an assessment on 15 October into Elga Sud for the 2010 tax period, and ending on 12 November 2014 with the notification of an official report. Contested findings related to the non-deductibility for Ires and Irap ends of some costs. A total of 27,000 euros in additional taxes have been requested. The company applied to settle the tax assessment, and in February 2015 paid the sums requested by the tax agency.

The liquidation of **Voghera Energia Vendite**, the joint venture between ASM Voghera and Acea Energia, is still underway. This year the Customs Office proceeded:

- with the nullification by internal review for 2009, 2010, 2011 and 2012, of the notice of payment and application of penalties amounting to approximately 10 million euros plus the penalties notified in February 2014 (for a total of 25 million euros);
- for 2008 the company paid 124,000 euros in taxes, penalties and interest;
- on 28 October, served an official report for the year 2010, with the sole contestation of the non-payment of duties and additional taxes on billing to a single customer, amounting to 28,000 euros, plus penalties totalling 19,000 euros. The company will ask the customer to pay back the greater sums ascertained by the agency, not having been paid by the customer.

With reference to the tariffs applied to the protected categories service:

- In terms of distribution tariffs, compulsory distribution tariffs, updated quarterly in accordance with Annex A of the Authority's Transport Code, have been applied to end users on the protected categories market and are valid for the whole of 2014.

- With regard to connection fees and flat rate charges the parameters used were those defined by the Authority in Resolution no. 348/2007, Annex B (Connection Code) and are valid for the whole of 2014.

In 2014 the sale of electricity in the Protected Categories market was equal to 3,000 GWh, 7.2% down on the previous year. The number of withdrawal points totalled 1,023,316 (1,071,557 at 31 December 2013): this reduction derives from fierce competition in the Rome market from its main competitors, which the company responds to through the constant marketing of its services to maintain its customer portfolio.

Sale of electricity on the Free Market amounted to 7,344 GWh for Acea Energia and 543 GWh for the retail Joint Venture, for a total 7,887 GWh, a decrease of 15.9% vis-à-vis 31 December 2013.

In addition, Acea Energia sold 103.5 million euros of standard cubic metres of gas to final customers and wholesalers. The number of delivery points totalled 154,601 (98,676 at 31 December 2013).

Finally, it is reported that, in accordance with AEEGSI Resolution 637/2013/R/EEL, the Company was awarded a sum of 5.4 million euros within the framework of the compensation mechanism for arrearage in cases of fraudulent withdrawals, following the action filed in June 2014. This sum was paid on 31 December 2014.

Concerning the penalty proceedings that were implemented on 8 November 2012 against Acea Energia with Resolution No. 462/2012/S/eel, as a result of the dispute in 2013 with the Company, AEEGSI Resolution No. 540/2013/S/eel on 28 November 2013 declared the commitment proposal presented on 25 October 2013 to be admissible, and approved the same for publication. On 19 February 2014, AEEGSI published the remarks, presented after the deadline, by Federconsumatori the Italian consumers and users federation, to which Acea Energia replied in March 2014, confirming its position specified in published commitments.

With Resolution No. 174/2014/S/eel of 17 April 2014, AEEGSI approved the commitments proposed by ACEA Energia, making them obligatory, closing the proceedings opened against the same in Resolution No. 462/2012/S/eel. Briefly,

- the commitment concerning the elimination of the so-called "billing code", in other words for customers not subject to additional safeguards, waiving the right to bill consumption estimated by the retailer with reference to the period from the date of metering (effective metering by the distributor or a more recent figure somewhere between the distributor's estimate and the customer's automatic reading) and the date of issue of the bill to the end user, must be implemented starting from the first 2-monthly billing cycle following the date on which AEEGSI notifies Acea Energia of said commitments;
- the commitment concerning payment of indemnity for customers in the protected category market affected by billing blocked at 31 December 2012, formulated on the basis of the duration of the disservice, must be implemented no later than after the second 2-monthly billing cycle following the date on which AEEGSI notifies Acea Energia of said commitments;
- Acea Energia must provide adequate notification of its commitments to end users;
- Acea Energia must send the Authority, within 240 days of the notification of commitments, documented proof of the full implementation of the same as well as notification of the costs borne for implementing said commitments, providing reference thereof in the notes to the separate annual accounts (accounting unbundling);
- if Acea Energia fails to meet its commitments, AEEGSI can recommence penalty proceedings and apply a penalty of up to double the amount which would have been applied in the absence of commitments.

It is noted that in compliance with the provisions of said resolution, on 24 December 2014 the Company notified the Authority of the full performance of its commitments, and provided the relative documentary evidence.

After the close of the year Acea Energia:

- appealed to TAR Lombardy to obtain the repeal of AEEGSI Resolution 670/2014, since the tariff component intended to remunerate service marketing costs is absolutely unsuitable for adequately covering said costs;
- was notified, on 25 February 2015, of the start of preliminary investigations (ref. PS/9815) on the part of the Antitrust Authority (hereafter AGCM) in accordance with art. 27, paragraph 3 of legislative decree 206 of 2005 (hereafter "Consumer Code") and art. 6 of the Regulation on investigation procedures for misleading and comparative advertising, unfair trade practices, violations of consumers' rights in contracts and unfair contract terms (hereafter "Regulation") adopted by the Authority in its resolution of 5 June 2014. The proceeding was opened as a result of a number of reports received by AGCM from single customers and from the consumers' Association Adiconsum Toscana. The proceeding in question, in accordance with art. 7 of the Regulation, will conclude within 150 days of the date of 25 February 2015. Acea Energia has made a request to have access to the proceeding's documents, with special reference to the investigation file;
- was notified, on 19 March 2015, of the commencement by AEEGSI of a proceeding for disciplinary actions due to the non- or delayed disbursement of automatic indemnities (resolution no. 111/2015/S/eel). The investigation will last a total of 180 days as from the date on which the measure was notified.

Cogeneration

In 2014 too operating management focused on two key areas: the technical and economic monitoring of operating plants and new projects under construction.

Ecogena proceeded with the construction of a new trigeneration plant for the EUR "Europarco" complex; energy services were first provided for the new "Cinecittà World" theme park in Castel Romano in July 2014. The service will be provided at a reduced rate until the middle of next year when the plant should go into full production. The energy supply service has been contracted for a period of 15 years. During the second half of the year full production resumed at the cogeneration plant serving the Sigma Tau plant in Pomezia. Work had been suspended to carry out technical and mandatory checks, which were successfully completed. Building work continued in the areas dedicated to the construction of the new "Laurentino" shopping centre, in the Laurentina/Tor Pagnotta district of Rome. In view of the delays to building works, the energy service will not be operational before June 2017. A marketing campaign is continuing with ACEA Energia customers, chiefly from the business segment, to promote the company's energy-saving services.

Finally, it is noted that subsidiary company EurPower was wound up in November 2014.

Water operating segment

Operating figures, equity and financial results for the period

Operating figures*	U.M.	2014	2013 Restated	Increase/ (Decrease)	Increase/ decrease %
Water Volumes	Mm ³	540	566	(26)	(4.6%)
Electricity consumed	GWh	557	535	22	4.1%
Sludge disposed of	kTon	214	194	20	10.3%

* Values for the ACEA Group's share

Financial results (millions of euros)	2014	2013 Restated	Increase/ (Decrease)	Increase/ decrease %
Revenue	653.8	624.1	29.7	4.8%
Costs	361.6	343.3	18.3	5.3%
Gross operating profit	292.2	280.8	11.4	4.1%
Operating profit/(loss)	221.0	205.3	13.1	6.4%
Average number of staff	2,413	2,423	(10)	(0.4%)
Capex	148.9	130.0	18.9	14.5%
Net debt	488.1	610.8	(122.7)	(20.1%)

The Segment's EBITDA at 31 December 2014 totalled 292.2 million euros, up 11.4 million euros on 2013.

The change was influenced:

- positively by the recognition of higher revenues following the application of the Water Tariff Method (MTI) passed by AEEGSI in Resolution no. 643/2013: the most significant movements were for ACEA Ato2 (+ 15.7 million euros) and ACEA Ato5 (+ 6.8 million euros); part of the increase was the result of recognition of adjustments of so-called pass-through items, in other words the inclusion in the tariff of some types of costs for 2012 and 2013 including covering costs borne for the environmental emergency and other cost components (i.e. electricity and local charges) as well as inflation in accordance with the regulation in force;
- negatively by non-recurring events in 2013, not repeated in 2014, concerning (i) the FNI component due for 2012 and 2013 as part of the tariff determination process for 2012 and 2013 set out in Article 6 of the above mentioned resolution; (ii) the discounting to present value of GORI's payables to the Campania Region which generated income (15.0 million euros), currently being re-determined and rescheduled on the basis of the Agreement signed in June between GORI, the Region and the Area Authority. The Agreement includes a twenty-year repayment plan subject to the payment of legal interest (at 2.5%) only from the eleventh year.

In addition, EBITDA of the Companies operating abroad decreased, due in part to the termination of the Aguazul Bogotá management contract at the end of 2012.

With reference to operating costs, there was an overall increase of 18.3 million euros. This increase is mainly attributable to ACEA Ato2, mainly due to higher costs from the service agreement with the Parent Company (+ 3.4 million euros), an increase in the license fee (+ 2.0 million euros), higher energy purchase costs (+ 8.7 million euros) and the disposal of sludge (+ 4.4 million euros).

The following also contributed to the change (i) Laboratories + 2.8 million euros for increases in the cost of staff seconded by ACEA Ato2 (+ 2.9 million euros) and employed in the maintenance of the water network, in technical administrative activities for the management of water licenses and other costs for services provided to the same; (ii) ACEA Ato5 due to an increase in energy costs (+ 1.2 million euros) and other operating expenses, especially due to the adjustment of consumption for previous years. These increases were partially offset by lower operating costs incurred by the other companies, in particular Agua Azul Bogota (- 1.3 million euros)

Staff costs amounted to 79.0 million euros, a fall of 4.2 million euros compared with 2013, basically due to the rise in capitalised costs as a result of changes during the course of 2014 to procedures for the capitalisation of in-house costs.

The average headcount of the Segment at 31 December 2014 was down by 11 units to 2,413.

Net debt in the Segment at 31 December 2014 amounted to 488.1 million euros, down by 122.7 million euros, due in particular to the better performances of ACEA Ato2 and ACEA Ato5 as a result of actions to limit working capital, in relation mainly to the billing of adjustments from previous periods. Negative results were posted for overseas (+ 7.6 million euros) and for engineering services (+ 9.6 million euros).

Segment investments amounted to 148.9 million euros (+ 18.9 million euros), recorded almost exclusively by ACEA Ato2 (+ 17.6 million euros).

Operating review

Lazio - Campania area

ACEA Ato2

The Integrated Water Service in ATO 2 Central Lazio - Rome started on 1 January 2003. The ATO gradually took over services from the Municipalities, and 75 of the 112 services in the ATO are currently run by the Municipalities. At 31 December 2014 the overall situation in the **territory managed** is as follows:

Acquisitions	no. of municipalities
Municipalities fully acquired by I.I.S.	75
Municipalities partially acquired, for which ACEA ATO 2 provides one or more services:	19
- <i>Municipalities in which only the acquired consortium service is provided</i>	5
- <i>Municipalities partially acquired but with Protected Subject</i>	3
- <i>Municipalities partially acquired</i>	11
Municipalities in which ACEA Ato2 provides no services	13
Municipalities that declared they do not wish to be part of the I.I.S.*	5
* Municipalities with fewer than 1,000 inhabitants who had the right to express their will in accordance with paragraph 5 of Legislative Decree 152/06.	

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 single operator, appointing a Commissioner to do so. It is also noted that the Municipal Administration has recently been re-elected, therefore we are awaiting communications regarding policies on the management of the I.I.S. The transfer of the I.I.S. of Civitavecchia is however troubled by considerable criticalities in terms of equity, management and authorisation problems, about which we are unable to give any definite answers.

On 29 December 2014 the water abstraction and/or distribution services were acquired for the Municipalities of Capranica Prenestina, Olevano Romano, Canterano, Rocca Canterano, Gerano and Rocca di Papa (services performed previously by Società Acque Potabili under a protected category regime). For the Municipalities of Capranica Prenestina and Olevano Romano, for which the company was already performing the sewerage and water treatment services, the transfer to ACEA Ato2 of the complete water service completes the acquisition of the Integrated Water Service (I.I.S.), while for the remaining four Municipalities only the water service has been acquired,

pending the complete transfer of the IIS, which can only happen after the upgrading of sewerage networks and wastewater treatment systems.

The company provides the full range of **drinking water distribution** services (collection, abstraction, retail and wholesale distribution). Water is abstracted from sources on the basis of long-term concessions.

Water sources supply approximately 3,600,000 residents in Rome and Fiumicino, as well as more than 60 Municipalities in the Lazio region, via five aqueducts and a system of pressurised pipes.

Three further supply sources provide non-drinking water used in the sprinkler system of Rome.

The **sewerage service** comprises a sewer network of about 6,084 km (including approximately 4,088 km of network serving the municipality of Rome) and more than 300 km of trunk lines, without counting the connections to the sewage system.

The company manages the wastewater treatment system and pumping stations that serve the network and sewage trunk lines.

In 2014, the main **wastewater treatment plants** handled approximately 565 million cubic metres, an increase of around 3% compared with the previous year. Sludge, sand and grating production for all managed plants in the reporting period exceeded 160,000 tonnes, an increase of around 10% vis-à-vis 2013.

At 31 December 2014, the Company managed a total of 541 **sewage pumping stations**, including 173 in the municipality of Rome, and a total of 174 wastewater treatment plants, including 33 in the municipality of Rome.

With reference to the issue concerning the seizure of wastewater treatment plants, at 31 December 2014 8 treatment plants and 5 untreated waste discharges were under seizure.

On this point, it is noted that in August: **(i)** a court petition was filed for the release from seizure of the Colle Pisano treatment plant; **(ii)** authorisation was granted for the Valle Silla discharge, and a court petition was filed for the release from seizure of the Valle Silla treatment plant and Pastene treatment plant in the Municipality of Rocca di Cave; **(iii)** the Ordinary Court of Rome ordered the seizure of "the stretch of underground piping in piazzale Dunant, 1 and of the ACEA drawpit", prohibiting the performance of digging works in the surrounding area. The precautionary seizure came further to the death of the foreman of the subcontracting firm, who was working on behalf of ACEA in the drawpit. It is also recalled that the appeal lodged with the TAR for the Colle Pisano treatment plant at Monteporzio Catone is still pending, for which the Province had granted an authorisation at the end of December 2013, giving instructions that could not be enacted in the given time frame, and at odds with upgrading intervention previously agreed upon in the services conference. These orders will be additional grounds for the appeal before the TAR. For the Allumiere treatment plant too an appeal before the TAR is pending for the Bolzella treatment plant, for which the Province issued an authorisation in February 2014, imposing limits at odds with the nature of the ditch and of previous authorisations. In March 2015 the Roma Est treatment plant was released from seizure.

With regard to **tariffs**, with resolution 141/2014/R/idr of 27 March 2014, AEEGSI approved the values of the tariff multiplier for 2012 (1,025) and 2013 (1,053) proposed by the Mayors' Conference meeting on 4 March 2014.

With reference to the 2014-2015 tariff update AEEGSI approved, with resolution 463/2014/R/idr of 25 September 2014, the tariff proposed for 2014 and 2015 and relative tariff multipliers examined by the Mayors' Conference of 10 July 2014; the tariff multipliers – 1.148 for 2014 and 1.251 for 2015 – mark an annual increase of 9% for both annual tariffs, subject to approval.

With this resolution the Authority made the following main observations:

- non-recognition of costs incurred for water-related emergencies relating to the drinkability of water supplies, for a value of 0.24 million euros;
- provisional upholding of other costs incurred for environmental emergencies (9.6 million euros) pending further studies and the results of legal proceedings;

- acceptance, with the obligation to maintain the iso-revenue, on the basis of 2013 volumes effectively measured, of changes to the tariff structure approved by the Area Authority, without prejudice to AEEGSI's right to ensure that criteria established by art. 39 of resolution no. 643/2013 is observed at the time of application.

Furthermore, as required by Resolution No. 141/2014/R/idr approving the 2012 and 2013 tariffs of Rome ATO 2, the Conference, within the scope of implementation of the Water Tariff Method (MTI), completed further in-depth assessment required for the dimensioning of the "FoNI" component, in relation to the acknowledgement of planned operating costs, in accordance with the Operator's guaranteed income. This assessment led to the consequent adjustment, approved by AEEGSI, of the value of the FoNI component for 2013, while confirming the guaranteed income (VRG) and tariff multiplier approved for the 2-year period 2012 and 2013 and resetting the 2013 FNI_{FoNI} component.

In order to reduce annual tariff increases, the Area Authority, in agreement with the operator, reallocated the adjustments for 2012 and 2013, forecasting the subsequent recovery in 2015 of approximately 19 million euros.

As a result, revenues for 2014 based on the tariff calculations set for 2014 amounted to 500.2 million euros, inclusive of estimated adjustments of pass-through items and the differences compared with values recognised in the 2012 and 2013 financial statements.

ACEA Ato5

ACEA Ato5 provides integrated water services on the basis of a thirty-year agreement signed on 27 June 2003 by the company and Frosinone Provincial Authority (representing the Authority for the ATO comprising 86 municipalities). In return for being awarded the concession, ACEA Ato5 pays a fee to all the municipalities, based on the date the related services are effectively acquired.

The management of the integrated water service in the territory of ATO 5 Southern Lazio-Frosinone involves a total of 85 municipalities (management still to be taken over 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 of 187,101. No new acquisitions were formalised in 2014, but it is noted that on 17 September 2014 a memorandum of understanding was reached with the Municipality of Atina marking the end of a pending dispute and delivery of the facilities required for the management of the IIS in the municipality.

With regard to the Municipality of Paliano, in August 2014 ACEA Ato5 proposed to AMEA – the current service operator – a memorandum of understanding to resolve numerous problems that have thus far prevented the formalisation of the move to the IIS.

With regard to the Municipality of Cassino, in December 2014 the TAR of Latina upheld the appeal lodged by the Company, ordering the Municipality to complete its obligations within ninety days of the notification (or, if before, of the administrative notification of the decision) or, if this order is not complied with upon expiry of this period, an acting Commissioner, appointed with the same decision, shall act in its place.

The drinking water system comprises supply and distribution plants and networks that use 6 main sources from which an equal number of aqueduct systems originate. The coverage of this service amounts to about 97%.

The sewerage-purification system comprises a network of sewers and trunk lines connected to wastewater treatment terminals. The company manages 201 sewage pumping plants and 111 biological wastewater treatment plants, as well as 16 Imhoff tanks and 3 percolating filters.

Following the recognition and related assessment of users connected to the sewerage system (as a result of Constitutional Court Sentence No. 335/2008), it emerged that the coverage of this service is equal to approximately 68% of aqueduct users.

With reference to the **tariff** for 2012 and 2013 that was approved by the Mayors' Conference of 5 March 2014, the Company started billing the corresponding tariff using the highest allowed tariff multiplier in accordance with AEEGSI Resolution No. 585/2012.

With reference to the 2014-2015 tariff update and the related economic-financial plan, the Company submitted a specific application to the Area Authority and AEEGSI on 29 April 2014. The tariff multiplier contained in the application is equal to 1.669 for 2014 and 1.660 for 2015, therefore 9% higher than that prescribed, based on AEEGSI studies.

Following the notice given by AEEGSI to the Area Authority, on 14 July 2014 the Mayors' Conference approved the maximum tariff multiplier for 2014 and 2015 calculated provisionally using the tariff method (respectively 1.090 for 2014 to be applied to the 2013 tariffs and 1.090 for 2015 to be applied to the 2014 tariffs), resulting in temporary tariffs of 1.680/m³ for 2014 and 1.831/m³ for 2015, "without prejudice to the fact with regard to the *theta* values proposed by the operator resulting in tariff changes, in absolute terms, exceeding the MTN limit, an investigation shall be ordered by AEEGSI."

Furthermore, a resolution was passed on the new tariff structure, which on the basis of art. 39 of Annex A to Resolution No. 643/2013/R/idr, obliges the Area Authorities or competent subjects to abolish the minimum consumption commitment for domestic users.

The Mayor's Conference also decided to "send the resolution to AEEGSI, along with the documentation on the agenda for the consequent investigation, in observance of the AEEGSI notice served on 16 June 2014, in accordance with art. 5 paragraph 5.6 of Resolution No. 643/2013/R/idr". The Mayor's Conference resolution was published at the end of September 2014. On 19 February 2015, with regard to preliminary studies as per paragraph 7.1 of resolution 585/2012, AEEGSI contacted the Area Authority requesting information and explanations, to be provided by 6 March 2015.

As a consequence, revenues in 2014, including adjustments to the pass-through items, totalled 67.2 million euros, calculated, as in 2012 and 2013, using the tariff multiplier proposed in the Operator's application approved by the Mayors' Conference on 14 July 2014.

With reference to prior adjustments for the period 2006-2011, quantified by the appointed Commissioner as equal to 75.2 million euros (at 31 December 2014 the amount was 64.6 million euros), ACEA Ato5 began billing users as from July 2014. It is recalled that, as required by Resolution No. 643/2013, the adjustments will be billed over three years in full observance of the methods and times for recovery.

Please refer to the paragraph "*Information on concession services*" for further information.

GORI

The Company manages the Integrated Water Service throughout the entire territory of ATO No. 3 Sarnese Vesuviano in the Campania Region, covering a surface area of 897 Km² and a population of approximately 1.44 million euros inhabitants.

A total 4,388 km of water network is currently managed consisting of a 360 km primary abstraction network and a 4,028 km distribution network, with a 2,298 km drainage and sewerage system.

The table below outlines the main technical data, broken down by service, posted for the period ending 31 December 2014:

Technical data 2014		
Municipalities Managed	(no.)	76
Resident population (ISTAT figures at 1/1/ 2013)	(no.)	1,441,170
Water distribution network	(Km)	4,028
Abstraction network	(Km)	360

Technical data 2014		
Total Network	(Km)	4,388
Sources	(no.)	9
Wells	(no.)	67
Reservoirs	(no.)	183
Pumps	(no.)	113
Drainage and Sewerage Service		
Drainage and Sewerage Network	(Km)	2,298
Pumps	(no.)	149
Water Treatment Service		
Plants	(no.)	12

The Company provides integrated water services on the basis of a thirty-year agreement signed on 30 September 2002 by the company and the Sarnese Vesuviano Area Authority.

As for **tariffs**, the Acting Commissioner of the Sarnese Vesuviano Area Authority, in Resolutions Nos. 26 and 27 of 31 March 2014, updated the Economic-Financial Plan, transmitting to AEEGSI this Plan and the Plan of Action, and set Guaranteed Revenue Limits and the tariff multipliers for 2014 and 2015.

According to the provisions of resolution 643/2013, the assumptions made by the Acting Commissioner for the purposes of calculating tariffs for 2014-2015, or the applicable tariff rules, and identification of the respective Area led to GORI being placed in Area IV, by virtue of the ratio between capital expenditures required in the period 2014-2017 and the value of existing infrastructures being greater than the parameter ω , corresponding to 0.5, and the assumption of a system-wide variation due to the transfer of regional works, in accordance with the resolution of the Campania Region, no. 172/2013 of 03/06/2013, ordering said transfer of "Regional Works".

Since the previous assumptions formed the basis for determining the 2014 VRG (guaranteed income restriction) entered in the financial statements, it is also necessary to specify the changes occurring in the meantime having an impact on said limit.

It is firstly necessary to consider the coming into force of Campania Regional by-law no. 16/2014, "Intervention to boost and develop the regional economy and update the regulatory and organisational system (connected to regional stability by-law 2014)" which in paragraphs 88-91 of art. 1 requires that Regional Works be transferred to I.I.S. operators operating in Campania only after a period of efficiency-raising, to be carried out within thirty-six months. Said transfer will therefore presumably occur at the beginning of 2018.

Secondly, following the inspection conducted by the Authority at GORI on 15 April 2014, some doubts were raised regarding some base assumptions for calculating the 2012 and 2013 tariffs. The points raised have a negligible impact on the 2012/2013 Restriction and on the *theta*, and have been considered as a precautionary measure for the purposes of calculating the 2014 Restriction.

In particular, the breach of art. 7, paragraph 1 of Annex A to resolution 585/2012/R/idr and of point 3.4.4 of Decision 2/2012 TQI and of art. 8, paragraph 4 of Annex A to resolution 585/2012/R/idr and point 3.4.4 of Decision 2/2012 TQI have led to a correction of contested values in *ModStratificazione*, resulting in an adjustment of the Capex value.

For 2014, therefore, a VRG of 174.2 million euros was determined (Group share of this 64.5 million euros), corresponding to an incremental *theta* of 1.438 in respect of the 2012 tariff.

These revenues, as in 2012 and 2013, include the difference between the revenue derived from the application of the rules in Resolutions Nos. 585/2012 and 643/2013 and the maximum allowed in the first phase: said difference amounts to a total 39.0 million euros (Group share 14.4 million euros).

Prior adjustments accrued at 31 December 2011 amount to 79.4 million euros (Group share 29.4 million euros), initially 122.5 million euros (Group share 45.3 million euros). These adjustments were approved, in accordance with Article 31 of Annex A of Resolution No. 643/2013, by the Acting Commissioner of the Area Authority in Resolution No. 43 of 30 June 2014. The resolution also

established billing times as four years, for the same amount. The decrease derives from billing first issued in September 2014. Finally, it is noted that because of the implementing agreement signed on 24 March 2014 between the Campania Region, the acting Commissioner of the Sarnese Vesuviano Area Authority and the Company, resulting in the re-calculation of the debt with the Campania Region, fixed as a result of the settlement agreement of 24 June 2013, tariff adjustments accrued up until 2011 were increased by 9.8 million euros (Group share 3.6 million euros).

The Company set aside this sum to meet the relative cost of adjusting the value of debts for bills to be issued for tariff adjustments, in relation to schedules in place for the billing and recovery of these debts. As a result of the issue in 2014 of a part of the pre-2011 adjustments, the part of the discounting fund deemed to be in excess was reclassified to the bad debts fund to cover risk regarding the collection of items from previous years.

As for the 40 million euros bridge loan that matured 30 June 2011, on 30 June 2014 a contract was signed converting the bridge loan into a multi-year loan with maturity 31 December 2021. This contract regularized the Company's debt position, with consequent positive effects in terms of improvement in its rating and access to bank loans.

GESESA

The Company operates under ATO Authority no. 1 Calore Irpino, which is promoting and developing IIS management in Municipalities within the Provinces of Avellino and Benevento. The Authority, currently headed by an Acting Commissioner as per D.G.R. no. 813/2012, has not yet chosen a Single Operator for the management of the IIS.

ATO no. 1 has recently implemented – as part of a broader initiative for the planning and management of Water Resources in the Campania Region – the recommendations from the Mission Structure for the Planning and Management of Water Resources, aimed at facilitating the shared desire of former AATO authorities to choose a Single Operator to operate under the supervision of the same Authorities, also in light of changes introduced by Law 164/2014 Art. 7, Environmental decree no. 152/2006, in particular articles 147 and 172, and most recently the 2015 Stability law. This activity is deemed to be an urgent need by virtue of the deadlines fixed by art. 172 of the cited decree 152/2006, setting 30 September 2015 as the deadline by which Area Governing Agencies must adopt final measures for choosing a Single Operator to run the service (paragraphs 1-3), and regulate the enactment of the 'first application' phase of the provision. This activity in the phase of transition is also contemplated by paragraph 3 of Art. 19 of the draft regional by-law 477/13 for the reorganisation of the IIS, referring to the provisions of the cited art. 172.

The Company manages the IIS in 12 Municipalities of the Province of Benevento, serving a total population of about 95,000 inhabitants over an area of 451 km². There are about 45,000 served users. The sewerage and water treatment service is supplied to around 80% of users.

The Company is currently engaged in the acquisition of the CABIB Consortium, consisting of seven Municipalities.

Tuscany - Umbria Area

Acque

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 no. 2, comprising all public water collection, abstraction and distribution services for civil use, sewage systems and the treatment of waste water. The Area includes 55 municipalities. Acque pays a fee to all the municipalities for the concession, including accumulated liabilities incurred under previous concessions awarded.

On 11 February 2015 the AIT agreed to the proposal put forward by the Company to extend the concession period to 2026. This decision will come into full effect upon the approval of the lending Banks.

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 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 at this level, the tariff recovery of the 2012 adjustments repayment component was postponed to 2016.

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 Tuscany 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 Tuscany Water Authority as to the formula used to calculate the tariff multiplier, as the Company considers the formula adopted by the Tuscany Water Authority to be incorrect, failing to respect the principle of full cost recovery.

Following the decision to modify the formula used for calculating the *Theta*, in order to maintain the annual tariff increase of 6.5%, the adjustments to be recovered in 2016 have been altered. In brief, the two tariff proposals differ in the amount of the portion of Rc adjustments postponed to 2016 and, ultimately, in the total guaranteed tariff revenues.

In Resolution No. 402/2014/R/idr of 31 July 2014 AEEGSI approved the 2014 and 2015 tariff multipliers, respectively equal to 1.134 and 1.208; these multipliers take into account, considering the amount of planned investments, the shorter useful asset life compared to the regulatory life, further to the Tuscany Water Authority's right to adopt financial amortization.

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

On 31 July 2014 in Resolution No. 402/2014 AEEGSI approved "the tariff proposals reported to the Authority pending further preliminary investigation by the Tuscany Water Authority, concerning the remarks made by Acque S.p.A. the results of which may be considered as an adjustment." The Tuscany Water Authority approved the Company's observations and intends to include them as adjustments in the next Economic-Financial Plan.

Revenues in 2014 amounted to a total of 125.9 million euros, including adjustments of pass-through items (Group share of 56.7 million euros).

As already mentioned, in October 2006 Acque signed a contract with a pool of banks which provides for a total loan of 255.0 million euros to cover the financial needs of the investment plan from 2005 to 2021, estimated at around 670.0 million euros. The actual drawdown at 31 December 2013 was 218.0 million euros. The period for repayment of the loan started in June 2014, with six-monthly instalments increasing according to the profile defined for the loan. The final instalment of the repayment is due to be paid in December 2021. Instalments paid in 2014 totalled 2.1 million euros; in 2015 the overall repayment will be 8.3 million euros.

Publiacqua

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 no. 3, comprising all public water collection, abstraction and distribution services for civil use, sewage systems and the treatment of wastewater. The Area includes 49 municipalities, of which 6 managed via agreements inherited from the previous operator, Fiorentinagas. In return for awarding the concession, the Operator pays a fee to all the Municipalities, including accumulated liabilities incurred prior to award of the related contracts.

In June 2006, ACEA - via the vehicle Acque Blu Fiorentina 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 of this year Territorial Conference No. 3 Middle Valdarno of the Tuscan Water Authority approved the new tariff and the Economic-Financial Plan for 2014-2021, approved also by the Meeting of the Tuscany 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.

In Resolution No. 402/2014/R/idr, AEEGSI approved the 2014 and 2015 tariff multipliers respectively equal to 1.101 and 1.171; these multipliers take into account, considering the amount of investments planned, a shorter useful asset life compared to regulatory life, further to the Tuscany Water Authority's right to adopt financial amortization. Furthermore, the Guaranteed Income Restriction (VRG) includes the valorisation of the FNI^{new} component calculated on the basis of parameter ψ equal to 0.4.

Revenues for 2014 were calculated on the basis of approved tariff calculations, and amount to a total, including adjustments of so-called pass-through items, of 201.8 million euros (Group share 80.7 million euros).

The Tuscan Water Authority, in a letter dated 27 September 2013, implemented the 4th tariff review relevant to costs, announcing it wished to apply it to the years 2010-2011, excluding 2012 therefore, 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), about 10 million euros (Group share 4 million euros) less than the figure set aside in previous years, representing the recovery of lower depreciation and amortisation and remuneration of invested capital which, when the MTN was in force, was recognised to the previous operator.

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 75.0 million euros, of which a total of 60 million euros disbursed on the subscription date.

On 15 May 2014, the company submitted a request to the Agent Bank for an extension of the Loan Final Maturity until 30 November 2014. The request was approved by the Banks, and the necessary changes were made to the Loan Agreement.

Upon the maturation of the bridge loan the Company entered into bilateral loans for a total of 92.5 million euros, maturing (i) to the extent of 55 million euros on 30 June 2015 and (ii) for the remaining 37.5 million euros on 27 November 2015.

The Company is also in talks with leading lending banks to jointly assess the best way of financing the Economic and Financial Plan 2015-2021.

Acquedotto del Fiora

Based on the agreement signed on 28 December 2001, Acquedotto del Fiora is to supply integrated water services on an exclusive basis in ATO no. 6 Ombrone, consisting of public services covering the collection, abstraction and distribution of water for civil use, sewerage and wastewater treatment.

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

In August 2004, ACEA - via the vehicle Ombrone S.p.A. - 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 and the Economic-Financial Plan for 2014-2021, approved also by the Meeting of the Tuscany Water Authority on 24 April 2014. Compared to the previous year the *theta* is equal to 6.5% for both 2014 and 2015. On 31 July 2014 AEEGSI confirmed the above in Resolution No. 402/2014/R/idr,

approving the 2014 and 2015 tariff multipliers, respectively equal to 1.134 and 1.208; these multipliers take into account, considering the amount of planned investments, the shorter useful asset life compared to regulatory life, further to Tuscany Water Authority's right to adopt financial amortization. Furthermore the Guaranteed Income restriction (VRG) includes the valorisation of the FNI^{new} component calculated on the basis of parameter ψ equal to 0.5.

In order to limit annual tariff increases, the Area Authority, in accordance with the operator, reallocated the adjustments for 2012 and 2013, forecasting the subsequent recovery in 2015 of approximately 3.7 million euros (Group share 1.5 million euros).

2011 adjustments for previous periods were approved by the Tuscany Water Authority on 30 June 2014 by Resolution No. 38 and amount to 4.2 million euros (Group share 1.7 million euros).

Revenues in 2014 amounted to a total of 90.1 million euros, including adjustments of pass-through items (Group share of 36.1 million euros).

In financial terms, on 5 March 2012 the company signed an extension to the bridge loan agreement for a further 18 months, i.e. to September 2013, which increased from 80 million euros to 92.8 million euros after disbursement of a further 12.8 million euros. Finally, on 5 September 2013 a further extension of the Bridge was agreed up to 105.0 million euros (Group share 42.0 million euros) expiring 30 September 2014, required to cover the remaining new investments in 2013 and a significant portion of the investments listed in the Plan for 2014. The procedures which would hopefully have made it possible to consolidate the current loan in a medium/long-term financial structure by the date of maturity of the Bridge loan, and cover the moderate financial requirements still needed to complete the Plan of Action, were at an advanced stage. At the same time, considering new regulations, and following the Tuscany Water Authority's resolution on the new Water Tariff Method, the Company sent letters of invitation for the procedure to select one or more Banks interested in the project, with 31 July 2014 set as the deadline for presentation of the offers, extended to 15 October 2014 on request of the same banks. In consideration of the above extension of the deadline for the presentation of offers for a medium/long-term loan, as the same is also required to refinance the existing Bridge loan, the 30 September 2014 maturity of the same "Bridge" loan is no longer coherent and for these reasons in August the Company quickly requested an extension to the Bridge maturity date, suggesting 31 March 2015 as the new maturity date.

Umbra Acque

On 26 November 2007 ACEA was definitively awarded the tender called by the Area Authority of Perugia ATO 1 for selection of the minority private business partner of Umbra Acque S.p.A. (concession expiry 31 December 2027). A stake in the company (40% of the shares) was acquired on 1 January 2008.

During the period, the company performed its activities in all 38 Municipalities constituting ATOs 1 and 2.

With Resolution 252/R/idr passed on 29 May 2014 AEEGSI approved the tariff proposals for 2014 and 2015 with tariff multipliers respectively equal to 1.126 and 1.195.

In its report, the Area Authority specified that it opted for the non-application of financial amortization and, exercising its right, reset the FNI^{new} tariff component for 2014. An adjustment of 6.3 million euros was also approved for 2012, equal to a maximum of 2.1 million euros per year to be added to the 2014, 2015 and 2016 tariffs.

Revenues in 2014 amounted to a total of 60.9 million euros, including adjustments of pass-through items (Group share of 24.4 million euros).

Networks operating segment

Operating figures, equity and financial results for the period

Operating figures	U.M.	2014	2013 Restated	Increase/ (Decrease)	Increase/ decrease %
Electricity distributed	GWh	10,294	10,784	(490)	(4.5%)
Energy produced by photovoltaic plants	GWh	15	17	(2)	(11.4%)
Energy efficiency certificates sold/cancelled	No.	92,698	3,578	89,120	2,490.8%
No. Customers	N/000	1,623	1,627	(4)	(0.3%)
Network (Km)	(Km)	29,752	29,421	331	1.1%

Equity and financial results (millions of euros)	2014	2013 Restated	Increase/ (Decrease)	Increase/ decrease %
Revenue	551.4	601.0	(49.6)	(8.3%)
Costs	298.1	343.7	(45.6)	(13.3%)
Gross operating profit	253.3	257.3	(4.0)	(1.6%)
Operating profit/(loss)	158.4	161.0	(2.6)	(1.6%)
Average number of staff	1,377	1,400	(23)	(1.6%)
Capex	122.4	103.2	19.2	18.6%
Net debt	623.1	683.5	(60.4)	(8.8%)

EBITDA at 31 December 2014 was 253.3 million euros, a fall of 4.0 million euros vis-à-vis the previous year.

The drop is a combination of (i) the decrease for ACEA Distribuzione with regard to the first margin on the sale of energy, down 10.6 million euros, chiefly due to the new business tariff for 2014, (ii) the reduction in the Vatican margin, and (iii) a drop in consumption. These falls were only partially offset by (i) the rise in cost efficiency obtained by the company, and (ii) the drop in margins of the PV division by 1.4 million euros. Margins deriving from public lighting were basically in line with those of the previous year. Staff costs fell by 7.0 million euros compared with 2013, basically due to the rise in capitalised costs as a result of changes during the course of 2014 to procedures for the capitalisation of in-house costs.

In terms of staff, as of 31 December 2014 the average number of employees was 1,377, 23 less than the same period of the previous year, mainly attributable to ACEA Distribuzione.

Net debt at the end of 2014 was 623.1 million euros, a rise of 60.4 million euros, chiefly due to actions on working capital, leading to higher revenue towards the end of 2014. Positive net debt changes were recorded for both ACEA Distribuzione (- 41.1 million euros) and ARSE (- 24.8 million euros).

Segment capital expenditure amounted to 122.4 million euros, a rise of 19.2 million euros. The change is entirely attributable to ACEA Distribuzione, mainly due to capital expenditure in information systems and extension of its HV, MV and LV networks.

Operating review

Electricity distribution

Energy report

As shown in the following table, at 31 December 2014 ACEA Distribuzione injected 10,953.6 GWh into the network, a 3.79% drop on the previous year.

GWh	2014	2013	% Increase/ (Decrease)
Source A.U.	2,852.1	3,107.6	(8.22%)
Imports	432.1	431.5	0.13%
Protected categories market	3,284.1	3,539.1	(7.20%)
Free market	7,666.5	7,844.1	(2.26%)
Underlying distributors	2.9	2.1	35.26%
General total	10,953.6	11,385.3	(3.79%)

Transport service tariffs

2014 represents the third year of application of the new tariff structure defined by AEEGSI for the 2012-2015 regulatory period.

The regulatory provisions are divided into Three Consolidated Regulations, and for the distribution service AEEGSI confirmed unbundling of the tariff applied to end customers (the compulsory tariff) from the reference tariff to determine the permitted restriction on revenue for each company (the reference tariff).

The main new element introduced since the previous regulatory period (2008-2011) is the reference tariff of the distribution service for business, which replaces the previous mechanism for calculating permitted revenue, based on the national average tariff integrated with general equalisations on HV, HV/MV and LV distribution and specific corporate equalisation.

For the fourth regulatory period the new tariff recognises the following for each company:

- net invested capital of the MV and LV sector reapplied to 2007 using a parameterised criterion and actual invested capital from 2008;
- actual net invested capital at 2010 for the HV sector and for HV-MV transformation.

AEEGSI Resolution No. 607/2013/R/eel of 19 December 2013 set the rate of return on net invested capital (*wacc*) for 2014 at 6.4%.

In terms of operating costs, the new business-based tariff covers the specific costs by means of a national average cost adjustment coefficient, calculated by AEEGSI on the basis of actual company costs, recorded in unbundled annual accounts and recognised in the specific corporate equalisation for 2010, and on the basis of scale variables referred to 2010.

These costs, when calculating the company-based tariff for 2014, according to the definitions of Resolution No. 607/2013, are supplemented by flat rate connection contributions acknowledged throughout Italy, and will be considered as other grants and no longer deducted from operating costs.

Furthermore, the flat rate connection contributions of each company are deducted directly from the invested capital, considering them as equal to MV/LV assets with an acknowledged regulatory useful life of 30 years.

Another novelty of the fourth regulatory cycle relates to the breakdown of the tariff by withdrawal point (with the exception of public lighting points), unlike the previous cycle, when the reference distribution tariff depended on withdrawal points, consumption and power capacity. This choice related to the need to stabilise distribution revenue using a variable that was less subject to energy demand fluctuations.

In an official notification on 29 September 2014, AEEGSI recalculated the tariff of reference for the electricity distribution service (Resolution No. 154/2014 passed on 3 April) for 2012-2014: specifically, the 2012 and 2013 tariffs will be increased by 0.4% and 2014 tariffs by 0.55%. The College of the Authority will follow-up on this notification by 30 March 2015 when communicating the tariff of reference for 2015.

In Resolution No. 607/2013 of 19 December 2013, AEEGSI updated the tariffs for electricity transmission, distribution and metering services and the economic conditions for the provision of connection services for the year 2014, and with Resolution No. 154/2014 of 3 April, published the business-based tariff for 2014.

Updating of the distribution reference tariff after the first year will be individual and based on financial increases reported by the companies on the RAB databases. The updating criterion envisages that:

- the portion of the tariff covering operating costs is updated using the price cap mechanism (with a productivity recovery target of 2.8%);
- the part intended to provide a return on invested capital will be updated on the basis of the gross fixed investment deflator, movements in the volume of services provided, gross investments started up and differentiated according to the voltage level and the rate of variation linked to increased returns designed to provide incentives for investments;
- the part intended to cover depreciation has been updated, using the gross fixed investment deflator, movements in the volume of services provided and the rate of variation linked to the reduction in gross invested capital as a result of disposal, discontinuation and end of life and the rate of variation associated with gross investments that have become operational.

Introduction of the company tariff simplifies the equalisation system as the new tariff encompasses part of general and specific corporate equalisations.

AEEGSI confirms the mechanism - already introduced in the third regulatory cycle - of a higher return on certain investment categories, expanding the cases concerned and, in addition to smart grid projects, envisages a higher return on renewal and upgrading of the MV networks in historical centres.

The tariff covering sales costs is based on standard national costs, differentiated according to provision of the sales service subject to additional safeguards in integrated format or as a separate distribution service. AEEGSI eliminated the equalisation for sales activities and envisaged the zeroing out of productivity recoverable on sales costs. The coverage of investments made is indirectly guaranteed by a two-year time lag for investments made from 2012 onwards.

With regard to the transmission tariff, AEEGSI established the introduction of a binomial tariff (capacity and consumption) for HV customers, and changes to the cost tariff structure for the transmission service to Terna (CTR), also introducing a binomial price. The review of the two tariffs has led to the introduction of a new equalisation mechanism.

The general equalisation mechanisms for distribution costs and revenue for the new regulatory cycle are:

- equalisation of distribution service revenue;
- equalisation of revenue from the supply of electricity to domestic customers;
- equalisation of transmission costs;
- equalisation of the difference between actual and standard losses.

On 10 April 2014 AEEGSI passed Resolution No. 169/2014 to extend the algorithm for calculating equalisation on network losses for 2013 (Resolution No. 608/2013) also to 2014 pending conclusion of the electricity networks study. This algorithm includes a 75% surplus restitution portion for companies, and limits the restitution to companies showing a deficit.

On 20 May 2014 A2A Reti Elettriche S.p.A. filed an appeal to the Administrative Court of Lombardy requesting and obtaining the annulment of a series of resolutions which, starting from Resolution 559/2012, have revised the standard loss factors and modified the calculation algorithms for offsetting excess losses. By Resolution 269/2014, AEEGSI appealed to the Regional Administrative Court of Lombardy. The Council of State upheld the appeal lodged by AEEGSI, and restored the validity of resolutions 559/2012 and 608/2013.

Pending a new review of the method for covering costs related to in-house use of electrical energy, the regulation on the equalisation of electrical energy purchased to be used in-house for transmission and distribution purposes continues to apply. The regulation governing load profiling

requires electricity for customers in the protected categories market to be quantified on a residual basis, and to also include electricity consumed in-house for distribution and transmission purposes. AEEGSI also confirmed, without changes, the calculation method for equalisation of the purchase cost of electricity for distribution companies absorbed in-house for transmission and distribution purposes in accordance with the Retail Service Code.

In the new Transport Code, AEEGSI envisaged a mechanism for recognising an advance, every two months, of equalisation balances relating to the equalisation of distribution service revenue and transmission costs. In a letter from the CCSE dated 21 February 2014, ACEA Distribuzione was informed about the bi-monthly advance payments recognised for 2014 and the deadlines for the related payment.

The Metering Code (TIME) governs tariffs for the metering service, divided into meter installation and maintenance, taking meter readings, and confirming and recording readings. The Consolidated Code envisages transfer to Terna of the meter reading, confirmation and recording service for interconnection points between distribution company networks and the national grid. This change will become operative through subsequent regulatory provisions, and therefore at present the distribution company is still responsible for the entire metering service.

The price structure remains unchanged from the previous cycle except for the introduction of a tariff component to cover the residual non-depreciated value of the electromechanical meters replaced prior to the end of their useful lives with electronic meters, or MIS (RES), to be billed to LV end users.

With resolution 607/2013, the portion of parameters relative to revenue equalisation for the metering service regarding the year 2014 was updated.

The tariffs covering the metering service are updated, as for the distribution service, by price cap mechanisms for the part covering operating costs (with a productivity recovery target of 7.1%) and by the deflator, change in invested capital and rate of change in volumes for the part covering invested capital and depreciation. The rate of return on metering capital is equivalent to that of the distribution service.

ACEA Distribuzione is still awaiting recognition of the value for the equalisation of metering revenues for the year 2011 and for data collection for subsequent years (2012, 2013, 2014).

With regard to the revenue supplement mechanism as per AEEGSI resolution 607/2013, ACEA Distribuzione sent the participation application within the set deadline (31 March 2014).

AEEGSI has not extended said mechanism to 2014.

The "AEEG Consolidated Code on economic terms for the provision of connection services (TIC)", Annex C to Resolution No. ARG/Elt/199/11, governs the economic terms for the provision of connection services and specific services (transfers of network equipment requested by users, contract transfers, disconnections, etc.) to paying users, essentially in line with the previous regulatory period.

Energy efficiency objectives

AEEGSI Decision No. DIUC 9/2013 disclosed data on the quantity of electricity and natural gas distributed in Italy by operators obliged to meet such requirements in 2012. These data are essential for determining the portion of energy efficiency objectives each single distributor must meet for 2014, reaching at least 50% by 31 May 2015.

Resolution No. 13/2014/R/efr of 23 January 2014 defined the criteria for the quantification of the tariff contribution to cover the costs borne by electricity and gas distributors concerning TEEs - Energy Efficiency Certificates - from the compulsory year 2013; the mechanism introduces elements allowing for TEE average market prices, avoiding recognition of expenses borne by distributors on submitting an expense account.

ACEA Distribuzione's objective for 2014 is 174,316 Energy Efficiency Certificates and the estimate of the same for 2015 and 2016, defined on the basis of a criterion of the 2-year average energy

distributed in the two previous years, is equal to 199,154 and 244,502 Energy Efficiency Certificates respectively.

As regards the target for 2013 - amounting to 140,938 TEEs - by communication submitted to the National Grid Operator on 30 May 2014, ACEA Distribuzione "cancelled" 92,698 TEEs, equal to 65% of the target. Concerning the valuation of cancelled TEEs, in Decision DMEG/Efr/9/2014 AEEGSI announced a tariff contribution of 110.27/TEE and an estimated tariff contribution for the year 2014 of 110.39/TEE. The remaining portion of the target imposed on ACEA Distribuzione for 2013 will be recovered in the next two-year period 2014-2015.

AEEGSI Supervision

In consideration of the urgent measures set forth in Provision No. 300/2013/R/eel, on 8 July 2013 AEEGSI opened penalty proceedings against ACEA Distribuzione to verify metering aggregation violations.

This derives from the fact that the Company had not fulfilled metering aggregation requirements, essential for determining the physical and economic items of the dispatching service.

There is objective evidence of a breach in the form of discrepancy, in terms of the threshold allowed by regulations, between electricity metered and electricity invoiced for transport to the utilities of dispatching users (vendors) operating in the Rome area in 2011 and 2012.

ACEA Distribuzione, in accordance with resolution 243/2012/E/com, on 17 August 2013 presented commitments for the pursuit of the interests protected by the provisions which are assumed to have been violated.

In particular, these commitments mainly consist in remedying financial costs acknowledged by the system to the above dispatching users, to prevent the socialization of a cost which would otherwise be payable by end users.

The same commitments provide for a way to make up for prejudicial behaviour - represented by the discrepancy between metering figures and invoiced amounts for 2011 and 2012 charges - by the month of October 2013, and the objective proof of the system - with reference to the 2013 charges - for the final settlement of the problems in the process that caused said discrepancies.

Further to the request for explanation from AEEGSI and to the meeting with said Authority on 25 June 2014, ACEA Distribuzione sent a communication in which it:

- described progress made regarding the alignment of electricity metered and invoiced readings for the years 2011 and 2012, and pledged to bring values within allowed thresholds by 31 October 2014 (an objective which would go on to be achieved);
- explained the ways of quantifying financial costs that the Company had undertaken to recognise for the System;
- proposed a further commitment - at the express request of AEEGSI - to anticipate publication of meter readings to dispatching users.

The company is awaiting a formal reply from the Authority to the Company's proposals in this sphere.

Finally, on 20 February 2014 AEEGSI Resolution No. 62/2014/S/eel opened proceedings for the application of sanctions against the Company for violations relating to:

- failure to meet the target for electronic meters put into service (95% at 30/06 of the year n+1 for meters installed at 31/12 of the year n);
- the compulsory collection of data on metering registers referring to 24:00 of the final day of each month.

With this resolution, AEEGSI opened an enquiry into the violation of art. 8 bis, in Annex A of Resolution No. 292/06 setting a term of 150 days for the duration of the enquiry. On 6 May the Company submitted a written memorandum in which it proposed the achievement of the 95% objective by the end of 2014. In this case too we are waiting a formal reply from the Authority.

Finally, on 16 and 17 September of this year, AEEGSI, in collaboration with the Italian Finance Police, performed an audit on ACEA Distribuzione concerning the electricity metering service in

accordance with Resolution No. 239/2014/R/eel. This audit is part of the study conducted on the metering service implemented by Resolution No. 475/2013/R/eel which finished on 18 June, concerning:

- the operation of the system for collecting metering data on end user electricity consumption, and data on the electricity generated and injected into the network by power stations;
- the methods used to validate, record and make metering figures available both to vendors and the national grid operator (in the second case the figures are required to provide the incentives for power stations using renewable energy sources);
- the methods used to reconstruct missing metering data;
- the operation of the system of metering electricity traded with other networks connected to our own network;
- information on withdrawal points without meters, other than public lighting;
- request for clarification on some figures provided for the study of 18 June of this year;
- the reasons why part of the metering figures for the period 2007 - 1st quarter of 2014 concerning PV plants eligible for incentives were not sent to the national grid operator, as indicated in the Operator's report of 3 June 2014.

Following the audit, AEEGSI made no formal comment on ACEA Distribuzione's management of the metering process.

Public lighting

On 15 March 2011 ACEA and Roma Capitale agreed on an update to the Public Lighting Service Contract.

The key points of the renegotiation are:

- extension of the contract to 2027, in line with the Concession, and therefore lengthening the residual duration from 4 years 5 months to 17 years,
- review of the contractual parameters, aligning them with those of the CONSIP technical draft for the "Servizio Luce 2" tender,
- certainty of the power to directly perform activities associated with network expansion,
- recognition on expiry of the contract, natural or otherwise, of the non-amortised value of investments made by ACEA,
- sterilisation of the "price risk" of electricity to power the public lighting system,
- the inclusion of an indemnity in favour of ACEA in the event of early termination of the contract by Roma Capitale, calculated on the basis of margins discounted over the number of years to expiry (i.e. to 31 December 2027).

In 2014 797 lighting points were installed for Roma Capitale and 430 for third party customers, including those installed in Lungotevere Vittorio Gassman, Via Poggio Verde and the stations of Pigneto and Piazza dei Mirti.

Finally, it is reported that following numerous cases of theft of cables during the year, in 2014 over 30 km of new cables were laid, using a new type of electric cable, made from copper-plated aluminium which, by using less copper and combining it with aluminium, has the main advantage of making the two metals difficult to separate, if not by industrial means and processes.

PV power, energy saving and cogeneration

PV power

Following the transfer of the PV business unit in December 2012, ARSE owns plants with a total power capacity of just over 13 MWp. These plants recorded total output of 15.46 GWh in 2014.

The sector in question is currently being affected by a number of legislative and regulatory initiatives that point to a likely fall in revenue generated by such plants.

In particular, on 23 December 2013 Law Decree No. 145 ("Destination Italy") was passed, and in accordance with art. 1, paragraph 2 starting from 1 January 2014, the Minimum Guaranteed Prices

defined by AEEGSI to apply the dedicated withdrawal service indicated in Resolution No. 280/07, for each plant are equal to the hourly zonal price in the case in which the energy withdrawn is produced by plants benefiting from electricity tariff incentives.

Furthermore, with reference to the so-called "stretched feed-in tariff" decree, the Company has opted for letter c) of paragraph 3 of article 26 of the Law, with a maintenance of the twenty-year period of recognition and a lowering of the tariff by a percentage of the incentive recognised on the same date, for the remaining duration of the incentive period according to the following amounts:

- 6 per cent for plants having a nominal capacity in excess of 200 kW and up to 500 kW (nominal capacity is taken to mean the sum of capacities of single sections benefiting from incentives);
- 7 per cent for plants having a nominal capacity in excess of 500 kW and up to 900 kW (nominal capacity is taken to mean the sum of capacities of single sections benefiting from incentives);
- 8 per cent for plants having a nominal capacity in excess of 900 kW (nominal capacity is taken to mean the sum of capacities of single sections benefiting from incentives);

Energy saving

Currently the initiatives of the national grid operator to acknowledge Energy Efficiency Certificates (TEEs) for the Group are above all for energy efficiency actions in line with the development programmes of each single company, such as for example, activities related to interventions in the treatment sector. Furthermore, energy efficiency interventions in the public lighting sector are being evaluated using LEDs in third party structures.

Corporate

Equity and financial results for the period

Equity and financial results (millions of euros)	2014	2013 Restated	Increase/ (Decrease)	Increase/ decrease %
Revenue	122.8	111.1	11.7	10.5%
Costs	116.7	113.9	2.8	2.5%
Gross operating profit	6.1	(2.8)	8.9	(317.9%)
Operating profit/(loss)	(21.5)	(26.5)	5.0	(18.9%)
Average number of staff	670	680	(10)	(1.5%)
Capex	14.2	11.9	2.3	19.3%
Net debt	(442.1)	(467.0)	24.9	(5.3%)

ACEA closes 2014 with an EBITDA of 6.1 million euros, an improvement compared to 31 December 2013 of 8.9 million euros, basically due to the effect of (i) an increase in revenue for service agreements, (ii) a global fall in external costs following the adoption of general cost-curbing policies, and (iii) the entering of some contingent items. It is noted that 2013 benefited from the partial release of 4.9 million euros in provisions set aside for the second round of the medium/long-term Incentive Scheme and those set aside for senior and middle managers' MBO, as the objectives assigned were only partially achieved. As a result the actual increase in staff costs was 0.2 million euros.

The average number of staff at 31 December 2014 was 670, down on the previous year (680 units at 31 December 2013).

Capital expenditure amounted to 14.9 million euros, an increase of 2.3 million euros compared to 31 December 2013, relating chiefly to the purchase and upgrading of software for administrative activities and company security.

Net debt at 31 December 2014 stood at 442.1 million euros, an improvement over the end of 2013 of 24.9 million euros, as a result of **(i)** the financial settlement of service agreements and payments due from subsidiaries as part of treasury contracts, **(ii)** the recording of dividends for 2013 resolved by subsidiaries, **(iii)** the release of part of the *escrow account* created to secure photovoltaic plants sold in 2012 to RTR for 4.9 million euros. The above was offset by **(i)** distribution of the final dividend for 2013 approved by the shareholders' meeting on 5 June 2014, **(ii)** deterioration in foreign currency valuations and fair value measurement of financial instruments (18.2 million euros), and **(iii)** liquidity needs generated by changes in working capital.

ACEA S.p.A. business activities

In its role as a business holding, ACEA S.p.A. defines strategic objectives at Group and subsidiaries' level and coordinates the activities.

Within the Group, ACEA S.p.A. acts as a centralised treasurer for the major subsidiaries. Inter-company transactions, pending the review of existing treasury agreements, expired on 31 December 2013 but extended to 31 December 2014, consist of:

- opening of a medium/long-term credit line of a pre-established amount to cover funding needs generated by investments;
- the credit line (i) has a three-year term from 1 January 2011, (ii) produces interest, at a yearly adjusted rate corresponding to the 3-year IRS plus a spread aligned with that of a BBB-rated bond issued on the capital market and (iii) provides for an annual credit fee calculated on the credit limit;

- opening of a general-purpose line for the companies' current needs. Credit line (i) has a three-year term from 1 January 2011, (ii) produces interest payable at a yearly adjusted rate corresponding to the 3-year IRS plus a spread aligned with that of a BBB-rated bond issued on the capital market and a lending rate calculated on the arithmetic mean of intraday 3M Euribor rates for each calendar quarter less a 5 bp annual spread and (iii) provides for an annual credit fees calculated on the credit limit.

ACEA S.p.A. also acts as guarantor for the Group companies: in this regard the contract that governs the general purpose line sets a limit for guarantees and separate costing for bank guarantees and corporate guarantees.

ACEA S.p.A. also provides administrative, financial, legal, logistic, management and technical services to subsidiaries and associates in order to optimise the use of existing resources and know-how in an economically advantageous manner. These services are governed by specific annual service agreements.

The previous agreements in force applied to the 2011-2013 period and were based on contract prices and actually delivered quantities.

As regards service agreements, with effect from 1 January 2014 and for a three year period, during the first part of the year, ACEA S.p.A. completed activities aimed at **(i)** revising the list of services offered, **(ii)** aligning fees to market prices, **(iii)** making the service agreements compliant for regulatory purposes and under the Organisational, Management and Control model and **(iv)** introducing new SLAs (Service Level Agreement) with a view to improving the level of service offered, to be compared to the related KPI (Key Performance Indicator).

The new tariffs essentially determine a decrease of total fees for almost all companies. During the third quarter of 2014 the Board of Directors' meetings of most Group companies approved the service agreements.

It is also noted that as part of the ACEA 2.0 project, specific addenda have been added to the service agreement governing services provided by ACEA to the main subsidiaries.

Consideration for these services has been established as equal to the cost incurred.

Significant events during the period

Moody's changes ACEA's outlook from "Negative" to "Stable"

On 18 February 2014 Moody's reported that it had changed ACEA SpA's outlook from "Negative" to "Stable" confirming a "Baa2" rating.

The rating review followed the modification of the outlook on the sovereign debt of the Government of the Republic of Italy, on the basis of a decision recently taken by Moody's.

The change in outlook is also due to: **(i)** the Company's results in the second half of 2013 in terms of improvements to the financial structure and liquidity profile, as well as the issue on 5 September 2013 of a 600.0 million euros bond; **(ii)** the positive developments of the water regulatory framework.

Bond issue programme

On 10 March 2014 the Board of Directors approved the adoption of a bond issues programme (Euro Medium Term Note Programme) up to a maximum amount of 1.5 billion euros over a five-year term. The EMTN adoption is aimed at refinancing a number of maturing bonds and loans, with a view to reducing financial costs and lengthening the average maturity of debt.

Fitch Ratings changes ACEA SpA's outlook from "Negative" to "Stable" confirming a "BBB+" rating

On 29 May 2014, Fitch Ratings announced that it had changed ACEA's outlook from "Negative" to "Stable", confirming the "BBB+" for the Long-Term Issuer Default Rating (IDR) and the Senior unsecured rating and the "F2" for the Short-Term IDR.

The agency explained the revised outlook as follows: **(i)** positive evolution of the water regulatory framework, **(ii)** results achieved by the Company over the last twelve months, **(iii)** increased long-term visibility on the development of the businesses, the dividend policy and the Group financial goals, following the approval of the 2014-2018 Strategic Plan.

ACEA S.p.a. - Shareholders' Meeting

On 5 June 2014 the shareholders' meeting approved the 2013 financial statements and the distribution of a dividend of 0.42 euros per share, of which 0.25 euros were already distributed as interim dividend.

With regard to the composition of the Board of Directors, the shareholders' meeting set the number of members at seven, appointed the new Board that will remain in office for three years, until approval of the financial statements for 2016, and defined the Directors' remuneration.

ACEA S.p.a. - Appointment of the Chief Executive Officer

On 9 June 2014, the Board of Directors appointed Alberto Irace as Chief Executive Officer of the Company. The Board of Directors also approved the powers assigned to the various roles. The Chairman Catia Tomasetti was assigned the institutional duty of representing the Company, convening and presiding over the Board of Directors' meetings, as well as responsibility for External Relations and Communication, Institutional Affairs, Audit and Secretary Office functions.

In line with the previous system, the CEO was granted all the powers related to the ordinary management of the Company and the Group.

The Board of Directors also confirmed Franco Balsamo as Executive Responsible for Financial Reporting.

ACEA S.p.A. - Appointment of Internal Committees Members

On 2 July 2014, the Board of Directors of ACEA S.p.A., chaired by Catia Tomasetti, appointed the members of the following internal committees:

- Audit and Risk Committee (Elisabetta Maggini, Paola Antonia Profeta, Giovanni Giani)

- Related Party Transactions Committee (Diane d'Arras, Elisabetta Maggini, Paola Antonia Profeta)
- Appointment and Remuneration Committee (Elisabetta Maggini, Paola Antonia Profeta, Giovanni Giani)
- Ethics Committee (Paola Antonia Profeta, Francesco Caltagirone, Elisabetta Maggini).

Placement of 600 million euros bond issued under the EMTN programme

On 8 July 2014, ACEA completed the placement of a fixed rate bond issue for a total amount of 600 million euros, with 10 year maturity under the Euro Medium Term Notes (EMTN) programme of 1.5 billion euros approved by the Board of Directors on 10 March 2014.

The bond issue is aimed at refinancing a number of maturing bonds and loans, with a view to reducing financial costs and lengthening the average maturity of debt.

The bond issue is intended solely for institutional investors in the Euromarket.

ACEA: 200 million euros from the European Investment Bank (EIB) to boost the water service in Rome and Lazio. Total planned investments of 680 million

On 4 August 2014, ACEA and the EIB signed an agreement providing for a 200 million euros loan intended to cover a significant portion of ACEA's planned investments over the next four years - totalling 680 million euros - which are aimed at boosting and strengthening the infrastructure of the integrated water service of the Ato2 Central Lazio (Rome and province of Rome). The list of projects financed by the EIB - approximately 30 large and small projects - includes in particular the construction of new plants or the renovation of existing ones for the extraction and treatment of water, the protection of water sources, construction and upgrading of reservoirs, the strengthening of the interconnection between water systems, the improvement of water resources' quality and safety, the expansion or renovation of the water and sewer networks, the upgrading and renovation of wastewater treatment plants.

Significant events after the reporting date

ACEA 2.0: 500 million euros invested in the digital management of infrastructures and networks

In February the first two parts of the new calls for tender drafted by ACEA to digitalise procedures for intervention and management of its water and electricity networks were published in the Official Journal of the European Union. The ACEA Group has thus started out on a road that will enable it, by 2016, to manage, using innovative mobile technologies in a perfectly integrated manner, all its work processes, from the creation of infrastructures and maintenance services to the management of networks, customer care, and so on. This revolution will be made possible thanks to the *Work Force Management* (WFM) system, a digital platform created by multinational SAP, allowing the real-time coordination and monitoring of all the activities performed by ACEA and its suppliers.

The first two industrial segments to be “digitalised” will be the management of water networks in Rome and Frosinone and electricity distribution in Rome, starting with the selection of suppliers, who will be obliged to adopt the new digital work method.

ACEA has prepared a new tender procedure that will enable it to invest around 500 million euros on the territory. There will be a significant concentration in tenders, from the current 100 tenders per year to 5 macro-tenders, so as to award strategic and long-term tender contracts (from 3 to 5 years).

Once operational, the new contracts in place will make it possible to digitally manage every working phase of the 43,000 interventions performed by ACEA every year in Rome and the Lazio region, reducing by about one third the time required for the work and services performed. After having completed each phase of their job assignment, engineers and workers, equipped with tablets and handheld devices, will be able to document their work, sending georeferenced photos. It will thus be possible to have real-time knowledge and control of works and maintenance interventions, with the automatic application of penalties in the event of delays and bonuses (up to 10% of the tender value) in the event of excellent results. With this new system it will also be possible to have real-time monitoring of work performance, which will be assessed every four months based on service quality parameters elaborated and certified by an ad hoc study.

Main risks and uncertainties

Due to the nature of its business, the Group is exposed to various types of risks, and in particular to regulatory risks, credit risks, operating risks, foreign exchange risks, market risks, liquidity risks and interest rate risks. In order to reduce these risks, the Group performs analyses and monitoring as described below.

Note that, on the date of preparation of this report on operations, we do not expect the ACEA Group to be exposed to further risks and uncertainties that may have a significant impact on the results of its operations, equity or financial position, other than those mentioned in this document.

Regulatory Risks

As is known, the ACEA Group operates mainly in regulated markets, and changes to rules in these markets as well as regulations and obligations can have a significant effect on results and operating performance. Therefore, the Group has a structure that can consolidate its relations with local and national governments and regulatory bodies.

This structure monitors regulatory developments in terms of providing support in the preparation of comments in the response to the Consultation Paper, in line with the interests of Group companies, and in the consistent application of regulations in corporate procedures and within the electricity, gas and water businesses.

Operating and environmental risks

ACEA Ato2 – criticalities associated non-compliant discharges

With the signing of the Management Agreement the transfer of integrated water services of ATO2 Municipalities (with the exception of protected category services) has become officially compulsory. In practice, the transfer of these services within the given time frames and in accordance with established procedures has not been completed, because of the reluctance of some municipal administrations to actually transfer the Service, as well as the impossibility for the Operator, especially since 2008, to acquire the management of water, sewerage and treatment facilities not compliant with existing law provisions, since this would expose its management to consequent criminal judicial action.

The biggest criticalities have come from the presence of discharges that have not yet been adequately treated and/or existing treatment plants that need to be restored and/or upgraded to meet new emission standards decided by the Supervisory Authority following a new assessment of the hydrological system of receptor waterways, or even the nature of the receptor (soil rather than water body) in cases in which it was believed that the discharge of some treatment plants into the ground in cases of dried-up waterways, when they were found to be dried up at the time of inspection.

The current environmental emergency has also rendered it necessary to carry out public works. In 2008 the Region signed a “*Memorandum of understanding for an extraordinary plan to clean up river, lake and sea resources to deal with the discharge emergency in the ATO2 area – Central Lazio – Rome*”, with the intention of allocating funding for the implementation of specific interventions to tackle the emergency.

Thanks to considerable technical and economic efforts, 151 discharges have been cleaned up. A total of 95 discharge operations are still active, 62 of which subject to intervention plans under the control of ACEA Ato2, and 33 to be cleaned up by Municipalities or by the Region using public funding.

Taking into account new IIS regulatory provisions, a Plan of Actions has recently been drafted for the period 2014-2017, with further instructions given for the period until the end of the concession (2032). This Programme includes not only intervention to clean up the 62 discharges mentioned above but also works for the complete clean-up of the ATO2 area in terms of the quality of sanitation, restoring and upgrading obsolete purification plants, which discharge on the “ground” or

in “non-perennial ditches”, according to the interpretations of the body responsible for granting the authorisation or for changing the hydraulic regime.

This Plan of Actions has run into problems however, due to the long-term nature of the performance of works, which is at odds with the need to immediately comply with existing legislation. These time issues relate to both the granting of authorisations and the actual building/work performance phase.

These problems are compounded by the lack of impetus regarding investments in the sector, in view of the length of time required to implement the provisions of the Galli Law, and the consequent need to improve infrastructures in very short spaces of time compared with the time needed to get through the authorisation process provided for by existing legislation. This has led to delays in the performance of works in relation to Community directive constraints in the sphere of the environment and drinking water, resulting in infringement procedures initiated by the European Union.

These criticalities have been reported by the Company at all institutional levels (Lazio Region, Province of Rome, Area Authority ATO2, Prefecture, Municipal Administrations) in order to get all actors concerned involved in actions to speed up administrative procedures that need to be done before the work can begin.

ACEA Ato2 – criticalities of the sewerage and water treatment system

In terms of authorisations, criticalities remain regarding the classification of the hydraulic regime for waterways, and in general receptor water bodies, which is responsible, especially when renewing authorisations, for the application of more restrictive limits or in any case limits that differ from those for which the structure was designed, built and managed.

In some cases the Company has resorted to administrative justice to seek the removal of ordinances deemed to be at odds with law provisions.

In terms of sanctions, during the course of 2014 there was a relative decline in the number of administrative penalties inflicted for violations of rules on discharges, said rules suffering from the uncertainty surrounding the regulatory framework for the classification of receptor bodies as mentioned above.

Some water treatment activities were investigated by the Judicial Authorities in 2014, with the issue of seizure orders for two purification plants; for one of these the seizure order was removed during the year.

During the year orders were issued for the release from seizure of another three plants.

With reference to large treatment plants, seizure orders remain on the Roma Nord and Roma Est plants, in connection with which the Company, while fully defending its operations, has continued to implement the extraordinary maintenance and revamping plan, complying with the instruction from the relevant authorities.

ACEA Ato2 – criticalities of the drinking water system

Following the acquisition of IIS management, two criticalities have emerged:

- the quality of drawn water;
- water scarcity chiefly in the area to the south of Rome.

With regard to the first point, and the qualitative and quantitative crisis caused by the presence of water sources whose quality does not come up to standards for chemical parameters such as arsenic and fluoride naturally present in underground water supplies in areas of volcanic origin, with consequent problems in terms of the quantity and quality of distributed water (Municipalities in the Castelli Romani area, and more generally in the volcanic areas of the ATO having more than 170,000 inhabitants and fourteen Municipalities), the Company has worked to draw up and enact adequate recovery plans to ensure that parameters laid down in legislative decree 31/2001 are met, said plans to be included in the subsequent planning of investments in the Area Plan.

To this end, the following actions have been planned and rolled out:

- ✓ substitution of local water supplies deemed to be qualitatively critical with higher-quality sources;
- ✓ mixing of sources with water devoid of undesired elements;
- ✓ construction of potabilisation plants by means of filtration technology or reverse osmosis.

The above activities were completed in 2014 with the putting into service of the "Le Corti" water purifier in the Municipality of Velletri.

Today, following the completion of the above activities, it is necessary to complete already planned actions to ensure the quality of water supplied to the above-mentioned areas even under unfavourable conditions (drought, service interruptions) and to implement potabilisation plants in order to raise reliability. The Company's efforts will then focus on building new plants to increase water supplies, particular in the summer season, in the municipalities of Oriolo Romano, Sant'Oreste, Allumiere (second) and Fiano Romano.

As regards the second criticality, namely the scarcity of water chiefly in the Colli Albani area, whose supplies depends on the aqueducts of Simbrivio, Doganella and over 140 local wells, over the years a number of interventions have been carried out to reduce the problem, such as diverting the Pertuso spring, activation of new plants, the Arcinazzo reservoir and the Ceraso "booster" plant.

Despite these actions and favourable climate trends, during the course of 2014 some criticalities again emerged in municipalities in the Colli Albani zone (Velletri, Genzano di Roma, Lanuvio and Ariccia), mainly connected with the configuration of plant and network infrastructures in the territory, for which the Company is looking into the most appropriate measures that need to be adopted.

Energy segment

With regard to the *Energy Segment*, the main operational risks linked to the activities of the subsidiaries (Acea Energia and Acea Produzione) may regard material damage (damage to assets, shortcomings of suppliers, negligence), damage due to lost output, human resources and damage deriving from external systems and events.

To mitigate these operational risks, the companies have entered into a series of insurance policies from the start of their operations, to cover Property Damage, Business Interruption and Third Party Liability with leading insurance companies. Particular attention has been devoted by the companies to the training of their employees, as well as the definition of internal organisational procedures and the drafting of specific job descriptions.

Networks Segment

The main risks associated with the *Networks Segment* can be classified as follows:

- ✚ risks relating to the effectiveness of the investments for the replacement/renewal of grids, in terms of expected effects on the improvement of service continuity indicators;
- ✚ risks relating to quality, reliability and duration of the works carried out;
- ✚ risks relating to the ability to meet the terms for obtaining prescribed authorisations, regarding both the construction and start-up of plants (pursuant to Regional Law 42/90 and related regulations) and performing work (authorisations of municipalities and other similar authorisations), according to the need to develop and enhance the plants.

Risks relating to the effectiveness of investments relate primarily to the increasingly stringent rules of the electricity and gas Authority on the subject of service continuity. ACEA Distribuzione is combating this risk by enhancing instruments for the analysis of network functioning in order to better direct investments (e.g. ORBT Project), and applying new technologies (e.g. automation of MV network, smart grid, etc.)

As far as the risk linked to work quality is concerned, ACEA Distribuzione implemented operational, technical and quality control systems, including the creation of the Works Inspection Unit, which forms part of the Quality and Safety department. The results of the inspections, which are processed electronically, give rise to rankings (reputational indicators), that will be used to award contracts under a "vendor rating" system, developed in collaboration with the University of Tor

Vergata (Rome). This system ranks contractors according to their reputation, scored on the basis of their ability to meet the quality and safety standards for contract work.

The system also allows the identification and application of penalties. In cases of serious default, the principal may also suspend the contractor's activities. In 2014, 43 work sites were suspended due to safety non-compliance out of a total of 1,240 inspections conducted.

During the year, the good level in the reputation indicator was confirmed for the companies that have worked for ACEA Distribuzione.

ACEA S.p.A.'s Safety and Protection Unit is implementing a rating system for Suppliers, in which the above indicator plays a part.

A rating system is also in place regarding the services awarded to external professionals involved in the planning and execution of works.

The **risk relating to the ability to meet deadlines** arises from the number of organisations that have to be addressed in the authorisation procedures and from the considerable uncertainty linked to the response times of these organisations; the risk lies in the possibility of denials and/or in the technical conditions set by the above entities (such as the construction of underground rather than above-ground plants, with a subsequent increase in plant and operating costs). It should also be noted that lengthy proceedings result in higher operating costs, are difficult to deal with for operating structures (drafting and presentation of in-depth project examinations, environmental studies, etc.) and require participation in service conferences and technical meetings at the competent offices. However, the substantial risk is still essentially linked to the non-obtainment of authorisations, with the result being the inability to upgrade plants and subsequent greater risk linked to the technical performances of the service (at present there are delays in upgrading the HV network in the coastal area and the Terna procedure to construct a new Castel di Leva primary substation. It is noted that a particularly critical point is the long response times of a number of the administrations contacted.

Environment segment

The waste-to-energy plants, as well as, to a lesser extent, waste treatment plants, are highly complex from a technical point of view, requiring the companies to employ qualified personnel and adopt organisational structures with a high level of *know-how*. The need to maintain the plants' technical performance levels and to prevent personnel with specific expertise (who are difficult to recruit) from leaving the companies, represent tangible risks.

These risks have been mitigated by implementing specific maintenance and management programmes and protocols, drawn up partly on the basis of the experience acquired in plant management.

Moreover, the plants and related activities are designed to handle certain types of waste. The failure of incoming material to meet the necessary specifications could lead to concrete operational problems, sufficient to compromise the operational continuity of the plants and give rise to risks of a legal nature.

For this reason, specific procedures have been adopted for monitoring and controlling incoming materials via spot checks and the analysis of samples pursuant to legislation in force.

Market risk

The Group is exposed to various market risks with particular reference to the risk of price oscillations for *commodities* being bought and sold, interest rate risks and foreign exchange risks to a lesser extent. To reduce the exposure to within the defined limits, the Group enters into contracts drawn up on the basis of types offered by the market.

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.

Commodity price risk

The Group is exposed to variations in the price of electricity, which can have a significant effect on results.

To reduce this risk, the Group adopts a control structure that 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*. In particular:

- the measurement of risk indicators, or limits, that must be observed in the management of the portfolio, are defined on a yearly basis. These activities are performed by the Risks Committee, which approves the *Risk Control* proposal;
- the *Risk Control* unit is responsible for checking exposure to market risks of companies in the Energy segment and for ensuring compliance with defined limits on a monthly basis. When requested by the Internal Control System, *Risk Control* is responsible for transmitting to ACEA S.p.A.'s *Internal Audit* Unit the requested information in an appropriate format.

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

- minimise the overall risk for the entire segment;
- ensure the necessary operational flexibility for commodity procurement and hedging activities;
- reduce the possibility of *over-hedging* deriving from changes in likely volumes for the definition of hedging.

The Market risk is broken down into Price Risk, i.e. the risk relating to the change in commodity prices, and the Volume Risk, i.e. the risk relating to changes in volumes actually sold compared with volumes forecast in sales contracts with end users (sale profiles). The aim of risk analysis and management is generally that of ensuring that financial objectives of the ACEA Group are achieved; in particular:

- protecting the First Margin against unexpected and unfavourable short-term shocks in the Electricity and Natural Gas market that can have an impact on revenues or costs;
- identifying, measuring, managing and reporting exposure to risk of the company ACEA Energia;
- reducing risks through the drafting and application of adequate internal controls, procedures, information systems and competencies.
- entrusting the Risk Owner with the task of proposing suitable operational strategies for single risks, within predetermined minimum and maximum levels.

The assessment of exposure to risk entails the following activities:

- aggregation of commodities and architecture of the risk books;
- careful analysis of hourly patterns of purchases and sales, contained open positions, i.e. exposure of physical positions for purchase and sale of single commodities, within predetermined volumetric limits;
- creation of reference scenarios (prices, indexes);
- calculation of risk indicators/metrics (volumetric exposure, VAR, portfolio PAR, price range);
- checks on observance of existing risk limits.

Interest rate risk

The ACEA Group's approach to managing interest rate risk, which takes the structure of assets and the stability of the Group's cash flows into account, has essentially been targeted, up to now, at hedging funding costs and stabilising cash flows, in such a way as to safeguard margins and ensure the certainty of cash flows deriving from ordinary activities.

The Group's approach to managing interest rate risk is, therefore, prudent and the methods used tend to be static in nature.

A static (as opposed to dynamic) approach means adopting a type of interest rate risk management that does not require daily activity in the markets, but periodic analysis and control of positions based on specific needs. This type of management therefore involves daily activity in the markets, not for trading purposes but in order to hedge the identified exposure over the medium/long term.

ACEA has, up to now, opted to minimise interest rate risk by choosing a mix range of fixed and floating rate funding instruments.

As previously noted, fixed rate funding protects a borrower from *cash flow* risk in that it stabilises financial outflows, whilst heightening exposure to *fair value* risk in terms of changes in the market value of the debt.

Liquidity risk

Group policy for managing the liquidity risk, for both ACEA and subsidiaries, is to adopt a financial structure which, coherent with business objectives and within the limits defined by the Board of Directors, guarantees a suitable liquidity level to meet financial requirements, maintaining the correct balance between duration and composition of the debt.

The liquidity risk management process, using financial instruments for planning suitable expenditure and income for optimal treasury management and monitoring the group debt trend, adopts a centralised treasury management system, which provides financial assistance to subsidiaries and associates not covered by a centralised finance contract.

Credit risk

In 2012 ACEA drew up the guidelines for the *credit policy* which established different credit management strategies through criteria of flexibility on the basis of the customer segmentation. Credit risk is managed by taking into account both the customer type (public and private) and the non-uniform behaviour of individual customers (*behavioural scores*). Debt collection strategies are managed dynamically through a Credit management system, implemented in recent years for the main companies in the Group. The ACEA2.0 Project also includes the global review of the credit management process in terms of an application map and the standardisation of activities for all Group companies. From an organisation point of view, centralised management was further consolidated by setting up ad hoc Parent Company organizational units. The structures of each single company responsible for managing credit refer to ACEA's CFO in an *end-to-end* process.

In 2014 too the Group continued to assign revolving and spot credit without recourse, to private customers and Public Administrations. These operations led to the elimination from the financial statements of all the corresponding activities subject to disposal as all the deriving risks and benefits had been transferred.

Risks relating to rating

Access to the capital market and other forms of funding and the related costs, depends among other things on the Group's credit rating.

A reduction in the credit rating by rating agencies could represent a limiting factor for access to the capital market and increase collecting costs with the consequent negative effects on the equity, economic and financial standing of the Group.

ACEA's current rating is shown in the following table.

Company	M/L Term	Short Term	Outlook	Date
Moody's	Baa2	Na	Stable	19/02/2014
Standard & Poor's	BBB-	A-3	Stable	18/10/2013
Fitch	BBB+	F2	Stable	29/05/2014

Operating (and financial) outlook

The ACEA Group's results for 2014 are better than expected.

In the **environment sector**, the overall positioning of ARIA, the owner, either directly or through its subsidiary SAO, of important plant infrastructures intended for the generation of electric power from the recovery of waste, makes it possible to positively assess the short and medium-term business outlook. This is also in consideration of the development of the energy recovery plant infrastructures which the Group intends to perform at the San Vittore waste-to-energy plant where the interventions already authorised by the Lazio Regional Authority will be implemented. The waste disposal situation of the Lazio Regional territory remains critical, made particularly evident by the establishment, pursuant to the provisions of art. 1, paragraphs 358 and 359 of Law 228/2012, of an administration under a government-appointed Commissioner, introduced by decree of the Ministry of Environment, Land and Sea of 3 January 2013, concerning the critical situation in the management of municipal waste in the Province of Rome. In this context, the Industrial Plan contains new investments to further increase RDF and waste-to-energy output capacity and composting capacity in order to become the country's third largest national operator in the area of industrial waste treatment. With reference to the seizure of the Kyklos plant as a result of the fatal accident on 28 July, all actions useful in resuming business activity in 2015 will be carried out.

In the **electricity generation** sector structural work will be done to repair the Castel Madama power station (settling of the feeder tunnels), and current industrial projects will continue, with particular reference to the extension of the district heating network, where work will continue for at least 3 years, serving the Torrino-Mezzocammino district in the south of Rome. Furthermore, to increase the production efficiency of the Tor di Valle plants, the planning, design and management of the authorisation procedure for the modernisation of the site will be completed so work can start.

In the **water services segment**, the primary goal will be to implement the actions necessary to keep working capital under control. AS part of the ACEA 2.0 project, the first two industrial segments to be "digitalised" will be water network management in Rome and Frosinone, starting with the selection of suppliers, who will be obliged to adopt the new digital work method.

As regards the **networks sector**, AEEGSI Resolution No. 157/2012 of 26 April that approved the ACEA Distribuzione reference tariff eliminated uncertainty arising from the provisional tariff. Even so, some uncertainty remains, associated with the still undefined equalisation items related to the third regulatory period. To these regulatory uncertainties one should add the difficulties in the operating environment that affect the ability to comply with technical and managerial standards. The main actions to be taken, in fact, shall continue to focus on capital expenditure, processes and organization. In this respect, the electricity distribution process in Rome (just as the water networks of Rome and Frosinone) will be "digitalised".

In the **electricity trade** market, there will be all the more focus on the careful selection of customers, with particular reference to solvency, continuing to grow in terms of commercial expansion in the *mass market* with the aim of acquiring domestic and *small business* customers. A goal that vendors have all but reached is to implement all the necessary measures aimed at constantly improving the billing and sales process in order to limit the growth of working capital and help curb the Group's debt.

The ACEA Group will continue to rationalise and streamline operating processes in all business and corporate areas. These goals will be pursued in part through the wholesale development of



information systems, with special reference to *billing* and the introduction of *workforce management*.

The ACEA Group's financial structure is solid for years to come, as the entire debt is characterised at 31 December by long-term maturities with an average lifespan of about 7.6 years. 64.2% of debt is fixed rate in order to ensure protection against any increases in interest rates as well as any financial or credit volatility.

As of today, ACEA has *committed* and *uncommitted* credit lines totalling approximately 1.1 billion, of which 300 million euros maturing after 2015.

The long-term ratings assigned to ACEA by the main international rating agencies are as follows:

- Standard & Poor's: "BBB-";
- Fitch "BBB+";
- Moody's "Baa2".



Resolutions on profit for the year and distribution to shareholders

Dear Shareholders,

in inviting you to approve the financial statements, we propose that the profit of 89,601,433.50 for the year ended 31 December 2014 be allocated as follows:

- € 4,480,071.67, 5% of the total, to the legal reserve,
- € 85,100,774.04 to Shareholders, corresponding to a unit dividend of 0.3996,
- € 20,587.78 to be carried forward.

It is also proposed that 10,733,430.96, corresponding to a unit dividend of 0.0504, be allocated to Shareholders via use of the reserve of earnings retained from previous years.

The overall dividend, therefore (coupon no. 16) of 95,834,205.00, corresponding to 0.4500 per share, shall be paid beginning on 24 June 2015 with a detachment date of 22 June and a record date of 23 June.

At the date of approval of the financial statements, treasury shares total 416.993

ACEA S.p.A.
The Board of Directors