Interim Condensed Consolidated Financial Statements 2015

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ACEA Organisational Model

ACEA is one of the leading Italian multiutility operators and has been listed on the Stock Exchange since 1999.

ACEA's operational model is based on an organisational structure in line with the Strategic-Business Plan at strengthening the governance, guidance and supervision role of the Holding not only by relying on the current business portfolio but also by focusing on areas that create greater value and on the strategic development of the Group in new Operating Segments and territories. ACEA's macro-structure consists in corporate functions and four Operating Segments – Environment, Energy, Water and Networks.
The activities of each Operating Segment are described below.

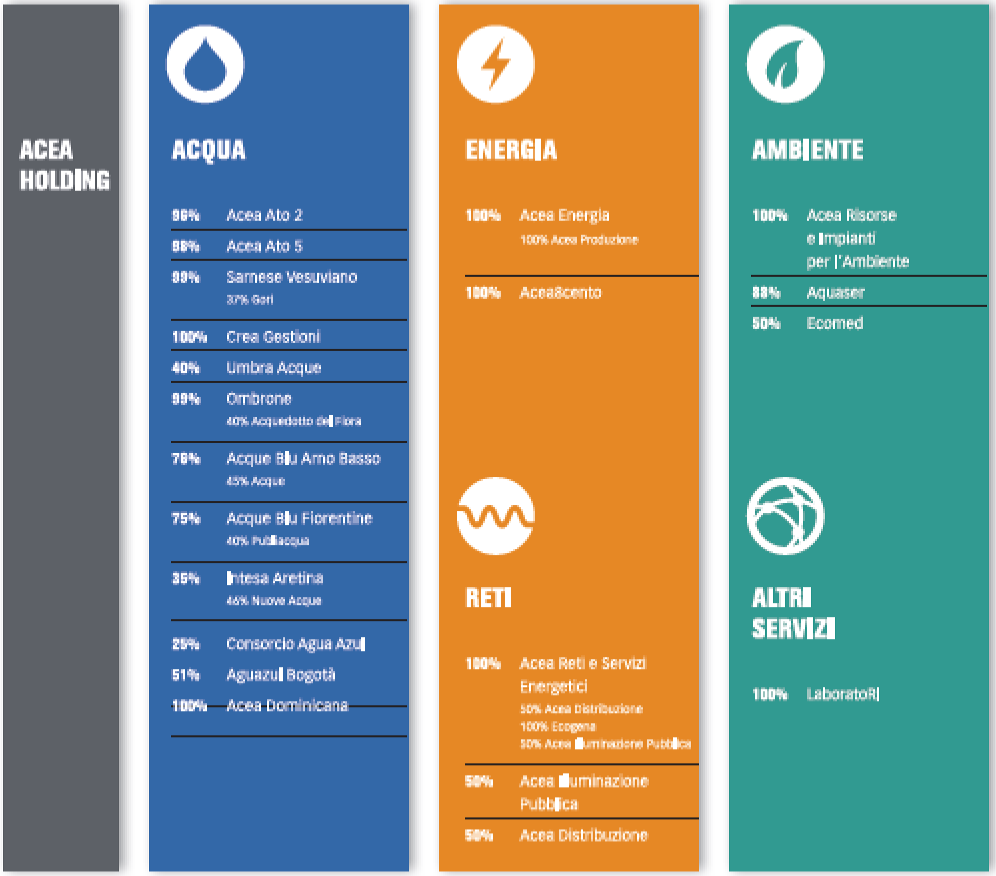
Environment Segment
The ACEA Group is a one of the leading Italian operators in the urban management of environmental services. It runs the main waste-to-energy plant and the biggest composting plant in the Lazio region, points of reference for regional RDF (Refuse Derived Fuel) and organic waste operators. The Group pays special attention to the development of investments in the waste to energy business, which is viewed as a high potential business, and organic waste management, in accordance with the strategic goal of the Group to produce energy from waste while protecting the environment.

Energy Segment
The ACEA Group is one of Italy's main players 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. It operates in all market segments, from households to major companies, 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.

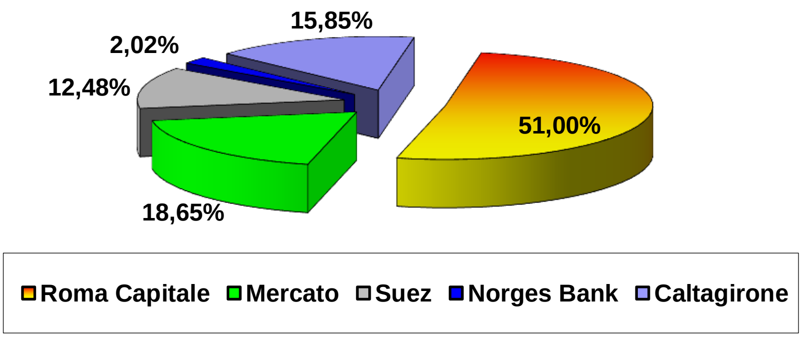
Water Segment
The ACEA Group is the biggest Italian operator in the water sector, supplying water to 8.5 million people. The Group manages the Integrated Water Service in Rome and Frosinone and in the respective provinces, as well as other parts of Lazio, and in Tuscany, Umbria and Campania. The Company 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.

Network Segment
The ACEA Group is a major operator in Italy with approximately 11 TWh of electricity distributed in Rome, where the Group manages the distribution network, serving 1.6 million delivery points. The Group also manages the public and artistic lighting of the capital, with over 189,000 lighting units, applying increasingly effective solutions with a low environmental impact. 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 Operating Segments, comprises the following main companies.



As at 30 June 2015, ACEA S.p.A.'s share capital is composed as follows:



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

Corporate bodies

Board of Directors

Catia Tomasetti	Chairman
Alberto Irace	Chief Executive Officer
Francesco Caltagirone	Director
Massimiliano Capece Minutolo del Sasso [1]	Director
Diane D'Arras	Director
Giovanni Giani	Director
Elisabetta Maggini	Director
Roberta Neri[1]	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

Independent Auditors

Reconta Ernst & Young S.p.A.

[1]Appointed by the Shareholders' Meeting held on 23 April 2015

Summary of results

Income statement data (€ millions)	30/06/2015	30/06/2014	Increase (decrease)	% Increase (decrease)
Consolidated revenues	1,441.1	1,511.2	(70.1)	(3.3%)
Consolidated operating costs	1,100.8	1,188.8	(88.0)	(7.4%)
Income/(Costs) from equity investments of a non-financial nature	12.9	8.6	4.3	49.8%
of which: EBITDA	67.7	60.6	7.1	11.7%
of which: amortisation, depreciation and provisions	(43.7)	(39.5)	(4.2)	10.6%
of which: Financial activities	(4.4)	(4.9)	0.5	(10.4%)
of which: income and costs from equity investments	0.0	0.0	0.0	0.0%
of which: Taxes	(6.7)	(7.6)	0.9	(11.5%)
Income (costs) from commodity risk management	0.0	0.0	0.0	0.0%
EBITDA	**353.3**	**331.0**	**22.3**	**6.7%**
EBIT	**202.7**	**188.4**	**14.3**	**7.6%**
Net profit (loss)	**103.6**	**83.7**	**19.9**	**23.8%**
Profit (loss) attributable to minority shareholders	4.3	3.2	1.1	34.9%
Net profit/(loss) attributable to the Group	**99.3**	**80.5**	**18.8**	**23.3%**

EBITDA by Operating Segment (€ millions)	30/06/2015	30/06/2014	Increase (decrease)	% Increase (decrease)
ENVIRONMENT	**27.1**	**27.8**	**(0.7)**	**(2.5%)**
ENERGY	**55.9**	**45.6**	**10.3**	**22.5%**
Generation	18.3	19.1	(0.7)	(3.9%)
Sale	37.6	26.5	11.0	41.5%
WATER:	**146.6**	**138.2**	**8.5**	**6.1%**
Overseas	4.4	1.4	2.9	204.1%
Lazio - Campania	128.4	125.9	2.6	2.0%
Tuscany - Umbria	11.1	6.6	4.5	69.0%
Engineering	2.8	4.4	(1.5)	(34.8%)
NETWORKS	**123.3**	**119.1**	**4.2**	**3.5%**
ACEA (Corporate)	**0.2**	**0.2**	**0.0**	**0.0%**
Total EBITDA	**353.3**	**331.0**	**22.3**	**6.7%**

Balance sheet data (€ millions)	30/06/2015	31/12/2014	Increase (decrease)	30/06/2014	Increase (decrease)
Net invested capital	**3,647.5**	**3,591.5**	**56.0**	**3,803.8**	**(156.3)**
Net financial debt	**(2,128.9)**	**(2,089.1)**	**(39.8)**	**(2,376.7)**	**247.8**
Consolidates shareholders' equity	**(1,518.6)**	**(1,502.4)**	**(16.2)**	**(1,427.0)**	**(91.6)**

Net financial debt by Operating Segment (€ millions)	30/06/2015	31/12/2014	Increase (decrease)	30/06/2014	Increase (decrease)
ENVIRONMENT	**202.6**	**179.6**	**23**	**178.9**	**23.7**
ENERGY	**361.7**	**356.1**	**5.6**	**403.0**	**(41.3)**
Generation	134.0	134.9	(0.9)	144.5	(10.5)
Sale	227.7	221.2	6.5	258.5	(30.8)
WATER	**549.1**	**488.1**	**61.0**	**692.6**	**(143.5)**
Overseas	(4.3)	(2.0)	(2.3)	(1.9)	(2.4)
Lazio - Campania	543.7	478.2	65.5	685.3	(141.6)
Tuscany - Umbria	(5.8)	(0.6)	(5.2)	(1.1)	(4.7)
Engineering	15.5	12.5	3.0	10.4	5.1
NETWORKS	**621.3**	**623.1**	**(1.8)**	**657.8**	**(36.5)**
ACEA (including IP)	**394.2**	**442.1**	**(47.9)**	**444.4**	**(50.2)**
Total	**2,128.9**	**2,089.1**	**39.9**	**2,376.7**	**(247.8)**

Capex by Operating Segment (€ millions)	30/06/2015	30/06/2014	Increase (decrease)
ENVIRONMENT	**9.8**	**4.6**	**5.2**
ENERGY	**6.6**	**6.6**	**0.0**
Production	4.5	4.4	0.1
Sale	2.1	2.2	(0.1)
WATER	**74.6**	**67.6**	**6.9**
Overseas	0.2	0.6	(0.2)
Lazio - Campania	74.0	66.9	7.1
Tuscany - Umbria	0.0	0.0	0.0
Engineering	0.4	0.2	0.2
NETWORKS	**67.7**	**59.1**	**8.6**
ACEA (Corporate)	**8.8**	**4.4**	**4.4**
Total	**167.4**	**142.4**	**25.0**

Review of operating and financial performance for the period

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. The ACEA Group considers *operating gross margin* (*EBITDA)* as an operating performance indicator resulting from the sum of Operating profit (loss) and "Amortisation, depreciation, provisions and impairment charges";
2. The *net financial position* is an indicator of the ACEA Group's financial structure, consisting of 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 defined as the sum of "Current assets", "Non-current assets" and assets and liabilities held for sale, net of the "Current liabilities" and "Non-current liabilities", excluding items taken into account in calculating the net *financial position.*

ACEA Group results of operations

Comments are provided below regarding the operating performance for the period, with data at 30 June 2015 being compared on a year-over-year basis.

Note Ref.	€ millions	30/06/2015	30/06/2014	Increase (decrease)	% Increase (decrease)
	Revenues from sales and services	1,406.1	1,452.5	(46.4)	(3.3%)
	Other income	35.0	58.7	(23.7)	(40.3%)
1	**Consolidated net revenue**	**1,441.1**	**1,511.2**	**(70.1)**	**(4.6%)**
	Staff costs	117.1	126.4	(9.3)	(7.4%)
	External costs	983.7	1,062.5	(78.8)	(7.4%)
2	**Consolidated operating costs**	**1,100.8**	**1,188.8**	**(88.0)**	**(7.4%)**
3	**Net income/(costs) from commodity risk management**	**0.0**	**0.0**	**0.0**	**0.0%**
4	**Income/(costs) from equity investments of a non-financial nature**	**12.9**	**8.6**	**4.3**	**49.8%**
	EBITDA	**353.3**	**331.0**	**22.3**	**6.7%**
5	Amortisation, provisions and depreciation	150.6	142.6	8.0	5.6%
	Operating profit/(loss)	**202.7**	**188.4**	**14.3**	**7.6%**
6	Financial (costs) and income	(45.2)	(50.9)	5.6	(11.1%)
7	Income/(costs) from equity investments	(0.6)	1.1	(1.7)	(156.1%)
	Profit (loss) before tax	**156.8**	**138.6**	**18.2**	**13.2%**
8	Income taxes	53.2	54.8	(1.7)	(3.0%)
	Net profit (loss)	**103.6**	**83.7**	**19.9**	**23.8%**
	Profit/(loss) attributable to minority shareholders	*4.3*	*3.2*	*1.1*	*34.9%*
	Net profit (loss *attributable* to the Group	**99.3**	**80.5**	**18.8**	**23.3%**
9	Earnings (loss) per share (euros)				
	Basic	0.4664	0.3782	0.0882	23.3%
	Diluted	0.4664	0.3782	0.0882	23.3%

1. Consolidated net revenue

At 30 June 2015, this item stood at 1,441.1 million euros (1,511.2 million euros at 30 June 2014), showing a 70.1 million euros decrease (-4,6%) compared to the same period of the previous year. Below is a breakdown of this item.

€ millions	30/06/2015	30/06/2014	Increase (decrease)	% Increase (decrease)
Revenues from sales and services	1,406.1	1,452.5	(46.4)	(3.3%)
Other income	35.0	58.7	(23.7)	(40.3%)
Net consolidated revenues	**1,441.1**	**1,511.2**	**(70.1)**	**(4.6%)**

Revenues from sales and services - *1,406.1 million euros*
This item showed an overall decrease of 46.4 million euros (-3.3%) compared to 30 June 2014 (1,452.5 million euros). This reduction was chiefly due to a decrease in revenues from electricity sales, as shown in the table below.

€ millions	30/06/2015	30/06/2014	Increase (decrease)	% Increase (decrease)
Revenues from electricity sales and services	980.5	1.033.9	(53.4)	(5.2%)
Revenues from gas sales	49.3	37.5	11.8	31.6%
Revenues from the sale of certificates and rights	11.6	10.8	0.8	7.1%
Revenues from Integrated Water Service	281.0	284.1	(3.1)	(1.1%)
Revenues **from Overseas Water Services**	4.5	3.9	0.5	13.2%
Revenues from biomass transfer and landfill management	18.4	21.0	(2.7)	(12.6%)
Revenues from services to customers	43.5	44.3	(0.8)	(1.8%)
Connection fees	17.4	17.0	0.4	2.8%
Revenues from sales and services	**1,406.1**	**1,452.5**	**(46.4)**	**(3.3%)**

Revenues from electricity sales and services stood at 980.5 million euros, showing a decrease of 53.4 million euros year over year. This change was mainly caused by the following events:

- A decrease in revenues from electricity sales to the extent of 59.2 million euros due to lower amounts sold and price trends.
  The drop in amounts sold was essentially ascribable to the free market (-17.6%) following the diversification of the customer portfolio implemented by Acea Energia starting from 2014. The protected market also showed a downtrend (-2.7%) as a result of the strong competition in the Rome market. The reduction in revenue was partially offset by a year-over-year increase in the tariff applied to protected market customers following adjustments issued by the Authority (AEEGSI) by Resolution No. 136/2014/R/eel, whereby the retail tariff was increased effective 1 April 2014, and Resolution No. 670/2014/R/eel whereby towards the end of 2014 the nation-wide unpaid ratio was set to 24 months.
- The drop in revenues from electricity and heat generation (-0.6 million euros) was related to a slight decrease in the amounts produced by the hydroelectric division (around 14 GWh) and a drop in market prices. District heating operations also posted lower revenues compared to the first half of 2014 due to mild weather conditions during the winter season (-4.9 GWht).
- A 4.4 million euros increase in revenues from the transport and metering of energy intended for both the protected and free markets due to price patterns and greater equalisation proceeds booked.

Revenues from gas sales showed a 11.8 million euros increase mainly due to greater amounts sold by Acea Energia following a rise in the customer base of the Operating Segment and the consolidation of the household market customer base. It should be also noted, that starting from 2015, Acea Energia, through its subsidiary Umbria Energy, acquired Cesap Vendita Gas, a company based in Umbria.

Revenues from the sales of certificates and rights showed a 0.8 million euros increase chiefly due to maturity of green certificates as a result of greater amounts produced from the plants. This item mainly referred to revenues from green certificates of **(i)** Acea Produzione to the extent of 9.5 million euros (+0.3 million euros over the previous year) falling due in relation to energy produced from Salisano and Orte plants and **(ii)** A.R.I.A. to the extent of 2.0 million euros (+0.4 million euros compared with the same period in 2014) resulting from WTE plants located in Terni and San Vittore.

Revenues from the Integrated Water Service were mainly generated by the companies that operate the service in the Lazio (281 million euros). The 3.1 million euros drop was due to the combined effect of a 4.3 million euros reduction in ACEA Ato2's revenues and a growth in other operations totalling 1.1 million euros. The change relating to ACEA Ato2 was due to (i) a 6.5 million euros increase in the Restriction on Guaranteed Revenues (VRG, Vincolo ai Ricavi Garantiti) for 2015 compared with the previous year, (ii) a 2.8 million euros uptick in pass-through items (electricity, concession fees, ...), (iii) the amount of 9.7 million euros being booked in the 2014 half year report in respect of some adjustments pertaining to 2012 and 2013 as a result of the pricing established for 2014 and 2015, (iv) the amount of 4.4 million euros being reflected in the 2014 half year report relating to the recalculation of prior year adjustments pertaining to the 2006-2011 period.
ACEA Ato5's revenues, which showed a 0.4 million euros increase compared to the 2014 half year report, were calculated based on the pricing established by the Mayors' Conference held on 14 July 2014, where the 1.660 tariff multiplier was deemed to exceeded the maximum tariff multiplier allowed and therefore was subject to investigation by the AEEGSI.

Revenues from biomass transfer and landfill management dropped by 2.7 million euros. The drop was virtually entirely due to the seizure of the Kyklos plant by the Public Prosecutor's Office following fatal accident that occurred in July 2014.

Revenues from services to customers dropped by 0.8 million euros. This reduction was due to the combined effect of an increase in work for third parties in (i) ACEA Ato2 to the extent of 2.4 million euros, of which 1.9 million euros due to greater secondments, (ii) Ecogena (-0.8 million euros) due to greater contributions received during the first half of 2014 and (iii) ACEA (-1.1 million euros) relating to lower revenues from public lighting operations.

Connection fees increased by 0.5 million euros. A breakdown is provided below:

- Free and protected market: 15.2 million euros (+0.3 million euros compared to 30 June 2014),
- Water market: 2.2 million euros (+0.2 million euros compared to 30 June 2014).

Other income - *35.0 million euros*

They showed a 23.7 million euros decrease. A breakdown is provided below:

€ millions	30/06/2015	30/06/2014	Increase (decrease)	% Increase (decrease)
Contributions from Entities for Energy Efficiency Certificates	6.4	31.3	(24.9)	(79.6%)
Non-recurring gains and other revenues	15.2	14.7	0.5	3.0%
Refunds for damages, penalties and claims	3.3	4.0	(0.7)	(16.1%)

€ millions	30/06/2015	30/06/2014	Increase (decrease)	% Increase (decrease)
Feed-in tariff	2.2	2.1	0.1	5.2%
Government grant (Prime Ministerial Decree of 23/04/04)	2.1	1.9	0.2	11.4%
Regional grants	1.0	1.0	0.0	0.0%
Income from utility bills	1.6	0.9	0.7	69.0%
Seconded staff	1.1	0.8	0.3	36.3%
Property income	0.8	0.7	0.1	6.6%
IFRIC 12 margin	0.7	0.6	0.1	13.9%
Recharging of costs for corporate offices	0.6	0.5	0.1	17.9%
Gains from asset disposal	0.0	0.1	(0.1)	(66.2%)
Other revenues and income	**35.0**	**58.7**	**(23.7)**	**(40.3%)**

The drop was essentially due to the following effects:

(i) A 24.9 million euros decrease in cancellation contributions accrued on energy efficiency certificates following lower amounts purchased in the first half of 2015 (-147,472 certificates). In addition to this, account should also be taken of the (i) release of the provisions, booked in the first half of 2014 and originally allocated in 2013 (8.4 million euros) to cover the purchase of the certificates needed to meet 2013 requirements;

(ii) A 0.5 million euros rise in exceptional items mainly due to extraordinary income (2.5 million euros) being reflected in Aguazul Bogotà financial statements pertaining to the settlement of the ongoing dispute with the city authorities.

2. Consolidated operating costs

As at 30 June 2015, this item stood at 1,100.8 million euros (1,188.8 million euros at 30 June 2014), showing an 88 million euros decrease (-7.4%) compared to the same period of the previous year. The breakdown is provided in the following table.

€ millions	30/06/2015	30/06/2014	Increase (decrease)	% Increase (decrease)
Staff costs including capitalised costs	*156.6*	*155.8*	*0.7*	*(0.4%)*
Capitalised costs	*(39.5)*	*(29.5)*	*(10.0)*	*33.9%*
Net staff costs	117.1	126.4	(9.3)	(7.4%)
External costs	983.7	1.062.5	(78.7)	(7.4%)
Consolidated operating costs	**1,100.8**	**1,188.8**	**(88.0)**	**(7.4%)**

Staff costs - *117.1 million euros*

The increase in staff costs including capitalised costs stood at 0.7 million euros and was mainly affected by greater staff costs incurred in the Energy (+1.0 million euros) and Water (+0.3 million euros) segments, which were only partially offset by lower costs in the Corporate (-0.3 million euros) and Network (0.4 million euros) segments.

Capitalised costs showed a 10.0 million euros increase chiefly pertaining to ACEA Distribuzione and the Parent Company. This increase was the result of the (i) Group employees' strong commitment to the complex project for the upgrading of IT systems and corporate processes (Acea2.0) and (ii) a revision of the method of internal cost capitalisation implemented in the last quarter of 2014 with respect to the entire financial year. The effects of this revision ascribable to the first half of 2014 were estimated to be around of 5.1 million euros. The decrease between the two half years being compared would therefore stand at 4.2 million euros.

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

€ millions	30/06/2015	30/06/2014	Increase (decrease)	% Increase (decrease)
Environment	5.9	5.5	0.4	7.3%
Energy	14.3	13.5	0.7	4.9%
Water	44.4	42.0	2.4	5.7%
Networks	27.9	36.6	(8.6)	(23.6%)
Parent Company	24.7	28.8	(4.1)	(14.4%)
TOTAL	**117.1**	**126.4**	**9.3**	**(7.4%)**

The average headcount was 5,134 employees, 86 employees less compared to the first half of 2014. The drop in the final headcount was even greater (226 employees) at 30 June 2015, totalling 4,988 employees.

External costs - 983.7 million euros

This item showed an overall decrease of 78.8 million euros (-7.4%) compared to 30 June 2014 (1,062.5 million euros).

€ millions	30/06/2015	30/06/2014	Increase (decrease)	% Increase (decrease)
Energy, gas and fuels	816.6	889.1	(72.5)	(8.2%)
Services	109.8	115.4	(5.6)	(4.9%)
Concession fees	21.3	21.4	(0.1)	(0.5%)
Materials	12.2	13.1	(0.9)	(6.9%)
Other operating costs	12.0	12.4	(0.4)	(3.2%)
Lease expenses	11.7	11.1	0.6	5.4%
External costs	**983.7**	**1.062.5**	**(78.8)**	**(7.4%)**

Costs for the purchase of energy, gas and fuels stood at 816.6 million euros. The drop was mainly due to: **(i)** lower electricity procurement costs for both the protected and free market alike and related transport costs. This reduction resulted from the combined effect of lower amounts of electricity sold due to the customer portfolio diversification and different quantity/price mix in the different months and time brackets, partially offset by greater purchasing costs on the gas market (+24%); **(ii)** a reduction in costs for the purchase of white certificates by ACEA Distribuzione in order to meet regulatory energy efficiency requirements, such reduction resulting from lower amounts purchased in the period under review compared to the first half of 2014 (-147,472 certificates).

Service costs stood at 109.8 million euros. The decrease was primarily due to technical and administrative services provided to the Parent Company as a result of cost-effectiveness actions already started in the previous year. Costs for work performed primarily by ACEA Ato2 as well as sludge transport and disposal costs also decreased.

Concession fees were virtually in line with those posted in 2014, showing a 0.1 million euros drop.

Costs for the purchase of materials stood at 12.2 million euros, showing a 0.9 million euros decrease pertaining to all segments, except for the Energy Segment (+0.6 million euros).

Other operating costs stood at 12.0 million euros, decreasing by 0.4 million euros compared to the first half of 2014. The decrease was affected by lower overheads and extraordinary expenses relating to costs pertaining to prior years and adjustments of previously recognised revenues.

Lease costs increased by 0.6 million euros following greater costs incurred for other leases and machine rentals.

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

As at 30 June 2015 the change in the fair value measurement of financial contracts was practically € 0.0 million.
The portfolio of financial instruments under Hedge Accounting was the predominant component of the overall portfolio.
For further details, refer to the *"Additional disclosures on financial instruments and risk management policies"* in the 2014 Consolidated Financial Statements.

4. Income/(costs) from equity investments of a non-financial nature

This item is the consolidated result according to the equity method that is included among the components of the consolidated EBITDA of companies that used to be proportionally consolidated. Below is a breakdown of this item:

€ millions	30/06/2015	30/06/2014	Increase (decrease)
EBITDA	67.7	60.6	7.1
Amortisation, depreciation and provisions	(43.7)	(39.5)	(4.2)
Financial activities	(4.4)	(4.9)	0.5
Taxes	(6.7)	(7.6)	0.9
Total	**12.9**	**8.6**	**4.3**

The EBITDA increase, posted mainly by water companies operating in Tuscany, was partially offset by the effects of GORI's conservative doubtful receivables write-down policies (+1.1 million euros), greater amortisation recognised in Publiacqua (+1.2 million euros) and provisions for litigation risks in Acquedotto del Fiora (+2.3 million euros).
The increase in this item was ascribable entirely to companies operating in Tuscany (+4.5 million euros).

5. Amortisation, provisions and depreciation

€ millions	30/06/2015	30/06/2014	Increase (decrease)	% Increase (decrease)
Intangible and tangible amortisation	110.3	93.2	17.1	18.4%
Doubtful receivables	32.7	40.6	(7.9)	(19.4%)
Provisions for risks	7.5	8.7	(1.2)	(14.1%)
Total	**150.6**	**142.6**	**8.0**	**5.6%**

Amortisation and impairment charges stood at 110.3 million euros, increasing by 17.1 million euros (+18.4%). The increase was due to a rise in investments in all Operating Segments and - with regard to the water segment - also accounted for regulatory patterns and tariff adjustments pertaining to invested capital.

Doubtful receivables stood at 32.7 million euros, showing a 7.9 million euros decrease. The drop pertained mainly to the Water (-5.9 million euros) and Energy (-2.4 million euros) segments as a result of a better debt collection performance.

Provisions for risks stood at 7.5 million euros (-1.2 million euros compared to the first half of 2014). The drop was chiefly due to lower provisions for: (i) early retirement and redundancy (2.8 million euros); (ii) regulatory risks referring specifically to the Energy Segment (0.6 million euros); (iii) contribution-related risks (0.4 million euros) partially offset by an increase in provisions for legal-related risks (+1.7 million euros) and insurance risks (+0.4 million euros).
This item contains a 1.4 million euros write-down on the goodwill with indefinite useful life relating to Ecogena as a result of the impairment test conducted in accordance with the 2015-2019 Strategic Plan approved in June. More details are provided under 15 of the Notes to the financial statements.

6. Financial (Costs) and income

Net finance costs totalled 45.2 million euros, showing a 5.6 million euros drop. In particular, the above trend was due to: (i) a decrease in the "all in" average global cost of ACEA Group debt (3.37% in 2015 vs. 3.42% in the first half of 2014); (ii) a drop in factoring fees (-1.5 million euros) partially offset by an increase in interest on bonded loans following the placing of a 600 million euros bonded loan in July 2014 as part of the EMTN scheme.

7. (Costs) and income from equity investments

The drop was essentially due to 2.3 million euros income booked at 30 June 2014 as a result of the revised forecast for the completion of Marco Polo liquidation proceedings.

8. Income taxes

The tax burden for the period was 53.2 million euros vs. 54.8 million euros of the same period in the previous year and essentially consisted of the following items:

- ✓ Current taxes: 53.5 million euros (53.5 million euros at 30 June 2014).
- ✓ Net deferred/(prepaid) taxes: - 0.3 million euros (1.3 million euros at 30 June 2014).

The overall decrease posted for the period (1.7 million euros) was essentially due to the (i) write-off of the corporate income tax (IRES) surcharge following ruling 10/2015 of the Constitutional Court, and (ii) staff cost for employees hired under a permanent contract being deductible for IRAP (regional tax on business concerns) purposes.
The tax rate for the period stood at 33.6% (39.6% in the first half of 2014).

9. Earnings (loss) per share

€ thousands	30/06/2015	30/06/2014	Increase (decrease)
Group profit for the period (€ thousands)	99,329	80,538	18,791
Group profit for the period pertaining to ordinary shares (€ thousands) (A)	99,329	80,538	18,791
Weighted average shares outstanding for the purpose of calculating EPS			
- Basic (B)	212,964,900	212,964,900	0
- Diluted (C)	212,964,900	212,964,900	0
EPS (in €)			
- Basic (A/B)	0.4664	0.3782	0.0882
- Diluted (A/C)	0.4664	0.3782	0.0882

ACEA Group financial position and cash flows

Note Ref.	ACEA GROUP STATEMENT OF FINANCIAL POSITION (Amounts in € millions)	30/06/2015 (a)	31/12/2014 (b)	Decrease/ Increase (a) - (b)	% Increase (decrease)	30/06/2014 (c)	Decrease/ Increase (a) - (c)	% Increase (decrease)
	NON-CURRENT ASSETS AND LIABILITIES	**3,747.0**	**3,681.6**	**65.4**	**1.8%**	**3,627.9**	**119.0**	**3.3%**
10	Property, plant and equipment/intangible assets	3,734.6	3,669.4	65.2	1.8%	3,604.6	130.0	3.6%
11	Equity investments	233.4	227.2	6.1	1.8%	216.7	16.7	7.7%
12	Other non-current assets	334.5	340.2	(5.7)	(1.7%)	358.9	(24.4)	(6.8%)
13	Staff termination benefits and other defined-benefit plans	(112.1)	(118.0)	6.0	(5.0%)	(111.8)	(0.3)	0.3%
14	Provisions for risks and charges	(167.5)	(165.9)	(1.6)	0.9%	(183.9)	16.4	(8.9%)
15	Other non-current liabilities	(275.9)	(271.3)	(4.6)	1.7%	(256.6)	(19.4)	7.5%
	NET WORKING CAPITAL	**(99.5)**	**(90.1)**	**(9.4)**	**10.4%**	**175.8**	**(275.3)**	**(156.6%)**
16	Current receivables	1,211.1	1,259.9	(48.8)	(3.9%)	1,440.8	(229.7)	(15.9%)
17	Inventories	30.1	29.2	0.8	2.8%	34.3	(4.2)	(12.2%)
18	Other current assets	151.1	241.3	(90.2)	(37.4%)	201.9	(50.8)	(25.2%)
19	Current payables	(1,098.1)	(1,249.4)	151.2	(12.1%)	(1,163.9)	65.8	(5.7%)
20	Other current liabilities	(393.6)	(371.2)	(22.4)	6.0%	(337.3)	(56.4)	16.7%
	INVESTED CAPITAL	**3,647.5**	**3,591.5**	**56.0**	**1.6%**	**3,803.8**	**(156.3)**	**(4.1%)**
21	**NET DEBT**	**(2,128.9)**	**(2,089.1)**	**(39.8)**	**1.9%**	**(2,376.7)**	**247.9**	**(10.4%)**
	Medium- long-term loans receivables	35.9	34.3	1.6	4.6%	34.0	1.8	5.6%
	Medium- long-term loans borrowings	(2,707.0)	(3,040.7)	333.7	(11.0%)	(2,351.3)	(355.7)	15.1%
	Short-term loans receivables	122.9	89.4	33.4	37.4%	119.6	3.2	2.8%
	Cash and cash equivalents	594.5	1,018.0	(423.5)	(41.6%)	311.0	283.5	91.2%
	Short-term borrowings	(175.1)	(190.1)	15.0	(7.9%)	(490.1)	315.0	(64.3%)
22	**Total shareholders' equity**	**(1,518.6)**	**(1,502.4)**	**(16.2)**	**1.2%**	**(1,427.0)**	**(91.6)**	**6.5%**
	FUNDING	**(3,647.5)**	**(3,591.5)**	**(56.0)**	**1.6%**	**(3,803.8)**	**154.9**	**(4.1%)**

The above statement was restated to reflect 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, were added together.
The resulting invested capital amount was compared with the corresponding amounts for shareholders' equity and net financial debt, thereby showing the weight of funding.

During the first half of 2015, the ACEA Group's financial position showed a 57.4 million euros (+1.6%) rise in invested capital compared to 31 December 2014. This rise was the net result of the increase in net fixed assets (66.7 million euros) partially offset by a decrease in net working capital (-9.4 million euros).

Non-current assets and liabilities - *3,747.0 million euros*

Compared to 31 December 2014, this item showed an overall increase of 65.4 million euros (+1.8%); a breakdown of the item is provided below.

10. Property, plant and equipment/intangible assets - *3,734.6 million euros*

This item increased by 65.2 million euros (+ 1.8%) compared to the previous year end.
The rise was essentially due to investments made in the first half of 2015, which stood at 167.4 million euros net of amortisation (110.3 million euros). Emphasis is also placed on the increase pertaining to further green certificates being recognised to the extent of 7.4 million euros. The

change in the basis of consolidation resulting from the full consolidation of Cesap Vendita Gas following the purchase of an additional share held in the company's capital was 0.4 million euros.

The table below shows the level of capex undertaken in the first half of 2015 by Operating Segment, compared to figures referring to the same period of 2014.

€ millions	30/06/2015	30/06/2014	Increase (decrease)
ENVIRONMENT	**9.8**	**4.6**	**5.2**
ENERGY	**6.6**	**6.6**	**(0.0)**
Production	*2.5*	*4.4*	*(1.9)*
Sale	*4.1*	*2.2*	*1.9*
WATER:	**74.6**	**67.6**	**6.9**
Overseas	*0.2*	*0.6*	*(0.4)*
Lazio - Campania	*74.0*	*66.9*	*7.1*
Tuscany - Umbria	*0.0*	*0.0*	*0.0*
Engineering	*0.4*	*0.2*	*0.2*
NETWORKS	**67.7**	**59.1**	**8.6**
ACEA	**8.8**	**4.4**	**4.4**
Total investments	**167.4**	**142.4**	**25.0**

In particular:

- The **Network Segment** showed a growth in investments (+8.6 million euros) as a result of expansion, renovation and upgrading operations on the HV network and M/L network as well as routine and extraordinary maintenance operations;
- The **Environment Segment** increased its level of investments (+5.2 million euros), with special reference to SAO for revamping operations of the waste treatment plant;
- The **Energy Segment** kept in line with the first half of 2014;
- The **Water Segment** showed a 6.9 million euros increase pertaining to companies operating in Lazio and Campania;
- The **Parent Company** increased its level of investments to 4.4 million euros compared to investments made in the same period in the previous year, chiefly as part of the Acea 2.0. Project.

This item comprised goodwill with indefinite useful life (149.4 million euros), which dropped by 1.4 million euros at the end of 2014 following a write-down booked to account for the results of the impairment test conducted on Ecogena.

11. Equity investments - *233.4 million euros*

This item rose by 6.1 million euros compared to 31 December 2014 and its balance consisted mainly of the valuations of the companies consolidated according to the shareholders' equity method consistent with IFRS 11.

12. Other non-current assets - *334.5 million euros*

€ millions	30/06/2015	31/12/2014	Increase (decrease)
Deferred tax assets	292.6	296.2	(3.6)
Receivables from others	41.3	43.0	(1.7)
Accrued income and prepayments	0.6	1.0	(0.4)
Total non-current assets	**334.5**	**340.2**	**(5.7)**

This item recorded a fall of 5.7 million euros (-1.7%) compared to 31 December 2014, chiefly due to lower provisions for **deferred tax assets** compared with the end of the previous year (-3.6 million euros). This drop was essentially due to uses relating to fair values on commodities.
Receivables from others amounted to 41.3 million euros (-1.7 million euros) and represented 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 0.4 million euros and referred to mainly insurance premiums paid in advance, lease payments, maintenance fees and rent on public land.

13. Staff termination benefits and other defined-benefit plans - *112.1 million euros*

Stock at 30 June 2015 showed a drop of 6.0 million euros chiefly as a result of:

- - 3.6 million euros referring to staff termination benefits,
- - 2.3 million euros relating to tariff subsidies, monthly bonuses and long-term incentive plans.

The change reflected (i) provisions - which following the revised legislation on termination benefits account for employee termination benefits accrued until 31 December 2006 - (ii) uses during the period and (iii) the discount rate used for the valuation according to IAS 19 (from 1.49% in 2014 to 1.98% of the first half of 2015).

14. Provisions for risks and charges - *167.5 million euros*

Provisions for risks and charges recorded an increase of 1.6 million euros year over year, mainly due to provisions allocated for the period (7.5 million euros), net of uses and other changes (totalling 5.9 million euros).
A breakdown of provisions for risks and charges by type is provided in the table below.

Type of provisions	31/12/2014	Provisions 30/06/2015	Utilisations	30/06/2015
Legal	20.1	2.0	(1.6)	20.5
Tax	4.6	0.3	(1.7)	3.2
Regulatory risks	46.6	1.4	(0.1)	47.9
Subsidiaries	9.7	0.0	0.1	9.7
Contribution risks	6.6	0	0.0	6.4
Early retirement and redundancy	2.7	0.7	(1.7)	1.8
Post mortem	23.1	0.0	(0.1)	23.1
Insurance excesses	0.3	0.4	(0.1)	0.6
Other risks and charges	9.2	0.4	(0.5)	9.0
TOTAL	**122.8**	**5.2**	**(5.9)**	**122.2**
Provisions for restoration charges	43.1	2.3	(0.1)	45.3
TOTAL PROVISION	**165.9**	**7.5**	**(6.0)**	**167.5**

The main changes referred to:

- Provisions for restoration risks increasing by 2.2 million euros as a result of allocations made in the first half of 2015 related to the costs required to keep the water service infrastructure in good condition.
- Provisions for regulatory risks increasing by 1.3 million euros mainly as a result of greater costs of the additional fee of the Montano Imbrifero Basin of the Sangro river due for the first half of 2015 under Law 228/2012, as well as a rise in the fees payable to the Abruzzo Regional Authorities for the first half of 2015 pursuant to Regional Act No. 38 dated 22/10/2013.
- Provisions for tax dispute risks decreasing by 1.4 million euros mainly due to the use of the provisions in ARSE (1.7 million euros) net of the relevant allocation for the period (0.3 million euros) following the signature of assessment deeds with acceptance pertaining to the acquisition of leasehold estates on the plants transferred.

- Provisions for early retirement and redundancy decreasing by 0.9 million euros essentially due to employees leaving the Parent Company (0.6 million euros).

15. Other non-current liabilities - *275.9 million euros*

Compared to 31 December 2014, this item rose by 4.6 million euros (+1.7%). A breakdown is provided below:

€ millions	30/06/2015	31/12/2014	Increase (decrease)
Advance payments from users and customers	110.1	102.5	7.6
Deferred tax provisions	92.6	93.3	(0.7)
Accrued liabilities and deferred income	31.0	32.6	(1.6)
Water connection fees	24.3	24.7	(0.3)
Capital grants	17.9	18.3	(0.3)
TOTAL	**275.9**	**271.3**	**4.6**

Advances included: **(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 enhanced protection market, that bear interest under the terms and conditions set forth in the regulation issued by the AEEGSI (Resolution No. 204/99).
The change was chiefly due to the Energy Segment to the extent of 3.3 million euros, with the remainder being ascribable to the Water Segment.

Deferred tax provisions showed an overall drop of 0.7 million euros compared to 31 December 2014, chiefly due to deferred taxes on the valuation of the *Private Placement* bonded loan issued by the Parent Company at the then current exchange rate.

Accrued liabilities and deferred income, amounting to 31 million euros, mainly referred to grants received, recognised in the income statement to the extent of the amortisation generated by the associated capital expenditure. More specifically, this item included the contribution received by ACEA Distribuzione for the replacement of electromechanical meters with electronic meters (AEEGSI Resolution No. 292/06).

Capital grants and **water connection** fees showed a net decrease of 0.6 million euros compared to 2014 year end.

Net working capital – *99.5 million euros*

It increased by 9.4 million compared to the previous year end as broken down below.

€ millions	30/06/2015 (a)	31/12/2014 (b)	Increase (decrease) (a-b)	30/06/2014 (c)	Increase (decrease) (a-c)
Current receivables	**1,211.1**	**1,259.9**	**(48.8)**	**1,440.8**	**(229.7)**
- of which users/customers	*1,111.2*	*1,163.0*	*(51.8)*	*1,320.3*	*(209.1)*
- of which Roma Capitale	*69.4*	*67.2*	*2.2*	*88.5*	*(19.1)*
Inventories	**30.1**	**29.2**	**0.8**	**34.3**	**(4.2)**
Other current assets	**151.1**	**241.3**	**(90.2)**	**201.9**	**(50.8)**
Current debts	**(1,098.1)**	**(1,249.4)**	**151.2**	**(1,163.9)**	**65.8**
- of which suppliers	*(968.2)*	*(1,130.2)*	*161.9*	*(1,058.8)*	*90.5*
- of which Roma Capitale	*(126.1)*	*(116.7)*	*(9.4)*	*(100.8)*	*(25.3)*
Other current liabilities	**(393.6)**	**(371.2)**	**(22.4)**	**(337.3)**	**(56.4)**
Total	**(99.5)**	**(90.1)**	**(9.4)**	**175.8**	**(275.3)**

16. Current receivables *-1,211.1 million euros*

€ millions	30/06/2015 (a)	31/12/2014 (b)	Increase (decrease) (a) - (b)	30/06/2014 (c)	Increase/ (decrease) (a-c)
Trade receivables	1,111.2	1,163.0	(51.8)	1,320.3	(209.1)
Amounts due from Roma Capitale	69.4	67.2	2.2	88.5	(19.1)
Amounts due from subsidiaries and associates	30.5	29.7	0.7	31.9	(1.5)
Total trade receivables	**1,211.1**	**1,259.9**	**(48.8)**	**1,440.8**	**(229.7)**

Trade receivables

Compared to the first half of 2014 and previous year end, they dropped by 209.1 million euros and 51.9 million euros, respectively. Below is the trend by Operating Segment compared to the same period in the previous year as well as 2014 year end.

€ millions	30/06/2015			31/12/2014			Increases (Decreases)		
	Users	Customers	Total	Users	Customers	Total	Users	Customers	Total
	(a)	(b)		(c)	(d)		(a)-(c)	(b)-(d)	
Environment	0.0	37.2	37.2	0.0	29.7	29.7	0.0	7.5	7.5
Energy	492.3	67.9	560.1	584.8	59.2	644.0	(92.5)	8.6	(83.9)
Water	411.8	17.0	428.8	375.0	31.3	406.3	36.7	(14.3)	22.4
Networks	12.5	37.5	50.0	6.2	37.5	43.6	6.4	(0.0)	6.4
Corporate	0.0	35.1	35.1	0.0	39.3	39.3	(0.0)	(4.2)	(4.2)
Total	**916.5**	**194.7**	**1,111.2**	**966.0**	**197.0**	**1,163.0**	**(49.4)**	**(2.4)**	**(51.9)**

€ millions	30/06/2015			30/06/2014			Increases (Decreases)		
	Users	Customers	Total	Users	Customers	Total	Users	Customers	Total
	(a)	(b)		(c)	(d)		(a)-(c)	(b)-(d)	
Environment	0.0	37.2	37.2	0.0	34.1	34.1	0.0	3.1	3.1
Energy	492.3	67.9	560.1	604.9	52.2	657.1	(112.6)	15.7	(96.9)
Water	411.8	17.0	428.8	479.9	31.9	511.8	(68.1)	(14.9)	(83.0)
Networks	12.5	37.5	50.0	38.0	39.5	77.5	(25.5)	(2.0)	(27.5)
Corporate	0.0	35.1	35.1	0.0	39.8	39.8	0.0	(4.7)	(4.7)
Total	**916.5**	**194.7**	**1,111.2**	**1,122.7**	**197.6**	**1,320.3**	**(206.2)**	**(2.9)**	**(209.1)**

The pattern seen during the period confirmed the downtrend observed at 2014 year end.
More specifically, the change was brought about by Acea Energia, which accounted for the drop in total stock to the extent of 80.5 million euros. This result was partially offset by a rise in ACEA Ato2 (+19.7 million euros). It should be stressed that the decrease in the Energy Segment was also due to the gradual reduction in the amounts sold following customer portfolio optimisation.
Provisions for doubtful receivables stood at 301.7 million euros and rose by around 92.3 million euros compared to the first half of 2014 and more than 23.4 million euros compared to 2014 year end.

It should be noted that during the first half of the year receivables were factored without recourse to the overall extent of 749.5 million euros, as detailed below by Operating Segment.

€ millions	30/06/2015	Of which Public administration
Energy Segment	259.8	9.4
Water Segment	162.3	11.8
Network Segment	327.4	85.8
Total	**749.5**	**106.9**

Receivables from Parent Company Roma Capitale

Trade receivables due from Roma Capitale totalled 76.5 million euros at 30 June 2015 (72.9 million euros at 31 December 2014).
The total amount of receivables (including short-term and medium/long term financial receivables resulting from the public lighting contract) was 165.1 million euros compared to 135.3 million euros at the end of the previous year.
The table below shows a combined statement of values arising from dealings between Roma Capitale and the Acea Group with regard to both accounts receivable as well as accounts payables, including financial transactions.

Amounts due from Roma Capitale	30/06/2015	31/12/2014	Increase (decrease)
Utility receivables	54.5	51.3	3.2
Receivables for contract work	16.5	15.9	0.6
Receivables for services	0.6	0.6	(0.0)
Sundry receivables	(0.1)	0.2	(0.3)
Total services invoiced	**71.4**	**68.0**	**3.5**
Receivables for contributions	2.4	2.4	0.0
Receivables for additional taxes	0.0	0.0	0.0
Total services requested	**73.8**	**70.4**	**3.5**
Total services to be invoiced	**2.7**	**2.5**	**0.2**
Total trade receivables	**76.5**	**72.9**	**3.6**
Financial receivables for public lighting	88.6	62.4	26.2
Total receivables due within the following year (A)	**165.1**	**135.3**	**29.8**
Amounts due to Roma Capitale	**30/06/2015**	**31/12/2014**	**Increase (decrease)**
Payables for additional taxes on electricity	(15.2)	(15.2)	(0.0)
Payables for concession fee	(84.8)	(74.0)	(10.7)
Total trade payables	**(99.9)**	**(89.2)**	**(10.7)**
Total payables due within the following year (B)	**(99.9)**	**(89.2)**	**(10.7)**
Total (A) - (B)	**65.2**	**46.1**	**19.1**
Other financial payables/(receivables)	**(1.8)**	**29.4**	**(31.2)**
of which: Financial payables (including dividends)	(35.3)	(3.1)	(32.2)
of which: medium/long-term loans and receivables for public lighting	33.5	32.6	0.9
Other trade receivables/(payables)	**(12.8)**	**(12.6)**	**(0.2)**
Net balance	**50.6**	**62.9**	**(12.3)**

The change in receivables and payables was due to the period falling due and the effects arising from the offsetting completed in June 2015.

Total receivables due within the following year showed a 29.8 million euros increase over the previous year, with special reference being made to:

- A 3.2 million euros rise in utility receivables pertaining chiefly to Acea Energia;

- A 26.2 million euros rise in financial payables for public lighting due to the fees for the period being reflected in the accounts.

Half-year end balances were affected by the offsetting entries carried out in June totalling 19.3 million euros: utility receivables (14.7 million euros) and public lighting receivables (4.3 million euros) were offset by payables for dividends owed by ACEA.

Other receivables at 30 June 2015 pertaining to previous years (not including the medium/long-term component) totalled 117.7 million euros, of which:

- 47.8 million euros for water and electricity utilities,
- 54.2 million euros for the public lighting service,
- 15.7 million euros for works and services.

Amounts due to Roma Capitale showed an overall growth of 42.9 million euros pertaining to ACEA Ato2, essentially due to the concession fee accrued during the period (+10.7 million euros) and dividends declared by ACEA and ACEA Ato2 (totalling 32.2 million euros).
Finally, it should be pointed out that in January 2015 the Split Payment tax regulations became effective, requiring invoices to be issued to Public Administration entities (including Roma Capitale) with VAT rates based on the split payment model, with electronic invoicing becoming compulsory as of 1 April. The application of these regulations resulted in delayed invoicing of utility receivables, which were being collected.
It should also be stressed that Acea Energia stopped providing electricity as of 28 February 2015 (contract termination date).

Amounts due from subsidiaries and associates

These totalled 30.5 million euros and were virtually unchanged compared to the previous year end. They related mainly to receivables from companies consolidated using the equity method.

17. Inventories - *30.1 million euros*

This item rose by 0.8 million euros compared to 31 December 2014. The changes by Operating Segment are shown in the following table:

€ millions	30/06/2015	31/12/2014	Increase (decrease)
Environment Segment	3.3	3.4	(0.1)
Energy Segment	1.8	1.5	0.3
Water Segment	7.7	8.4	(0.7)
Network Segment	17.0	15.6	1.4
Parent Company	0.3	0.3	0.0
TOTAL	**30.1**	**29.2**	**0.8**

18. Other current assets - *151.1 million euros*

€ millions	30/06/2015	31/12/2014	Increase (decrease)
Receivables from others	77.4	126.8	(49.4)
Accrued income and prepayments	17.0	14.7	2.3
Tax receivables	56.7	99.8	(43.2)
Other current assets	**151.1**	**241.3**	**(90.2)**

Receivables from others (77.4 million euros) consisted of amounts owed by the Equalisation Fund to the extent of 36.9 million euros. They dropped by 49.4 million euros chiefly as a result of a reduction in regulatory amounts due to ACEA Distribuzione, with special reference to the transfer of proceeds accrued as a result of the cancellation of energy efficiency certificates and general equalisation, partially offset by an increase in Acea Energia' receivables following AEEGSI Resolution No. 670/2014/R/eel, which set the nation-wide unpaid ratio to 24 months.

Accrued income and prepayments amounted to 17.0 million euros (14.7 million euros at 31 December 2014) and mainly referred to rent on public land, lease payments and insurance.

Tax receivables stood at 56.7 million euros (-43.2 million euros) and mainly included amounts receivable for VAT to the extent of 10.8 million euros, and amounts receivable for corporate income tax (IRES) and regional tax on business concerns (IRAP), totalling 25.1 million euros.

19. Current payables - *1.098,1 million euros*

€ millions	30/06/2015	31/12/2014	Increase (decrease)
Amounts due to third-party suppliers	968.2	1.130.2	(161.9)
Due to Parent Company Roma Capitale	126.1	116.7	9.4
Due to subsidiaries and associates	3.8	2.5	1.2
TOTAL	**1,098,1**	**1,249,4**	**(151.2)**

Amounts due to third-party suppliers
Trade payables amounted to 968,2 million euros (1,130.2 million euros at 31 December 2014).
The following table provides the breakdown by operating segment:

€ millions	30/06/2015	31/12/2014	Increase (decrease)
Environment Segment	41.7	38.5	3.2
Energy Segment	379.6	471.6	(92.0)
Water Segment	222.8	247.5	(24.7)
Network Segment	279.5	318.5	(39.0)
Parent Company	44.6	54.0	(9.4)
TOTAL	**968.2**	**1,130.2**	**(161.9)**

The reduction posted by the companies operating in the Energy Segment was essentially due to the diversification of Acea Energia's customer portfolio as well as the application of the reverse charge on commercial transactions between wholesalers effective January 2015.

Amounts due to Parent Company Roma Capitale
This item amounted to 126.1 million euros, showing a 9.4 million euros rise due basically to the concession fee for the integrated water service falling due for the first half of 2015.

Amounts due to subsidiaries and associates
The balance of 3.8 million euros was 1.2 million euros up on 31 December 2014 and mainly included payables arising from the management of the public lighting service provided by affiliated company Citelum Napoli Pubblica Illuminazione in the Municipality of Naples.

20. Other current liabilities - *393.6 million euros*

These were up by 22.4 million euros (6.0%). The following table shows the main items making up the balance and the change compared to 31 December 2014.

€ millions	30/06/2015	31/12/2014	Increase (decrease)
Other current liabilities	270.6	268.7	1.8
Tax payables	109.1	83.9	25.2

Social security contributions	13.3	17.5	(4.2)
Accrued liabilities and deferred income	0.6	0.7	(0.1)
Payables arising from commodity derivatives	0.1	0.3	(0.2)
TOTAL	**393.6**	**371.2**	**22.4**

Other current liabilities stood at 270.6 million euros, showing a 1.8 million euros rise compared to 31 December 2014. This item chiefly consisted of amounts due to the Equalisation Fund (78.6 million euros), payables for concession fees (54.7 million euros, +2.8 million euros over 2014), amounts due to staff (37.5 million euros) and for collections subject to audit (53.3 million euros).

Tax payables stood at 190.1 million euros (83.9 million euros at 31 December 2014) and mainly included the VAT tax payable for the period (24.2 million euros), dues for corporate income tax (30.9 million euros) and additional municipal and provincial tax payables totalling 32.3 million euros.

Social security and welfare payables stood at 13.3 million euros, showing a 4.2 million euros drop. A breakdown is provided below by Operating Segment:

€ millions	30/06/2015	31/12/2014	Increase (decrease)
Environment Segment	0.5	0.7	(0.2)
Energy Segment	1.3	1.8	(0.5)
Water Segment	4.9	6.0	(1.1)
Network Segment	4.4	5.7	(1.3)
Parent Company	2.2	3.3	(1.1)
TOTAL	**13.3**	**17.5**	**(4.2)**

Payables arising from commodity derivatives included the fair value of a number of financial contracts entered into by Acea Energia. This item stood at 0.1 million euros at 30 June 2015, compared to 0.3 million euros in 2014.

Accrued liabilities and deferred income totalled 0.6 million euros, falling by 0.1 million euros compared to the previous year end.

21. Net financial debt - *(2,128.9) million euros*

During the first half of 2015, the Group's debt increased overall by 39.8 million euros, rising from 2,089.1 million euros at 2014 year end to 2,128.9 million euros.
The rise mainly resulted from the growth in invested capital (+56.0 million euros, i.e. 1.6% increase) driven by investments.
The following table provides the breakdown of the items concerned:

€ millions	30/06/2015	31/12/2014	Increase (decrease)	30/06/2014	Increase (decrease)
Non-current financial assets/(liabilities)	2.4	1.7	0.7	1.7	0.7
Non-current financial assets/(liabilities) - intragroup	33.5	32.6	0.9	32.3	(1.2)
Non-current borrowings and financial liabilities	(2,707.0)	(3,040.7)	333.7	(2,351.3)	(355.7)
Net medium/long-term debt	**(2,671.2)**	**(3,006.4)**	**335.2**	**(2,317.3)**	**(353.9)**
Cash and cash equivalents and securities	594.5	1,018.0	(423.5)	311.0	283.5
Short-term bank borrowings	(54.4)	(58.2)	3.8	(377.0)	322.7
Current financial assets/(liabilities)	(61.1)	(103.9)	42.8	(65.8)	4.7
Current financial assets/(liabilities) intragroup	63.3	61.5	1.8	72.4	(9.1)
Net short-term debt	**542.3**	**917.3**	**(375.0)**	**(59.4)**	**601.7**
Total net financial debt	**(2,128.9)**	**(2,089.1)**	**(39.8)**	**(2,376.7)**	**(247.9)**

Net medium/long-term debt - *(2,671.2) million euros*

With regard to this component it should be noted that:

- Non-current financial assets/(liabilities) showed a balance of 2.4 million euros, up by 0.7 million euros compared to 31 December 2014 (1.7 million euros).
- Intragroup financial assets/(liabilities) stood at 33.5 million euros (up 0.9 million euros compared to the end of 2014) and reflected financial receivables from Roma Capitale for upgrading works completed to ensure system compliance with safety and regulatory standards and new constructions as pursuant to the addendum to the Public Lighting contract. The above receivables referred to the long-term portion arising from the application of the financial method under IFRIC 12 concerning Concession Services,
- Non-current payables and financial liabilities totalled 2,707 million euros, down by 333.7 million euros compared to 31 December 2014. A breakdown is provided below:

€ millions	30/06/2015	31/12/2014	Increase (decrease)	% Increase (decrease)
Bonds	1,906.3	1,909.1	(2.8)	(0.1%)
Medium/long-term borrowings	800.7	1,131.6	(330.9)	(29.2%)
Total	**2,707.0**	**3,040.7**	**(333.7)**	**(11.0%)**

Bonds - *1,906.3 million euros*

The change compared to the previous year end totalled 2.8 million euros.
This item consisted of:

- 607.4 million euros (including 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 1.5 billion euros Euro Medium Term Notes (EMTN) scheme. Interest accrued during the period amounted to 7.8 million euros.
- 607.3 million euros (including accrued interest and fair value of the hedging instrument) relating to the bond issued by ACEA in September 2013, with 5-year maturity and expiring on 12 September 2018. The fair value of derivatives on such debt was positive and stood at 0.8 million euros. Interest accrued during the period amounted to 11.2 million euros.
- 504.6 million euros (including accrued interest and contract-related costs) relating to the 10-year bond issued by ACEA in March 2010, expiring on 16 March 2020. Interest accrued during the period amounted to 11.2 million euros.
- 187.1 million euros (including accrued interest and fair value of the hedge) relating to the Private Placement. The fair value of this hedging instrument was a negative to the extent of 40.6 million euros and was allocated to a specific equity reserve. The foreign exchange rate difference (+19.2 million euros) of the hedged instrument calculated at 30 June 2015 was allocated to an appropriate reserve. The exchange rate at the end of the year stood at 137.01 euros vs. 145.23 euros in 31 December 2014. Interest accrued during the period amounted to 1.8 million euros.

Medium/long term borrowings *800.7 million euros (including short-term portions - 846.2 million euros)*.

They showed an overall reduction of 331.9 million euros compared to 1,131.6 million euros of financial year 2014. The drop was essentially due to the redemption of two loans with Cassa Depositi e Prestiti (200 million euros) and the BEI (100 million euros).
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 30/06/2016	Due between 30/06/2016 and 30/06/2021	Due after 30/06/2021
Fixed rate	312.1	21.2	84.0	206.9
Floating rate	472.2	15.9	203.0	253.3
Floating rate to fixed rate	61.9	8.3	41.0	12.5
Total	**846.2**	**45.5**	**328.0**	**472.7**

The fair value of ACEA hedging derivatives was negative to the extent of 7.7 million euros, decreasing by 1.0 million euros compared to 31 December 2014 (-8.7 million euros).
As regards medium/long-term borrowings and bonds conditions, reference should be made to the 2014 Consolidated Financial Statements.

Net short-term debt –*542.3 million euros*
The short-term component was positive and at end of 2014 showed an overall decrease of 375.0 million euros, pertaining chiefly to a reduction in cash and cash equivalents (-423.5 million euros compared to 31 December 2014), partially offset by a reduction in current liabilities to the extent of 43.5 million euros. The drop in liquid assets was related to the redemption of the aforesaid medium/long-term loans.

Cash and cash equivalents amounted to 594.5 million euros, showing an overall decrease of 423.5 million euros due to the change recorded in the period by the Parent Company. The following table provides a breakdown by Operating Segment:

€ millions	30/06/2015	31/12/2014	Increase (decrease)	% Increase (decrease)
Environment Segment	1.5	1.1	0.3	27.3%
Energy Segment	3.9	1.5	2.4	160.0%
Water Segment	31.0	36.2	(5.3)	(14.6%)
Network Segment	0.6	0.6	0.0	0.0%
Parent Company	557.5	978.4	(420.9)	(43.0%)
Total	**594.5**	**1.018.0**	**(423.5)**	**(41.6%)**

Short-term bank borrowings stood at 54.4 million euros broken down as follows:

€ millions	30/06/2015	31/12/2014	Increase (decrease)	% Increase (decrease)
Short-term bank credit lines	8.9	11.7	(2.8)	(23.9%)
Bank mortgage loans - short-term portion	45.5	46.5	(1.0)	(2.2%)
Total	**54.4**	**58.2**	**(3.8)**	**(6.5%)**

A breakdown by Operating Segment is provided below:

€ millions	30/06/2015	31/12/2014	Increase (decrease)	% Increase (decrease)
Environment Segment	3.8	4.1	(0.3)	(7.2%)
Energy Segment	5.7	7.4	(1.7)	(23.0%)
Water Segment	1.4	3.2	(1.8)	(57.1%)
Network Segment	19.8	19.3	0.5	2.5%
Parent Company	23.8	24.2	(0.5)	(1.9%)
TOTAL	**54.4**	**58.2**	(3.8)	(6.5%)

It should be noted that at 30 June 2015 the Parent Company held uncommitted credit lines only totalling 799 million euros which were not used. No guarantees were provided to obtain these credit lines.
Committed credit lines in place at 31 December 2014 (300 million euros) were redeemed in March 2015.

Current financial assets and (liabilities) showed a balance at 30 June 2015 that increased debt by 61.1 million euros (103.9 million euros at 31 December 2014).
Below is a breakdown and trend in the first half by Operating Segment:

€ millions	30/06/2015	31/12/2014	Increase (decrease)	% Increase (decrease)
Environment Segment	(3.5)	(4.1)	0.7	(17.1%)
Energy Segment	(36.3)	(56.6)	20.3	(35.9%)
Water Segment	(9.0)	(45.1)	36.1	(80.0%)
Network Segment	(22.1)	(8.0)	(14.1)	176.3%
Parent Company	9.9	9.9	0.0	0.0%
TOTAL	**(61.1)**	**(103.9)**	**42.8**	**(41.3%)**

The 42.8 million euros reduction in outstanding debt reflected the decrease in amounts due to factoring companies for the reimbursement of revenue for receivables sold by the Energy and Water companies (-56.4 million euros), partially offset by the change related to the Network Segment (+14.1 million euros).

Intragroup current financial assets and (liabilities) reduced borrowings by 63.3 million euros and mainly included the net exposure to Roma Capitale (53.3 million euros).
The change totalling 1.8 million euros was the net effect of amounts due for dividends payable to Roma Capitale (32.2 million euros) and an increase in receivables from the service agreement for operating the public lighting service across Rome (+26.2 million euros).

22. Shareholders' equity – *1,518.6 million euros*

The changes occurred during the period, amounting to 16.2 million euros, are detailed in the table below.
The change, net of profit for the period amounting to 99.3 million euros, was essentially due to (i) changes in the cash flow hedge reserve related to financial instruments totalling 6.8 million euros (net of taxation), (ii) changes in the reserve for the fair value measurement of derivative contracts of Acea Energia amounting to 0.2 million euros and (iii) the change in actuarial gains and losses amounting to -4.7 million euros.

Reference context

Performance of the equity markets and the ACEA share

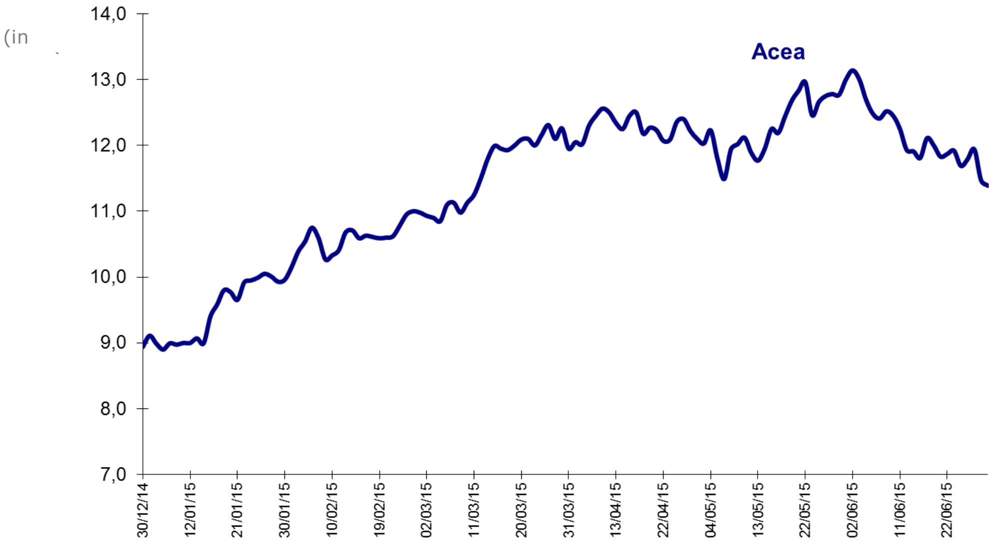
During the first half of 2015, the international capital markets showed an overall uptrend marked by high volatility.

ITALIAN STOCK MARKET

Below are the changes of the main indexes of the Italian Exchange at 31 December 2014: **FTSE Italia All Share +19,1%, FTSE MIB +18,1%** and **FTSE Italia Mid Cap +27,4%.**

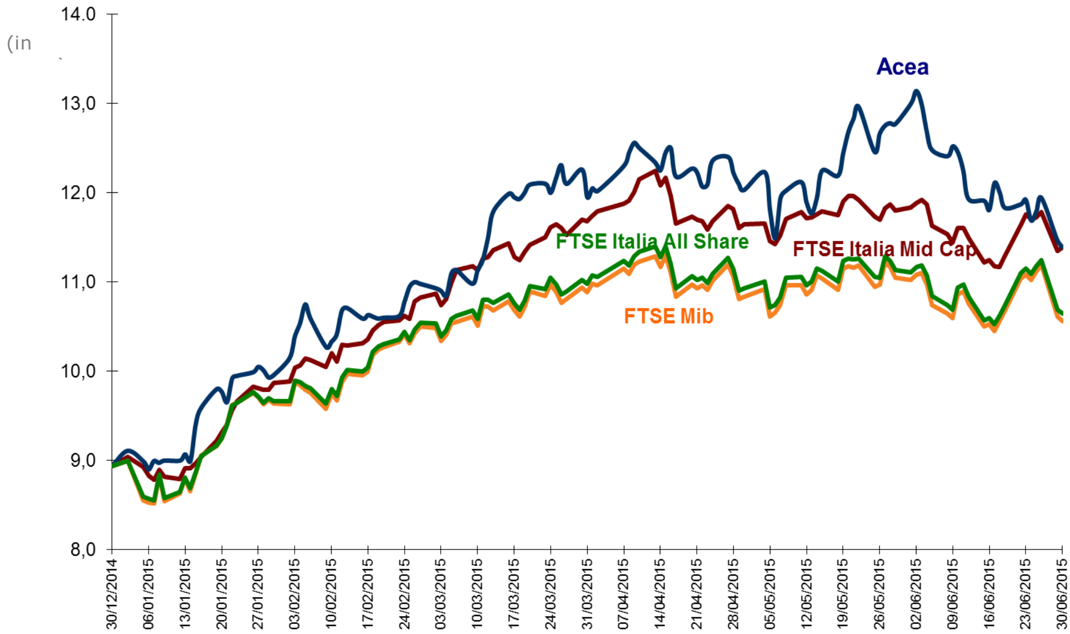
PERFORMANCE OF THE ACEA SHARE

In the first half of 2015, the ACEA share showed a 27.4% increase, in line with the market.
More specifically, on 30 June 2015 the share recorded a price of 11.39 euros (capitalisation: 2,425.7 million euros). A high of 13.14 euros was reached on 2 June, with a low of 8.90 euros on 6 January.
In the period under review, average daily traded volumes exceeded 110,000 (slightly below 2014 half year values).



(Source: Bloomberg)

The following standardised chart shows ACEA's share price performance as compared to Stock Market indexes.



(grafico normalizzato ai valori di Acea – Fonte Bloomberg)

	% Increase/Decrease 30/06/2015 (compared to 31/12/14)
Acea	**+27.4%**
FTSE Italia All Share	+19.1%
FTSE Mib	+18.1%
FTSE Italia Mid Cap	+27.4%

(Source: Bloomberg)

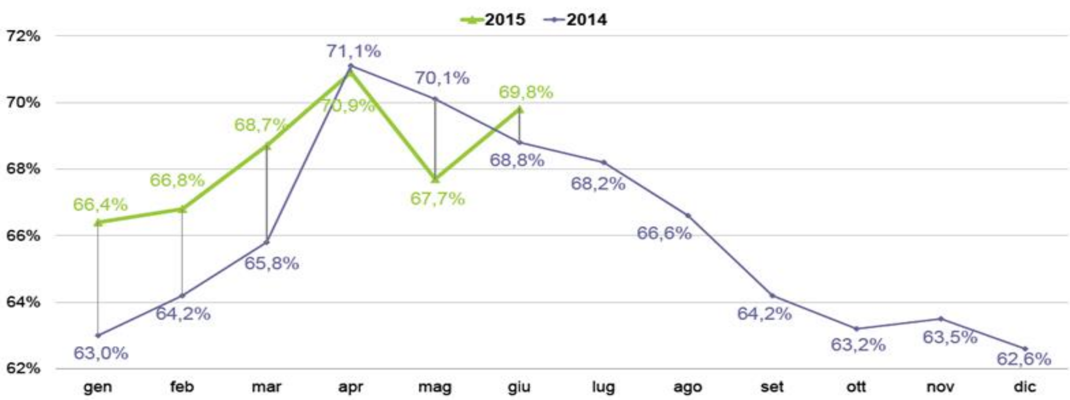
During the course of 2015, over 70 studies/notes on the ACEA stock were published.

Energy market

During the first half of 2015, electricity demand in Italy (153,239 GWh) showed a 0.3% year-over-year decrease even on a seasonally-adjusted basis. Electricity requirements were met through national production to the extent of 85.0%, with the remaining portion (15.0%) being met by relying on imports from abroad (overseas balance +3.1% compared to June 2014). Electricity requirements were met through thermoelectric power (53.6%), hydroelectric sources (15.2%) and geothermal production and other renewable sources (16.2%).
In this connection, net national production in June (131,244 GWh) showed a drop of 1.2% compared to the same period in 2014. With the exception of thermoelectric power (-23.0%), all other sources of national power posted increases over the previous year: Photovoltaics sources (PV) (+10.1%), thermoelectric (+4.1%), wind power (+9.6%) and geothermal (+5.6%).

GWh	JAN - JUN 2015	JAN - JUN 2014	% Increase/ (Decrease) 2015/2014
Net Production			
-Hydroelectric	**23,289**	**30,262**	**(23.0%)**
-Thermoelectric	**83,184**	**79,881**	**4.1%**
-Geothermal	**2,874**	**2,722**	**5.6%**
-Wind power	**8,932**	**8,146**	**9.6%**
-PV power	**12,965**	**11,777**	**10.1%**
Total Net Production	**131,244**	**132,788**	**(1.2%)**
Imports	**25,386**	**23,193**	**9.5%**
Exports	**2,447**	**942**	**(159.8%)**
Balance with overseas	**22,939**	**22,251**	**3.1%**
Pumping systems consumption	**944**	**1,359**	**(30.5%)**
Electricity demand	**153,239**	**153,680**	**(0.3%)**

Liquidity on the day-ahead market[2]



[2] Source: GME – June 2015, Newsletter of GME

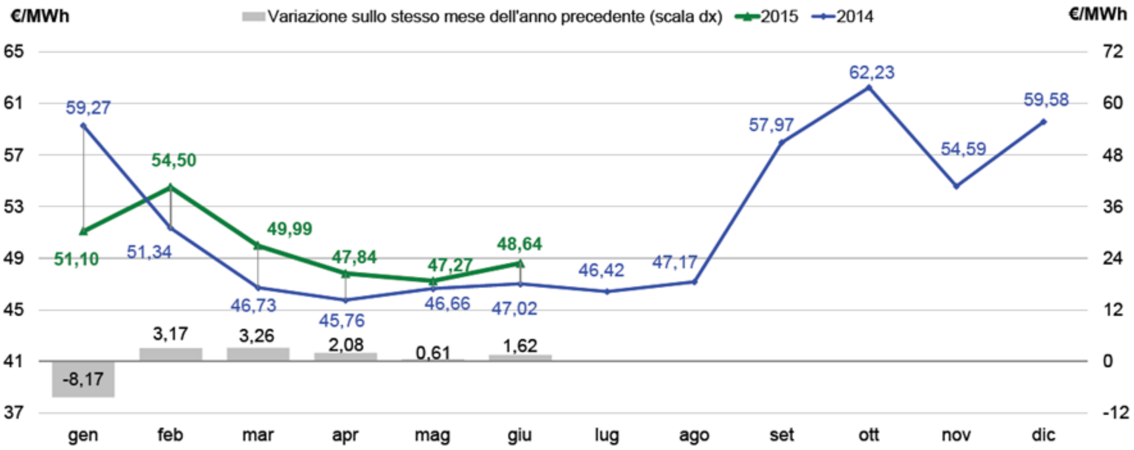
The downtrend in the purchase price on the Power Exchange (PUN) stopped at 48.64 €/MWh, recovering 1.37 €/MWh compared to the previous month (+2.9%) and 1.62 €/MWh over June 2014 (+3.4%). A review by hour groups showed a drop on an annual basis drop of 0.75 €/MWh (-1.4%) during peak hours and a rise of 2.66 €/MWh (+6.0%) during off-peak hours, with price standing at 52.35 €/MWh and 46.64 €/MWh, respectively. The peak/baseload ratio stood at 1.08 (1.13 at June 2014).

The average selling prices, generally on the rise compared to the previous year, showed a substantial convergence around 48 €/MWh, the only exception being Sicily (56.31 €/MWh), narrowing however the spread with other areas. The lowest level was recorded in the South (47.19 €/MWh).

Domestic purchases (23.4 million of MWh) remained virtually stable year over year (-0.3%) due to the opposing effect of the reductions seen in the North (-3,4%) and on the islands (-22.0% in Sicily and -25.6% in Sardinia) and increases in other mainland areas. Purchases overseas rose, standing at 246,000 MWh (+97.3%).

While showing a decrease compared to June 2014 (-1.7%), electricity sales of national production units stood at 20.1 million of MWh, the highest level since August 2014. At a local level, sales rose in the South (+23.0%) and in Sardinia (+4.0%), but declining in other areas. Imports stood at 3.5 million of MWh, showing a 12.8% rise year over year.

National Single Price (PUN)[2]

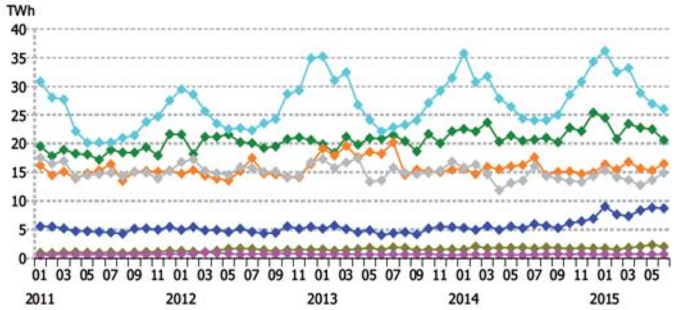


Brent spot prices on the energy markets showed the first cyclical downturn since the beginning of the year (-5%), while the drop compared to June 2014 turned out to be significant (-46%), standing at 61 $/bbl.

The main European Power Exchanges showed a general uptrend on a monthly basis, with a stronger uptick regarding Epex references, while Nord Pool spot price showed a sharp decline. Italian prices, generally above all others, stood at around 48 €/MWh gaining 3 percentage points both over the previous month as well as June 2014.

Annual and Monthly Volumes on European Power Exchange spot markets [2]

Volumi a pronti (TWh)			
Area	Giu 15	Var M-1 (%)	Var M-12 (%)
ITALIA	16,5	+ 8 %	+ 1 %
FRANCIA	8,7	- 1 %	+ 67 %
GERMANIA	20,6	- 8 %	+ 1 %
SPAGNA	14,9	+ 9 %	+ 10 %
AREA SCANDINAVA	26,1	- 3 %	+ 7 %
AUSTRIA	0,7	+ 4 %	+ 26 %
SVIZZERA	2,0	- 13 %	+ 8 %



With regard to natural gas, the pattern seen on the main European Hubs did not seem to be affected by crude oil trends, as it turned out to be virtually stable with slight cyclical changes, which were more related to the seasonal trend of demand than the simultaneous drop in crude oil prices (21/22 €/MWh).

Natural gas consumption in Italy grew again (+1.1% year over year) after the year-over-year drop in May, standing at 3,570 million cubic metres. Consumption in the civil sector increased, rising to 1,006 million of cubic metres (+1,6%), while consumption in the industrial sector continued to fall (-3.6%), standing at 1,019 million cubic metres. Exports showed a strong growth after dropping in May, standing at 152 million of cubic metres (+71.2%).

Regulations and tariffs

Below are the main changes occurred during the period under review compared to the Consolidated Financial Statements at 31 December 2014, to which reference should be made for full details.

The evolution of environmental, water and energy efficiency legislation

Regulations implementing the criteria to define the environmental cost and resource cost for the different water use sectors - Decree No. 39 dated 24 February 2015 .

By Decree of the Ministry for the Environment, Land and Sea No. 39 dated 24 February 2015 (Official Journal No. 81 of 8 April 2015), the "*Regulations implementing the criteria to define the environmental cost and resource cost for the different water use sectors*" were defined, whereby the provisions laid down by Directive 2000/60/EC were implemented, such Directive establishing the "framework for Community action in the field of water policy".
More specifically, the above decree approved the (i) valuation criteria of the environmental cost and resource cost for the different water use sectors shown in Annex A and (ii) a "Methodological proposal for reporting economic aspects" as set forth in Technical Annex 1.
The above decree ends with Article 2 - transitional and final provisions, with special emphasis on the following provision: "Without prejudice to compliance with provisions under Article 4 of Directive 2000/60/EC of the European Parliament and Council dated 23 October 2000, as amended by Article 3 of Directive 2013/64/EU, as well as Articles 5 and 9 of the aforesaid Directive, the methods referred to in this Decree will, in respect of the 2015-2021 planning, apply gradually in the cases where the Authorities already use methods that allow equivalent results to be attained."
With respect to Annex A, it comprises three sections dedicated respectively to:

(1) definitions required to identify ERCs
(2) valuation method of ERCs
(3) identification of the general approach for ERC internalisation.

ERCs (*Environmental and Resource Costs*) represent consistent criteria whereby environmental and resource costs are established as under Article 1, paragraph 1(d) of D.P.C.M. dated 20 July 2012.
The purpose of the above Annex A is "*to provide a technical framework that can help the relevant Authorities carry out a survey of ERCs already internalised within the existing cost recovery tools and identify ERCs to be internalised as well as the remaining ERCs.*"
On the other hand, the Technical Annex provides a methodological proposal for reporting economic aspects, where the expected results of the economic analysis of water uses are illustrated based on the main economic components with respect to which substantial amendments and updates are deemed appropriate, with a proposal for the organisation of data and information also being provided in four tables.

Guidelines for environmental impact assessment screening - Decree issued by the Ministry for Environment, Land and Sea on 30 March 2015

By Decree dated 30 March 2015, (Official Journal of 11 April 2015, No. 84), in compliance with provisions of Article 15 of Law Decree No. 91 dated 24 June 2014, written into law, as amended, by Law No. 116 dated 11 August 2014, the Guidelines for environmental impact assessment screening were issued with respect to projects pertaining to Regional and Provincial Authorities.
The purpose of these Guidelines is to provide independent Regional and Provincial Authorities as well as industry operators with a clear reference framework to carry out the aforesaid environmental impact assessment procedure, consistent with the provisions laid down by the European Directive on the subject.
According to Article 4 of the aforesaid Decree, these Guidelines become effective on the tenth day after the date of publication on the Official Journal of the Italian Republic and apply directly across the national territory pending any adjustment to the regulations of independent Regional and Provincial Authorities

The above Guidelines apply to "new" projects as well as any other project for which a screening or authorising procedure is ongoing at the time the aforesaid Decree becomes effective.
More specifically, through the above Guidelines:

a) The technical and dimensional and location criteria used to fix the limits already set in Annex IV to the second part of Legislative Decree No. 152/2006 for different design categories were integrated.
b) Additional criteria contained in Annex V of Legislative Decree No. 152/2006 were identified, inasmuch as they were considered significant and relevant for the purpose of identifying projects to subject to environmental impact assessment screening.

The application of the criteria as aforesaid leads to a percentage reduction in the dimensional limits already set in Annex IV (where stated), resulting in a broader scope of the provisions governing environmental impact assessment for projects that are potentially capable of producing significant negative effects on the environment.

New provisions governing environmental offences - Law No. 68 dated 22 May 2015 .

By Law No. 68/2015, the new Title VI-bis "Crimes against the environment" was introduced in the Criminal Code and Articles 257 and 260 of Legislative Decree No. 152/2006 were amended.
The newly introduced crimes were added to the list of alleged offences that can trigger the Authorities' responsibility pursuant to Legislative Decree No. 231/2001, requiring an update of the organisational models.
After the sixth part of Legislative Decree No. 152/2006, an entire section was added covering the procedure for the cancellation of violations thereunder (provided that they did not cause any concrete and current damage or hazard to protected environmental, urban or landscaping resources) based on the same model as the one applicable to safety at the workplace.

Regulatory activity of the Lazio Regional Authority concerning regional development and governance of the Integrated Water Service.

With regard to the organisation and management of the service, emphasis is placed on Resolution No. 40 dated 28 January 2014 whereby the Board of the Lazio Regional Authority approved the "*Guidelines for drafting a bill governing the Integrated Water Service*."
By the above measure, the Board meant to design a regional draft law aimed at identifying a Single Optimum Area of Operations (ATOU, Ambito Territoriale Ottimale Unico) and setting up the Regional Area Authority (ERAR, Ente d'Ambito Regionale) for the management of the Integrated Water Service that was to take over all active and passive dealings of the Area Authorities and discharge the duties assigned to them, with full decision-making powers regarding the selection of forms for the award of Integrated Water Service contracts consistent with Community principles.
On 9 April 2014, Regional Law No. 5/2014 became effective indeed ("*Safeguard, governance and public management of water*"), where a number of preliminary positions were taken regarding the service operation terms. More specifically, it is expected that:

- Regional Authorities identify catchment basins in lieu of ATOs, with a basin authority being established for each catchment basin;
- The Integrated Water Service is run on a non-profit basis and aims at reaching breakeven;
- The "Regional Re-publicisation Fund" is established and made available to the Special Companies and Consortia among the Municipalities that will take over the operation of the Integrated Water Service from joint-stock companies;
- The "International Solidarity Fund" is established to fund projects promoting water access managed in the form of co-operation between local communities without any form of private profit or private interest.

The above law was subject to "condition precedent" as under Article 5, paragraph 1, whereby the regional legislator was to identify the catchment area authorities to be set up within six months of the effective date (i.e., by 6 October 2014) and to be coordinated pursuant to the aforesaid Resolution No. 40/2014. On 2 March 2015, a draft Regional Law on catchment basins was indeed

submitted, but the procedure for approval by the Environment, Public Works, Mobility, House and Town-planning Policy Commission of the Lazio Regional Authority was still underway.
During its meeting of 6 June 2014, the Council of Ministers resolved to challenge the aforesaid law inasmuch as many provisions concerning the organisation and operation of the Integrated Water Service appeared to clash with the rules restricted to state legislation regarding the safeguard of competition, environment and civil order, violating Article 117, paragraph 2(e), (l) and (s) of the Constitution. In the public hearing set for 10 February 2015, the case was adjourned.
Still on the subject of regional development and governance of the Integrated Water Service, it should be further stressed that the aforesaid Article 7 of Law Decree 133/2014 (known as "Sblocca Italia" - Unlock Italy) contemplated a number of requirements to complete the industry's regulations, specifying that 30 September 2015 was the deadline by which the single management structure of the service was to be finalised, failing which the substitution measure of the Regional Authorities and government would apply pursuant to Article 172 of Legislative Decree No. 152/2006.
Pending the approval of the ongoing Regional Law and pursuant to Article 7 of Law Decree No. 133/2014 ("Sblocca Italia"), the Lazio Regional Authorities approved Board Resolution No. 947 of 30 December 2014, whereby it authorised the relevant regional body to ensure compliance with law requirements by the local authorities, the purpose also being to activate the substitution powers lying with the Regional Authorities, if necessary.

AEEGSI water services activities

Resolution No. 6/2015/R/idr - A process was started to define the Water Tariff Method for the second regulatory period, with joinder of the proceedings as per Resolution 374/2014/r/idr and one single deadline being set for the completion of such proceedings

The AEEGSI deemed it necessary to start the aforesaid process to define the Water Tariff Method for the second regulatory period, joining it with the process started previously under Resolution No. 374/2014/R/idr regarding the promotion of Integrated Water Service production efficiency, setting 31 December 2015 as the single deadline for completion.
Below are the goals pursued by the AEEGSI in defining the next tariff method:

- Guaranteeing the stability and consistency of the regulatory framework, supplementing and developing asymmetric and innovative regulations already adopted;
- Promoting management rationalisation and streamlining actions, reviewing the conditions for exclusion from the tariff updating process;
- Ensuring the efficient financial sustainability of operations, adopting regulatory tools aimed at reaching economic and financial balance across the different geographical areas;
- Reinforcing the selective approach by goals and actions required of the relevant administrations;
- Implementing suitable measures to promote efficiency in the production of services;
- Defining criteria and terms to develop processes fostering water efficiency and consumption measurement;
- Improving efficiency when resorting to the lending system;
- Pursuing a gradual convergence between the different areas of the Country within a framework of strong focus on social sustainability of the tariffs paid by end users.

Resolution No. 7/2015/R/idr - A process was started for the allocation of the tariff and collection costs among the different operators concerned in the event that the Integrated Water Service is managed separately

Through such process the AEEGSI deemed it appropriate to define and standardise the criteria for collection and allocation of the tariff among the different operators concerned in the event that the

Integrated Water Service is managed separately, including the management of information flows among aqueduct, sewerage and/or purification service operators, with special reference to volumes invoiced in relation to the different services. The process further executed the provisions laid down by Law Decree No. 133/2014 ("Sblocca Italia"). By changing Article 156 of the Environment Code, the aforesaid Decree requires that in the event the Integrated Water Service is managed separately the aqueduct service operators must collect the tariff and allocate it among the different operators concerned as specified by the AEEGSI itself. The relationships between the different operators concerning the allocation of collection costs will be set in an appropriate Agreement to be monitored by the AEEGSI.

Resolution No. 8/2015/R/idr - A process was started to define the criteria for the tariff structure applied to water service users

The AEEGSI deemed it appropriate to start a process aimed at harmonising and rationalising the tariff structure systems applied as well as relief systems and existing social tariffs. Through such process AEEGSI meant therefore to define the criteria and application terms of the tariff structure for water service users, completing the process already started for streamlining and rationalisation the fee structure, allowing some signs of efficiency to be conveyed in terms of resource and environment preservation as well as consistent indications with regard to social and economic sustainability.

Resolution No. 122/2015/R/idr - A process was started to introduce economic and financial equalisation systems in the Integrated Water System

The AEEGSI deemed it necessary to start a process aimed at introducing solidarity equalisation measures among the different Optimum Operating Areas (ATOs) in the different Regions, defining the conditions for the relevant application. Specific and binding commitments must be identified to adopt measures that allow the criticalities underlying the requests for accessing equalisation instruments to be overcome within a specified timeframe, under penalty of suspension, exclusion and recovery of any amount granted. The purpose is to safeguard users (with special reference to the weakest groups) and roll out a gradual convergence between the different areas of the Countries where management situations and service levels are extremely different.

In the short-term, the introduction of general conditions and criteria for a nation-wide implementation of the aforesaid equalisation system aims at allowing priority investments to be made as defined by the relevant entities and addressing the pressing financial criticalities and issues to guarantee the economic and financial balance of operators facing serious hardships, especially if exposed to the default risk. The processes will be completed by 31 December 2015.

Resolution No. 4/2015 - DSID - Defining data collection procedures for the purpose of (i) monitoring Integrated Water Service contracts awarded and participation of Local Authorities in Area Regulatory Agencies, (ii) updating tariff parameters and data pertaining to 2015 and (ii) clarifying the component covering environmental and resource costs

By means of the above Resolution, the Chief Water System Officer (DSID, *Direttore della Direzione Sistemi Idrici*) of the AEEGSI starts a procedure for the collection of data to be sent to the AEEGSI by 30 April 2015 for the following purposes:

1. Acquiring information pertaining to the award of the IWS contract and to the participation of Local Authorities in Area Regulatory Agencies (obligations under Article 7 of Law Decree No. 133/14 known as "Sblocca Italia");
2. Updating data already provided by the relevant entities during the pricing process relating to 2014 and 2015 based on the 2013 financial statements for the purpose of checking, in particular, the adequacy of tariff parameters relating to the average cost of electricity and average cost of running expenses incurred by the Area Authority. The AEEGSI specifies that the changes to the allowed VRG (Restriction on Guaranteed Revenues) resulting from the

updating of the average cost item of the electricity supply will be considered when adjustments are made. Within 20 days after the data is sent, the Regulatory Agencies may submit a specific and reasoned request for tariff updating for 2015 if significant deviations exist solely with respect to data relating to the electricity cost, operating expenses incurred by the Area Authority and other operating costs (other costs) as under Articles 26 and 28 of Annex A to Resolution 643/2013;

3. Starting data collection to reflect the resolutions made regarding the quantification of 2015 ERCs already included in the restriction on the operator's revenues (VRG), such restriction and the consequent tariff multiplier being unchanged. In this connection, the Regulatory Agencies are required to supply an accompanying note containing the grounds on which certain cost items were considered as pertaining to environmental costs;
4. Collecting certain additional information regarding the structure and pattern of the operators' costs, the purpose also being to undertake actions capable of driving efficiency in the delivery of services.

Consulting Document (DCO) 273/2014/R/Idr – Regulation of contractual quality of the integrated water service or of each of the single services it is made up of

In compliance with provisions stated in DCO 665/2014, in June the Authority approved DCO 273/2015/R/idr where it illustrated its own guidelines regarding specifically:

- Timeframes and terms governing the start and termination of the contractual relationship;
- Timeframes and conditions governing the contractual relationship, including the rules relating to appointments arranged, meter and pressure level check-ups, turnaround times for works and quotations, emergency response time;
- Criteria for managing information flows between aqueduct operator and sewerage and/or purification plant operator in the event that (i) the services are run separately and (ii) Article 156 of Legislative Decree No. 152/06 applies;
- Criteria and terms whereby information is disclosed, recorded and stored.

In this Consultation Paper too the Authority stated, in respect of the different services, specific standards (failure to comply with such standards will result in users being entitled to automatic compensation) and general minimum standards the operator must guarantee to avoid penalties; Regulatory Agencies are also given the opportunity to introduce a reward system if they believe it necessary to promote the attainment of a quality level higher than the minimum level to be defined nation-wide. The Authority further stressed the recommendation to include penalties for failure to reach general goals or rewards related to the establishment of improved quality levels within the restriction applicable to the operator's revenues (VRG).

The deadline to submit comments was set at the end of July.

DCO 274/2015/R/idr – Criteria for preparing one or more standard agreements for the management of the Integrated Water Service

The Consultation Paper forms part of the process started by Resolution No. 412/2013/R/idr, as amended by Resolution No. 465/2014/R/IDR, to take account of the recent regulatory provisions introduced by Law No. 164 dated 11 November 2014, known as "Sblocca Italia" Decree.

The document contains a number of proposals for the drafting of one or more standard agreements, with special emphasis on: the scope and term of the contract, the instruments relating to the obligation to reach economic and financial operational breakeven and maintenance thereof, management takeover procedures, criteria and terms whereby a refund is paid to the outgoing operator.

The deadline to submit comments expired on 10 July.

Resolution No. 338/2015/R/idr - Ex officio water service pricing for the wholesaler operating in the Campania Region with reference to the first 2012-2015 regulatory period

This resolution sets to establish, on an ex-officio basis, the *teta* tariff multiplier for the first 2012-2015 regulatory period (0.9) for the wholesaler operating in the Campania Region who provide incomplete information and deeds such that they could not be used for tariff purposes. It should be stressed that the Campania Regional Authority supplies wholesale water to GORI and, as a result, this measure will impact water resource purchase costs and, consequently, the pricing of the Company with regard to the definition of adjustments pertaining to the first regulatory period.

Lombardy Regional Administrative Court judgments on actions brought by some Operators

As illustrated in further details in the 2014 Financial Statements, the aforesaid 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 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.
In conjunction with the measure whereby AEEGSI recommended that an appeal be lodged against the judgements issued by the Lombardy Regional Administrative Court (Resolution No. 203/2014/C/idr), by Resolution No. 204/2014/R/idr the aforesaid Authority stated that the above-mentioned judgments did not cause the 2014-2015 Water Tariff Method (MTI) to become null and void considering that the provisions set forth therein were fully binding, with special reference to the timescale and dispatch of the procedures thereunder, albeit they could bring about some changes to the adjustments granted for the 2012-2013 period. Therefore, for the purpose of approving the tariffs recommended for 2014 and 2015, the adjustments included in the VRG (Article 29 of Annex A to Resolution No. 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 or, 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.
Finally, it should be stressed that the Council of State set, before the courts, a public hearing to be held on 29 September 2015 for oral arguments.

AEEGSI electricity and gas activities

DCO 5/2015/R/eel - Regulatory criteria applicable to tariffs and the quality of transmission, distribution and metering electricity services for the fifth regulatory period

The document illustrates the lines of action the AEEGSI intends to develop during the process aimed at setting forth the provisions governing the fifth regulatory period effective 1 January 2016.
More specifically, with regard to the tariff regulation, consideration is given to:

- The regulatory term: a proposal was submitted to change it from four to six years (with mid-period adjustments);
- Cost recognition rationales: the AEEGSI intends to consider introducing cost recognition rationales based on total expenditure (operating costs + investments);
- Productivity gain goals: the AEEGSI intends to perform an assessment - by conducting specific productivity analyses - of the margins to fix additional productivity gains compared to those already achieved by the companies in the fourth regulatory period.

On the other hand, as regards quality regulation the document considers:

- Service continuity: as to the duration of interruptions the AEEGSI intends to confirm the current goal levels and introduce a mechanism to apply penalties in the event of failure to reach such levels. As to the number of disruptions, consideration was given to the possibility of shifting long-term goals to 2021. The AEEGSI also contemplated an investigation to be conducted on disruptions caused by force majeure events as well as disruptions with prior notice;

- Voltage quality: the AEEGSI intends to continue to focus on voltage dips on the medium voltage grid - through an individual and target-oriented regulation - as well as on slow voltage variations regarding low voltage grids by introducing obligations aiming at a gradual percentage reduction;
- Commercial quality: additional forms of company accountability to ensure compliance with connection timeframes will be evaluated;
- Quality of metering service: the Authority intends to borrow from the gas sector the comparative disclosure of distributors' performance.

The deadline for comments and recommendations from the stakeholders concerned expired on 15 February 2015.

DCO 48/2015/R/eel - Regulating the quality of transmission, distribution and metering electricity services for the fifth regulatory period

This document provides an in-depth review - from a technical perspective - of the possible lines of action regarding service quality regulation, starting from the quantitative analysis of the results achieved until now while considering some possible revisions of the regulation as of the following period. More specifically, the guidelines issued were primarily aimed at:

- Confirming for the fifth period as well the current regulation on the duration of service disruptions in relation to the long-term goal levels set for 2015;
- Considering shifting to 2021 the long-term goals relating to the number of disruptions as well as introducing special incentive elements for the areas affected by the highest number of disruptions (as was the case for the duration in the current period);
- Considering introducing new forms of regulation, which may even comprise incentive systems, aimed at reducing disruptions to due force majeure events and disruptions with prior notice;
- Introducing innovative regulation elements regarding voltage quality, with special reference to voltage dips and temporary disruption on the medium voltage grid as well as slow voltage variations on the low voltage grid;
- Updating the regulation on commercial quality (including, for example, new services in the quick quotation and reducing maximum turnaround time for certain services);
- Introducing, with regard to metering service quality, comparative disclosures of the operators' performance and, at a later date, possible penalties against less virtuous operators.

The AEEGSI intends to carry out a qualitative and quantitative public opinion survey with LV and MV (household and non-household) customers to assess the extent of knowledge and perception of regulation-related aspects regarding service quality and point out the need to introduce possible improvements.

The deadline for comments and recommendations from the stakeholders concerned expired on 24 March 2015.

Resolution No. 127/2015/R/eel – Recalculation of the electricity distribution service reference tariffs for 2012, 2013 and 2014 for ACEA Distribuzione S.p.A.

This measure recalculates 2012, 2013 and 2014 reference tariffs for ACEA Distribuzione for the purpose of correcting a material error in the calculation algorithm used by the AEEGSI. This revision led to an increase in revenues from distribution service during the years stated above.

Resolution No. 136/2015/R/eel - Urgent provisions on switching for end customers owning withdrawal points for the operation of the Integrated Water Service that are affected by the termination of the electricity transportation agreement effective 1 April 2015

By Resolution No. 602/2014/R/eel, the AEEGSI adopted a special policy on switching, introducing specific exception to the current regulation with a view to restricting temporary safeguarded service activation solely to end customers who run the Integrated Water Service[3]. Based on the timescales set for switching under Resolution ARG/elt 42/08[4], the safeguarded service can indeed be activated even in situations where the end customer (owning withdrawal points) has already chosen a new seller. More specifically, this happens when the new seller has not had the technical time to file the switching request within the prescribed deadline following the outgoing dispatching user's notice. In any such cases, the distributing firm is required to activate the safeguarded service for one month only (the required switching will indeed become effective in the following month). Some Integrated Water Service operators informed the AEEGSI about such one-month special activations which, albeit temporary, had a significant impact on the tariffs applied to the end users due to both the burden of the energy cost on the operator's overheads as well the way it was reflected in the tariff[5]. The fees applied to each withdrawal point covered by the safeguarded service are indeed higher on average compared to the conditions available on the free market, consistent with the purpose of the (temporary) safeguarded service, such fees therefore leading safeguarded service customers to look for a new seller on the free market. After Resolution No. 602/14 was issued, the AEEGSI received a number of reports from end customers operating the Integrated Water Service who found themselves included in the safeguarded services as of 1 April 2015, despite the aforesaid special provisions on switching. Indeed, Enel Distribuzione failed to notify (or did so after the date set for the request for switching) the termination of a transport agreement with one user (due to the latter's non-compliance) who forfeited the right to (or allow others to) withdraw from its own withdrawal points effective 1 April 2015. The end customers (i.e., Integrated Water Service operators) have therefore been unable to actually enter into a supply contract with a new seller on the free market since 1 April 2015. The AEEGSI therefore deemed it apposite to adopt specific measures notwithstanding the switching regulation as under Resolutions ARG/elt 42/08 and 602/2014/R/eel allowing customers (i.e., Water Integrated Service operators) affected by the termination of the transport agreement as aforesaid to obtain the timely execution of a new supply contract on the free market and, should this prove unfeasible, minimise the term of supply under safeguarded service conditions. By way of exception, the Resolution set forth a much shorter timeframe to apply for switching and, in the event the safeguarded service is activated, seek extraordinary procedures for the supply of the safeguarded service and obligations to be met by the distributing firm regarding the collection and provision of measurement data and information that Integrated Water Service operators and distributors must submit for the settlement of financial transactions pertaining to the dispatching service.

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[3] By Resolution 602/14 the AEEGSI introduced:
- Specific timeframes for the execution of switching following the request of a new seller insofar as the non-execution results in the temporary activation of the safeguarded service;
- Appropriate disclosure requirements on the part of the entrant in order to identify the withdrawal points owned by an Integrated Water Service operator;
- Specific disclosure timeframes regarding termination of contract due to non-compliance of the end customer.

[4] Resolution ARG/elt 42/08 "Regulation of the dispatching service and transport service (electricity transmission, distribution and metering) in the event a dispatching user replaces another user on the same active withdrawal point or if a dispatching user is assigned a new or previously disabled withdrawal point (switching)."

[5] The MTI adopted by Resolution No. 643/2013 requires that the costs for the supply of electricity incurred in the two years prior to the pricing be reflected in the tariff up to an amount not exceeding the industry average plus 10% and the relevant inflation rate of each year. In the same Resolution the AEEGSI also addressed the terms to recoup the difference between the aforesaid amount and the amount actually incurred by each operator. Moreover, with a view to discouraging the supply of electricity under safeguarded service conditions the AEEGSI decided that the annual costs of the operators who purchased electricity for more than 4 months on this market will be excluded from the calculation of the actual industry average cost.

Resolution No. 146/2015/R/eel - Establishing reference tariffs for the electricity distribution service for 2015

The AEEGSI published the reference tariffs pertaining to the electricity distribution service for 2015. Both the parameters used to quantify the eligible revenues of each distributor for the electricity distribution service (specific corporate tariffs) and the parameters for covering marketing costs regarding the electricity distribution service (national single tariff) were revised.

With regard to ACEA Distribuzione, the 2015 reference tariff for the electricity distribution service was virtually in line with that of 2014, while the national reference tariff pertaining to the sale of the electricity distribution service in 2015 showed an increase over the same tariff set for 2014.

Resolution No. 258/2015/R/com - First actions on delinquencies on the retail electricity and natural gas markets

This measure approves the Integrated Electricity Delinquency Act (TIMOE, Testo Integrato della Morosità Elettrica), supplementing the regulation for dispatching and transport services in the event of delinquency on the part of the end customer.

The Resolution amends and supplements delinquency provisions, increases the possibility for safeguarded market customers to seek payment of invoices by instalments and places greater responsibility on the distribution firms. With regard to the latter aspect, different levels of compensation that the distributor must pay to the seller in the event of failure to act are defined. Moreover, the distribution firm is required to suspend invoicing or write off invoices already issued with reference to points in respect of which suspension or interruption actions were not performed as under the regulation until any such actions are executed. Once the actions are completed, the seller is required to pay 50% of the amounts relating to service supplied by the distribution firm with reference to the period ranging between the deadline set by the regulation and the action itself.

Resolution No. 268/2015/R/eel - Standard grid code for the electricity transport service: provisions regarding contractual guarantees and invoicing of service

As part of the process started to draft a standard grid code for electricity transport, following consultations (DCO 263/2014/R/eel and DCO 618/2014/R/eel) and meetings held with the appropriate Workgroup, by Resolution No. 268/2015/R/eel the Authority approved:

- The glossary of terms used inside the standard grid code;
- The provisions regarding the contractual guarantees the seller is required to provide at the time of execution of the transport agreement;
- The provisions regarding the invoicing of the payment and transport service,

setting different timeframes for the application of the different provisions.

A compensation system was introduced to apply penalties to distribution firms in the event that they provide sellers with estimated measurement data (data quality) or provide such data after the deadlines set.

DCO 293/2015/R/eel - Reform of grid tariffs and tariff components covering system overheads for electricity household customers

This document, which follows up a first consultation (DCO 34/2015/R/eel), illustrates the final guidelines of the Authority regarding the tariffs applied to electricity household customers. The Authority intends to keep a clear difference between tariffs covering grid services, for which the principle of cost-reflectiveness applies, and tariffs covering overheads, in respect of which the same principle may not be applied.

The deadline to submit comments to the Authority is set on 4 September 2015 so that the final measure may be adopted by the end of November 2015.

DCO 275/2015/R/com - Criteria for establishing and updating the rate of return on invested capital for infrastructure adjustments of the electricity and gas sectors. Initial guidelines

This document illustrates the AEEGSI's initial guidelines regarding the overall revision of the terms for the calculation and adjustment of the return on invested capital rate relating to the regulated services of the electricity and gas sectors (Weighted Average Cost of Capital) with a view to ensuring consistency in the calculation criteria of the two sectors and avoiding differences arising from specific conditions of the financial markets so as to fix the rate of return of risk-free operations.

More specifically, the AEEGSI seeks to introduce the concept of regulatory period of the rate of return, lasting six years, that is to say the period during which the levels of the WACC basic parameters will apply to all the regulated services of the electricity and gas sectors, excluding specific parameters pertaining to the individual service, as identified in parameter β and reflected in the D/E ratio, which is usually addressed and discussed when the tariff regulatory period is reviewed.

Resolution No. 296/2015/R/com - Provisions regarding the functional separation obligations (unbundling) for the electricity and gas sectors

Following the consultation process promoted by DCO 77/2015/R/eel, the AEEGSI published the aforesaid Resolution whereby the Functional Unblundling Integrated Act (TIUF, Testo Integrato di Unblundling Funzionale) was approved. The Resolution confirmed the guidelines already reflected in the aforementioned Consultation Paper. These provisions address:

- The definition of vertically integrated firm. The Authority adopted a definition of vertically integrated firm in the electricity and gas sectors in line with the one contained in Directives 2009/72/EC and 2009/73/EC and Legislative Decree No. 93/11, thereby contemplating cases where control may be exercised also by natural persons or public entities, including non-economic entities;
- The deployment of a single information system for the collection of mandatory disclosures. A single information system may be rolled out for the collection of the disclosures required of both companies that are subject to certification procedures as well as companies that are subject to the new functional separation obligations in lieu of the current channels. the new collection system will be streamlined and easier to access by end users, while ensuring appropriate information security and confidentiality levels;
- The tightening of some obligations for the functionally separated company (appointment of an infrastructure operator whose independence requirements are extended to the entire corporate Group and not to the vertically integrated company only) and the introduction of new obligations (appointment of a compliance officer responsible for auditing and supervising the implementation of the fulfilment programme);
- The separation of the communication and brand policy. An obligation has been introduced requiring the separation of the brand and communication policy (including the company's name) of distribution companies as opposed to selling companies. With regard to the electricity sector, sales on the free market and the enhanced protection market service also need to comply with this obligation. Moreover, with regard to brand separation the Authority confirmed the position that companies should be free to choose which company (i.e., distribution or selling company) should change its brand and communication policy, the purpose being to take account of entrepreneurial choices that ensure the least financial impact related to the commercial value of the brands. Finally, as part of the separation of the communication policies, the Resolution requires that the independent operator ensures that commercial activities pertaining to distribution operations, with special reference to customer-facing activities, are carried out through information channels, physical spaces and staff that are separate from those relating to electricity and natural gas selling activities. The same obligations apply to companies that engage in selling activities designed for free market

electricity customers as opposed to companies engaging in the enhanced protection service market;

- The processing of commercially sensitive information. The obligation to (i) physically separate databases for the appointment of the supervisor responsible for commercially sensitive information and (ii) keep an access log thereof has been lifted, the aim being to streamline the requirements to be met by the companies.

The provisions reflected in the TIUF become effective immediately. The companies may:

- Meet the new obligations by 1 January 2016;
- Meet the brand and communication policy separation obligations by 30 June 2016;
- Meet the obligations to separate commercial activities from end customer-facing activities by 1 January 2017.

Resolution No. 13/2015 - DMEG - Definition of the final energy efficiency certificate (TEE) tariff contribution for the 2014 mandatory period and the preliminary tariff contribution for the 2015 mandatory period

In accordance with the criteria as under Article 3, paragraph 2, of Resolution No. 13/2014/R/eel, the final tariff contribution pertaining to energy efficiency certificates for the 2014 mandatory period was set to 105.83 €/TEE, while the preliminary contribution for the 2015 mandatory period was 108.13 €/TEE.

Trends of Operating Segments

Economic results by Operating Segment

The results by segment are shown based on the approach used by the management to monitor Group performance during the periods being compared as well as in compliance with accounting standard IFRS 8. It should be stressed that the results of the "Other" segment reflect those arising from ACEA corporate activities as well as consolidation adjustments.

30 June 2015	Environment	Energy				Water				
€ millions		Generation	Sale	Intra-segment adjustments	Total Segment	Italian Water Services	Overseas	Engineering	Intra-segment adjustments	Total Segment
Revenues	64	32	971	(18)	985	311	9	13	(11)	322
Costs	37	13	934	(18)	929	172	4	10	(11)	176
EBITDA	**27**	**19**	**37**	**0**	**56**	**139**	**5**	**3**	**0**	**147**
Depreciation and accumulated impairment charges	14	11	31	0	42	40	0	0	0	40
Operating profit/(loss)	**13**	**8**	**6**	**0**	**14**	**99**	**5**	**3**	**0**	**107**
Capex	**10**	**3**	**4**	**0**	**7**	**74**	**0**	**0**	**0**	**74**

30 June 2015	Networks					Other		Consolidated total
€ millions	Distribution	Public Lighting	PV power	Intra-segment adjustments	Total Segment	Corporate	Consolidation adjustments	
Revenues	229	33	3	0	264	55	(236)	1.454
Costs	111	30	1	0	141	54	(236)	1.101
EBITDA	**118**	**3**	**2**	**0**	**123**	**1**	**0**	**353**
Depreciation and accumulated impairment charges	43	0	0	0	43	10	0	151
Operating profit/(loss)	**75**	**3**	**2**	**0**	**80**	**(9)**	**0**	**203**
Capex	**66**	**1**	**0**	**0**	**67**	**9**	**0**	**167**

30 June 2014	Environment	Energy				Water				
€ millions		Generation	Sale	Intra-segment adjustments	Total Segment	Italian Water Services	Overseas	Engineering	Intra-segment adjustments	Total Segment
Revenues	65	32	1.021	(18)	1.035	312	5	15	(14)	318
Costs	37	13	995	(18)	990	180	3	11	(14)	180
EBITDA	**28**	**19**	**27**	**0**	**46**	**132**	**1**	**4**	**0**	**138**
Depreciation and accumulated impairment charges	13	9	31	0	40	34	0	0	0	35
Operating profit/(loss)	**15**	**10**	**(5)**	**0**	**5**	**98**	**1**	**4**	**0**	**104**
Capex	**5**	**4**	**2**	**0**	**7**	**67**	**1**	**0**	**0**	**68**

30 June 2014	Networks					Other		Consolidated total
€ millions	Distribution	Public Lighting	PV power	Intra-segment adjustments	Total Segment	Corporate	Consolidation adjustments	
Revenues	253	34	3	(2)	287	59	(244)	1.520
Costs	138	31	1	(2)	168	59	(244)	1.189
EBITDA	**115**	**3**	**2**	**0**	**119**	**0**	**0**	**331**
Depreciation and accumulated impairment charges	42	0	0	0	43	12	0	143
Operating profit/(loss)	**72**	**2**	**2**	**0**	**77**	**(12)**	**0**	**188**
Capex	**59**	**0**	**0**	**0**	**59**	**4**	**0**	**142**

Environment Operating Segment

Operating figures, equity and financial results for the period

Operating figures	U.M.	30/06/2015	30/06/2014	2015-2014	%
WTE transfers	kTon	173	170	3	1.6%
Transfers to RDF production plant	kTon	0	0	0	n.a.
Electricity sold	GWh	132	121	11	8.5%
Waste going into Orvieto plants	kTon	46	49	(3)	(5.9%)
Waste Recovered/Disposed of	kTon	161	180	(19)	(10.4%)

Equity and financial results (€ millions)	30/06/2015	30/06/2014	2015-2014	%
Revenues	63.8	65.2	(1.4)	(2.1%)
Costs	36.7	37.3	(0.6)	(1.6%)
EBITDA	27.1	27.8	(0.7)	(2.5)%
Operating profit/(loss)	14.0	15.1	(1.1)	(7.3%)
Average number of staff	221	217	4	1.8%
Capex	9.8	4.6	5.2	113.0%

Financial results (€ millions)	30/06/2015	31/12/2014	Increase (decrease)	%	30/06/2014	Increase (decrease)	%
Net financial debt	202.6	179.6	23	12.8%	178.9	23.7	13.2%

The Segment ended the first half of 2015 with EBITDA standing at 27.1 million euros, showing a slight drop over the same period in 2014 (-0.7 million euros). The main negative effect was due to Kyklos, showing a reduction of 1.9 million euros as a result of the shutdown of operations at the plant that was seized in July 2014, such negative effect being partially offset by the upbeat performance of ARIA, whose EBITDA rose by 1.3 million euros mainly due to greater amounts of electricity transferred from plants.

The average headcount at 30 June 2015 totalled 221 employees, up by 4 employees compared to the previous year. This increase was mainly ascribable to ARIA (+3).

The Segment 's investments stood at 9.8 million euros, showing a 5.2 million euros rise entirely referring to SAO who essentially completed the revamping of the waste treatment plant in Orvieto.

The Segment's net financial debt stood at 202.6 million euros, up 23.0 million euros compared to 2014 year end (179.6 million euros). The increase was chiefly due to Aquaser (-20.6 million euros) as a result of a rise in amounts due to Group water companies.

Operating review

ARIA

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.
Year over year, the plant's electricity generation rose by 3.4%, standing at 42.1 GWh vs. 40.7 GWh in 2014.

With reference to the provisioning of Pulper 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 plant. New contracts were therefore executed for 2015 allowing currently authorised annual quantities to be to saturated. During the first half, transfer operations were carried out uninterruptedly.

With reference to procedures relating to the request for the issue and collection of green certificates, the company dispatched preliminary formalities on the GSE portal after completing audit procedures on the method of determination of the biodegradable fraction of waste eligible for incentives for 2013 and 2014.

With regard to the authorisation process of the WTE plant in Terni, it should be stressed that the current integrated environmental authorisation (AIA, Autorizzazione Integrata Ambientale) was extended to December 2014 pursuant to Legislative Decree No. 46/2014.

With respect to the new request for VIA/AIA authorisation submitted in October 2014 seeking enlargement of categories (C.E.R. codes) of non-hazardous waste to be subject to energy recovery at Terni WTE plant, on 6 July the Company submitted the complementary documents and clarifications requested by ARPA Umbria as part of the preliminary enquiry started by the Umbria Regional Authority and Terni Provincial Authority. After the first session of the Service Conference, scrutineering started on the management solutions proposed.

Paliano RDF production plant (UL2)

During the period under review, the planning of renovation work was completed, with different stages being identified for the completion of restoration work of the RDF/SSF plants and the building complexes affected, to different extents, by the fire occurred in June 2013.

The aforesaid work started in early April and will continue throughout 2015 and most of 2016.

The Company arranged for preliminary cleaning operations to be completed and has already applied for the relevant permits with the Municipality of Paliano and the Lazio Regional Authority to carry out demolition work on the buildings damaged by the fire.

In April, ARIA collected the amount of 700,000 euros granted by the insurance company by way of second instalment of the indemnity due as a result of the fire.

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

The San Vittore waste-to-energy plant in Lazio produces electricity from renewable sources, particularly RDF. The plant has now been working at full capacity for a number of years in terms of both incoming waste and waste intended for energy recovery as well as energy produced and sold. Compared to the first half of 2014, the plant's electricity production rose by 11.2%, standing at 109.4 GWh vs. 98.4 GWh of 2014; the amount of RDF transferred proved essentially in line, standing at 114,625 tonnes at 30 June 2015.

With respect to provisions under Article 35 of Law Decree 133/2014 (known as "Sblocca Italia"), it should be further stressed that a request for the updating of the plant's integrated environmental authorisation (AIA) was also submitted by the Company to the Lazio Regional Authority in its capacity as entity having jurisdiction.

In June, the Lazio Regional Authority updated the AIA in question consistent with the aforesaid Article 35.

With reference to the preliminary procedure pertaining to the renewal of the integrated environmental authorisation (AIA) previously issued by Order No. 72 dated 24 July 2007, as amended from time to time, in June 2015 the decision-making Service Conference was held, thereby successfully completing the aforesaid renewal process. The Company is therefore waiting to receive the new authorisation.

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 two 2 and 3, at least throughout 2015.

With regard to the revamping of line 1, it should be stressed that the relevant work is currently underway.

SAO

It owns a plant complex located in the Municipality of Orvieto dealing with the treatment, recovery and disposal of urban and special waste. More specifically, the site hosts a (currently operating) landfill for non-hazardous waste and a plant for the mechanical biological treatment of unsorted waste and for the management of wet fractions from sorted waste.
On 30 June 2015, at the office of the Terni Provincial Authority, an additional Service Conference was held addressing the request for material change of the integrated environmental authorisation of the set of plants in Orvieto as per project named "*Morphological upgrading of the site and optimisation of volumes and summit capping*" of the operating landfill (2nd gully), submitted by SAO in August 2014. During the above session, scrutineering continued regarding the processes and criteria for the evaluation of the documents submitted, with the Service Conference being adjourned to a session to be held in July.
It should be further stressed that on 14 May 2015 a notice was published for an open call for tenders to build the berm of the landfill in Orvieto subsequent to the one currently operating, which considers two building options consisting of the berm configuration as already authorised by the Terni Provincial Authorities and, alternatively, as per the configuration in the project for the *"Morphological upgrading of the site and optimization of volumes and summit capping"* of the open landfill (2nd gully) currently being approved, as mentioned above. The tender ended on 10 June 2015 and award procedures were currently being dispatched.
Finally, work for the revamping of the Orvieto waste treatment plant continued and were well underway.

AQUASER Group

Aquaser

Aquaser operates in the area of ancillary services associated with the integrated water cycle, loading, transporting, 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.
Recovery operations are carried out by spreading sludge on farmland (prior to authorisations pertaining primarily to AQUASER) or by transfer to the composting plants of subsidiaries/associates or third parties, while disposal operations are carried out almost entirely at third-party treatment plants/landfills.
In the reporting period the company continued to consolidate its position on the market.

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.
Following the accident occurred on 28 July 2014, resulting in the death of two people employed with contractors in charge of collection and transport of leachate, the plant was seized by the Judicial Authorities. 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.
As part of the criminal proceedings started as a result of the aforesaid fatality, in July the notice of completion of preliminary investigations was served, stating the charges pressed against the former Chief Executive Officer, the head of the plant and the prevention and protection officer as well as the Company as per Legislative Decree No. 231/2001.
With regard to work being carried out on the plant, it should be stressed that following authorisation resolutions by the Public Prosecutor's Office and Latina Provincial Authority work on the process water lines ordered by the latter was being completed. Likewise, final work pertaining to the collection and dumping of leachate and tank cleaning was also being completed.
Once the aforesaid work and operations for the recovery/disposal of the other material present on the site are completed, a request for release of the plant may be officially submitted.
As the plant is under seizure, it is impossible for Kyklos to produce revenue, while the company is required to meet the costs relating to 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.
The extraordinary Shareholders' Meeting held on 19 June 2015 to resolve on the requirements under Section 2482*ter* of the Civil Code of Procedure agreed to cover losses at 27 May 2015 by using the share capital and existing reserves and to replenish the share capital through a non-divisible increase of 500,000 euros. As of today, both shareholders paid up their own share.

Finally, it should be noted that pursuant to provisions under Legislative Decree No. 46/2014, by Resolution G08408 on 7 July 2015 the Lazio Regional Authority issued the Integrated Environmental Authorisation (AIA), which will be updated as soon as the final technical prescriptions of ARPA Lazio are acquired, insofar as they have yet to be formally defined. The authorisation lasts 10 years starting from the date on which the deed is adopted (and will therefore expire on 7 June 2025) and replaces all previous authorisations.

ISA

Isa operates in the logistics and transportation sector, and is deemed to be of strategic importance in achieving market consolidation objectives. Indeed, 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. More specifically, 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 should be noted that the Company engages almost entirely in the supply of services to affiliated companies in pursuance of Article 218 of Legislative Decree No. 163/06. In this connection, it is stressed that starting from October 2014 the Company was tasked with an additional job relating to the transportation of waste produced from the SAF treatment plant in Colfelice (FR) to the ARIA WTE plant in San Vittore del Lazio (FR).
Finally, it should be pointed out that the company currently has its own fleet for haulage activities.

SOLEMME and SAMACE

The two companies operate in the waste recycling sector, composting organic waste, in particular sludge from civil waste water treatment and producing mixed compost conditioners.
As known, as part of the broader project to reorganise the structure of the ACEA Group designed, among other things, to streamline and optimise the organisational and operational structure and settle the related credit positions, as of the end of 2014 the two companies are wholly owned by

ACEA who acquired the equity interests held by Aquaser; the merging between Samace and Solemme became effective 1 July.

Following the pronouncements issued by the administrative court having jurisdiction, by Resolution No. 36 dated 25 November 2015 the Municipality of Monterotondo Marittimo approved the Implementation Plan; following the publication stage (ended on 28 February 2015) and submittal of observations, to which the officer in charge is replying, the Plan will be adopted, thereby allowing construction site operations to begin for the completion of the new plant, subject to the issue of the building permit.
Pending the adoption of the Implementing Plan by the Municipality of Monterotondo Marittimo and for the purpose of allowing waste treatment activities to continue, the original Executive Resolution of the Grosseto Provincial Authority No. 84 dated 13 January 2009 was extended by the aforesaid Municipality through subsequent deeds, the last of which (Resolution No. 1009 dated 20 April 2015) extended the term of the authorisation to operate until 14 October 2015.

Energy Operating Segment

Operating figures, equity and financial results for the period

Operating figures	U,M,	30/06/2015	30/06/2014	2015-2014	%
Energy produced	GWh	280	293	(13)	(4.6%)
Electricity sold – Free market	GWh	3,267	3,965	(698)	(17.6%)
Electricity sold – Protected market	GWh	1,526	1,568	(42)	(2.7%)
No, of electricity free market customers (POD code)	N/000	328	286	42	14.4%
No, of electricity enhanced protection market customers (POD code)	N/000	1,002	1,040	(38)	(3.6%)
Gas sold	Msm^3	78	66	12	18.1%
No, of gas free market customers	N/000	150	123	27	21.4%

Equity and financial results (€ millions)	30/06/2015	30/06/2014	2015-2014	%
Revenues	985.1	1,035.2	(50.1)	(4.8%)
Costs	932.3	989.5	(57.2)	(5.8%)
EBITDA	55.9	45.7	10.2	22.3%
Operating profit/(loss)	14.2	5.2	8.9	171.9%
Average number of staff	541	533	8	1.5%
Capex	6.6	6.6	0.0	0.0%

Financial results (€ millions)	30/06/2015	31/12/2014	Increase (decrease)	%	30/06/2014	Increase (decrease)	%
Net financial debt	361.7	356.1	5.6	1.6%	403.0	(41.3)	(11.4%)

The Segment ended the first half of 2015 with EBITDA standing at 55.9 million euros, showing a rise over the same period in 2014 (10.2 million euros).
The increase came from the sales department ending the first half of 2015 with EBITDA standing at 37.6 million euros vs. 26.6 million euros in the first half of 2014.
This trend was due to a rise in the energy margin on the free market (+6.6 million euros, of which energy margin accounted for 4.4 million euros and gas margin 2.2 million euros), an increase in the margin on the protected market (+5.3 million euros) as a result, among other things, of a year-over-year rise in the tariff applied to free market customers following the adjustments issued by the AEEGSI by Resolution No. 136/2014/R/eel whereby as of 1 April 2014 the retail selling tariff was increased, and by Resolution 670/2014/R/eel whereby towards the end of 2014 the nation-wide unpaid ratio was set to 24 months. These increases were only partially offset by greater costs (+4.2 million euros), mainly referring to agent expense and debt collection costs incurred by Acea Energia.
By contrast, the Production area showed a downtrend ending the first half of 2015 with EBITDA standing at 18.4 million euros vs. 19.1 million euros in the same period of 2014.
This drop was almost entirely due to a fall in the energy margin (-1.1 million euros) as a result of price patterns and a slight reduction in the amounts produced by the hydroelectric division and district heating operations, whose revenues were lower compared to the first half of 2014 due to the mild weather conditions during the winter season.

In terms of staff, as the average headcount at 30 June 2015 was 541 employees, 8 less than the same period of the previous year.

The Segment's investments stood at 6.6 million euros, proving virtually unchanged compared to the benchmark period. They referred mainly to the new applications implemented on Acea Energia (+2.1 million euros).

Net financial debt for the period came in at 361.7 million euros, showing a 5.6 million euros rise compared to 2014 year end mainly due to Acea Energia's net working capital increase.

Operating review

Energy Management

Acea Energia carries out "*Energy Management*" tasks required for the running of the Group operations, with special reference to selling and production activities.
The company also liaises with the Energy Market Operator (GME, Gestore dei Mercati Energetici) 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:

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

In the first half of 2015, Acea Energia purchased a total 4,841 Gwh of electricity from the market, of which 3,707 Gwh through bilateral agreements and 1.134 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 service in the Torrino Sud, Mostacciano and Torrino-Mezzocammino districts of Rome).
During the first half of 2015, the company - through its directly owned plants, achieved a production volume of 281.2 GWh of which **(i)** 271.2 GWh from hydroelectric plants, **(ii)** 1,2 GWh from mini hydro plants and **(iii)** 8.8 GWh from thermoelectric production.
In the district heating segment, through the Tor di Valle plant's cogeneration unit, Acea Produzione supplied 2,742 end users located in the Torrino Sud, and Mostacciano districts (located in the southern part of Rome) with 46,9 GWh of power.

The hydroelectric segment reached a production of 272.4 GWh benefiting from a contribution from the Castel Madama, Mandela and Orte run-of-river plants (+24.1%), such contribution exceeding the expected ten-year historical average (+21.8%) due to an increase in the level of water input for plants on the Tiber basin (Aniene and Nera rivers).
Compared to the expected ten-year average (+33.2%), the production of the S. Angelo reservoir plant showed an uptrend, reaching 124.7 GWh. Average input in the first half of 2015 from Aventino (10.9 cu m/s) and Sangro (21.6 cu m/s) rivers was up 75% and 42% respectively

compared to the average of the previous 2012/2014 three-year term. Indeed, the winter season was fairly rainy and characterised by significant snowfall, enabling production to run at an average rate of 28.8 MW and end the six-month period with Caso and Bomba lakes reaching 251.07 and 249.62 metres ASL, respectively.

The company's thermoelectric production stood at 8.8 GWh at 30 June 2015.
The negative production trend for the combined cycle of the Tor di Valle plant, where planning and engineering operations to modernise the plant began, was confirmed. It should be pointed out that in March 2015, Città Metropolitana di Roma Capitale issued the Integrated Environmental Authorisation (AIA) in view of the commissioning of the future thermoelectric plant.
2015 was the eighth 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

With regard to the sales market, efforts continued to be made to refocus **Acea Energia**'s selling strategy through a more widespread and target-oriented selection of customers, placing major emphasis on the acquisition of small-size customers (households and microbusinesses).
With reference to joint ventures during the period under review, the interest in **Umbria Energy**, based in Umbria, continued to be managed, as did the liquidation of **Voghera Energia Vendite**, the joint venture between ASM Voghera and Acea Energia.
As to **Elga Sud**, at the end of April Acea Energia acquired the interest held by Puglienergy (51%) and, as a result, the Joint Venture Agreement signed on 1 November 2006 and the rights and obligations thereunder were terminated by mutual consent.
As part of the reorganisation of the equity interests of the Sin(e)rgia Group, in February 2015 Umbria Energy acquired the entire capital of Cesap Vendita Gas (CVG) by underwriting a capital increase through an allotment in kind of an amount due to Umbria Energy from the Company.

In the first half of 2015, the sale of electricity in the enhanced protection market totalled 1,526 GWh, 2.7% down on the first half of 2014. The number of withdrawal points totalled 1,002,157 (1,040,065 at 30 June 2014): this reduction resulted from fierce competition in the Rome market from its main competitors, to which the company responded by constantly marketing its services to maintain its customer portfolio.
Electricity sales on the Free Market amounted to 3,076 GWh for Acea Energia and 191 GWh for the retail Joint Venture, totalling 3.267 GWh (-17.6% compared to 30 June 2014). This reduction was mainly due to the customer portfolio diversification.
In addition, Acea Energia sold 78 million of standard cubic metres of gas to retail customers and wholesalers involving 149,772 delivery points (117,572 at 30 June 2014), including those related to JVs (24,901).

The tariffs applied to the enhanced protection services during the period under review were higher compared to the first half of 2014 mainly due to a revision of the amount due to cover sales costs (RCV) as pursuant to Resolutions 637/2013, 136/2014 and 670/2014 issued by the AEEGSI. It should be noted that in its capacity as operator of the enhanced protection service the company applied for inclusion in the offsetting mechanism for end user arrearage costs as under Resolution 670/2014/R/eel.

Below are the significant events occurred during the first half.

- On 25 February 2015, Acea Energia was notified of preliminary investigation proceedings (Ref. No. PS/9815) started by the Market and Competition Authority (AGCM, Autorità Garante della Concorrenza e del Mercato) pursuant to Article 27, paragraph 3, of Legislative Decree No. 206 of 2005 (Consumer Code) as well as Article 6 of the Regulations on preliminary investigations governing deceptive and comparative advertising, unfair commercial practices, violation of consumer rights in contracts, unfair terms and conditions, adopted by the Authority by Resolution dated 5 June 2014. Acea Energia's alleged unfair conducts pertained to unsolicited electricity and/or gas service activations, misleading or undisclosed information and undue influence through call centre agents and/or operators for the purpose of signing up customers, hindering the user's cooling-off right. On 16 April 2015, Acea Energia arranged for its law firm to submit a letter to the AGCM whereby it stated a number of observations on the subject of the proceedings and on the reports that gave rise to such proceedings and further replied to the request for information. The AGCM rejected the commitment proposal and requested supplementary information, while extending the deadline for the conclusion of the proceedings to 23 September 2015.

- On 27 February 2015, Acea Energia appealed with the Lombardy Regional Administrative Court against the AEEGSI seeking that Resolution No. 670/2014/R/eel be declared null and void to the extent of Article 2 and the relevant preambles as well as any previous and subsequent measure, whether related or subordinate, including Resolution No. 349/2007 complete with the relevant technical report to the extent of the parts where it defined the remuneration of the sales costs of enhanced protection operators without contemplating offsetting mechanisms related to the number of users served by such operators. As notified to the AEEGSI in 2014 by different enhanced protection operators (including Acea Energia) and by Federutility, the reasons that led Acea Energia to file the aforesaid appeal lie in the fact that the tariff component intended to remunerate services sales costs was entirely inappropriate to guarantee an adequate coverage thereof. Despite this, by the aforesaid Resolution against which Acea Energia appealed the Authority postponed a further revision of the tariff regulation to a subsequent resolution, thereby exposing enhanced protection operators to immediate financial losses related to this operating segment.

- By Resolution No. 111/2015/S/eel dated 19 March 2015, following inter alia the replies provided in 2014 by Acea Energia to the specific request for information regarding automatic compensation to low voltage end customers of the enhanced protection market, the AEEGSI started proceedings against the company to assess the violation of provisions under Articles 14, 18, 19 and 20 of the Consolidated Act on the Quality of Retail Service (TIQV, Testo Integrato Qualità dei servizi di Vendita) (Resolution No. 164/08 ARG/com) and to adopt sanctioning and regulatory measures, if applicable, pursuant to Article 2, paragraph 20(c) and (d) of Law No. 481/95.
  Preliminary investigations must be completed within 180 days as of the date of the decision. Upon completion of this stage, additional 90 days are granted for the AEEGSI to reach a final decision.
  On 22 April, the company submitted a letter of commitments aiming at a more effective pursuit of the interests that had been allegedly violated under Article 45 of Legislative Decree No. 93/2011 and Resolution 243/2012/E/com issued by the AEEGSI. Indemnities due to customers were also fully paid.

- On 1 July 2015, Acea Energia was notified of start of preliminary investigations (Ref. No. PS/9354) by the AGCM pursuant to Article 3 of Legislative Decree No. 68/2001 and Article 27, paragraph 3, of Legislative Decree No. 206/2005 (Consumer Code). On 13 July, an inspection was carried out at the company's office to assess whether Articles 20, 24 and 25 of the Consumer Code had been violated. Acea Energia provided the AGCM with documents pertaining to:
  - procedures, reports, data relating to the management of complaints regarding invoices, self-readings and estimated consumption,
  - procedures, reports and data relating to the invoicing of gas and electricity consumption,

- procedures, report and data relating to credit management.

Cogeneration

Ecogena operating management centred mainly on two key areas: the technical and economic monitoring of operating plants and new projects under construction.

Ecogena continued to carry out construction work for the new trigeneration plant serving the "Europarco" building complex in Rome (EUR area). The commercial start-up of the plants and service is slated for September 2015, consistent with the outcome of the plant testing currently being performed. In July 2014, the energy service for the new park named "Cinecittà World" at Castel Romano was launched. The service will be provided at a reduced rate until mid 2015 when the plant should go into full production. The energy supply service has been contracted for a period of 15 years. At the same time, with a view to creating synergies Ecogena was making all necessary arrangements to ensure that management, operation and maintenance activities relating to the Cinecittà World plants were carried out by an Acea Produzione dedicated team as early as the second half of 2015. Building work continued in the areas dedicated to the construction of the new "Laurentino" shopping centre, in the Laurentina/Tor Pagnotta district of Rome. Considering the delay in construction work, it was estimated that the energy service could not be launched any earlier than June 2017. Commercial campaign endeavours continued with some Acea Energia customers belonging mainly to the Operating Segment, with a view to promoting the company's energy efficiency services in a synergic manner.

Water Operating Segment

Operating figures, equity and financial results for the period

Operating figures*	U.M.	30/06/2015	30/06/2014	2015-2014	%
Water Volumes	Mm^3	270	276	(6)	(2.3%)
Electricity consumed	GWh	268	263	5	1.8%
Sludge disposed of	kTon	115	110	5	5.0%

* Including pro-quota figures of companies operating in Tuscany. Umbria and Campania

Equity and financial results (€ millions)	30/06/2015	30/06/2014	2015-2014	%
Revenues	322.2	318.0	4.2	1.3%
Costs	175.6	179.8	(4.2)	(2.3%)
Income/(costs) from non-financial investments	13.1	8.3	4.8	58.0%
EBITDA	146.7	138.2	8.5	6.2%
Operating profit/(loss)	106.3	103.6	2.7	2.6%
Average number of staff	2.376	2.418	(42)	(1.7%)
Capex	74.6	67.6	7	10.4%

Financial results (€ millions)	30/06/2015	31/12/2014	Increase (decrease)	%	30/06/2014	Increase (decrease)	%
Net financial debt	549.1	488.1	61.0	12.5%	692.6	(143.5)	(20.7%)

The Segment's EBITDA at 30 June 2015 stood at 146.7 million euros, showing a 8.5 million euros rise year over year.
The increase was due to (i) a 4.8 million euros growth in the result of the companies consolidated using the equity method, (ii) the positive contribution to EBITDA by foreign companies (2.8 million euros) and (iii) a rise shown by the other companies operating in the Segment (totalling 0.9 million euros).
The positive contribution from overseas was essentially due to the booking of income totalling 2.5 million euros attributed to Aguazul Bogotà as a result of the arbitration proceedings arisen as part of the contract between the company and Acueducto (the contract expired at the end of 2012).
Revenues from the Integrated Water Service dropped by 3.1 million euros, with special reference to ACEA Ato2 (-4.3 million euros) as a result of some extraordinary items being reflected in the 2014 half year report, with ACEA Ato2 revenues including (i) some adjustment accounts (9.7 million euros) referring to 2012 and 2013 recognised by the Area Authority at the time of approval of the tariffs recommended for 2014 and 2015, and (ii) the recalculation of prior year adjustments pertaining to 2006-2011 (4.4 million euros). Net of such items, ACEA Ato2 revenues grew by 9.8 million euros, mainly as a result of tariff rises.

The average headcount at 30 June 2015 decreased year over year (2,376 vs. 2,418 employees at 30 June 2014) as a result of the redundancy and early retirement policy adopted by water company operating in the Lazio region.

The Segment's net financial debt at the end of the 2015 half year stood at 549.1 million of euros, showing a 61.0 million euros rise over the previous year (488.1 million euros).
This increase was mainly due to ACEA Ato2 (+17,0 million euros) and was affected by the performance of working capital and distribution of dividends.

The Segment's investments amounted to 74.6 million euros, showing a rise compared to the first half of 2014 (67.6 million euros). The rise in investments was primarily ascribable to ACEA Ato2 (+5.7 million euros) and pertained to investments in purification plants.

Operating review

Lazio - Campania area

ACEA Ato2

On 1 January 2003, the Integrated Water Service in ATO Lazio Centrale - Rome was launched. The takeover of the management of the services for the Municipalities covered by the ATO was gradual, with 76 Municipalities being currently managed out of the 112 included in the entire ATO.
It should be stressed that at the end of 2014 the water supply 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), with operations in the Municipality of Colleferro being taken over in the first half of 2015. For the Municipalities of Capranica Prenestina and Olevano Romano, for which the company was already running the sewerage and water treatment services, the transfer to ACEA Ato2 of the complete water service completes the acquisition of the Integrated Water Service (IWS), while for the remaining four Municipalities only the water service was acquired, pending the complete transfer of the IWS, which may finalised only after the upgrading of sewerage networks and wastewater treatment systems.
The overall situation at 30 June 2015 is shown in the table below:

Acquisitions	**No. of municipaliti es**
Municipalities fully acquired under the IWS	**76**
Municipalities partially acquired, for which ACEA Ato2 provides one or more services:	
Municipalities in which only the acquired consortium service is provided	*4*
Municipalities partially acquired but with Protected Entity	*3*
Municipalities partially acquired	*11*
Municipalities in which ACEA Ato2 provides no services	**13**
Municipalities that declared they do not wish to be part of the IWS*	**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.	

Larger Municipalities yet to be acquired included Civitavecchia, with respect to which the Lazio Regional Authority - by DGR No. 318 dated 10/10/2013 - ordered the exercise of substitute powers to cause the Integrated Water Service to be transferred to the ATO 2 sole operator by appointing an Acting Commissioner. As this Municipality continued to be affected by capital, management and authorisation-related issues, no solution or development scenarios could be anticipated.

The company provides the full range of **drinking water distribution** services (collection, supply, retail and wholesale distribution). Water is sourced 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 6,090 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.
During the first half of 2015, the main **purification plants** dealt with an average volume of water of approximately 275 million cubic metres; production of sludge, sand and grating relating to all plants under management during the period under review was in excess of 89,000 tonnes, showing an increase of about 2% year over year due to extraordinary cleaning operations in Roma Est and Roma Sud plants.
The company manages a total of 563 **sewage pumping stations**, including 173 in the municipality Of Rome, and a total of 177 purification plants, including 33 in the Municipality of Rome.
As to the issue relating to the seizure of the purification plants, it should be noted that further to a specific request submitted by the company, in March 2015 the relevant Judicial Authority ordered the release and restitution of the Roma Est purification plant, in respect of which on 5 February 2014 the Rome Ordinary Court issued a precautionary seizure measure for alleged violation of Articles 81, 110 of the criminal code, Article 256(1) and (2) of Legislative Decree No. 152/2006.
The Roma Nord plant was on the other hand still subject to seizure. With regard to criminal aspects related thereto, the company was notified of completion of preliminary investigations during which, among other things, charges were also pressed against ACEA Ato2 pursuant to Legislative Decree No. 231/2001.
ACEA Ato2, in conjunction with the bailees appointed pursuant to the aforesaid Decree, carried on its plant maintenance project effectively and consistently, with the monitoring performed by the professionals appointed by the bailees confirming compliance with the standards under the applicable regulations governing both discharges and sludge produced. An action plan was underway to restore the plant's day-to-day running conditions. Following a complex enquiry, the authorisation to release emissions into the atmosphere and the renewal of the discharge authorisation were granted for the above plant.

Regarding the **tariff**, in 2015 the company will apply the pricing approved by the AEEGSI by Resolution 463/2014/R/idr dated 25 September 2014, contemplating a tariff multiplier of 1.251.

Following the takeover of the (i) management of the water supply and/or distribution service in six Municipalities of the relevant ATO (Canterano, Capranica Prenestina Prenestina, Gerano, Olevano Romano, Rocca Canterano and Rocca di Papa) pursuant to the Deed of Acquisition (dated 29 December 2014) from previous safeguarded operator Acque Potabili, and (ii) drinking water service and the (tendered out) sewerage and purification service (Operating Segment sale deed dated 25 May 2015), the ATO, through its Technical Office, informed ACEA Ato2 and the AEEGSI that it had quantified the impact in terms of internal operating costs arising from the change in the scope under management and the resulting increase in guaranteed revenues for 2015 (^{2015} VRG). The notice also stressed that the impact, which was calculated in pursuant of Article 25 of Annex A of Resolution No. 643/2013 and quantified to the extent of 1,703,279 euros, did not produce any effect on the tariff multiplier (which remained unchanged) and on the tariff applied to the users in 2015. On the other hand, it (i) increased guaranteed revenues (VRG) for 2015 by the same amount and (ii) will be considered when calculating the adjustments to be granted to the operator in respect of the aforesaid year.
This increase was taken into account for the purpose of calculating Integrated Water Service revenues of the first half of 2015, totalling 244.5 million euros, including the estimated adjustments of pass-through items.

On 27 April 2015, the Market and Competition Authority (AGCM, Autorità Garante della Concorrenza e del Mercato) notified ACEA Ato2 of preliminary investigation proceedings (Ref. No. PS/9916) started pursuant to Article 27, paragraph 3, of Legislative Decree No. 206 of 2005 (Consumer Code) as well as Article 6 of the Regulations on preliminary investigations governing deceptive and comparative advertising, unfair commercial practices, violation of consumer rights in contracts, unfair terms and conditions, adopted by the Authority by Resolution dated 5 June 2014, with a request for information being submitted at the same time under Article 12, paragraph 1, of the Regulations. At the same time, it ordered that an inspection be conducted at the company's premises. ACEA Ato2 was charged with alleged unfair commercial practices adopted in the period spanning November 2012 April 2013 with regard to the following end user agreement stages: (i) transfer and takeover of an active user agreement, (ii) consumption measurement, procedures, frequency and criteria for invoicing the services supplied, (iii) detection of hidden leakages and tariff discount, (iv) terms and timeframes for addressing complaints and refunds and terms and procedures for disconnection of supply. The proceedings under review will, pursuant to Article 7 of the Regulations, be completed within 150 days effective 22 April 2015.

ACEA Ato5

ACEA Ato5 operates the Integrated Water Service according to a thirty-year agreement signed on 27 June 2003 between the company and Frosinone Provincial Authority (representing the Area Authority comprising 86 municipalities). In return for being awarded the service, ACEA Ato5 pays a fee to all the Municipalities based on the date the related services are effectively acquired.

The operation of the Integrated Water Service across the ATO 5 area, comprising Southern Lazio and Frosinone, covers a total of 85 Municipalities (operations are yet to be taken over in the Municipalities of Atina, Paliano and Cassino Centro Urbano) with an overall population of around 480,000 inhabitants, while the population reached by the service totals about 470,000 inhabitants (186,377 end user agreements). During the first half of 2015, no new acquisitions were finalised.

With regard to the appeal lodged by the company in July 2014 against the Municipality of Cassino for its continued failure to deliver the plants pertaining to the Integrated Water Service, it should be stressed that on 26 May 2015 the State Council issued a final decision on the appeal filed by the Municipality of Cassino against a judgement given at first instance (No. 1090/2014) whereby ACEA Ato5's appeal was upheld.

Basically, the decision issued by the State Council bears out the company's right to take over the service and, therefore, the Municipality's obligation to comply.

On 28 May 2015, the company submitted a formal request to the Municipality seeking that plant delivery operations be completed within 90 days after receipt of notice, such operations having already started during the year in pursuance of current provisions. In the same note, the company also signified its intention to resort to additional remedies if the above deadline was not met.

The drinking water system comprises supply and distribution plants and networks that use 7 main sources from which an equal number of aqueduct systems originate. Service coverage reaches about 97%.

The sewerage-purification system comprises a network of sewers and trunk lines connected to wastewater treatment terminals. The company manages 203 sewage pumping plants and 110 biological wastewater treatment plants, as well as 15 "Imhoff" tanks and 3 percolating filters.

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

With reference to the **tariff**, the situation proved stable compared to that illustrated in the 2014 Consolidated Financial Statements. Indeed, in 2015 the company adjusted the tariff applied to end users - as approved by the Mayors' Conference held on 14 July 2014 - within the 9% increase limit compared to 2014. As known, the pricing relating to 2014 and 2015 adopted by the Conference and currently being reviewed by the AEEGSI together with the pricing relating to 2012 and 2013 contemplate a tariff multiplier of 1.660 for 2015, higher than the limit set by the MTI, corresponding to a tariff of €/cu m 1.831.

Revenues in the first half of 2015, including adjustments to the pass-through items, totalled 34.0 million euros and, as was the case in previous years, were calculated using the tariff multiplier recommended in the Operator's application approved by the Mayors' Conference on 14 July 2014.
The process for the recovery of higher amounts between the maximum multipliers allowed and those approved by the Mayors' Conference for the 2012, 2013, 2014 and 2015, such process currently being reviewed by the AEEGSI pursuant to Article 7.1 of Resolution No. 585/2012 and Article 3.4 of Resolution 643/2013, entails a degree of uncertainty and a negative outcome of the aforesaid review could significantly impact the financial position of ACEA Ato5.
On 19 February 2015, as part of the preliminary enquiries as under paragraph 7.1 of Resolution No. 585/2012, the AEEGSI requested the Area Authority to provide information and explanations by 6 March 2015, the purpose being to assess the adequacy of the data supplied and the consistency between such data and compulsory accounting sources as well as the efficiency of the metering service in line with the aforesaid MTT (transitional tariff method) provision applicable to cases where the tariff recommendation results in an annual change exceeding the 6.5% limit. By the same note, clarification was also requested in respect of the technical and economic reference indicators notified as part of the 2014 and 2015 tariff setting process. The Area Authority provided the required feedback to the AEEGSI within the set deadline, upholding the report prepared by the company.

With reference to prior year adjustments pertaining to the 2006-2011 period, which the Extraordinary Commissioner stated to be 75.2 million euros, it should be noted that by decision issued on 26 June 2015 the Latina Division of the Lazio Regional Administrative Court fully rejected the appeal filed by ATO 5 for the annulment of the Order, judging it as "*devoid of any legal basis.*"

GORI
The company operates the Integrated Water Service throughout the entire territory of ATO No. 3 Sarnese Vesuviano in the Campania Region with a surface area of 897 sq km and a population of approximately 1.44 million inhabitants.
A total 4,386 km of water network is currently managed consisting of a 350 km primary supply network and a 4,030 km distribution network, with a 2,300 km drainage and sewerage system.
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. 3 of the Campania Region.

As known, following the approval of the Financial and Economic Plan by Resolution No. 27 dated 31 March 2014, consistent with the enquiry outcome and decisions made by the Sarnese Vesuviano Area Authority by Resolution No. 5 dated 27 October 2012 and further in compliance with Articles 31 and 32 of Annex A to Authority Resolution No. 643/2013/R/idr, the Commissioner adopted Resolution No. 43 dated 30 June 2014 to establish prior year adjustments pertaining to the 2003-2011 period, totalling 122.5 million euros (Group share: 45.4 million euros) and, as a result, approved this amount to be paid by instalments as follows:

- ✓ 2014: 61.2 million euros (50% of the total amount);
- ✓ 2015: 20.4 million euros (16.67% of the total amount);
- ✓ 2016: 20.4 million euros (16.67% of the total amount);
- ✓ 2017: 20.4 million euros (16.67% of the total amount).

The tariff adjustments as defined by the Commissioner were linked primarily to the debt position accrued by the company over the years for amounts due to the Campania Regional Authority for

the supply of wholesale water supply and wastewater collection and purification services provided by the latter, such payables resulting from an inadequate tariff structure which basically failed (and still fails) to cover costs.
The main purpose underlying the approval of the economic and financial plan and prior year items was therefore to ensure the financial equilibrium of the Integrated Water Service management of ATO 3.
As a result, in September 2014 the company started issuing invoices relating to the recovery of the aforesaid adjustments.
However, the actions undertaken by GORI for the recovery of the aforesaid prior year items resulted in many complaints (including legal claims) and requests for clarification submitted by the Mayors of the Municipality in ATO 3 and by other Consumer Associations and Agencies relating to the nature of such accounts and the criticalities connected to the social sustainability of the charges in question. At the same time, a major dispute arose on the aforesaid prior year items, with the Extraordinary Commissioner repeatedly requesting that the operator deferred collection.

The above requests rested essentially on the following grounds: (i) the preliminary proceedings started by the AEEGSI in December 2014 were still underway; (ii) at the same time, with reference to and as part of the aforesaid proceedings, discussions were still being conducted within the Technical Committee comprising the Regional Authority, the Area Authority and GORI to identify common solutions on how to transfer Regional Works so that the social sustainability of the IWS tariff applied to ATO 3 users may, insofar as possible, be guaranteed; (iii) for the purposes of such proceedings, a specific request was submitted to the AEEGSI, with joint note from the Campania Regional Authority and the Commissioner, seeking access to financial equalisation instruments.
Pending the conclusion of the Technical Committee proceedings and the AEEGSI enquiry, the company stopped prior year item invoicing, while by Resolution No. 14 dated 29 June 2015 the Extraordinary Commissioner changed the instalment payment terms thereof to make the recovery of the amounts pertaining to each year more sustainable from a social and economic perspective. Indeed, pursuant to the above-mentioned resolution issued at the end of June, the amount of 122.5 million euros may be paid by instalments within the 2015-2018 timeframe (with one year postponement compared to the previous resolution), with 10% being payable in 2015 and the remainder in the subsequent three-year term. The Commissioner further reserved the right to make an additional change to the instalment payment terms benefitting end users if the AEEGSI allowed GORI to access the economic and financial equalisation measures as under Resolution No. 122/2015, with respect to which, as mentioned earlier, a formal request had already been submitted.

By Resolution No. 15 dated 30 June 2015, the Extraordinary Commissioner approved again the guaranteed revenues (VRG) for 2014 and 2015 complete with the relevant tariff multiplier, set at 1.445010 and 1.493518, respectively. The tariff multiplier for 2014 was determined solely for the calculation of tariff adjustments to be considered for 2016. By the aforesaid Resolution the Commissioner also:

- ✓ Confirmed the allocation of the 2014 and 2015 FoNI share to finance social-related aids;
- ✓ Changed the fee structure approved by Commissioner's Resolution No. 27/2014 effective 1 July 2015;
- ✓ Approved the criteria to establish sewerage and purification tariffs for industrial users, pending the adoption of measures by the AEEGISI governing such tariffs.

The grounds for the amendments to the economic and financial plan rest essentially on the implementation of the effects of Regional Law No. 16/2014[6] approved after the tariff resolutions of

[6]According to the aforesaid Regional Regulations, the transfer of Regional Works must be executed following a temporary management of such works for a 36-month period, with costs covered by the Regional Authority, and with an efficiency plan of such a temporary management being implemented. Upon the 36-month term expiring, the management will be entrusted on a final basis to the relevant Integrated Water Service operators. It should be noted that by judgement No. 117 issued on

March 2014. More specifically, the economic and financial plan considers the costs arising from the transfer of Regional Works starting from June 2018 and as of the same date it contemplates a reduction in wholesale water costs and wastewater collection and purification costs by the Regional Authority of Campania. Consistent with Regional Law No. 1/2012, the plan also contemplates a ten-year rescheduling of GORI debt payable to the Regional Authority of Campania relating to the period spanning 1 January 2013 31 March 2015 and, on the other hand, reflects the different rescheduling of prior year items.

Finally, it should be stressed that by note 30332 dated 22 April 2015, Ref. No PS/9919, the Competition and Market Authority (AGCM, Autorità Garante della Concorrenza e del Mercato) started proceedings against GORI in pursuance of Article 27, paragraph 3, of Legislative Decree No. 206 dated 6 September 2005, as amended, and Article 6 of the "*Regulations on investigation proceedings relating to misleading and comparative advertising, unfair trade practices, violations of consumers' rights in contracts and unfair contract terms*" adopted by the Authority in its resolution of 5 June 2014, with a request for information being submitted at the same time under Article 12, paragraph 1, of the Regulations. This procedure is part of a broader action undertaken by the AGCM to supervise and assess the commercial activities carried out by the IWS operators. On 29 April 2015, the AGCM officers conducted a planned inspection visit at the premises of the company, who provided full support in the process. At present, the documents collected by the AGCM for the purpose of preparing defence briefs are being reviewed.

Revenues for the period totalled 79.4 million euros (Group share 29.4 million euros) and were quantified based on the calculations of the Extraordinary Commissioner and with due account being taken of the changes that had an impact on the restriction on operator's revenues (VRG).
These revenues, as was the case in previous years starting from 2012, included the difference between revenues arising from the application of the rules in Resolutions Nos. 585/2012 and 643/2013 and maximum revenues allowed in the first phase.

From a financial perspective, on 23 April 2014 an agreement was executed to reschedule the loan expired in June 2011 in a multiannual loan expiring on 31 December 2021. The loan involves a 6-month Euribor interest rate plus 5.5 percentage points falling due on 30 June and 31 December of each year.

Regarding the significant uncertainty surrounding GORI management and the other impacts it had on the company business continuity, reference should be made to "*Disclosure on concession services*" of the 2015 Half Year Consolidated Report.

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 Extraordinary 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 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 common desire of former AATO authorities to choose a Single Operator to operate under the supervision of the same Authorities, also in light of the changes made to Environmental Decree No. 152/2006 by Article 7 of Law No. 164/2014, with special reference to Articles 147 and 172 and, recently, the 2015

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25 June 2015, the Constitutional Court declared Campania Regional Law No. 16 dated 7 August 2014 governing water service as constitutionally illegal with reference to *"Article 1, paragraph 49(a), (e), (f), (g), (i), 88, 89, 93(b), 104(a), 105 and 108(a) of Campania Regional Law No. 16 dated 7 August 2014 (Measures for relaunching and developing the regional economy and legislative and organisational measures as related to the 2014 Regional Stability Law).*"

Stability Law. This activity was deemed to be urgent in the light of deadlines set under Article 172 aforesaid, 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. Indeed, this activity in its phase of transition is also contemplated by Article 19, paragraph 3, of draft Regional Law 477/13 for the reorganisation of the IWS, where reference is made to the provisions under Article 172 as aforesaid.
The company manages the IWS in 12 Municipalities of the Province of Benevento across a 451 sq km area, covering a total population of around 95,000 inhabitants, to which 11,000 inhabitants of the Municipality of Sant'Agata di Goti will be added as of 1 July 2015. Users totalled 45,000 (rising to about 50,000 with Sant'Agata dei Goti). The sewerage and purification service is extended to approximately 80% of the users.
Currently the company is engaged in financial and economic assessments for the acquisition of a consortium comprising 7 Municipalities (CABIB) and another consisting of 2 Municipalities (Fragneto).
Moreover, supported by the aforementioned regulations that tend to introduce the principle of "oneness", that is a Single Operator in ATO1, many Municipalities, currently self-managed, indicated that they wanted to entrust the IWS to Gesesa. In this connection, it should be stressed that an agreement was executed with the Municipality of Sant'Agata dei Goti, where service operation will begin on 1 July 2015 and where surveying actions, scrutineering and administrative checks are being conducted, with special reference to the Municipalities of Foiano, Valfortore, Molinara, Dugenta, San Marco dei Cavoti, Casalduni and San Salvatore Telesino, where service management is expected to be taken over in September.

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 this agreement, the Operator took over the exclusive Integrated Water Service of ATO 2, comprising all public water collection, supply and distribution services for civil use, sewage systems and the treatment of wastewater. The Area includes 55 municipalities. Acque pays a concession fee to all the Municipalities, such fee including accumulated liabilities incurred under previous concessions awarded.
With regard to the extension of the concession to 2026, on 13 February 2015 AIT approved the company's proposal and Acque submitted a request for waiver to the Lenders so as to obtain the consent to the extension and make it fully effective and valid. The Lenders required that checks be performed on the documents, tariff model and financial model of the extension by three independent advisors who were entrusted with this task in June.
By virtue of the financial ratios contained in the proposal and in the absence of any changes to the loan agreement conditions, the company was confident that the Lenders would uphold the waiver.

With regard to **tariffs**, as already outlined for the other water operations, in 2015 the company will apply the pricing approved by the AEEGSI by Resolution No. 402/2014/R/idr dated 31 July 2014 contemplating a tariff multiplier of 1.251.
Based on such resolutions, revenues in the first half of 2015 totalled 64.7 million euros, including adjustments of pass-through items (Group share 29.1 million euros).

It should be also stressed that Resolution No. 16 dated 11 May 2015 issued by the Tuscany Water Authority changed Acque's tariff structure. In addition to pursuing a region-wide standardisation process, the new tariffs should help meet the restriction on the operators' revenues (VRG) (IWS), limiting the extent of future adjustments.

The loan agreement executed in 2006 totalled 255 million euros, drawn to the extent of 218 million euros. As of last year, the loan redemption period with increasing semi-annual instalments started according to criteria defined in the agreement itself. As a whole, in 2014 repayments totalled 2.1 million euros, while in 2015 they totalled 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 this agreement, the Operator took over the exclusive Integrated Water Service of ATO 3, comprising all public water collection, supply 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 service, the Operator pays a concession fee to all the Municipalities, including accumulated liabilities incurred prior to award of the related contracts.
In June 2006, the operation whereby ACEA acquired a share in the company's capital through Acque Blu Fiorentine S.p.A. was completed.

With regard to **tariffs**, as already outlined for the other water operations, in 2015 the company will apply the pricing approved by the AEEGSI by Resolution No. 402/2014/R/idr dated 31 July 2014 contemplating a tariff multiplier of 1.171.
Revenues for 2015 were calculated on the basis of approved tariff calculations, such revenues totalling 106.6 million euros (Group share 42.6 million euros), including adjustments of so-called pass-through items.

With regard to lending sources, on 5 May 2015 the company signed a 50 million euros loan agreement with the BEI expiring at the end of 2020.
Some bilateral loans were repaid to the extent of 42.5 million euros, while the total amount of 50 million euros will expire on 27 November 2015.

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 6 Ombrone, consisting of public services covering the collection, supply 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, the operation whereby ACEA acquired a share in the company's capital through Ombrone S.p.A. was completed.

With regard to **tariffs**, as already outlined for the other water operations, in 2015 the company will apply the pricing approved by the AEEGSI by Resolution No. 402/2014/R/idr dated 31 July 2014 contemplating a tariff multiplier of 1.208.
Revenues in the first half of 2015 totalled 46.0 million euros (Group share 18.4 million euros), including adjustments of pass-through items.

Following further investigations and related requests from the lending institutions regarding the calibration of financial flows to sustain the bankability of the Fiora project, by Resolution No. 9 dated 13 February 2015 the AIT rescheduled the investment plans, balances being equal, across a 2015-2023 timeframe.
These events, driven by the renewed general stability in the regulatory landscape and a timely co-operation by the AIT, enabled the company to successfully carry on the structuring process of the medium/long-term loan that was finalised on 30 June 2015.
Following the dispatch of the competitive procedure, the company and the lending institutions signed the loan agreement totalling 143 million euros, which will simultaneously pay off the entire

company's debt (consisting of current mortgages, bride loan agreement and short-term credit lines maintained with different credit institutions) and finance part of the investments planned, with final expiry being set on 31 December 2025. The loan is governed by a variable interest rate and includes guarantees on the current accounts and receivables of the company as well as a pledge on the shares of Acquedotto del Fiora owned by Ombrone.
With a view to protecting itself from excessive market volatility, in line with information contained in the term sheet and in the light of financial risk and cost-effectiveness assessments, the company made arrangements with some of the lending institutions to have in place plain vanilla interest rate hedges of 70% of the "Loan" until the final expiry through interest rate swap operations that will turn the current variable interest rate into a fixed rate.

Umbra Acque

On 26 November 2007 ACEA was finally awarded the tender called by the Area Authority of Perugia ATO 1 for the selection of the minority private business partner of Umbra Acque S.p.A. (concession expires on 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.
By Resolution No. 252/R/idr passed on 29 May 2014, the AEEGSI approved the tariff proposals for 2014 and 2015 with tariff multipliers equal to 1.126 and 1.195, respectively.
In its specific explanatory report, the Area Authority elected not to apply amortisation and, to the extent of its discretionary powers, wrote off the FNI^{new} tariff component for 2014. With respect to 2014, 2015 and 2016 tariffs, an adjustment was also recognised regarding 2012 (6.3 million euros) up to an overall amount of 2.1 million euros per year.
Revenues in the first half of 2015 totalled 30.3 million euros (Group share 12.2 million euros), including adjustments of pass-through items.
It should be stressed that in its meeting held on 20 April 2015, the Meeting of Representatives approved the amount of prior year items pertaining to the 2003-2011 period totalling 5.3 million euros.
Finally, it should be pointed out that on 28 May 2015 the company was served an order for relief by the Civil Court of Perugia upon request of the Municipality of Pietralunga for the recovery debts payable to the latter in respect of the concession fee due for the use of IWS capabilities in 2011, 2012, 2013 and 2014. The company arranged for its counsels to challenge the above order in pursuance of law provisions.

Network Operating Segment

Operating figures, equity and financial results for the period

Operating figures	U.M.	30/06/2015	30/06/2014	2015-2014	%
Electricity distributed	GWh	5,087	5,061	26	0.5%
Energy produced by photovoltaic plants	GWh	7	8	(1)	(12.8%)
Energy efficiency certificates sold/cancelled	No.	222,556	92,698	89,043	n.a,
No. of customers	N/000	1,622	1,622	0	0.0%
Network (Km)	(Km)	29,821	29,603	218	0.7%

Equity and financial results (€ millions)	30/06/2015	30/06/2014	2015-2014	%
Revenues	264.5	286.8	(22.2)	(7.8%)
Costs	141.2	167.6	(26.4)	(15.7%)
EBITDA	123.3	119.1	4.2	3.5%
Operating profit/(loss)	79.9	76.5	3.4	4.4%
Average number of staff	1,343	1,381	(38)	(2.8%)
Capex	67.7	59.1	8.6	14.6%

Financial results (€ millions)	30/06/2015	31/12/2014	Increase (decrease)	%	30/06/2014	Increase (decrease)	%
Net financial debt	621.3	623.1	(1.8)	(0.3%)	657.8	(36.5)	(5.5%)

EBITDA at 30 June 2015 stood at 123.3 million euros, showing a 4.2 million euros risecompared to the same period of the previous year.
The rise was due to the combined effect of a drop in public lighting (0.3 million euros), an increase in margin from PV business (0.2 million euros) and an increase posted by ACEA Distribuzione (4.3 million euros). The latter increase was mainly due to the combined effect of: (i) better electricity margins (1.3 million euros) chiefly resulting from equalisation effects booked in the first half of 2015 which were not reflected in the first half of 2014; (ii) an amount of 5.6 million euros being accounted for in the first half of 2014 regarding the energy efficiency certificate portfolio (more specifically, this income resulted from the reversal of provisions allocated in 2013 to hedge the purchase of the certificates needed to meet 2013 obligations) (iii) operational efficiency.

With reference to staff, the average headcount at 30 June 2015 stood at 1,343 employees, 38 employees less compared to the same period in the previous year, mainly due to ACEA Distribuzione as a result of the redundancy and early retirement incentive policy adopted by the company.

Net financial debt at the end of the first half of 2015 stood at 621.3 million euros, basically in line with the figure posted at 2014 year end (623.1 million euros).

The Segment's investments amounted to 67.7 million euros, up by 8.6 million euros. The rise was entirely attributable to ACEA Distribuzione, mainly due to capital expenditure in information systems and network extension operations.

Operating review

Electricity distribution

Energy report

As shown in the table below, at 30 June 2015 ACEA Distribuzione delivered 5,432.98 GWh to the grid, up 0.50% year over year.

GWh	30/06/2015	30/06/2014	% Increase (decrease)
Source A.U.	1,476.5	1,501.9	(1.7%)
Imports	192.9	214.1	(9.9%)
Enhanced protection market	**1,669.4**	**1,716.1**	**(2.7%)**
Free market	**3,762.3**	**3,689.2**	**2.0%**
Underlying distributors	**1.3**	**0.9**	**49.1%**
General total	**5,433.0**	**5,406.1**	**0.5%**

Transport service tariffs

2015 is the fourth year in which the tariff structure defined by the AEEGSI for the 2012-2015 regulatory period applies. For more details about its composition, reference should be made to the Report on Operations of the 2014 Financial Statements.

With regard to adjustments made during the period under review, it should be noted that the AEEGSI:

- By Resolution No. 127/2015/R/eel (March, 26 2015) recalculated the electricity distribution service reference tariffs for the 2012-2014 period;
- By Resolution No. 610/2014 updated the tariffs for electricity distribution and metering services and the financial conditions for the supply of connection services for the year 2015, and
- By Resolution No. 653/2014 it adjusted the transmission tariff.

As known, in the new Transport Code the AEEGSI introduced a mechanism for recognising an advance, every two months, equalisation balances relating to the equalisation of distribution service revenues and transmission costs. In a letter from the CCSE dated 10 March 2015, ACEA Distribuzione was informed about the bi-monthly advance payments recognised for 2015 and the deadlines for the related payment. Moreover, by letter dated 3 June 2015, details were provided in respect of the supplementary amounts pertaining to the equalisation of 2012, 2013 and 2014 distribution revenues resulting from a material error detected in the calculation procedures adopted to establish the reference tariffs. This also resulted in an adjustment being made to the by-monthly advanced payments pertaining to the equalisation of 2015 distribution revenues, as notified by letter dated 10 March 2015.
It should be noted that on 30 April 2015 the AEGGSI, by Consultation Paper 202/2015/R/eel, recommended the introduction of a new algorithm for the calculation of the aforesaid equalisation contemplating a territorial differentiation of commercial losses only, suggesting that it would start

considering new levels of technical loss for medium voltage as well. The algorithm will be applied starting from the current 2015 tariff year.
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 continued to apply. The regulation governing *load profiling* requires that electricity intended for the enhanced protection market is calculated on a residual basis and includes electricity consumed in-house for distribution and transmission purposes. The AEEGSI 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.
Finally, it should be pointed out that the company was still awaiting recognition of the amount for the equalisation of metering revenues for the year 2011 and for data collection for subsequent years (2012, 2013, 2014).

Energy efficiency objectives

By DIUC Resolution No. 9/2013 the AEEGSI disclosed data pertaining to the amount of electricity and natural gas distributed nation-wide by operators obliged to meet such requirements in 2012. This data is 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 - starting from mandatory year 2013; the mechanism introduces elements to take account of TEE average market prices, avoiding recognition of costs incurred by distributors by submitting an expense report.
Resolution DMEG/EFR/13/2015 dated 29 June 2015 defined the unit value of the tariff contribution for the 2014 mandatory period (105.83 €/TEE) and the tariff contribution estimated for the 2015 mandatory period (108.13 €/TEE).
In May 2015, ACEA Distribuzione met the 2013 remaining obligation (48,240 TEEs) and the obligation set for 2014 (174,316 TEEs), cancelling 222,556 certificates.
ACEA Distribuzione's objective for 2015 is 201,469 Energy Efficiency Certificates, while the estimate for 2016, defined on the basis of a criterion of the 2-year average energy distributed in the two previous years, was 244,502 Energy Efficiency Certificates.

AEEGSI Supervision

With regard to sanctioning proceedings started by the AEEGSI in pursuance of Resolutions No. 300/2013/R/eel and 62/2014/S/eel, no further disclosures need to be made in addition to information provided in the Report on Operations of the 2014 Financial Statements.

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 extending the residual term 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, upon expiry (including termination) of the contract, of the non-amortised amount of investments made by ACEA;
- Sterilisation of the “price risk” of electricity to power the public lighting system,

- The inclusion of an indemnity payable to 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 the first half of 2015, Acea Illuminazione Pubblica deployed an overall amount of 1,105 lighting units upon request of both Roma Capitale and third parties. Emphasis is placed on the units deployed in the Tiburtina IP High Speed Tunnel (Axis 2), B1 Jonio Underground station and Underground C Lodi and on the Fori Imperiali lighting system (530 lighting units) rolled out on 21 April 2015 on the occasion of Rome's birthday.

It should be noted that following numerous cases of theft of cables in 2014 as well as in the year under review, over 51 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, unless industrial means and processes are used.

System improvement endeavours continued, including the inspection, extraordinary maintenance and upgrading to Class II standard of the lighting units managed on behalf of Roma Capitale.

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. In the first half of 2015, these plants recorded total output of 7.1 GWh.

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

Corporate

Equity and financial results for the period

Equity and financial results (€ millions)	30/06/2015	30/06/2014	2015-2014	%
Revenues	54.6	59.0	(4.4)	(7.5%)
Costs	54.4	58.8	(4.4)	(7.5%)
EBITDA	0.3	0.2	0.1	50.0%
Operating profit/(loss)	(9.9)	(12.2)	2.3	(18.9%)
Average number of staff	654	671	(17)	(2.5%)
Capex	8.8	4.4	4.4	10.4%

Financial results (€ millions)	30/06/2015	31/12/2014	Increase (decrease)	%	30/06/2014	Increase (decrease)	%
Net financial debt	394.1	442.1	(48.0)	(10.8%)	444.4	(50.3)	(11.3%)

ACEA ended the first half of 2015 with EBITDA standing at 0.3 million euros, virtually in line with 30 June 2014.

The average headcount at 30 June 2015 totalled 654 employees, showing a drop compared to the previous year (671 employees).

Investments stood at 8.8 million euros, showing a 4.4 million euros increase over the same period in 2014 (4.4 million euros).

Net financial debt at the end of the period under review came in at 394.1 million euros, improving by 48.0 million euros compared to 2014 year end.
This change was due to (i) a drop resulting from the dividends declared by subsidiaries net of dividends paid to shareholders (28 million euros), (ii) public lighting service management fees falling due (+26.0 million euros), (iii) better foreign currency valuations and fair value of financial instruments (+7.3 million euros), and (iv) the requirements resulting from changes in working capital, such as the payment of amounts due to suppliers and tax payables as well as for investments made during the six-month period.

ACEA S.p.A. business activities

In its role as a business holding, ACEA S.p.A. defines strategic objectives for the Group and subsidiaries, coordinating the relevant activities.

Within the Group, ACEA S.p.A. acts as a centralised treasurer for major subsidiaries.
Inter-company transactions, pending the review of existing treasury agreements which expired on 31 December 2013 but extended to 30 June 2015, consisted 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) requires an annual credit fee calculated on the credit limit;
- Opening of a general-purpose line for the companies' current needs.
  The 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 bppa spread and (iii) requires an annual credit fees calculated on the credit limit.

It should be highlighted that ACEA 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 affiliated companies in order to optimise the use of existing resources within the company and to leverage the know-how in a cost-effective manner. These services are governed by specific annual service agreements.

As regards service agreements, with effect from 1 January 2014 and for a three year period, ACEA (i) revised the list of services offered, (ii) aligned fees to market prices, (iii) made the service agreements compliant with regulatory provisions and consistent with the Organisational, Management and Control model and (iv) introducing new SLAs (Service Level Agreements) with a view to improving the level of service offered, to be benchmarked against the relevant KPIs (Key Performance Indicators).

It should be also noted that as part of the Acea 2.0 project, specific addenda were added to the service agreement governing services provided by ACEA to the main subsidiaries.

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

Significant events during the period

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 therefore embarked on a scheme that by 2016 will allow all working processes to be managed through mobile innovative technologies in a truly seamless fashion: from the deployment of maintenance service capabilities to grid management, customer care, etc. The *Work Force Management* (WFM) - a digital IT platform built by SAP - will make this revolution possible, as it will enable all the activities of ACEA and its suppliers to be coordinated and monitored in real time.

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 across 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 field operations 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 operations, 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.

ACEA S.p.A.: The Shareholders' Meeting approved the 2014 Financial Statements, the distribution of a 0.45 euros dividend per share and the increase in the number of Board members from 7 to 9 and appointed 2 Board Directors.

On 23 April 2015, the ACEA Shareholders' Meeting approved the Financial Statements and presented the Consolidated Financial Statements for the year ended 31 December 2014. The Meeting also passed resolution for the allocation of ACEA S.p.A. 2014 statutory profit as well as the distribution of a dividend totalling 95,834,205.00 euros, corresponding to 0.4500 euros per share, which will be payable as of 24 June 2015, with issue of dividend coupon set on 22 June and record date on 23 June.

During the same session, the Shareholders' Meeting agreed to increase the number of Board Members from 7 to 9 and appointed Ms Roberta Neri and Mr Massimiliano Capece Minutolo del Sasso as Board Directors, who will remain in office until the end of the term of the current Board, i.e. following the approval of the 2016 Financial Statements.

Directors Roberta Neri and Massimiliano Capece Minutolo del Sasso represented that they meet the independence requirements under applicable law provisions, the Articles of Association and the Code of Conduct of listed companies.

Acea S.p.A.: Approval of the 2015 - 2019 Business Plan

On 9 June 2015, the Board of Directors of ACEA approved the Group's Business Plan for the 2015-2019 period. The plan confirmed the development strategies in place, with strong emphasis being placed on the organic growth, especially in respect of regulated activities that will continue to generate about 75% of consolidated EBITDA. ACEA once again stressed the important commitment towards operational and organisational efficiency, innovation and service quality improvement.

ACEA S.p.A.: Moody's confirmed their "Baa2" rating and "Stable" outlook
On 24 June 2015, *Moody's* confirmed ACEA's "Baa2" rating and "Stable" outlook.
Moody's decision came just a few days after the approval of the 2015-2019 Business Plan by ACEA, thereby bearing out the strategy focus on regulated businesses and allowing the Company to rely on sufficient financial flexibility.

ACEA S.p.A.: Fitch Ratings confirmed their "BBB+" rating and "Stable" outlook
On 26 June 2015, *Fitch Ratings* confirmed ACEA's "Baa2" rating and "Stable" outlook.
The Agency explained that the rating and outlook were confirmed based on the recent Company's approval of the 2015-2019 Business Plan, reiterating the strategy focus on regulated activities and the commitment to keeping a solid financial structure.

Significant events after the reporting period

Non significant post-period events occurred.

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 tasks as described below.
It should be noted that at the time of writing this report on operations the ACEA Group was not expected 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 devised a structure that can consolidate its relations with local and national governments and regulatory bodies.
This structure allows regulatory developments to be monitored in terms of (i) providing support in the preparation of feedback to Consultation Papers, in line with the interests of Group companies, and (ii) consistent application of regulations in corporate procedures and within the electricity, gas and water businesses.

As already highlighted in this document, during the course of 2014 the governance and regional development regulations pertaining to the Integrated Water Service were subject to significant regulatory measures ("Sblocca Italia" Decree and Stability Law), with additional measures being expected in 2015 with reference to the revision of law provisions governing economically significant local public services as part of the draft law on the Public Administration reform.
With regard to regulatory activities of the Lazio Regional Authority concerning governance and regional development of the Integrated Water Service, reference should be made to the relevant section under *Backdrop.*

By Law No. 68 dated 22 May 2015 (published in the Official Journal No. 122 of 28 May 2015), new provisions dealing with environmental offences were approved.
More specifically, the aforesaid Law No. 68/2015 introduced the new Title VI-bis "Crimes against the environment" in the Criminal Code and amended Articles 257 and 260 of Legislative Decree No. 152/2006.
The newly introduced crimes were added to the list of alleged offences that can result in the Authorities being held responsible pursuant to Legislative Decree No. 231/2001, thereby calling for an update of the organisational models.

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 services) became officially compulsory. In practice, the transfer of these services within the given timeframes and in accordance with established procedures was not completed because of the reluctance of some municipal administrations to actually transfer the Service and failure by 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 are to be found in 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 environmental emergency also made 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 actions to tackle the emergency.

Thanks to considerable technical and economic efforts, 151 discharges were connected to purification plants. A total of 95 discharge were still active, 62 of which subject to action plans under the control of ACEA Ato2, while 33 were to be cleaned up by Municipalities or by the Region using public funding.

Taking into account new IIS regulatory provisions, an Action Plan was recently drafted for the 2014-2017 period, with further instructions given for the period until the end of the concession (2032). This Programme includes not only works 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 entity responsible for granting the authorisation or for changing the hydraulic regime.

This Action Plan presents some issues however, due to the long-term nature of works to be performed, 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 momentum regarding investments in the industry, 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 to the time needed to get through the authorisation process under the existing legislation. This 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 remained 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 resorted to administrative justice to seek the removal of ordinances deemed to be at odds with law provisions.

With regard to purification activities being subject to investigation proceedings by the Judicial Authorities and further with reference to large purification plants, it should be stressed that the seizure order for Roma Nord plant was still applicable, while the seizure order for Roma Est plant was lifted in the first quarter of 2015.

During the second quarter of 2015, a preliminary hearing was held in respect of the aforesaid proceedings relating to Roma Nord plant, where a committal for trial was also served on the Company pursuant to Legislative Decree No. 231/2001.

At present, the charges pressed in relation to the aforesaid proceedings can be linked to two different situations concerning:

- management and recovery of sewage sludge;
- failure of some plant-engineering sections and related violation of authorisation provisions.

With regard to the first issue, the Judicial Authorities were provided with the operating standards adopted (complying with industry best practices) as well as the legal and technical assessments underlying such standards. To this end, technical and legal reports prepared by industry experts of international renown and Technical Bodies recognised at an institutional level were also produced.
With regard to the second issue, the Judicial Authorities were informed that ACEA Ato2 operated according to the plant's objective conditions and actual service needs, acting in compliance with management optimisation and impact minimisation criteria as well as rules and regulations applicable at different levels.
Having said this, consistent with the requests made at the time by the bailee and the expert appointed by the preliminary investigation magistrate a number of works were planned and started (currently in progress) for the completion of extraordinary maintenance operations and subsequent restoration of routine operations of the sludge line of the Roma Nord purification plant being referred to.
The authorisation to release emissions into the atmosphere was issued as late as February 2015, even though applications had been submitted some time earlier, such authorisation being required for the full completion of the aforesaid works and the subsequent start of infrastructure management operations. Work completion operations were therefore underway.

ACEA Ato2 – Criticalities of the drinking water system

Following the acquisition of the IWS management, two criticalities emerged:
- the quality of drawn water;
- water scarcity chiefly in the area to the south of Rome.

With regard to the first point, the qualitative and quantitative crisis caused by the presence of water sources whose quality does not meet the 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), prompted the Company to develop and implement adequate recovery plans to ensure that parameters laid down in Legislative Decree No. 31/2001 were met, such plans to be included in the subsequent planning of investments in the Area Plan.
To this end, the following actions were 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 purification plants by means of filtration technology or reverse osmosis.

The above activities were completed in 2014 with the commissioning of the "Le Corti" water purifier in the Municipality of Velletri.
Currently, following the completion of the above activities, it is necessary to carry out the (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 purification plants in order to raise reliability. The Company's efforts will then focus on building new plants to increase water supplies, especially during the summer season, in the municipalities of Oriolo Romano, Sant'Oreste, Allumiere (second line) and Fiano Romano.
As regards the second criticality, namely the scarcity of water chiefly in the Colli Albani area, whose supplies depend on the aqueducts of Simbrivio, Doganella and over 140 local wells, a number of operations have been carried out over the years to curb the problem, such as diverting the Pertuso spring, activation of new plants, the Arcinazzo reservoir and the Ceraso "booster" plant.
In the first half of 2015, an improvement was seen in the water service in the Municipality of Velletri, where shifts were reduced considerably. However, despite these actions and favourable climate trends criticalities during the of 2015 summer period may impact some of the 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 took out a number of insurance policies with leading insurance companies right from the start of operations, to cover Property Damage, Business Interruption and Third Party Liability. The companies placed special focus on the training of their employees as well as the definition of internal organisational procedures and the drafting of specific job descriptions.

Network Segment

The main risks associated with the Network 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 commissioning of plants (pursuant to Regional Law No. 42/90 and related regulations) and the completion of works (authorisations from 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 AEEGSI on the subject of service continuity. Actions undertaken by Acea Distribuzione to counter this risk include (i) improving network operation analysis tools with a view to ensuring an increasingly better direction of investments (e.g. ORBT Project) and (ii) applying new technologies (e.g. LV network automation, smart grid, etc.)
As regards **the risk relating to work quality**, ACEA Distribuzione implemented operational, technical and quality control systems, including the creation of the Construction Site 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 on the basis of their ability to meet the quality and safety standards for contract work.
The system also allows penalties to be identified and applied. 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 first half of 2015, suspensions totalled 34, while inspections conducted totalled 606.
During the year, the good level in the reputation indicator was confirmed for the companies that worked for ACEA Distribuzione.
The **risk relating to compliance with deadlines to obtain the required authorisations** arises from the number of entities that need to be contacted in the authorisation procedures and from the considerable uncertainty linked to the response times of these entities; 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 relevant offices. However, the substantial risk is still essentially linked to the failure to obtain authorisations, resulting in failure to upgrade plants and subsequent greater risk linked to the technical performance 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 some of the administrations contacted.

Environment Segment

The waste-to-energy plants and, 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 were 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 were 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 fluctuations for commodities being bought and sold, interest rate risks and foreign exchange risks, albeit to a much lesser extent. To keep exposure within the defined limits, the Group enters into derivative contracts as available on the market.

Foreign exchange risk

The Group is not particularly exposed to this type of risk, which is limited to the translation 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 such 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, who 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 Volume Risk, i.e. the risk relating to changes in volumes actually sold compared to 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; more specifically:

- 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 for Acea Energia;
- Reducing risks through the drafting and application of adequate internal controls, procedures, information systems and competencies;
- Entrusting the Risk Owners 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;
- In-depth analysis of hourly patterns of purchases and sales, keeping 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 account of the structure of assets and the stability of the Group's cash flows, 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 that do not pursue trading purposes but aim 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 stock.

Liquidity risk

The goal defined in the Group policy for managing the liquidity risk for both ACEA and subsidiaries is to adopt a financial structure that, consistent 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 affiliated companies not covered by a centralised finance contract.

Credit risk

In 2012 ACEA issued the credit policy guidelines where different credit management strategies were identified through flexibility criteria based on customer segmentation. Credit risk is managed by taking into account both the customer type (public and private) and inconsistent behaviours 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 Acea 2.0 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 perspective, 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 2015 too the Group continued to assign revolving and spot credit without recourse to private customers and Public Administrations. These operations led to the write-off from the financial statements of all the underlying assets being disposed of inasmuch as all the risks and benefits related thereto were 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		Stable	24/06/2015
Standard & Poor's	BBB-	A-3	Stable	18/10/2013
Fitch	BBB+		Stable	26/06/2015

Operating (and financial) outlook

The results achieved by the ACEA Group at 30 June 2015 are in line with expectations.

Over the next months, the ACEA Group will continue the efforts already started in 2014 to rationalise and streamline the operating processes in all business and corporate areas. These goals will be pursued also by implementing a major upgrade of information systems enabling, by 2016, networks to be managed and services to be provided in an innovative fashion.

Moreover, increasingly greater endeavours will be made to take any and every action to ensure the constant improvement of the invoicing and sales process in order to limit the growth of working capital and help curb the Group's debt.

The ACEA Group's financial structure is solid for years to come, considering that its entire debt position at 30 June 2015 consists of long-term maturities with an average lifespan of about 7.4 years. 71.4% of debt is fixed rate, thereby ensuring protection against any increases in interest rates as well as any financial or credit volatility.

Below are the long-term ratings assigned to ACEA by the main international rating agencies:

- Standard & Poor's “BBB-”;
- Fitch “BBB+”;
- Moody’s “Baa2”.