

# 2014

ACEA S.P.A . FINANCIAL STATEMENTS

CONSOLIDATED FINANCIAL STATEMENTS  
OF THE ACEA GROUP

VALUE



the 1990s, the number of people who are employed in the service sector has increased in all countries. The increase is most pronounced in the United States, where the service sector has become the dominant sector of the economy. In the Netherlands, the service sector has also become the dominant sector, but the increase is less pronounced than in the United States.

The increase in the service sector is due to a number of factors. One of the main factors is the increase in the number of people who are employed in the service sector. This is due to a number of factors, including the increase in the number of people who are employed in the service sector. This is due to a number of factors, including the increase in the number of people who are employed in the service sector.

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VALUE

# 2014



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OPPORTUNITY



# 2014

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CHALLENGE

CONSOLIDATED  
REVENUE

3,038.3

MILLION EUROS

3.289,0 MILLION EUROS

At 31.12.13 Restated

EBITDA

717.7

MILLION EUROS

675,4 MILLION EUROS

At 31.12.13 Restated

PRE-TAX PROFIT  
(LOSS)

289.8

MILLION EUROS

259,2 MILLION EUROS

At 31.12.13 Restated

EBIT

390.4

MILLION EUROS

363,2 MILLION EUROS

At 31.12.13 Restated

GROUP NET  
PROFIT

162.5

MILLION EUROS

141,9 MILLION EUROS

At 31.12.13 Restated

GROUP  
CAPEX

318.6

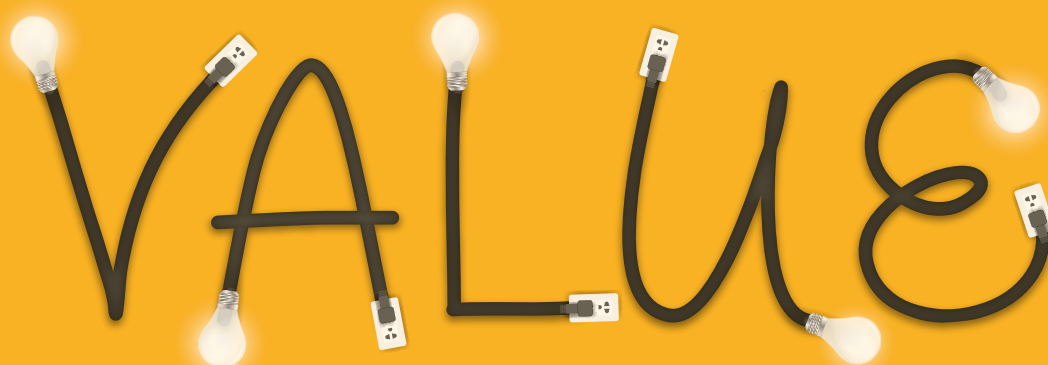
MILLION EUROS

268,6 MILLION EUROS

At 31.12.13 Restated

# MAIN DATA 2014

| (€ million)  | 2014         | 2013 RESTATED | INCREASE<br>(DECREASE) | INCREASE<br>(DECREASE) % |
|--|--------------|---------------|------------------------|--------------------------|
| Consolidated revenue   | 3,038.3      | 3,289.0       | (250.8)                | (7.6%)                   |
| Consolidated operating costs                                       | 2,339.3      | 2,644.0       | (304.7)                | (11.5%)                  |
| Net income / (costs) from commodity risk management                | 0.0          | 0.1           | (0.1)                  | (169.8%)                 |
| Income / (costs) from equity investments of a non-financial nature | 18.8         | 30.3          | (11.5)                 | (37.9%)                  |
| <b>Gross operating profit</b>                                      | <b>717.7</b> | <b>675.4</b>  | <b>42.3</b>            | <b>6.3%</b>              |
| <b>Operating profit</b>  | <b>390.4</b> | <b>363.2</b>  | <b>27.2</b>            | <b>7.5%</b>              |
| <b>Net profit</b>  | <b>168.9</b> | <b>153.4</b>  | <b>15.5</b>            | <b>10.1%</b>             |
| Profit / (loss) attributable to non-controlling interests          | 6.5          | 11.4          | (4.9)                  | 43.4%                    |
| <b>Net profit attributable to the Group</b>                        | <b>162.5</b> | <b>142.0</b>  | <b>20.5</b>            | <b>14.4%</b>             |



# ACEA ORGANISATIONAL MODEL

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

ACEA's operational model is based on an organisational structure in line with the Strategic-

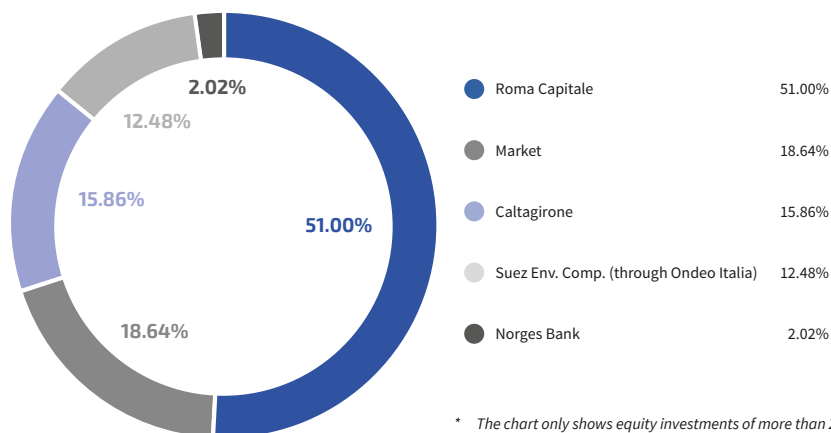
Business Industrial Plan consolidating its role to govern, guide and control the Holding not only with the current business portfolio focused on areas of greater value, but also on the strategic development of the Group in new business segments and territories. ACEA's macro-structure

is broken down into corporate functions and four industrial segments – Environment, Energy, Water and Networks.

The activities of each business segment are described below.

|   |  |  |  |
|---|--|--|--|
| <br><b>ENVIRONMENT SEGMENT</b>   | <br><b>ENERGY SEGMENT</b>   | <br><b>WATER SEGMENT</b>  | <br><b>NETWORKS SEGMENT</b>   |
| <p>The ACEA Group is a major Italian operator in the urban management of environmental services. ACEA runs the biggest waste-to-energy plant and the biggest composting plant in the Lazio region, points of reference for regional RDF (Refuse Derived Fuel) and organic waste operators. In particular, the Group develops investments in the waste to energy business, considered high potential, and organic waste management, in accordance with the strategic goal of the Group to produce energy from waste and protect the environment.</p> | <p>The ACEA Group is a major operator in Italy in the sale of electricity, and offers innovative and flexible solutions for the supply of electricity and natural gas to consolidate its position as a dual fuel operator. ACEA operates in all market segments, offering its services to families and major companies alike, with the objective of raising the quality of services offered, in particular in the web and social channels. Finally, the Group operates in the power generation sector, running hydroelectric and thermoelectric plants in Lazio, Umbria and Abruzzo.</p> | <p>The ACEA Group is the biggest Italian operator in the water sector, supplying water to 8.6 million people. The Group manages the integrated water service in Rome and Frosinone and in the respective provinces, as well as in other parts of Lazio, in Tuscany, Umbria and Campania. The Company completes the overall quality of services offered by sustainably managing water resources and protecting the environment. The Group has developed cutting-edge know-how in the design, construction and management of integrated water systems: from water sources and aqueducts to distribution, the sewer network and purification. Laboratory services are of particular importance.</p> | <p>The ACEA Group is a leading operator in Italy, with 11 TWh of electricity distributed in Rome, where the Group manages the distribution network, providing services for 1.6 million people. The Group also manages the public and artistic lighting of the capital, with over 189,000 light points, applying solutions that seek to continually raise efficiency and reduce environmental impact. By 2020 we plan to replace 100,000 light bulbs with the same number of Led lights. The ACEA Group is committed to energy efficiency projects and the development of new <i>technologies</i>, such as smart grids and electric mobility, through particularly innovative pilot projects.</p> |

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



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

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









# 2014

## REPORT ON OPERATIONS

“The LED lighting project is of both economic and environmental value. This type of lighting not only makes a bigger impact, it also generates considerable energy savings, estimated at 70%”.

*Catia Tomasetti, Acea Chairman,  
speaking to Radio Vaticana*

**St Peter's Basilica**

lit up with 340 small, high-efficiency LED spotlights

# CORPORATE BODIES

## BOARD OF DIRECTORS <sup>1</sup>

|                            |          |
|----------------------------|----------|
| Catia Tomasetti            | Chairman |
| Alberto Irace <sup>2</sup> | CEO      |
| Francesco Caltagirone      | Director |
| Diane D'Arras              | Director |
| Giovanni Giani             | Director |
| Elisabetta Maggini         | Director |
| Paola Antonia Profeta      | Director |

## BOARD OF STATUTORY AUDITORS

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

## EXECUTIVE RESPONSIBLE FOR FINANCIAL REPORTING

Franco Balsamo

## AUDITING COMPANY

Reconta Ernst & Young

*1. appointed by Shareholders' Meeting of 5 June 2014*

*2. appointed by Board of Directors on 9 June 2014*





# LETTER TO SHAREHOLDERS

*Dear Shareholders,*

*2014 was a year of change for your Company. The Board of Directors, at the forefront in Italy and indeed Europe in terms of the representation of women, has accelerated and introduced structural and concrete innovations, with the aim, by 2016, of making ACEA more efficient and technological, and closer to the changing needs of customers and citizens. The very satisfactory results achieved in this financial year are a first, fundamental step on the path towards change and the creation of shared value, along which we want to quickly move.*

*Thanks to significant improvements in results in the second half of the year, the 2014 financial year closed with all objectives set in the business plan having been achieved and even surpassed.*

*Operating costs for the year fell by 11.5% compared with 2013, and great efforts were made to recoup trade receivables, which fell by over 86 million euros. We worked hard to reduce debt, which fell by 159.5 million euros compared with the end of 2013, reversing the trend that was seen in the first half of the year. We also constantly undertook scheduled investments, totalling 318.5 million euros, compared with 268.6 million euros the previous year.*

*The ACEA share out-performed the stock market in general, with a gain of 8.04%, compared to a 3.86% drop in the FTSE Italia Mid Cap value. ACEA's share price stood at 8.94 euros on the final day of trading of the year, corresponding to a capitalisation of 1,903.9 million euros. If we consider the period from 31 December 2013 to 27 March 2015, ACEA's share has grown by more than 46%, out-performing the market average. In the same period the stock rose beyond 12.00 euros for the first time since 2008.*

*These results were obtained thanks to the commitment of ACEA's workers and to the credibility of strategies pursued by management, as shown by the bond issue last July, which enabled us to acquire funding from the capital market at interest rates below those of State securities.*

*The market has begun to look more closely at the digitalisation process commenced immediately after we took office, which will give us, by 2016, an "ACEA 2.0", i.e. a large, innovative industrial structure capable of managing networks and supplying services in a completely different way. This process will affect all our work processes, from the creation of infrastructures and maintenance services to the management of networks, customer care, and so on.*

*Behind all this change is the Work Force Management (WFM) system, a digital platform that will enable us to coordinate and monitor in real time all our activities and, an equally fundamental objective, the activities of our suppliers.*



*The aim is to ensure that ACEA strives to respond every day to market forces, as if it were operating in a system of full competition. In this way we want to give you, the Shareholders, and all of ACEA's customers a reactive, top-class company determined to fully meet expectations and create the conditions for a reasonable profit margin.*

*We want to make this breakthrough while holding on to our traditional fundamental values, allowing them to evolve, and leaving behind everything that may have slowed us down in the past.*

*We must be ready to reassure our customers – who view ACEA as a point of reference, as a vital part of their city – that the Company is always at their service, and that it intends to do all in its power to improve its services, committing more and more technological and human resources to achieve this aim.*

*We must at the same time be able to seek out new markets, potential customers, and attract them, or re-attract them to us, persuading them that we can improve their condition if they decide to put their trust in us.*

*We have important weeks and months ahead of us, when we will be undertaking structural changes to the way in which your Company manages networks and services and deals with customers. The results we present to you today give a tangible demonstration that healthy accounts, efficiency, consolidated ties with the territory and the management of public services are vital tiles of the same mosaic. It is with this awareness that we seek to carry forward our commitment, preparing your multiutility to be a protagonist and to face up to the challenges of coming years.*

**The CEO**  
**Alberto Irace**

**The Chairman**  
**Catia Tomasetti**

# EFFECTS DERIVING FROM APPLICATION OF IFRS10 (CONSOLIDATED FINANCIAL STATEMENTS) AND IFRS11 (JOINT CONTROL AGREEMENTS)

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

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

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

As well as this *on paper* analysis, the effective

and concrete dynamics of corporate governance were analysed, also taking into account the shareholders' identity, the aim of their respective equity investments and the contribution of each party to the development of business.

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

Despite the fact that ACEA is the Industrial Partner

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

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

| OPERATING SEGMENT  | COMPANY                                 | CONSOLIDATION METHOD UNTIL 31/12/2013 | CONSOLIDATION METHODS AS OF 01/01/2014 |
|--------------------|---|---------------------------------------|--|
| <b>Environment</b> | Ecomed                                  | Proportionate                         | Equity                                 |
| <b>Energy</b>      | Umbria Energy                           | Proportionate                         | Line-by-line                           |
|                    | Elga Sud                                | Proportionate                         | Line-by-line                           |
|                    | Voghera Energia Vendite in liquidazione | Proportionate                         | Equity                                 |
| <b>Water</b>       | Consorcio Agua Azul                     | Proportionate                         | Equity                                 |
|                    | Acque e controllate                     | Proportionate                         | Equity                                 |
|                    | Publiacqua e controllate                | Proportionate                         | Equity                                 |
|                    | Umbra Acque                             | Proportionate                         | Equity                                 |
|                    | Acquedotto del Fiora                    | Proportionate                         | Equity                                 |
|                    | GORI                                    | Proportionate                         | Equity                                 |
|                    | Intesa Aretina e Nuove Acque            | Proportionate                         | Equity                                 |
|                    | <b>Networks</b>                         | Ecogena                               | Proportionate                          |

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

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

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

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

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

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

As can be seen in the above statement, the condensed result deriving from consolidation using the *equity method* is included in the components of the Consolidated Gross operating profit (EBITDA), in the item **(Costs)/Income from equity investments of a non-financial nature**, as no events occurred leading to a change in the provisions of the by-laws or the shareholders' agreements and the managerial activities of the industrial partners

| <b>Condensed Statement of Financial Position (€ millions)</b>    | <b>31.12.13</b> | <b>EFFECTS</b> | <b>31.12.13<br/>RESTATED</b> |
|--|-----------------|----------------|------------------------------|
| Property, plant and equipment and intangible assets              | 3,970.2         | (575.1)        | 3,395.1                      |
| Goodwill   | 149.0           | 0.6            | 149.6                        |
| Equity investments   | 14.7            | 200.6          | 215.3                        |
| Other non-current assets   | 464.7           | (72.2)         | 392.5                        |
| <b>Non-current assets</b>  | <b>4,598.5</b>  | <b>(446.0)</b> | <b>4,152.5</b>               |
| Inventories  | 37.3            | (3.6)          | 33.8                         |
| Trade receivables  | 1,500.7         | (154.1)        | 1,346.6                      |
| Cash and cash equivalents  | 589.5           | (26.4)         | 563.1                        |
| Other current assets   | 354.6           | (32.9)         | 321.7                        |
| <b>Current assets</b>  | <b>2,482.1</b>  | <b>(217.0)</b> | <b>2,265.1</b>               |
| Assets held for sale   | 6.7             | 0.0            | 6.7                          |
| <b>Total assets</b>  | <b>7,087.4</b>  | <b>(663.1)</b> | <b>6,424.3</b>               |
| Group Shareholders' Equity                                       | 1,322.6         | 0.0            | 1,322.6                      |
| Non-controlling interests  | 82.8            | 1.4            | 84.2                         |
| <b>Equity Method</b>   | <b>1,405.4</b>  | <b>1.4</b>     | <b>1,406.8</b>               |
| Staff termination benefits and other defined benefit plans       | 117.4           | (10.5)         | 106.9                        |
| Borrowings and financial liabilities                             | 2,507.6         | (146.7)        | 2,360.9                      |
| Provision for liabilities and charges                            | 262.5           | (56.5)         | 206.1                        |
| Other non-current liabilities                                    | 456.2           | (201.7)        | 254.5                        |
| <b>Non-current liabilities</b>                                   | <b>3,343.8</b>  | <b>(415.4)</b> | <b>2,928.4</b>               |
| Trade payables   | 1,306.9         | (99.3)         | 1,207.6                      |
| Borrowings   | 698.1           | (98.2)         | 599.9                        |
| Other current liabilities  | 331.8           | (51.5)         | 280.3                        |
| <b>Current liabilities</b>                                       | <b>2,336.8</b>  | <b>(249.0)</b> | <b>2,087.8</b>               |
| <b>Liabilities directly associated with assets held for sale</b> | <b>1.3</b>      | <b>0.0</b>     | <b>1.3</b>                   |
| <b>Total Liabilities and Shareholders' Equity</b>                | <b>7,087.4</b>  | <b>(663.1)</b> | <b>6,424.3</b>               |

## APPLICATION OF IFRS 10 AND 11: 2013 RESTATEMENT

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

Amounts in millions

## BALANCE SHEET

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

Amounts in millions

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

Amounts in millions

# SUMMARY OF RESULTS

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

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

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

| <b>CONSOLIDATED BALANCE SHEET DATA (million euros)</b> | <b>31.12.2014</b> | <b>31.12.2013<br/>RESTATED</b> | <b>INCREASE /<br/>(DECREASE)</b> |
|--|-------------------|--------------------------------|----------------------------------|
| <b>Net Invested Capital</b>                            | <b>3,591.5</b>    | <b>3,655.5</b>                 | <b>(64.0)</b>                    |
| <b>Net Debt</b>  | <b>(2,089.1)</b>  | <b>(2,248.6)</b>               | <b>159.5</b>                     |
| <b>Consolidated Shareholders' Equity</b>               | <b>(1,502.4)</b>  | <b>(1,406.8)</b>               | <b>(95.6)</b>                    |

| <b>NET DEBT BY OPERATING SEGMENT<br/>(million euros)</b> | <b>31.12.2014</b> | <b>31.12.2013<br/>RESTATED</b> | <b>INCREASE /<br/>(DECREASE)</b> |
|--|-------------------|--------------------------------|----------------------------------|
| <b>ENVIRONMENT</b>                                       | <b>179.6</b>      | <b>184.6</b>                   | <b>(5.0)</b>                     |
| <b>ENERGY</b>  | <b>356.1</b>      | <b>302.6</b>                   | <b>53.5</b>                      |
| Production   | 134.9             | 140.7                          | (5.8)                            |
| Sales  | 221.2             | 162.0                          | 59.3                             |
| <b>WATER</b>   | <b>488.1</b>      | <b>610.8</b>                   | <b>(122.7)</b>                   |
| Overseas   | (2.0)             | (9.6)                          | 7.6                              |
| Lazio - Campania   | 478.2             | 617.7                          | (139.5)                          |
| Tuscany - Umbria   | (0.6)             | (0.2)                          | (0.4)                            |
| Engineering  | 12.5              | 2.9                            | 9.6                              |
| <b>NETWORKS</b>  | <b>623.1</b>      | <b>683.5</b>                   | <b>(60.4)</b>                    |
| <b>ACEA (includes also public lighting)</b>              | <b>442.1</b>      | <b>467.0</b>                   | <b>(24.9)</b>                    |
| <b>Total</b>   | <b>2,089.1</b>    | <b>2,248.6</b>                 | <b>(159.5)</b>                   |

| <b>INVESTMENTS BY OPERATING SEGMENT (million euros)</b> | <b>31.12.2014</b> | <b>31.12.2013<br/>RESTATED</b> | <b>INCREASE /<br/>(DECREASE)</b> |
|---|-------------------|--------------------------------|----------------------------------|
| <b>ENVIRONMENT</b>                                      | <b>13.3</b>       | <b>12.1</b>                    | <b>1.2</b>                       |
| <b>ENERGY</b>   | <b>19.7</b>       | <b>11.4</b>                    | <b>8.3</b>                       |
| Production  | 11.6              | 5.2                            | 6.4                              |
| Energy Management                                       | 0.0               | 0.0                            | 0.0                              |
| Sales   | 8.1               | 6.0                            | 2.1                              |
| <b>WATER</b>  | <b>148.9</b>      | <b>129.9</b>                   | <b>19.0</b>                      |
| Overseas  | 0.6               | 0.2                            | 0.4                              |
| Lazio - Campania  | 146.8             | 129.3                          | 17.6                             |
| Tuscany - Umbria  | 0.0               | 0.0                            | 0.0                              |
| Engineering   | 1.5               | 0.5                            | 1.0                              |
| <b>NETWORKS</b>   | <b>122.4</b>      | <b>103.2</b>                   | <b>19.2</b>                      |
| <b>ACEA (Corporate)</b>                                 | <b>14.2</b>       | <b>11.9</b>                    | <b>2.3</b>                       |
| <b>Total</b>  | <b>318.6</b>      | <b>268.6</b>                   | <b>50.0</b>                      |



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

| <b>ECONOMIC DATA (million euros)</b> | <b>31.12.2014<br/>ADJUSTED</b> | <b>31.12.2013</b> | <b>INCREASE /<br/>(DECREASE)</b> | <b>% INCREASE /<br/>(DECREASE)</b> |
|--------------------------------------|--------------------------------|-------------------|----------------------------------|------------------------------------|
| <b>EBITDA</b>                        | <b>824.6</b>                   | <b>766.1</b>      | <b>58.5</b>                      | <b>7.6%</b>                        |
| <b>EBIT</b>                          | <b>409.6</b>                   | <b>383.8</b>      | <b>25.8</b>                      | <b>6.7%</b>                        |
| <b>NET PROFIT (LOSS)</b>             | <b>168.9</b>                   | <b>153.3</b>      | <b>15.6</b>                      | <b>10.2%</b>                       |

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

| <b>CONSOLIDATED BALANCE SHEET DATA (million euros)</b> | <b>31.12.2014<br/>ADJUSTED</b> | <b>31.12.2013</b> | <b>INCREASE /<br/>(DECREASE)</b> | <b>% INCREASE /<br/>(DECREASE)</b> |
|--|--------------------------------|-------------------|----------------------------------|------------------------------------|
| <b>Capex</b>   | <b>383.2</b>                   | <b>342.2</b>      | <b>41.0</b>                      | <b>12.0%</b>                       |
| <b>Net Debt</b>  | <b>(2.309.0)</b>               | <b>(2.468.2)</b>  | <b>159.2</b>                     | <b>(6.5%)</b>                      |

# SUMMARY OF MANAGEMENT AND INCOME, EQUITY AND FINANCIAL PERFORMANCE OF THE GROUP

## DEFINITION OF ALTERNATIVE PERFORMANCE INDICATORS

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

1. for the ACEA Group the *gross operating profit* is an operating performance indicator,

the sum of Operating profit and “Amortisation, depreciation, provisions and impairment charges”;

2. the net financial position is an indicator of the ACEA Group’s financial structure, the sum of non-current borrowings and financial liabilities net of non-current financial assets (loans and receivables and securities other than equity investments), current borrowings and other

current liabilities net of current financial assets, cash and cash equivalents;

3. *net invested capital* is the sum of “Current assets”, “Non-current assets” and assets and liabilities held for sale, minus “Current liabilities” and “Non-current liabilities”, excluding items taken into account in calculating the *net financial position*.

## ACEA GROUP: RESULTS OF OPERATIONS

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

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

Amounts in millions of euros

## CONSOLIDATED NET REVENUE - 3,038.3 MILLION EUROS

### 1. REVENUE FROM SALES AND SERVICES - 2,931.6 MILLION EUROS

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

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

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

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

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

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

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

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

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

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

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

**Connection fees** were basically in line with the previous year.

## 2. OTHER REVENUE AND PROCEEDS - 106.7 MILLION EUROS

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

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

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

(i) revenues recognized for 36.7 million euros resulting from recognition of energy saving certificates, of which 28.3 million euros refer to the estimated tariff contribution due to ACEA Distribuzione in relation to its meeting the 2013 and 2014 obligations and 8.4 million euros refer to the release of the provision for risks and charges allocated in 2013 to

cover the costs of purchasing certificates during the reporting period to meet the aforementioned regulatory energy efficiency requirement;

(ii) the reduction in non-recurring gains and other revenues, by 9.8 million euros and 7.3 million euros respectively;

(iii) revenue recognised for fraudulent withdrawals pursuant to AEEGSI resolution no. 637/2013 of 5.4 euros million;

(iv) 3.0 million euros reduction in contribution from Italian State to supplement income deriving from services supplied to the Vatican State. This change is the result of variations in the consideration of this contribution in quantifying the Restriction on Guaranteed Revenues (VRG) for ACEA Ato2.

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

## CONSOLIDATED OPERATING COSTS - 2,339.3 MILLION EUROS

The breakdown is provided in the following table.

| € millions                          | 31.12.2014     | 31.12.2013<br>RESTATED | INCREASE/<br>(DECREASE) | % INCREASE/<br>(DECREASE) |
|-------------------------------------|----------------|------------------------|-------------------------|---------------------------|
| Staff costs                         | 229.5          | 238.3                  | (8.8)                   | (3.7%)                    |
| Costs of materials and overheads    | 2,109.8        | 2,405.7                | (295.9)                 | (12.3%)                   |
| <b>Consolidated operating costs</b> | <b>2,339.3</b> | <b>2,644.0</b>         | <b>(304.7)</b>          | <b>(11.5%)</b>            |

### 3. STAFF COSTS - 229.5 MILLION EUROS

The increase in staff costs, inclusive of capitalised costs, amounted to 9.4 million euros and was influenced by the partial release in the first quarter of 2013 of provisions allocated for MBO and Bonuses to be paid to Executives and Middle

Managers, as objectives were only partially achieved.

The change was also affected by the wage increase resulting from contract renewals in 2013.

Capitalised costs rose by 18.1 million euros, mainly attributable to the water companies. This

increase was due to the great commitment of personnel in Group Companies to the ACEA2.0 Project and to an updating of methods for capitalising internal costs.

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

| € millions   | 31.12.2014   | 31.12.2013<br>RESTATED | INCREASE/<br>(DECREASE) | % INCREASE/<br>(DECREASE) |
|--|--------------|------------------------|-------------------------|---------------------------|
| Environment segment                                  | 11.2         | 10.7                   | 0.5                     | 4.7%                      |
| Energy segment                                       | 23.3         | 26.0                   | (2.7)                   | (10.4%)                   |
| Water segment  | 115.2        | 114.2                  | 1.0                     | 0.9%                      |
| Networks segment                                     | 88.5         | 87.1                   | 1.4                     | 1.6%                      |
| Parent company                                       | 57.3         | 51.2                   | 6.2                     | 12.1%                     |
| <b>Total staff costs excluding capitalised costs</b> | <b>298.6</b> | <b>289.2</b>           | <b>9.4</b>              | <b>3.3%</b>               |

### 4. COST OF MATERIALS AND OVERHEADS - 2,109.8 MILLION EUROS

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

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

**Purchase costs of electricity, gas and fuel** amounted to 1,746.5 million euros, down 295.6 million euros compared with the previous year. This decrease is due to costs for the procurement of electricity for the protected and free markets along with related transport costs (- 318.0 million euros). This decrease resulted from the combined effect of the lower amount of electricity distributed and sold and the different price/quantity mix in the various months and time brackets, partially offset by recognition of the cost for the purchase of energy saving certificates by ACEA Distribuzione in order to meet its obligations for 2013 and 2014 (+ 30.6 million euros).

#### Costs for the purchase of materials

amounted to 27.5 million euros, a drop of 0.9 million euros.

**Service costs** were 234.9 million euros, a rise of 5.9 million euros vis-à-vis last year. This result

was chiefly the result of: **i)** an increase in technical and consulting services of 7.9 million euros, **ii)** the fall in insurance costs, telephone and advertising charges of 4.4 million euros, **iii)** an increase in expenses for general services of 4.7 million euros and **iv)** a drop in costs for contract work of 3.2 million euros.

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

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

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

### 5. NET INCOME/(COSTS) FROM COMMODITY RISK MANAGEMENT - 0.0 MILLION EUROS

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

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

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

## 6. INCOME/(COSTS) FROM EQUITY INVESTMENTS OF A NON-FINANCIAL NATURE - 18.8 MILLION EUROS

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

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

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

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

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

## 7. AMORTISATION, DEPRECIATION, PROVISIONS AND IMPAIRMENT CHARGES - 327.3 MILLION EUROS

| € millions                              | 31.12.2014   | 31.12.2013<br>RESTATED | INCREASE/<br>(DECREASE) | % INCREASE/<br>(DECREASE) |
|---|--------------|------------------------|-------------------------|---------------------------|
| Amortisation and depreciation           | 203.5        | 194.8                  | 8.8                     | 4.5%                      |
| Provision for impairment of receivables | 110.2        | 79.6                   | 30.6                    | 38.5%                     |
| Provision for liabilities and charges   | 13.6         | 37.8                   | (24.3)                  | (64.1%)                   |
| <b>TOTAL</b>                            | <b>327.3</b> | <b>312.2</b>           | <b>15.1</b>             | <b>4.8%</b>               |

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

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

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

non-allocation of provisions for potential liabilities deriving from the questioned legitimacy of tariffs applied by the company in the years 2006 – 2010. It is also noted that in the 2013 financial statements provisions were made for the cost deriving from the purchase of energy saving certificates, estimated at 8.4 million euros. This year this cost was registered in operating costs.

### 8. FINANCE COSTS AND INCOME - (101.2) MILLION EUROS

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

### 9. INCOME AND COSTS FROM EQUITY INVESTMENTS - 0.5 MILLION EUROS

These refer to consolidation using the net equity method of some Group companies, with special reference to Agua de San Pedro, GEAL, Sienergia and Marco Polo in liquidation. The latter item

includes the reversal of provisions for liabilities and charges which proved in excess by 2.3 million euros.

### 10. TAXATION FOR THE PERIOD - 120.9 MILLION EUROS

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

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

## NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

Millions of Euros

The above statement of financial position has been reclassified to show the components of invested capital and the corresponding funding. In particular, the net carrying amounts of non-current assets and net working capital, consisting of current receivables, other receivables, inventories, current payables and the short-term portion of long-term borrowings, have been added together.

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

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

### NON-CURRENT ASSETS AND LIABILITIES - 3,681.6 MILLION EUROS

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

### 11. PROPERTY, PLANT AND EQUIPMENT/INTANGIBLE ASSETS - 3,669.4 MILLION EUROS

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

The change reflects capital expenditures amounting to 318.6 million euros and amortisation, depreciation and impairments amounting to 203.5 million euros; in addition, due to the line-by-line consolidation of Ecogena, following the acquisition of an additional stake in the capital of this Company, fixed assets increased by 13.7 million euros as a result of the change in the consolidation basis. The remainder is the result of green certificates for the year falling due, corresponding to 5.6 million euros.

The item also includes 4.3 million euros corresponding to the value of assets from the acquisition of a division of the company Acque Potabili S.p.A. This acquisition came about on 29 December 2014 with the signing of a Framework Agreement between ACEA Ato2, Acque Potabili S.p.A., the Municipalities of Canterano, Capranica Prenestina, Gerano, Olevano Romano, Rocca Canterano and Rocca di Papa and the Technical Operations Secretariat of the Mayors' Conference of ATO 2 Central Lazio - Rome for transfer of the Integrated water service in the

above Municipalities by means of a contract for the transfer of the company division (from Acque Potabili to ACEA Ato2, signed on 29 December 2014), in accordance with the provisions of Resolutions adopted by the Mayors' Conference, nos. 02/2007 and 03/2009, and the Notice of 10 July 2014.

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

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

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

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

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

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

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

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

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

## 12. EQUITY INVESTMENTS - 227.2 MILLION EUROS

Compared to 31 December 2013, equity investments increased by 12.0 million euros, primarily reflecting the valuation of companies consolidated using the equity method as from 1 January 2014, following the application of IFRS 11. The increase was also affected by the valuation of the company Marco Polo (+ 2.3 million euros) for which a successful outcome of the liquidation procedure is expected.

## 13. OTHER NON-CURRENT ASSETS - 340.2 MILLION EUROS

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

| € millions                      | 31.12.2014   | 31.12.2013<br>RESTATED | INCREASE/<br>(DECREASE) |
|---------------------------------|--------------|------------------------|-------------------------|
| Deferred tax assets             | 296.2        | 309.0                  | (12.7)                  |
| Receivables from others         | 43.0         | 46.9                   | (3.9)                   |
| Accrued income and prepayments  | 1.0          | 1.8                    | (0.8)                   |
| <b>Other non-current assets</b> | <b>340.2</b> | <b>357.7</b>           | <b>(17.5)</b>           |

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

**Receivables from others** amounted to 43.0 million euros (- 3.9 million euros) and represent

the total capital spending incurred up to 31 December 2010 as part of the public lighting service agreement: these receivables were recognised using the financial asset model in application of IFRIC 12

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



#### 14. STAFF TERMINATION BENEFITS AND OTHER DEFINED-BENEFIT PLANS - 118.0 MILLION EUROS

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

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

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

#### 15. PROVISIONS FOR LIABILITIES AND CHARGES - 165.9 MILLION EUROS

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

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

| Type of provisions                 | 31.12.2013<br>RESTATED | PROVISIONS  | EXCESS FUNDS<br>RELEASED | UTILISATIONS<br>AND OTHER<br>CHANGES | 31.12.2014   |
|------------------------------------|------------------------|-------------|--------------------------|--------------------------------------|--------------|
| Regulatory risks                   | 65.8                   | 4.1         | (18.8)                   | (4.6)                                | 46.6         |
| Post mortems                       | 26.4                   | 0.0         | (1.9)                    | (1.3)                                | 23.1         |
| Legal                              | 17.7                   | 2.7         | 0.0                      | (0.0)                                | 20.4         |
| Other liabilities and charges      | 20.4                   | 2.6         | 0.0                      | (13.9)                               | 9.2          |
| Plant efficiency restoration       | 1.4                    | 0.0         | (1.4)                    | 0.0                                  | 0.0          |
| Investees                          | 9.3                    | 0.1         | 0.0                      | 0.2                                  | 9.7          |
| Contributory risks                 | 6.6                    | 0.1         | 0.0                      | (0.1)                                | 6.6          |
| Early retirements and redundancies | 2.0                    | 19.0        | 0.0                      | (18.3)                               | 2.7          |
| Tax                                | 2.7                    | 2.4         | 0.0                      | (0.5)                                | 4.6          |
| <b>TOTAL</b>                       | <b>152.3</b>           | <b>31.1</b> | <b>(22.1)</b>            | <b>(38.5)</b>                        | <b>122.8</b> |
| Provisions for restoration costs   | 38.6                   | 4.5         | 0.0                      | 0.0                                  | 43.1         |
| Contractual commitments            | 12.5                   | 0.0         | 0.0                      | (12.5)                               | 0.0          |
| <b>TOTAL PROVISION</b>             | <b>203.4</b>           | <b>35.6</b> | <b>(22.1)</b>            | <b>(51.0)</b>                        | <b>165.9</b> |

The main changes refer to:

- write-off of the Contractual Commitments Fund, allocated by ACEA Ato 2 in 2012 to cope with the MALL penalty obligation, as a result of decisions taken by the Mayors' Conference of AATO2 in the meeting of 10 July 2014 concerning tariffs for 2014. The tariff proposal drawn up by the Technical Operations Secretariat provides for a reduction in fixed assets additions for 2012 (on which the 2014 tariffs are based) by the amount of capital expenditures the Operator is required to make at its own expense, thereby fulfilling in advance its obligations under Resolution No. 7 of 17 April 2012,
- the full utilisation (8.4 million euros) of the provision set aside in 2013 in relation to the

estimated burden arising from the purchase of energy saving certificates required to meet the objective assigned to ACEA Distribuzione, as a result of certificates being purchased in sufficient number to fulfil the obligation,

- the provision for regulatory risks decreasing by 19.2 million euros, mainly due to **i)** the settlement, pursuant to Resolution No. 163/2014/R/idr on 3 April 2014, of ACEA Ato2 liability to its users concerning the repayment of the 2011 return on invested capital owed by ACEA Ato2 to its subscribers, and **(ii)** use of the liabilities provision allocated by ACEA Ato5 to deal with the possible non-recognition of tariff adjustments for the period 2006 – 2011 (18.8 million euros),

- the provision for legal disputes increasing by 2.7 million euros, as a result of provisions set aside during the year,
- the provision for restoration costs increasing by 4.5 million euros, as a result of allocations made in 2014 related to the costs required to keep the water service infrastructure in good condition.

#### 16. OTHER NON-CURRENT LIABILITIES - 271.3 MILLION EUROS

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

This item consists of:

| € millions                              | 31.12.2014   | 31.12.2013<br>RESTATED | INCREASE/<br>(DECREASE) |
|---|--------------|------------------------|-------------------------|
| Advances from end users and customers   | 102.5        | 91.4                   | 11.1                    |
| Capital grants                          | 18.3         | 16.8                   | 1.5                     |
| Water connection fees                   | 24.7         | 25.3                   | (0.6)                   |
| Provision for deferred taxes            | 93.3         | 93.0                   | 0.3                     |
| Accrued liabilities and deferred income | 32.6         | 28.0                   | 4.6                     |
| <b>TOTAL</b>                            | <b>271.3</b> | <b>254.5</b>           | <b>16.8</b>             |

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

The change is due mainly to the security deposit billed by ACEA Ato5 to users, as established by AEEGSI resolution no. 86/2013/R/IDR of 28 February 2013, amended by article 34 of Annex A to the resolution of the same Authority,

no. 643/2013/R/IDR of 27 December 2013.

This deposit will be repaid to end users upon termination of the supply contract, together with interest based on statutory interest rates.

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

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

**Accrued liabilities and deferred income**, amounting to 32.6 million euros, mainly

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

### NET WORKING CAPITAL – (90.1 MILLION) EUROS

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

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

### 17. CURRENT RECEIVABLES - 1,259.9 MILLION EUROS

The breakdown is shown in the following table:

| € millions                           | 31.12.2014     | 31.12.2013<br>RESTATED | INCREASE/<br>(DECREASE) |
|--------------------------------------|----------------|------------------------|-------------------------|
| Trade receivables                    | 1,163.0        | 1,244.4                | (81.4)                  |
| Due from Roma Capitale               | 67.2           | 69.6                   | (2.4)                   |
| Due from subsidiaries and associates | 29.7           | 32.5                   | (2.8)                   |
| <b>Current receivables</b>           | <b>1,259.9</b> | <b>1,346.6</b>         | <b>(86.6)</b>           |

### RECEIVABLES FROM USERS AND CUSTOMERS

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

| € millions   | 31.12.2014       |                  |                | 31.12.2013 RESTATED |                  |                | INCREASE/(DECREASE)  |                      |               |
|--------------|------------------|------------------|----------------|---------------------|------------------|----------------|----------------------|----------------------|---------------|
|              | END USERS<br>(A) | CUSTOMERS<br>(B) | TOTAL          | END USERS<br>(C)    | CUSTOMERS<br>(D) | TOTAL          | END USERS<br>(A)-(C) | CUSTOMERS<br>(B)-(D) | TOTAL         |
| Environment  | 0.0              | 29.7             | 29.7           | 0.0                 | 27.6             | 27.6           | 0.0                  | 2.1                  | 2.1           |
| Energy       | 584.8            | 59.2             | 644.0          | 570.2               | 57.3             | 627.5          | 14.6                 | 1.9                  | 16.5          |
| Water        | 375.0            | 31.3             | 406.3          | 417.5               | 38.7             | 456.2          | (42.4)               | (7.4)                | (49.8)        |
| Networks     | 6.2              | 37.5             | 43.6           | 39.9                | 49.2             | 89.1           | (33.7)               | (11.8)               | (45.5)        |
| Corporate    | 0.0              | 39.3             | 39.3           | 0.0                 | 44.0             | 44.0           | 0.0                  | (4.6)                | (4.6)         |
| <b>Total</b> | <b>966.0</b>     | <b>197.0</b>     | <b>1,163.0</b> | <b>1,027.6</b>      | <b>216.8</b>     | <b>1,244.4</b> | <b>(61.6)</b>        | <b>(19.8)</b>        | <b>(81.4)</b> |

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

| € millions       | 31.12.2014     | PUBLIC ADMINISTRATION |
|------------------|----------------|-----------------------|
| Energy segment   | 620.9          | 22.9                  |
| Water segment    | 430.5          | 44.6                  |
| Networks segment | 426.7          | 81.9                  |
| <b>Total</b>     | <b>1,478.1</b> | <b>149.3</b>          |

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

- the **Environment Segment** increased its total receivables by 2.1 million euros, mainly attributable to the companies ARIA and SAO,
- the **Energy segment** recorded an increase in receivables from both users and customers totalling 16.5 million euros compared with the figure recorded at 31 December 2013, of which 12.1 million euros attributable to ACEA Energia and 6.3 million euros to ACEA Produzione; the overall change was also influenced by Ecogena (+ 3.1 million euros) due to its consolidation using the line-by-line method as from 1 January 2014, and Umbria Energy (- 5.7 million euros),
- In the **Water Segment** total receivables fell by 49.8 million euros. The change is essentially attributable to the net effect of issues of 2012

tariff adjustments and transfers effected during the year by ACEA Ato2, producing an overall change of 80.4 million euros, partly offset by the increase in receivables for bills to be issued by ACEA Ato5.

- the **Networks segment** saw an overall fall in receivables of 45.5 million euros, due to the reduction recorded by ARSE of 12.0 million euros and that of ACEA Distribuzione of 34.5 million euros,
- the **Parent company** posted a reduction in receivables of 4.6 million euros, chiefly ascribable to relations with the Municipality of Naples, performing the public lighting service in a joint venture. At 31 December 2014 receivables totalled 39.3 million euros, including contested receivables of 20.5 million euros, regarding the well-known dispute with the Vatican State.

#### RECEIVABLES DUE FROM PARENT COMPANY ROMA CAPITALE

Trade receivables due from Roma Capitale totalled 67.2 million euros at 31 December 2014 (69.6 million euros at 31 December 2013). The total amount of receivables (including short-term and medium/long-term financial receivables resulting from the public lighting contract) was 162.2 million euros compared with 154.0 million euros at the end of the previous year. The following table presents an analysis of the ACEA Group's relations with Roma Capitale regarding both receivables and payables, including those of a financial nature.

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

| Amounts due to Roma Capitale                       | 31.12.2014    | 31.12.2013<br>RESTATED | INCREASE/<br>(DECREASE) |
|--|---------------|------------------------|-------------------------|
| Electricity surtax payable                         | (15.2)        | (14.8)                 | (0.4)                   |
| Concession fees payable                            | (74.0)        | (48.9)                 | (25.1)                  |
| <b>Total trade payables</b>                        | <b>(89.2)</b> | <b>(63.7)</b>          | <b>(25.5)</b>           |
| <b>Total payables due within one year(B)</b>       | <b>(89.2)</b> | <b>(63.7)</b>          | <b>(25.5)</b>           |
| <b>Total (A) - (B)</b>                             | <b>46.1</b>   | <b>60.2</b>            | <b>(14.2)</b>           |
| <b>Other financial receivables/payables</b>        | <b>29.4</b>   | <b>(0.7)</b>           | <b>30.1</b>             |
| to/from Parent company Roma Capitale for dividends | (3.1)         | (33.0)                 | 29.8                    |
| Medium/Long-term loans for Public Lighting         | 32.6          | 32.3                   | 0.3                     |
| <b>Other trade receivables/(payables)</b>          | <b>(12.6)</b> | <b>(5.5)</b>           | <b>(7.1)</b>            |
| <b>Net balance</b>                                 | <b>62.9</b>   | <b>54.0</b>            | <b>8.9</b>              |

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

- a 8,802 thousands euros rise in utility receivables, referring chiefly to ACEA Ato2 (6,216 thousands euros). This change derives from the increase in the Company's sales revenue as a result of approved tariff updates, even though Roma Capitale paid in 2014 7 million euros more than payments effected to this end in 2013;
- an increase in financial receivables for public lighting of 12,268 thousands euros, due chiefly to the limited payment by Roma Capitale of receivables accrued in previous years (10,514 thousands euros). Over the year Roma Capitale paid 60,645 thousands euros for the period January – November 2014;
- a decrease of 4,316 thousands euros in trade receivables accrued for works and services, relating basically to overall proceeds of 5,152 thousands euros, 1,700 thousands euros to ACEA and 2,349 thousands euros to ACEA Ato2.

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

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

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

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

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

Changes to other payables referred chiefly to the

rise in costs for restoring road surfaces which, following a Roma Capitale order, rose by 38% as from 1 January 2014.

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

#### DUE FROM ASSOCIATES

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

#### DUE FROM SUBSIDIARIES

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

## 18. INVENTORIES - 29.2 MILLION EUROS

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

| € millions          | 31.12.2014  | 31.12.2013<br>RESTATED | INCREASE/<br>(DECREASE) |
|---------------------|-------------|------------------------|-------------------------|
| Environment segment | 3.4         | 3.4                    | 0.0                     |
| Energy segment      | 1.5         | 1.8                    | (0.3)                   |
| Water segment       | 8.4         | 9.9                    | (1.5)                   |
| Networks segment    | 15.6        | 18.3                   | (2.7)                   |
| ACEA                | 0.3         | 0.3                    | 0.0                     |
| <b>Inventories</b>  | <b>29.2</b> | <b>33.8</b>            | <b>(4.5)</b>            |

## 19. OTHER CURRENT ASSETS - 241.3 MILLION EUROS

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

| € millions                     | 31.12.2014   | 31.12.2013<br>RESTATED | INCREASE/<br>(DECREASE) |
|--------------------------------|--------------|------------------------|-------------------------|
| Receivables from others        | 126.8        | 101.2                  | 25.5                    |
| Accrued income and prepayments | 14.7         | 10.1                   | 4.6                     |
| Tax receivables                | 99.8         | 92.0                   | 7.8                     |
| <b>Other current assets</b>    | <b>241.3</b> | <b>203.4</b>           | <b>37.9</b>             |

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

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

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

- an 18.1 million euros rise in receivables recorded by ACEA Distribuzione, due from the Equalisation Fund for Energy Saving Certificates, corresponding to the energy saving target assigned by the Authority for 2013 and 2014
- the growth in receivables from the equalisation fund of 16.5 million euros, chiefly ascribable to ACEA Energia due to the adjustment of some

tariff components pursuant to the resolution of the Electricity, Gas and Water System Authority no. 670 of 2014,

- the writing-off, due to the reclassification to utility receivables, of receivables from the Area Authority of ACEA Ato5, corresponding to 17.9 million euros, as a result of the changing regulatory framework, enabling the Company to bill previous adjustments, as established by the acting Commissioner, in three annual payments as from 1 July 2014.

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

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

## 20. CURRENT PAYABLES - 1.249.4 MILLION EUROS

| € millions                              | 31.12.2014     | 31.12.2013<br>RESTATED | INCREASE/<br>(DECREASE) |
|---|----------------|------------------------|-------------------------|
| Due to third-party suppliers            | 1,130.2        | 1,114.1                | 16.1                    |
| Due to the Parent Company Roma Capitale | 116.7          | 85.6                   | 31.1                    |
| Due to subsidiaries and associates      | 2.4            | 7.2                    | (4.8)                   |
| Due to subsidiaries and associates      | 0.1            | 0.7                    | (0.6)                   |
| <b>Current payables</b>                 | <b>1,249.4</b> | <b>1,207.6</b>         | <b>41.8</b>             |

## AMOUNTS DUE TO THIRD-PARTY SUPPLIERS

Trade payables amounted to 1,130.2 million euros (1,114.1 million euros at 31 December 2013).

The following table provides the breakdown by operating segment:

| € millions          | 31.12.2014     | 31.12.2013<br>RESTATED | INCREASE/<br>(DECREASE) |
|---------------------|----------------|------------------------|-------------------------|
| Environment segment | 38.5           | 33.4                   | 5.1                     |
| Energy segment      | 471.6          | 488.9                  | (17.3)                  |
| Water Segment       | 247.5          | 210.6                  | 37.0                    |
| Networks Segment    | 318.5          | 314.7                  | 3.8                     |
| ACEA                | 54.0           | 66.5                   | (12.4)                  |
| <b>Total</b>        | <b>1,130.2</b> | <b>1,114.1</b>         | <b>16.1</b>             |

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

### DUE TO PARENT COMPANY ROMA CAPITALE

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

### DUE TO SUBSIDIARIES AND ASSOCIATES

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

### 21. OTHER CURRENT LIABILITIES - 371.2 MILLION EUROS

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

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

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

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

Payables to the Equalisation Fund recorded an increase, as did payables to Municipalities for concession fees, with specific reference to those accrued by ACEA Ato2 and ACEA Ato5. These were partially offset by a reduction in payables to the STO, for the Solidarity contribution intended to provide tariff subsidies to low income families, to reduce adjustments payable for 2012, and the decrease of instalments payable to INPS, due

to the instalments paid during the period. The increase in payables for collections subject to verification of 6.7 million euros and due to staff of 7.9 million euros should also be noted.

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

provincial tax payables of 30.2 million euros.

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

| € millions          | 31.12.2014  | 31.12.2013<br>RESTATED | INCREASE/<br>(DECREASE) |
|---------------------|-------------|------------------------|-------------------------|
| Environment segment | 0.7         | 0.6                    | 0.1                     |
| Energy segment      | 1.8         | 1.8                    | 0.0                     |
| Water Segment       | 6.0         | 6.0                    | 0.0                     |
| Networks Segment    | 5.7         | 5.9                    | (0.2)                   |
| Parent company      | 3.3         | 3.2                    | 0.1                     |
| <b>Total</b>        | <b>17.5</b> | <b>17.5</b>            | <b>0.0</b>              |

#### Payables arising from commodity derivatives

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

#### Accrued liabilities and deferred income

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

#### 22. NET DEBT - (2,089.1) MILLION EUROS

Group debt at 31 December 2014 fell overall by 159.5 million euros, going from 2,248.6 million euros at the end of 2013 to 2,089.1 million euros. This fall reflects the positive effects of the current management of working capital (down by 185.9 million euros), particularly significant in the final quarter of the year, also due to the billing of previous adjustments in the Water segment

(billing began as from 1 July) and Acea Energia billing for previous years.

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

The following table provides the breakdown of the items concerned:

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

**NET MEDIUM/LONG-TERM DEBT - (3,006.4) MILLION EUROS**

With regard to this component it should be noted that:

- non-current financial assets/(liabilities) recorded a balance of 1.7 million euros, down by 0.8 million euros compared to 31 December 2013 (2.5 million euros),

- Intragroup financial assets/(liabilities) stood at 32.6 million euros and include financial receivables from Roma Capitale for upgrading works completed to adapt systems to safety and regulatory standards and new constructions as envisaged in the *addendum* to the Public Lighting contract.

- non-current payables and financial liabilities totalled 3,040.7 million euros, up 679.8 million euros from 31 December 2013, and can be broken down as follows:

| € millions                  | 31.12.2014     | 31.12.2013<br>RESTATED | INCREASE/<br>(DECREASE) |
|-----------------------------|----------------|------------------------|-------------------------|
| Bonds                       | 1,909.1        | 1,290.8                | 618.4                   |
| Medium/long-term borrowings | 1,131.6        | 1,070.1                | 61.4                    |
| <b>Total</b>                | <b>3,040.7</b> | <b>2,360.9</b>         | <b>679.8</b>            |

**BONDS - 1,909.1 MILLION EUROS**

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

This item therefore consists of:

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

this debt was positive and equal to 1.2 million euros. Interest accrued during the period amounted to 22.5 million euros,

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

**MEDIUM/LONG TERM BORROWINGS 1,131.6 MILLION EUROS (INCLUDING SHORT-TERM PORTIONS - 1,178.1 MILLION EUROS)**

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

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

| BANK LOANS                  | TOTAL RESIDUAL DEBT | DUE BY 31.12.2015 | FALLING DUE BETWEEN 31.12.2015 AND 31.12.2019 | DUE AFTER 31.12.2019 |
|-----------------------------|---------------------|-------------------|---|----------------------|
| fixed rate                  | 322.5               | 20.7              | 83.7  | 218.1                |
| floating rate               | 788.2               | 17.4              | 410.6   | 360.1                |
| floating rate to fixed rate | 67.4                | 8.3               | 46.6  | 12.5                 |
| <b>Total</b>                | <b>1,178.1</b>      | <b>46.5</b>       | <b>540.9</b>                                  | <b>590.7</b>         |

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

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

**NET SHORT-TERM DEBT - 917.3 MILLION EUROS**

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

to third parties and Group companies (+ 71.7 million euros).

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



| € millions          | 31.12.2014     | 31.12.2013<br>RESTATED | INCREASE/<br>(DECREASE) |
|---------------------|----------------|------------------------|-------------------------|
| Environment segment | 1.2            | 2.3                    | (1.2)                   |
| Energy segment      | 1.5            | 1.1                    | 0.4                     |
| Water Segment       | 36.3           | 18.1                   | 18.1                    |
| Networks Segment    | 0.6            | 0.0                    | 0.6                     |
| Parent company      | 978.4          | 541.5                  | 436.9                   |
| <b>Total</b>        | <b>1,018.0</b> | <b>563.1</b>           | <b>454.9</b>            |

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

| € millions                               | 31.12.2014  | 31.12.2013<br>RESTATED | INCREASE/<br>(DECREASE) |
|--|-------------|------------------------|-------------------------|
| Short-term bonds                         | 0.0         | 306.3                  | (306.3)                 |
| Short-term bank credit lines             | 11.7        | 14.6                   | (2.9)                   |
| Short-term bank credit lines - mortgages | 46.5        | 50.4                   | (3.9)                   |
| <b>Total</b>                             | <b>58.2</b> | <b>371.3</b>           | <b>(313.2)</b>          |

Below is the breakdown by operating segment:

| € millions          | 31.12.2014  | 31.12.2013<br>RESTATED | INCREASE/<br>(DECREASE) |
|---------------------|-------------|------------------------|-------------------------|
| Environment segment | 4.1         | 4.0                    | 0.1                     |
| Energy segment      | 7.4         | 7.7                    | (0.3)                   |
| Water Segment       | 3.2         | 5.4                    | (2.2)                   |
| Networks Segment    | 19.3        | 19.8                   | (0.5)                   |
| Parent company      | 24.2        | 334.4                  | (310.2)                 |
| <b>Total</b>        | <b>58.2</b> | <b>371.3</b>           | <b>(313.2)</b>          |

The change in the period (- 313.2 million euros) mainly reflects the repayment of the 300 million euros bond maturing on 22 July 2014. At 31 December 2014 the Parent Company held uncommitted and committed credit lines totalling 799 million euros and 300 million euros respectively, neither of which is used. No

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

#### Current financial assets and (liabilities)

reported a balance at 31 December 2014 that increases debt by 103.9 million euros (139.6 million euros at 31 December 2013).

Below is the breakdown by operating segment:

| € millions          | 31.12.2014     | 31.12.2013<br>RESTATED | INCREASE/<br>(DECREASE) |
|---------------------|----------------|------------------------|-------------------------|
| Environment segment | (4.1)          | (3.3)                  | (0.8)                   |
| Energy segment      | (56.6)         | (78.0)                 | 21.4                    |
| Water Segment       | (45.1)         | (22.2)                 | (23.0)                  |
| Networks Segment    | (8.0)          | (20.2)                 | 12.2                    |
| ACEA                | 9.9            | (15.9)                 | 25.8                    |
| <b>Total</b>        | <b>(103.9)</b> | <b>(139.6)</b>         | <b>35.6</b>             |

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

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

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

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

## **23. SHAREHOLDERS' EQUITY – 1,502.4 MILLION EUROS**

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

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

# REFERENCE CONTEXT

## PERFORMANCE OF THE EQUITY MARKETS AND THE ACEA SHARE

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

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

## ITALIAN STOCK MARKET

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

## PERFORMANCE OF THE ACEA SHARE

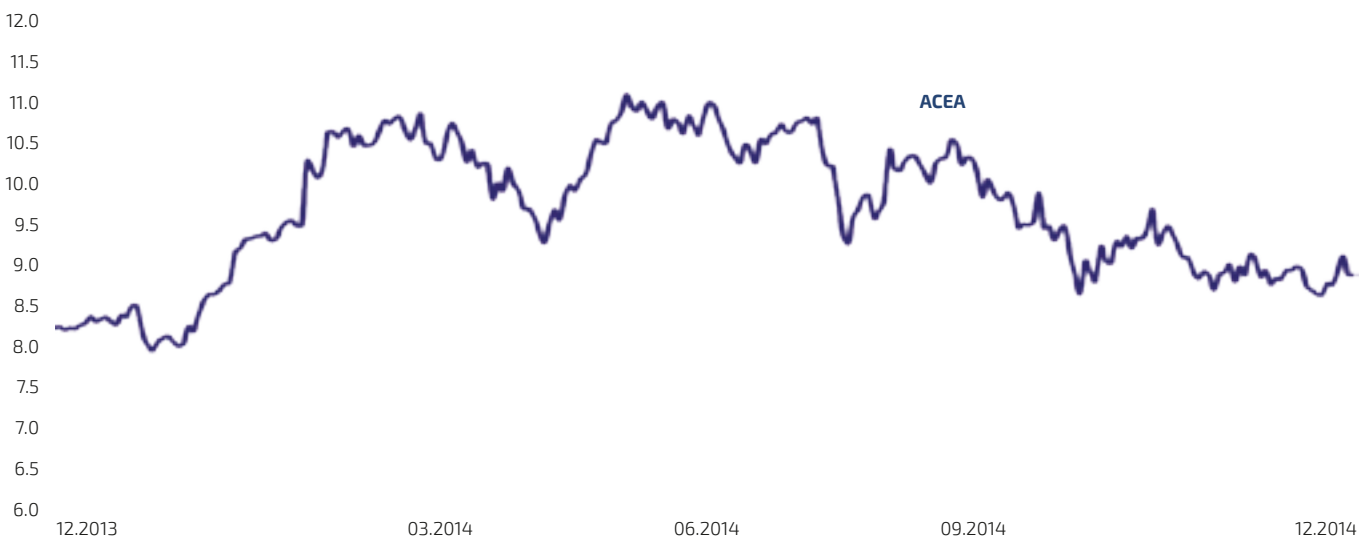
In 2014, the ACEA share "out-performed" the market in general with a gain of 8.04%, compared to a 3.86% drop of the FTSE Italia Mid Cap value.

ACEA's share price stood at 8.94 euro at 30 December 2014 (final day of trading of the year,

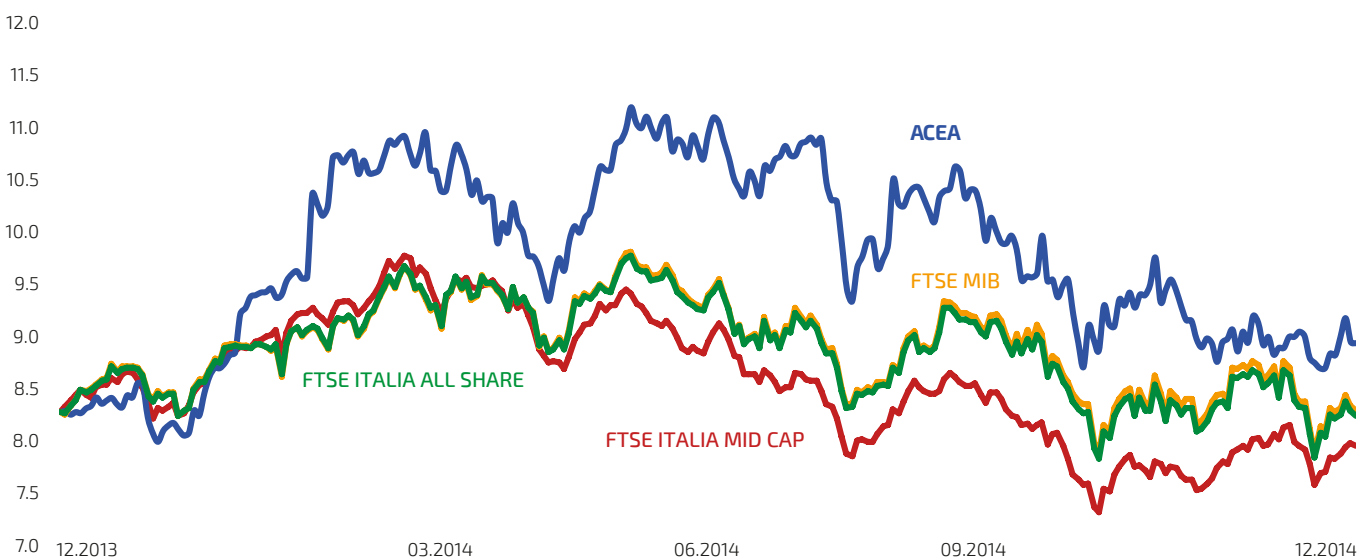
corresponding to a capitalisation of 1,903.9 million euros. In 2014 a high of 11.20 euro was recorded on 10 June, with a low of 7.995 euro on 28 January.

The average daily traded volumes amounted to 110,000.

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



(Source: Bloomberg)



(Source: Bloomberg)

**% INCREASE/DECREASE 31/12/2014 (COMPARED TO 31/12/13)**

|                       |               |
|-----------------------|---------------|
| <b>ACEA</b>           | <b>+8.04%</b> |
| FTSE Italia All Share | -0.33%        |
| FTSE Mib              | +0.23%        |
| FTSE Italia Mid Cap   | -3.86%        |

**ENERGY MARKET**

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

by national production, the rest by foreign imports.

In this context, net national production in 2014 (278,832 GWh) decreased by 4.0% compared to 2013, while the balance with overseas grew by 3.7%. With the exception of thermoelectric power

(- 9.7%), all other sources of national power posted increases vis-à-vis the previous year: wind power (+ 1.0%), hydroelectric (+ 7.4%), PV (+ 9.8%) and geothermal (+ 4.2%).

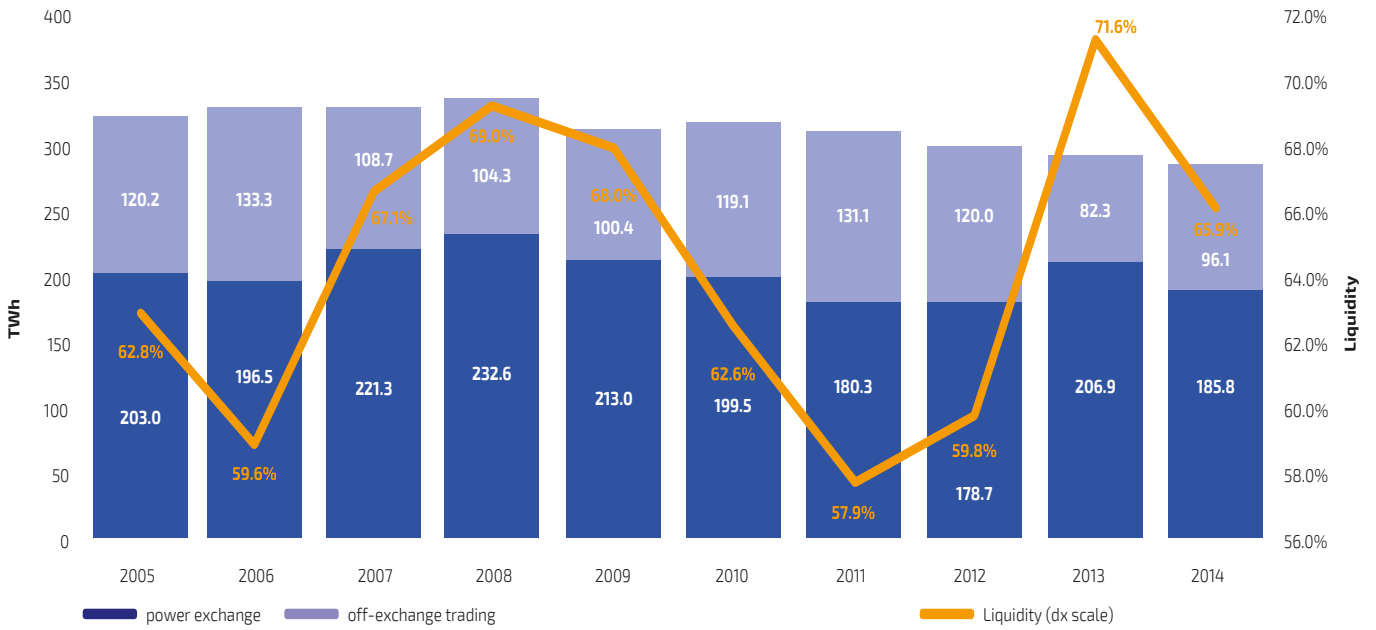
| <b>GWh</b>                         | <b>2014</b>    | <b>2013</b>    | <b>INCREASE/<br/>DECREASE %<br/>2014/2013</b> |
|------------------------------------|----------------|----------------|---|
| <b>Net Production</b>              |                |                |   |
| • -Hydroelectric       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

Electricity traded in the Day-ahead Market (DAM) fell significantly during the year (- 2.5% vis-à-vis 2013), with 282.0 million MWh acquired, an all-time low since the introduction of the regulated

market. Electricity traded on the energy exchange totalled 185.8 million MWh (- 10.2%), in any case higher than in 2011 and 2012. OTC trade on the PCE and nominated on the DAM

grew, reaching 96.1 million MWh, up 16.9% on the previous year. Market liquidity was down 5.7% vis-à-vis 2013 to 65.9%.

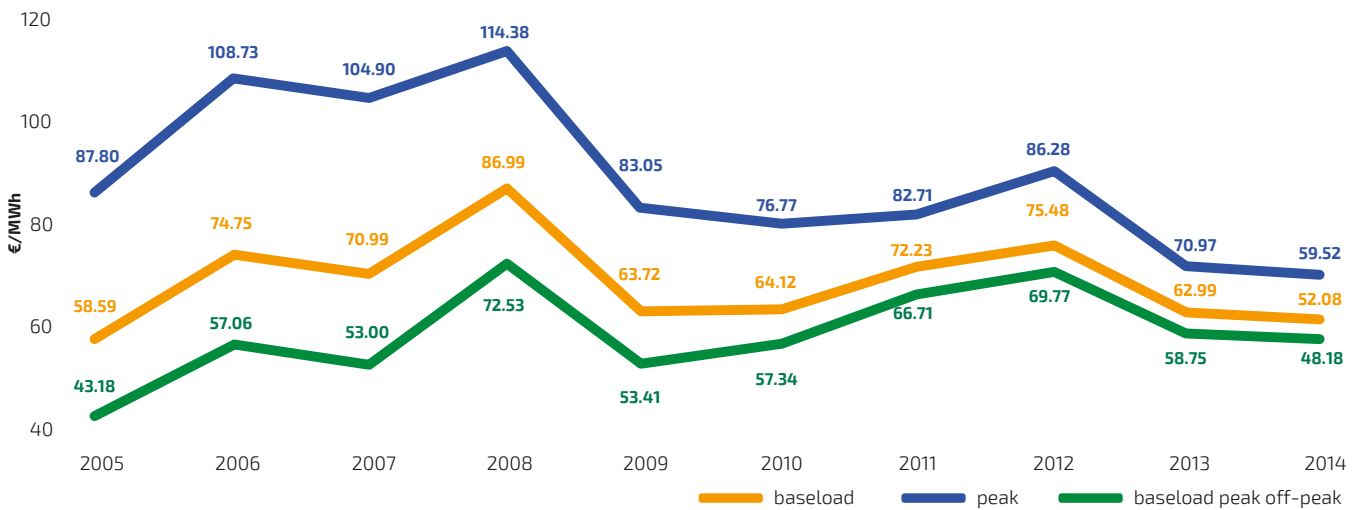
**LIQUIDITY ON THE DAM**



Source: GME – December 2014, GME Newsletter

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

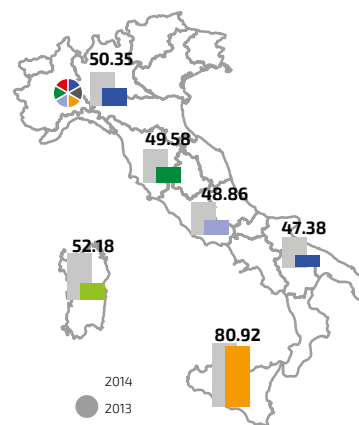
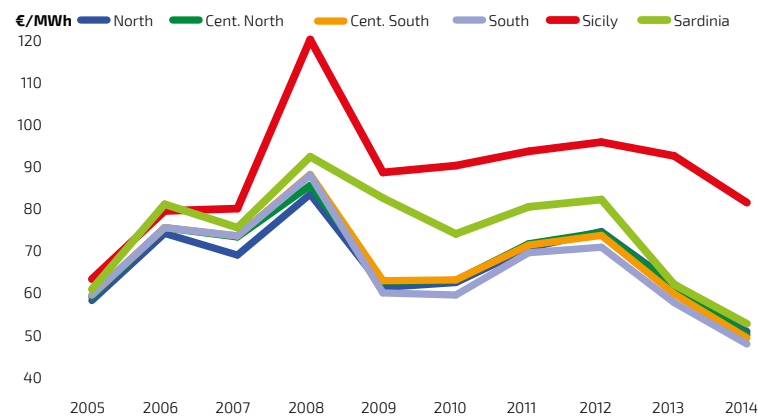
**NATIONAL SINGLE PRICE (PUN)**



Source: GME – December 2014, GME Newsletter

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

### SALE PRICES ON DAM



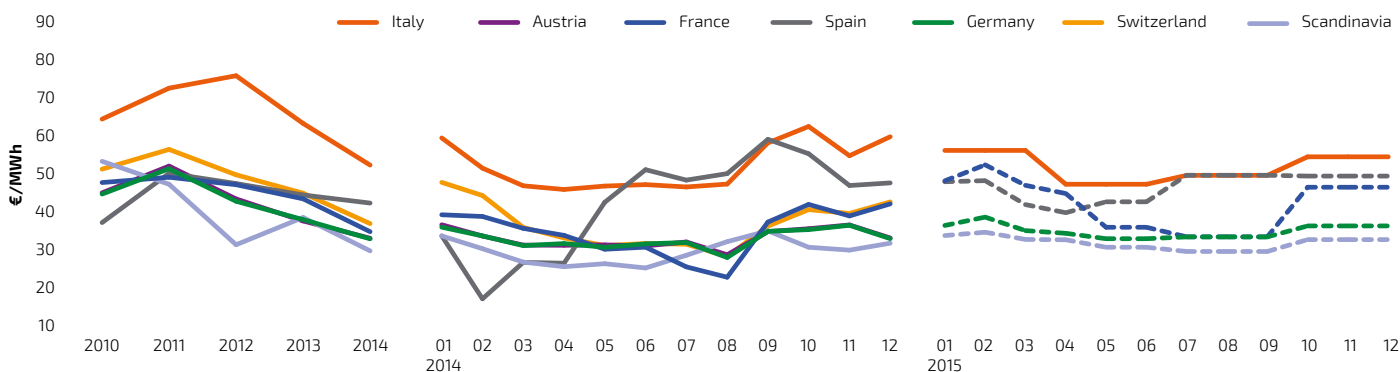
Source: GME – December 2014, GME Newsletter

In Europe there was a growth in power traded in major spot markets (France, Germany and Switzerland), offset by a drop in list prices in the Mediterranean area, where there was a drop

in trading in Italy, with 186TWh (- 10%) and in Spain, down to 170.8 TWh (- 8%). Futures markets do not fear a repeat of the heavy falls recorded in 2014, and suggest for 2015 typical

monthly price profiles, with the French price in the first and final quarters of next year moving away from the German price and closer to the Italian one, presenting a higher estimate.

### PRICE ON EUROPEAN ENERGY EXCHANGES (ARITHMETIC MEAN €/MWH)

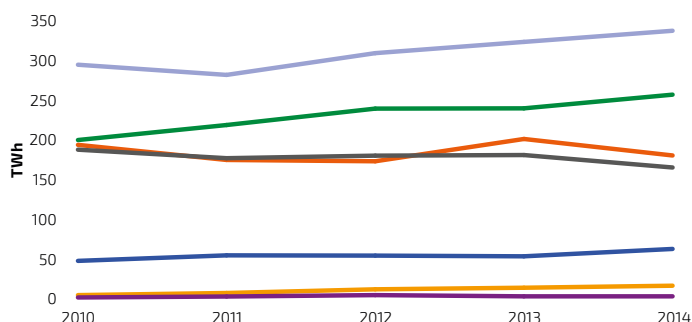


Source: GME – December 2014, GME Newsletter

### ANNUAL AND MONTHLY VOLUMES ON EUROPEAN POWER EXCHANGE SPOT MARKETS

#### VOLUME (TWh)

| AREA        | 2014  | VAR Y-1 (%) | 12.2014 |
|-------------|-------|-------------|---------|
| Italy       | 186,0 | -10%        | 14,9    |
| France      | 67,8  | +16%        | 6,9     |
| Germany     | 262,9 | +7%         | 25,4    |
| Spain       | 170,8 | -8%         | 14,3    |
| Scandinavia | 343,7 | +4%         | 34,3    |
| Austria     | 7,8   | +0%         | 0,7     |
| Switzerland | 21,2  | +13%        | 1,7     |



Source: GME – December 2014, GME Newsletter

Natural gas consumption in Italy dropped to 61,416 million m<sup>3</sup> (- 11.6% vis-à-vis 2013), as a result of a drop in consumption in the thermoelectric segment (-14.3%), due to weak electricity demand, the progressive rise of renewable sources and the collapse in consumption in the residential sector, only partially justified by the moderate temperatures recorded during the year.

On the supply side, national production continued on its downward trend (- 6.5%), as did natural gas imports (- 10.1%), while there was an increase in gas supplied from storage systems (stocks + 6.9% at year end).

## REGULATIONS AND TARIFFS

### INCENTIVE SCHEMES FOR THE PRODUCTION OF ENERGY FROM RENEWABLE SOURCES

#### EVOLUTION OF CIP 6/92 AGREEMENT REGULATIONS

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

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

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

#### REVISION OF INCENTIVES FOR POWER PRODUCTION FROM RENEWABLE SOURCES – LAW NO. 9 OF 21 FEBRUARY 2014 “CONVERSION OF LAW DECREE NO.145 OF 23 DECEMBER 2013

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

a) to continue to benefit from the incentives

offered for the remaining period of application.

In this case, for any type of intervention carried out on the same site in the ten years following the end of the above incentive period, no further incentive instruments can be accessed, including dedicated withdrawal and on-site exchange, in relation to electricity prices and tariffs.

b) to opt for a revision of the incentive scheme, assigning new values to the entire life cycle of the facility. In this case, the producer will have access to an incentive reduced by a specific percentage for each type of facility, procedures being defined in the subsequent ministerial decree of 6 November 2014.

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

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

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

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

To safeguard ongoing investments, this remaining period may not end before 31 December 2014. In order to access the revised scheme as per letter b) – and retain the right to new incentives after the end of the current period of incentives, without waiting for the mentioned ten-year period – the producer must file a specific request with the GSE within 90 days of the coming into force of the Ministerial Decree.

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

#### CHANGES TO THE FEED-IN TARIFFS FOR ELECTRICITY PRODUCED BY PHOTOVOLTAIC SYSTEMS – LEGISLATIVE DECREE NO. 91 OF 24 JUNE 2014

Decree Law 91/2014, converted into Law 116 of 11 August 2014 provides for a restructuring of the feed-in tariff for electricity generated by

photovoltaic plants with a nominal output of over 200 kW, with effect from 1 January 2015.

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

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

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

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

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

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

It is also noted that Decree Law No. 91/14 acknowledges the possibility of transferring, through specific bidding procedures, a share of up to 80% of the feed-in tariffs for the production of electricity from renewable sources (not just PV) to purchasers selected from amongst major European financial operators. Within 90 days of the coming into force of the above converted law decree, AEEGSI must take the necessary steps to regulate every aspect of the bidding to transfer the shares of incentives and the purchaser selection procedure to maximize participation. Said mechanism however, is subject to verification of the compatibility of the effects of the operation with the balance of public funds, by the Minister of Economics and Finance. The above-mentioned decree also provides for the adoption of additional measures, including specifically: (i) the cost of the GSE's activity concerning the mechanisms for providing incentives and support to enterprises for renewable energy and energy efficiency will be met by the beneficiaries of the same activity, and will no longer be considered a general A3 component charged to consumers, firms and households and (ii) starting from 1 July 2014, AEEGSI must exclude the charges for the employees discount provided by the national collective agreement for the electricity industry from the applied tariffs.

## GREEN CERTIFICATES

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

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

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

## THE EVOLUTION OF ENVIRONMENTAL, WATER AND ENERGY EFFICIENCY LEGISLATION

### TRANSPOSITION OF EU DIRECTIVE 2010/75 ON INDUSTRIAL EMISSIONS: CHANGES AND NEW PROVISIONS INTRODUCED IN CHAPTER II OF ITALIAN LEGISLATIVE DECREE NO. 152/06 AND SUBSEQUENT AMENDMENTS OF ITALIAN LEGISLATIVE DECREE NO. 46/2014.

Legislative Decree No. 46 of 4 March 2014, "Implementation of EU Directive 2010/75 on industrial emissions (Integrated Pollution Prevention and Control)", introduces significant changes and amendments to Italian Legislative Decree No. 152 of 3 April 2006, in particular concerning authorization procedures, sanctioning control and profiles, for activities with a high pollution potential that come within the scope of EC Directive 2008/1, also known as the "IPPC Directive", and the following EU Directive 2010/75. Particular attention must be paid to the reformulation of Annex VIII in Part II of Italian Legislative Decree No. which specifies new activities subject to Integrated Environmental Authorisation (AIA).

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

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

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

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

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

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

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

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

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

Finally, Annex 3 defines the "Criteria for the acquisition of new information on the quality of land and groundwater with reference to the presence of pertinent hazardous substances. The necessary measures are being taken to bring the relevant plants into line with the above regulations.

### NEW WASTE CLASSIFICATION PROVISIONS.

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

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

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

### LEGISLATIVE DECREE NO. 102 OF 4 JULY 2014: IMPLEMENTING DIRECTIVE 2012/27/EU ON ENERGY EFFICIENCY

Legislative Decree 102 of 4 July 2014, which came into force on 19 July 2014, implemented European Directive 2012/27/EU on energy efficiency. In particular, measures are envisaged to increase end users' awareness of energy consumption by, on the one hand, promoting systems so end users can gain access to their own consumption figures (including complementary information on past



consumption) and real-time energy use, and on the other through more precise invoicing based on real consumption at least once a year. Furthermore, AEEGSI must guarantee processing end users' archives using independent structures not linked to any subject with specific interests in the energy sector or with a potential conflict of interest. On a gradual basis AEEGSI must also adjust the electricity tariff components of domestic customers with the aim of going beyond the progressive structure of consumption and adjust the above components to the cost of the relevant service, to encourage virtuous behaviour by citizens. AEEGSI also acquires competence in the promotion of the development of the district heating and district cooling service, on the basis of Minister of Economic Development guidelines. Furthermore, specific obligations for performing periodic energy diagnostics are envisaged for major companies and energy-intensive enterprises starting 5 December 2015. The new obligations come with a complex system of sanctions which, on the basis of the specific violation, envisages the application of penalties by various subjects (the Minister of Economic Development, the Regional Authorities or the Authority).

**MAIN INNOVATIONS OF DECREE LAW 133 OF 12 SEPTEMBER 2014, SO-CALLED "SBLOCCA ITALIA" (UNLOCK ITALY) DECREE, CONVERTED INTO LAW 262 OF 11 NOVEMBER 2014 CONCERNING THE MANAGEMENT OF THE INTEGRATED WATER SERVICE**

Article 7 of the "Unlock Italy" Law Decree introduces a series of changes and integrations to Legislative Decree No. 152/06, the so-called Consolidated Environment Law. In particular, the new regulations on the one hand relate to the institutional and organizational structure of the sector and on the other to the quality of the environment and the service provided for end users, also in relation to observing European standards, through the promotion of actions at an infrastructural level in the sector. Work continues on the process of reordering "governance", as per Law Decree 133/14, requiring **local authorities to participate as part of the regulatory agency**, which replaces the Area Authority, identified by regional competence for each ATO and to which the powers concerning the management of water resources, including planning sector infrastructures, are transferred. The law converting Decree Law 133/14 has also fixed as final deadline **31 December 2014** by which date those Regions that have not already done so must **identify the regulatory agency** of the same area. If this deadline is passed,

powers of substitution are attributed to Regional Authorities. If powers are not transferred to the regulatory agency within 60 days of the coming into force of DL 133/14, substitution powers are assigned to the President of the Region or, in the event of inaction reported by AEEGSI, to the Prime Minister.

With regard to operators, there is a return to the principle of a **sole area operator**, instead of the unitary criterion previously in place. Furthermore, if the optimal territorial area (ATO) coincides with that of the Region, it may be possible to approve assignments for territorial authorities of the same size as provinces or metropolitan cities. The converting law introduces a clause to safeguard existing autonomous water service operators in mountain municipalities having a population of less than 1,000 inhabitants, created in accordance with paragraph 5 of article 148<sup>1</sup>. In consideration of the result of the June 2014 referendum, and in order to avoid any doubts related to the same, Law Decree 133/14 clarifies the allocation of the service, which is the sole prerogative of the regulatory agency, in the ways and using the procedures in European legislation in accordance with national laws on the organization of local public services in a network of economic relevance and on the basis of the sole operator principle. The conversion law also specifies that powers may be delegated to *in-house* companies that are controlled directly and exclusively by local authorities operating in the optimal territorial area. In order to guarantee the efficiency, effectiveness and continuity of the IIS, the regulatory agency must appoint the sole area operator at least six months before the end of the previous concession. On this question, the converting law introduces, with the aim of obtaining a more cost-effective and complete offer and avoiding disputes among the parties involved, the inclusion in tender specifications of the works that the assigned operator must carry out during the management of the service. As the relations between the regulatory agency and the operator are governed by a uniform

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

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

The regulation obliges local authority owners to transfer the management of IIS infrastructures to the regulatory agency within six months of the date on which the decree comes into force or from the date on which the concession is granted if it is a new one. After the above times, powers of substitution are attributed to the Regional Authorities. In the case of **new concessions** the new operator must **"take over the guarantees and obligations deriving from the financing contract in force or discharge the same, and pay the outgoing operator a refund on the basis of criteria established"** by AEEGSI. AEEGSI acquires competence in all situations in which several operators in the same territory, operating in various sector segments, require agreements to be signed to divide up tariff revenues. With regard to **existing concessions**, Law Decree 133/14 rewrites Article 172 of the environmental decree in full, introducing the deadline of 30 September 2015<sup>2</sup> for the drafting of the Area Plan, if not yet drafted, and granting of the service concession to a sole operator, with the consequent termination of concessions that do not conform to the pro tempore regulation in force. The law converting the decree law also introduces the obligation for AEEGSI to submit to Parliament a half-yearly report<sup>3</sup> on the observance of provisions on the part of Regions with regard to the creation of Area regulatory agencies, on the part of regulatory agencies regarding the assignment of the IIS, and on the part of local authorities regarding participation in regulatory agencies and the free granting of IIS infrastructures to service concession operators.

<sup>2</sup> LD 133/14 established a period of one year from the coming into force of the provision.

<sup>3</sup> The first expiry date was 31 December 2014 and, in subsequent years, 30 June and 31 December of each year.

This provision introduces a **departure**, with reference to cases in which current operators, other than the area contractor, provide the service *“on the basis of a concession contract approved in accordance with the pro tempore regulation in force and not declared to be legally terminated”*. In relation to these cases, the provision in question requires that *“the integrated water services operator will take over”* not on the date on which Law Decree 133/14 comes into force, but *“on the expiry date in the service contract or other acts regulating the relations”*. **This is basically a clause protecting current concessions.**

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

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

On the question of investments, Law Decree 133/14 simplifies **authorisations**, giving the regulatory agency all the powers for authorisation procedures, to approve projects drawn up for obtaining authorisation<sup>4</sup>, including powers of expropriation which, within the scope of the service agreement, may be delegated

<sup>4</sup> Coordinated with civil defence Plans if approvals are a variant to urban and territorial planning documents.

to the area operator. In order to promote infrastructure actions in the sector, the regulation also gives the Ministry of the Environment, Land and Sea powers to set up a specific **Fund for said projects** concerning water resources.

The Fund is financed through cancellation of resources allocated by CIPE Resolution No. 60/2012 for works in the water sector (and no longer just for waste treatment projects, as previously stated in the Decree) for which, at 30 September 2014, no legally binding acts had yet been approved and for which, following the specific technical checks performed by the ISPRA, there are objective technical-planning or town planning problems stopping the project.

#### **DECREE OF MINISTER FOR ECONOMIC DEVELOPMENT OF 15 OCTOBER 2014: ADDITIONS TO THE DECREE OF 19 DECEMBER 2013 CONCERNING PROCEDURES AND CRITERIA FOR ELECTRICITY IMPORTS FOR 2014**

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

#### **THE SISTRI WASTE TRACEABILITY CONTROL SYSTEM**

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

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

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

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

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

### **WATER SERVICE ACTIVITIES OF THE AUTHORITY (AEEGSI)**

#### **RESOLUTION 643/2013/R/IDR**

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

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

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

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

#### **DECISION NO. 5/2014 – DSID – QUALITY DATA COLLECTION**

With Decision no. 5/2014 – DSID “*Definition of the procedures for collecting data to study the efficiency of the integrated water service and the relevant regulation of quality*”, AEEGSI began collecting data on the regulation of quality, the level of coverage and the efficiency of the water service in Italy with particular focus on the metering service. The data requested, which must be supplied to AEEGSI by the Area Authorities by 12 May 2014, concerns the allocation of the service, investments and arrearage, electricity, aqueduct

services, water treatment and sewerage, as well as the quality of the service (Service charter, accessibility and continuity of the service, management of contractual relations, availability of alternative procedures for the settlement of disputes).

#### **RESOLUTION 163/2014/R/IDR – APPROVAL OF PRELIMINARY ENQUIRY ON THE RETURN OF INVESTED CAPITAL FOR 2011**

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

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

#### **DCO 171/2014/R/IDR – CONSULTATION PAPER ON UNIFORM AGREEMENT**

In DCO 171/2014/R/Idr “Guidelines for the preparation of uniform agreement schemes to regulate relations between the awarding party and the water service operator”, on 10 April 2014, with an introductory and generic provision, AEEGSI sought to deal with topics concerning the role of uniform agreements to define a clear, stable and coherent water service regulatory framework. This first consultation paper, for which AEEGSI requires a reply by 12 May, will be followed by a second and a third more structured document in July and November to draw up the final provision before the end of the year. This regulation should come into force from 2016. The aim of AEEGSI is to define a matrix of uniform agreement schemes on the basis of the type of awarding and type of regulatory scheme selected in accordance with the Water Tariff Method for “greater flexibility in terms of the growing complexity of the goals which to be attained by

the party awarded the service”. The “standard” schemes defined as type “A” (awarding through a call for tenders), “B” (awarding to a mixed public-private partnership - PPP) and “C” (in-house providing company) will be drawn up in different ways on the basis of the tariff scheme selected to produce 12 different applicable contractual schemes.

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

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

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

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

#### **DCO 299/2014/R/IDR - CONSULTATION PAPER ON THE DEFINITION OF TARIFFS FOR THE COLLECTION AND TREATMENT OF INDUSTRIAL WASTE THAT CAN BE DISCHARGED IN PUBLIC SEWERS**

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

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

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

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

#### **LOMBARDY REGIONAL ADMINISTRATIVE COURT RULINGS ON APPEALS LODGED BY “ACQUA BENE COMUNE”, “FEDERCONSUMATORI – NATIONAL CONSUMERS AND USERS FEDERATION” AND “CODACONS” ASSOCIATIONS**

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

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

Therefore the Lombardy Regional Administrative Court approved all of AEEGSI’s defence arguments, rejecting the grounds for appeal, which were based respectively on the violation of art. 9 of the Water Framework Directive 2000/60/CE (recovery of water service costs), art. 75 of the Constitution (on abrogative referendum), Italian Presidential Decree 116/2011 (repeal following the referendum on an adequate return on invested capital), art. 154 of Leg. Dec. 152/2006 (integrated water service tariff), art. 10, paragraph 11 of Law Decree 70/2011 (creation of an Italian agency for water regulation and supervision), the method for calculating financial costs according to the standardised costs model, setting up a New Investments Fund (FoNi), the retrospective application of the resolution which although it was adopted in December 2012, produces effects in 2012-2013.

According to the panel of judges of the Regional Administrative Court, “*the so-called full cost recovery principle is specifically based not only on Italian law but also on EU legislation*”. Therefore it follows that “*even after the above-mentioned abrogative referendum, the integrated water service must be qualified as a service of economic interest characterised, in terms of tariffs, by the need to cover all costs*”. The Regional Administrative Court explained that AEEGSI, “*when exercising its regulatory powers, generally assigned to it by Italian law No. 481/1995, defined the “financial cost” of invested capital “referring also to the investment of own capital (in cost-opportunity terms)... which is compliant with general practice in the field of economics*”. Moreover, an investment of own funds in durable assets implies a business risk equal to that deriving from the investment of borrowed capital, therefore giving the Operator the right to include the relevant cost in the tariff. The claims of the petitioning associations, according to which the resolution had retrospective effects, are groundless: “*if the Authority adopted the new tariff method, after the abrogative referendum*” – states the Regional Administrative Court – “*it would in any case be valid for previous tariffs, calculated in accordance with the 1996 method, certainly having more negative effects for consumers than the current method*”.

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

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

#### **LOMBARDY REGIONAL ADMINISTRATIVE COURT JUDGMENTS ON ACTIONS BROUGHT BY SOME OPERATORS**

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

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

- the objections of the petitioning parties were upheld concerning the non-observance of the “**full cost recovery principle**” for:
  - the non-recognition of **tax costs** in relation to the **FoNi** (the Regional

Administrative Court on the other hand considers AEEGSI’s decision not to recognise **tax costs** on the FoNi portion to be correct, as the same is fed by the tariff and therefore, the operator bears no financial costs for the constitution of the same);

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



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

Finally, for the Regional Administrative Court there were **no grounds for upholding: the retrospective nature of provisions issued to Area Authorities and operators and their effect on prior contractual relations:** The Regional Administrative Court confirmed AEEGSI's legitimate right to alter current agreements, rejecting the grounds of the appeal. "The principles of legal certainty and legitimate confidence (...) cannot however be invoked to prevent, within the scope of providing a long-term public service, new rules and regulations from ever being applied". Moreover, Operating Agreements often specify that tariffs can be revised on the basis of new legislative provisions.

the objections to the method used to calculate **net working capital**, from which revenues and costs from water activities other than the integrated water service are excluded. the alleged insufficient value attributed (to guarantee covering costs) to the **parameters Kd, ERP, BETA and CS/CrS**, since not only are these choices made at the technical discretion of AEEGSI, over which the Panel of Judges has no jurisdiction, but they were also not considered to be plainly unreasonable.

the objection to the so-called **calculation tool** which, as such, does not alone constitute an impugnable act. It was however acknowledged that its construction does substantially violate the provisions of Resolution No. 585/2012, as provisions for "liabilities and charges" are not included in the calculation of the net invested capital. The petitioning parties may if necessary challenge the *contra legem* application of the same resolution, for the point in question.

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

#### **RESOLUTION 199/2014/E/IDR – COMPLETION OF FACT-FINDING INVESTIGATION INITIATED WITH AUTHORITY RESOLUTION 135/2013/E/IDR REGARDING THE SUPPLY OF THE AQUEDUCT SERVICE IN MUNICIPALITIES SUBJECT TO RESTRICTIONS ON THE USE OF WATER INTENDED FOR HUMAN CONSUMPTION**

With resolution 135/2013/E/idr AEEGSI started up a fact-finding investigation on the supply of

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

#### **RESOLUTION 268/2014/R/IDR – ADJUSTMENT OF PAYMENTS FOR THE YEARS 2010 AND 2011 FOR FORMER CIPE OPERATORS**

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

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

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

#### **RESOLUTION 380/2014/E/IDR - IMPLEMENTATION OF PROCEEDINGS TO APPLY PENALTIES AND PRESCRIPTIVE PROCEDURES FOR VIOLATIONS CONCERNING THE REGULATION OF THE INTEGRATED WATER SERVICE**

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

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

- G.O.R.I. entered a different amount (at current currency value) of the 2013 mortgage instalment repaid to the Local authority for

use of its structures, rather than the value approved by the Area Authority before 28 December 2012 (as required by Resolution No. 585/2012);

- G.O.R.I. included the amounts for paying the instalments of the mortgage taken out with the Area Authority to guarantee the capitalisation of the same Company and not the amounts paid to the owners for using their water services infrastructures in the charges paid to owners for the use of their infrastructures;
- On the basis of the analysis performed during the audit, it appears that G.O.R.I. indicated an Accumulated Depreciation equal to zero for some assets, whereas *vice versa*, amortisation is obligatory;
- the operator calculated some assets acquired from Acquedotto Vesuviano (in specific years) including the economic and financial revaluations prohibited by the Transitional Tariff Method.

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

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

#### **RESOLUTIONS APPROVING SPECIFIC REGULATORY SCHEMES, CONTAINING TARIFF MEASURES FOR 2014 AND 2015, PROPOSED BY ATI 1 AND 2 UMBRIA, ATI 3 UMBRIA AND ATI 4 UMBRIA (RESOLUTION 252/2014/R/IDR) THE TUSCANY WATER AUTHORITY (RESOLUTION 402/2014/R/IDR) AND THE MAYORS' CONFERENCE OF ATO 2 CENTRAL LAZIO – ROME (RESOLUTION 463/2014/R/IDR).**

In resolution 643/2013/R/Idr AEEGSI introduced the Water Tariff Method (MTI) for 2014 and 2015, after the transitional logic and the first 4-year regulatory period (2012-2015). With Resolution No. 203/2014/C/Idr AEEGSI appealed against the recent judgements passed by Section II of the Regional Administrative Court of Lombardy cancelling some of the provisions in Resolutions Nos. 585/2012/R/Idr, 88/2013/R/Idr and 459/2013/R/Idr concerning the Transitional Tariff Method (MTT) valid for 2012-2013. At the same time, in Resolution No. 204/2014/R/Idr, AEEGSI stated that the above-mentioned sentences do not have any temporary effect on the Water Tariff Method (MTI) for 2014 and 2015, the provisions of which are compulsory,

with particular reference to time frames and implementation of the procedures therein, while there may be some changes to adjustments for 2012 and 2013. Therefore, in order to **approve the tariff proposals for 2014 and 2015**, the adjustments in the Restriction on Guaranteed Revenues (art. 29 of Annex A to Resolution 643/2013) are calculated, provisionally and while waiting for the settlement of pending disputes, on the basis of the tariff multipliers approved for 2012 and 2013, in other words, in the cases of tariff multipliers that have not been approved, within the price limits of paragraph 7.1 of Resolution No. 585/2012 and paragraph 5.1 of Resolution No. 88/2013.

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

#### **RESOLUTION 662/2014/R/IDR - IDENTIFICATION AND STATING OF ENVIRONMENTAL AND RESOURCE COSTS WITH REFERENCE TO THE PROVISIONS OF THE WATER TARIFF METHOD (MTI) FOR 2015**

This measure, following on from the consultation paper 539/2014 "Identification and stating of environmental and resource costs in the water tariff method (MTI)", approves rules for the identification of a **first set of environmental and resource costs** in the restriction to operator's revenue for 2015, with the latter and the consequent tariff multiplier unchanged. The ERC component is intended to capture and incorporate all environmental and resource costs that will be considered as being produced by the IIS and by its users, consistent with the responsibility for having generated them. As regards 2015, on the other hand, in view of the criticalities raised by a number of operators in response to the consultation paper, AEEGSI has identified only a first set of costs to be transferred to the ERC component, namely the **share of**

#### **local costs pertaining to water diversion and conveyance, grants to mountain communities and other operating costs**<sup>5</sup>,

intended for the protection and production of water resources or the reduction/elimination of environmental damage or aimed at limiting or mitigating the opportunity cost of the resource. Consequently, the component *COres2015* in the VRG will be recalculated net of shares of the same costs quantified in the component *ERC*<sup>2015</sup>. On the other hand, in view of the non-uniform nature of the criteria proposed by consultation participants for the possible allocation of wastewater treatment costs, AEEGSI intends to put off allocation to the *ERC* component of water purification capital costs until the subsequent segregation phase, scheduled for the second regulatory period, which may benefit from accounting *unbundling* rules for the water sector that have since been defined. Accordingly, competent bodies will have to quantify and transmit – with time frames and methods still to be decided – the component *ERC*<sup>2015</sup> for each type of management, and to recalculate the components for the restriction on operating revenue in which these cost items had previously been included. AEEGSI will publish the results of the first phase of segregation of environmental and resource costs for 2015 by 31 May 2015.

#### **DCO 665/2014/R/IDR – REGULATION OF CONTRACTUAL QUALITY OF THE INTEGRATED WATER SERVICE OR OF EACH OF THE SINGLE SERVICES IT IS MADE UP OF – GENERAL FRAMEWORK AND LINES OF ACTION**

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

The consultation focused on the following areas:

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

The final measure will be published by June 2015, and will be applied as from 1 January 2016. Future measures will tackle service continuity and accessibility, including supply connections and

<sup>5</sup> As identified by the component *CO<sub>ores</sub>* as per the MTI, article 28, paragraph 28.1.

activation (DCO by the summer of 2015) as well as data communication, registration and storage obligations (DCO by June 2015).

## **AEEGSI ACTIVITIES IN THE AREA OF ELECTRICITY**

### **RESOLUTION 13/2014/R/EFR – ENERGY EFFICIENCY TARIFF CONTRIBUTION FOR ELECTRICITY DISTRIBUTORS 2013 - 2014**

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

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

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

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

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

### **DECISION NO. 6/2014 - DIUC – 2014 EQUALISATION OF REVENUES FOR THE DISTRIBUTION OF ELECTRICITY AND TRANSMISSION COSTS**

With Decision No. 6/2014 - DIUC of 17 March 2014 AEEGSI made the mechanisms of advance payments every two months for the equalisation of revenues from the distribution of electricity and costs of transmission optional for operators for 2014. The Authority, with Decision No. 4/2014 – DIUC of 15 July 2013, introduced a mechanism

of advance payments and adjustments for the payment of said equalisation, so that said mechanism (inclusive of the changes made by the decision in 2014):

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

### **DECISION 136/2014/R/EEL – TARIFF OF REFERENCE FOR THE SALE OF ELECTRICITY**

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

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

### **RESOLUTION 154/2014/R/EEL – 2014 TARIFF OF REFERENCE FOR THE DISTRIBUTION OF ELECTRICITY**

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

### **RESOLUTION 169/2014/R/EEL – EQUALISATION OF NETWORK LOSSES 2012 - 2014**

With Resolution No. 169/2014/R/eel of 10 April 2014, for 2015 AEEGSI decided to apply the transitional equalisation mechanism among

distributors to electricity losses on distributors' networks in 2014, as already specified in Resolution No. 559/2012/R/eel (for 2012 losses), as amended by Resolution No. 608/2013/R/eel, and valid for 2014 further to equalisation for the year 2013.

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

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

It should be noted that the Lombardy Regional Administrative Court, following an appeal lodged by the company A2A reti elettriche S.p.A., with ruling no. 1307 of 20 May 2014 annulled Resolutions 559/2012/R/eel and 608/2013/R/eel, i.e. the transitional equalisation mechanism for network losses in 2012 and 2013. The reason for this decision is that, despite taking into account the results of a study commissioned to the Politecnico di Milano, which showed a significant difference between actual losses and standard losses at a local level mainly due to fraudulent withdrawals, AEEGSI accordingly corrected the existing equalisation mechanism by reducing both positive and negative amounts, in the absence of further information that would have allowed for a more complete review of the entire equalisation mechanism and should have led to the definition of company-specific loss coefficients rather than national averages; conversely, this objective is being pursued by the Authority with the still ongoing study on network losses, which was started by the same resolution 559/2012/R/eel. Therefore, according to the Regional Administrative Court AEEGSI should first have waited for the results of that study and then, on the basis of the information collected, should have changed the equalisation mechanism for network losses. AEEGSI appealed to the Council of State, against the judgment of the Administrative Court of Lombardy.

### **RESOLUTION 179/2014/R/EFR – MINIMUM GUARANTEED PRICES FOR PLANTS FUELLED BY RENEWABLE SOURCES**

By Resolution 179/2014/R/efr of 17 April 2014, following the conversion of Decree Law no. 145 of 23 December 2013 into Law no. 9 of 21 February

2014, AEEGSI revised Resolution no. 280/07 on the application of minimum guaranteed prices for plants fuelled by renewable energy sources (RES), i.e. the withdrawal price that the National Grid Operator applies to electricity produced by small-scale RES plants, that have high operating and maintenance costs, limited annual output and nominal power of up to 1 MW.

This resolution provides that minimum guaranteed prices apply to:

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

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

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

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

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

#### **RESOLUTION 231/2014/R/COM – ACCOUNTING UNBUNDLING 2014**

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

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

establish specific techniques that are useful for the preparation of the annual separated accounts, (ii) must ensure consistency between the changes in fixed assets communicated for the purposes of accounting separation and those communicated to the Authority during data collection for the purpose of determining the tariff, (iii) has to define uniform rules for the construction of drivers used to chargeback items of common services and shared operational functions and to quantify transactions within the corporate group;

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

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

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

#### **RESOLUTION 205/2014/R/EEL – EXPERIMENTAL TARIFF 2014 FOR DOMESTIC CUSTOMERS WITH HEAT PUMPS FOR HEATING**

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

operators in the protected categories market (mandatory regime) and to the free market vendors participating in experimentation (optional system).

#### **RESOLUTION 266/2014/R/COM – REVISION, THROUGH LEGISLATIVE DECREE 21/2014, OF THE CODE OF BUSINESS CONDUCT AND OTHER PROVISIONS RELATING TO CONSUMER PROTECTION**

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

The legislative decree in question introduces new requirements regarding:

- pre-contractual information that professional operators have to provide to consumers prior to the conclusion of contracts; by way of example, in contracts negotiated away from business premises or distance contracts, operators must inform consumers that, if they wish the service to begin during the period available for exercising the right of withdrawal (14 days), they must explicitly request so on a durable medium;
- formal requirements for contracts negotiated away from business premises and distance contracts. Specifically, distance contracts now require confirmation on a durable medium. Contracts concluded by telephone (teleselling) also require confirmation of the offer by the professional operator and acceptance by the consumer, who is bound only after signing the offer or accepting it in writing, or after providing his/her consent on a durable medium;
- consumers' right to withdraw, following the conclusion of a distance contract or a contract negotiated away from business premises; this right may be exercised within a period of 14 calendar days, compared to 10 working days under the previous rules. Where a consumer exercises the right to withdraw after having requested the provision of the service during the withdrawal period, the consumer has to pay the operator an amount proportional to the service provided up to the time the consumer has informed the vendor of his/her intention to exercise the right of withdrawal.



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

In addition, by the same measure, the Authority introduced new and transitional provisions, applicable to residential end users only, replacing part of the provisions laid down in Resolution 153/2012/R/com (unsolicited contracts) relating to sellers' obligations in the case of contracts concluded away from business premises or distance contracts, or such as to ensure specific timing for the submission of complaints and the smooth running of re-activation measures, where applicable; with regard to non-residential end customers, the previous provisions contained in Resolution 153/2012/R/com shall continue to apply. According to the new wording of Article 66-quinquies of the Consumer Code on unsolicited supplies, consumers are exempted from the obligation to provide any consideration. According to the Authority, this provision does not conflict with the provisions on unsolicited supplies provided for by Resolution 153/2012/R/com, but rather supplements them, as the re-activation procedures provided for by the latter are protection tools that can operate concurrently with those provided by the Consumer Code (judicial protection and protection by the Antitrust Authority) to which end users may resort at all times; indeed, the purpose of re-activation measures is to enable end customers, on their own initiative, to be able to restore the contractual relationship still in place with the vendor preceding the "unsolicited" one.

#### **COUNCIL OF STATE JUDGEMENT FOR DISPATCHING COSTS OF NON-PROGRAMMABLE RENEWABLE SOURCES**

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

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

Specifically, the Council of State said that "*non-programmable sources of electricity are characterised by the fact that, although predicting the energy produced and fed into the grid is not objectively impossible, nevertheless, given the type of source and the variables that influence their operation, such prediction cannot achieve the same level of precision as programmable sources*". Accordingly, the imposition of imbalance prices must take the peculiarities of this source into account. The provision of special allowances is not considered suitable to meet this obligation, as allowances are not differentiated based on the type of source. As a result, the Council of State urged the Authority to identify a system for allocating imbalance costs, by introducing "*mechanisms calibrated according to the sources' specific characteristics*" that would take into account "*the consequent difficulties in forecasting the energy fed into the grid with the same degree of reliability that has to be ensured by the units that produce programmable energy*".

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

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

- "bands" have been defined for the various renewable energy sources subject to imbalances, so as to take into account the specificity of single sources, for instance 31% for PV plants and 8% for flowing-water plants. These thresholds may be lowered in the future to take into account the evolution of systems that predict the capacity of single sources (and consequently power output) and the fact that a more active participation in the Intraday Market should help to reduce unbalancing;
- it has been established that outside the band the electricity to which unbalancing refers is quantified using the same methods as those currently used to quantify the unbalancing of unenabled programmable production units and consumption units (average prices);
- it has been established that within the band the electricity to which unbalancing refers is

quantified using a unit price that is different according to the market zone but not also the source (zonal equalisation component). This price, expressed in euro/kWh, is calculated as the ratio between the economic value of imbalances of non-programmable renewable sources within the bands (the economic difference between the sum of imbalance prices, inside and outside the bands, and the sum total of imbalance prices outside the bands) and the sum total of electricity to which unbalancing refers falling into the same bands. With this option it is possible to promote the correct forecasting of feed-ins from plants powered by non-programmable renewable sources, preventing imbalance prices from being transferred to end users, and to introduce imbalance prices as tools for the correct quantification of electricity fed in to the grid, without penalising producers or users.

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

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

The new measure will come into force on 1 January 2015, and in the first months of the new regime Terna may activate advance and adjustment mechanisms when billing imbalance prices for non-programmable renewable sources. Finally, since the provisions mentioned entail changes to Terna's Grid Code, with resolution 643/2014/R/efr of 18 December the Authority approved such changes, including the publication in Terna's Grid Code of the unit value (and of the terms this derives from) of the zonal equalisation component which is calculated, for the imbalances falling within the bands, in accordance with resolution 522/2014/R/eel.

#### **ELECTRICITY IMBALANCES IN SARDINIA: RULING OF LOMBARDY REGIONAL ADMINISTRATIVE COURT NO. 1648 OF 24 JUNE 2014**

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

The TAR first of all accepted the argument about the absence of urgency, as claimed by the Authority as a condition for the adoption of resolution 342/2012/R/eel: this resolution completely fails to demonstrate the existence of such a condition, i.e. of risks to the safety of the electricity system. This was subsequently confirmed by the findings of the exploratory investigation completed with resolution 197/2013/E/eel. Furthermore, the Authority's resolution was flawed by the non-performance of the consultation procedure which, indeed, would have revealed in advance the non-existence of the urgency condition. The ruling refers to case law in this sphere, according to which the delegation of regulatory powers to independent Authorities is warranted within the legal system by virtue of the system of prior consultations in place.

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

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

#### **SALE OF ELECTRICITY: TARIFF OF REFERENCE 2014**

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

With Decision No. 136/2014/R/eel of 27 March 2014 AEEGSI revised the retail tariff for the sale of electricity in the protected categories market, from 1 April 2014. This tariff was increased due to the effect of a revision of the

*tax rate* incorporated in the rate of return on net invested capital (WACC), now equal to 8%, and the separate recognition of IRAP regional business tax in the tariff, which was previously incorporated in the WACC.

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

With resolution 670/2014/R/eel dated 29 December AEEGSI defined at a national level the 24-month *unpaid ratio* for 2015, corresponding to 1.36%, about 0.07 percentage points up on the 2014 tariff level, net of fraudulent withdrawals, and consequently determined for 2015 the components DISPBT and RCV, as well as the PCV payment applied to non-domestic end users. Further to the conclusions of DCO 576/2014/R/eel, the Authority also created two compensation mechanisms (arrearage and arrearage in cases of fraudulent withdrawals), that can be used by operators in the protected market that have undertaken efficient actions to manage and recoup debts in addition to the procedure of suspending the defaulting withdrawal point. To make use of these mechanisms operators must present, by 30 April, an ad hoc application to CCSE accompanied by a report from the auditing

company certifying the consistency of declared amounts (turnover and revenue) with values given in the company's financial statements. By 30 June CCSE will inform single operators of the figures involved in such mechanisms, and these amounts will then be paid by CCSE by 31 July 2014. In greater detail:

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

Furthermore, the resolution in question provides for the start-up of a procedure for reviewing the ways of calculating costs recognised to protected market operators by means of RCV components, bearing in mind the information given by operators about other costs not currently recognised by the method used by the Authority. To this end, AEEGSI will assess in particular the differences in terms of *unpaid ratio* levels with reference to end users still served after a period of 24 months, and to terminated end users, and the impact that these differences may have on single operators, and additional costs incurred by protected market operators and relative determinants (such as size of the enterprise, and the presence/absence of economies of scale). Finally, the measure sets out a review of the ways of calculating the PCV payment applied to protected market customers to cover marketing costs based on costs incurred by an efficient free market vendor, as well as the desirability of reviewing the breakdown of the RCV component, passing from a monomial tariff, expressed in euro/customer, to a binomial tariff, expressed in euro/customer and euro/sold energy.

#### **RESOLUTION 593/2014/S/EFER – DEFINITION OF METHODS OF CALCULATING PENALTIES IN THE SPHERE OF ENERGY SAVING CERTIFICATES**

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

- a) a “late penalty” will be inflicted on the liable party that fails to achieve a quota equal to or exceeding the minimum value of its compulsory objective (corresponding to 50% for the period 2013-2014 and 60% for the years 2015-2016), calculated according to the number of certificates needed to attain the minimum quota, without prejudice to compensation obligations for the following two-year period;
- b) a “final” penalty will be inflicted on the liable party who in the two-year period after the

compulsory year fails to rectify the non-performance, based on the number of energy saving certificates still to be obtained to achieve the objective. This penalty will have to be quantified taking into account:

- the greater seriousness of this non-performance compared with the lateness as per point a);
- the following parameters:
  - the average value of certificates in the market and in bilateral contracts in the period from 1 June of the year after

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

# TRENDS OF OPERATING SEGMENTS

## ECONOMIC RESULTS BY SEGMENT

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

| 2014<br>Millions of euros                       | ENVIRONMENT |           | ENERGY            |                          |               |            |
|---|-------------|-----------|-------------------|--------------------------|---------------|------------|
|   | GENERATION  | SALE      | ENERGY MANAGEMENT | INTRA-SEGMENT ADJUSTMENT | TOTAL SEGMENT |            |
| Revenue   | 129         | 59        | 2,047             | 0                        | (33)          | 2,074      |
| Costs   | 74          | 26        | 1,969             | 0                        | (33)          | 1,962      |
| <b>Gross operating profit</b>                   | <b>55</b>   | <b>34</b> | <b>78</b>         | <b>0</b>                 | <b>0</b>      | <b>112</b> |
| Depreciation and accumulated impairment charges | 26          | 19        | 88                | 0                        | 0             | 107        |
| <b>Operating profit/(loss)</b>                  | <b>28</b>   | <b>15</b> | <b>(10)</b>       | <b>0</b>                 | <b>0</b>      | <b>4</b>   |
| Investments                                     | 13          | 12        | 8                 | 0                        | 0             | 20         |

| 2014<br>Millions of euros        | NETWORKS     |                 |          |                          |               |
|----------------------------------|--------------|-----------------|----------|--------------------------|---------------|
|                                  | DISTRIBUTION | PUBLIC LIGHTING | PV POWER | INTRA-SEGMENT ADJUSTMENT | TOTAL SEGMENT |
| Ricavi                           | 486          | 67              | 7        | (9)                      | 551           |
| Costi                            | 244          | 61              | 2        | (9)                      | 298           |
| <b>Margine operativo lordo</b>   | <b>242</b>   | <b>7</b>        | <b>4</b> | <b>0</b>                 | <b>253</b>    |
| Ammortamenti e perdite di valore | 94           | 1               | 0        | 0                        | 95            |
| <b>Risultato operativo</b>       | <b>148</b>   | <b>6</b>        | <b>4</b> | <b>0</b>                 | <b>158</b>    |
| Investimenti                     | 121          | 1               | 0        | 0                        | 122           |

| 2013 restated<br>Millions of euros              | ENVIRONMENT |           | ENERGY            |                           |               |           |
|---|-------------|-----------|-------------------|---------------------------|---------------|-----------|
|   | GENERATION  | SALE      | ENERGY MANAGEMENT | INTRA-SEGMENT ADJUSTMENTS | TOTAL SEGMENT |           |
| Revenue   | 115         | 61        | 2,255             | 889                       | (40)          | 3,165     |
| Costs   | 67          | 24        | 2,203             | 886                       | (40)          | 3,073     |
| <b>Gross operating profit</b>                   | <b>48</b>   | <b>37</b> | <b>52</b>         | <b>3</b>                  | <b>0</b>      | <b>92</b> |
| Depreciation and accumulated impairment charges | 28          | 18        | 69                | 1                         | 0             | 89        |
| <b>Operating profit/(loss)</b>                  | <b>20</b>   | <b>19</b> | <b>(17)</b>       | <b>2</b>                  | <b>0</b>      | <b>3</b>  |
| Capex   | 12          | 5         | 6                 | 0                         | 0             | 11        |

| 2013 restated<br>Millions of euros              | NETWORKS     |                 |          |                           |               |
|---|--------------|-----------------|----------|---------------------------|---------------|
|   | DISTRIBUTION | PUBLIC LIGHTING | PV POWER | INTRA-SEGMENT ADJUSTMENTS | TOTAL SEGMENT |
| Revenue   | 467          | 127             | 9        | (1)                       | 601           |
| Costs   | 221          | 120             | 3        | (1)                       | 344           |
| <b>Gross operating profit</b>                   | <b>245</b>   | <b>6</b>        | <b>6</b> | <b>0</b>                  | <b>257</b>    |
| Depreciation and accumulated impairment charges | 95           | 1               | 1        | 0                         | 96            |
| <b>Operating profit/(loss)</b>                  | <b>150</b>   | <b>5</b>        | <b>5</b> | <b>0</b>                  | <b>161</b>    |
| Capex   | 103          | 0               | 0        | 0                         | 103           |

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

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

**WATER**

|  | <b>ITALIAN WATER SERVICES</b> | <b>OVERSEAS</b> | <b>ENGINEERING</b> | <b>INTRA-SEGMENT ADJUSTMENT</b> | <b>TOTAL SEGMENT</b> |
|--|-------------------------------|-----------------|--------------------|---------------------------------|----------------------|
|  | 641                           | 9               | 31                 | (28)                            | 654                  |
|  | 363                           | 7               | 20                 | (28)                            | 362                  |
|  | <b>278</b>                    | <b>3</b>        | <b>11</b>          | <b>0</b>                        | <b>292</b>           |
|  | 71                            | 0               | 0                  | 0                               | 71                   |
|  | <b>207</b>                    | <b>2</b>        | <b>11</b>          | <b>0</b>                        | <b>221</b>           |
|  | 147                           | 1               | 1                  | 0                               | 149                  |

**OTHER**

|  | <b>CORPORATE</b> | <b>CONSOLIDATION ADJUSTMENTS</b> | <b>CONSOLIDATED TOTAL</b> |
|--|------------------|----------------------------------|---------------------------|
|  | 123              | (473)                            | 3,057                     |
|  | 117              | (473)                            | 2,339                     |
|  | <b>6</b>         | <b>0</b>                         | <b>718</b>                |
|  | 28               | 0                                | 327                       |
|  | <b>(21)</b>      | <b>0</b>                         | <b>390</b>                |
|  | 14               | 0                                | 319                       |

**WATER**

|  | <b>ITALIAN WATER SERVICES</b> | <b>OVERSEAS</b> | <b>ENGINEERING</b> | <b>INTRA-SEGMENT ADJUSTMENTS</b> | <b>TOTAL SEGMENT</b> |
|--|-------------------------------|-----------------|--------------------|----------------------------------|----------------------|
|  | 607                           | 12              | 25                 | (20)                             | 624                  |
|  | 338                           | 8               | 17                 | (20)                             | 343                  |
|  | <b>269</b>                    | <b>4</b>        | <b>8</b>           | <b>0</b>                         | <b>281</b>           |
|  | 74                            | 0               | 1                  | 0                                | 76                   |
|  | <b>194</b>                    | <b>3</b>        | <b>7</b>           | <b>0</b>                         | <b>205</b>           |
|  | 129                           | 0               | 1                  | 0                                | 130                  |

**OTHER**

|  | <b>CORPORATE</b> | <b>CONSOLIDATION ADJUSTMENTS</b> | <b>TOTAL SEGMENT</b> |
|--|------------------|----------------------------------|----------------------|
|  | 111              | (1,297)                          | 3,319                |
|  | 114              | (1,297)                          | 2,644                |
|  | <b>(3)</b>       | <b>0</b>                         | <b>675</b>           |
|  | 24               | (1)                              | 312                  |
|  | <b>(26)</b>      | <b>1</b>                         | <b>363</b>           |
|  | 12               | 0                                | 269                  |

## ENVIRONMENT OPERATING SEGMENT

### OPERATING FIGURES, EQUITY AND FINANCIAL RESULTS FOR THE PERIOD

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

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

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

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

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

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

### OPERATING REVIEW

#### ARIA

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

#### TERNI WASTE-TO-ENERGY PLANT (UL1)

The Terni waste-to-energy plant produces electricity from renewable sources, specifically in a pulper paper mill waste-to-energy plant. The regular operation of various sections of the plant, and the turbo generator in particular, made it possible for the testers to start testing the revamped plant. The final test certificates, a summary of the various interventions carried out, will be issued during the course of 2015. Furthermore, contracts for the conferment of pulper waste guaranteed 2014 plant fuel requirements.

With reference to the national grid operator's inspections carried out by RSE starting in December 2013, the joint control of the method used to determine the biodegradable fraction of the waste subject to incentives was completed, and the company has applied for the issue and collection of the corresponding green certificates. In October 2014 a new authorisation application

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

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

#### PALIANO RDF PRODUCTION PLANT (UL2)

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

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

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

The Company thus appointed a major firm in the industry to perform the required technical inspections and prepared the characterization and safety plan of the areas, the waste management plan and the demolition plan, all of which were submitted to the Provincial Authority of Frosinone for approval. The whole procedure will be carried out in consultation with the relevant Bodies and Authorities, and with the technicians appointed by the insurance companies already involved in relation to the various risks associated with and resulting from the event. The technical checks performed to verify the state of the site and structures after the fire have been completed, and work has started on the site to rebuild the plant. It is believed that in the first half of 2015 the planning process for the reconstruction of the RDF production plant will be completed. A tender call has been completed for demolition works. The insurance settlement will be calculated on the basis of the cost of reconstructing the new plant which, on the basis of contractual clauses, will be reduced by 20% as the fire is considered to be a case of arson perpetrated by third parties. Lastly, accepting the requests submitted by the company, the insurance company granted an advance compensation of 2 million euros for damage suffered.

### **SAN VITTORE WASTE-TO-ENERGY PLANT, LAZIO (UL3)**

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

With reference to the preliminary phase of the process for renewing the Integrated Environmental Authorization, the company completed the submission of technical documentation, and is awaiting the conclusion of the administrative procedure and issue of the new Integrated Environmental Authorization which, based on recent regulatory changes in the sector, will have a duration of 16 years.

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

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

The intervention sites will presumably be selected and consigned in the first quarter of 2015.

Scheduled works will end during the course of 2016.

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

### **SAO**

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

The Company collaborated with Umbria ATI4 to revise and update the Economic-Financial Plan for the management of the group of Orvieto plants.

This Plan was approved by ATI4 in Resolutions Nos. 2 and 3 on 21/01/2014; said resolutions also contain the new tariffs and various biomass transfer components in force from 1 January 2014.

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

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

In August 2014 the company filed an Integrated Environmental Authorization application to make substantial changes to the Orvieto plants, with a project for the “Morphological adaptation of the site and optimization of volumes and summit capping” of the open landfill (2<sup>nd</sup> gully). In particular, this project involves the implementation of another berm, the remodelling of berm 10, the optimisation of the summit capping and use of a new landfill management system. The main goals and effects of the project are as follows: the extension of landfill volumes,

proposing an alternative cultivation system to optimise the running of currently managed areas (2<sup>nd</sup> gully), an increase in the net capacity of the landfill in quantitative terms of waste that can be conferred on site, extension of the useful life of the landfill guaranteeing continuity of the essential public service for the municipal waste processed, coverage of the area planning and the possibility of handling inter-ATI mutual support as required by current Regional Legislation and the Area Plan, control of the tariff for the disposal of waste in the landfill for the benefit of the Municipalities using the same, and savings in natural resources to use as technical materials.

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

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

### **AQUASER GROUP**

#### **AQUASER**

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

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

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

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

It is noted that as part of the broader project to reorganise the structure of the ACEA Group, designed, among other things, to simplify and optimise the organisational and operational structure and rectify relative credit positions, the General Meeting of Shareholders of 30 December 2014 resolved to sell to parent company ACEA all



of the equity investments held in Solemme and SAMACE. Furthermore, the project for the merger of SAMACE with Solemme was filed, and will come into force for accounting and tax purposes as from 1 January 2015.

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

### KYKLOS

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

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

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

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

An accident occurred on 28 July 2014 in the company's composting plant. Two people working for one of the external contractors collecting and transporting the leachate produced in the plant died.

Leachate is a liquid, non-hazardous waste, obtained from the treatment of non-hazardous waste in the plant, it is collected on a daily basis in operations performed in the open air, pumped into tankers, to be disposed of in suitable,

authorized plants.

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

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

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

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

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

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

### SOLEMME

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

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

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

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

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

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

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

On 11 April 2014 the Grosseto Provincial Authority extended the plant operating authorisation until 14 April 2015. A meeting was held in June with the new administration to overcome the pending litigation and approve the preparatory implementing plan prior to construction of the new plant, which should be approved this year. The Municipality of Monterotondo Marittimo approved, with Resolution no. 36 of 25 November 2014, the Implementing Plan, which is about to be published (on 28 February 2015), as preparation for the decision that will make it possible, upon granting of the building permit, to start work on the construction of the new plant.

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

- the finalisation of a procedure to approve the Implementing Plan by 31 December 2014 (now completed), and all authorisations needed for the construction and running of the new plant;



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

#### **SAMACE**

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

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

#### **ISA**

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

## ENERGY OPERATING SEGMENT

### OPERATING FIGURES, EQUITY AND FINANCIAL RESULTS FOR THE PERIOD

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

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

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

This positive change was the result of alternating fortunes:

- production activity performed by ACEA Produzione fell by 3.6 million euros, as a result of a drop in the energy margin (- 3.6 million euros) due to lower prices (despite larger quantities of energy produced due to greater hydraulicity), whereas other costs were basically unchanged vis-à-vis 2013 (+ 0.1 million euros),
- the sales segment closed 2014 with an EBITDA of 77.8 million euros, compared with 54.2 million euros in 2013; this change was due to the higher energy margin (+ 15.6 million euros), partially offset by the rise in external costs incurred by ACEA Energia (+ 2.8 million euros). With reference to the energy margin it is noted that **i)** the margin for the protected categories service was 49.1 million euros, up on 2013 (+ 14.4 million euros) chiefly due to the tariff update for the sale of energy (RCV), further to Resolutions 637/2013, 136/2014 and 670/2014 of AEEGSI, which created two compensation mechanisms (arrears and arrears of fraudulent withdrawals), that can be used by operators in the protected categories market that have carried out efficient debt management and recovery actions in addition

to the suspension of the defaulting withdrawal point; **ii)** the margin for the Free market was 77.0 million euros, 12.4 million euros up on 2013, due to the results of the *mass market* segment, partially offset by the lower margins of the B2B segment (lower volumes), and by the bonus for actions to optimise energy flows, positively influenced by the ruling of TAR Lombardy of 24 June 2014, repealing AEEGSI resolutions nos. 342/2012, 239/2013, 285/2013 and 197/2013 regarding unbalancing regulations; **iii)** the margin for the sale of Gas was 10.5 million euros, up significantly on 2013 (+ 18.6%), due mainly to the better unit margins.

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

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

Net debt at the end of 2014 increased to 356.1 million euros, 53.5 million euros higher than the figure at the end of 2013. This increase is primarily attributable to the sales sector (59.3 million

euros), basically due to the increase in net working capital, thanks to greater billing, which resulted in greater liquidity needs and a worsening net financial position. The fall in the production sector (- 5.8 million euros) was mainly in relation to a drop in debt for ACEA Produzione (- 14.0 million euros), partly offset by higher debt of 8.2 million euros reported by Ecogena which, in 2013, was consolidated using the equity method.

## OPERATING REVIEW

### ENERGY MANAGEMENT

As from 1 January 2014 the merger of Acea Energia Holding with **Acea Energia** came into effect; the latter also performs “*Energy Management*” activities, as these are necessary for Group operations, sale and production in particular. The Company also liaises with the Energy Market Operator and with TERNA. In relation to the institutional entity Terna, the Company is the input Dispatch User on behalf of Acea Produzione and other companies in the ACEA Group. It performed the following main activities in the period:

- the optimization and assignment of electricity produced by the Tor di Valle and Montemartini thermoelectric plants and by the S. Angelo hydroelectric plant,
- the negotiation of fuel procurement contracts for the power generating plants,

- the procurement of natural gas and electricity for the sales company to sell to end customers,
- the sale of environmental certificates (green certificates, issue rights and renewable source production certificates) for Acea Energia and Acea Produzione,
- the optimisation of the supply portfolio for the procurement of electricity and management of the Energy segment companies' risk profile.

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

## ELECTRICITY PRODUCTION

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

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

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

The **hydroelectric segment** recorded production of 487.9 GWh, benefiting from the contribution of the run-of-river Salisano drinking-water plant, slightly above the ten-year historic average (+1.9%). Production at the Castel Madama, Mandela and Orte run-of-river plants was significantly higher (+ 27.9%) than the ten-year average due to an increase in the level of water input for plants on the Tiber basin (Aniene and Nera rivers), also due to the putting back to 2015 of the project to improve abstraction tunnels at Castel Madama.

An increase in production was recorded compared to the ten-year average by the S. Angelo plant (+22.1%), with 186.1 GWh. The average water inputs of the Aventino river (6.2 m<sup>3</sup>/s) and Sangro river (11.8 m<sup>3</sup>/s), were respectively +28% e +14%

compared to the average in the three previous years 2011/2013. Although the autumn weather was quite dry, particularly in November and December, the high rainfall in the winter and spring seasons ensured positive water input values from the rivers, with an average power output of 21.3 MW.

The company's **thermoelectric production** stood at 10.2 GWh at 31 December 2014.

The negative production trend for the combined cycle of the Tor di Valle plant, for which planning and engineering to modernise the plant has begun, is confirmed. In addition, particularly low market prices have also affected cogeneration, which recorded a further drop in output compared to the past. The combined cycle, kept running as a cold reserve, played a dual role in 2014, that of feeding unit in accordance with the Emergency Plan for the city of Rome, and back-up for the cogeneration unit by means of the steam extraction system connected to the district heating network. With regard to the cogeneration section, the constraint imposed in terms of emissions of NO<sub>x</sub> in the TG3 unit made it necessary to use ancillary boilers for the generation of heat for district heating. The above is in any case in line with the company's plans to modernise the power plant, for which the Lazio Region has issued a favourable environmental compatibility opinion.

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

## ELECTRICITY AND GAS SALES

As for the sales market, the refocusing of **Acea Energia's** sales strategy continued in the period with a more in-depth and careful selection of customers, and a plan divided into two parts. The first tends to favour contracting small customers (residential and microbusiness) while the second consists of maintaining the current joint ventures when deep-rooted in the territory if they can guarantee adequate profitability. Investment management continued in the period for **Umbria Energy** and **Elga Sud** operating respectively in Umbria and Puglia, in line with the above. The Tax Authorities (BAT Provincial Office) started an assessment on 15 October into Elga Sud for the 2010 tax period, and ending on 12 November 2014 with the notification of an official report. Contested findings related to the non-deductibility for Ires and Irap ends of some costs. A total of 27,000 euros in additional taxes have been requested. The company applied to settle the tax assessment, and in February 2015 paid the sums requested by the tax agency.

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

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

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

- In terms of distribution tariffs, compulsory distribution tariffs, updated quarterly in accordance with Annex A of the Authority's Transport Code, have been applied to end users on the protected categories market and are valid for the whole of 2014.
- With regard to connection fees and flat rate charges the parameters used were those defined by the Authority in Resolution no. 348/2007, Annex B (Connection Code) and are valid for the whole of 2014.

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

Sale of electricity on the Free Market amounted to 7,344 GWh for Acea Energia and 543 GWh for the retail Joint Venture, for a total 7,887 GWh, a decrease of 15.9% vis-à-vis 31 December 2013. In addition, Acea Energia sold 103.5 million euros of standard cubic metres of gas to final customers and wholesalers. The number of delivery points totalled 154,601 (98,676 at 31 December 2013).

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

Concerning the penalty proceedings that were implemented on 8 November 2012 against

Acea Energia with Resolution No. 462/2012/S/eel, as a result of the dispute in 2013 with the Company, AEEGSI Resolution No. 540/2013/S/eel on 28 November 2013 declared the commitment proposal presented on 25 October 2013 to be admissible, and approved the same for publication. On 19 February 2014, AEEGSI published the remarks, presented after the deadline, by Federconsumatori the Italian consumers and users federation, to which Acea Energia replied in March 2014, confirming its position specified in published commitments. With Resolution No. 174/2014/S/eel of 17 April 2014, AEEGSI approved the commitments proposed by ACEA Energia, making them obligatory, closing the proceedings opened against the same in Resolution No. 462/2012/S/eel. Briefly,

- the commitment concerning the elimination of the so-called “billing code”, in other words for customers not subject to additional safeguards, waiving the right to bill consumption estimated by the retailer with reference to the period from the date of metering (effective metering by the distributor or a more recent figure somewhere between the distributor’s estimate and the customer’s automatic reading) and the date of issue of the bill to the end user, must be implemented starting from the first 2-monthly billing cycle following the date on which AEEGSI notifies Acea Energia of said commitments;
- the commitment concerning payment of indemnity for customers in the protected category market affected by billing blocked at 31 December 2012, formulated on the basis of the duration of the disservice, must be implemented no later than after the second 2-monthly billing cycle following the date on which AEEGSI notifies Acea Energia of said commitments;
- Acea Energia must provide adequate notification of its commitments to end users;

- Acea Energia must send the Authority, within 240 days of the notification of commitments, documented proof of the full implementation of the same as well as notification of the costs borne for implementing said commitments, providing reference thereof in the notes to the separate annual accounts (accounting unbundling);
- if Acea Energia fails to meet its commitments, AEEGSI can recommence penalty proceedings and apply a penalty of up to double the amount which would have been applied in the absence of commitments.

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

After the close of the year Acea Energia:

- appealed to TAR Lombardy to obtain the repeal of AEEGSI Resolution 670/2014, since the tariff component intended to remunerate service marketing costs is absolutely unsuitable for adequately covering said costs;
- was notified, on 25 February 2015, of the start of preliminary investigations (ref. PS/9815) on the part of the Antitrust Authority (hereafter AGCM) in accordance with art. 27, paragraph 3 of legislative decree 206 of 2005 (hereafter “Consumer Code”) and art. 6 of the Regulation on investigation procedures for misleading and comparative advertising, unfair trade practices, violations of consumers’ rights in contracts and unfair contract terms (hereafter “Regulation”) adopted by the Authority in its resolution of 5 June 2014. The proceeding was opened as a result of a number of reports received by AGCM from single customers and from the consumers’ Association Adiconsum Toscana. The proceeding in question, in accordance with art. 7 of the Regulation, will conclude within 150 days of the date of

25 February 2015. Acea Energia has made a request to have access to the proceeding’s documents, with special reference to the investigation file;

- was notified, on 19 March 2015, of the commencement by AEEGSI of a proceeding for disciplinary actions due to the non- or delayed disbursement of automatic indemnities (resolution no. 111/2015/S/eel). The investigation will last a total of 180 days as from the date on which the measure was notified.

## COGENERATION

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

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

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

## WATER OPERATING SEGMENT

### OPERATING FIGURES, EQUITY AND FINANCIAL RESULTS FOR THE PERIOD

| Operating figures*   | U.M.            | 2014 | 2013<br>RESTATED | INCREASE<br>(DECREASE) | INCREASE/<br>DECREASE % |
|----------------------|-----------------|------|------------------|------------------------|-------------------------|
| Water Volumes        | Mm <sup>3</sup> | 540  | 566              | (26)                   | (4.6%)                  |
| Electricity consumed | GWh             | 557  | 535              | 22                     | 4.1%                    |
| Sludge disposed of   | kTon            | 214  | 194              | 20                     | 10.3%                   |

\* Values for the ACEA Group's share

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

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

The change was influenced:

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

determined and rescheduled on the basis of the Agreement signed in June between GORI, the Region and the Area Authority. The Agreement includes a twenty-year repayment plan subject to the payment of legal interest (at 2.5%) only from the eleventh year.

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

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

The following also contributed to the change (i) Laboratories + 2.8 million euros for increases in the cost of staff seconded by ACEA Ato2 (+ 2.9 million euros) and employed in the maintenance of the water network, in technical administrative activities for the management of water licenses and other costs for services provided to the same; (ii) ACEA Ato5 due to an increase in energy costs (+ 1.2 million euros) and other operating expenses,

especially due to the adjustment of consumption for previous years. These increases were partially offset by lower operating costs incurred by the other companies, in particular Agua Azul Bogota (- 1.3 million euros)

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

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

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

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

## OPERATING REVIEW

### LAZIO - CAMPANIA AREA

#### ACEA ATO2

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

| Acquisitions  | NO. OF MUNICIPALITIES |
|---|-----------------------|
| <b>Municipalities fully acquired by I.I.S.</b>  | <b>75</b>             |
| <b>Municipalities partially acquired, for which ACEA ATO 2 provides one or more services:</b> | <b>19</b>             |
| • <i>Municipalities in which only the acquired consortium service is provided</i>             | 5                     |
| • <i>Municipalities partially acquired but with Protected Subject</i>                         | 3                     |
| • <i>Municipalities partially acquired</i>  | 11                    |
| <b>Municipalities in which ACEA Ato2 provides no services</b>                                 | <b>13</b>             |
| <b>Municipalities that declared they do not wish to be part of the I.I.S.*</b>                | <b>5</b>              |

\* Municipalities with fewer than 1,000 inhabitants who had the right to express their will in accordance with paragraph 5 of Legislative Decree 152/06.

The larger Municipalities which have not yet been acquired include Civitavecchia, to which the Lazio Regional Authority in Decree of the Regional Government No. 318 - 10/10/2013, attributed powers of substitution to transfer the integrated water service to the ATO 2 single operator, appointing a Commissioner to do so. It is also noted that the Municipal Administration has recently been re-elected, therefore we are awaiting communications regarding policies on the management of the I.I.S. The transfer of the I.I.S. of Civitavecchia is however troubled by considerable criticalities in terms of equity, management and authorisation problems, about which we are unable to give any definite answers. On 29 December 2014 the water abstraction and/or distribution services were acquired for the Municipalities of Capranica Prenestina, Olevano Romano, Canterano, Rocca Canterano, Gerano and Rocca di Papa (services performed previously by Società Acque Potabili under a protected category regime). For the Municipalities of Capranica Prenestina and Olevano Romano, for which the company was already performing the sewerage and water treatment services, the transfer to ACEA Ato2 of the complete water service completes the acquisition of the Integrated Water Service (I.I.S.), while for the remaining four Municipalities only the water service has been acquired, pending the complete transfer of the IIS, which can only happen after the upgrading of sewerage networks and wastewater treatment systems.

The company provides the full range of **drinking water distribution** services (collection, abstraction, retail and wholesale distribution).

Water is abstracted from sources on the basis of long-term concessions.

Water sources supply approximately 3,600,000 residents in Rome and Fiumicino, as well as more than 60 Municipalities in the Lazio region, via five aqueducts and a system of pressurised pipes. Three further supply sources provide non-drinking water used in the sprinkler system of Rome.

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

The company manages the wastewater treatment system and pumping stations that serve the network and sewage trunk lines. In 2014, the main **wastewater treatment plants** handled approximately 565 million cubic metres, an increase of around 3% compared with the previous year. Sludge, sand and grating production for all managed plants in the reporting period exceeded 160,000 tonnes, an increase of around 10% vis-à-vis 2013. At 31 December 2014, the Company managed a total of 541 **sewage pumping stations**, including 173 in the municipality of Rome, and a total of 174 wastewater treatment plants, including 33 in the municipality of Rome.

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

On this point, it is noted that in August: **(i)** a court petition was filed for the release from seizure of the Colle Pisano treatment plant;

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

With regard to **tariffs**, with resolution 141/2014/R/idr of 27 March 2014, AEEGSI approved the values of the tariff multiplier for 2012 (1,025) and 2013 (1,053) proposed by the Mayors' Conference meeting on 4 March 2014. With reference to the 2014-2015 tariff update AEEGSI approved, with resolution 463/2014/R/



idr of 25 September 2014, the tariff proposed for 2014 and 2015 and relative tariff multipliers examined by the Mayors' Conference of 10 July 2014; the tariff multipliers – 1.148 for 2014 and 1.251 for 2015 - mark an annual increase of 9% for both annual tariffs, subject to approval. With this resolution the Authority made the following main observations:

- non-recognition of costs incurred for water-related emergencies relating to the drinkability of water supplies, for a value of 0.24 million euros;
- provisional upholding of other costs incurred for environmental emergencies (9.6 million euros) pending further studies and the results of legal proceedings;
- acceptance, with the obligation to maintain the iso-revenue, on the basis of 2013 volumes effectively measured, of changes to the tariff structure approved by the Area Authority, without prejudice to AEEGSI's right to ensure that criteria established by art. 39 of resolution no. 643/2013 is observed at the time of application.

Furthermore, as required by Resolution No. 141/2014/R/idr approving the 2012 and 2013 tariffs of Rome ATO 2, the Conference, within the scope of implementation of the Water Tariff Method (MTI), completed further in-depth assessment required for the dimensioning of the "FoNI" component, in relation to the acknowledgement of planned operating costs, in accordance with the Operator's guaranteed income. This assessment led to the consequent adjustment, approved by AEEGSI, of the value of the FoNI component for 2013, while confirming the guaranteed income (VRG) and tariff multiplier approved for the 2-year period 2012 and 2013 and resetting the 2013  $F_{\text{FoNI}}$  component. In order to reduce annual tariff increases, the Area Authority, in agreement with the operator, reallocated the adjustments for 2012 and 2013, forecasting the subsequent recovery in 2015 of approximately 19 million euros. As a result, revenues for 2014 based on the tariff calculations set for 2014 amounted to 500.2 million euros, inclusive of estimated adjustments of pass-through items and the differences compared with values recognised in the 2012 and 2013 financial statements.

#### ACEA ATO5

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

The management of the integrated water service in the territory of ATO 5 Southern Lazio-Frosinone involves a total of 85 municipalities (management still to be taken over for the municipalities of Atina, Paliano and Cassino Centro Urbano as regards water services only) for a total population of around 480,000 inhabitants, about 460,000 inhabitants supplied and a number of end users of 187,101. No new acquisitions were formalised in 2014, but it is noted that on 17 September 2014 a memorandum of understanding was reached with the Municipality of Atin marking the end of a pending dispute and delivery of the facilities required for the management of the IIS in the municipality.

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

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

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

The sewerage-purification system comprises a network of sewers and trunk lines connected to wastewater treatment terminals. The company manages 201 sewage pumping plants and 111 biological wastewater treatment plants, as well as 16 Imhoff tanks and 3 percolating filters. Following the recognition and related assessment of users connected to the sewerage system (as a result of Constitutional Court Sentence No. 335/2008), it emerged that the coverage of this service is equal to approximately 68% of aqueduct users.

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

With reference to the 2014-2015 tariff update and the related economic-financial plan, the Company submitted a specific application to the Area Authority and AEEGSI on 29 April 2014. The tariff multiplier contained in the application

is equal to 1.669 for 2014 and 1.660 for 2015, therefore 9% higher than that prescribed, based on AEEGSI studies.

Following the notice given by AEEGSI to the Area Authority, on 14 July 2014 the Mayors' Conference approved the maximum tariff multiplier for 2014 and 2015 calculated provisionally using the tariff method (respectively 1.090 for 2014 to be applied to the 2013 tariffs and 1.090 for 2015 to be applied to the 2014 tariffs), resulting in temporary tariffs of 1.680/m<sup>3</sup> for 2014 and 1.831/m<sup>3</sup> for 2015, "without prejudice to the fact with regard to the *theta* values proposed by the operator resulting in tariff changes, in absolute terms, exceeding the MTN limit, an investigation shall be ordered by AEEGSI."

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

The Mayor's Conference also decided to "send the resolution to AEEGSI, along with the documentation on the agenda for the consequent investigation, in observance of the AEEGSI notice served on 16 June 2014, in accordance with art. 5 paragraph 5.6 of Resolution No. 643/2013/R/idr". The Mayor's Conference resolution was published at the end of September 2014.

On 19 February 2015, with regard to preliminary studies as per paragraph 7.1 of resolution 585/2012, AEEGSI contacted the Area Authority requesting information and explanations, to be provided by 6 March 2015.

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

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

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

## GORI

The Company manages the Integrated Water Service throughout the entire territory of ATO No. 3 Sarnese Vesuviano in the Campania Region, covering a surface area of 897 Km<sup>2</sup> and a

population of approximately 1.44 million euros inhabitants. A total 4,388 km of water network is currently managed consisting of a 360 km primary abstraction network and a 4,028 km distribution

network, with a 2,298 km drainage and sewerage system.

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

### TECHNICAL DATA 2014

|   |       |                  |
|---|-------|------------------|
| <b>Municipalities Managed</b>                           | (no.) | <b>76</b>        |
| <b>Resident population (ISTAT figures at 1/1/ 2013)</b> | (no.) | <b>1,441,170</b> |
| Water distribution network                              | (Km)  | 4,028            |
| Abstraction network                                     | (Km)  | 360              |
| <b>Total Network</b>                                    | (Km)  | <b>4,388</b>     |
| <b>Sources</b>  | (no.) | <b>9</b>         |
| <b>Wells</b>  | (no.) | <b>67</b>        |
| <b>Reservoirs</b>                                       | (no.) | <b>183</b>       |
| <b>Pumps</b>  | (no.) | <b>113</b>       |
| <b>DRAINAGE AND SEWERAGE SERVICE</b>                    |       |                  |
| <b>Drainage and Sewerage Network</b>                    | (Km)  | <b>2,298</b>     |
| <b>Pumps</b>  | (no.) | <b>149</b>       |
| <b>WATER TREATMENT SERVICE</b>                          |       |                  |
| <b>Plants</b>   | (no.) | <b>12</b>        |

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

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

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

Since the previous assumptions formed the basis for determining the 2014 VRG (guaranteed income restriction) entered in the financial statements, it is also necessary to specify the changes occurring in the meantime having an impact on said limit. It is firstly necessary to consider the coming into force of Campania Regional by-law no.

16/2014, "Intervention to boost and develop the regional economy and update the regulatory and organisational system (connected to regional stability by-law 2014)" which in paragraphs 88-91 of art. 1 requires that Regional Works be transferred to I.I.S. operators operating in Campania only after a period of efficiency-raising, to be carried out within thirty-six months. Said transfer will therefore presumably occur at the beginning of 2018. Secondly, following the inspection conducted by the Authority at GORI on 15 April 2014, some doubts were raised regarding some base assumptions for calculating the 2012 and 2013 tariffs. The points raised have a negligible impact on the 2012/2013 Restriction and on the *theta*, and have been considered as a precautionary measure for the purposes of calculating the 2014 Restriction.

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

For 2014, therefore, a VRG of 174.2 million euros was determined (Group share of this 64.5 million euros), corresponding to an incremental *theta* of 1.438 in respect of the 2012 tariff. These revenues, as in 2012 and 2013, include the difference between the revenue derived from the application of the rules in Resolutions Nos. 585/2012 and 643/2013 and the maximum allowed

in the first phase: said difference amounts to a total 39.0 million euros (Group share 14.4 million euros). Prior adjustments accrued at 31 December 2011 amount to 79.4 million euros (Group share 29.4 million euros), initially 122.5 million euros (Group share 45.3 million euros). These adjustments were approved, in accordance with Article 31 of Annex A of Resolution No. 643/2013, by the Acting Commissioner of the Area Authority in Resolution No. 43 of 30 June 2014. The resolution also established billing times as four years, for the same amount. The decrease derives from billing first issued in September 2014. Finally, it is noted that because of the implementing agreement signed on 24 March 2014 between the Campania Region, the acting Commissioner of the Sarnese Vesuviano Area Authority and the Company, resulting in the re-calculation of the debt with the Campania Region, fixed as a result of the settlement agreement of 24 June 2013, tariff adjustments accrued up until 2011 were increased by 9.8 million euros (Group share 3.6 million euros).

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

As for the 40 million euros bridge loan that



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

### **GESESA**

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

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

The Company manages the IIS in 12 Municipalities of the Province of Benevento, serving a total population of about 95,000 inhabitants over an area of 451 km<sup>2</sup>. There are about 45,000 served users. The sewerage and water treatment service is supplied to around 80% of users.

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

### **TUSCANY - UMBRIA AREA**

#### **ACQUE**

The management agreement, which came into force on 1 January 2002 with a twenty-year duration, was signed on 28 December 2001. In accordance with said agreement, the Operator took over the exclusive integrated

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

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

With reference to the 2014 and 2015 tariff proposal approval process, on 3 April 2014 the Territorial Conference of the Lower Valdarno ATO2 approved the guaranteed Revenue limits and the *theta* for 2014 and 2015.

Compared to the previous year the *theta* is equal to 6.5% for both 2014 and 2015. In order to maintain the tariff increase at this level, the tariff recovery of the 2012 adjustments repayment component was postponed to 2016.

On 24 April 2014 the Company sent the tariff update request in accordance with Resolution No. 643/2013/R/idr and the methods required by AEEGSI. On the same date the Meeting of the Tuscany Water Authority approved the tariff proposal as formulated by the Territorial Conference.

The data and evaluations in the update request presented by the Company differ from the calculations approved by the Meeting of the Tuscany Water Authority as to the formula used to calculate the tariff multiplier, as the Company considers the formula adopted by the Tuscany Water Authority to be incorrect, failing to respect the principle of full cost recovery.

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

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

2011 adjustments for previous periods were approved by the Tuscany Water Authority on 30 June 2014 by Resolution No. 35 and amount to 3.8 million euros (Group share 1.7 million euros). On 31 July 2014 in Resolution No. 402/2014 AEEGSI approved "the tariff proposals reported

to the Authority pending further preliminary investigation by the Tuscany Water Authority, concerning the remarks made by Acque S.p.A. the results of which may be considered as an adjustment." The Tuscany Water Authority approved the Company's observations and intends to include them as adjustments in the next Economic-Financial Plan.

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

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

### **PUBLIACQUA**

The management agreement, which came into force on 1 January 2002 with a twenty-year duration, was signed on 20 December 2001. In accordance with said agreement, the Operator took over the exclusive integrated water service of ATO no. 3, comprising all public water collection, abstraction and distribution services for civil use, sewage systems and the treatment of wastewater. The Area includes 49 municipalities, of which 6 managed via agreements inherited from the previous operator, Fiorentinagas. In return for awarding the concession, the Operator pays a fee to all the Municipalities, including accumulated liabilities incurred prior to award of the related contracts. In June 2006, ACEA - via the vehicle Acque Blu Fiorentina S.p.A. - completed its acquisition of an interest in the company.

With reference to the 2014 and 2015 tariff proposal approval process, on 18 April of this year Territorial Conference No. 3 Middle Valdarno of the Tuscan Water Authority approved the new tariff and the Economic-Financial Plan for 2014-2021, approved also by the Meeting of the Tuscany Water Authority on 24 April 2014. Compared to the previous year the *theta* is equal to 3.4% for 2014 and 6.4% for 2015. In Resolution No. 402/2014/R/idr, AEEGSI approved the 2014 and 2015 tariff multipliers respectively equal to 1.101 and 1.171; these multipliers take into account, considering the

amount of investments planned, a shorter useful asset life compared to regulatory life, further to the Tuscany Water Authority's right to adopt financial amortization. Furthermore, the Guaranteed Income Restriction (VRG) includes the valorisation of the FNI<sup>new</sup> component calculated on the basis of parameter  $\Psi$  equal to 0.4.

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

The Tuscan Water Authority, in a letter dated 27 September 2013, implemented the 4<sup>th</sup> tariff review relevant to costs, announcing it wished to apply it to the years 2010-2011, excluding 2012 therefore, the year in which the Transitional Tariff Method came into force. The review concluded with the approval of Resolution No. 36 - 30 June 2014: the Tuscan Water Authority calculated an adjustment of 8.9 million euros (Group share 3.6 million euros), about 10 million euros (Group share 4 million euros) less than the figure set aside in previous years, representing the recovery of lower depreciation and amortisation and remuneration of invested capital which, when the MTN was in force, was recognised to the previous operator.

In terms of financing sources, on 29 November 2012 the company took out a new bridge loan with a duration of 18 months minus one day, until 23 May 2014 for a total of 75.0 million euros, of which a total of 60 million euros disbursed on the subscription date.

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

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

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

#### **ACQUEDOTTO DEL FIORA**

Based on the agreement signed on 28 December 2001, Acquedotto del Fiora is to supply integrated water services on an exclusive basis

in ATO no. 6 Ombrone, consisting of public services covering the collection, abstraction and distribution of water for civil use, sewerage and wastewater treatment.

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

In August 2004, ACEA – via the vehicle Ombrone S.p.A. – completed its acquisition of an interest in the company.

With reference to the 2014 and 2015 tariff proposal approval process, on 8 April the Territorial Conference No. 6 Ombrone of the Tuscan Water Authority approved the new tariff and the Economic-Financial Plan for 2014-2021, approved also by the Meeting of the Tuscany Water Authority on 24 April 2014. Compared to the previous year the *theta* is equal to 6.5% for both 2014 and 2015. On 31 July 2014 AEEGSI confirmed the above in Resolution No. 402/2014/R/idr, approving the 2014 and 2015 tariff multipliers, respectively equal to 1.134 and 1.208; these multipliers take into account, considering the amount of planned investments, the shorter useful asset life compared to regulatory life, further to Tuscany Water Authority's right to adopt financial amortization. Furthermore the Guaranteed Income restriction (VRG) includes the valorisation of the FNI<sup>new</sup> component calculated on the basis of parameter  $\Psi$  equal to 0.5.

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

2011 adjustments for previous periods were approved by the Tuscany Water Authority on 30 June 2014 by Resolution No. 38 and amount to 4.2 million euros (Group share 1.7 million euros). Revenues in 2014 amounted to a total of 90.1 million euros, including adjustments of pass-through items (Group share of 36.1 million euros).

In financial terms, on 5 March 2012 the company signed an extension to the bridge loan agreement for a further 18 months, i.e. to September 2013, which increased from 80 million euros to 92.8 million euros after disbursement of a further 12.8 million euros. Finally, on 5 September 2013 a further extension of the Bridge was agreed up to 105.0 million euros (Group share 42.0 million euros) expiring 30 September 2014, required to cover the remaining new investments in 2013 and a significant portion of the investments listed in the Plan for 2014. The procedures which would hopefully have

made it possible to consolidate the current loan in a medium/long-term financial structure by the date of maturity of the Bridge loan, and cover the moderate financial requirements still needed to complete the Plan of Action, were at an advanced stage. At the same time, considering new regulations, and following the Tuscany Water Authority's resolution on the new Water Tariff Method, the Company sent letters of invitation for the procedure to select one or more Banks interested in the project, with 31 July 2014 set as the deadline for presentation of the offers, extended to 15 October 2014 on request of the same banks. In consideration of the above extension of the deadline for the presentation of offers for a medium/long-term loan, as the same is also required to refinance the existing Bridge loan, the 30 September 2014 maturity of the same "Bridge" loan is no longer coherent and for these reasons in August the Company quickly requested an extension to the Bridge maturity date, suggesting 31 March 2015 as the new maturity date.

#### **UMBRA ACQUE**

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

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

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

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

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

## NETWORKS OPERATING SEGMENT

### OPERATING FIGURES, EQUITY AND FINANCIAL RESULTS FOR THE PERIOD

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

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

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

The drop is a combination of (i) the decrease for ACEA Distribuzione with regard to the first margin on the sale of energy, down 10.6 million euros, chiefly due to the new business tariff for 2014, (ii) the reduction in the Vatican margin, and (iii) a drop in consumption. These falls were only partially offset by (i) the rise in cost efficiency obtained by the company, and (ii) the drop in margins of the PV division by 1.4 million euros. Margins deriving from public lighting were

basically in line with those of the previous year. Staff costs fell by 7.0 million euros compared with 2013, basically due to the rise in capitalised costs as a result of changes during the course of 2014 to procedures for the capitalisation of in-house costs.

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

Net debt at the end of 2014 was 623.1 million

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

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

## OPERATING REVIEW

### ELECTRICITY DISTRIBUTION

#### ENERGY REPORT

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

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

## TRANSPORT SERVICE TARIFFS

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

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

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

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

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

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

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

Furthermore, the flat rate connection contributions of each company are deducted directly from the invested capital, considering them as equal to MV/LV assets with an acknowledged regulatory useful life of 30 years. Another novelty of the fourth regulatory cycle relates to the breakdown of the tariff by withdrawal point (with the exception of public lighting points), unlike the previous cycle, when the reference distribution tariff depended on withdrawal points, consumption and power capacity. This choice related to the need to stabilise distribution revenue using a variable that was less subject to energy demand fluctuations.

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

on this notification by 30 March 2015 when communicating the tariff of reference for 2015. In Resolution No. 607/2013 of 19 December 2013, AEEGSI updated the tariffs for electricity transmission, distribution and metering services and the economic conditions for the provision of connection services for the year 2014, and with Resolution No. 154/2014 of 3 April, published the business-based tariff for 2014.

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

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

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

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

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

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

The general equalisation mechanisms for

distribution costs and revenue for the new regulatory cycle are:

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

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

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

Pending a new review of the method for covering costs related to in-house use of electrical energy, the regulation on the equalisation of electrical energy purchased to be used in-house for transmission and distribution purposes continues to apply. The regulation governing load profiling requires electricity for customers in the protected categories market to be quantified on a residual basis, and to also include electricity consumed in-house for distribution and transmission purposes. AEEGSI also confirmed, without changes, the calculation method for equalisation of the purchase cost of electricity for distribution companies absorbed in-house for transmission and distribution purposes in accordance with the Retail Service Code.

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

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

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

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

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

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

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

AEEGSI has not extended said mechanism to 2014.

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

### ENERGY EFFICIENCY OBJECTIVES

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

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

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

equal to 199,154 and 244,502 Energy Efficiency Certificates respectively.

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

### AEEGSI SUPERVISION

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

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

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

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

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

The same commitments provide for a way to make up for prejudicial behaviour - represented by the discrepancy between metering figures and invoiced amounts for 2011 and 2012

charges - by the month of October 2013, and the objective proof of the system - with reference to the 2013 charges - for the final settlement of the problems in the process that caused said discrepancies.

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

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

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

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

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

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

Finally, on 16 and 17 September of this year, AEEGSI, in collaboration with the Italian Finance Police, performed an audit on ACEA Distribuzione concerning the electricity metering service in accordance with Resolution No. 239/2014/R/eel. This audit is part of the study conducted on the metering service implemented by Resolution No. 475/2013/R/eel which finished on 18 June, concerning:

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

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

### PUBLIC LIGHTING

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

The key points of the renegotiation are:



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

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

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

## PV POWER, ENERGY SAVING AND COGENERATION

### PV POWER

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

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

In particular, on 23 December 2013 Law Decree No. 145 (“Destination Italy”) was passed, and in accordance with art. 1, paragraph 2 starting from 1 January 2014, the Minimum Guaranteed Prices defined by AEEGSI to apply the dedicated withdrawal service indicated in Resolution No. 280/07, for each plant are equal to the hourly zonal price in the case in which the energy withdrawn is produced by plants benefiting from electricity tariff incentives.

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

- 6 per cent for plants having a nominal capacity in excess of 200 kW and up to 500

kW (nominal capacity is taken to mean the sum of capacities of single sections benefiting from incentives);

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

### ENERGY SAVING

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

## CORPORATE

### EQUITY AND FINANCIAL RESULTS FOR THE PERIOD

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

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

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

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

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

## ACEA S.p.A. BUSINESS ACTIVITIES

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

Within the Group, ACEA S.p.A. acts as a centralised treasurer for the major subsidiaries.

Inter-company transactions, pending the review of existing treasury agreements, expired on 31 December 2013 but extended to 31 December 2014, consist of:

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

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

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

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

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

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

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

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

# SIGNIFICANT EVENTS DURING THE PERIOD

## MOODY'S CHANGES ACEA'S OUTLOOK FROM "NEGATIVE" TO "STABLE"

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

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

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

## BOND ISSUE PROGRAMME

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

## FITCH RATINGS CHANGES ACEA SPA'S OUTLOOK FROM "NEGATIVE" TO "STABLE" CONFIRMING A "BBB+" RATING

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

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

## ACEA S.P.A. - SHAREHOLDERS' MEETING

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

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

## ACEA S.P.A. - APPOINTMENT OF THE CHIEF EXECUTIVE OFFICER

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

In line with the previous system, the CEO was granted all the powers related to the ordinary management of the Company and the Group. The Board of Directors also confirmed Franco Balsamo as Executive Responsible for Financial Reporting.

## ACEA S.P.A. - APPOINTMENT OF INTERNAL COMMITTEES MEMBERS

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

- Audit and Risk Committee (Elisabetta Maggini, Paola Antonia Profeta, Giovanni Giani)
- Related Party Transactions Committee (Diane d'Arras, Elisabetta Maggini, Paola Antonia Profeta)
- Appointment and Remuneration Committee (Elisabetta Maggini, Paola Antonia Profeta, Giovanni Giani)

- Ethics Committee (Paola Antonia Profeta, Francesco Caltagirone, Elisabetta Maggini).

## PLACEMENT OF 600 MILLION EUROS BOND ISSUED UNDER THE EMTN PROGRAMME

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

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

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

## ACEA: 200 MILLION EUROS FROM THE EUROPEAN INVESTMENT BANK (EIB) TO BOOST THE WATER SERVICE IN ROME AND LAZIO. TOTAL PLANNED INVESTMENTS OF 680 MILLION

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



# SIGNIFICANT EVENTS AFTER THE REPORTING DATE

## **ACEA 2.0: 500 MILLION EUROS INVESTED IN THE DIGITAL MANAGEMENT OF INFRASTRUCTURES AND NETWORKS**

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

created by multinational SAP, allowing the real-time coordination and monitoring of all the activities performed by ACEA and its suppliers.

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

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

Once operational, the new contracts in place will make it possible to digitally manage every working

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

# MAIN RISKS AND UNCERTAINTIES

Due to the nature of its business, the Group is exposed to various types of risks, and in particular to regulatory risks, credit risks, operating risks, foreign exchange risks, market risks, liquidity risks and interest rate risks. In order to reduce these risks, the Group performs analyses and monitoring as described below. Note that, on the date of preparation of this report on operations, we do not expect the ACEA Group to be exposed to further risks and uncertainties that may have a significant impact on the results of its operations, equity or financial position, other than those mentioned in this document.

## REGULATORY RISKS

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

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

## OPERATING AND ENVIRONMENTAL RISKS

### ACEA ATO2 – CRITICALITIES ASSOCIATED NON-COMPLIANT DISCHARGES

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

The biggest criticalities have come from the presence of discharges that have not yet been adequately treated and/or existing treatment plants that need to be restored and/or upgraded

to meet new emission standards decided by the Supervisory Authority following a new assessment of the hydrological system of receptor waterways, or even the nature of the receptor (soil rather than water body) in cases in which it was believed that the discharge of some treatment plants into the ground in cases of dried-up waterways, when they were found to be dried up at the time of inspection.

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

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

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

This Plan of Actions has run into problems however, due to the long-term nature of the performance of works, which is at odds with the need to immediately comply with existing legislation. These time issues relate to both the granting of authorisations and the actual building/work performance phase.

These problems are compounded by the lack of impetus regarding investments in the sector, in view of the length of time required to implement the provisions of the Galli Law, and the consequent need to improve infrastructures in very short spaces of time compared with the time needed to get through the authorisation process provided for by existing legislation. This has led to delays in the performance of works in relation to Community directive constraints in the sphere of the environment and drinking water, resulting in infringement procedures initiated by the European Union.

These criticalities have been reported by the

Company at all institutional levels (Lazio Region, Province of Rome, Area Authority ATO2, Prefecture, Municipal Administrations) in order to get all actors concerned involved in actions to speed up administrative procedures that need to be done before the work can begin.

### ACEA ATO2 – CRITICALITIES OF THE SEWERAGE AND WATER TREATMENT SYSTEM

In terms of authorisations, criticalities remain regarding the classification of the hydraulic regime for waterways, and in general receptor water bodies, which is responsible, especially when renewing authorisations, for the application of more restrictive limits or in any case limits that differ from those for which the structure was designed, built and managed. In some cases the Company has resorted to administrative justice to seek the removal of ordinances deemed to be at odds with law provisions.

In terms of sanctions, during the course of 2014 there was a relative decline in the number of administrative penalties inflicted for violations of rules on discharges, said rules suffering from the uncertainty surrounding the regulatory framework for the classification of receptor bodies as mentioned above.

Some water treatment activities were investigated by the Judicial Authorities in 2014, with the issue of seizure orders for two purification plants; for one of these the seizure order was removed during the year. During the year orders were issued for the release from seizure of another three plants. With reference to large treatment plants, seizure orders remain on the Roma Nord and Roma Est plants, in connection with which the Company, while fully defending its operations, has continued to implement the extraordinary maintenance and revamping plan, complying with the instruction from the relevant authorities.

### ACEA ATO2 – CRITICALITIES OF THE DRINKING WATER SYSTEM

Following the acquisition of IIS management, two criticalities have emerged:

- the quality of drawn water;
- water scarcity chiefly in the area to the south of Rome.

With regard to the first point, and the qualitative and quantitative crisis caused by the presence of water sources whose quality does not come up to standards for chemical parameters such as arsenic and fluoride naturally present in underground water supplies in areas of volcanic origin, with consequent problems in terms of the quantity and quality of distributed water (Municipalities in the Castelli Romani area,

and more generally in the volcanic areas of the ATO having more than 170,000 inhabitants and fourteen Municipalities), the Company has worked to draw up and enact adequate recovery plans to ensure that parameters laid down in legislative decree 31/2001 are met, said plans to be included in the subsequent planning of investments in the Area Plan.

To this end, the following actions have been planned and rolled out:

- substitution of local water supplies deemed to be qualitatively critical with higher-quality sources;
- mixing of sources with water devoid of undesired elements;
- construction of potabilisation plants by means of filtration technology or reverse osmosis.

The above activities were completed in 2014 with the putting into service of the “Le Corti” water purifier in the Municipality of Velletri.

Today, following the completion of the above activities, it is necessary to complete already planned actions to ensure the quality of water supplied to the above-mentioned areas even under unfavourable conditions (drought, service interruptions) and to implement potabilisation plants in order to raise reliability. The Company’s efforts will then focus on building new plants to increase water supplies, particular in the summer season, in the municipalities of Oriolo Romano, Sant’Oreste, Allumiere (second) and Fiano Romano.

As regards the second criticality, namely the scarcity of water chiefly in the Colli Albani area, whose supplies depends on the aqueducts of Simbrivio, Doganella and over 140 local wells, over the years a number of interventions have been carried out to reduce the problem, such as diverting the Pertuso spring, activation of new plants, the Arcinazzo reservoir and the Ceraso “booster” plant.

Despite these actions and favourable climate trends, during the course of 2014 some criticalities again emerged in municipalities in the Colli Albani zone (Velletri, Genzano di Roma, Lanuvio and Ariccia), mainly connected with the configuration of plant and network infrastructures in the territory, for which the Company is looking into the most appropriate measures that need to be adopted.

## ENERGY SEGMENT

With regard to the *Energy Segment*, the main operational risks linked to the activities of the subsidiaries (Acea Energia and Acea Produzione) may regard material damage (damage to assets, shortcomings of suppliers, negligence), damage due to lost output, human resources and damage deriving from external systems and events.

To mitigate these operational risks, the companies have entered into a series of insurance policies from the start of their operations, to cover Property Damage, Business Interruption and Third Party Liability with leading insurance companies. Particular attention has been devoted by the companies to the training of their employees, as well as the definition of internal organisational procedures and the drafting of specific job descriptions.

## NETWORKS SEGMENT

The main risks associated with the *Networks Segment* can be classified as follows:

- risks relating to the effectiveness of the investments for the replacement/renewal of grids, in terms of expected effects on the improvement of service continuity indicators;
- risks relating to quality, reliability and duration of the works carried out;
- risks relating to the ability to meet the terms for obtaining prescribed authorisations, regarding both the construction and start-up of plants (pursuant to Regional Law 42/90 and related regulations) and performing work (authorisations of municipalities and other similar authorisations), according to the need to develop and enhance the plants.

**Risks relating to the effectiveness of investments** relate primarily to the increasingly stringent rules of the electricity and gas Authority on the subject of service continuity. ACEA Distribuzione is combating this risk by enhancing instruments for the analysis of network functioning in order to better direct investments (e.g. ORBT Project), and applying new technologies (e.g. automation of MV network, smart grid, etc.)

As far as the risk linked to work quality is concerned, ACEA Distribuzione implemented operational, technical and quality control systems, including the creation of the Works Inspection Unit, which forms part of the Quality and Safety department. The results of the inspections, which are processed electronically, give rise to rankings (reputational indicators), that will be used to award contracts under a “*vendor rating*” system, developed in collaboration with the University of Tor Vergata (Rome). This system ranks contractors according to their reputation, scored on the basis of their ability to meet the quality and safety standards for contract work.

The system also allows the identification and application of penalties. In cases of serious default, the principal may also suspend the contractor’s activities. In 2014, 43 work sites were suspended due to safety non-compliance out of a total of 1,240 inspections conducted. During the year, the good level in the reputation indicator was confirmed for the companies that

have worked for ACEA Distribuzione.

ACEA S.p.A.’s Safety and Protection Unit is implementing a rating system for Suppliers, in which the above indicator plays a part. A rating system is also in place regarding the services awarded to external professionals involved in the planning and execution of works. The **risk relating to the ability to meet deadlines** arises from the number of organisations that have to be addressed in the authorisation procedures and from the considerable uncertainty linked to the response times of these organisations; the risk lies in the possibility of denials and/or in the technical conditions set by the above entities (such as the construction of underground rather than above-ground plants, with a subsequent increase in plant and operating costs). It should also be noted that lengthy proceedings result in higher operating costs, are difficult to deal with for operating structures (drafting and presentation of in-depth project examinations, environmental studies, etc.) and require participation in service conferences and technical meetings at the competent offices. However, the substantial risk is still essentially linked to the non-obtainment of authorisations, with the result being the inability to upgrade plants and subsequent greater risk linked to the technical performances of the service (at present there are delays in upgrading the HV network in the coastal area and the Terna procedure to construct a new Castel di Leva primary substation. It is noted that a particularly critical point is the long response times of a number of the administrations contacted.

## ENVIRONMENT SEGMENT

The waste-to-energy plants, as well as, to a lesser extent, waste treatment plants, are highly complex from a technical point of view, requiring the companies to employ qualified personnel and adopt organisational structures with a high level of *know-how*. The need to maintain the plants’ technical performance levels and to prevent personnel with specific expertise (who are difficult to recruit) from leaving the companies, represent tangible risks. These risks have been mitigated by implementing specific maintenance and management programmes and protocols, drawn up partly on the basis of the experience acquired in plant management.

Moreover, the plants and related activities are designed to handle certain types of waste. The failure of incoming material to meet the necessary specifications could lead to concrete operational problems, sufficient to compromise the operational continuity of the plants and give rise to risks of a legal nature.

For this reason, specific procedures have been adopted for monitoring and controlling incoming

materials via spot checks and the analysis of samples pursuant to legislation in force.

## MARKET RISK

The Group is exposed to various market risks with particular reference to the risk of price oscillations for *commodities* being bought and sold, interest rate risks and foreign exchange risks to a lesser extent. To reduce the exposure to within the defined limits, the Group enters into contracts drawn up on the basis of types offered by the market.

## FOREIGN EXCHANGE RISK

The Group is not particularly exposed to this type of risk, which is concentrated in the conversion of the financial statements of its overseas subsidiaries.

As regards the 20 billion yen *Private Placement*, the exchange rate risk is hedged through a *cross currency* swap described in the section on interest rate risk.

## COMMODITY PRICE RISK

The Group is exposed to variations in the price of electricity, which can have a significant effect on results.

To reduce this risk, the Group adopts a control structure that analyses and measures exposure to market risk in line with the Guidelines of ACEA's Internal Control System and with the general Risk limit criteria of the Energy Industrial Area.

Risk analysis and management is performed according to a *Risk Management* process which involves the execution of activities throughout the entire year, on the basis of different frequencies (annual, monthly and weekly). The execution of those activities is distributed between the *Risk Control* Unit and the *Risk Owners*. In particular:

- the measurement of risk indicators, or limits, that must be observed in the management of the portfolio, are defined on a yearly basis. These activities are performed by the Risks Committee, which approves the *Risk Control* proposal;
- the *Risk Control* unit is responsible for checking exposure to market risks of companies in the Energy segment and for ensuring compliance with defined limits on a monthly basis. When requested by the Internal Control System, *Risk Control* is responsible for transmitting to ACEA S.p.A.'s *Internal Audit* Unit the requested information in an appropriate format.

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

- minimise the overall risk for the entire segment;

- ensure the necessary operational flexibility for commodity procurement and hedging activities;
- reduce the possibility of *over-hedging* deriving from changes in likely volumes for the definition of hedging.

The Market risk is broken down into Price Risk, i.e. the risk relating to the change in commodity prices, and the Volume Risk, i.e. the risk relating to changes in volumes actually sold compared with volumes forecast in sales contracts with end users (sale profiles). The aim of risk analysis and management is generally that of ensuring that financial objectives of the ACEA Group are achieved; in particular:

- protecting the First Margin against unexpected and unfavourable short-term shocks in the Electricity and Natural Gas market that can have an impact on revenues or costs;
- identifying, measuring, managing and reporting exposure to risk of the company ACEA Energia;
- reducing risks through the drafting and application of adequate internal controls, procedures, information systems and competencies.
- entrusting the Risk Owner with the task of proposing suitable operational strategies for single risks, within predetermined minimum and maximum levels.

The assessment of exposure to risk entails the following activities:

- aggregation of commodities and architecture of the risk books;
- careful analysis of hourly patterns of purchases and sales, contained open positions, i.e. exposure of physical positions for purchase and sale of single commodities, within predetermined volumetric limits;
- creation of reference scenarios (prices, indexes);
- calculation of risk indicators/metrics (volumetric exposure, VAR, portfolio PAR, price range);
- checks on observance of existing risk limits.

## INTEREST RATE RISK

The ACEA Group's approach to managing interest rate risk, which takes the structure of assets and the stability of the Group's cash flows into account, has essentially been targeted, up to now, at hedging funding costs and stabilising cash flows, in such a way as to safeguard margins and ensure the certainty of cash flows deriving from ordinary activities.

The Group's approach to managing interest rate risk is, therefore, prudent and the methods used tend to be static in nature.

A static (as opposed to dynamic) approach

means adopting a type of interest rate risk management that does not require daily activity in the markets, but periodic analysis and control of positions based on specific needs. This type of management therefore involves daily activity in the markets, not for trading purposes but in order to hedge the identified exposure over the medium/long term.

ACEA has, up to now, opted to minimise interest rate risk by choosing a mix range of fixed and floating rate funding instruments.

As previously noted, fixed rate funding protects a borrower from *cash flow* risk in that it stabilises financial outflows, whilst heightening exposure to *fair value risk* in terms of changes in the market value of the debt.

## LIQUIDITY RISK

Group policy for managing the liquidity risk, for both ACEA and subsidiaries, is to adopt a financial structure which, coherent with business objectives and within the limits defined by the Board of Directors, guarantees a suitable liquidity level to meet financial requirements, maintaining the correct balance between duration and composition of the debt.

The liquidity risk management process, using financial instruments for planning suitable expenditure and income for optimal treasury management and monitoring the group debt trend, adopts a centralised treasury management system, which provides financial assistance to subsidiaries and associates not covered by a centralised finance contract.

## CREDIT RISK

In 2012 ACEA drew up the guidelines for the *credit policy* which established different credit management strategies through criteria of flexibility on the basis of the customer segmentation. Credit risk is managed by taking into account both the customer type (public and private) and the non-uniform behaviour of individual customers (*behavioural scores*). Debt collection strategies are managed dynamically through a Credit management system, implemented in recent years for the main companies in the Group. The ACEA2.0 Project also includes the global review of the credit management process in terms of an application map and the standardisation of activities for all Group companies. From an organisation point of view, centralised management was further consolidated by setting up ad hoc Parent Company organizational units. The structures of each single company responsible for managing credit refer to ACEA's CFO in an *end-to-end* process.

In 2014 too the Group continued to assign revolving and spot credit without recourse, to private customers and Public Administrations.

These operations led to the elimination from the financial statements of all the corresponding activities subject to disposal as all the deriving risks and benefits had been transferred.

**RISKS RELATING TO RATING**

Access to the capital market and other forms of funding and the related costs, depends among other things on the Group's credit rating. A reduction in the credit rating by rating agencies could represent a limiting factor

for access to the capital market and increase collecting costs with the consequent negative effects on the equity, economic and financial standing of the Group. ACEA's current rating is shown in the following table.

| <b>Company</b>               | <b>M/L TERM</b> | <b>SHORT TERM</b> | <b>OUTLOOK</b> | <b>DATE</b> |
|------------------------------|-----------------|-------------------|----------------|-------------|
| <b>Moody's</b>               | Baa2            | Na                | Stable         | 19/02/2014  |
| <b>Standard &amp; Poor's</b> | BBB-            | A-3               | Stable         | 18/10/2013  |
| <b>Fitch</b>                 | BBB+            | F2                | Stable         | 29/05/2014  |

# OPERATING (AND FINANCIAL) OUTLOOK

## THE ACEA GROUP'S RESULTS FOR 2014 ARE BETTER THAN EXPECTED.

In the **environment sector**, the overall positioning of ARIA, the owner, either directly or through its subsidiary SAO, of important plant infrastructures intended for the generation of electric power from the recovery of waste, makes it possible to positively assess the short and medium-term business outlook. This is also in consideration of the development of the energy recovery plant infrastructures which the Group intends to perform at the San Vittore waste-to-energy plant where the interventions already authorised by the Lazio Regional Authority will be implemented. The waste disposal situation of the Lazio Regional territory remains critical, made particularly evident by the establishment, pursuant to the provisions of art. 1, paragraphs 358 and 359 of Law 228/2012, of an administration under a government-appointed Commissioner, introduced by decree of the Ministry of Environment, Land and Sea of 3 January 2013, concerning the critical situation in the management of municipal waste in the Province of Rome. In this context, the Industrial Plan contains new investments to further increase RDF and waste-to-energy output capacity and composting capacity in order to become the country's third largest national operator in the area of industrial waste treatment. With reference to the seizure of the Kyklos plant as a result of the fatal accident on 28 July, all actions useful in resuming business activity in 2015 will be carried out.

In the **electricity generation** sector structural work will be done to repair the Castel Madama power station (settling of the feeder tunnels), and current industrial projects will continue, with particular reference to the extension of the district heating network, where work will continue for at least 3 years, serving the Torrino-Mezzocammino district in the south of Rome. Furthermore, to increase the production efficiency of the Tor di Valle plants, the planning, design and management of the authorisation procedure for the modernisation of the site will be completed so work can start.

In the **water services segment**, the primary goal will be to implement the actions necessary to keep working capital under control. AS part of the ACEA 2.0 project, the first two industrial segments to be "digitalised" will be water network management in Rome and Frosinone, starting with the selection of suppliers, who will be obliged to adopt the new digital work method.

As regards the **networks sector**, AEEGSI Resolution No. 157/2012 of 26 April that approved the ACEA Distribuzione reference tariff eliminated uncertainty arising from the provisional tariff. Even so, some uncertainty remains, associated with the still undefined equalisation items related to the third regulatory period. To these regulatory uncertainties one should add the difficulties in the operating environment that affect the ability to comply with technical and managerial standards. The main actions to be taken, in fact, shall continue to focus on capital expenditure, processes and organization. In this respect, the electricity distribution process in Rome (just as the water networks of Rome and Frosinone) will be "digitalised".

In the **electricity trade** market, there will be all the more focus on the careful selection of customers, with particular reference to solvency, continuing to grow in terms of commercial expansion in the *mass market* with the aim of acquiring domestic and *small business* customers.

A goal that vendors have all but reached is to implement all the necessary measures aimed at constantly improving the billing and sales process in order to limit the growth of working capital and help curb the Group's debt.

The ACEA Group will continue to rationalise and streamline operating processes in all business and corporate areas. These goals will be pursued in part through the wholesale development of information systems, with special reference to *billing* and the introduction of *workforce management*.

The ACEA Group's financial structure is solid for years to come, as the entire debt is characterised at 31 December by long-term maturities with an average lifespan of about 7.6 years. 64.2% of debt is fixed rate in order to ensure protection against any increases in interest rates as well as any financial or credit volatility.

As of today, ACEA has *committed* and *uncommitted* credit lines totalling approximately 1.1 billion, of which 300 million euros maturing after 2015.

The long-term ratings assigned to ACEA by the main international rating agencies are as follows:

- Standard & Poor's: "BBB-";
- Fitch "BBB+";
- Moody's "Baa2".

# RESOLUTIONS ON PROFIT FOR THE YEAR AND DISTRIBUTION TO SHAREHOLDERS

Dear Shareholders,

in inviting you to approve the financial statements, we propose that the profit of 89,601,433.50 for the year ended 31 December 2014 be allocated as follows:

- € 4,480,071.67, 5% of the total, to the legal reserve,
- € 85,100,774.04 to Shareholders, corresponding to a unit dividend of 0.3996,
- € 20,587.78 to be carried forward.

It is also proposed that 10,733,430.96, corresponding to a unit dividend of 0.0504, be allocated to Shareholders via use of the reserve of earnings retained from previous years.

The overall dividend, therefore (coupon no. 16) of 95,834,205.00, corresponding to 0.4500 per share, shall be paid beginning on 24 June 2015 with a detachment date of 22 June and a record date of 23 June.

At the date of approval of the financial statements, treasury shares total 416.993

**ACEA SpA**  
**The Board of Directors**









# 2014

FINANCIAL STATEMENTS

FOR THE YEAR ENDED  
31 DECEMBER 2014

"The Work Force Management procedure will make all our activities more efficient. Even though we are working within a monopoly regime in most of our industrial areas, we must not let up on our quest to continually raise the quality of our work and services".

*Alberto Irace,  
Acea CEO*

**WFM**  
Work Force Management

# FORM AND STRUCTURE

## GENERAL INFORMATION

The ACEA S.p.A. financial statements for the financial year as at 31 December 2014 were approved by Board of Directors' resolution on 11 March 2015. ACEA is an Italian joint-stock company based in Rome, Italy, piazzale Ostiense 2, whose shares are traded on the Milan Stock Exchange.

## COMPLIANCE WITH IAS/IFRS

The financial statements have been prepared under the *International Financial Reporting Standards* (IFRS) effective at the balance sheet date, approved by the *International Accounting Standards Board* (IASB), adopted by the European Union and consisting of the *International Financial Reporting Standards* (IFRS), *International Accounting Standards* (IAS) and interpretations of the *International Financial Reporting Interpretations Committee* (IFRIC) and *Standing Interpretations Committee* (SIC), collectively referred to as "IFRS" and in accordance with art. 9 of Legislative Decree 38/05. ACEA S.p.A. has adopted *International Financial Reporting Standards* (IFRS) as of 2006, with the date of transition to IFRS established as 1 January 2005. The last financial statements prepared under Italian accounting standards relate to 31 December 2005.

## BASIS OF PRESENTATION

The Financial statements for the year ended 31 December 2014 consist of the Statement of Financial Position, Income Statement, Statement of Comprehensive Income, Statement of Cash Flows and Statement of Changes in Shareholders' Equity, all of which have been prepared under IAS

1. They also include notes prepared under the IAS/IFRS currently in effect.

The Income Statement is classified on the basis of the nature of expenses, the Statement of Financial Position is based on the liquidity method by dividing between current and non-current items, whilst the Statement of Cash Flows is presented using the indirect method.

The Financial statements for the year ended 31 December 2014 have been prepared in euros and all amounts have been rounded off to the nearest thousand euros, unless otherwise indicated.

## ALTERNATIVE PERFORMANCE INDICATORS

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

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

## USE OF ESTIMATES

Pursuant to IFRS, in compiling the Financial Statements, the Management is required to make estimates and assumptions that affect the reported amounts of revenue, costs, assets and liabilities and the disclosure of contingent assets and liabilities as at the reporting date. The actual amounts may differ from such estimates. Estimates are used for the recognition of provisions for credit risk, obsolescent inventories, impairment charges incurred on assets, employee benefits, fair value of derivatives, taxes and other provisions. The original estimates and assumptions are periodically reviewed and the impact of any change is recognised in the Income Statement.

In addition, it should be noted that certain estimation processes, especially the most complex, such as the calculation of any impairment of non-current assets, are generally performed in full only when drafting the annual financial statements, unless impairment indicators call for immediate impairment testing. For further details on the estimation methods used in comments on results, kindly refer to the following paragraphs.

# ACCOUNTING STANDARDS AND MEASUREMENT CRITERIA

The most significant accounting standards and measurement criteria are described below.

## NON-CURRENT ASSETS HELD FOR SALE

Non-current assets (and groups of assets being disposed of) classified as held for sale are accounted for at the lower of their previous carrying amount and their market value less sale costs.

Non-current assets (and groups of assets being disposed of) are classified as held for sale when their carrying amount is expected to be recovered through a sale transaction rather than through their continued use in the Company's production activity. This condition is only met when a sale is highly probable, the asset (or group of assets) is available for immediate sale in its present condition and the Management is committed to its sale, which is expected to take place within twelve months of the classification of this item.

## EXCHANGE RATE DIFFERENCE

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

The functional currency used by the Group's Latin American companies is the official national currency. At the reporting date, the assets and liabilities of these companies are translated into ACEA S.p.A.'s presentation currency at closing rates, while their income and expenses are translated at average rates for the period

or at the rates valid at the date of the related transactions. Exchange differences, resulting from the use of different rates to translate income and expenses as opposed to assets and liabilities, are taken directly to shareholders' equity and recognised as a separate component of equity (equity reserve). On the disposal of a foreign economic entity, the cumulative exchange differences booked as a separate component of shareholders' equity (reserve) are recognised in the Income Statement.

## REVENUE RECOGNITION

Revenue is recognised when the amount of revenue can be reliably measured and it is probable that the economic benefits associated with the transaction will flow to ACEA S.p.A. Depending on the type of transaction, revenue is recognised on the basis of the following specific criteria:

### SALE OF GOODS

Revenue is recognised when the significant risks and rewards of ownership of the goods have been transferred to the buyer.

### RENDERING OF SERVICES

Revenue is recognised with reference to the stage of completion of the transaction based on the same criteria used for contract work in progress. When the amount of the revenue cannot be reliably determined, revenue is recognised only to the extent of the recognised expenses that are recoverable.

### FINANCIAL INCOME

Income is recognised on the basis of the interest accrued on the net value of the relevant financial asset by using the actual rate of interest (i.e. the rate of interest required to discount future estimated cash flows and equate them to the initial carrying amount of the asset). Interest is accounted for as an increase in the value of the financial assets recorded in the accounts.

### DIVIDEND INCOME

Dividend income is recognised when the shareholder's right to receive payment is established.

Dividend income is classified as a component of financial income in the Income Statement.

### GRANTS

Grants related to plant investments received from both public and private entities are accounted for at fair value when there is reasonable assurance that they will be received

and that the envisaged conditions will be complied with.

Grants related to specific plants whose value is recorded under plant, property and equipment are recognised as non-current liabilities and progressively recognised in the Income Statement on a straight-line basis over the useful life of the asset to which they refer.

Grants related to the period under review (disbursed in order to provide the Company with immediate financial aid or as compensation for expenses and losses incurred in a previous period) are recognised in the Income Statement in full, once the conditions for recognition have been complied with.

## CONSTRUCTION CONTRACTS IN THE PROCESS OF COMPLETION

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

## BORROWING COSTS

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to be ready for its intended use or sale are capitalised as part of the cost of the asset until it is ready for use or sale. Income on the temporary investment of the borrowings is deducted from the capitalised borrowing costs.

All other borrowing costs are recognised in the Income Statement in the period in which they are incurred.

## EMPLOYEE BENEFITS

Employee benefits disbursed concurrently or after termination of employment in the form of defined-benefit and defined-contribution plans (such as Staff Termination Benefits, Bonuses, Tariff Subsidies, as described in the notes) or other long-term benefits are recognised in

the period in which the related right accrues. The valuation of the liabilities is performed by independent actuaries. Such funds and benefits are not financed.

The cost of the benefits involved in the various plans is determined separately for each plan based on the actuarial valuation method, using the projected unit credit method to carry out actuarial valuations at the end of the reporting period.

The profit and loss deriving from the actuarial calculations are recorded in the operating profit statement, therefore in a specific equity reserve, and are not subject to subsequent recognition in the Income Statement.

## TAXATION

Income taxes for the period represent the aggregate amount of current taxes (under the tax consolidation regime) and deferred taxes.

Current taxes are based on the taxable amount for the period. The taxable amount differs from the result recorded in the Income Statement as it excludes positive and negative components that will be taxable or deductible in other periods and also excludes items that will never be taxable or deductible. Current tax liabilities are calculated

using the tax rates enacted or substantively enacted at the end of the reporting period, and taking account of tax instruments permitted by tax legislation (the domestic tax consolidation regime or pass-through tax treatment).

Deferred taxes are the taxes expected to be paid or recovered on temporary differences between the carrying amounts of assets and liabilities in the Statement of Financial Position and the corresponding tax base used in the computation of the taxable income. They are accounted for using the liability method. Deferred tax liabilities are generally recognised on all taxable temporary differences, whilst deferred tax assets are recognised to the extent that it is probable that future taxable income will be available against which the temporary difference can be utilised.

The carrying amount of deferred tax assets is reviewed at each closing date and reduced to the extent that, based on the plans approved by the Board of Directors, it is no longer probable that sufficient future taxable income will be available against which all or part of the assets can be recovered.

Deferred taxes are determined using tax rates that are expected to apply to the period in

which the asset is realised or the liability settled. Deferred taxes are taken directly to the Income Statement, with the exception of those relating to items taken directly to shareholders' equity, in which case the related deferred taxes are also taken to equity.

## PROPERTY, PLANT AND EQUIPMENT

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

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

Land, whether free of constructions or annexed to civil and industrial buildings, is not depreciated as it has an unlimited useful life. Depreciation is calculated on a straight-line basis over the expected useful life of the asset, applying the following rates:

| DESCRIPTION  | ECONOMIC/TECHNICAL RATE |        |
|--|-------------------------|--------|
|  | Min                     | Max    |
| Plant and machinery used in operations                 | 1.25%                   | 6.67%  |
| Other plant and machinery                              |                         | 4%     |
| Industrial and commercial equipment used in operations | 2.5%                    | 6.67%  |
| Other industrial and commercial equipment              |                         | 6.67%  |
| Other assets used in operations                        |                         | 12.50% |
| Other assets   | 6.67%                   | 19%    |
| Motor vehicles used in operations                      |                         | 8.33%  |
| Other motor vehicles                                   |                         | 16.67% |

Plant and machinery in the course of construction for use in operations, or for purposes yet to be determined, is stated at cost, less any impairment charges. The cost includes any professional fees and, in the case of certain assets, interest expense capitalised in accordance with the Company's accounting policies. Depreciation of such assets, in line with all the other assets, begins when they are ready for use. In the case of certain complex assets subject to performance tests, which may be of a prolonged nature, readiness for use is recognised on successful completion of the related tests. Any property, plant and equipment is tested for impairment annually: the tests are conducted in

respect of each tangible asset or, if need be, in respect of each cash generating unit.

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

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

## INVESTMENT PROPERTY

Investment property, represented by property held to earn rentals or for capital appreciation or both, is stated at cost, including any negotiating costs less accumulated depreciation and any impairment charges.

Depreciation is calculated on a straight-line basis over the expected useful life of the asset. The rates applied range from a minimum of 1.67% to a maximum of 11.11%.

Investment property is eliminated from the accounts when sold or when the property is unusable over the long-term and its sale is not expected to provide future economic benefits. Sale and lease-back transactions are accounted for based on the substance of the transaction. Reference should therefore be made to the policy adopted for Leasing.

Any gain or loss deriving from the elimination of an investment property is recognised as income or expense in the Income Statement in the period in which the elimination takes place.

## INTANGIBLE ASSETS

### INTANGIBLE ASSETS ACQUIRED SEPARATELY OR DERIVING FROM A BUSINESS COMBINATION

Intangible assets acquired separately are capitalised at cost, whilst those deriving from a business combination are capitalised at fair value at the date of acquisition. After initial recognition, an intangible asset is carried at cost. The useful life of an intangible asset may be defined as definite or indefinite.

Intangible assets are tested for impairment annually: the tests are conducted in respect of each intangible asset or, if necessary, in respect of each cash-generating unit.

The useful life of an asset is reviewed annually and, where applicable, any adjustments are made on a prospective basis.

Gains and losses deriving from the disposal of an intangible asset are determined as the difference between the estimated net disposal proceeds and the carrying amount of the asset and are recognised as income or expense in the Income Statement at the time of disposal.

### RESEARCH AND DEVELOPMENT COSTS

Research and development costs are recognised as an expense during the period in which they are incurred. Development costs incurred in relation to a specific project are capitalised when there is reasonable assurance that they will be recovered in future periods. After initial recognition, such costs are carried at cost,

which may be reduced by any accumulated amortisation or accumulated impairment charges.

Each capitalised development cost is amortised throughout the period in which the related project is expected to generate future economic benefits.

The carrying amount of development costs is subject to an annual impairment review when the asset is not yet in use, or more frequently when an indicator during the period raises doubts about whether or not the carrying amount is recoverable.

### BRANDS AND PATENTS

These assets are initially recognised at cost and amortised on a straight-line basis over the useful life of the asset.

With regard to the rates of amortisation, the following is noted:

- development costs are amortised on a straight-line basis over a period of five years based on the expected residual useful life of the asset;
- intellectual property is amortised over an estimated useful life of three years.

### IMPAIRMENT OF ASSETS

At each reporting date, ACEA S.p.A. reviews the value of its tangible and intangible assets and of its equity investments to assess whether there is any indication that an asset may be impaired. If any indication exists, the Group estimates the recoverable amount of the asset in order to determine the impairment charge.

When it is not possible to estimate the recoverable amount of the individual asset, ACEA S.p.A. estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Intangible assets with indefinite useful lives, including goodwill, are tested for impairment annually and each time there is any indication that an asset may be impaired, in order to determine the impairment charge.

The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. In calculating value in use, future cash flow estimates are discounted using a pre-tax rate that reflects current market assessments of the value of money and the risks specific to the business.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount is reduced to its recoverable amount. An impairment charge is immediately recognised as an expense in the Income Statement, unless the asset is

represented by land or buildings, other than investment property, carried at a restated amount, in which case the impairment charge is treated as a revaluation decrease.

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

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

## EQUITY INVESTMENTS

Equity investments in subsidiaries and associates are recognised in the Statement of Financial Position at cost, after taking account of any impairment of the value of individual investments. The purchase or subscription cost, in the case of investments transferred, corresponds to the value estimated by independent experts in accordance with art. 2343 of the Italian Civil Code.

Any surplus in the cost of the acquisition over the Company's interest (booked at fair value as on the day of acquisition) in the investee company's shareholders' equity is recognised as goodwill. Goodwill is included in the carrying amount of the equity investment and subject to impairment reviews (and, if need be, written down). Any resulting impairment charges are not reversed if the circumstances that led to the impairment no longer exist.

The portion of an equity-investment impairment that exceeds the value of shareholders' equity is posted to provisions for liabilities and charges, despite the existence of receivables due and until the claim on such receivables is formally waived. The cost of liquidating equity investments is taken into account in the measurement of the investments themselves, regardless of any provisions posted in the financial statements of investee companies.

Equity investments in other companies, held as non-current financial assets and not for trading, are accounted for at fair value if determinable: in this case, fair value gains and losses are recognised directly in shareholders' equity until the investment is sold, when all the accumulated



gains and losses are recognised in the Income Statement for the period.

Equity investments in other companies for which the fair value is unknown are accounted for at cost and written down in the event of an identified impairment. Dividend income is recognised in the Income Statement when the right to receive payment is established and when deriving from distributions of profits subsequent to the acquisition of an equity investment. Should dividend income derive from the distribution of reserves formed prior to the acquisition of an investment, the amount received is accounted for as a reduction of the cost of the equity investment.

## TREASURY SHARES

The cost of purchasing treasury shares is accounted for as a reduction of shareholders' equity. The effects of any subsequent transactions involving the shares are also recognised directly in shareholders' equity.

## FINANCIAL INSTRUMENTS

Financial assets and liabilities are recognised when ACEA S.p.A. becomes party to the contract terms applicable to the instrument.

### FINANCIAL ASSETS WITH REGARD TO SERVICE CONCESSION ARRANGEMENTS

With reference to the application of IFRIC 12 to the public lighting service concession, ACEA adopted the 'Financial Asset Model' and hence proceeded to recognise a financial asset if the Company contractually had an unconditional right to receive cash.

### TRADE RECEIVABLES AND OTHER ASSETS

Trade receivables accruing on ordinary commercial terms are recognised at face value less estimated impairment charges to reflect the impairment of receivables.

The estimate of uncollectible amounts is made when the collection of the full amount is considered no longer likely.

Trade receivables relate to the overall invoiced amount which, at the date of these financial statements, was still uncollected, as well as to revenues for the period for which invoices will be issued at a later date.

### FINANCIAL ASSETS

Financial assets are recognised and derecognised at the trade date and initially measured at cost, including any directly attributable acquisition costs.

At each future reporting date, the financial assets that the Group has a positive intention and ability to hold to maturity (**held-to-maturity financial assets**) are recognised at amortised cost using the effective interest method, less any impairment charges applied to reflect impairments.

Financial assets other than those held to maturity are classified as held for trading or as available for sale, and are stated at fair value at the end of each period.

When financial assets are **held for trading**, gains and losses deriving from changes in fair value are recognised in the Income Statement for the period. In the case of financial assets that are **available for sale**, gains and losses deriving from changes in fair value are recognised directly in a separate item of shareholders' equity until they are sold or impaired. At this time, the total gains and losses previously recognised in equity are recycled through the Income Statement for the period. The total loss must equate the difference between the acquisition cost and current fair value.

The fair value of financial instruments traded in active markets is based on quoted market prices (bid prices) on conclusion of trading at the end of the reporting period. The fair value of investments that are not traded in an active market is determined on the basis of the quoted market price for a substantially similar instrument, or calculated on the basis of estimated future cash flows generated by the net assets underlying the investment.

Purchases and sales of financial assets, which imply delivery within a timescale generally defined by the regulations and practice of the market in which they are traded, are recognised at the trade date, which is the date the Group commits to either purchase or sell the asset.

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are initially stated at fair value. After initial recognition, they are carried at amortised cost using the effective interest method.

At each end of reporting period, the Group assesses if there has been an impairment for a financial asset, or a group of financial assets. A financial asset or a group of financial assets is subject to impairment if, and only if, there is evidence of an impairment, as a consequence of one or more events that occurred after initial recognition, which had an impact on future estimated cash flows. An impairment can be evidenced by indicators such as financial difficulties, failure to meet obligations, non-payment of significant amounts, the probability

that the debtor goes bankrupt or is subject to another form of financial reorganisation, and if objective data shows that there is a measurable decrease in future estimated cash flows.

## CASH AND CASH EQUIVALENTS

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

## FINANCIAL LIABILITIES

They are stated at amortised cost.

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

## DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments are initially recognised at cost and then re-measured to fair value at the end of the reporting period. They are designated as hedging instruments when the hedging relationship (i.e. relationship between the hedging instrument and the hedged item) is formally documented and the periodically verified effectiveness of the hedge is high.

Derivatives hedging against the risk of fair value variation, i.e. 'fair value hedges' are recognised at fair value and any gains or losses recognised in the Income Statement. Similarly, gains or losses resulting from the fair value measurement of the hedged asset or liability are also recognised in the Income Statement.

In case of derivatives hedging against the risk of cash-flow variation, i.e. 'cash flow hedges', the fair value variation for the portion qualified as effective is recognised in shareholders' equity, while the ineffective portion is recognised directly in the Income Statement.

## TRADE PAYABLES

Trade payables accruing on ordinary commercial terms are stated at face value.

## DERECOGNITION OF FINANCIAL INSTRUMENTS

Financial assets are derecognised when ACEA S.p.A. has lost all the related risks and the right to receive cash flows associated with the financial asset.

A financial liability (or portion of a financial liability) is removed from the Statement of Financial Position when, and only when, it is extinguished, i.e. when the obligation specified

in the contract is fulfilled or cancelled or has expired. If a previously issued debt instrument is repurchased, the debt is extinguished, even if the Group intends to resell it in the near future. The difference between the carrying amount and the amount paid is recognised in the Income Statement.

### **PROVISIONS FOR LIABILITIES AND CHARGES**

Provisions for liabilities and charges are made when ACEA has a present (legal or implicit) obligation to be met as a result of a past event, whenever a possible outflow of resources to settle that obligation is likely and if the

amount of the obligation can be reliably estimated.

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



# ACCOUNTING STANDARDS, AMENDMENTS, INTERPRETATIONS AND IMPROVEMENTS APPLIED FROM 1 JANUARY 2014

The following documents, which amend the documents on international accounting standards previously issued by the IASB and endorsed by the European Union, came into force on 1 January 2014.

## IFRS 10 – CONSOLIDATED FINANCIAL STATEMENT

### IFRS 12 – DISCLOSURE OF INTERESTS IN OTHER ENTITIES

The documents were issued on 12 May 2011 as part of the IASB project aimed at incorporating two consolidation criteria set forth in IAS 27 (more focused on control) and SIC 12 (more focused on risks and benefits) into a single standard, and therefore providing the most complete guidelines for establishing under what conditions a Special Purpose Entity (SPE) or an entity whose actual or potential majority of voting rights is not held should be consolidated or not.

In summary, a situation of control occurs when it can be demonstrated that the investor has the power to make decisions about the business of the company in which he has invested and when the investor is exposed to the variability of that company's returns, and therefore is able to use his power to influence its returns.

### IFRS 11 – JOINT ARRANGEMENTS

The document was issued on 12 May 2011, and is intended to replace the current IAS 31. IFRS 11 is based on the following core principles:

- Classification of arrangements into just two types (joint operation and joint venture) instead of the three set forth in IAS 31
- Distinction between the two types of arrangement based on the substance of the arrangement
- Reporting of contractual rights and obligations resulting from the arrangement on the basis of the substance of the arrangement
- Assessment of the investment in a joint venture based on the equity method instead of the proportionate consolidation method, which is no longer permitted

The new standard sets forth that:

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

In a nutshell, **a joint arrangement is a joint venture if:**

the arrangement's assets and liabilities are contained in a vehicle whose legal form does not confer on the parties any rights to the assets and obligations arising from the liabilities contained in the vehicle, contractual agreements do not change the vehicle's legal form and the vehicle is able to operate independently from the parties.

The standards were endorsed and published in Official Journal of the European Union No. 360 on 29 December 2012. The companies have applied IFRS 10, IFRS 11, IFRS 12, the amended IAS 27 and the amended IAS 28, at the latest, since the first day of their first financial year commencing on or after 1 January 2014.

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

For further information on ACEA's conducted reviews on the application of the above standards, kindly refer to the contents of the Consolidated Financial Statements 2013 [sic] and the paragraph *"Effects deriving from the application of IFRS10 (Consolidated Financial Statements) and IFRS11 (Joint control agreements)"*.

## AMENDMENTS TO IFRS 10, IFRS 12 AND IAS 27 "INVESTMENT ENTITY"

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

The document makes some amendments to IFRS 10 and therefore also to IFRS 12 and IAS 27 (2011) to grant a company managing and evaluating its investments at fair value (generally called "Investment entity") exemption from the consolidation obligations required by IFRS 10. The rationale behind the exemption derives from the fact that, for the company to which it applies, reporting on the basis the fair value measurement of its investments is of greater significance than reporting based on the consolidation of assets and liabilities of those investments. Companies were required to apply these amendments for their annual period commencing on or after 1 January 2014, with earlier application permitted.

## TRANSITION GUIDANCE (AMENDMENTS TO IFRS 10, 11 AND 12)

Regulation (EU) 313/2013 of the Commission of 4 April 2013, published in Official Journal L 95 on 5 April 2013, adopted the Transition Guidance (Amendments to IFRS 10, 11 and 12).

The aim of the amendments is to clarify the intent of the IASB on its first publication of the Transition Guidance with respect to IFRS 10. The amendments also include a further streamlining of the transition in IFRS 10, IFRS 11 and IFRS 12, limiting the obligation to provide adjusted comparative information to the previous comparison period. Furthermore, for information concerning non-consolidated structured entities, the amendments exclude the obligation of presenting comparative information for the years preceding the date on which IFRS 12 was applied for the first time.

The companies were required to apply the amendments, at the latest, on the first day of their first annual period commencing on or after 1 Jan. 2014.

## **AMENDMENTS TO IFRS 7 "FINANCIAL INSTRUMENTS: DISCLOSURES - OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES" AND TO IAS 32 "FINANCIAL INSTRUMENTS: PRESENTATION - OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES"**

Regulation (EU) No. 1256/2012 of the Commission of 13 December 2012, published in Official Journal L 360 on 29 December 2012, adopted Amendments to IFRS 7 Financial instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities and to IAS 32 Financial instruments: Presentation - Offsetting Financial Assets and Financial Liabilities (published by the IASB on 16 December 2011).

The amendments to IFRS 7 aim to provide additional quantitative information to allow users to compare and reconcile information generated by the application of IFRS and that generated by the application of the US 'Generally Accepted Accounting Principles' (GAAP) in a better way. Furthermore, the IASB amended IAS 32 in order to provide additional instructions to decrease inconsistencies in the practical application of the standard.

The companies have applied the above amendments to IFRS 7 and IAS 32 since the first day of their first annual period commencing on or after 1 Jan. 2013.

The further amendments to IAS 32 had to be applied at the latest on the date of the companies' first financial year commencing on or after 1 Jan. 2014.

This Regulation also cancels paragraph 13 of IFRS 7, which was by mistake not removed at the time of the adoption of the Amendments to IFRS 7 Financial instruments: Disclosures - Transfers of Financial Assets by Regulation (EU) No. 1205/2011 of the Commission of 22 November 2011. The effective date of this provision was fixed retroactively at 1 July 2011 to ensure legal certainty for the issuers concerned.

## **AMENDMENTS TO IAS 36 "RECOVERABLE AMOUNT DISCLOSURES FOR NON-FINANCIAL ASSETS"**

Regulation (EU) No. 1374/2013 of the Commission of 19 December 2013, published in Official Journal L 346 on 20 December 2013, adopted Amendments to IAS 36 "*Recoverable Amount Disclosures for Non-Financial Assets*".

The amendments aim to clarify the information which must be provided on the recoverable amount of assets, when this value is based on fair value net of divestment costs, only for assets for which the value has been reduced.

The companies were required to apply the amendments, at the latest, on the first day of the first annual period commencing on or after 1 January 2014.

## **AMENDMENTS TO IAS 39 "FINANCIAL INSTRUMENTS: RECOGNITION AND ASSESSMENT - NOVATION OF DERIVATIVES AND CONTINUATION OF HEDGE ACCOUNTING"**

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

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

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

The retrospective date for application amendments was fixed on the first day of the companies' first annual period commencing on or after 1 January 2014, with earlier application permitted.

# ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS TO BE APPLIED AFTER THE END OF THE ANNUAL PERIOD AND NOT ADOPTED IN ADVANCE

## A) NEW ACCOUNTING STANDARDS, AMENDMENTS TO ACCOUNTING STANDARDS AND INTERPRETATIONS ADOPTED BY THE EUROPEAN UNION

### IFRIC 21 - LEVIES

Regulation (EU) No. 634/2014 of the Commission of 13 June 2014, published in Official Journal L 175 on 14 June 2014, adopted the interpretation IFRIC 21 - Levies.

The interpretation covers the accounting treatment for a liability arising from the payment of a levy if this liability falls in the scope of IAS 37, and for a liability arising from the payment of a levy whose timing and amount are uncertain. IFRIC 21 has been applied to annual periods commencing on or after 17 June 2014.

## B) NEW ACCOUNTING STANDARDS AND IASB AMENDMENTS TO ACCOUNTING STANDARDS INTRODUCED IN THE PERIOD UNDER REVIEW

### IFRS 14 - REGULATORY DEFERRAL ACCOUNTS

On 30 January 2014 the IASB published IFRS 14 - Regulatory Deferral Accounts, an interim standard for the 'Rate-regulated activities' project. IFRS 14 allows entities having adopted the IFRS for the first time to continue recognising the amounts of rate regulation in accordance with previously adopted accounting standards. To improve comparability with the entities already applying IFRS that do not recognise said amounts, the standard requires that the effect of the rate regulation must be presented separately from other items.

The standard will apply from 1 January 2016, with earlier application permitted.

### AMENDMENTS TO IFRS 11: ACCOUNTING FOR ACQUISITIONS OF INTEREST IN JOINT OPERATIONS

On 7 May 2014 IASB published the above *Amendments* whose purpose is to clarify the accounting treatment for an acquisition of interest in a joint operation representing a business. The amendment will be effective for annual periods commencing on or after 1 Jan. 2016.

### AMENDMENTS TO IAS 16 AND IAS 38: CLARIFICATION OF ACCEPTABLE METHODS OF DEPRECIATION AND AMORTISATION

On 13 May 2014, IASB published the above Amendments whose purpose is to clarify that a method of depreciation and amortisation based on revenues generated by an asset (i.e. revenue-based method) is not considered appropriate as it exclusively reflects the flow of revenues generated by that asset and not the pattern of consumption of the economic benefits embodied in the asset. The amendment will be effective for annual periods commencing on or after 1 Jan. 2016.

### IFRS 15 REVENUE FROM CONTRACTS WITH CUSTOMERS

On 29 May 2014 IASB and FASB jointly published – after more than a decade of study and consultation – new provisions on revenue accounting. From 2017 the new standard will replace IAS 18 (Revenues) and IAS 11 (Construction contracts).

The key steps for revenue accounting are stated to be as follows:

- to identify a contract, defined as a written or verbal agreement having commercial substance between two or more parties and creating rights and obligations with the customers that may be legally protected;
- to identify the (clearly identifiable) obligations contained in the contract;
- to determine the price of the transaction, i.e. the consideration that a company expects to receive from the transfer of goods or the provision of services to a customer, consistently with the techniques envisaged by the Standard and depending on the possible existence of financial components;
- to allocate the price to each performance obligation;
- to recognise a revenue when the obligation is settled, while considering that services could be rendered at a given moment in time but also during a given period of time.

The standard should imply no special discrepancies in the accounting of the most common transactions. Major differences in the timing of recognition and in quantitative determination should be found in medium to long term service contracts and agreements containing multiple obligations, in relation to which stakeholders had called the attention to the main criticalities of the current standards. The disclosure on revenues should be improved

through a more extensive qualitative and quantitative disclosure that would allow stakeholders to gain a clear understanding of the relevant contents and elements for determining revenues.

The standard will apply from 1 Jan. 2017, with earlier application permitted.

### IFRS 9 FINANCIAL INSTRUMENTS

On 25 July 2014 IASB published IFRS 9 Financial Instruments including a part on the classification and measurement of financial instruments, an impairment model and hedge accounting. IFRS 9 rewrites the accounting rules of IAS 39 with reference to the recognition and measurement of financial instruments, including hedges.

The standard classifies financial assets into the three following categories:

- financial assets measured at amortised cost;
- financial assets measured at fair value through profit and loss (FVTPL);
- financial assets measured at fair value through other comprehensive income (FVOCI).

With reference to this classification, the following provisions are also worth mentioning:

- non-trading equity instruments, which would normally fall into the FVTPL category, may be classified as FVOCI following an irrevocable decision of the reporting entity. In this case any fair value variations (including exchange rate differences) should be recognised in other comprehensive income (OCI) and should never be classified under profit/(loss) for the period;
- when financial assets classified as amortised cost or FVOCI result in an accounting mismatch, the reporting entity may irrevocably decide to use a fair value option and classify those financial asset as FVTPL;
- in respect of debt instruments classified as FVOCI, interest receivable, expected credit losses and exchange rate differences should be recognised in profit/(loss) for the period. The OCI, on the other hand, should absorb the effects arising from fair value measurement, which effects should be reclassified to profit/(loss) for the period only if the financial asset were to be derecognised.

As regards financial liabilities, the standard proposes the former classification of IAS 39 but also introduces an important change for financial liabilities classified in the FVTPL category as the fair value portion attributable to own credit risk shall be presented in OCI rather than profit/(loss)

for the period as currently set forth in IAS 39. As a result, under IFRS 9, an entity that sees its own credit risk worsen has to reduce the value of its own liabilities measured at fair value, however the effect of that reduction attributable to its own credit risk will imply no positive effects in the profit/(loss) for the period but rather in the OCI. IFRS 9 introduces a new impairment model based on expected losses. Irrespective of the existence or inexistence of a trigger event, an entity is required to immediately recognise future expected losses on its financial assets and continuously adjust its estimates, without overlooking the counterparty's credit risk variations, by making reference to past and presents facts and data as well as by giving future forecast a fair level of recognition. Estimates should be made of future losses expected in the next 12 months and, thereafter, of the overall losses for the entire life of the credit. Losses expected in the next 12 months are the portion of losses that would be incurred if a counterparty's default occurred within 12 months of the reporting date and can be calculated by multiplying the maximum loss by the probability of occurrence of a default event.

Overall losses during the entire life of the financial asset result from the present value of average future losses multiplied by the probability that a default event occurs during the life of the financial asset.

IFRS 9 substantially assimilates hedge accounting to the risk management policies adopted by the companies, and focuses on the fact that, if a risk element can be identified and measured irrespective of the type of risk and/or item at risk, the instrument executed to hedge against that risk may be aligned with hedge-accounting subject to the limit that that risk may impact on the Income Statement or the other comprehensive income (OCI) items.

In addition, the standard allows for the additional use of in-house produced information as basis for hedge accounting without the need to give evidence of the observance of complex criteria and metrics exclusively created for accounting purposes. The main changes relate to the following:

- **effectiveness test:** the 80-125% threshold was replaced with an objective test measuring the ratio between hedged instrument and hedging instrument (e.g. if there is a loss on the former there should be a profit on the latter);
- **hedged elements:** not merely financial assets and liabilities but also each element or group of elements as long as the risk is separately identifiable and measurable;
- **hedging cost:** the time value of an option and any forward points or currency spread

may be excluded from hedge accounting and immediately booked as hedging costs; as a result, all mark-to-market fluctuations may then be temporarily booked as other comprehensive income (OCI) components;

- **disclosure requirements:** more comprehensive descriptions are required with respect to hedged risks and used instruments, which supersedes the current disclosures based on a distinction between cash flow hedging and fair value hedging instruments as this terminology often causes confusion among investors whose interest is clearly more focused on risks and how risks are hedged than the accounting categories of hedging instruments.

The new standard will apply from **1 January 2018**. Earlier application is permitted provided that the IASB document is previously endorsed by the European Union.

### AMENDMENTS TO IAS 27: EQUITY METHOD IN SEPARATE FINANCIAL STATEMENTS

On 18 August 2014 IASB published the above amendments to IAS 27 in order to allow entities to apply the equity method to investment accounting in subsidiaries, joint ventures and associates in separate financial statements. Amendments to IAS 27 will be effective for annual periods commencing on or after 1 January 2016.

### AMENDMENTS TO IFRS 10 AND IAS 28: SALE OR CONTRIBUTION OF ASSETS BETWEEN AN INVESTOR AND ITS ASSOCIATE OR JOINT VENTURE

On 11 September 2014 IASB published the above amendments to clarify the type of accounting treatment in the event of a loss of control in a subsidiary (governed by IFRS 10) and in the event of downstream transactions (governed by IAS 28) depending on whether or not a transaction involves a business, as defined by IFRS 3. If the transaction involves a business, a gain should be entirely recognised in both cases (i.e. loss of control and downstream transactions). If the transaction does not involve a business, a gain should be recognised in both cases only with respect to the minority interest portion. The above amendments will be effective from 1 Jan. 2016, with earlier application permitted.

### DEFINED BENEFIT PLANS: EMPLOYEE CONTRIBUTIONS (AMENDMENTS TO IAS 19)

The amendments to IAS 19 Employee Benefits was required to ease, subject to certain conditions, the accounting of defined benefit plans envisaging contributions from employees or third parties. In particular, the amendments to IAS 19 are instrumental in the recognition of employees' or third parties' contribution as a reduction of service costs in the period in which service is rendered, provided that the following conditions are met:

- contributions from employees or third parties are formally contemplated in the plan terms and conditions;
- contributions are correlated to the service rendered; and
- the amount of the contribution is independent of the number of years of service.

In all other cases, the recognition of those contributions will be more complex as they have to be attributed to the individual periods of the plan by the actuarial calculation of the related liability.

Amendments to IAS 19 will apply retroactively to accounts for annual periods commencing on or after 1 July 2014. Earlier application is permitted subject to the prior endorsement of the IASB document by the European Union.

### ANNUAL IMPROVEMENTS TO IFRSS (2010-2012 CYCLE)

By the document "Annual Improvements to IFRSs (2010-2012 Cycle)", IASB changed the following accounting standards by clarifying a few theretofore unclear aspects:

- **IFRS 2 Share-based payments:** on amending IFRS 2, IASB clarified that a performance condition involves meeting the following criteria:
  - the completion of a specific period of service; and
  - the achievement of the target by the conclusion of that period of service (if the target is determined after the period of service, that condition should be treated as a 'non-vesting condition').

In addition, IASB clarified that a performance objective must be based on a specific target of the entity (e.g. EBITDA, result for the period, total revenues, etc.) or on the price of shares in that entity. If the target is based on a stock market index, that target should be considered as a non-vesting condition since the index also includes the performance of instruments in other entities.

- **IFRS 3 Business combinations:** on amending IFRS 3, IASB clarified aspects related to the classification and measurement of

contingent consideration. In particular, the following was clarified:

- a) the classification of a contingent consideration as financial liability or as a shareholders' equity component is made in accordance with the provisions of IAS 32 Financial instruments: Presentation;
  - b) the subsequent recognition of a contingent consideration as asset or liability is made at fair value with the variations recognised in profit/(loss) for the period.
- **IFRS 8 Operating segments:** with amendments to IFRS 8, IASB:
    - a) introduced a new disclosure obligation, by requesting a short description of any aggregated operating segments and the economic indicators that were used for their aggregation; and
    - b) clarified that the reconciliation of assets, for segments to be described in the disclosure, with the total assets of the entity is only required if that information is regularly supplied to the chief operating decision maker ("CODM") of the entity.
  - **IFRS 13 Fair value measurement:** on amending IFRS 13, IASB clarified that the amendments to IAS 39 made following the publication of IFRS 13 were not intended to exclude a possible measurement of short-term receivables and payables without considering a discount effect if deemed insignificant.
  - **IAS 16 Property, plant and equipment and IAS 38 Intangible assets:** On amending IAS 16 and IAS 38, IASB clarified the terms for applying the revaluation method envisaged by the above standards. In particular, a method was clarified for adjusting historic cost and the related accumulated depreciation for those assets to bring carrying value into line with fair value.
  - **IAS 24 Disclosures about transactions with related parties:** on amending IAS 24, IASB:
    - a) extended the definition of "related party" to the entities providing services of managers with strategic responsibilities within the group. Normally those entities are named "management companies";
    - b) clarified that it suffices to state the overall amount of the cost charged by the management company without separately reporting the individual types of benefits paid by the management company to its employees.

All of the foregoing amendments shall apply retrospectively to the accounts of annual periods having commenced on or after 1 Jul. 2014. Earlier application is permitted provided that the IASB document has already been endorsed by the European Union.

## ANNUAL IMPROVEMENTS TO IFRSS (2011-2013 CYCLE)

By document "Annual Improvements to IFRSS (2011-2013 Cycle)", IASB amended the following accounting standards with respect to a few unclear aspects:

- a) IFRS 1 First adoption of International Financial Reporting Standards: on amending IFRS 1, IASB clarified that a first-time adopter is allowed, but not required, to use the IASB's issued documents yet to come into force in the first financial statements compiled in accordance with IFRS, if the earlier application of those documents is permitted.
- b) IFRS 3 Business combinations: on amending IFRS 3, IASB clarified that the provisions of this standard do not apply to the execution of all joint control agreements, including joint operations. That exclusion relates to financial statements drafted following a joint control agreement.
- c) IFRS 13 Fair value measurement: on amending IFRS 13, IASB clarified that the exception envisaged for measuring fair value on the net basis of calculation of an asset and liability portfolio is also applicable with reference to contracts falling within the scope of IAS 39 or IFRS 9, although those contracts do not meet the definition of financial asset or liability set forth in IAS 32 (e.g. contracts for the purchase or sale of non-financial assets involving a net cash settlement).
- d) IAS 40 Investment property: on amending IAS 40, IASB clarified the interrelation between this standard and the provisions of IFRS 3. In particular it clarified that:
  - a. an entity is required to assess whether it purchased an investment property under the terms of IAS 40; and
  - b. make a separate assessment based on IFRS 3 in order to assess whether the purchased investment property falls in the definition of "business combination".

All of the foregoing amendments shall apply retrospectively to the accounts of annual periods having commenced on or after 1 July 2014. Earlier application is permitted provided that the IASB document has already been endorsed by the European Union.

## EXPOSURE DRAFT ISSUED BY IASB

- On 25 March 2014 IASB published an Exposure Draft: ED 2014/1 "Disclosure Initiative (Proposed amendments to IAS 1)". The purpose of this document is to clarify a few doubts raised on disclosure obligations. In particular, the proposed amendments pertain to:

- materiality: it was clarified that useful information should not be concealed through its aggregation or disaggregation and that the remarks on materiality apply to major statements, notes and specific discloser obligations envisaged by IFRS standards;
- statement of financial position, profit and loss and other comprehensive income items: it is clarified that items to be reported in individual statements can be disaggregated and aggregated; guidance is given on subtotals to be added in statement layouts;
- notes: it is made clear that entities will have flexibility in determining the structure of notes and guidance is given on how to define a systematic order for the notes. In addition, a proposal is made to remove useless examples for the identification of the most significant accounting policies;
- presentation of items in the OCI statement deriving from investments measured in accordance with the equity method: the amounts listed in the OCI statement to account for equity investments made in associates and joint ventures with the equity method shall be presented separately or in aggregate in individual line items classified by whether or not those amounts will be reclassified (recycled) to profit and loss.

The deadline to submit comments on the Exposure Draft was 23 July 2014.

- On 30 January 2014 IASB published a Request for Information (RFI) for a review of the IFRS 3 Business Combinations, whose purpose was to collect information on the issues raised with respect to the application of the standard. The review process was originally scheduled to begin in 2012 but it was only announced on 25 July 2013. Since that date, IASB has collected information to determine the scope of the review and identify the main issues raised by the application of IFRS 3. The document lists a few questions and constitutes a public consultation document. After the deadline fixed to submit comments, IASB will examine the comments received together with the information collected via other consultation activities and with the results of surveys conducted on this theme. The final conclusions of IASB will be presented in a report and in a feedback statement which will also define the steps that IASB intends to follow after the revision. The technical issues covered by the RFI relate to the following areas:
  - definition of a business,
  - fair value

- recognition of intangible assets to be made separately from goodwill and recognition of a negative goodwill,
- non-amortisation of goodwill and indefinite-life intangible assets,
- non-controlling interests,
- step acquisitions and loss of control,
- disclosure obligations, and
- other matters that the parties wish to cover.

The deadline to submit comments following the RFI was 30 May 2014.

- On 25 August 2014 IASB published an Exposure Draft: **Recognition of Deferred Tax**

**Assets for Unrealised Losses (Proposed amendments to IAS 12).**

The purpose of the proposed amendments is to clarify how to account for deferred tax assets for debt instruments measured at fair value.

The consultation ended on 18 December 2014.

- On 25 September 2014 IASB published an Exposure Draft: **Measuring Quoted Investments in Subsidiaries, Joint Ventures and Associates at Fair Value (Proposed amendments to IFRS 10, IFRS 12, IAS 27, IAS 28 and IAS 36 and Illustrative Examples for IFRS 13).**

The proposed amendments pertain to the measurement of investments in subsidiaries, joint ventures and associates assessed at fair value, when said investments are publicly traded in an active market.

The consultation ended on 16 January 2015.

- On 25 November 2014 IASB published an Exposure Draft: **Classification and Measurement of Share-based Payment Transactions (Proposed amendments to IFRS 2).** Consultation ended on 25 March 2015.



# INCOME STATEMENT

| NOTES REF. | INCOME STATEMENT  | 31.12.2014          | RELATED PARTIES    | 31.12.2013          | RELATED PARTIES    | INCREASE/ (DECREASE) |
|------------|---|---------------------|--------------------|---------------------|--------------------|----------------------|
| 1          | Revenue from sales and services                               | 173,734,001         | 166,103,113        | 162,405,375         | 154,445,639        | 11,328,626           |
| 2          | Other revenue and proceeds                                    | 12,650,287          | 6,112,526          | 14,496,358          | 6,285,540          | (1,846,071)          |
|            | <b>Net revenue</b>  | <b>186,384,288</b>  | <b>172,215,638</b> | <b>176,901,733</b>  | <b>160,731,179</b> | <b>9,482,555</b>     |
| 3          | Staff costs   | 54,895,464          |                    | 50,155,097          |                    | 4,740,367            |
| 4          | Cost of materials and overheads                               | 131,328,863         | 74,382,078         | 129,018,910         | 71,367,524         | 2,309,953            |
|            | <b>Operating costs</b>  | <b>186,224,327</b>  | <b>74,382,078</b>  | <b>179,174,007</b>  | <b>71,367,524</b>  | <b>7,050,319</b>     |
|            | <b>Gross operating profit</b>                                 | <b>159,962</b>      | <b>97,833,560</b>  | <b>(2,272,274)</b>  | <b>89,363,655</b>  | <b>2,432,235</b>     |
| 5          | Amortisation, depreciation, provisions and impairment charges | 30,916,616          | 0                  | 29,597,788          | 0                  | 1,318,829            |
|            | <b>Operating profit/(loss)</b>                                | <b>(30,756,655)</b> | <b>97,833,560</b>  | <b>(31,870,062)</b> | <b>89,363,655</b>  | <b>1,113,407</b>     |
| 6          | Financial income  | 101,287,268         | 97,736,815         | 87,215,415          | 83,050,733         | 14,071,852           |
| 7          | Financial costs   | 87,799,179          | 687,204            | 80,858,792          | 534,219            | 6,940,387            |
| 8          | Profits on equity investments                                 | 107,916,522         | 107,916,522        | 120,068,659         | 120,068,659        | (12,152,136)         |
| 9          | Losses on equity investments                                  | 954,146             | 954,146            | 1,446,012           | 1,446,012          | (491,866)            |
|            | <b>Profit/(loss) before tax</b>                               | <b>89,693,811</b>   | <b>301,845,548</b> | <b>93,109,209</b>   | <b>290,502,815</b> | <b>(3,415,398)</b>   |
| 10         | Taxation, i.e. income taxes                                   | 92,377              | (64,975,248)       | (1,369,482)         | (40,128,024)       | 1,461,859            |
|            | <b>Net profit/(loss)</b>                                      | <b>89,601,433</b>   | <b>366,800,992</b> | <b>94,478,691</b>   | <b>330,630,839</b> | <b>(4,877,257)</b>   |

Amounts in euros

# STATEMENT OF COMPREHENSIVE INCOME

| STATEMENT OF COMPREHENSIVE INCOME   | 31.12.2014      | 31.12.2013     | INCREASE/ (DECREASE) |
|---|-----------------|----------------|----------------------|
| <b>Net profit/loss</b>  | <b>89,601</b>   | <b>94,479</b>  | <b>(4,877)</b>       |
| Profit/(Loss) from the redetermination of financial assets available for sale | 0               | 0              | 0                    |
| Profit/(Loss) from the effective portion on hedging instruments               | (18,579)        | 16,429         | (35,008)             |
| Actuarial Profit/(Loss) on defined benefit pension plans                      | (2,862)         | 518            | (3,381)              |
| Total Other Comprehensive Income (OCI)  | (21,441)        | 16,947         | (38,389)             |
| Taxation  | 5,896           | (4,661)        | 10,557               |
| <b>Total Comprehensive Income net of tax</b>                                  | <b>(15,545)</b> | <b>12,287</b>  | <b>(27,832)</b>      |
| <b>Total Comprehensive Income net of tax</b>                                  | <b>74,056</b>   | <b>106,766</b> | <b>(32,709)</b>      |

Amounts in thousands of euros



# STATEMENT OF FINANCIAL POSITION

| NOTES<br>REF. | ASSETS  | 31.12.2014           | RELATED<br>PARTIES   | 31.12.2013           | RELATED<br>PARTIES   | INCREASE/<br>(DECREASE) |
|---------------|---|----------------------|----------------------|----------------------|----------------------|-------------------------|
| 11            | Property, plant and equipment                     | 154,933,079          | 0                    | 160,417,295          | 0                    | (5,484,216)             |
| 12            | Investment property                               | 2,818,984            | 0                    | 2,871,845            | 0                    | (52,861)                |
| 13            | Other intangible assets                           | 14,246,458           | 0                    | 10,395,798           | 0                    | 3,850,660               |
| 14            | Equity investments in subsidiaries and associates | 1,730,150,528        | 0                    | 1,706,474,116        | 0                    | 23,676,412              |
| 15            | Other equity investments                          | 2,394,811            | 0                    | 3,233,181            | 0                    | (838,370)               |
| 16            | Deferred tax assets                               | 43,495,908           | 0                    | 35,991,879           | 0                    | 7,504,030               |
| 17            | Financial assets                                  | 1,970,999,608        | 1,931,615,090        | 1,749,406,315        | 1,704,143,077        | 221,593,293             |
| 18            | Other non-current assets                          | 507,094              | 0                    | 714,109              | 0                    | (207,014)               |
|               | <b>NON-CURRENT ASSETS</b>                         | <b>3,919,546,470</b> | <b>1,931,615,090</b> | <b>3,669,504,537</b> | <b>1,704,143,077</b> | <b>250,041,933</b>      |
| 19.a          | Contract work in progress                         | 270,461              | 0                    | 270,461              | 0                    | (0)                     |
| 19.b          | Trade receivables                                 | 38,419,888           | 4,543,062            | 42,951,510           | 4,418,713            | (4,531,622)             |
| 19.c          | Intragroup trade receivables                      | 42,161,380           | 42,161,380           | 52,723,559           | 52,723,559           | (10,562,179)            |
| 19.d          | Other current assets                              | 17,072,802           | 0                    | 22,549,371           | 0                    | (5,476,570)             |
| 19.e          | Current financial assets                          | 11,644,038           | 0                    | 12,559,096           | 0                    | (915,058)               |
| 19.f          | Intragroup current financial assets               | 298,772,818          | 298,772,818          | 224,892,292          | 224,892,292          | 73,880,526              |
| 19.g          | Current tax assets                                | 100,284,255          | 36,988,383           | 68,909,026           | 19,496,491           | 31,375,228              |
| 19.h          | Cash and cash equivalents                         | 978,440,276          | 0                    | 541,525,517          | 0                    | 436,914,758             |
| 19            | <b>CURRENT ASSETS</b>                             | <b>1,487,065,917</b> | <b>382,465,643</b>   | <b>966,380,833</b>   | <b>301,531,055</b>   | <b>520,685,084</b>      |
|               | <b>TOTAL ASSETS</b>                               | <b>5,406,612,386</b> | <b>2,314,080,733</b> | <b>4,635,885,370</b> | <b>2,005,674,132</b> | <b>770,727,017</b>      |

Amounts in euros

| NOTES<br>REF. | LIABILITIES  | 31.12.2014           | RELATED<br>PARTIES   | 31.12.2013           | RELATED<br>PARTIES | INCREASE/<br>(DECREASE) |
|---------------|--|----------------------|----------------------|----------------------|--------------------|-------------------------|
|               | <b>Shareholders' equity</b>                                |                      |                      |                      |                    |                         |
| 20.a          | Share capital  | 1,098,898,884        | 0                    | 1,098,898,884        | 0                  | 0                       |
| 20.b          | Statutory reserve  | 83,427,802           | 0                    | 78,703,867           | 0                  | 4,723,935               |
| 20.c          | Reserve for treasury shares                                | 0                    | 0                    | 0                    | 0                  | 0                       |
| 20.d          | Other reserves   | 62,368,706           | 0                    | 78,699,132           | 0                  | (16,330,426)            |
|               | Profit (loss) pertaining to previous years                 | 63,181,206           | 0                    | 62,696,571           | 0                  | 484,635                 |
|               | Profit (loss) for the period                               | 89,601,433           | 0                    | 41,341,714           | 0                  | 48,259,719              |
| 20            | <b>Total shareholders' equity</b>                          | <b>1,397,478,032</b> | <b>0</b>             | <b>1,360,340,168</b> | <b>0</b>           | <b>37,137,864</b>       |
| 21            | Staff termination benefits and other defined benefit plans | 30,684,507           | 0                    | 28,787,007           | 0                  | 1,897,499               |
| 22            | Provision for liabilities and charges                      | 56,567,224           | 0                    | 55,257,832           | 0                  | 1,309,392               |
| 23            | Borrowings and financial liabilities                       | 2,730,840,300        | 0                    | 2,035,736,323        | 0                  | 695,103,977             |
| 24            | Other liabilities  | 268,700              | 0                    | 1,891,316            | 0                  | (1,622,616)             |
| 25            | Provisions for deferred tax liabilities                    | 9,817,940            | 0                    | 9,239,042            | 0                  | 578,898                 |
|               | <b>NON-CURRENT LIABILITIES</b>                             | <b>2,828,178,670</b> | <b>0</b>             | <b>2,130,911,520</b> | <b>0</b>           | <b>697,267,150</b>      |
| 26.a          | Borrowings   | 929,848,821          | 905,635,027          | 911,716,141          | 551,217,038        | 18,132,680              |
| 26.b          | Trade payables   | 143,119,867          | 91,094,668           | 152,181,995          | 88,369,992         | (9,062,129)             |
| 26.c          | Tax payables   | 88,090,648           | 25,415,223           | 55,384,016           | 37,309,934         | 32,706,632              |
| 26.d          | Other current liabilities                                  | 19,896,349           | 0                    | 25,351,529           | 1,140,350          | (5,455,180)             |
| 26            | <b>CURRENT LIABILITIES</b>                                 | <b>1,180,955,685</b> | <b>1,022,144,919</b> | <b>1,144,633,682</b> | <b>678,037,314</b> | <b>36,322,003</b>       |
|               | <b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>          | <b>5,406,612,386</b> | <b>1,022,144,919</b> | <b>4,635,885,370</b> | <b>678,037,314</b> | <b>770,727,017</b>      |

Amounts in euros

# STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY AT 31 DECEMBER 2013

|   | SHARE CAPITAL    | LEGAL RESERVE | DEMERGER RESERVE | RESERVE FOR EXCHANGE DIFFERENCES |
|---|------------------|---------------|------------------|----------------------------------|
| <b>Balances as at 1 January 2013 Restated</b>             | <b>1,098,899</b> | <b>74,351</b> | <b>102,567</b>   | <b>(7,894)</b>                   |
| Appropriation of result for 2012:                         |                  |               |                  |                                  |
| Distribution of dividends                                 |                  |               |                  |                                  |
| Statutory reserve   |                  | 4,353         |                  |                                  |
| Retained earnings/Loss coverage                           |                  |               |                  |                                  |
| Other changes   |                  |               |                  |                                  |
| Comprehensive Profit/ (Loss) recorded in the period:      |                  |               |                  |                                  |
| Profit and losses booked directly to Shareholders' equity |                  |               |                  | 27,436                           |
| Distribution of advance on dividends                      |                  |               |                  |                                  |
| Profit for the period                                     |                  |               |                  |                                  |
| <b>Total as at 31 December 2013</b>                       | <b>1,098,899</b> | <b>78,704</b> | <b>102,567</b>   | <b>19,542</b>                    |

Amounts in thousands of euros

# STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY AT 31 DECEMBER 2014

|   | SHARE CAPITAL    | LEGAL RESERVE | DEMERGER RESERVE | RESERVE FOR EXCHANGE DIFFERENCES |
|---|------------------|---------------|------------------|----------------------------------|
| <b>Balances as at 1 January 2014</b>                      | <b>1,098,899</b> | <b>78,704</b> | <b>102,567</b>   | <b>19,542</b>                    |
| Appropriation of result for 2013:                         |                  |               |                  |                                  |
| Distribution of dividends                                 |                  |               |                  |                                  |
| Statutory reserve   |                  | 4,724         |                  |                                  |
| Retained earnings/Loss coverage                           |                  |               |                  |                                  |
| Other changes   |                  |               |                  |                                  |
| Comprehensive Profit/ (Loss) recorded in the period:      |                  |               |                  |                                  |
| Profit and losses booked directly to Shareholders' equity |                  |               |                  | 352                              |
| Distribution of advance on dividends                      |                  |               |                  |                                  |
| Profit for the period                                     |                  |               |                  |                                  |
| <b>Total as at 31 December 2014</b>                       | <b>1,098,899</b> | <b>83,428</b> | <b>102,567</b>   | <b>19,894</b>                    |

Amounts in thousands of euros

| RESERVE FROM VALUATION OF FINANCIAL INSTRUMENTS | REVENUE RESERVES AND ACTUARIAL PROFIT/(LOSS) | OTHER RESERVES | ACCUMULATED PROFIT/(LOSS) | PROFIT/(LOSS) FOR THE PERIOD | TOTAL SHAREHOLDERS' EQUITY |
|---|--|----------------|---------------------------|------------------------------|----------------------------|
| (19,426)  | (5,843)                                      | (2,993)        | 43,754                    | 42,425                       | 1,325,841                  |
|   |  |                | (19,129)                  |                              | (19,129)                   |
|   |  |                |                           | (4,353)                      | 0                          |
|   |  |                | 38,072                    | (38,072)                     | 0                          |
|   |  |                |                           |                              | 0                          |
| (15,525)  | 376  |                |                           |                              | 12,287                     |
|   |  |                |                           | (53,137)                     | (53,137)                   |
|   |  |                |                           | 94,479                       | 94,479                     |
| (34,951)  | (5,467)                                      | (2,993)        | 62,697                    | 41,342                       | 1,360,340                  |

| RESERVE FROM VALUATION OF FINANCIAL INSTRUMENTS | REVENUE RESERVES AND ACTUARIAL PROFIT/(LOSS) | OTHER RESERVES | ACCUMULATED PROFIT/(LOSS) | PROFIT/(LOSS) FOR THE PERIOD | TOTAL SHAREHOLDERS' EQUITY |
|---|--|----------------|---------------------------|------------------------------|----------------------------|
| (34,951)  | (5,467)                                      | (2,993)        | 62,697                    | 41,342                       | 1,360,340                  |
|   |  |                |                           | (36,133)                     | (36,133)                   |
|   |  |                |                           | (4,724)                      | 0                          |
|   |  |                | 485                       | (485)                        | 0                          |
|   |  | (785)          |                           |                              | (785)                      |
| (13,822)  | (2,075)                                      |                |                           |                              | (15,545)                   |
|   |  |                |                           |                              | 0                          |
|   |  |                |                           | 89,601                       | 89,601                     |
| (48,773)  | (7,542)                                      | (3,778)        | 63,181                    | 89,601                       | 1,397,478                  |

# STATEMENT OF CASH FLOWS

|  | 31.12.2014       | RELATED<br>PARTIES | 31.12.2013      | RELATED<br>PARTIES | INCREASE/<br>(DECREASE) |
|--|------------------|--------------------|-----------------|--------------------|-------------------------|
| <b>Cash flow from operating activities</b>   |                  |                    |                 |                    |                         |
| Profit before taxes  | 89,694           |                    | 93,109          |                    | (3,415)                 |
| Amortisation   | 15,236           |                    | 12,736          |                    | 2,501                   |
| Revaluations/impairment charges  | (101,256)        |                    | (115,970)       |                    | 14,714                  |
| Increase/(decrease) in provisions for liabilities                                    | 1,309            |                    | 2,851           |                    | (1,541)                 |
| Net increase/(decrease) in staff termination benefits                                | (946)            |                    | (5,029)         |                    | 4,083                   |
| Net financial interest expense   | (13,488)         |                    | (6,357)         |                    | (7,131)                 |
| Income taxes paid  | (14,161)         |                    | (45,078)        |                    | 30,917                  |
| <b>Cash flow generated by operating activities before changes in working capital</b> | <b>(23,611)</b>  | <b>0</b>           | <b>(63,738)</b> | <b>0</b>           | <b>40,126</b>           |
| Increase in current receivables  | 11,370           | 10,438             | 23,667          | 24,662             | (12,297)                |
| Increase/(decrease) in current payables  | (9,062)          | (2,725)            | (16,331)        | (6,088)            | 7,269                   |
| Increase/(decrease) in inventories   | 0                |                    | 2,264           |                    | (2,264)                 |
| <b>Change in working capital</b>   | <b>2,308</b>     | <b>7,713</b>       | <b>9,599</b>    | <b>18,574</b>      | <b>(7,291)</b>          |
| <b>Change in other assets/liabilities for the period</b>                             | <b>7,132</b>     | <b>(18,632)</b>    | <b>41,479</b>   | <b>10,897</b>      | <b>(34,347)</b>         |
| <b>TOTAL CASH FLOW FROM OPERATING ACTIVITIES</b>                                     | <b>(14,172)</b>  | <b>(10,919)</b>    | <b>(12,660)</b> | <b>29,471</b>      | <b>(1,512)</b>          |
| <b>Cash flow from investing activities</b>   |                  |                    |                 |                    |                         |
| Purchase/sale of property, plant and equipment, and intangible assets                | (13,550)         |                    | (10,883)        |                    | (2,667)                 |
| Equity investments   | (24,578)         |                    | (4,587)         |                    | (19,991)                |
| Proceeds/payments deriving from other investments                                    | (192,432)        | (298,153)          | (7,996)         | (107,340)          | (184,436)               |
| Dividends received   | 91,426           | 91,426             | 112,184         | 112,184            | (20,758)                |
| Interest income received   | 26,836           | 4,190              | 29,135          | 15,901             | (2,298)                 |
| <b>TOTAL</b>   | <b>(112,297)</b> | <b>(202,537)</b>   | <b>117,853</b>  | <b>20,746</b>      | <b>(230,150)</b>        |
| <b>Cash flow from financing activities</b>   |                  |                    |                 |                    |                         |
| Repayment of borrowings and long-term loans  | (149,166)        |                    | (357,194)       |                    | 208,027                 |
| Disbursement of borrowings/other medium/long-term loans                              | 799,223          |                    | 695,690         |                    | 103,533                 |
| (Decrease)/increase in other short-term borrowings                                   | 17,549           | (354,418)          | (147,371)       | 2,577              | 164,920                 |
| Interest expenses paid   | (68,088)         | (687)              | (60,091)        | (534)              | (7,997)                 |
| Dividends paid   | (36,133)         | (36,133)           | (72,266)        | (72,266)           | 36,133                  |
| <b>TOTAL CASH FLOW</b>   | <b>563,384</b>   | <b>(391,238)</b>   | <b>58,767</b>   | <b>(70,224)</b>    | <b>504,617</b>          |
| <b>Changes in shareholders' equity after net profit</b>                              | <b>0</b>         | <b>0</b>           | <b>0</b>        | <b>0</b>           | <b>0</b>                |
| <b>Cash flows for the period</b>   | <b>436,915</b>   | <b>(604,695)</b>   | <b>163,960</b>  | <b>(20,007)</b>    | <b>272,955</b>          |
| <b>Net opening balance of cash and cash equivalents</b>                              | <b>541,526</b>   | <b>0</b>           | <b>377,565</b>  | <b>0</b>           | <b>163,960</b>          |
| <b>Net closing balance of cash and cash equivalents</b>                              | <b>978,440</b>   | <b>(604,695)</b>   | <b>541,526</b>  | <b>(20,007)</b>    | <b>436,915</b>          |

Amounts in thousands of euros

# NOTES TO THE INCOME STATEMENT

## REVENUES

### 1. REVENUE FROM SALES AND SERVICES – 173,734 THOUSAND EUROS

“Revenue from sales and services” can be broken down as follows:

| € thousand                                    | 31.12.2014     | 31.12.2013     | INCREASE/<br>(DECREASE) |
|---|----------------|----------------|-------------------------|
| <b>Revenue from services to customers</b>     | <b>67,770</b>  | <b>61,241</b>  | <b>6,529</b>            |
| from Roma Capitale public lighting service    | 60,139         | 53,282         | 6,858                   |
| from Naples Municipal public lighting service | 7,572          | 7,776          | (203)                   |
| other revenues                                | 59             | 184            | (126)                   |
| <b>Revenue from intragroup services</b>       | <b>105,964</b> | <b>101,164</b> | <b>4,800</b>            |
| service contracts                             | 98,435         | 95,578         | 2,857                   |
| other services                                | 7,529          | 5,586          | 1,943                   |
| <b>Revenue from Sales and Services</b>        | <b>173,734</b> | <b>162,405</b> | <b>11,329</b>           |

The 6,529 thousand euros increase in *Revenue from services to customers* is mainly attributable to the public lighting service in the Rome Municipality as a consequence of **(i)** the recognition of design costs, work supervision and archaeological support to the extent of 10% in addition to the fee agreed for services provided in the periods 2011, 2012 and 2013 pursuant to the provisions of the service contract executed in 2011 (worth 3,551 thousand euros) and **(ii)** the increased projects for the design and construction of new plants during the period under review (worth 3,307 thousand euros).

*Revenue from intragroup* grew 4,800 thousand euros in total, of which 2,857 thousand euros for service-related activities of mainly an

administrative, financial, legal and technical nature performed in the interest of the Group Companies. In this respect, it is worth noting that previous contracts - valid for the three years 2011 to 2013 - were based on the contractual fees at market prices and the service quantities actually provided. Since 1 January 2014, ACEA completed the following activities in the context of the three-year duration of contracts: **(i)** a review of the catalogue of offered services, **(ii)** alignment of fees to market prices, **(iii)** measures introduced to ensure the compliance of service contracts with regulatory requirements and with provisions of the applied MOGC (Organisation, Management and Control Model) and **(iv)** introduction of new SLAs (Service Level Agreements) designed to improve the offered

service level in relation to a number of KPIs (Key Performance Indicators). The new tariff schedule substantially shows a reduction of total tariffs for almost all companies; as a result the growth of tariff revenues mainly derives from the recognition of equalisation amounts for the previous annual period (3,244 thousand euros).

### 2. OTHER REVENUE AND PROCEEDS – 12,650 THOUSAND EUROS

This item was down 1,846 thousand euros compared to 31 December 2013 mainly as a result of the reduced recognition of non-recurring gains and reduced compensations for staff seconded mainly to Roma Capitale.

Below is a breakdown of the item.

| € thousand  | 31.12.2014    | 31.12.2013    | INCREASE/<br>(DECREASE) |
|---|---------------|---------------|-------------------------|
| Non-recurring gains and other revenues              | 6,909         | 8,409         | (1,501)                 |
| Seconded staff                                      | 2,166         | 2,572         | (406)                   |
| Recharged cost of governance bodies                 | 2,649         | 2,566         | 82                      |
| Property income                                     | 736           | 738           | (1)                     |
| Reimbursement for damages, penalties, compensations | 191           | 209           | (18)                    |
| Gains on asset disposals                            | 0             | 2             | (2)                     |
| <b>TOTAL</b>  | <b>12,650</b> | <b>14,496</b> | <b>(1,846)</b>          |

## COSTS

### 3. STAFF COSTS – 54,895 THOUSAND EUROS

| € thousand                              | 31.12.2014    | 31.12.2013    | INCREASE/<br>(DECREASE) |
|---|---------------|---------------|-------------------------|
| Staff costs including capitalised costs | 57,343        | 51,225        | 6,118                   |
| Capitalised costs                       | (2,448)       | (1,070)       | (1,378)                 |
| <b>Staff costs</b>                      | <b>54,895</b> | <b>50,155</b> | <b>4,740</b>            |

The change in staff costs vs. the previous annual period, worth 6,118 thousand euros in total, is attributable (to the extent of 4,987 thousand euros) to the effect generated in 2013 by the partial release of provisions set aside for the second round of the medium - long term Incentive Scheme and those set aside for Senior and Middle Managers' MBO and Bonuses, as the objectives assigned were only partially achieved.

With respect to the third round of the medium - long term Incentive Scheme, its value was down 607 thousand euros compared to 2013, as a consequence of the changed scope of consolidation.

In the light of the foregoing, staff costs increased 1,737 thousand euros in total.

Capitalised staff costs grew 1,378 thousand euros as 2014 was characterised by the start-up and implementation of IT system improvement and modernisation initiatives in the context of the ACEA 2.0 project.

The table below shows the average and final numbers of staff by category, compared with the corresponding period in the previous year.

| Classification     | AVERAGE HEADCOUNT FOR THE PERIOD |            |                         | END-OF-PERIOD HEADCOUNT |            |                         |
|--------------------|----------------------------------|------------|-------------------------|-------------------------|------------|-------------------------|
|                    | 31.12.2014                       | 31.12.2013 | INCREASE/<br>(DECREASE) | 31.12.2014              | 31.12.2013 | INCREASE/<br>(DECREASE) |
| Senior managers    | 62                               | 62         | 0                       | 61                      | 62         | (1)                     |
| Middle managers    | 147                              | 144        | 3                       | 146                     | 146        | 0                       |
| White-collar staff | 437                              | 450        | (14)                    | 430                     | 436        | (6)                     |
| Blue-collar staff  | 24                               | 23         | 1                       | 24                      | 22         | 2                       |
| <b>TOTAL</b>       | <b>670</b>                       | <b>680</b> | <b>(10)</b>             | <b>661</b>              | <b>666</b> | <b>(5)</b>              |

### 4. COSTS OF MATERIALS AND OVERHEADS – 131,329 THOUSAND EUROS

In comparison with 31 December 2013, the costs of materials and overheads increased 2,310 thousand euros (+ 1.8%) in total, in detail:

| € thousand                 | 31.12.2014     | 31.12.2013     | INCREASE/<br>(DECREASE) |
|----------------------------|----------------|----------------|-------------------------|
| Materials                  | 1,081          | 867            | 214                     |
| Services and contract work | 114,241        | 112,786        | 1,455                   |
| Lease expense              | 9,910          | 9,869          | 41                      |
| Taxes and duties           | 2,489          | 2,355          | 133                     |
| General expenses           | 3,609          | 3,142          | 467                     |
| <b>TOTAL</b>               | <b>131,329</b> | <b>129,019</b> | <b>2,310</b>            |

The composition and changes in costs of materials and overheads by type for the two annual periods are compared below.

| € thousand   | 31.12.2014     | 31.12.2013     | INCREASE/<br>(DECREASE) |
|--|----------------|----------------|-------------------------|
| <b>Materials</b>   | <b>1,081</b>   | <b>867</b>     | <b>214</b>              |
| <b>Services and contract work</b>  | <b>114,241</b> | <b>112,786</b> | <b>1,455</b>            |
| Intragroup services  | 39,480         | 35,592         | 3,888                   |
| • <i>Roma Capitale public lighting</i>   | 32,600         | 29,206         | 3,394                   |
| • <i>Naples municipal public lighting</i>  | 6,226          | 5,958          | 268                     |
| Electricity and water consumption  | 32,453         | 31,431         | 1,022                   |
| • <i>Roma Capitale public lighting electricity consumption</i>                             | 29,354         | 28,210         | 1,144                   |
| Administrative, tax, legal and IT advisory services  | 8,798          | 11,526         | (2,728)                 |
| Works  | 5,029          | 4,711          | 318                     |
| Maintenance fees   | 4,386          | 3,756          | 630                     |
| Services for personnel   | 3,998          | 4,157          | (159)                   |
| Surveillance services  | 3,427          | 3,571          | (144)                   |
| Advertising and sponsorship costs  | 3,030          | 3,688          | (658)                   |
| Cleaning, transport and portorage  | 3,051          | 3,328          | (277)                   |
| Seconded staff   | 2,874          | 2,506          | 368                     |
| Postal expenses  | 2,214          | 2,185          | 29                      |
| Bank fees  | 1,720          | 1,854          | (134)                   |
| Corporate bodies   | 1,013          | 1,754          | (741)                   |
| Telephone costs  | 736            | 890            | (154)                   |
| Insurance costs  | 535            | 558            | (23)                    |
| Travel and transfer expenses   | 432            | 384            | 48                      |
| 'Coordinated and continuous collaborations' (employer-coordinated, ongoing freelance work) | 328            | 407            | (78)                    |
| Technical and administrative services  | 336            | 132            | 203                     |
| Printing costs   | 33             | 80             | (47)                    |
| <b>Other costs</b>   | <b>368</b>     | <b>274</b>     | <b>93</b>               |
| Lease expense  | 9,910          | 9,869          | 41                      |
| <b>Lease payments</b>  | <b>7,536</b>   | <b>7,966</b>   | <b>(429)</b>            |
| <b>Other payments and rental costs</b>   | <b>2,373</b>   | <b>1,903</b>   | <b>470</b>              |
| <b>Taxes and duties</b>  | <b>2,489</b>   | <b>2,355</b>   | <b>133</b>              |
| <b>General expenses</b>  | <b>3,609</b>   | <b>3,142</b>   | <b>467</b>              |
| <b>Total costs of materials and overheads</b>  | <b>131,329</b> | <b>129,019</b> | <b>2,310</b>            |

The increase worth 2,310 thousand euros in the cost of materials and overheads is attributable to increases and decreases in a number of subitems. Increased costs were as follows:

- public lighting services in the Rome and Naples municipalities grew 3,662 thousand euros, following, in particular, the construction of new plants and the related electricity consumption (1,144 thousand euros),
- maintenance fees for IT infrastructure commissioned at the end of 2013 and during 2014 rose 630 thousand euros,
- routine maintenance on the plants of owned buildings were up 318 thousand euros,

- the cost of staff seconded to the Group companies grew 368 thousand euros,
- general expenses increased 467 thousand euros, with special reference to non-recurring losses ascribable to equalisation amounts for electricity consumption.

On the other hand, following the cost-containment policy introduced since 2013, the following costs of materials and overheads were down:

- administrative, tax, legal and IT advisory services (down 2,728 thousand euros),
- costs of corporate bodies (down 741 thousand euros), and

- advertising and sponsorship costs (down 658 thousand euros).

Pursuant to article 149-*duodecies* of the CONSOB Issuers' Regulations, fees accrued to the independent auditor Reconta Ernst & Young amounted to 648 thousand euros in aggregate, of which 269 thousand euros for audit services, 253 thousand euros for audit-related services and 126 thousand euros for non-audit services.



## 5. AMORTISATION, DEPRECIATION, PROVISIONS AND IMPAIRMENT CHARGES – 30,917 THOUSAND EUROS

| € thousand                    | 31.12.2014    | 31.12.2013    | INCREASE/<br>(DECREASE) |
|-------------------------------|---------------|---------------|-------------------------|
| Amortisation and depreciation | 15,236        | 12,736        | 2,501                   |
| Impairment of receivables     | 6,923         | 2,653         | 4,271                   |
| Provisions for liabilities    | 8,757         | 14,209        | (5,452)                 |
| <b>TOTAL</b>                  | <b>30,917</b> | <b>29,598</b> | <b>1,319</b>            |

**Amortisation/depreciation** amounted to 15,236 thousand euros in total of which 6,942 thousand euros worth of intangible assets and 8,295 thousand euros worth of property, plant and equipment. The increase worth 2,501 thousand euros is mainly ascribable to the coming into operation of new technology improvement and development software.

**Impairment of receivables** amounted to 6,923 thousand euros in total and mainly relates to risks connected with the recoverability of amounts due from public counterparties.

**Provisions for liabilities** were 8,757 thousand in total. Below is a breakdown by type:

| € thousand                                      | 31.12.2014   | 31.12.2013    | INCREASE/<br>(DECREASE) |
|---|--------------|---------------|-------------------------|
| Early retirements and redundancies              | 5,311        | 4,000         | 1,311                   |
| Legal risks                                     | 3,144        | 1,691         | 1,453                   |
| Investees                                       | 247          | 8,103         | (7,856)                 |
| Contributory risks and risks with public bodies | 56           | 416           | (360)                   |
| <b>TOTAL PROVISIONS</b>                         | <b>8,757</b> | <b>14,209</b> | <b>(5,452)</b>          |

The 5,452 thousand euros fall in provisions mainly relates to the sums set aside in 2013 for the assessment of risks associated with the situation of a few investees, with particular reference to Marco Polo and Si(e)nergia.

By contrasts there was an increase in provisions to cover the cost of voluntary-redundancy and early-retirement procedures and possible expenses of legal disputes and disputes with suppliers.

## 6. FINANCIAL INCOME - 101.288 THOUSAND EUROS

| € thousand                                      | 31.12.2014     | 31.12.2013    | INCREASE/<br>(DECREASE) |
|---|----------------|---------------|-------------------------|
| Income from intragroup relations                | 93,744         | 81,299        | 12,445                  |
| Default interest due from Roma Capitale         | 3,164          | 538           | 2,626                   |
| Financial income from public lighting contracts | 1,369          | 626           | 743                     |
| Recovery of discounting receivables             | 1,077          | 1,181         | (103)                   |
| Default interest due from subsidiaries          | 830            | 1,214         | (384)                   |
| Bank interest and income                        | 754            | 1,342         | (587)                   |
| Income from the Fair Value Hedge assessment     | 349            | 821           | (473)                   |
| Other financial income                          | 1              | 196           | (194)                   |
| <b>Total financial income</b>                   | <b>101,288</b> | <b>87,216</b> | <b>14,072</b>           |

The growth of financial income (+ 14,072 thousand euros) is mainly attributable to increased income from intragroup relations, i.e. income due from investees, with special reference to ACEA Energia and Laboratori.

An increase was also recorded in default interest due from Roma Capitale. The above increase was counterbalanced by lower default interest due from a few subsidiaries and lower financial income from the Fair Value

Hedge assessment of the derivative executed on a Bond of 600 million euros placed on the market in September 2013.

## 7. FINANCIAL COSTS – 87,799 THOUSAND EUROS

| € thousand  | 31.12.2014    | 31.12.2013    | INCREASE/<br>(DECREASE) |
|---|---------------|---------------|-------------------------|
| Interest on bonds                                       | 66,002        | 48,372        | 17,631                  |
| Expenses/(Income) from interest rate swaps              | 3,843         | 6,707         | 2,864                   |
| Interest on medium/long-term borrowings                 | 12,245        | 10,614        | 1,632                   |
| Interest on short-term borrowings                       | 3,734         | 11,069        | (7,335)                 |
| Other financial costs                                   | 945           | 1,312         | (368)                   |
| Financial costs from public lighting contracts          | 791           | 986           | (195)                   |
| Expenses from intragroup relations                      | 687           | 534           | 153                     |
| Foreign exchange profit/(loss)                          | (525)         | 1,020         | (1,545)                 |
| Interest paid on Equitalia and INPS instalment payments | 76            | 245           | (169)                   |
| <b>Total financial costs</b>                            | <b>87,799</b> | <b>80,859</b> | <b>6,940</b>            |

The financial cost increase worth 6,940 thousand euros mainly derives from increased interest and costs net of income from interest rate swaps on bonds placed in the last quarter of 2013 and in

2014, partially set off by a net reduction in interest on medium/long-term and short-term borrowings worth 5,703 thousand euros following the reduced debt exposure in the short term.

The average cost of ACEA borrowings grew from 2.38% in 2013 to 2.86% in 2014.

## 8. PROFITS ON EQUITY INVESTMENTS – 107,917 THOUSAND EUROS

These amounted to 107,917 thousand euros (- 12,152 thousand euros compared to 31 December 2013) and are detailed in the table below.

| € thousand   | 31.12.2014     | 31.12.2013     | INCREASE/<br>(DECREASE) |
|--|----------------|----------------|-------------------------|
| <b>Dividend income</b>   | <b>104,025</b> | <b>118,477</b> | <b>(14,452)</b>         |
| ACEA Ato2  | 58,835         | 68,170         | (9,335)                 |
| ACEA Distribuzione   | 20,769         | 14,852         | 5,917                   |
| Aquaser  | 6,624          | 2,179          | 4,445                   |
| LABORATORI   | 4,822          | 5,790          | (968)                   |
| Agua Azul Bogotà   | 3,457          | 896            | 2,560                   |
| A.R.I.A.   | 3,273          | 3,255          | 17                      |
| Acque Blu Fiorentina   | 3,074          | 2,875          | 199                     |
| ACEA Illuminazione Pubblica  | 1,299          | 0              | 1,299                   |
| Sarnese Vesuviano  | 660            | 0              | 660                     |
| Agua de San Pedro  | 441            | 112            | 329                     |
| Consorcio Agua Azul  | 431            | 315            | 116                     |
| Umbria Distribuzione Gas   | 48             | 63             | (14)                    |
| ACEA Dominicana  | 292            | 0              | 292                     |
| A.R.S.E.   | 0              | 19,948         | (19,948)                |
| Ingegnerie Toscane   | 0              | 21             | (21)                    |
| <b>Adjustment to the provision for liabilities with respect to the 'Marco Polo in liquidation' equity investment</b> | <b>2,300</b>   | <b>0</b>       | <b>2,300</b>            |
| <b>Gain on the transfer of the public lighting business</b>  | <b>1,591</b>   | <b>1,591</b>   | <b>0</b>                |
| <b>TOTAL</b>   | <b>107,917</b> | <b>120,069</b> | <b>(12,152)</b>         |

## 9. LOSSES ON EQUITY INVESTMENTS – 954 THOUSAND EUROS

These losses are attributable to impairment charges introduced following the assessment of a few subsidiaries, with special reference to Centro Sviluppo Materiali, Wrc Plc and Ecomed

## 10. TAXES – 92 THOUSAND EUROS

An overall tax credit for the period worth 92 thousand euros was recorded (i.e. + 1,461 thousand euros compared to 31 December 2013). In particular, the overall closing balance of taxes levied on the Company results from the tax treatment, prescribed by the applicable tax regulations, for dividend income, provisions for

risks and the deductibility of interest payable by ACEA in the context of Group tax consolidation regime.

Income taxes for the period have a + 0.1% incidence on the result before tax.

The closing balance was calculated by the algebraic sum of the following subitems.

## CURRENT TAXES

As at 31 December 2014, current taxes amounted to 65,608 thousand euros (36,919 thousand euros as at 31 December 2013) worth of consolidated IRAP (regional business tax) and consolidated IRES (corporate income tax) calculated on the sum of the taxable incomes and tax losses of the companies falling in the tax consolidation scope.

The effect of current IRES (63,894 thousand euros) is netted out against the income arising from the inclusion of the taxable incomes of companies falling within the tax consolidation scope. The effect is schematically shown in the table below, which reconciles theoretical and actual tax rates.

## DEFERRED TAXES

Net deferred tax assets reduced the tax balance by 1,229 thousand euros and were calculated by the algebraic sum of appropriations made (3,626 thousand euros) mainly to provisions for liabilities, provisions for impairment of receivables and provisions for defined-benefit plans, and utilisations (2,397 thousand euros). Deferred tax liabilities increased the tax balance by 200 thousand euros and were calculated by the algebraic sum of utilisations (1,041 thousand euros) relating to the taxable portion of the collected dividends and provisions for the period (1,241 thousand euros).

## TAX CONSOLIDATION EXPENSE AND INCOME

The final positive balance worth 64,487 thousand euros results from the algebraic sum of the tax expense paid by the Parent Company to the companies included in the consolidation scope against the transfer of tax losses (6,328 thousand euros) and the tax income booked against the taxable incomes transferred to the tax consolidation scope (70,815 thousand euros). In accordance with the Group's general tax consolidation rules, the value of a loss is determined by applying the current IRES rate to the total tax losses transferred.

The following table provides a reconciliation of the theoretical and effective tax rates.

|  | <b>31.12.2014</b> | <b>%</b>    | <b>31.12.2013</b> | <b>%</b>      |
|--|-------------------|-------------|-------------------|---------------|
| <b>Profit before tax from continuing operations</b>                  | <b>89,694</b>     |             | <b>93,109</b>     |               |
| Expected taxes calculated at 27.5% on profit before tax              | 24,666            | 27.5%       | 25,605            | 27.5%         |
| Permanent differences*   | (26,744)          | (29.8%)     | (28,486)          | (30.6%)       |
| IRES (corporate income tax) for the period**                         | (2,078)           | (2.3%)      | (2,881)           | (3.1%)        |
| IRAP (regional business tax) for the period **                       | 2,171             | 2.4%        | 1,511             | 1.6%          |
| <b>Tax charge on income for the period for continuing operations</b> | <b>92</b>         | <b>0.1%</b> | <b>(1,369)</b>    | <b>(1.5%)</b> |

\* Mainly inclusive of the non-taxed portion of dividends

\*\* Inclusive of deferred taxation

# NOTES TO THE STATEMENT OF FINANCIAL POSITION - ASSETS

## 11. PROPERTY, PLANT AND EQUIPMENT – 154,933 THOUSAND EUROS

| € thousand                                 | 31.12.2014     | 31.12.2013     | INCREASE/<br>(DECREASE) |
|--|----------------|----------------|-------------------------|
| Land and buildings                         | 137,541        | 139,713        | (2,172)                 |
| Plant and machinery                        | 3,002          | 2,682          | 320                     |
| Industrial and commercial equipment        | 1,029          | 1,562          | (533)                   |
| Other assets                               | 13,326         | 15,183         | (1,857)                 |
| Fixed assets in progress and prepayments   | 35             | 1,278          | (1,243)                 |
| <b>Total property, plant and equipment</b> | <b>154,933</b> | <b>160,417</b> | <b>(5,484)</b>          |

There was a reduction of 5,484 thousand euros compared to 31 December 2013.

The decrease relates to the net effect between overall investments for the period worth 3,643 thousand euros, disposals worth 878

thousand euros and depreciation for the period amounting to 8,234 thousand euros.

Investments for the period mainly included investments in non-routine maintenance in the head office premises and investments in the

hardware required for IT network improvement and development.

The changes of the period are summed up in the table below.

| Property, plant and equipment              | 31.12.2013      |                  |                     | CHANGES OF THE PERIOD |               |                            |                | 31.12.2014     |                          |                     |
|--|-----------------|------------------|---------------------|-----------------------|---------------|----------------------------|----------------|----------------|--------------------------|---------------------|
|  | Historical cost | Accumul. deprec. | Net carrying amount | Increases             | Other changes | Disposals/ Discontinuation | Amortis.       | Cost           | Accumulated depreciation | Net carrying amount |
| Land and buildings                         | 154,477         | (14,764)         | 139,713             | 682                   | 510           |                            | (3,364)        | 155,669        | (18,127)                 | 137,541             |
| Plant and machinery                        | 11,339          | (8,657)          | 2,682               | 1,739                 | 104           | (354)                      | (1,169)        | 12,611         | (9,609)                  | 3,002               |
| Industrial and commercial equipment        | 15,104          | (13,543)         | 1,562               | 203                   |               | (500)                      | (219)          | 13,182         | (12,153)                 | 1,029               |
| Other assets                               | 47,688          | (32,506)         | 15,183              | 1,020                 | 629           | (23)                       | (3,482)        | 49,053         | (35,727)                 | 13,326              |
| Fixed assets in progress and prepayments   | 1,278           | 0                | 1,278               | 0                     | (1,243)       |                            | 0              | 35             | 0                        | 35                  |
| <b>Total property, plant and equipment</b> | <b>229,886</b>  | <b>(69,469)</b>  | <b>160,417</b>      | <b>3,643</b>          | <b>0</b>      | <b>(878)</b>               | <b>(8,234)</b> | <b>230,549</b> | <b>(75,616)</b>          | <b>154,933</b>      |

## 12. INVESTMENT PROPERTY – 2,819 THOUSAND EUROS

Investment property amounted to 2,819 thousand euros, i.e. down 53 thousand euros as a result of depreciation for the period and primarily includes land and buildings that are not instrumental in production and are held for rental.

## 13. INTANGIBLE ASSETS – 14,246 THOUSAND EUROS

| € thousand  | 31.12.2014    | 31.12.2013    | INCREASE/<br>(DECREASE) |
|---|---------------|---------------|-------------------------|
| Industrial patents and intellectual property rights | 12,716        | 5,226         | 7,490                   |
| Fixed assets in progress and prepayments            | 1,530         | 5,105         | (3,574)                 |
| Others  | 0             | 65            | (65)                    |
| <b>Total intangible assets</b>                      | <b>14,246</b> | <b>10,396</b> | <b>3,851</b>            |

The changes in the period are summed up in the table below:

| Intangible assets                                   | 31.12.2013          |  | CHANGES IN THE PERIOD |               |                           |                | 31.12.2014          |
|---|---------------------|--|-----------------------|---------------|---------------------------|----------------|---------------------|
|   | Net carrying amount |  | Increases             | Other changes | Revaluations/ Impairments | Amortisation   | Net carrying amount |
| Industrial patents and intellectual property rights | 5,226               |  | 8,978                 | 5,161         | 227                       | (6,877)        | 12,716              |
| Other fixed assets                                  | 65                  |  |                       |               |                           | (65)           | 0                   |
| Fixed assets in progress                            | 5,105               |  | 1,530                 | (5,161)       | 56                        | 0              | 1,530               |
| <b>Total intangible assets</b>                      | <b>10,396</b>       |  | <b>10,508</b>         | <b>0</b>      | <b>284</b>                | <b>(6,942)</b> | <b>14,246</b>       |

The closing balance grew 3,851 thousand euros from the previous annual period following the net effect of investments for the period worth 10,508 thousand euros and amortisation for the period worth 4,665 thousand euros.

Investments mainly included sums paid for the purchase and upgrade of software for the implementation of the ACEA 2.0 project as well as for corporate management and security activities.

## 14. EQUITY INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES – 1,730,150 THOUSAND EUROS

This item increased 23,676 thousand euros from 31 December 2013, in detail:

| € thousand                         | 31.12.2014       | 31.12.2013       | INCREASE/<br>(DECREASE) |
|------------------------------------|------------------|------------------|-------------------------|
| Equity investments in subsidiaries | 1,716,037        | 1,692,529        | 23,508                  |
| Equity investments in associates   | 14,114           | 13,945           | 169                     |
| <b>Total equity investments</b>    | <b>1,730,151</b> | <b>1,706,474</b> | <b>23,676</b>           |

### EQUITY INVESTMENTS IN SUBSIDIARIES

They grew 23,508 thousand euros; the main transactions during the period are summed up below.

| EQUITY INVESTMENTS IN SUBSIDIARIES  | HISTORIC COST    | RECLASSIFICATIONS AND OTHER CHANGES | REVALUATIONS/ IMPAIRMENTS | DISPOSALS        | NET CARRYING AMOUNT |
|-------------------------------------|------------------|-------------------------------------|---------------------------|------------------|---------------------|
| <b>Balances at 31 December 2013</b> | <b>2,717,525</b> | <b>(12,319)</b>                     | <b>(62,583)</b>           | <b>(950,094)</b> | <b>1,692,529</b>    |
| Changes in 2014:                    |                  |                                     |                           |                  |                     |
| • changes in share capital          | 17,592           |                                     | 0                         | 0                | 17,592              |
| • acquisitions/incorporations       | 5,475            | 168                                 | 0                         | 0                | 5,643               |
| • disposals/distributions           | 0                | 0                                   | 0                         | 0                | 0                   |
| • reclassifications                 | 3                | (166)                               | 166                       | 0                | 3                   |
| • impairments                       | 0                | 0                                   | 270                       | 0                | 270                 |
| <b>Total changes in 2014</b>        | <b>23,070</b>    | <b>2</b>                            | <b>436</b>                | <b>0</b>         | <b>23,508</b>       |
| <b>Balances at 31 December 2014</b> | <b>2,740,595</b> | <b>(12,317)</b>                     | <b>(62,147)</b>           | <b>(950,094)</b> | <b>1,716,037</b>    |

Changes in the annual period under review are as follows:

- a payment of 10,057 thousand euros for the capital increase of ACEA Ato5 approved in October 2014, which increased the interest held in the Company from 94.48% to 98.45% as ACEA subscribed to the theretofore unsubscribed shares of one of the minority shareholders;
- a payment for the acquisition from Monte dei Paschi di Siena of its shares in the capitals of Acque Blu Arno Basso (subscribed interest 6.81%), Acque Blu Fiorentina (subscribed interest 6.01%) and Ombrone (subscribed interest 14.94%) at a price of 1,368 thousand, 4,214 thousand and 1,953 thousand euros respectively, bringing the interest held at 31 December 2014 to 75.81% in Acque Blu Arno Basso, 75.01% in Acque Blu Fiorentina and 99.51% in Ombrone;
- the acquisition of the interests held by Aquaser in Solemme S.p.A. and Samace S.r.l., at a price of 1 euro and 5,465 thousand euros respectively. The purchase price of interest in Samace amounted to 6,250 thousand euros, the issue premium of 785 thousand euros was booked to a shareholders' equity reserve. In addition, the transaction cost of 168 thousand euros was capitalised into the equity interest value;

- the incorporation of the private limited liability company Parco della Mistica S.r.l. wholly controlled by ACEA, with a capital of 10 thousand euros, whose purpose is the development, construction, maintenance, operation, purchase and management of plants and networks for electricity transmission and dispatching, as well as the production, distribution and trading of energy generated from, *inter alia*, renewable energy sources;
- an adjustment to the current exchange rate of the value of interests held in foreign companies to the extent of 295 thousand euros;
- the impairment of the value of the equity interest held in Ecomed (25 thousand euros).

For the appraisal of the recoverable value of it equity investments, ACEA hired an independent expert to perform an impairment test on substantially all its direct and indirect subsidiaries. The impairment procedure consisted in comparing the carrying amount of the equity investments with their economic value. The retention of the value of an equity investment can be calculated by the difference between the recoverable amount – considered equal to the value in use or the fair value net of costs to sell, whichever is higher – and the carrying amount.

The value in use is the present value of expected cash flows that can be assumed will derive from the ongoing use of the equity investment assets as a whole. The fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties.

The impairment process 2014 involved estimating a **recoverable value** range for individual Cash Generating Units (CGUs) and equity investments **in terms of 'value in use' seamlessly with the previous annual period**, i.e. by discounting operating flows at a post-tax rate expressing the weighted average cost of capital (WACC).

The recoverable amount of the equity investments – expressed in terms of value in use – was estimated using a combination of the financial method, sensitivity analyses and simulation techniques (Monte Carlo simulation).

The application of the financial method to calculate the recoverable amount and the subsequent comparison with the relevant carrying amounts was instrumental in the estimation of post-tax WACC, operating flows (OCF), terminal value (TV) and, in particular, the growth rate used for the flow projection beyond the time horizon of the plan (g), net financial position (NFP) and the value of ancillary activities (AA).

Operating flows and terminal value were calculated through the 2015 Budget estimates and

the updates of equity investment-plans associated with the industrial plan 2014 – 2018, limited to years from 2016 to 2018/2019; all documents used for the impairment tests were submitted to the attention of the Board of Directors of ACEA.

The recoverable value of equity investments was calculated by the sum of the present value of cash flows of Impairment Plans and the present value of Terminal Value.

The table below shows the operating segments

to which the investments booked in the financial statements of the Parent Company relate. For each operating segment, reference is made to the type of recoverable value considered, discount rates used and the time horizon of operating flows.

| OPERATING SEGMENT           | RECOVERABLE VALUE | WACC | TERMINAL VALUE                   | CASH FLOW PERIOD |
|-----------------------------|-------------------|------|----------------------------------|------------------|
| <b>Networks Segment:</b>    |                   |      |                                  |                  |
| • ACEA Distribuzione        | value in use      | 5.4% | two-stage                        | until 2019       |
| <b>Water Segment</b>        |                   |      |                                  |                  |
|                             | value in use      | 5.9% | two-stage                        | until 2018       |
| <b>Energy Segment:</b>      |                   |      |                                  |                  |
| • ACEA Produzione           | value in use      | 6.5% | two-stage                        | until 2019       |
| • ACEA Energia              | value in use      | 6.5% | <i>perpetuity without growth</i> | until 2019       |
| <b>Environment Segment:</b> |                   |      |                                  |                  |
|                             | value in use      | 6.3% | two-stage                        | until 2018       |

The **Terminal Value** was calculated:

- for ACEA Produzione, in two stages using a nil growth rate for both stages. The first stage concerned a standardised flow for the period 2019-2029, whereas for the second stage the calculation related to the period after 2029
- for the Environment Segment, in two stages using a nil growth rate for both stages. The first stage concerned the period 2019, corresponding to the useful life of plants, whereas the second stage included the residual value corresponding to net invested capital at the end of useful life

- for ACEA Distribuzione, in two stages. The first stage concerned a standardised flow for the period 2019 to 2030, whereas the second stage related to the period after 2030 and considered, inter alia, the present value of the regulatory asset base (RAB) at the end of the concession. The growth rate used for both stages was 1%
- for the Water Segment, in two stages. The first stage concerned a standardised flow for the period 2019 to 2032 whereas the second stage related to the period after 2032 and considered, inter alia, the present value of the

Residual Value in case of a takeover at the end of the concession. The growth rate used for both stages is 1.5%

The impairment test results confirmed that the value of the booked equity investments is recoverable.

#### EQUITY INVESTMENTS IN ASSOCIATES

This item, equal to 14,114 thousand euros, grew as a result of the measurement at the current exchange rate of the equity investments held in companies abroad. Changes occurred during the period under review are summed up below.

| EQUITY INVESTMENTS IN ASSOCIATES    | HISTORICAL COST | RECLASSIFICATIONS | REVALUATIONS/ IMPAIRMENTS | DISPOSALS      | NET CARRYING AMOUNT |
|-------------------------------------|-----------------|-------------------|---------------------------|----------------|---------------------|
| Balances at 31 December 2013        | 92,558          | 2,957             | (80,103)                  | (1,467)        | 13,945              |
| <b>Changes in 2014:</b>             |                 |                   |                           |                |                     |
| • changes in share capital          | 0               | 0                 | 0                         | 0              | 0                   |
| • acquisitions/incorporations       | 0               | 0                 | 0                         | 0              | 0                   |
| • disposals                         | 0               | 0                 | 0                         | 0              | 0                   |
| <b>- impairments/revaluations</b>   | <b>0</b>        | <b>0</b>          | <b>169</b>                | <b>0</b>       | <b>169</b>          |
| <b>Total changes in 2014</b>        | <b>0</b>        | <b>0</b>          | <b>169</b>                | <b>0</b>       | <b>169</b>          |
| <b>Balances at 31 December 2014</b> | <b>92,558</b>   | <b>2,957</b>      | <b>(79,934)</b>           | <b>(1,467)</b> | <b>14,114</b>       |

#### 15. OTHER INVESTMENTS – 2,395 THOUSAND EUROS

This item fell 828 thousand euros from the level of 31 December 2013 following the impairment charges applied to the booked values of equity investments in WRC Plc and Centro Sviluppo Materiali S.p.A.

In the latter respect, it is worth noting that the majority shareholder R.I.N.A. expressed its intention to cover the losses of the Company; however, the said equity investment was

confirmed not to be strategic for the ACEA Group. The deadline for a possible exercise of the option was fixed at 30 September 2015. “Other investments” relates to equity investments that do not qualify as interest in subsidiaries, associates or joint ventures.

#### 16. DEFERRED TAX ASSETS – 43,496 THOUSAND EUROS

This item grew 7,504 thousand euros vs. the level at 31 December 2013.

As for the recoverability of prepaid taxes, the valuation of deferred tax assets was made on the basis of ACEA's industrial plans and, for the time horizon, considering a reasonable estimate of the time when the related difference is expected to reverse.

The following table shows both the composition of and the changes in deferred tax assets and liabilities for the period under review:

| € thousand  | CHANGES IN THE PERIOD |                         |               |                              |                      | 31.12.2014    |
|---|-----------------------|-------------------------|---------------|------------------------------|----------------------|---------------|
|   | 31.12.2013            | IRES / IRAP utilisation | Other changes | Changes recognised in equity | IRES/IRAP provisions |               |
| <b>Prepaid taxes</b>  |                       |                         |               |                              |                      |               |
| Tax losses  | 0                     | 0                       |               |                              | 0                    | 0             |
| Remuneration of BoD members                                     | 0                     | 0                       |               |                              | 0                    | 0             |
| Provisions for liabilities and charges                          | 6,399                 | (1,552)                 |               |                              | 2,369                | 7,216         |
| Impairment of investments                                       | 0                     | 0                       |               |                              | 0                    | 0             |
| Impairment of receivables                                       | 4,685                 | (152)                   |               |                              | 893                  | 5,426         |
| Amortisation and depreciation of intangible and tangible assets | 806                   | 0                       |               |                              | 169                  | 976           |
| Amortisation of goodwill  | 0                     | 0                       |               |                              | 0                    | 0             |
| Defined-benefit and defined-contribution plans                  | 8,173                 | (382)                   |               | 787                          | 195                  | 8,773         |
| Others (IAS 39 and IFRIC12)                                     | 16,174                | (311)                   |               | 5,243                        | 0                    | 21,106        |
| <b>Total</b>  | <b>36,237</b>         | <b>(2,397)</b>          | <b>0</b>      | <b>6,030</b>                 | <b>3,626</b>         | <b>43,496</b> |
| <b>Deferred taxes</b>   |                       |                         |               |                              |                      |               |
| Deferred tax on dividends                                       | 198                   | (45)                    |               |                              | 143                  | 296           |
| Amortisation and depreciation of intangible and tangible assets | 586                   | (576)                   |               | 0                            | 0                    | 10            |
| Defined-benefit and defined-contribution plans                  | 390                   | (47)                    |               | 0                            | 0                    | 343           |
| Others (IAS39 and default interest)                             | 8,310                 | (373)                   | 0             | 133                          | 1,098                | 9,169         |
| <b>Total</b>  | <b>9,484</b>          | <b>(1,041)</b>          | <b>0</b>      | <b>133</b>                   | <b>1,241</b>         | <b>9,818</b>  |
| <b>Net total</b>  | <b>26,753</b>         | <b>(1,356)</b>          | <b>0</b>      | <b>5,896</b>                 | <b>2,385</b>         | <b>33,678</b> |

## 17. NON-CURRENT FINANCIAL ASSETS – 1,971,000 THOUSAND EUROS

These increased 221,593 thousand euros from the level of 1,749,406 thousand euros booked at 31 December 2013, in detail:

| € thousand                         | 31.12.2014       | 31.12.2013       | INCREASE/<br>(DECREASE) |
|------------------------------------|------------------|------------------|-------------------------|
| Receivables due from Roma Capitale | 32,580           | 32,328           | 252                     |
| Receivables due from subsidiaries  | 1,897,210        | 1,671,815        | 225,395                 |
| Receivables due from others        | 41,210           | 45,263           | (4,053)                 |
| <b>TOTAL</b>                       | <b>1,971,000</b> | <b>1,749,406</b> | <b>221,593</b>          |

**Receivables due from Roma Capitale** grew 252 thousand euros and related to contributions to be paid to ACEA for investments in the public lighting services for e.g. plant upgrading, energy savings, regulatory compliance and technological innovation, for an amount equal to tax amortisation after 2015, in compliance with the terms of the Supplementary Agreement to the service contract signed on 15 March 2011.



Receivables from subsidiaries increased by 225,395 thousand euros compared to 31 December 2013, in detail:

| € thousand   | 31.12.2014       | 31.12.2013       | INCREASE/<br>(DECREASE) |
|--|------------------|------------------|-------------------------|
| <b>Receivables for borrowings taken out</b>                          |                  |                  |                         |
| ACEA Produzione  | 125              | 239              | (113)                   |
| <b>Total</b>   | <b>125</b>       | <b>239</b>       | <b>(113)</b>            |
| <b>Loan receivables</b>  |                  |                  |                         |
| ACEA Ato5  | 52,719           | 52,719           | 0                       |
| <b>Total</b>   | <b>52,719</b>    | <b>52,719</b>    | <b>0</b>                |
| <b>Intercompany running account - investments line</b>               |                  |                  |                         |
| ACEA Ato2  | 765,506          | 667,469          | 98,037                  |
| ACEA Distribuzione   | 653,491          | 538,820          | 114,671                 |
| ARIA   | 240,086          | 231,485          | 8,601                   |
| ACEA Produzione  | 136,241          | 135,932          | 308                     |
| ARSE   | 40,218           | 39,648           | 570                     |
| SAO  | 3,120            | 3,013            | 107                     |
| Ecoenergie   | 1,374            | 1,374            | 0                       |
| Acea8cento   | 1,119            | 1,117            | 3                       |
| <b>Total</b>   | <b>1,841,155</b> | <b>1,618,858</b> | <b>222,298</b>          |
| <b>Other receivables</b>   |                  |                  |                         |
| Solemme  | 3,084            | 0                | 3,084                   |
| Samace   | 126              | 0                | 126                     |
| <b>Total</b>   | <b>3,210</b>     | <b>0</b>         | <b>3,210</b>            |
| <b>Total non-current financial receivables due from subsidiaries</b> | <b>1,897,210</b> | <b>1,671,815</b> | <b>225,395</b>          |

The balance mainly relates to changes during the period in the credit lines taken out in favour of subsidiaries to meet investment requirements.

Following the acquisition by the subsidiary Aquaser of equity interests in the companies Solemme and Samace, non-recourse financial receivables from these two companies were also acquired.

Receivables from Solemme have arisen from non-interest bearing loans granted, whereas receivables from Samace have accrued following the acquisition of interest in its capital by Aquaser in July 2013.

The balance of **Receivables from others** (41,210 thousand euros) derives from the

application of the financial asset model prescribed by IFRIC12 for service concession arrangements. The amount is the sum of investments in the service made until 31 December 2010.

#### 18. OTHER NON-CURRENT ASSETS – 507 THOUSAND EUROS

This item includes receivables on long-term deposits paid and was down 207 thousand euros from the level of the previous annual period.

#### 19. CURRENT ASSETS - 1,487,066 THOUSAND EUROS

These assets increased 520,685 thousand euros in total from 966,381 thousand euros as at 31 December 2013; below is a breakdown of the item.

#### 19.A – CONTRACT WORK IN PROGRESS - 270 THOUSAND EUROS

In comparison with the balance at 31 December 2013, no change occurred in this item representing construction works for public lighting plants performed pursuant to the service contract with Roma Capitale, which works were still to be completed at 31 December 2014.

#### 19.B - TRADE RECEIVABLES – 38,420 THOUSAND EUROS

Trade receivables, down 4,532 thousand euros from 42,952 thousand euros on 31 December 2013, are broken down as follows.

| € thousand                                   | 31.12.2014    | 31.12.2013    | INCREASE/<br>(DECREASE) |
|--|---------------|---------------|-------------------------|
| Receivables from other customers (non-users) | 17,865        | 22,396        | (4,532)                 |
| Disputed receivables                         | 20,555        | 20,555        | 0                       |
| <b>Total trade receivables</b>               | <b>38,420</b> | <b>42,952</b> | <b>(4,532)</b>          |

## RECEIVABLES FROM OTHER CUSTOMERS

Receivables from non-user customers fell 4,532 thousand euros and are inclusive of provisions for the impairment of receivables worth 6,750 thousand euros. This line item relates to amounts due from public and private parties for services rendered, with special reference to the Naples municipal public lighting service. During the period under review, 13,181 thousand euros worth of the Naples Municipality's exposure were collected.

| € thousand                                   | 31.12.2014    | 31.12.2013    | INCREASE/<br>(DECREASE) |
|--|---------------|---------------|-------------------------|
| Gross receivables from other customers       | 24,615        | 29,041        | (4,426)                 |
| Provisions for the impairment of receivables | (6,750)       | (6,645)       | (105)                   |
| <b>Total net trade receivables</b>           | <b>17,865</b> | <b>22,396</b> | <b>(4,532)</b>          |

### DISPUTED RECEIVABLES

No year-on-year change was recorded. This item includes receivables related to the ongoing dispute with the Vatican State. These receivables are offset by payables to Roma Capitale for the same amount; said payables will be liquid and due only after receiving the amount due from the Vatican State.

### PROVISIONS FOR THE IMPAIRMENT OF RECEIVABLES

This item grew 105 thousand euros to 6,750 thousand euros from the level of the previous annual period as a result of further impairments made during the year. Provisions for the impairment of receivables are based on analytical assessments, supplemented by assessments based on historical analyses of uncollected amounts due from customers,

differentiated by default period, average collection terms, type of action undertaken to recover the amount due and status of the receivable concerned (ordinary, disputed, etc.).

### 19.C – INTRAGROUP TRADE RECEIVABLES – 42,161 THOUSAND EUROS

There was an overall decrease of 10,562 thousand compared to the level of 52,724 thousand euros at 31 December 2013, as detailed below:

| € thousand   | 31.12.2014    | 31.12.2013    | INCREASE/<br>(DECREASE) |
|--|---------------|---------------|-------------------------|
| Receivables due from the controlling company Roma Capitale | 5,070         | 14,924        | (9,854)                 |
| Receivables due from subsidiaries                          | 33,567        | 33,547        | 20                      |
| <b>Receivables due from associates</b>                     | <b>3,525</b>  | <b>4,252</b>  | <b>(728)</b>            |
| <b>Total intragroup trade receivables</b>                  | <b>42,161</b> | <b>52,724</b> | <b>(10,562)</b>         |

## RECEIVABLES DUE FROM THE CONTROLLING COMPANY ROMA CAPITALE

These amounted to 5,070 thousand euros, i.e. down 9,854 thousand euros from the closing balance of 14,924 thousand euros as at 2013. The following table presents an analysis of ACEA's debt and credit positions vis-à-vis Roma Capitale, including financial losses.

| RECEIVABLES DUE FROM ROMA CAPITALE                 | 31.12.2014    | 31.12.2013    | INCREASE/<br>(DECREASE) |
|--|---------------|---------------|-------------------------|
| Services to be billed                              | 4,056         | 9,203         | (5,147)                 |
| Billed services                                    | 1,013         | 5,721         | (4,707)                 |
| <b>Total trade receivables</b>                     | <b>5,070</b>  | <b>14,924</b> | <b>(9,854)</b>          |
| <b>Public lighting financial receivables</b>       | <b>62,389</b> | <b>50,121</b> | <b>12,268</b>           |
| Receivables for issued public lighting bills       | 49,713        | 37,475        | 12,238                  |
| Receivables for public lighting bills to be issued | 12,676        | 12,645        | 30                      |
| <b>Total receivables due within one year (A)</b>   | <b>67,459</b> | <b>65,044</b> | <b>2,414</b>            |

| PAYABLES DUE TO ROMA CAPITALE                 | 31.12.2014 | 31.12.2013 | INCREASE/<br>(DECREASE) |
|---|------------|------------|-------------------------|
| Trade payables                                | 7          | 5          | 2                       |
| <b>Total payables due within one year (B)</b> | <b>7</b>   | <b>5</b>   | <b>2</b>                |

|  |                 |                 |               |
|--|-----------------|-----------------|---------------|
| <b>TOTAL (A) - (B)</b>                                     | <b>67,452</b>   | <b>65,039</b>   | <b>2,412</b>  |
| <b>Other financial receivables/(payables)</b>              | <b>31,599</b>   | <b>1,843</b>    | <b>29,756</b> |
| of which: financial payables (dividends)                   | (980)           | (30,485)        | 29,504        |
| of which: medium/long-term receivables for public lighting | 32,580          | 32,328          | 252           |
| <b>Other trade payables</b>                                | <b>(20,516)</b> | <b>(20,516)</b> | <b>0</b>      |
| of which: Vatican payables                                 | (20,516)        | (20,516)        | 0             |
| <b>Net balance</b>   | <b>78,535</b>   | <b>46,367</b>   | <b>32,168</b> |

Trade receivables mainly include the amount either billed or to be billed of the new works performed by ACEA pursuant to the contract in force until 31 December 2010. The balance for the period under review results from the collection of 1,700 thousand euros and a reclassification to medium to long term financial receivables worth 5,357 thousand euros following the arrangement reached in 2014 with the Technical Committee of Roma, which manages the Public Lighting Contract including its Supplemental Agreement in force since 1 January 2011.

With regard to financial receivables, an aggregate amount of 71,159 thousand euros was collected, of which 10,514 thousand euros worth of receivables accrued at the end of 2013. The

remaining portion of 60,645 thousand euros applies to 2014 and, in particular, to the January – November period.

The balance of **financial receivables for issued bills** (49,713 thousand euros) relates to:

- 27,261 thousand euros worth of amounts accrued as at 31 December 2012,
- 20,471 thousand euros worth of amounts accrued as at 31 December 2013, and
- 1,981 thousand euros worth of billed default interest.

**Financial receivables for bills to be issued** (12,676 thousand euros) chiefly consist of the amount to be received for the month of December and the revaluation components accrued in 2014.

**Financial payables**, i.e. dividends only, were substantially netted out as a consequence of the settlement (by set-off) of the advance on the 2013 profit sharing approved by ACEA's Board of Directors in December 2013. In 2014, the dividend balance for 2013 worth 18,464 thousand euros were also settled (by set-off).

Receivables due from subsidiaries

The overall closing balance of 33,567 thousand euros was as a whole in line with the level at 31 December 2013 of 33,547 thousand euros. These receivables mainly relate to services rendered pursuant to service contracts as broken down below:

| € thousand                  | 31.12.2014    | 31.12.2013    | INCREASE/<br>(DECREASE) |
|-----------------------------|---------------|---------------|-------------------------|
| ACEA Ato5                   | 14,916        | 12,409        | 2,508                   |
| ACEA Ato2                   | 2,913         | 4,015         | (1,102)                 |
| ACEA Distribuzione          | 2,901         | 4,175         | (1,275)                 |
| Gesesa                      | 2,422         | 2,081         | 340                     |
| Umbracque                   | 1,968         | 1,448         | 520                     |
| Ecogena                     | 1,298         | 632           | 666                     |
| Crea Gestioni               | 1,123         | 965           | 158                     |
| ACEA Energia                | 1,080         | 661           | 418                     |
| Sarnese Vesuviano           | 778           | 782           | (4)                     |
| Acea8cento                  | 617           | 267           | 350                     |
| Kyklos                      | 595           | 439           | 156                     |
| Laboratori                  | 427           | 196           | 230                     |
| ACEA Servizi Acque          | 382           | 381           | 1                       |
| ARIA                        | 371           | 322           | 48                      |
| ACEA Dominicana             | 262           | 0             | 262                     |
| Publiacqua                  | 243           | 383           | (140)                   |
| Acque                       | 173           | 274           | (101)                   |
| Aquaser                     | 127           | 176           | (49)                    |
| Omrone                      | 123           | 36            | 88                      |
| Acque Blu Fiorentine        | 102           | 32            | 70                      |
| ACEA Illuminazione Pubblica | 102           | 2,704         | (2,603)                 |
| GORI                        | 99            | 168           | (69)                    |
| Acque Blu Arno Basso        | 91            | 17            | 74                      |
| ACEA Produzione             | 85            | 100           | (15)                    |
| Ingegnerie Toscane          | 71            | 521           | (450)                   |
| Solemme                     | 59            | 36            | 23                      |
| Agua Azul Bogotà Consortium | 42            | 174           | (132)                   |
| Others                      | 197           | 152           | 46                      |
| <b>TOTAL</b>                | <b>33,567</b> | <b>33,547</b> | <b>20</b>               |

## RECEIVABLES DUE FROM ASSOCIATES

The overall closing balance of 3,525 thousand euros was down 728 thousand euros compared to 31 December 2013, in detail:

| € thousand           | 31.12.2014   | 31.12.2013   | INCREASE/<br>(DECREASE) |
|----------------------|--------------|--------------|-------------------------|
| Marco Polo           | 1,236        | 1,333        | (97)                    |
| Sogea                | 677          | 1,050        | (373)                   |
| Sienergia            | 639          | 639          | 0                       |
| Agua de San Pedro    | 568          | 864          | (296)                   |
| Acquedotto del Fiora | 326          | 301          | 25                      |
| Umbriadue            | 66           | 66           | 0                       |
| Le Soluzioni         | 4            | 1            | 3                       |
| <b>TOTALE</b>        | <b>3.525</b> | <b>4.252</b> | <b>(728)</b>            |

Trade receivables due from customers and intragroup trade receivables (including those due from Roma Capitale), gross of the provision for the impairment of receivables, amounted to 91,706 thousand euros in aggregate, broken down below by ageing:

- Trade receivables due: 29,767 thousand euros
- Trade receivables past due: 61,939 thousand euros, of which:
  - within 180 days, 8,631 thousand euros,
  - 180 to 360 days, 7,059 thousand euros, and
  - beyond one year, 46,250 thousand euros.

## 19.D – OTHER CURRENT RECEIVABLES AND ASSETS – 17,073 THOUSAND EUROS

The closing balance fell 5,477 thousand euros as detailed below.

| € thousand  | 31.12.2014    | 31.12.2013    | INCREASE/<br>(DECREASE) |
|---|---------------|---------------|-------------------------|
| Receivables due from the assignee car park Autoparco                                    | 10,250        | 10,250        | 0                       |
| Receivables from the reintegration of the Marco Polo business for payables to employees | 2,116         | 2,116         | 0                       |
| Accrued income and prepayments  | 1,578         | 2,353         | (775)                   |
| Other receivables   | 1,186         | 744           | 441                     |
| Receivables due from Equitalia  | 718           | 718           | 0                       |
| Receivables due from social security institutions                                       | 666           | 699           | (33)                    |
| Restricted receivables from the disposal of the PV business                             | 397           | 5,378         | (4,980)                 |
| Advances to suppliers and deposits with third parties                                   | 162           | 165           | (2)                     |
| Receivables due from the Equalisation Fund  | 0             | 127           | (127)                   |
| <b>TOTAL</b>  | <b>17,073</b> | <b>22,549</b> | <b>(5,477)</b>          |

In respect of **Restricted receivables from the disposal of the PV business**, the following is worth noting: for the transfer of the photovoltaic business to RTR Capital at the end of 2012, an escrow account was set up which corresponds to the value of a few plants that had to undergo formal audits by the transferor; following the successful outcomes of the audits conducted on the main plant, at the end of June, a part of the escrow account worth 4,980 thousand euros was released.

The item **Accrued income and prepayments** essentially records the aggregate value of lease contracts for the CEDET (Data Processing and Remote Control Centre), a real property complex located in Valleranello, and the amounts of insurance premiums and maintenance fees.

## 19.E - CURRENT FINANCIAL ASSETS – 11,644 THOUSAND EUROS

The closing balance at 31 December 2014, down 915 thousand euros from the level of 31 December 2013 is broken down below.

| € thousand  | 31.12.2014    | 31.12.2013    | INCREASE/<br>(DECREASE) |
|---|---------------|---------------|-------------------------|
| Receivables due from the assignee 'Area Laurentina'                               | 6,000         | 6,000         | 0                       |
| Receivables from public lighting service management                               | 5,376         | 5,584         | (208)                   |
| Receivables due from ISPA and SEIN following the liquidation of ACEA AT05 Servizi | 268           | 268           | 0                       |
| Accrued income on fixed term deposits   | 0             | 685           | (685)                   |
| Receivables due from the liquidation of Ameetad                                   | 0             | 22            | (22)                    |
| <b>TOTAL</b>  | <b>11,644</b> | <b>12,559</b> | <b>(909)</b>            |

### 19.F INTRAGROUP CURRENT FINANCIAL ASSETS – 298,773 THOUSAND EUROS

The balance rose 73,881 thousand euros from the 31 December 2013 level of 224,892 thousand euros, as detailed below.

| € thousand   | 31.12.2014     | 31.12.2013     | INCREASE/<br>(DECREASE) |
|--|----------------|----------------|-------------------------|
| Receivables due from the controlling company Roma Capitale | 62,389         | 50,121         | 12,268                  |
| Receivables due from subsidiaries                          | 232,849        | 171,770        | 61,079                  |
| Receivables due from associates                            | 3,535          | 3,002          | 533                     |
| <b>TOTAL</b>   | <b>298,773</b> | <b>224,892</b> | <b>73,881</b>           |

#### RECEIVABLES DUE FROM THE CONTROLLING COMPANY ROMA CAPITALE

The closing balance of 62,389 thousand euros (50,121 thousand euros as at 31 December 2013) relates to receivables due from Roma Capitale for the public lighting service contract as mentioned above in the section “Trade receivables due from Roma Capitale”.

#### RECEIVABLES DUE FROM SUBSIDIARIES

The balance of 232,849 thousand euros (171,770 thousand euros as at 31 December 2013) is broken down below:

| € thousand   | 31.12.2014     | 31.12.2013     | INCREASE/<br>(DECREASE) |
|--|----------------|----------------|-------------------------|
| Receivables from cash-pooling transactions               | 176,474        | 133,743        | 42,732                  |
| Current accrued finance income on loans and cash pooling | 23,845         | 10,337         | 13,509                  |
| Loans to subsidiaries                                    | 14,668         | 14,668         | 0                       |
| Other receivables due from subsidiaries                  | 13,054         | 9,906          | 3,148                   |
| Receivables for commissions on guarantees given          | 4,694          | 19             | 4,676                   |
| Short-term EIB loans to subsidiaries                     | 113            | 3,098          | (2,985)                 |
| <b>TOTAL</b>   | <b>232,849</b> | <b>171,770</b> | <b>61,079</b>           |

The change compared to the end of the previous year, equal to 61,079 thousand euro, mainly derives from the higher financial exposure of the Group Companies and the related accrued interest due from them.

#### RECEIVABLES DUE FROM ASSOCIATES

As at 31 December 2014, this item amounted to 3,535 thousand euros, i.e. up 533 thousand euros from the previous annual period (3,002 thousand euros at 31 December 2013).

### 19.G – CURRENT TAX ASSETS – 100,284 THOUSAND EUROS

The growth of 31,375 thousand euros vs. the previous year is broken down below:

| € thousand   | 31.12.2014     | 31.12.2013    | INCREASE/<br>(DECREASE) |
|--|----------------|---------------|-------------------------|
| VAT credits  | 44,781         | 18,525        | 26,256                  |
| IRES and IRAP credits claimed in 2013                        | 15,194         | 15,194        | 0                       |
| IRAP credits accrued on advances paid                        | 1,757          | 14,115        | (12,358)                |
| Other tax credits  | 1,564          | 1,579         | (14)                    |
| Total tax credits due from the Inland Revenue                | <b>63,296</b>  | <b>49,413</b> | <b>13,883</b>           |
| Credits due from subsidiaries within the consolidation scope | 36,988         | 19,496        | 17,492                  |
| <b>Total tax credits</b>                                     | <b>100,284</b> | <b>68,909</b> | <b>31,375</b>           |

VAT credits have arisen from the Group VAT settlement procedure, the amount is still unclaimed and will be utilised for monthly settlements in the course of 2015.

IRES and IRAP credits claimed from the Inland Revenue relate to reimbursements claimed by the Group Companies in 2013 (13,226 thousand euros) and 2009 (1,967 thousand euros).

### 19.H - CASH AND CASH EQUIVALENTS – 978,440 THOUSAND EUROS

This item amounted to 436,916 thousand euros (vs. 541,526 thousand euros at 31 December 2013) and constitutes the balance of bank and postal accounts opened with various banks and the Italian Post Office.

# NOTES TO THE STATEMENT OF FINANCIAL POSITION - LIABILITIES

## 20. SHAREHOLDERS' EQUITY – 1,397,478 THOUSAND EUROS

| € thousand                               | 31.12.2014       | 31.12.2013       | INCREASE/<br>(DECREASE) |
|--|------------------|------------------|-------------------------|
| Share capital                            | 1,098,899        | 1,098,899        | 0                       |
| Statutory reserve                        | 83,428           | 78,704           | 4,724                   |
| Reserve for treasury shares in portfolio | 0                | 0                | 0                       |
| Other reserves                           | 62,369           | 78,699           | (16,330)                |
| Retained earnings                        | 63,181           | 62,697           | 485                     |
| Profit/(loss) for the period             | 89,601           | 41,342           | 48,260                  |
| <b>TOTAL</b>                             | <b>1,397,478</b> | <b>1,360,340</b> | <b>37,138</b>           |

Shareholders' equity increased by 37,138 thousand euros compared to 31 December 2013. The change mainly relates to the profit for the year and the effects generated by the allocation of the result for 2013, as well as to changes in the cash flow hedge reserve. Below is a breakdown of this item and related changes.

### 20.A - SHARE CAPITAL – 1,098,899 THOUSAND EUROS

Share capital amounted to 1,098,899 thousand euros, represented by 212,964,900 shares with a value of 5.16 euros each, as per the Shareholders' Register and is currently subscribed to and paid in as follows:

- Municipality of Rome: 108,611,150 shares for a total par value of 560,434 thousand euros,
- Market: 103,936,757 shares for a total par value of 536,314 thousand euros,
- Treasury shares: 416,993 ordinary shares for a total par value of 2,151 thousand euros.

### 20.B – STATUTORY RESERVE – 83,428 THOUSAND EUROS

This reserve reflects the allocation of 5% on net profit for previous annual periods, in accordance with article 2430 of the Italian Civil Code. The balanced at 31 December 2014 showed an increase of 4,724 thousand euros compared to the previous year, following the allocation of the 2013 profit.

### 20.C – RESERVE FOR TREASURY SHARES IN PORTFOLIO – 0 THOUSAND EUROS

At 31 December 2014, the reserve for treasury shares in portfolio amounted to 3,853 thousand euros. Pursuant to art. 2428 of the Italian Civil Code, the treasury shares in portfolio consist of 416,993 shares with a par value of 5.16 euros each (a total of 2,152 thousand euros), representing 0.196% of share capital. The value of this reserve offsets the value of the treasury shares accounted for as a reduction of shareholders' equity in compliance with IAS 32.

### 20.D – OTHER RESERVES – 62,369 THOUSAND EUROS

The composition and changes of this item in the period are shown below:

| € thousand  | 31.12.2014    | 31.12.2013    | INCREASE/<br>(DECREASE) |
|---|---------------|---------------|-------------------------|
| Extraordinary reserve                               | 180           | 180           | 0                       |
| Demerger reserve                                    | 102,567       | 102,567       | 0                       |
| Reserve for exchange differences                    | 19,894        | 19,542        | 352                     |
| Reserve from the valuation of financial instruments | (48,773)      | (34,951)      | (13,822)                |
| Revenue reserves and actuarial profit/(loss)        | (7,542)       | (5,467)       | (2,075)                 |
| Other reserves                                      | (3,959)       | (3,173)       | (785)                   |
| <b>TOTAL</b>  | <b>62,369</b> | <b>78,699</b> | <b>(16,330)</b>         |

The reserve for exchange differences, net of the relevant deferred tax, amounted to 19,894 thousand euros, i.e. up 352 thousand euro, and was set up on the ground the calculation at the exchange rate applicable at 31 December 2014 of the private placement in YEN executed in 2010. The cash flow hedge reserve, net of the relevant deferred tax, showed a negative balance of

48,773 thousand euros, against an equally negative balance of 34,951 thousand euros as at 31 December 2013. It is worth recalling that this reserve absorbs 3,333 thousand euros worth of the negative differential arising from the delta of conversion rates between the rate of the hedging agreement and the rate measured on the settlement date of the bond (3 March 2010).

Among other changes occurred in the period under review, equity interest was acquired in Samace, which implied the booking of a premium of 785 thousand euros. The table below shows distributable and non-distributable reserves.

31 December 2014 - € thousand

| Nature/Description                             | Amount         | Potential utilisation        | Available portion | Summary of utilisations made in the previous 3 years |                |
|--|----------------|------------------------------|-------------------|--|----------------|
|  |                |                              |                   | To cover losses                                      | Other purposes |
| <b>Capital reserves:</b>                       | <b>0</b>       |                              |                   |  |                |
| <b>Revenue reserves from income statement:</b> |                |                              |                   |  |                |
| Statutory reserve                              | 83,428         | A, B                         | 83,428            |  |                |
| Premium on the acquisition of Umbra Acque      | (3,173)        |                              | (3,173)           |  |                |
| Premium on the acquisition of SAMACE           | (785)          |                              | (785)             |  |                |
| Available reserve for treasury shares          | 0              | A, B, C                      | 0                 |  |                |
| Reserve for treasury shares in portfolio       | 3,853          | To guarantee treasury shares | 3,853             |  |                |
| Extraordinary reserve                          | 180            | A, B, C                      | 180               |  |                |
| Demerger reserve                               | 102,567        | A, B, C                      | 102,567           | 0  | 63,835         |
| Retained earnings                              | 0              | A, B, C                      | 0                 |  |                |
| Revenue reserves from O.C.I.:                  |                |                              |                   |  |                |
| Cash flow hedge reserve                        | (48,773)       |                              | (48,773)          |  |                |
| Reserve for exchange differences               | 19,894         |                              | 19,894            |  |                |
| Revenue reserves and actuarial profit/(loss)   | (7,542)        |                              | (7,542)           |  |                |
| <b>TOTAL</b>                                   | <b>149,650</b> |                              | <b>149,650</b>    |  |                |
| Non-distributable portion                      |                |                              | 46,902            |  |                |
| Remaining distributable portion                |                |                              | 102,748           |  |                |

Key: A = capital increase, B = to cover losses, C = to pay dividends

## 21. STAFF TERMINATION BENEFITS AND OTHER DEFINED BENEFIT PLANS – 30,685 THOUSAND EUROS

This item grew 1,897 thousand euros from 28,787 thousand euros at 31 December 2013 and relates to termination and other benefits payable to employees on retirement or termination of employment. These obligations include defined benefit and defined contribution plans.

The table below shows a breakdown of this item:

| € thousand                          | 31.12.2014    | 31.12.2013    | INCREASE/<br>(DECREASE) |
|-------------------------------------|---------------|---------------|-------------------------|
| <b>Termination benefits</b>         |               |               |                         |
| • Staff termination benefits        | 9,695         | 9,463         | 232                     |
| • Monthly bonuses                   | 1,518         | 1,274         | 244                     |
| • Long-term incentive plans (LTIPs) | 2,016         | 1,595         | 421                     |
| <b>Total</b>                        | <b>13,229</b> | <b>12,332</b> | <b>897</b>              |
| <b>Post-employment benefits</b>     |               |               |                         |
| • Tariff subsidies                  | 17,455        | 16,455        | 1,001                   |
| <b>TOTAL</b>                        | <b>30,685</b> | <b>28,787</b> | <b>1,897</b>            |

As for the calculation method used, with reference to post-employment benefits, the calculation is based on the “projected unit credit method”, which measures the company’s liability at the end of the reporting period as the average present value of future services duly prorated, on the basis of the service performed by the employee at the time of calculation, to that that will have been rendered by the employee at the point in time when the service is paid for. Changes in the period include (i) allocations for

the period, (ii) resignations or retirements during the period, and (iii) the reduction of the rate used for the measurement of liabilities. In particular, as regards the economic and financial scenario, a 1.49% discount rate was used for the calculation (compared to a rate of 3.17% used for the previous year).

As required by paragraph 78 of IAS19, the interest rate used to calculate the present value of the obligation is based on returns, at the end of

the reporting period, on the securities of major companies listed on the same financial market as ACEA’s, and on the return on bonds outstanding as on the same date and with a duration comparable to the residual duration of the analysed group of employees. In order to ensure consistency of calculation and comply with the provisions of IAS19, the same basis has been used for the various types of scheme. The parameters used for the calculation are as follows:



|                                 | DECEMBER 2014 | DECEMBER 2013 |
|---------------------------------|---------------|---------------|
| Discount rate                   | 1.49%         | 3.17%         |
| Rate of return growth (average) | 1.6%          | 1.6%          |
| Long-term inflation             | 1.0%          | 2.0%          |

With reference to the calculation of Group Employee Benefits (staff termination benefits, monthly bonuses, tariff subsidies for current and retired employees) a sensitivity analysis was performed to determine the difference in liabilities due to flat positive and negative shifts in the rates curve (+0.5% shift / -0.5% shift). The results of this analysis are shown below.

| SCHEME TYPE                | DISCOUNT RATE      |                    |
|----------------------------|--------------------|--------------------|
|                            | +0.5%              | -0.5%              |
|                            | Thousands of euros | Thousands of euros |
| Staff Termination Benefits | -593               | +645               |
| Tariff subsidies           | -743               | +808               |
| Monthly bonuses            | -91                | +99                |
| LTIPs                      | -20                | +20                |

Furthermore, a sensitivity analysis was performed in relation to the age of the group of employees by assuming a group of employees one year younger than the current ones.

| SCHEME TYPE                | -1 YEAR OF AGE     |      |
|----------------------------|--------------------|------|
|                            | Thousands of euros |      |
| Staff Termination Benefits |                    | -71  |
| Tariff subsidies           |                    | +727 |
| Monthly bonuses            |                    | -79  |

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

## 22. PROVISIONS FOR LIABILITIES AND CHARGES – 56,567 THOUSAND EUROS

The following table shows a breakdown of provisions and changes compared to the end of the previous year:

| TYPE OF PROVISION  | 31.12.2013    | UTILISATIONS   | RECLAS-SIFICATIONS/<br>RELEASES | ALLOCATIONS  | 31.12.2014    |
|--|---------------|----------------|---------------------------------|--------------|---------------|
| Investees  | 45,652        | (97)           | (2,300)                         | 246          | 43,501        |
| Legal risks  | 5,036         | (1,214)        | 0                               | 2,575        | 6,397         |
| Contributory risks and risks with welfare and social security institutions | 3,301         | (9)            | 0                               | 56           | 3,348         |
| Early retirements and redundancies   | 210           | (3,828)        | 0                               | 5,311        | 1,693         |
| Other liabilities and charges  | 1,048         | 0              | 0                               | 569          | 1,617         |
| Tax liabilities  | 12            | 0              | 0                               |              | 12            |
| <b>Total</b>   | <b>55,258</b> | <b>(5,148)</b> | <b>(2,300)</b>                  | <b>8,757</b> | <b>56,567</b> |

The main changes in the period were as follows:

- the provision set aside following the assessment of risks with subsidiaries, with special reference to Marco Polo was partially released to the extent of 2,300 thousand euros as a consequence of an assessment update made on the conclusion of its liquidation,
- the provision for legal risks was utilised to the extent of 1,214 thousand euros and a further amount of 2,575 thousand euros was appropriated to cover those risks;

- an appropriation worth 5,311 thousand euros was made to the provision for early retirements and redundancies, which was utilised to the extent of 3,828 thousand euros in total;
- a provision for charges was set aside to cover risks associated with the relationship with a supplier.

With reference to the provision for risks with welfare and social security institutions, it is

worth recalling that ACEA's current employees are registered with both the INPDAP and the INPS occupational insurance funds. A number of contribution rates applied by the two funds differ considerably; these include those for family benefit payments (CUAF), for which INPDAP applies a rate of that is 3.72 percentage points above that applied by INPS. Given the still uncompleted legislative process to pass legislation bringing the pension and social security contributions into line, ACEA

decided that from November 2002 it would pay such contributions at the lower rate. The underlying legal basis is however unclear. With that in mind, INPS circular no. 103 of 16 June 2002 reiterated that, pending a clarification from the Ministry of Economy and Finance and the Ministry of Labour, with a still officially unchanged differential of 3.72 percentage points with respect to staff registered with the INPS occupational insurance fund, the rate of 6.20%

applied to staff registered with the INPDAP fund, reduced to 4.15% for 2011 was to be considered provisional. The lack of legislative intervention, and the slow and unfavourable progress of the legal cases initiated encouraged ACEA to take action to settle the disputes by recognising the debt, and paying family benefit payments as requested by INPS since December 2012. Finally, in December 2013, ACEA filed an

irrevocable Discontinuance of Action for all pending cases.

The investees provision, 43,450 thousand euros in total, includes appropriations made in the previous years for risks with the subsidiaries ACEA Ato5 e GORI, worth 9,826 thousand euros and 22,127 thousand euros respectively, in relation to the well-known water-tariff issues and the persisting uncertainties characterising the operation of these companies.

### 23. NON-CURRENT BORROWINGS AND FINANCIAL LIABILITIES – 2,730,840 THOUSAND EUROS

This item compares to an amount of 2,035,736 thousand euros at 31 December 2013, and is broken down below:

| € thousand                  | 31.12.2014       | 31.12.2013       | INCREASE/<br>(DECREASE) |
|-----------------------------|------------------|------------------|-------------------------|
| Medium/long-term bonds      | 1,909,117        | 1,290,759        | 618,358                 |
| Medium/long-term borrowings | 821,723          | 744,977          | 76,746                  |
| <b>TOTAL</b>                | <b>2,730,840</b> | <b>2,035,736</b> | <b>695,104</b>          |

The change compared with the closing balance of 695,104 thousand euros as at the end of the previous annual period mainly results from the issue, on 8 July 2014, of a 10-year bond loan worth 600 million euros, issued in relation to the **Euro Medium-Term Notes** (EMTN) programme and worth 1.5 billion euros (approved by the Board of Directors on 10 March 2014 and arranged by the three co-arrangers *Banca IMI, BNP Paribas and UniCredit Bank*), as well as from the effect caused by the repayment of the guaranteed loan with the EIB worth 100 million euros and the concurrent execution, on 23 December 2014, with the same institution, of a new loan worth 200 million euros, with maturity in June 2030, to finance investments in the Water Segment.

#### MEDIUM/LONG-TERM BONDS

This item includes:

- 599,223 thousand euros (including accrued interest and execution costs) worth of a 10-year fixed-rate bond loan issued by ACEA in July 2014 in relation to the EMTN programme having a value of 1.5 billion euros. Bonds, with a minimum denomination of 100,000 euros each and maturing on 15 July 2024, pay a gross annual coupon of 2.625% and were placed at an issue price of 99.195. The gross effective yield at maturity is 2.718%, corresponding to a return of 128 basis points above the mid-swap rate at 10 years. Bonds are subject to English law. The repayment date was 15 July 2014. Interest accrued during the period amounted to 7,336 thousand euros.

- 602,177 thousand euros (including accrued interest) worth of a 5-year bond loan issued by ACEA in early September 2013, with maturity on 12 September 2018.

This payable, net of the positive fair value recognised under net finance costs in the income statement and worth 1,170 thousand euros, amounts to 601,007 thousand euros. Bonds pay a gross annual coupon of 3.75% and were placed at an issue price of 99.754. The gross effective yield at maturity is therefore 3.805%, corresponding to a return of 230 basis points above the reference rate (mid-swap at 10 years). Bonds are subject to English law. The settlement date was 12 September 2013. Interest accrued during the period amounted to 22,500 thousand euros,

- 515,788 thousand euros (including accrued interest) worth of a 10-year bond loan issued by ACEA in March 2010, maturing on 16 March 2020. Interest accrued during the period amounted to 22,500 thousand euros. Bonds have a minimum denomination of 50 thousand euros, pay a gross annual coupon of 4.5% and were placed at an issue price of 99.779. The gross effective yield at maturity is therefore 4.528% corresponding to a return of 120 basis points above the reference rate (mid-swap at 10 years). Bonds are subject to English law. The settlement date was 16 March 2010,
- 138,197 thousand euros worth of a private placement which, net of the fair value of the hedge, i.e. a negative 54,902 thousand euros, amounted to 193,099 thousand euros.

The fair value was allocated to a specific equity reserve. The exchange rate difference - negative by 27,440 thousand euros as calculated at 31 December 2014 on the hedged instrument - was allocated to a translation reserve. The exchange rate at the end of 2014 was 145.23 euros compared to 144.72 euros at 31 December 2013. Interest accrued during the period amounted to 3,598 thousand euros. This private placement relates to a private bond loan for 20 billion Japanese Yen with a 15-year maturity term (2025). The private placement was entirely subscribed to by a single investor (AFLAC). Coupons are paid on a deferred half-yearly basis on 3 March and 3 September each year at a fixed rate in Yen of 2.5%. At the same time, a cross-currency transaction was executed to convert Yens to Euros and the applied yen rate to a fixed euro rate. The cross-currency agreement provides that the bank will pay ACEA, on a deferred half-yearly basis, 2.5% on 20 billion Japanese Yen, while ACEA will have to pay the bank for the coupons on a deferred quarterly basis at a fixed rate of 5.025%. The loan agreement and the hedge contract contain an option in favour of the investor and the agent bank respectively, connected to a rating trigger: the payable and its derivative instrument can be fully recalled if ACEA's rating falls below the investment-grade threshold or if the debt instrument loses its rating. At the end of the year, no conditions occurred to exercise the option.

## MEDIUM/LONG-TERM BORROWINGS

The closing balance of 821,723 thousand euros was up 76,746 thousand euros from the previous year and represents the amount payable for the principal portions outstanding at 31 December 2014 and due beyond twelve months.

The increase is mainly ascribable to the net effect generated by the repayment of the 100 million loan taken out with the EIB in January 2012 and the concurrent execution of a new 200 million loan due in June 2030.

The main borrowings, whose aggregate value at 31 December 2014 **inclusive of short-term portions**, amounted to 845,936 thousand euros, are described below:

- an unsecured loan for a residual amount of 609 thousand euros, whose original amount was 25,143 thousand euros, intermediated by Banca di Roma; this loan will be repaid over fifteen years at a fixed 5.48% rate;
- a 200,000 thousand euros loan taken out on 25 August 2008 for the water services segment investment plan (ACEA Ato2) with a term of 15 years. At 31 December 2014, this loan amounted to 127,952 thousand euros.
- The first tranche of 150,000 thousand euros was disbursed in August 2008; the rate of interest is 6-month Euribor plus a spread of 7.8 basis points.

- In 2009, a second tranche was disbursed for 50,000 thousand euros with an interest rate equal to 6-month Euribor plus a spread of 0.646%, maturing on 15 June 2019;
- a 200,000 thousand euros loan taken out on 9 October 2008 and maturing in March 2016; the interest rate applied by the bank is 6-month Euribor plus a spread of 62.5 basis points; the loan is not subject to covenants but standard negative-pledge and acceleration-events clauses are contemplated in the agreement;
- a loan for an initial amount of 100,000 thousand euros taken out on 31 March 2008 and maturing on 21 December 2021; the bank applies a floating rate of interest, with repayments to be made every six months; the first instalment was paid on 30 June 2010; at 31 December 2013, the residual amount of this loan was 58,333 thousand euros. The interest rate risk associated with this loan was hedged via an interest rate swap with a view to converting the underlying loan from floating to fixed rate. The swap matches the underlying loan repayment schedule. In compliance with IAS 39, the Company tested the effectiveness of the hedging instrument in accordance with the hedge accounting method on the basis of the cash flow hedge model. The test revealed that the hedge is 99.82% effective, meaning that no portion taken to the income

statement has evidenced the ineffectiveness of the instrument; the negative fair value of the hedging instrument (9,037 thousand euros) was booked to a specific equity reserve;

- a 100,000 thousand euros loan taken out with the EIB in 2009 to cover the requirements of the multiannual investment plan for the development and extension of the electricity distribution network over a four-year period. The applied rate of interest is 6-month Euribor plus a 0.665% spread with maturity in June 2018;
- a 200,000 thousand euros loan taken out with the EIB on 23 December 2014 to cover the requirement of the multiannual investment plan in the water segment. The applied rate of interest is 6-month Euribor plus a 0.45% spread with maturity in June 2030.

The following table shows a breakdown of borrowings by type of interest rate and term to maturity. The table also shows the short-term portion maturing on 31 December 2015, equal to 24,213 thousand euros.

| € thousand   | TOTAL RESIDUAL DEBT | DUE ON 31.12.2015 | 31.12.2015 TO 31.12.2019 | AFTER 31.12.2019 |
|--|---------------------|-------------------|--------------------------|------------------|
| fixed rate   | 609                 | 297               | 312                      | 0                |
| floating rate                                      | 777,941             | 15,580            | 402,252                  | 360,109          |
| floating to fixed rate                             | 67,386              | 8,335             | 46,551                   | 12,500           |
| <b>Total medium/long and short term borrowings</b> | <b>845,936</b>      | <b>24,213</b>     | <b>449,115</b>           | <b>372,609</b>   |

Information on financial instruments is provided in the section "*Additional disclosures on financial instruments and risk management policies*".

## 24. OTHER NON-CURRENT LIABILITIES - 269 THOUSAND EUROS

These relate to the deferment of the gain generated in 2005 by the transfer of the public lighting business to ACEA Distribuzione and the 1,623 thousand euros reduction of the relevant portion calculated on the basis of the term of the former service contract with Roma Capitale (ten years).

## 25. PROVISION FOR DEFERRED TAXES - 9,818 THOUSAND EUROS

This item grew 579 thousand euros from the level at 31 December 2013.

For a breakdown, kindly refer to the table under the section "*Deferred tax assets*" hereof.

## 26. CURRENT LIABILITIES – 1,180,956 THOUSAND EUROS

This item grew 36,322 thousand euros and is broken down below.

| € thousand                | 31.12.2014       | 31.12.2013       | INCREASE/<br>(DECREASE) |
|---------------------------|------------------|------------------|-------------------------|
| Borrowings                | 929,849          | 911,716          | 18,133                  |
| Trade payables            | 143,120          | 152,182          | (9,062)                 |
| Tax Payables              | 88,091           | 55,384           | 32,707                  |
| Other current liabilities | 19,896           | 25,352           | (5,455)                 |
| <b>TOTAL</b>              | <b>1,180,956</b> | <b>1,144,634</b> | <b>36,322</b>           |

### 26.A – BORROWINGS – 929,849 THOUSAND EUROS

This item increased 18,133 thousand euros and is broken down below:

| € thousand                         | 31.12.2014     | 31.12.2013     | INCREASE/<br>(DECREASE) |
|------------------------------------|----------------|----------------|-------------------------|
| Due to subsidiaries and associates | 904,655        | 520,732        | 383,922                 |
| Short-term bonds                   | 0              | 306,285        | (306,285)               |
| Bank loans                         | 24,213         | 28,240         | (4,027)                 |
| Due to Roma Capitale               | 980            | 30,485         | (29,504)                |
| Due to others                      | 1              | 25,974         | (25,973)                |
| <b>TOTAL</b>                       | <b>929,849</b> | <b>911,716</b> | <b>18,133</b>           |

Changes occurred in:

- amounts due to subsidiaries and associates, mainly relating to (i) the centralised treasury service, which grew 383.922 thousand euros as a result of the higher financial exposure

in the period with the Group companies, (ii) the booking of aggregate amounts due to Aquaser for the acquisition of participating interests in the companies Samace and Solemme, and (iii) the reduction to zero

of the amounts due to ACEA Ato5 to cover losses.  
In further detail, a breakdown is given below by type of payables to subsidiaries:

| € thousand   | 31.12.2014     | 31.12.2013     | INCREASE/<br>(DECREASE) |
|--|----------------|----------------|-------------------------|
| Payables for cash pooling transactions   | 889,538        | 516,255        | 373,282                 |
| Other borrowings   | 2,457          | 2,304          | 153                     |
| Amounts due to ACEA Ato5 to cover losses   | 0              | 2,173          | (2,173)                 |
| Amounts due to Aquaser for the purchase of participating interests in Samace e Solemme | 12,660         | 0              | 12,660                  |
| <b>TOTAL</b>   | <b>904,655</b> | <b>520,732</b> | <b>383,922</b>          |

- short term bonds, as a result of the payment in July of the bond loan worth 300,000 thousand euros issued in 2004,
- amounts due to banks on loans as a result of the repayment of loans matured in June 2014, taken out with the EIB in 2008 and

compensated for by the booking of interest on the other loans matured during the period,

- financial payables to Roma Capitale, down 29,504 thousand euros following the payment of the borrowing booked in December 2013

as an advance on dividends approved by the Board of Directors,

- financial payables to others, down 25,973 thousand euros following the payment of borrowings for the 2013 dividends payable to the market (25,985 thousand euros).

### 26.B - TRADE PAYABLES – 143,120 THOUSAND EUROS

This item fell 9,062 thousand euros compared to the previous annual period and is broken down below.

| € thousand                         | 31.12.2014     | 31.12.2013     | INCREASE/<br>(DECREASE) |
|------------------------------------|----------------|----------------|-------------------------|
| Due to third-party suppliers       | 54,614         | 66,465         | (11,851)                |
| Due to Roma Capitale               | 20,516         | 20,516         | 0                       |
| Due to subsidiaries and associates | 67,990         | 65,201         | 2,789                   |
| <b>TOTAL</b>                       | <b>143,120</b> | <b>152,182</b> | <b>(9,062)</b>          |

Amounts due to third-party suppliers fell 11,851 thousand euros in total, in further detail:

| € thousand           | 31.12.2014    | 31.12.2013    | INCREASE/<br>(DECREASE) |
|----------------------|---------------|---------------|-------------------------|
| Bills received       | 31,778        | 33,532        | (1,753)                 |
| Bills to be received | 22,835        | 32,933        | (10,098)                |
| <b>TOTAL</b>         | <b>54,614</b> | <b>66,465</b> | <b>(11,851)</b>         |

In respect of trade payables for bills received (31,778 thousand euros), the portion due amounted to 3,616 thousand euros, the remaining amount will be due within the next twelve months.

Amounts due to subsidiaries and associates rose to the level of 2,789 thousand euros, broken down as follows:

| € thousand                  | 31.12.2014    | 31.12.2013    | INCREASE/<br>(DECREASE) |
|-----------------------------|---------------|---------------|-------------------------|
| ACEA Illuminazione Pubblica | 55,164        | 47,671        | 7,493                   |
| ACEA Energia                | 7,263         | 8,325         | (1,061)                 |
| ACEA Distribuzione          | 2,480         | 3,342         | (862)                   |
| Citelum ACEA Napoli         | 1,395         | 4,033         | (2,638)                 |
| ACEA Ato2                   | 498           | 132           | 366                     |
| Marco Polo                  | 392           | 871           | (479)                   |
| ACEA Ato5                   | 283           | 202           | 82                      |
| Acea8cento                  | 248           | 88            | 160                     |
| ABAB                        | 78            | 78            | 0                       |
| ARIA                        | 76            | 288           | (212)                   |
| Others                      | 111           | 170           | (59)                    |
| <b>TOTAL</b>                | <b>67,990</b> | <b>65,201</b> | <b>2,789</b>            |

## 26.C - TAX PAYABLES – 88,091 THOUSAND EUROS

Tax payables exhibited an increase of 32,707 thousand euros, broken down as follows.

| € thousand  | 31.12.2014    | 31.12.2013    | INCREASE/<br>(DECREASE) |
|---|---------------|---------------|-------------------------|
| IRES and IRAP                                       | 31,468        | 0             | 31,468                  |
| Deferred VAT  | 29,398        | 14,524        | 14,874                  |
| Withholding taxes                                   | 1,780         | 1,763         | 17                      |
| Immediate VAT                                       | 0             | 1,751         | (1,751)                 |
| Other tax payables                                  | 10            | 36            | (25)                    |
| <b>Total tax payables due to the Inland Revenue</b> | <b>62,656</b> | <b>18,074</b> | <b>44,582</b>           |
| Due to subsidiaries within the consolidation scope  | 25,435        | 37,310        | (11,875)                |
| <b>Total tax payables</b>                           | <b>88,091</b> | <b>55,384</b> | <b>32,707</b>           |

The increase in tax payables is attributable to higher IRES and IRAP settlements due in 2014.

## 26.D – OTHER CURRENT LIABILITIES – 19,896 THOUSAND EUROS

Other current liabilities were down 5,455 thousand from the level at 31 December 2013, in detail:

| € thousand  | 31.12.2014    | 31.12.2013    | INCREASE/<br>(DECREASE) |
|---|---------------|---------------|-------------------------|
| Amounts due to social security institutions                   | 3,295         | 3,246         | 49                      |
| Other amounts due to subsidiaries and associates              | 0             | 1,140         | (1,140)                 |
| <b>Other payables</b>   | <b>16,601</b> | <b>20,965</b> | <b>(4,364)</b>          |
| • <i>amounts due to staff</i>                                 | 9,016         | 9,140         | (124)                   |
| • <i>collections from customers to be reconciled/returned</i> | 5,376         | 8,620         | (3,244)                 |
| • <i>amounts due to various Municipalities</i>                | 901           | 901           | 0                       |
| • <i>instalments due to INPS</i>                              | 0             | 826           | (826)                   |
| • <i>insurance payables</i>                                   | 592           | 706           | (113)                   |
| • <i>instalments due to Equitalia</i>                         | 325           | 385           | (60)                    |
| • <i>accrued liabilities and deferred income</i>              | 195           | 269           | (74)                    |
| • <i>other payables</i>                                       | 195           | 119           | 77                      |
| <b>TOTAL</b>  | <b>19,896</b> | <b>25,352</b> | <b>(5,455)</b>          |

For the sake of greater clarity, these financial statements do not report payables falling due after five years, other than those already mentioned under the item Borrowings.

# RELATED PARTY TRANSACTIONS

## ACEA AND ROMA CAPITALE

Roma Capitale holds a controlling interest via its 51% holding in ACEA.

Transactions between ACEA and Roma Capitale include the provision of public lighting maintenance and upgrading services by ACEA to the Municipality.

With regard to public lighting, the Group provides public lighting services on an exclusive basis within the Rome area. As part of the thirty-year free concession granted by the Municipality of Rome in 1998, the economic terms of concessionary services are currently governed by a service contract signed by the parties, effective as of May 2005 until the concession expiry (31 December 2027), subject to the terms of the supplemental agreement (i.e. contract addendum) signed by ACEA and Roma Capitale on 15 March 2011.

The clauses of the supplemental agreement are summed up below:

- alignment of the term of the service contract with the expiry of the concession (2027) as the mere function of the service contract is to set forth terms and conditions for the concession previously granted by the concession contract;
- annual update of the electricity-consumption and maintenance components of the service fee;
- annual increase of the lump-sum payment commensurately with the installation of new luminaires.

Furthermore, the investments required for the service may be (i) requested and funded by the Municipality or (ii) financed by ACEA: in the former case, the services will be paid for on the basis of a price list agreed by the parties (and subject to a review every two years) with a consequent percentage decrease in the ordinary fee; in the

latter case, the Municipality will not be bound to pay a surcharge; however, ACEA will be awarded all or part of the savings expected in both energy and economic terms according to pre-established methods.

It is also set forth that qualitative/quantitative parameters will be renegotiated in 2018.

Upon natural or anticipated expiry, ACEA will be awarded a compensation corresponding to the residual carrying amount, which will be paid by the Municipality or the incoming operator if this obligation is expressly set out in the call for tenders for the selection of the new operator. Finally, the contract reports a list of events that provide a ground for early termination of the concession and/or termination of contract by mutual consent between the parties. Among these events, reference is made to newly arising requirements considered to be in the public interest, with the express inclusion of the requirement stated in article 23 *bis* of Decree-Law 112/2008, subsequently repealed following the referenda of 12 and 13 June 2011, which entitles ACEA to a compensation calculated by the discounted product of a defined percentage of the annual contractual amount multiplied by the number of years remaining until the concession expiry.

As the supplemental agreement exceeds the materiality thresholds fixed by the Company for transactions with related parties, it underwent scrutiny by the Board of Directors and was later approved in the Board meeting of 1 February 2011, with due account taken of a prior favourable opinion received from the Related Party Transactions (RPT) Committee.

The credit and debt positions of both parties are governed by individual contracts and related payment terms and conditions:

- under the public lighting service contract, payment shall be made within sixty days of receipt of invoice and, in case of a delayed payment, the legal interest rate will apply for the first sixty days, after which a default interest rate will apply as annually established by a special decree of the Ministry of Public Works in agreement with the Ministry of Economy and Finance,
- under all other service contracts, the payment term granted to Roma Capitale for its rendered services is sixty days of receipt of invoice; in the event of a delayed payment, the parties have agreed to apply the then current official Bank rate.

The total consideration accrued at 31 December 2014, calculated on the basis of luminaires installed as on 31 December 2013, amounted to 53,557 thousand euros.

Any new constructions and investments will increase the lump-sum payment commensurately with annual rates of accrual calculated according to the tax depreciation mechanism envisaged for plants falling under a specific construction or investment project and with a percentage reduction on the ordinary fee due from Roma Capitale, as defined in the pricing and technical project document.

A variable rate of interest applies for return on invested capital.

For further information on the scope of transactions between ACEA and Roma Capitale, kindly refer to the illustrations and comments on the amounts due to and from the controlling company Roma Capitale in note no. 19.c hereof.

Revenues and costs of the most significant transactions as at 31 December 2014 are summed up in the table below.

| € thousand                       | REVENUES      |               | COSTS      |            |
|----------------------------------|---------------|---------------|------------|------------|
|                                  | 31.12.2014    | 31.12.2013    | 31.12.2014 | 31.12.2013 |
| Public lighting service contract | 53,557        | 53,203        | 0          | 0          |
| <b>TOTAL</b>                     | <b>53,557</b> | <b>53,203</b> | <b>0</b>   | <b>0</b>   |



## ACEA AND THE ROMA CAPITALE GROUP

ACEA has additional trade relations with Companies, Special-Purpose Municipal Companies or Agencies controlled by Roma Capitale. The table below shows a few items associated with transactions with the above entities falling within the scope of the Roma Capitale Group.

| ROMA CAPITALE GRUPPO – Amounts in thousands of euros | PAYABLES     | COSTS        | RECEIVABLES  | REVENUE    |
|--|--------------|--------------|--------------|------------|
|  | 31.12.2014   | 31.12.2014   | 31.12.2014   | 31.12.2014 |
| AMA S.P.A.   | 673          | 995          | 17           | 0          |
| ATAC S.P.A.  | 0            | 0            | 4,093        | 0          |
| ROMA METROPOLITANE S.R.L.                            | 0            | 0            | 56           | 0          |
| FONDAZIONE CINEMA PER ROMA                           | 101          | 100          | 0            | 0          |
| FONDAZIONE MUSICA PER ROMA                           | 49           | 40           | 0            | 0          |
| INVESTIMENTI S.P.A.                                  | 0            | 0            | 0            | 0          |
| RISORSE PER ROMA R.P.R. S.P.A.                       | 0            | 0            | 257          | 0          |
| ROMA MULTISERVIZI S.P.A.                             | 1,060        | 1,495        | 0            | 0          |
| ZETEMA PROGETTO CULTURA S.R.L.                       | 610          | 0            | 0            | 0          |
| <b>Total</b>   | <b>2,492</b> | <b>2,630</b> | <b>4,406</b> | <b>0</b>   |

## ACEA AND ITS SUBSIDIARIES

### FINANCIAL RELATIONS

In fulfilling its function as an industrial holding company, ACEA S.p.A. defines strategic objectives and coordinates activities for both the Group and its subsidiaries.

At Group level, ACEA S.p.A. acts as a centralised treasurer on behalf of its major subsidiaries.

In the intervening time before the amendment of the applicable treasury contracts, which expired on 31 December 2013, intercompany treasury relations are managed as follows:

- set up of a medium/long-term credit line for a pre-established amount to cover funding needs generated by investments;
  - This credit line (i) has a three-year term running from 1 January 2011, (ii) generates interest (updated on an annual basis) at a 3-year IRS rate plus spread aligned with that of a bond issued on the equity market with BBB rating, and (iii) is priced at an annual credit fee calculated on the credit limit;
  - set up of a general purpose line for the companies' current funding requirements.
- Credit line (i) has a three-year term running from

1 January 2011, (ii) generates interest payable at an yearly adjusted rate corresponding to 3-year IRS plus a spread aligned with that of a BBB rated bond issued on the capital market and a lending rate calculated as the arithmetic mean of intraday 3M Euribor rates for each calendar quarter less a 5 bp annual spread, and (iii) is priced at an annual credit fee calculated on the credit limit. 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. provides administrative, financial, legal, logistical, management and technical services to subsidiaries and associated companies in order to optimise the use of existing resources and know-how in an economically advantageous manner. These services are governed by the appropriate annual service contracts. Previous contracts were valid for the three-year period 2011 to 2013 and were based on contractual amounts quoted at market prices and

on the effectively provided quantities.

As for service contracts, since 1 January 2014, ACEA has completed the following activities in the context of the three-year duration of contracts:

(i) a review of the catalogue of offered services, (ii) alignment of tariffs to market prices, (iii) measures introduced to ensure the compliance of service contracts with regulatory requirements and with the provisions of the applied MOGC (Organisation, Management and Control Model) and (iv) introduction of new SLAs (Service Level Agreements) designed to improve the offered service level in relation to a number of KPIs (Key Performance Indicators).

The new tariff schedule substantially shows a reduction of total tariffs for almost all companies.

It is also worth noting that, as part of the ACEA 2.0 project, specific addenda were introduced to the contracts governing the services rendered by ACEA to its key subsidiaries.

The contractual amount is equal to the cost incurred.

## ACEA AND THE MAJOR COMPANIES OF THE CALTAGIRONE GROUP

| CALTAGIRONE GROUP – Amounts in thousands of euros | PAYABLES   | COSTS      | RECEIVABLES | REVENUE    |
|---|------------|------------|-------------|------------|
|   | 31.12.2014 | 31.12.2014 | 31.12.2014  | 31.12.2014 |
| PIEMME SPA - CONCESSIONARIA DI PUBBLICITA' SPA    | 39         | 94         | 0           | 0          |
| METROPOLITANA DI NAPOLI SPA                       | 0          | 0          | 137         | 134        |
| <b>Total</b>                                      | <b>39</b>  | <b>94</b>  | <b>137</b>  | <b>134</b> |

## ACEA AND THE MAJOR COMPANIES OF THE ONDEO GROUP

| ONDEO – Amounts in thousands of euros | PAYABLES   | COSTS      | RECEIVABLES | REVENUE    |
|---------------------------------------|------------|------------|-------------|------------|
|                                       | 31.12.2014 | 31.12.2014 | 31.12.2014  | 31.12.2014 |
| ONDEO ITALIA SPA                      | 57         | 108        | 0           | 0          |
| <b>Total</b>                          | <b>57</b>  | <b>108</b> | <b>0</b>    | <b>0</b>   |

The tables below sums up the impact of relations with related parties on the Statement of Financial Position, the Income Statement and the Statement of Cash Flows.

### IMPACT ON THE STATEMENT OF FINANCIAL POSITION

| FINANCIAL POSITION                  | 31.12.2014 | OF WHICH, WITH RELATED PARTIES | % IMPACT | 31.12.2013 | OF WHICH, WITH RELATED PARTIES | % IMPACT | INCREASE/ (DECREASE) |
|-------------------------------------|------------|--------------------------------|----------|------------|--------------------------------|----------|----------------------|
| Financial assets                    | 1,971,000  | 1,928,415                      | 97.8%    | 1,749,406  | 1,704,143                      | 97.4%    | 221,593              |
| Trade receivables                   | 38,420     | 4,543                          | 11.8%    | 42,952     | 4,419                          | 10.3%    | (4,532)              |
| Intragroup trade receivables        | 42,161     | 42,161                         | 100.0%   | 52,724     | 52,724                         | 100.0%   | (10,562)             |
| Intragroup current financial assets | 298,773    | 298,773                        | 100.0%   | 224,892    | 224,892                        | 100.0%   | 73,881               |
| Current tax assets                  | 100,284    | 36,988                         | 36.9%    | 68,909     | 19,496                         | 28.3%    | 31,375               |
| Financial payables                  | 929,849    | 905,635                        | 97.4%    | 911,716    | 551,217                        | 60.5%    | 18,133               |
| Trade payables                      | 143,120    | 91,095                         | 63.6%    | 152,182    | 88,370                         | 58.1%    | (9,062)              |
| Tax Payables                        | 88,091     | 25,435                         | 28.9%    | 55,384     | 37,310                         | 67.4%    | 32,707               |

### IMPACT ON THE INCOME STATEMENT

| INCOME STATEMENT                 | 31.12.2014 | OF WHICH, WITH RELATED PARTIES | % IMPACT | 31.12.2013 | OF WHICH, WITH RELATED PARTIES | % IMPACT | INCREASE/ (DECREASE) |
|----------------------------------|------------|--------------------------------|----------|------------|--------------------------------|----------|----------------------|
| Revenue from sales and services  | 173,734    | 166,103                        | 95.6%    | 162,405    | 154,446                        | 95.1%    | 11,329               |
| Other revenue and proceeds       | 12,650     | 6,113                          | 48.3%    | 14,496     | 6,286                          | 43.4%    | (1,846)              |
| Costs of materials and overheads | 131,329    | 74,382                         | 56.6%    | 129,019    | 71,368                         | 55.3%    | 2,310                |
| Financial income                 | 101,287    | 97,737                         | 96.5%    | 87,215     | 83,051                         | 95.2%    | 14,072               |
| Financial costs                  | 87,799     | 687                            | 0.8%     | 80,859     | 534                            | 0.7%     | 6,940                |
| Profits on equity investments    | 107,917    | 107,917                        | 100.0%   | 120,069    | 120,069                        | 100.0%   | (12,152)             |
| Losses on equity investments     | 954        | 954                            | 100.0%   | 1,446      | 1,446                          | 100.0%   | (492)                |

### IMPACT ON THE STATEMENT OF CASH FLOWS

| STATEMENT OF CASH FLOWS                  | 31.12.2014 | OF WHICH, WITH RELATED PARTIES | % IMPACT | 31.12.2013 | OF WHICH, WITH RELATED PARTIES | % IMPACT |
|--|------------|--------------------------------|----------|------------|--------------------------------|----------|
| Cash flow from operations                | (14,172)   | (10,919)                       | 77.0%    | (12,660)   | 29,471                         | (232.8%) |
| Cash flow from investment/ disinvestment | (112,297)  | (202,537)                      | 180.4%   | 117,853    | 20,746                         | 17.6%    |
| Cash flow from financing (loans)         | 563,384    | (391,238)                      | (69.4%)  | 58,767     | (70,224)                       | (119.5%) |

# LIST OF RELATED-PARTY TRANSACTIONS

**Related Party Transactions (RPTs) qualified as being of major significance irrespective of their amount and, consequently, examined by the RPT Procedure include:**

The “LED Project”, notified to the RPT Committee on 5 November 2014 pursuant to the disclosure requirement under paragraph 2.1 (Negotiation Phase) of the RPT Procedure. The transaction is qualified as being of major significance, although the declared values in question do not exceed the applicable materiality threshold, since the transaction falls in the broader scope of the public lighting service contract with Roma Capitale. As of the date hereof, the contractual draft, compiled in the form of a proposal for an “Implementing Measure” and duly revised and updated by ACEA, is being examined by Roma Capitale.

## UPDATE ON MAJOR LEGAL DISPUTES

### TAX ISSUES

#### TAX AUDIT ON ACEA

On 17 September 2014 the Latium Regional Directorate of the Inland Revenue Office (*Agenzia delle Entrate – Direzione Regionale del Lazio*) initiated a general tax audit on ACEA (for IRES, IRAP and VAT taxes) in relation to tax year 2011, which ended on 23 December 2014 with the service of a record of findings (*processo verbale di constatazione*) containing a single complaint with respect to IRAP (Regional Business Tax) and, specifically, claiming a higher taxable income (207 thousand euros). On 19 January, the Company formalised its acceptance of the record of findings.

### OTHER ISSUES

#### E.ON. PRODUZIONE S.P.A. AGAINST ACEA, ACEA ATO2 AND ACEAELECTRABEL PRODUZIONE

E.ON. Produzione S.p.A. initiated this lawsuit, as successor to Enel of a number of concessions for the abstraction of public water for electricity production from the Peschiera spring, seeking an order against the jointly and severally liable defendants (ACEA, ACEA Ato2 and AceaElectrabel Produzione) to pay a water abstraction fee (or a compensation for damage for illegitimate abstraction) whose amount has remained frozen to the level agreed in the 1980s, to the extent of 48.8 million euros (plus the sums due for 2008 and later) or, in the alternative, the payment of the sum of 36.2 million euros. Following the submission, with the competent Regional Court of Public Waters (TRAP), of an appraisal report by the court expert on the measurement of the abstracted quantities, and of the consequently reduced hydropower production, as well as of the amount of compensation due, the Deputy Presiding Judge adjourned the case to the hearing of 3 October 2013, on which occasion statements of case were filed on the partial payments of past due abstraction fees. In the 9 January 2014 hearing, the proceeding was

adjourned for further consideration.

The calculation made in the expert's report shows that, the claimed amounts, supposing they were founded – which is unlikely, as the documents containing the compensation measurement parameters are still considered valid and effective – should be considerably reduced to substantially the level of the equalisation amounts already estimated by the Group.

On 3 May 2014, by ruling no. 14/14, the TRAP rejected E.ON's claim in its entirety, on the ground that the 1985 agreements were still effective, and considered the same claim recoverable only to the extent of the ‘abstraction fee’, whereas the sought measurement of equalisation amounts was judged unacceptable.

E.ON was ordered to pay legal expenses worth 32 thousand euros as well as the expert's fee and any additional sums required by law.

On 23 June 2014 E.ON filed an appeal before the High Court of Public Waters (TSAP) with a first hearing scheduled for 1 October 2014. After a number of referrals made pursuant to procedural rules, in the 14 January 2015 hearing, the case was adjourned to a hearing before a panel of judges scheduled for 10 May 2015 to decide, *inter alia*, on E.ON's filed request for a new expert's report.

#### ACEA/SASI CASE

By ruling 6/10, the TRAP accepted a claim for damages for illegitimate water abstraction from the Verde river, filed by ACEA against Società Abruzzese per il Servizio Integrato S.p.A. (SASI) and awarded ACEA 9 million euros in damages, plus interest accrued from 14 June 2001 to 30 July 2013.

The ruling, which is not provisionally enforceable, was challenged by SASI before the TSAP, and ACEA filed a cross-appeal. By non-final ruling no. 117/13, dated 11/06/13, the TSAP upheld one of the grounds for the appeal, and listed again the case for trial ordering a court expert's appraisal of the loss caused to ACEA in the period 2010 to 2013. The TSAP scheduled a hearing for 23 October 2013, which was then postponed to 27 November 2013. On the same date, an opinion was requested from the same

expert used in the first-instance proceeding and the case was adjourned to 14 May 2014 for the filing of the expert's report. In his report the expert reduced the amount due by SASI to 6 million euros and, in the hearing of 28 January 2015, the TSAP rejected the opposing party's request for clarifications from the expert, and postponed the decision to a later hearing on 27 May 2015.

#### A.S.A. – ACEA SERVIZI ACQUA – SMECO

By a writ served in autumn 2011, ACEA was summoned to appear in court for alleged damage caused to minority shareholders, as well as their respective shareholders and partners, by ACEA's implausible failure to comply with inexistent and groundless obligations supposedly contemplated in the Shareholders' Agreement of the subsidiary A.S.A. – ACEA Servizi Acqua. The claim value amounts to more than 10 million euros.

The judge upheld SMECO's claim and appointed a court expert to appraise any incurred costs, lost profit and the fee payable for the put option set forth in shareholders' agreements.

At the hearing of 11 February 2014 held to discuss the observations on the submitted expert's report, the Judge granted an additional time limit to the parties to file notes on the expert's report and summoned the expert to appear at the hearing of 20 March 2014 for clarifications.

Subsequently to the filing of notes, the Deputy Presiding Judge, on deciding on the subject matters that had remained undecided during the hearing of 20 March 2014, substantially accepted the arguments of the defence and of the ACEA expert, and referred the case to the hearing of 1 July 2014 in order to define, with due account taken of any further arguments to be presented by the parties and the ACEA expert, which documentation had to be acquired from ACEA Ato2 in order to supplement the contents of the court expert's report. At the hearing of 1 July 2014, the newly appointed judge took the requests for supplements to the report under advisement; however he subsequently rejected it by an out-of-court order. On 20 January 2015, the case was again taken under advisement.

## MILANO '90 DISPUTE

The case was initiated on the ground of the failed payment of the final instalment of 5 million euros due from Milano '90 on the purchase price for an area of the Rome municipality accessible from Via Laurentina 555. The purchase agreement was executed on 28 February 2007 with a subsequent addendum executed on 5 November 2008. By this addendum the parties agreed to increase the overall contract amount from 18 to 23 million euros, to concurrently remove the earn-out clause and to fix the payment deadline at 31 March 2009.

Given the purchaser's failure to pay, a procedure was initiated to recover the sums due by serving a notice of payment on Milano '90 and, subsequently, by filing an application for an order for payment, which was issued on 28 June 2012 in the form of a provisionally enforceable order.

The above order was served on the defaulter on 3 September 2012; on 23 November the court bailiff was entrusted with the enforcement of a writ of garnishment for the sums to be recovered.

Milano '90's defence to the order for payment was brought before the Tenth Chamber of the Rome Court. In the context of the latter proceeding, a sub-proceeding was also initiated pursuant to article 649 of the Italian Civil Procedure Code seeking to suspend the provisional enforcement of the order for payment; the petition for a suspension was upheld by the judge.

An enforcement proceeding initiated after the initiation of the provisional enforcement of the order for payment (now suspended) has also been suspended.

At the hearing of 13 March 2014, the judge decided to postpone his decision on a request for the admission of preliminary evidence.

With a decision dated 7 April 2014, the same judge decided that a technical enquiry was needed to assess the zoning status of the property, and further decided to accept the request for witness evidence from ACEA; he consequently adjourned the hearing to 18 December 2014 to hear the witnesses and engage a court expert. The investigating judge also ordered ACEA to produce the documentation requested by the opposing party. The appointed expert was also entrusted with the task of appraising the zoning status of the area at the time of the purchase and the related buildable volumes. The case was then referred to a hearing scheduled for 22 October 2015 for the filing of the expert's report, which is currently being compiled.

## TRIFOGLIO DISPUTE

In this complex litigation, ACEA appeared in court as plaintiff in one case and as defendant in another.

**Plaintiff:** the ground for this lawsuit is Trifoglio's breach of its obligation to pay the balance of a total contractual amount of 10.3 million euros for the purchase of the Autoparco property, which balance

was due and payable on 22 December 2011.

Following this breach of contract, a warning notice was served on Trifoglio as a preliminary step for the execution of a deed of voluntary termination of the property-purchase agreement dated 22 December 2010, and the further filing of a lawsuit before the Rome Court pursuant to art 702 *bis* of the Italian Civil Procedure Code. The appearance hearing scheduled for 13 November 2012 was postponed to 30 April 2013 following Trifoglio's filing of a writ of summons for a third party (Consorzio Piano Assetto C9 Stazione Ostiense).

In the meantime, ATAC Patrimonio filed a claim for the termination of the purchase agreement of 22 December 2010 limited to the part for which it is responsible.

Following the change of the proceedings from summary to ordinary, the Court adjourned the case to 7 May 2014 for the admission of evidence and fixed a term, running from 14 January 2014, for the filing of the statements of case under art. 183 par. VI of the Civil Procedure Code.

Concurrently with the filing of the statements of case under art. 183 no. 1 of the Civil Procedure Code, a new defence team appeared in court on behalf of Trifoglio, who filed additional complaints for breach by ACEA on the ground of the argued impossibility by Trifoglio to complete the development of the area covered by the purchase agreement.

The case was then adjourned to a hearing scheduled for 14 October 2014 for it to be joined with another proceeding on the same subject matter initiated by ATAC Patrimonio and, if possible, with the further proceeding initiated by Trifoglio described below.

**Defendant:** a new proceeding brought to the Company's attention was initiated by Trifoglio on the same property-purchase agreement to obtain a declaration of invalidity of the agreement. In its writ of summons, Trifoglio requested the joinder of this lawsuit with the proceeding initiated by ACEA, and the admission of a new expert's opinion. The writ, served on both ACEA and ATAC Patrimonio, contains a claim for a compensation of approximately 20 million euros in damages.

In its statement of case filed pursuant to art. 183 no. 2 of the Civil Procedure Code, the opposing party requested the admission of an expert's opinion substantially on the possibility to proceed with the development of the area.

At the hearing of 27 May 2014, scheduled to discuss Trifoglio's summons, the case was referred back to the President of the Chamber that had previously ordered to refer it to the judge seized of the proceedings initiated by the ACEA, on the ground of possible joinder. As things stand, the opposing party's claims appear to be groundless.

The cases were joined before the judge seized with the case where ACEA appears as plaintiff and both proceedings were adjourned to the hearing of 7 April

2015 subject to the prior rewording or the requests made to the court expert, whose appraisal is currently in progress.

## KUADRA DISPUTE

In the context of the dispute initiated by Kuadra S.r.l. against the investee Marco Polo S.r.l. in liquidation for an alleged breach in relation to its participation in the temporary joint venture (ATI) for the management of the CONSIP project, Kuadra S.r.l. also summoned the partners of Marco Polo (therefore ACEA, AMA and EUR) and Roma Capitale to appear in court. The summons is founded on the opposing party's contention that Marco Polo is subject to the management and coordination of all direct and indirect partners.

ACEA maintains that, considering the generic nature of the arguments illustrated by Kuadra S.r.l., which claims the responsibility of the partners of Marco Polo S.r.l. in liquidation, the risk of an unfavourable judgement for the reasons argued in the summons is considered remote, while the indirect risk of being a partner of Marco Polo, has already been considered in the assessment of risks with the investee.

A final judgement was postponed to the hearing of 19 January 2016.

## DISPUTE WITH THE RIETI PROVINCIAL GOVERNMENT

The Rieti provincial government served on ACEA and ACEA Ato2 a writ of summons seeking a compensation for the losses (on various grounds) that it had allegedly incurred following the failed approval of the agreement on "inter-district interferences" (in the context of integrated water cycle management). The other parties involved in the proceedings, together with ACEA and ACEA Ato2, are the Rome provincial government, the District Authority 'ATO2 Lazio Centrale Roma', Roma Capitale and the Latium regional government.

The value of the litigation is high, i.e. around 90 million euros as of today's date (vs. 25 million as on 31/12/2005 and 8 million annually for the subsequent period), but the justifying arguments, especially those against ACEA, are rather weak. Firstly, the competence of the court is questionable, i.e. an Ordinary Court instead of the Regional Court of Public Waters (TRAP); secondly, the liability to damages for a delay in the approval of the interference agreement, may not be attributable to ACEA as this behaviour does and may not depend on the same ACEA. The hearing for the first appearance is scheduled for 21 April 2015, but the date may change depending on the judge who will be selected from the General Registry of Judges.

It is hereby informed that, after the end of the annual period under review, the former Chairman of the Board of ACEA filed an action before the Rome Civil Court, Labour Division, seeking a compensation for loss and damage.

# ADDITIONAL DISCLOSURES ON FINANCIAL INSTRUMENTS AND RISK MANAGEMENT POLICIES

## CLASSES OF FINANCIAL INSTRUMENT

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

| € thousand   | FINANCIAL INSTRUMENTS HELD FOR TRADING AT FAIR VALUE | LOANS AND RECEIVABLES | AVAILABLE-FOR-SALE FINANCIAL INSTRUMENTS | CARRYING AMOUNT  | NOTES |
|--|--|-----------------------|--|------------------|-------|
| <b>Non-current assets</b>  | <b>0</b>   | <b>1,928,640</b>      | <b>2,395</b>                             | <b>1,931,035</b> |       |
| Other equity investments   | 0  |                       | 2,395                                    | 2,395            | 15    |
| Financial assets due from the controlling company, subsidiaries and associates | 0  | 1,928,415             | 0  | 1,928,415        | 17    |
| Financial assets due from third parties  | 0  | 225                   | 0  | 225              | 17    |
| <b>Current assets</b>  | <b>0</b>   | <b>1,366,017</b>      | <b>0</b>                                 | <b>1,366,017</b> |       |
| Trade receivables due from customers   | 0  | 38,420                | 0  | 38,420           | 19    |
| Intragroup trade receivables   | 0  | 42,161                | 0  | 42,161           | 19    |
| Financial assets due from the controlling company, subsidiaries and associates | 0  | 295,352               | 0  | 295,352          | 19    |
| Financial assets due from third parties  | 0  | 11,644                | 0  | 11,644           | 19    |
| Cash and cash equivalents  | 0  | 978,440               | 0  | 978,440          | 19    |
| <b>TOTAL FINANCIAL ASSETS</b>  | <b>0</b>   | <b>3,294,657</b>      | <b>2,395</b>                             | <b>3,297,052</b> |       |

| € thousand  | FINANCIAL INSTRUMENTS HELD FOR TRADING | LIABILITIES AT FAIR VALUE | LIABILITIES AT AMORTISED COST | CARRYING AMOUNT  | NOTES |
|---|--|---------------------------|-------------------------------|------------------|-------|
| <b>Non-current liabilities</b>  | <b>0</b>                               | <b>62,769</b>             | <b>2,668,071</b>              | <b>2,730,840</b> |       |
| Bonds   | 0                                      |                           | 1,855,385                     | 1,855,385        | 23    |
| Bonds stated at FVH   |  | (1,170)                   |                               | (1,170)          |       |
| Bonds stated at CFH   |  | 54,902                    |                               | 54,902           |       |
| Bank borrowings (non-current portion)   | 0                                      |                           | 812,686                       | 812,686          | 23    |
| Bank borrowings (non-current portion) stated at CFH                               |  | 9,037                     |                               | 9,037            |       |
| <b>Current liabilities</b>  | <b>0</b>                               |                           | <b>1,072,969</b>              | <b>1,072,969</b> |       |
| Bank borrowings   | 0                                      |                           | 0                             | 0                | 26    |
| Bonds (current portion)   | 0                                      |                           | 0                             | 0                | 26    |
| Bank borrowings (current portion)   | 0                                      |                           | 24,213                        | 24,213           | 26    |
| Financial liabilities due to the controlling company, subsidiaries and associates | 0                                      |                           | 905,635                       | 905,635          | 26    |
| Financial liabilities due to third parties  | 0                                      |                           | 1                             | 1                | 26    |
| Trade payables  | 0                                      |                           | 54,614                        | 54,614           | 26    |
| Trade payables due to the controlling company, subsidiaries and associates        | 0                                      |                           | 88,506                        | 88,506           | 26    |
| <b>TOTAL FINANCIAL LIABILITIES</b>  | <b>0</b>                               | <b>62,769</b>             | <b>3,741,040</b>              | <b>3,803,809</b> |       |

## FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

The fair value of financial instruments that are not traded in an active market is determined using valuation models and techniques that make maximum use of market inputs or using the price supplied by a range of independent counterparties.

The fair value of medium/long-term financial assets and liabilities is calculated on the basis of the risk-free and the adjusted risk-free interest rate curves.

The fair value of trade receivables and payables falling due within twelve months is not calculated, as their carrying amount approximates to fair value.

In addition, fair value is not calculated when the fair value of financial assets and liabilities cannot be objectively determined.

## TYPE OF FINANCIAL RISKS AND RELATED HEDGING POLICIES

### FOREIGN EXCHANGE RISK

The Group is not particularly exposed to this type of risk, which is concentrated in the translation of the financial statements of overseas subsidiaries. As regards the private placement worth 20 billion yens, the exchange risk is hedged by a cross currency contract described in the section on the interest rate risk.

### LIQUIDITY RISK

ACEA's liquidity risk management policy is based on ensuring the availability of significant bank lines of credit. Such lines exceed the average requirement necessary to fund planned expenditure and enable the Group to minimise the risk of extraordinary outflows. In order to minimise liquidity risk, the ACEA Group has adopted a centralised treasury management system, which includes the most important Group companies, and provides financial assistance to the companies (subsidiaries and associates) not covered by a centralised finance contract.

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

The committed credit line is revolving with a contractual term of three years from the date of signing. The availability of these lines matures in 2015. The contracts entered into provide for the payment of a fee for non-use plus an up-front fee paid at the time the credit lines are opened. On the amounts drawn down, ACEA pays an interest rate equal to the one, two, three or six month Euribor (depending on the period of use

chosen beforehand), plus a spread which, in some cases, may vary in line with the rating assigned to the Parent Company. In some cases, there is also a utilisation fee linked to the amount disbursed. At the end of the year, ACEA had no loans, term deposits and similar transactions.

### 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 borrowing costs and stabilising cash flows, in such a way as to safeguard margins and ensure the certainty of cash flows deriving from ordinary activities.

The Group's approach to managing interest rate risk is, therefore, prudent and the methods used tend to be static in nature.

A static (as opposed to dynamic) approach means adopting a type of interest rate risk management that does not require daily activity in the markets, but periodic analysis and control of positions based on specific needs. This type of management therefore involves daily activity in the markets, not for trading purposes but in order to hedge the identified exposure over the medium/long term. ACEA has, up to now, opted to minimise interest rate risk by choosing a mix range of fixed and floating rate funding instruments.

As commonly known, fixed rate funding protects a borrower from cash flow risk in that it stabilises actual financial outflows, whilst heightening exposure to fair value risk in terms of changes in the market value of the debt.

An analysis of the consolidated debt position shows that the risk ACEA is exposed to is mainly in the form of fair value risk, composed as at 31 December 2014 of hedged fixed rate borrowings (around 64.32%). With reference to the current portfolio make-up, ACEA is partly exposed to the risk of fluctuation in future cash flows and, by contrast, to a greater extent to the risk of changes in fair value.

ACEA is consistent with its decisions regarding interest rate risk management that essentially aims to both control and manage this risk and optimise borrowing costs, taking account of stakeholder interests and the nature of the Group's activities, and based on the prudence principle and best market practices. The objectives of these guidelines are as follows:

- to identify, from time to time, the optimum mix of fixed and floating rate debt,
- to pursue a potential optimisation of borrowing costs within the risk limits established by governance bodies and in accordance with the specific nature of the business,
- to manage derivatives transactions solely for hedging purposes, should ACEA decide to use

them, in respect of the decisions of the Board of Directors and, therefore, the approved strategies and taking into account (in advance) the impact on the Income Statement and Statement of Financial Position of said transactions, giving preference to instruments that qualify for hedge accounting (typically cash flow hedges and, under given conditions, fair value hedges).

It should be noted that ACEA:

- swapped the 100 million euros loan obtained on 27 December 2007 at a fixed rate. The swap, a plain vanilla IRS, was stipulated on 24 April 2008, effective as of 31 March 2008 (date of drawdown of the underlying loan) and expires on 21 December 2021,
- completed a cross currency transaction to transform to euro – through a plain vanilla DCS swap – the currency of the private placement (yen) and the yen rate applied to a fixed euro rate through a plain vanilla IRS swap,
- swapped 300 million euros of the 5-year 600 million euros fixed rate bond placed on the market in September 2013, at a floating rate.

All the derivative instruments taken out by ACEA and listed above are non-speculative and the fair values of the same are respectively

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

The fair value of medium/long-term debt is calculated on the basis of the risk-free and the risk-adjusted interest rate curves.

| <b>BANK LOANS:</b>     | <b>AMORTISED COST</b> | <b>RISK-FREE FV</b> | <b>INCREASE/ (DECREASE)</b> | <b>RISK ADJUSTED FV</b> | <b>INCREASE/ (DECREASE)</b> |
|------------------------|-----------------------|---------------------|-----------------------------|-------------------------|-----------------------------|
|                        | <b>(A)</b>            | <b>(B)</b>          | <b>(A) - (B)</b>            | <b>(C)</b>              | <b>(A) - (C)</b>            |
| Bonds                  | 1,909,117             | 2,131,297           | (222,180)                   | 2,113,943               | (204,826)                   |
| fixed rate             | 609                   | 646                 | (36)                        | 646                     | (36)                        |
| floating rate          | 777,941               | 801,554             | (23,613)                    | 802,504                 | (24,563)                    |
| floating to fixed rate | 67,386                | 59,821              | 7,565                       | 59,820                  | 7,566                       |
| <b>Total</b>           | <b>845,936</b>        | <b>862,021</b>      | <b>(16,084)</b>             | <b>862,970</b>          | <b>(17,033)</b>             |

This analysis was also performed by a risk-adjusted rate curve, i.e. a curve adjusted to ACEA's risk level and area of activity. In particular, the curve was populated with fixed rate bonds denominated in EUR issued by national public service companies and with composite rating within a range of BBB+ to BBB-.

Sensitivity analysis has been carried out on medium/long-term financial liabilities using stress testing, thus applying a constant spread over the term structure of the riskless interest rate curve. In so doing, impacts on Fair Value and on the performance of future cash flows can be measured with reference to individual instruments

constituting both the analysed and the overall portfolio.

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

| <b>CONSTANT SPREAD APPLIED</b> | <b>CHANGES IN PRESENT VALUE (€ M)</b> |
|--------------------------------|---------------------------------------|
| -1.50%                         | (207.3)                               |
| -1.00%                         | (135.2)                               |
| -0.50%                         | (66.2)                                |
| -0.25%                         | (32.7)                                |
| 0.00%                          | 0.0                                   |
| 0.25%                          | 32.1                                  |
| 0.50%                          | 63.5                                  |
| 1.00%                          | 124.4                                 |
| 1.50%                          | 182.8                                 |

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



# COMMITMENTS AND CONTINGENCIES

These amounted to 1,243,667 thousand euros, representing an increase of 18,539 thousand euros compared to a value of 1,225,128 thousand euros at 31 December 2013.

The balance includes:

## LIENS AND SURETIES ISSUED AND RECEIVED

A net positive balance of 291,806 thousand euros was reported between liens and sureties issued (342,775 thousand euros) and those received (50,969 thousand euros).

There was an increase of 4,102 thousand euros compared to the end of last year.

This increase can mainly be attributed to the signing on 24 September 2014 with B.B.V.A. of a contract securing Roma Natura in the interest of ACEA Distribuzione for 1,500 thousand euros, the release of the guarantee towards Italgas in the interest of ACEA Energia for 2,606 thousand euros and the concurrent execution of a new guarantee for 3,713 thousand euros.

## LETTERS OF PATRONAGE ISSUED AND RECEIVED

A net positive balance of 703,220 thousand euros is the result of letters of patronage issued, totalling 703,423 thousand euros and letters of patronage received, amounting to 203 thousand euros.

There was an increase of 14,937 thousand euros in the period.

The main changes are as follows:

- reduction of the back-to-back guarantee to Cassa Depositi e Prestiti for the 24.673 thousand euros loan granted to ACEA Distribuzione, which decreases from 402,049 thousand euros in 2013 to 377,736 thousand euros,
- issue of corporate guarantees in favour of Terna, in the interest of ACEA Energia, worth 41,090 thousand euros.

## THIRD-PARTY ASSETS HELD UNDER CONCESSION

Such assets amounted to 86,077 thousand euros and did not undergo significant changes with respect to 31 December 2013. They relate to public lighting assets.

## ANNEXES TO THE NOTES

Annex 1: Net Financial Position

Annex 2: Statement of changes in equity investments at 31 December 2014

Annex 3: Non-recurring material transactions pursuant to CONSOB Resolution No. 15519 of 27 July 2006

Annex 4: Positions or transactions deriving from unusual and/or exceptional transactions

Annex 5: Segment information (IFRS 8)

## ANNEX 1 – NET FINANCIAL POSITION AT 31.12.2014

| NET FINANCIAL POSITION (€ migliaia)  | 31.12.2014       | RELATED PARTIES  | 31.12.2013       | RELATED PARTIES  | INCREASE/ (DECREASE) |
|--|------------------|------------------|------------------|------------------|----------------------|
| Non-current financial assets   | 225              | 0                | 225              | 0                | 0                    |
| Intragroup non-current financial assets  | 1,928,415        | 1,928,415        | 1,704,143        | 1,704,143        | 224,272              |
| Non-current borrowings and financial liabilities                                   | (2,677,108)      | 0                | (1,990,862)      | 0                | (686,246)            |
| Financial assets/(liabilities) deriving from measurement of derivative instruments | (53,732)         | 0                | (44,874)         | 0                | (8,858)              |
| <b>Net medium/long-term Net Financial Position</b>                                 | <b>(802,201)</b> | <b>1,928,415</b> | <b>(331,369)</b> | <b>1,704,143</b> | <b>(470,832)</b>     |
| Cash and cash equivalents and securities   | 978,440          | 0                | 541,526          | 0                | 436,915              |
| Short-term bank borrowings   | 0                | 0                | 0                | 0                | (0)                  |
| Current financial assets/(liabilities)   | (12,570)         | 0                | (347,940)        | 0                | 335,370              |
| Intragroup current financial assets/(liabilities)                                  | (610,283)        | (610,283)        | (329,000)        | (329,000)        | (281,283)            |
| <b>Short-term Net Financial Position</b>   | <b>355,587</b>   | <b>(610,283)</b> | <b>(135,415)</b> | <b>(329,000)</b> | <b>491,002</b>       |
| <b>Total Net Financial Position</b>  | <b>(446,613)</b> | <b>1,318,132</b> | <b>(466,783)</b> | <b>1,375,143</b> | <b>20,170</b>        |

## ANNEX 2 – STATEMENT OF CHANGES IN EQUITY INVESTMENTS AT 31 DECEMBER 2014

| € thousand                               | CHANGES IN 2014  |              |           |           |                         |                    | 31.12.2014       |
|--|------------------|--------------|-----------|-----------|-------------------------|--------------------|------------------|
|  | 31.12.2013       | ACQUISITIONS | DISPOSALS | RECLASS.  | INCREASES/<br>DECREASES | IMPAIR./<br>LOSSES |                  |
| <b>Subsidiaries</b>                      |                  |              |           |           |                         |                    |                  |
| ACEA Distribuzione S.p.A.                | 324,295          | 0            | 0         | 0         | 0                       | 0                  | 324,295          |
| ACEA Ato2 S.p.A.                         | 585,442          | 0            | 0         | 0         | 0                       | 0                  | 585,442          |
| Acea8cento S.p.A.                        | 120              | 0            | 0         | 0         | 0                       | 0                  | 120              |
| Consorcio Agua Azul                      | 4,914            | 0            | 0         | 0         | 306                     | 0                  | 5,219            |
| Laboratori S.p.A.                        | 4,024            | 0            | 0         | 0         | 0                       | 0                  | 4,024            |
| Ecomed S.r.l.                            | 22               | 0            | 0         | 0         | 3                       | (25)               | 0                |
| ACEA Energia Holding S.p.A.              | 277,044          | 0            | 0         | (277,044) | 0                       | 0                  | 0                |
| ACEA Energia S.p.A.                      | 0                | 0            | 0         | 277,044   | 0                       | 0                  | 277,044          |
| ACEA Ato5 S.p.A.                         | 3,877            | 0            | 0         | 0         | 10,057                  | 0                  | 13,934           |
| Agua azul Bogotá SA                      | 766              | 0            | 0         | 0         | 0                       | (60)               | 706              |
| Consorcio ACEA Tradexco                  | 43               | 0            | 0         | 0         | 0                       | 0                  | 43               |
| ACEA Dominicana SA                       | 510              | 0            | 0         | 0         | 49                      | 0                  | 559              |
| Acque Blu Arno Basso S.p.A.              | 13,132           | 0            | 0         | 0         | 1,368                   | 0                  | 14,500           |
| Ombrone S.p.A.                           | 17,430           | 0            | 0         | 0         | 1,953                   | 0                  | 19,383           |
| Luce Napoli S.c.a.r.l. in Liquidation    | 0                | 0            | 0         | 0         | 0                       | 0                  | 0                |
| ARSE S.p.A.                              | 354,295          | 0            | 0         | 0         | 0                       | 0                  | 354,295          |
| Acque Blu Fiorentine S.p.A.              | 39,697           | 0            | 0         | 0         | 4,214                   | 0                  | 43,911           |
| ARIA S.r.l.                              | 22,136           | 0            | 0         | 0         | 0                       | 0                  | 22,136           |
| Umbra Acque S.p.A.                       | 6,851            | 0            | 0         | 0         | 0                       | 0                  | 6,851            |
| Aquaser S.r.l.                           | 9,948            | 0            | 0         | 0         | 0                       | 0                  | 9,948            |
| Hydreco S.c.a.r.l. in Liquidation        | 0                | 0            | 0         | 0         | 0                       | 0                  | 0                |
| Crea S.p.A. in Liquidation               | 0                | 0            | 0         | 0         | 0                       | 0                  | 0                |
| Crea Gestioni S.r.l.                     | 6,127            | 0            | 0         | 0         | 0                       | 0                  | 6,127            |
| ACEAGori Servizi S.c.a.r.l.              | 1,659            | 0            | 0         | 0         | 0                       | 0                  | 1,659            |
| Solemme                                  | 0                | 0            | 0         | 0         | 0                       | 0                  | 0                |
| Samace                                   | 0                | 5,634        | 0         | 0         | 0                       | 0                  | 5,634            |
| Parco della Mistica                      | 0                | 10           | 0         | 0         | 0                       | 0                  | 10               |
| Sarnese Vesuviano S.r.l.                 | 163              | 0            | 0         | 0         | 0                       | 0                  | 163              |
| ACEA Illuminazione Pubblica S.p.A.       | 19,977           | 0            | 0         | 0         | 0                       | 0                  | 19,977           |
| ACEA Servizi Acque S.r.l. in Liquidation | 0                | 0            | 0         | 0         | 0                       | 0                  | 0                |
| Ingegnerie Toscane S.r.l.                | 58               | 0            | 0         | 0         | 0                       | 0                  | 58               |
| <b>TOTAL SUBSIDIARIES</b>                | <b>1,692,529</b> | <b>5,643</b> | <b>0</b>  | <b>0</b>  | <b>17,950</b>           | <b>(85)</b>        | <b>1,716,037</b> |

| € thousand                                       | CHANGES IN 2014 |              |           |          |                         |                    | 31.12.2014    |
|--|-----------------|--------------|-----------|----------|-------------------------|--------------------|---------------|
|  | 31.12.2013      | ACQUISITIONS | DISPOSALS | RECLASS. | INCREASES/<br>DECREASES | IMPAIR./<br>LOSSES |               |
| <b>Associates</b>                                |                 |              |           |          |                         |                    |               |
| Agua De San Pedro SA                             | 1,774           | 0            | 0         | 0        | 169                     | 0                  | 1,943         |
| Umbria Distribuzione Gas S.p.A.                  | 318             | 0            | 0         | 0        | 0                       | 0                  | 318           |
| Marco Polo S.p.A. In Liquidation                 | 0               | 0            | 0         | 0        | 0                       | 0                  | 0             |
| Intesa Aretina S.r.l.                            | 11,505          | 0            | 0         | 0        | 0                       | 0                  | 11,505        |
| Citelum Napoli Pubblica Illuminazione S.c.a.r.l. | 306             | 0            | 0         | 0        | 0                       | 0                  | 306           |
| Sienergia S.p.A. in liquidation                  | 42              | 0            | 0         | 0        | 0                       | 0                  | 42            |
| <b>TOTAL ASSOCIATES</b>                          | <b>13,945</b>   | <b>0</b>     | <b>0</b>  | <b>0</b> | <b>169</b>              | <b>0</b>           | <b>14,114</b> |

€ thousand

CHANGES IN 2014

|  | 31.12.2013   | ACQUISITIONS | DISPOSALS | RECLASS. | INCREASES/<br>DECREASES | IMPAIR./<br>LOSSES | 31.12.2014   |
|--|--------------|--------------|-----------|----------|-------------------------|--------------------|--------------|
| Other companies                            |              |              |           |          |                         |                    |              |
| Polo Tecnologico Industriale Romano S.p.A. | 2,395        | 0            | 0         | 0        | 0                       | 0                  | 2,395        |
| WRC PLC                                    | 0            | 0            | 0         | 0        | 0                       | 0                  | 0            |
| Centro Sviluppo Materiali S.p.A.           | 838          | 0            | 0         | 0        | 0                       | (838)              | 0            |
| Orione                                     | 0            | 0            | 0         | 0        | 0                       | 0                  | 0            |
| <b>TOTAL OTHER COMPANIES</b>               | <b>3,233</b> | <b>0</b>     | <b>0</b>  | <b>0</b> | <b>0</b>                | <b>(838)</b>       | <b>2,395</b> |

### ANNEX 3 – NON-RECURRING MATERIAL TRANSACTIONS PURSUANT TO CONSOB RESOLUTION NO. 15519 OF 27 JULY 2006

It should be noted that there were no significant non-recurring transactions carried out in the period.

### ANNEX 4 - POSITIONS OR TRANSACTIONS DERIVING FROM UNUSUAL AND/OR EXCEPTIONAL TRANSACTIONS

Pursuant to the CONSOB Communication of 28 July 2006, we hereby declared that during 2014 ACEA S.p.A. did not enter into any exceptional and/or unusual transactions as defined by the above Communication.

### ANNEX 5 - SEGMENT INFORMATION (IFRS 8)

| € thousand                                     | PUBLIC<br>LIGHTING | CORPORATE     | TOTAL CONTINUING<br>OPERATIONS | DISCONTINUED<br>OPERATIONS | TOTAL            |
|--|--------------------|---------------|--------------------------------|----------------------------|------------------|
| <b>Investments</b>                             | <b>0</b>           | <b>14,151</b> | <b>14,151</b>                  | <b>0</b>                   | <b>14,151</b>    |
| <b>Segment assets</b>                          |                    |               |                                |                            |                  |
| Tangible assets                                | 0                  | 157,752       | 157,752                        | 0                          | 157,752          |
| Intangible assets                              | 0                  | 14,246        | 14,246                         | 0                          | 14,246           |
| Financial assets                               | 0                  | 1,732,545     | 1,732,545                      | 0                          | 1,732,545        |
| Other non-current commercial assets            | 0                  | 44,003        | 44,003                         | 0                          | 44,003           |
| Other non-current financial assets             | 73,565             | 1,897,435     | 1,971,000                      | 0                          | 1,971,000        |
| Raw materials                                  | 270                | 0             | 270                            | 0                          | 270              |
| Trade receivables                              | 13,302             | 25,118        | 38,420                         | 0                          | 38,420           |
| Trade receivables from the controlling company | 4,479              | 591           | 5,070                          | 0                          | 5,070            |
| Receivables from subsidiaries/associates       | 0                  | 37,092        | 37,092                         | 0                          | 37,092           |
| Other current commercial assets                |                    |               |                                |                            | 117,357          |
| Other current financial assets                 | 68,281             | 242,136       | 310,417                        | 0                          | 310,417          |
| Bank deposits                                  |                    |               |                                |                            | 978,440          |
| <b>Total assets</b>                            |                    |               |                                |                            | <b>5,406,612</b> |

## ANNEX 5 - SEGMENT INFORMATION (IFRS 8)

| € thousand                                    | PUBLIC LIGHTING | CORPORATE | TOTAL CONTINUING OPERATIONS | DISCONTINUED OPERATIONS | TOTAL            |
|---|-----------------|-----------|-----------------------------|-------------------------|------------------|
| <b>Segment liabilities</b>                    |                 |           |                             |                         |                  |
| Trade payables                                | 978             | 53,636    | 54,614                      | 0                       | 54,614           |
| Payables due to the controlling company       | 0               | 20,516    | 20,516                      | 0                       | 20,516           |
| Trade payables due to subsidiaries/associates | 64,269          | 3,721     | 67,990                      | 0                       | 67,990           |
| Other current commercial liabilities          |                 |           |                             |                         | 107,987          |
| Other current financial liabilities           |                 |           |                             |                         | 929,849          |
| Defined-benefit plans                         | 0               | 30,685    | 30,685                      | 0                       | 30,685           |
| Other provisions                              | 0               | 56,567    | 56,567                      | 0                       | 56,567           |
| Deferred tax provisions                       |                 |           |                             |                         | 9,818            |
| Other non-current commercial liabilities      |                 |           |                             |                         | 269              |
| Other non-current financial liabilities       |                 |           |                             |                         | 2,730,840        |
| <b>Shareholders' equity</b>                   |                 |           |                             |                         | <b>1,397,478</b> |
| <b>Total liabilities</b>                      |                 |           |                             |                         | <b>5,406,612</b> |

## ANNEX 5 - SEGMENT INFORMATION (IFRS 8)

| € thousand  | PUBLIC LIGHTING | CORPORATE    | TOTAL CONTINUING OPERATIONS | DISCONTINUED OPERATIONS | TOTAL         |
|---|-----------------|--------------|-----------------------------|-------------------------|---------------|
| Third party revenues  | 63,582          | 16,838       | 80,420                      | 0                       | 80,420        |
| Inter-segment sales   | 0               | 105,964      | 105,964                     | 0                       | 105,964       |
| Staff costs   | 0               | (54,895)     | (54,895)                    | 0                       | (54,895)      |
| Cost of materials and overheads   | (69,542)        | (61,787)     | (131,329)                   | 0                       | (131,329)     |
| <b>Gross Operating Profit</b>   | <b>(5,960)</b>  | <b>6,120</b> | <b>160</b>                  | <b>0</b>                | <b>160</b>    |
| Amortisation, depreciation and provisions for the impairment of receivables |                 | (30,917)     | (30,917)                    | 0                       | (30,917)      |
| Asset impairments/reversals   | 0               | 0            | 0                           | 0                       | 0             |
| Operating profit/(loss)   | (5,960)         | (24,797)     | (30,757)                    | 0                       | (30,757)      |
| Finance (costs)/income  |                 |              |                             |                         | 13,488        |
| Profit/(loss) on investments  |                 |              |                             |                         | 106,962       |
| Net profit/(loss) from discontinued operations                              |                 |              |                             |                         | 0             |
| Profit/(loss) before tax  |                 |              |                             |                         | 89,694        |
| Taxation  |                 |              |                             |                         | (92)          |
| <b>Net profit/(loss)</b>  |                 |              |                             |                         | <b>89,601</b> |

# Board of Statutory Auditors' Report to the Shareholders' Meeting

(in accordance with art. 153 of Italian Legislative Decree 58/1998 and art. 2429, paragraph 2,  
of the Italian Civil Code)

Dear Shareholders,

the Board of Statutory Auditors of Acea S.p.A. (hereinafter also "Acea" or "Company", in accordance with art. 153 of Italian Legislative Decree 58/1998 (hereinafter referred to also as the "TUF") and with art. 2429, paragraph 2 of the Italian Civil Code, is required to report to the Shareholders' Meeting - called to approve the Financial Statements – on its supervisory activity carried out during the financial year and report any omissions or reprehensible facts that may have occurred. The Board of Statutory Auditors is also required to make proposals concerning the financial statements and their approval, and on any other matters over which it has competence.

During the financial year the Board of Statutory Auditors performed its supervisory activities within the terms required by the laws in force and in accordance with the rules of behaviour recommended by the Italian Association of Chartered Certified Accountants, and with the Consob (Securities and Exchange Commission) regulations on corporate control and control on the activities of the Board of Statutory Auditors.

\* \* \*

The Acea financial statements were drawn up on the basis of the IAS/IFRS international accounting standards issued by the International Accounting Standards Board (IASB) and homologated by the European Union, and in accordance with the measures issued to enforce Art. 9 of Italian Legislative Decree No. 38/2005.

Starting from 1<sup>st</sup> January 2014 it has become compulsory to adopt the new international accounting principles on supervisory matters, in particular the IFRS10 "Consolidated Statements" and the IFRS11 "Agreements on joint control". The effects of the application of these new principles, that have determined among other things the need to revise the consolidation method of some of the Company's stakes, are reflected in the financial statements of Acea.

The Directors' Report describes the main risks and uncertainties and reports on the foreseeable evolution of the period. The Company financial statements consist of the Balance Sheet, the Income Statement, the statement of assets and liabilities, the statement of variations in shareholders' equity, the statement of cash flows, and the notes to the financial statements. The financial statements also include the Directors' Report. In accordance with art. 123-bis of the TUF and with art. 123-ter of the TUF, the Corporate Governance Ownership Structure Report and the Remuneration Report were drawn up.

## **Appointment of the Board of Statutory Auditors**

The Board of Statutory Auditors in office on the date of this report was appointed by the Shareholders' Meeting of 15 April 2013 and consists of the following members: Prof. Enrico Laghi (Chairman), Prof. Corrado Gatti (Statutory Auditor) and Laura Raselli (Statutory Auditor).

Franco Biancani and Antonia Coppola are the alternate auditors.



### **Transactions of major significance**

Transactions of major significance are shown in the Directors' Report. In particular, it is pointed out that:

- On 18 February 2014 Moody's communicated that it had modified Acea's outlook from "Negative" to "Stable", confirming a "Baa2" rating;
- On 10 March 2014 the Board of Directors approved the adoption of a plan to issue five-year bonds for a maximum amount of 1.5 billion euro;
- On 29 May 2014 Fitch Ratings communicated it had improved Acea's outlook from "Negative" to "Stable" confirming the Long-Term Issue Default Rating (hereinafter "IDR") and the Senior Unsecured Rating to "BBB+" and the Short-Term IDR to "F2";
- On 5 June 2014, the Shareholders' Meeting approved the distribution of a dividend of 0.42 euro per share of which 0.25 euro had already been distributed in advance. At the same meeting, following a request made in March by the majority shareholder, Roma Capitale, the Shareholders' Meeting: (i) deliberated that the number of Board Directors should be seven; (ii) it appointed the new Board of Directors that will remain in office for three years and, specifically, up until the approval of the financial statements for fiscal year 2016, and (iii) it defined the fees for the Board Directors;
- On 9 June 2014 the Board of Directors appointed Alberto Irace as Managing Director of the Company. In addition the Board of Directors approved the structure of powers, attributing to the Chairperson, Catia Tomasetti, the institutional task of representing the Company, of convening and chairing the Board of Directors Meetings, and the responsibilities of External Relations and Communications, Institutional Affairs, Audit and Secretariat of the Company. In line with the previous structure, the Managing Director was attributed all the powers required for the ordinary management of the Company and of the Group. Moreover, the Board confirmed Franco Balsamo as Director responsible for the drafting of the corporate accounting documents;
- On 8 July 2014 Acea completed the issuing of bonds for a total amount of 600 million euro for 10 years at fixed rate within the Euro Medium Term Notes (EMTN) program, worth 1.5 billion euro, deliberated by the Board of Directors on 10 March 2014;
- On 4 August 2014 Acea and the European Investment Bank (EIB) signed an agreement that envisages the funding of 200 million euro to cover a part of the investments that Acea has planned for the next few years.

As regards significant events occurring after the end of the fiscal year, it is worth mentioning that in February 2015 the Official Journal of the European Union published a call for the first two segments of the new Tenders that Acea has set up to computerize its intervention modalities and the management of its water system and electricity distribution system.

### **Exceptional and/or unusual transactions**

No exceptional and/or unusual transactions have been noted.

### **Intragroup or related party transactions**

In accordance with art. 2391-bis of the Italian Civil Code and Consob Resolution No. 17221 of 12 March 2010 "Regulation containing provisions regarding related party transactions", subsequently amended by Consob Resolution No. 17389 on 23 June 2010, on 11 November 2010 the Acea Board of Directors, with the approval of the Committee set up specifically for the purpose consisting of Independent Directors only (appointed for the position in accordance with art. 4, paragraph 3, of the above Regulation by specific Resolution of the Board of Directors), adopted the "Related party transactions procedure". Subsequently, on 18 December 2013 the Acea Board of Directors, on approval of the Related Party Transactions Committee made up of Independent Directors only, unanimously approved the new "Related party transactions procedure" (hereinafter also

“Procedure”). The adoption of said new Procedure cancels and replaces, from 1<sup>st</sup> January 2014, the Related Party Transactions Procedure approved by the Board of Directors by Resolution No. 61 of 11 November 2010. In accordance with art. 4 of said Regulation, note that the Procedure adopted by the Company (i) is consistent with the principles of the same Regulation and (ii) has been published on the Company web site ([www.aceaspa.it](http://www.aceaspa.it)).

In the course of 2014, on the basis of information received, a series of transactions were carried out with related parties, both intragroup and third parties. The related party transactions were carried out, as far as we can tell, also on the basis of the supervisory activities performed, in substantial accordance with the Procedure and Regulation adopted by Acea.

The Intragroup operations we examined are ordinary operations, as they essentially consist of commercial services and reciprocal administrative, financial and organizational services. The above-mentioned relations are regulated by applying the normal conditions determined using standard parameters, which reflect the actual use of the services, and were provided in the Company's interest. The non-intragroup related party transactions we examined are also ordinary operations (as they are part of ordinary business operations and of the financial activities associated with such operations) and concluded at equivalent conditions to those of the market or standard conditions. The related party transactions are described in the notes to the Company financial statements and the consolidated financial statements, which also describe the relevant economic effects.

The Board of Statutory Auditors met on 7, 10 and 12 October 2014 in its capacity as “equivalent internal control” body in accordance with paragraph 15 of Consob Communication no. DEM/10078683 of 24 September 2010 to examine a transaction with a related party and issue its opinion on such transaction.

In our opinion the above-mentioned operations were performed in the Company's interest and correspond to fair prices and values.

#### **Impairment Test procedure**

Note that the Board of Directors, as indicated in the joint document of Banca d'Italia/Consob/ISVAP dated 3 March 2010, in a board meeting held before the approval of the financial statements, approved the impairment test procedure required by International Accounting Standards IAS 36.

The notes to the financial statements contain information on the results of the assessment processes performed.

#### **Supervisory Activities in accordance with the “Consolidated Act on Statutory Auditing”**

In accordance with the Consolidated Act on Statutory Auditing (Italian Legislative Decree No. 39/2010) the Board of Statutory Auditors (identified by the Consolidated Act as the “Internal Control and Auditing Committee”) is required to supervise the:

- (i) financial reporting process;
- (ii) effectiveness of the internal control, auditing and risk management systems;
- (iii) auditing of annual accounts and of consolidated accounts;
- (iv) independence of the auditing firm, in particular with regard to the provision of services not related to auditing.

The Board of Statutory Auditors interacted with the Risk and Control Committee established within the Board of Directors to coordinate their respective competences and avoid the overlapping of activities.

On this point, Acea introduced the practice of having the whole Board of Statutory Auditors participate in the activities of the Risk and Control Committee when dealing with issues of specific importance in accordance with Italian Legislative Decree No. 39/2010 to ensure smooth relationships and to facilitate the coordination and exchange of information between the two bodies.

In particular, the whole Board of Statutory Auditors participates in the activities of the Risk and Control Committee for specific themes concerning: (i) the financial reporting process; (ii) the effectiveness of the internal control, auditing and risk management systems; (iii) the auditing of annual accounts and of consolidated accounts; (iv) the independence of the auditing firm.

\* \* \*

With specific reference to the activities envisaged in the Consolidated Act on Statutory Auditing, the following should be noted.

#### Supervision of the Financial Reporting process

The Board of Statutory Auditors ascertained the existence of rules and procedures regulating the process for drawing up and publishing the financial statements. On this subject, note that the Corporate Governance and Ownership Structure Report defines the guidelines of reference for setting up and managing the body of administrative and accounting procedures for Acea and the consolidated companies, regulating the phases and responsibilities.

The Board of Statutory Auditors, with the assistance of the Chief Financial Officer, examined the procedures for drawing up the Company financial statements and the consolidated financial statements, as well as other periodic accounting documents. The Board of Statutory Auditors also examined the process with which the CFO and the CEO issue the statements required by art. 154-bis of the TUF.

The Board of Statutory Auditors was informed that the administrative/accounting procedures used to draw up the financial statements and all other financial communications were prepared under the CFO's responsibility, who, together with the CEO, certifies that they are suitably and effectively applied in the drawing up of the annual/consolidated financial statements and the half-year financial report.

The Audit Department performs audits on the basis of a plan approved by the Board of Directors aimed at verifying the suitability of the design and the effectiveness of the controls on the company and on the processes.

Therefore, the Board of Statutory Auditors deems that the process used to draw up the financial statements is adequate and that there is nothing worthy of note to report to the Meeting.

#### Supervisory activity on the effectiveness of the internal control, auditing and risk management systems and auditing of annual accounts and of consolidated accounts

The Board of Statutory Auditors, also jointly with the Risk and Control Committee, met the Head of the Audit Department periodically, receiving information on the results of the audits carried out to verify the suitability and effectiveness of the internal control system, observance of the law, of corporate procedures and processes, and of the implementation of the relevant improvement plans. It also received the Audit Plan for 2014 and was periodically updated on the state of progress of the

Plan and on any corrective actions taken. It also received the Report of the Head of the Audit Department dated March 2015 for 2014 concerning the evaluation of the internal control system. The above Report acknowledges the Company's activities to adjust the internal structure, administrative processes and IT systems to meet business requirements. The evaluation of the Head of the Audit Department indicates that the individual elements of the internal control system offer evidence that there are in place fundamental instruments to pursue the goals of conformity, effectiveness and efficiency in carrying out the activities and to ensure the reliability of the data, and they further show that the internal control and risk management system is substantially suitable and workable.

Furthermore, every six months it received the Risk and Control Committee's report on the committee's activities.

Once again the Board of Statutory Auditors, in its capacity as Supervisory Body (hereinafter "SB") of the Company in accordance with Italian Legislative Decree 231/2001, acknowledges that the Management, Organization and Control Model (hereinafter also "Model") has been updated to include the offences considered as falling within administrative liability, approved on 18 December 2013. After that date, it acknowledged the entry into force of Italian Legislative Decree 39/2014 on 6 April 2014 on the fight against child abuse, the sexual exploitation of minors and child pornography, that extends the scope of corporate administrative liability to the crime of grooming minors, which is a crime against the individual as per Art. 25-quinquies of Italian Legislative Decree 231/2001. There are no grounds for considering it conceivable that the above mentioned crime, like all other crimes against the individual, may occur within Acea.

The SB has also acknowledged that Act 186/2014, in force from 1<sup>st</sup> January 2015 has introduced into the criminal code the crime of self-laundering as per art. 648-ter, paragraph 1, Penal Code, including it among the crimes falling within the administrative liability of bodies in art. 25-octies of Italian Legislative Decree 231/2001. Taking into account the interpretational uncertainties as to the scope of the crimes from which there may derive the crime of self-laundering and, in particular, the possible inclusion of cases not listed in catalogue 231, the SB pointed out that further information is required in order to assess whether the current protocols are suitable with a view to the activities considered to be at risk, also with a view to preventing self-laundering and, where necessary, make adjustments to the Model.

In the Supervisory Body's report on the second half of 2014, the Model is evaluated as being effective overall. The report further acknowledges that the Model is consistent with the organizational structure of the Company since there have not been any substantial changes in the scope and liability of activities that are at risk of becoming offences.

Note that on 12 December 2014, the Board of Directors of the Company approved the new macrostructure of the Functions reporting to the President. The impact this may have on the Model will be assessed once this decision is put into practice through the issuing of a provision.

Finally, the Board of Statutory Auditors periodically met with the auditing firm, Reconta Ernst & Young S.p.A. (hereinafter "Ernst & Young"); nothing worthy of note emerged from such meetings concerning the auditing, nor were there shortcomings that could have an effect on the integrity of the internal control system as far as the financial reporting process is concerned, also in accordance with the provisions of art. 19, paragraph 3, of the Consolidated Act on Statutory Auditing.

Therefore, the Board of Statutory Auditors deems the internal control system to be substantially adequate and that there is nothing worthy of note to report to the Meeting.

Independence of the auditing firm, in particular concerning the provision of services not related to auditing.

Concerning the annual confirmation of independence in accordance with art. 17, paragraph 9, letter a) of Italian Legislative Decree 39/2010, the Board of Statutory Auditors declares it received said confirmation from the auditing firm in its letter dated 1<sup>st</sup> April 2015.

The Board of Statutory Auditors supervised the independence of the auditing firm and, in particular, it periodically received evidence of assignments other than auditing activities to be attributed (or attributed as a result of specific regulatory provisions) to the external auditor.

As can be seen in the consolidated financial statements of the Acea Group, in the course of 2014 Ernst & Young performed the following activities for the Group:

| Company and period of reference<br><i>Amount in Euros</i> | <b>Audit services</b> | <b>Audit related services</b> | <b>Non audit services</b> | <b>Total</b>     |
|---|-----------------------|-------------------------------|---------------------------|------------------|
| Acea S.p.A. 2014  | 374,556               | 253,366                       | 226,000                   | 853,923          |
| Acea Group 2014   | 894,940               | 129,457                       | 100,748                   | 1,125,145        |
| <b>Total Acea SpA and Group</b>                           | <b>1,269,496</b>      | <b>382,823</b>                | <b>326,748</b>            | <b>1,979,068</b> |

The Board of Statutory Auditors considers the above compensation to be suitable for the size, complexity and characteristics of the work done and also deems that the mandates (and relevant fees) for services other than auditing are not such as to have an impact on the independence of the external auditor.

Finally, the Board of Statutory Auditors informs that on the 7<sup>th</sup> of October 2014 the Board of Directors of Acea has adopted a specific Group procedure for the mandates to the appointed external auditor, effective November 1 2014.

### **Organisational structure**

The Board of Statutory Auditors considers the Company's organisational structure to be substantially adequate for the needs it must meet and suitable for guaranteeing compliance with sound administrative principles.

From the organizational standpoint at Group level the Board of Statutory Auditors acknowledges that on 7<sup>th</sup> October 2014 the Board of Directors approved a program for the reorganization of the Acea Group to streamline the management activities of the companies operating in different industrial areas so as to capture the advantages deriving from the unification of processes, from the attainment of synergies and economies of scale and from the reduction of costs. In particular, the company streamlining plan has the following goals: 1) simplify the organizational and operational structure of the Group, (ii) optimize and integrate the company in the Energy and Environment business world, and (iii) complete the reorganization plan started in 2013 with the merger of Acea Energia Holding S.p.A. with Acea Energia S.p.A..



### **Further activities of the Board of Statutory Auditors and reporting required by Consob**

Within the scope of its duties, the Board of Statutory Auditors, as required by art. 2403 of the Italian Civil Code and art. 149 of the TUF, supervised:

- the observance of the law and By-laws;
- the observance of sound administrative principles;
- the adequacy of the Company's organizational structure, limited to its areas of competence;
- the methods for concretely implementing the corporate governance rules laid down in the codes of conduct adopted by the Company, as it declared in a public statement. In accordance with art. 123-bis of the TUF, the Company has also drawn up the annual Corporate Governance Ownership Structure Report for 2014, approved on 11 March 2015, providing information on (i) the corporate governance practices effectively applied by the Company; (ii) the main characteristics of the existing internal control and risk management systems also in relation to the financial reporting process and to the consolidated statements; (iii) the operating mechanisms of the Shareholders' Meeting, its main powers, shareholders' rights and the procedures for exercising such rights; (iv) the composition and operation of the administration and control bodies and relevant committees, as well as other information required by art. 123-bis of the TUF. It further specified that:
  - o The Board of Directors adopted the recommendations laid down in the Self-regulation code on termination benefits for Executive Directors and Director General as of 1<sup>st</sup> August 2014, date on which the new provisions contained in Principle 6.P.5 of the Self-regulation Code came into force and that, in substance, reflect the contents of the Consob Communication no. 51400 of 19 June 2014;
  - o The Board of Directors, in accordance with the provision of the enforcement criterion 1.C.1, letter g), of the Self-regulation code, made a board evaluation looking into the size, composition and function of the Board and of its Committees, with the help of an external independent consultant. The Board of Directors, having acknowledged the proposal made by the Appointment and Remuneration Committee (in pursuance of Art. 5.C.1. letter a), of the Self-regulation code) and taking into account the outcome of the self-evaluation exercise of the Board, whose conclusion was that the number of Board Directors be increased in order to ensure a better functioning of the Board of Directors and of the Board Committees and also to gain Directors with specific skills ( an aspect that was taken into account in the decision to increase the number of Board members and in the appointment of the two new Directors even if with the support of a qualified professional opinion) – resolved to include the proposal to raise the number of Board Directors from 7 to 9 in the agenda of the Shareholders' Meeting convened for 23 April 2015 on first call, and if the proposal were accepted appoint the two Directors identified as having the requirements of independence and specific skills;
- the adoption of the Policy for the Remuneration of Directors and Managers with key responsibilities, in line with the Corporate Governance Code of listed companies issued by Borsa Italiana S.p.A., and the subsequent Remuneration Report in accordance with art. 123-ter of the TUF, that indicates also the fee that, after a decision-making process, is to be granted to the previous Director General upon consensual termination of the office consistently with the provision of the CCNL for the Executives of Companies Public Utilities. The financial statements also report that after the end of the fiscal year, in connection with the resolutions of the General Meeting of 5 June 2014, the former President of Acea presented filed a petition with the Civil Court of Rome, Labour Section, demanding compensation for damages from the Company;
- the adequacy of the instructions given to subsidiaries in accordance with art. 114, paragraph 2, of the TUF, having ascertained that the Company is able to timely and regularly meet its notification obligations as required by law, as specified in the abovementioned art. 114,

paragraph 2, of the TUF. This is done also by collecting information from the heads of organizational departments and by holding periodic meetings with the auditing firm, for a mutual exchange of relevant data and information. There are no comments to be made on the above.

The Board of Statutory Auditors acknowledges:

- that the Directors' Report for the financial year 2014 is consistent with the laws in force and coherent with the resolutions of the administrative body and the results of the financial statements. It also contains adequate information on the activities in the financial year and on Intragroup operations. The section containing information on related party transactions has been included in the notes to the financial statements in accordance with IFRS principles;
- that the evaluation procedures applied are rational and that they are consistent with the logic of international accounting standards;
- that the Company financial statements and the consolidated financial statements have been drawn up in accordance with the structure and schemes required by current regulations;
- that the Directors and/or Managers of the Parent Company hold executive powers in the Board of Directors of subsidiaries to guarantee coordinated management and the appropriate flow of information, as well as suitable accounting information.

Furthermore, the Board of Statutory Auditors:

- obtained from the Directors, at least every quarter, information on the activities performed and on the Company's economic, financial and equity transactions of major significance, as well as information on the Group's strategic guidelines. The Board of Statutory Auditors can within reason guarantee that the transactions resolved and put into effect are consistent with the law and the By-laws and are not evidently imprudent, or reckless, or in conflict of interest, or in conflict with the Resolutions of the General Meeting, or such that they could compromise the integrity of the company's assets;
- in accordance with art. 151, paragraphs 1 and 2, of Italian Legislative Decree No. 58/1998, information was exchanged with the Board of Statutory Auditors of the subsidiaries concerning the activities in 2014.
- as Supervisory Body, it assessed the interest profiles in accordance with Italian Legislative Decree 231/2001, and no anomalies or significant reprehensible facts emerged;
- held periodic meetings with the auditing firm to exchange data and information of relevance for its duties, as required by art. 150, paragraph 3 of the TUF. In this connection it is pointed out that no relevant data or information emerged, worthy of mention in this report;
- did not receive any notifications in pursuance of art. 2408 of the Italian Civil Code;
- did not issue opinions in 2014 in pursuance of art. 2389 of the Italian Civil Code;
- issued a favourable opinion in accordance with art. 154-bis, paragraph 1, of Italian Legislative Decree No. 58/1998.

In relation to the auditing firm, the Board of Statutory Auditors reports that Ernst & Young:

- on 1<sup>st</sup> April 2015 provided the annual confirmation of independence in accordance with art. 17, paragraph 9, lett. a) of Italian Legislative Decree No. 39 of 27 January 2010;
- issued, on 1<sup>st</sup> April 2015, a report containing its opinion on the conformity of the financial statements and consolidated financial statements with the rules and regulations and with the accounting standards applied, as well as its opinion on the coherence of the directors' report with the financial statements. Said report, with no comments worthy of note, contains reference to matters included in the statements;
- issued a report on 1<sup>st</sup> April 2015, on the fundamental issues that emerged during the external audit, the results of which show no "significant shortcomings" in the internal control system



in relation to the financial reporting process. The Board of Statutory Auditors is monitoring the Company's action plans for areas where improvement is required;

- verified that the Company prepared the Corporate Governance and Ownership Structure Report;
- verified that the Policy for the Remuneration of Directors and Managers with key responsibilities and the Remuneration Report were adopted.

Furthermore, concerning the corporate bodies and departments, the Board of Statutory Auditors reports that:

- the Shareholders' Meeting on 5 June 2014 appointed the Board of Directors consisting of the Chairperson Catia Tomassetti and the Directors Alberto Irace (Managing Director), Paola Antonia Profeta, Elisabetta Maggini, Francesco Caltagirone, Diane d'Arras and Giovanni Giani. The Board will remain in office for three fiscal years up until the Meeting for the approval of the Financial Statements as at 31 December 2016;
- on 2<sup>nd</sup> July 2014 the Board of Directors appointed the Members of the Risk and Control Committee, namely Elisabetta Maggini (Independent chairperson), Giovanni Giani (Director) and Paola Antonia Profeta (Independent director);
- on 2<sup>nd</sup> July 2014 the Board of Directors appointed the members of the Appointment and Remuneration Committee namely Directors Elisabetta Maggini (Independent Chairperson), Giovanni Giani (Director) and Paola Antonia Profeta (Independent Director);
- on 2<sup>nd</sup> July 2014 the Board of Directors appointed the members of the Ethics Committee namely Directors Paola Antonia Profeta (Chairperson), Francesco Caltagirone (Director) and Elisabetta Maggini (Director). Subsequently on 12 December 2014, the Board of Directors appointed the external members of the Ethics Committee namely Luigi Giuliano and Maurizio Zollo;
- on 2<sup>nd</sup> July 2014 the Board of Directors appointed the members of the Related Party Transactions Committee namely the Independent Directors Diane d'Arras (Coordinator), Elisabetta Maggini and Paola Antonia Profeta;
- on 7<sup>th</sup> October 2014 the Board of Directors, in accordance with art. 20 of the By-laws, assigned the office of Director General of the Company to Alberto Irace for all the ordinary management functions of the Company;
- the Board of Directors held 16 meetings in 2014 (of which 9 were meetings of the previous Board of Directors and 7 were meetings of the new Board);
- the Risk and Control Committee met 9 times in 2014 (of which 3 meetings were held by the previous Committee and 6 by the new one);
- the Appointment and Remuneration Committee met 5 times in 2014 (of which 2 meetings were held by the previous Committee and 3 by the new one);
- the Ethics Committee met 4 times in 2014 (of which 1 meeting was held by the previous Committee and 3 by the new one);
- the Related Party Transactions Committee met 6 times in 2014 (of which 4 meetings were held by the previous Committee and 2 by the new one);
- the Supervisory Body met 4 times in 2014.

The Board of Statutory Auditors attended all the meetings of the Board of Directors, of the Risk Control Committee and of the Related Party Transactions Committee. It also attended the meetings of the Committee for Appointments and Remuneration.

Finally, the Board of Statutory Auditors acknowledges:

- that, in accordance with the recommendations of the Corporate Governance Code issued by Borsa Italiana, it verified that its members met the same requirements of independence required for the directors by said Code;
- that the criteria and procedures were applied correctly to ascertain the independence requirements adopted by the Board of Directors to evaluate the independence of its members annually, also for the new Acea Board of Directors elected by the General Meeting on 5 June 2014, and that the Board of Directors performed an evaluation based on substantial profiles and in coherence with the decisions taken to identify Acea related parties, and it has no comments to make;
- that the Directors describe the main risks and uncertainties to which the Company is exposed in the Company financial statements.

During the supervisory activity and on the basis of the information obtained from the auditing firm, the Board of Statutory Auditors found no omissions, or reprehensible facts, or irregularities, or in any case significant events which would require being reported to the supervisory bodies or mentioned in this report.

The above activities, performed also jointly with the Risk and Control Committee, were acknowledged in the minutes of the 23 meetings of the Board of Statutory Auditors held in 2014.

## **Proposal for the Shareholders**

### **1. Financial statements for the year ended 31 December 2014**

The Board of Statutory Auditors has no objections to make concerning the financial statements for the year ended 31 December 2014, and the resolutions proposed by the Board of Directors on the allocation of profit.

### **2. Group Remuneration Policy**

The Board of Statutory Auditors has no objections to make on the Remuneration Policy presented to the Shareholders for discussion.

### **3. Expansion of the number of Board Directors from seven to nine**

The Board of Statutory Auditors expresses its favourable opinion on the proposal to expand the number of Directors from seven to nine and, if such proposal were to be approved, it has no objections on the appointment of the two Directors indicated in the Directors' Report, as per item 5 on the Agenda.

\* \* \*

In accordance with art. 144-*quinquiesdecies* of the Issuer's Regulation, approved by Consob Resolution No. 11971/99 and subsequent amendments, the list of positions held by the members of the Board of Auditors in the company as per Volume V, Heading V, Chapters V, VI and VII of the Italian Civil Code is published by Consob on its web site ([www.consob.it](http://www.consob.it)).

Rome, 1 April 2015

signed by: Enrico Laghi, Corrado Gatti, Laura Raselli

*This report has been translated into English language solely for convenience of international readers*

**Independent auditors' report  
pursuant to art. 14 and 16 of Legislative Decree n. 39 dated January 27, 2010  
(Translation from the original Italian text)**

To the Shareholders  
of ACEA S.p.A.

1. We have audited the financial statements of ACEA S.p.A. as of and for the year ended December 31, 2014, comprising the statement of financial position, the income statement, the statement of comprehensive income, the statement of changes in shareholders' equity, the statement of cash flow statement and the related notes. The preparation of these financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and with art. 9 of Legislative Decree n. 38/2005 is the responsibility of the ACEA S.p.A.'s management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards recommended by CONSOB (the Italian Stock Exchange Regulatory Agency). In accordance with such standards, we planned and performed our audit to obtain the information necessary to determine whether the financial statements are materially misstated and if such financial statements, taken as a whole, may be relied upon. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, as well as assessing the appropriateness of the accounting principles applied and the reasonableness of the estimates made by management. We believe that our audit provides a reasonable basis for our opinion.

For the opinion on the financial statements of the prior year, which are presented for comparative purposes, reference should be made to our report dated April 30, 2014.

3. In our opinion, the financial statements of ACEA S.p.A. at December 31, 2014 have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union and with art. 9 of Legislative Decree n. 38/2005; accordingly, they present clearly and give a true and fair view of the financial position, the results of operations and the cash flows of ACEA S.p.A. as of December 31, 2014 and for the year then ended.

4. We draw the attention to the following matters:

- With reference to the subsidiary GORI S.p.A., management has disclosed in the notes and in the Report on Operations the reasons that require the provision recognized in a prior year to be maintained, due to the persistent uncertainty affecting GORI S.p.A.'s operations.
- The Company carries on significant transactions with related parties, whose nature and extent are described in the notes to the financial statements.

5. Management of ACEA S.p.A. is responsible for the preparation of the Report on Operations and the Corporate Governance and Ownership Structure Report in accordance with the applicable laws and regulations. Our responsibility is to express an opinion on the consistency of the Report on Operations and the specific section on Corporate Governance and Ownership Structure Report, limited to the information indicated in article 123-bis paragraph 1, letters c), d), f), l), m) and paragraph 2, letter b) of Legislative Decree n. 58/1998, with the financial statements as required by the law. For this purpose, we have performed the procedures required under Auditing Standard 001 issued by the Italian Accounting Profession (CNDCEC) and recommended by CONSOB. In our opinion, the Report on Operations and the information presented in the Corporate Governance and Ownership Structure Report as required by article 123-bis paragraph 1, letters c), d), f), l), m) and paragraph 2), letter b) of Legislative Decree n. 58/1998, are consistent with the financial statements of ACEA S.p.A. as of December 31, 2014.

Rome, April 1, 2015

Reconta Ernst & Young S.p.A.  
signed by: Filippo Maria Aleandri, partner

*This report has been translated into the English language solely for the convenience of international readers*



**Certification of separate financial statements in accordance with art.154-bis of Legislative Decree 58/98**

(Translation from the original Italian text)

1. The undersigned, Alberto Irace, as Chief Executive Officer, and Franco Balsamo, as Executive Responsible for Financial Reporting of the company ACEA S.p.A., taking also account of provisions envisaged by Art.154-bis, paragraphs 3 and 4, of the Legislative Decree n°58 of 24 February 1998, hereby certify:

- the consistency to the business characteristics and
- the effective application

of the administrative and accounting procedures for preparing the separate financial statements at 31 December 2014.

2. To this purpose, no significant issues were recorded.

3. It is also certified that:

3.1 the separate financial statements:

- a) were drawn up in compliance the applicable international accounting standards recognised in European Community in accordance with EC regulation 1606/2002 of the European Parliament and the Council, of 19 July 2002,
- b) are consistent with the underlying accounting books and records,
- c) provide a true and correct view of the operating results and financial position of the issuer,

3.2 the report on operations includes a reliable analysis of the operational performance and result, as well as the situation of the issuer, together with a description of the main risks and uncertainties to which they are exposed. The report on operations also includes a reliable analysis of the disclosure on significant related parties transactions.

Rome, 01 April 2015

signed by: Alberto Irace, The CEO

signed by: Franco Balsamo, The Executive Responsible for Financial Reporting

*This report has been translated into the English language solely for the convenience of international readers*









# 2014

CONSOLIDATED  
FINANCIAL STATEMENTS  
AT 31 DECEMBER 2014

“Our cultural heritage is the main driving force behind our economic system, capable of generating value and jobs. It is with this knowledge that we have supported efforts to renovate the stained-glass work, bringing more light, so to speak, to a core value, that of the work ethic”.

*Catia Tomasetti, Acea Chairman*

**Mario Sironi's Charter of Labour**

central seat of the Ministry for Economic Development  
Conservation works carried out with Acea funding  
November 2014

# FORM AND STRUCTURE

## GENERAL INFORMATION

The Consolidated Financial Statements of the ACEA S.p.A. for the financial year ended at 31 December 2014 were approved by Board of Directors' resolution on 11 March 2015. The Parent Company, ACEA S.p.A. is an Italian joint-stock company, with its registered office in Rome, at Piazzale Ostiense 2 and whose shares are traded on the Milan Stock Exchange. The ACEA Group's principal operating segments are described in the Report on Operations.

## COMPLIANCE WITH IAS/IFRS

The Consolidated Financial Statements have been prepared under the IFRS effective at the end of the reporting period, as approved by the International Accounting Standards Board (IASB) and endorsed by the European Union according to the procedure as per Art. 6 of Regulation (EC) n. 1606/2002 of the European Parliament and the Council of 19 July 2002 and pursuant to Art. 9 of Legislative Decree 38/05. The standards consist of International Financial Reporting Standards (IFRS), International Accounting Standards (IAS) and the interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and of the Standing Interpretations Committee (SIC), collectively referred to as "IFRS".

## BASIS OF PRESENTATION

The Consolidated Financial Statements consist of the consolidated statement of financial position, consolidated income statement, statement of consolidated comprehensive income, consolidated statement of cash flows and the statement of changes in consolidated equity. The Report also includes notes prepared under the IAS/IFRS currently in effect.

It is pointed out that the income statement is classified on the basis of the nature of expenses; the items of the statement of financial position are based on the liquidity method by dividing between current and non-current items, and the income statement shows the integrated economic balance of revenue and charges which, by express provisions of the IAS/IFRS standards are recorded directly under equity, while the statement of cash flows is presented using the indirect method.

The consolidated financial statements are presented in euros and all amounts are rounded off to the nearest thousand euros unless otherwise indicated.

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

## ALTERNATIVE PERFORMANCE INDICATORS

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

1. For the ACEA Group the *gross operating profit* (or EBITDA) is an indicator of operating performance, and from 1 January 2014 also includes the condensed result of investees under joint control, for which the consolidation method has been modified following the implementation of the new international accounting standards for financial reporting IFRS10 and IFRS11. The *gross operating profit* is calculated by adding together the Operating profit and "Amortisation, depreciation, provisions and impairment charges";
2. *Net financial position* is an indicator of the ACEA Group's financial structure, obtained by adding together non-current borrowings and financial liabilities net of non-current financial assets (loans and receivables and securities other than investments), current borrowings and other current liabilities net of current financial assets, cash and cash equivalents;
3. *Net invested capital* is the sum of "Current assets", "Non-current assets" and assets and liabilities held for sale, less "Current liabilities" and "Non-current liabilities", excluding items taken into account in calculating the *net financial position*.

## USE OF ESTIMATES

In application of IFRS, preparation of the consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of revenue, costs, assets and liabilities and the disclosure of contingent assets and liabilities as at the reporting date. The actual amounts may differ from such estimates. Estimates are used for the recognition of provisions for credit risk, obsolescent inventories, impairment charges incurred on assets, employee benefits, fair value of derivatives, taxes and other provisions. The original estimates and assumptions are periodically reviewed and the impact of any change is recognised in the income statement.

In addition, it should be noted that certain estimation processes, particularly the more complex such as the calculation of any impairment of non-current assets, are generally performed in full only when drafting of the annual

financial statements, unless there are signs of impairment that call for immediate impairment testing.

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

## CHANGES TO COMPARATIVE DATA

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

# CONSOLIDATION POLICIES, PROCEDURES AND SCOPE

## CONSOLIDATION POLICIES

### SUBSIDIARIES

The basis of consolidation includes the Parent Company ACEA S.p.A., and the companies over which it directly or indirectly exercises control via a majority of the voting rights.

Subsidiaries are consolidated from the date on which control is effectively transferred to the Group and are deconsolidated from the date on which control is transferred out of the Group.

Where there is loss of control of a consolidated company, the consolidated financial statements include the results for the part of the reporting period in which the ACEA Group had control.

### JOINT VENTURES

A joint venture is a contractual arrangement in which the Group and other parties jointly undertake a business activity, i.e. the contractually agreed sharing of control whereby the strategic, financial and operating policy decisions can only be adopted with unanimous consent of the parties sharing control. The consolidated financial statements include the Group's share of the income and expenses of jointly controlled entities, accounted for using the equity method.

### ASSOCIATES

Associates are companies over which the Group exercises significant influence, but not control or joint control, through its power to participate in the financial and operating policy decisions of the associate. The consolidated financial statements include the Group's share of the results of associates using the equity method, unless they are classified as held for sale, from the date it begins to exert significant influence until the date it ceases to exert such influence.

When the Group's share of an associate's losses exceeds the carrying amount of the investment, the interest is reduced to zero and any additional losses must be covered by provisions to the extent that the Group has legal or implicit loss cover obligations to the associate or in any event to make payments on its behalf. Any excess of the cost of the acquisition over the Group's interest in the fair value of the associate's identifiable assets, liabilities and contingent liabilities at the date of the acquisition is recognised as goodwill. Goodwill is included in the carrying amount of the investment and subject to impairment tests

## CONSOLIDATION PROCEDURES

### GENERAL PROCEDURE

The financial statements of the Group's subsidiaries, associates and Joint Ventures are prepared for the same accounting period and

using the same accounting standards as those adopted by the Parent Company. Consolidation adjustments are made to align any items influenced by dissimilar accounting policies applied.

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

The carrying amount of investments in subsidiaries is eliminated against the corresponding share of the shareholders' equity of each subsidiary, including any adjustments to reflect fair values at the acquisition date. Any positive difference must be treated as "goodwill" and any negative difference entered in the income statement at the acquisition date.

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

### BUSINESS COMBINATIONS

Acquisitions of subsidiaries are accounted for under the acquisition method. The cost of the acquisition is determined as the sum of the fair value, at the date of exchange, of the assets acquired, the liabilities incurred or acquired, and the financial instruments issued by the Group in exchange for control of the acquired company. The identifiable assets, liabilities and contingent liabilities of the acquired company that meet the conditions for recognition under IFRS3 are accounted for at fair value on the date of acquisition, with the exception of non-current assets (or disposal groups), which are classified as held for sale under IFRS3 and accounted for at fair value net of costs to sell.

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

The purchaser has to recognise any contingent consideration at fair value, on the date of acquisition. The change in fair value of the contingent consideration classified as asset or liability is recognized according to the provisions

included in IAS 39, in the income statement or in other comprehensive income. If the contingent consideration is classified in equity, its value is remeasured until its extinction is booked against equity.

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

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

### CONSOLIDATION PROCEDURE FOR ASSETS AND LIABILITIES HELD FOR SALE (IFRS5)

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

### CONSOLIDATION OF FOREIGN ENTERPRISES

All the assets and liabilities of foreign enterprises denominated in a currency other than the euro are translated using the exchange rates at the end of the reporting period.

Revenue and costs are translated using average exchange rates for the period. Any translation differences are recognised in a separate component of Shareholders' equity until the investment is sold.

On initial application of IFRS, accumulated translation differences deriving from the consolidation of foreign operations were reduced to zero. The reserve accounted for in the consolidated financial statements only includes gains or losses generated from 1 January 2004. Foreign currency transactions are initially recognised at the spot rate on the date of the transaction. Foreign currency assets and liabilities are translated at the exchange rate at the end of the reporting period. Translation differences and those arising on disposal of the foreign operation are recognised under financial management in the income statement.

## **BASIS OF CONSOLIDATION**

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

## **A) CHANGES IN THE BASIS OF CONSOLIDATION**

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

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

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

## **B) UNCONSOLIDATED INVESTMENTS**

During application of the above methods of consolidation and of the equity method, Tirana Acque S.c.a.r.l. in liquidation (40% owned by ACEA), which is accounted for at cost, was excluded. The exclusion of this company from consolidation did not involve any significant effects with respect to the equity, profit and loss and financial position of the Group.



# ACCOUNTING STANDARDS MEASUREMENT CRITERIA

## MEASUREMENT CRITERIA

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

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

## CONVERSION OF ITEMS DENOMINATED IN FOREIGN CURRENCY

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

## REVENUE RECOGNITION

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

- **revenue from the sale and transport of electricity and gas** is recognised at the time the service is provided, even when yet to be billed, and includes an estimate of the quantities supplied to customers between their last meter reading and the end of the period. Revenue is calculated on the basis of the related laws, provisions contained in Electricity and Gas Authority resolutions in effect during the period and existing provisions regarding equalisation.
- **revenue from the integrated water services** is determined on the basis of the Temporary Tariff Method (MTT), valid for determining tariffs for the years 2012 and 2013, approved with AEEG Resolution No. 585/12/R/idr, as amended.
- On the basis of the of the interpretation of the legal nature of the New Investment Fund tariff component (Fo.N.I.), the amount payable to the water companies is recognized as revenue where it is expressly recognized by the Area Authorities which establish its intended use. Revenue for the year also includes the adjustment relative to so-called pass-through items (i.e. electricity, wholesale water etc.), the details of which are provided in the aforementioned resolution. Likewise included are Integrated Water Service costs incurred due to exceptional events (i.e. water emergencies, environmental emergencies etc.) if the investigation conducted prior to recognition has given positive results.

## FINANCIAL INCOME

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

## DIVIDEND INCOME

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

## GRANTS

Grants related to plant investments received from both public and private entities are recognised at fair value when there is reasonable assurance

that they will be received and that the envisaged conditions will be complied with.

Water connection grants are recognised as non-current liabilities and taken to the income statement over the life of the asset to which they refer if they relate to an investment, or recognised in full as income if matched by costs incurred during the period.

Grants related to income (disbursed in order to provide an enterprise with immediate financial aid or as compensation for expenses and losses incurred in a previous period) are recognised in the income statement in full, once the conditions for recognition have been complied with

## CONSTRUCTION CONTRACTS IN PROGRESS

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

## EMPLOYEE BENEFITS

Post-employment employee benefits in the form of defined benefit and defined contribution plans (such as Staff Termination Benefits, Bonuses, Tariff Subsidies, as described in the notes) or other long-term benefits are recognised in the period in which the related right accrues. The valuation of the liabilities is performed by independent actuaries. Such funds and benefits are not financed.

The cost of the benefits involved in the various plans is determined separately for each plan based on the actuarial valuation method, using the projected unit credit method to carry out actuarial valuations at the end of the reporting period.

The profit and loss deriving from the actuarial calculations are recorded in the operating profit, therefore in a specific Equity Reserve, and are not subject to subsequent recognition in the income statement.

## TAXATION

Income tax for the period represents the aggregate amount of current and deferred tax. Current tax is based on the taxable profit for

the period. The taxable profit differs from the accounting profit or loss as it excludes positive and negative components that will be taxable or deductible in other periods and also excludes items that will never be taxable or deductible. Current tax liabilities are calculated using the tax rates enacted or substantively enacted at the end of the reporting period, and taking account of tax instruments permitted by tax legislation (the domestic tax consolidation system and/or tax transparency).

Deferred tax comprises tax expected to be paid or recovered on temporary differences between the carrying amounts of assets and liabilities in the Statement of Financial Position and the corresponding tax bases, accounted for using the liability method. Deferred tax liabilities are generally recognised on all taxable temporary differences, while deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary difference can be utilised. Deferred tax assets and liabilities are not recognised if the temporary differences derive from goodwill or the initial recognition of an asset or liability in a transaction, other than a business combination,

that at the time of the transaction affects neither accounting nor taxable profit or loss.

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

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

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

## PROPERTY, PLANT AND EQUIPMENT

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

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

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

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

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

|  |                |
|--|----------------|
| Plant and machinery used in operations                 | 1.25% - 6.67%  |
| Other plant and machinery                              | 4%             |
| Industrial and commercial equipment used in operations | 2.5% - 6.67%   |
| Other industrial and commercial equipment              | 6.67%          |
| Other assets used in operations                        | 12.5%          |
| Other assets   | 6.67% - 19.00% |
| Motor vehicles used in operations                      | 8.33%          |
| Other motor vehicles                                   | 16.67%         |

With reference to the repowering project of Tor di Valle industrial site, taking into account the current integrated functional structure of the two plants (combined cycle and cogeneration), the useful life of the plants was revised with specific reference to the components that will not survive after entry into operation of new plants. Plant and machinery under construction for use in operations or for purposes yet to be determined, is stated at cost, less any impairment charges. The cost includes any professional fees and, if applicable, interest expense capitalised. Depreciation of such assets, in line with all the other assets, begins when they are ready for use. In the case of certain complex assets subject to performance tests, which may be of a prolonged nature, readiness for use is recognised on completion of the related tests.

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

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

## INVESTMENT PROPERTY

Investment property, investment property, represented by property held to earn rentals or for capital appreciation or both, is stated at cost, including any negotiating costs less accumulated depreciation and any impairment charges.

Depreciation is calculated on a straight-line basis over the expected useful life of the asset. The rates applied range from a minimum of 1.67% to a maximum of 11.11%.

Investment property is eliminated from the accounts when sold or when the property is unusable over the long-term and its sale is not expected to provide future economic benefits. Sale and lease-back transactions are accounted for based on the substance of the transaction. Reference should therefore be made to the policy adopted for Leasing.

Any gain or loss deriving from the elimination of an investment property is recognised as income or expense in the income statement in the period in which the elimination takes place.

## LEASING

Leases are classified as finance leases when the terms of the contract substantially transfer all the risks and benefits of ownership of an asset to the lessee. All other leases are considered as operating leases.

Assets held under a finance lease are recognised as assets belonging to the Group and accounted for at amounts equal to fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The underlying liability to the lessor is included in the statement of financial position as an obligation to pay future lease payments. Leasing instalments are apportioned between principal and interest in order to achieve a constant interest rate on the residual liability.

Financial charges, whether certain or estimated, are recognised on an accruals basis unless they are directly attributable to the acquisition, construction or production of an asset, which justifies their capitalisation.

Lease payments under operating leases are recognised as an expense in the income statement on a straight-line basis over the lease term. The benefits received or to be received as an incentive for entering into operating leases are also recognised on a straight-line basis over the lease term.

## INTANGIBLE ASSETS

Intangible assets are identifiable assets without a physical substance which are under the control of the company and capable of producing future economic benefits as well as goodwill acquired against valuable consideration. Intangible assets acquired separately are capitalised at cost, whilst those deriving from a business combination are capitalised at *fair value* at the date of acquisition. After initial recognition, an intangible asset is carried at cost. The useful life of an intangible asset may be defined as finite or indefinite.

Intangible assets are tested for impairment annually: the tests are conducted in respect of each intangible asset or, if necessary, in respect of each cash-generating unit. Amortisation is calculated on a straight-line basis over the expected useful life of the asset, which is reviewed annually and any resulting changes, if possible, applied prospectively. Amortisation begins when the intangible asset is ready for use.

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

## GOODWILL

Goodwill from business combinations (among which, as an example only, the acquisition

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

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

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

## CONCESSIONS

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

This item also includes:

1. the net value at 1 January 2004 of the goodwill deriving from the transfer of sewerage services to ACEA Ato2 by Roma Capitale with effect from 1 September 2002;
2. the goodwill, attributable to this item, deriving from the acquisition of the A.R.I.A. Group, with particular reference to SAO, the company that manages the waste dump in Orvieto;
3. the goodwill, attributable to this item, deriving from ACEA's acquisition of ACEA Ato5.

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

## RIGHT ON INFRASTRUCTURES

Pursuant to IFRIC 12, this item includes the aggregate amount of tangible infrastructures used for the management of the water service. The classification under this derives from the application of IFRIC12 starting in 2010, on the

basis of the intangible asset model. Under this interpretation, instead of recognising the tangible structures as a whole for the management of the service, a single intangible asset is recognised as representing the right of the concessionaire to require the users of the public service to pay the tariff.

Costs for replacement and planned maintenance are allocated to a specific fund called "Provision for restoration charges".

## RIGHTS FOR UTILIZATION OF INTELLECTUAL PROPERTY

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

## IMPAIRMENT

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

When it is not possible to estimate the recoverable amount of the individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Intangible assets with indefinite useful lives, including goodwill, are tested for impairment annually and each time there is any indication that an asset may be impaired, in order to determine the impairment charge.

The test consists of a comparison between the carrying amount of the asset and its estimated recoverable amount.

The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. In calculating value in use, future cash flow estimates are discounted using a pre-tax rate that reflects current market assessments of the value of money and the risks specific to the business.

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

When an impairment no longer exists, the carrying amount of the asset (or cash-generating unit), with the exception of goodwill, is increased to its new estimated recoverable amount. The reversal



must not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment charge been recognised for the asset in prior periods. The reversal of an impairment charge is recognised immediately as income in the income statement, unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase.

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

### **EMISSION ALLOWANCES: GREEN AND WHITE CERTIFICATES**

The Group applies different accounting policies to allowances and certificates held for own use in the "Industrial Portfolio" and those held for trading in the "Trading Portfolio".

Surplus allowances or certificates held for own use, which are in excess of the company's requirement in relation to the obligations accruing at the end of the year, are accounted for at cost in other intangible assets. Allowances or certificates assigned free of charge are accounted for at a zero value. Given that these are assets for instant use, they are not amortised but are tested for impairment. The recoverable amount is the higher of the asset's value in use and its market value.

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

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

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

### **INVENTORIES**

Inventories are at the lower of cost and net realisable value. The cost comprises all materials and, where applicable, direct labour, production overheads and all other costs incurred in bringing

the inventories to their present location and condition. The cost is calculated using the weighted average cost formula. The net realisable value is the estimated selling price less the estimated costs of completion and the estimated costs necessary in order to make the sale. Impairment charges incurred on inventories, given their nature, are either recognised in the form of specific provisions, consisting of a reduction in assets, or, on an item by item basis, as an expense in the income statement.

### **FINANCIAL INSTRUMENTS**

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

### **FINANCIAL ASSETS RELATED TO SERVICE CONCESSION ARRANGEMENTS**

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

### **TRADE RECEIVABLES AND OTHER ASSETS**

Trade receivables, which have normal commercial terms, are recognised at face value less estimated provisions for the impairment of receivables.

The estimate of uncollectible amounts is made when collection of the full amount is no longer probable.

Trade receivables refer to the invoiced amount which, at the date of these financial statements, is still to be collected, as well as the receivables for revenues for the period relating to invoices that will be issued later.

### **FINANCIAL ASSETS**

Financial assets are recognised and derecognised at the trade date and initially recognised at cost, including any directly attributable acquisition costs.

At each future balance sheet date, the financial assets that the Group has a positive intention and ability to hold to maturity (**held-to-maturity financial assets**) are recognised at amortised cost using the effective interest method, less any impairment charges applied to reflect impairments.

Financial assets other than those held to maturity are classified as held for trading or as available for sale, and are stated at *fair value* at the end of each period.

When financial assets are **held for trading**, gains and losses deriving from changes in fair value are recognised in the income statement for the period. In the case of financial assets that are **available for sale**, gains and losses deriving from changes

in fair value are recognised directly in a separate item of shareholders' equity until they are sold or impaired. At this time, the total gains and losses previously recognised in equity are recycled through the income statement for the period. The total loss is equal the difference between the acquisition cost and current fair value.

The fair value of financial instruments traded in active markets is based on quoted market prices (bid prices) at the end of the reporting period. The fair value of investments that are not traded in an active market is determined on the basis of quoted market prices for substantially similar instruments, or calculated on the basis of estimated future cash flows generated by the net assets underlying the investment.

Purchases and sales of financial assets, which imply delivery within a timescale generally defined by the regulations and practice of the market in which the exchange takes place, are recognised at the trade date, which is the date the Group commits to either purchase or sell the asset.

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are initially stated at fair value. After initial recognition, they are carried at amortised cost using the effective interest method.

At the end of each reporting period, the Group assesses if there has been impairment for a financial asset, or a group of financial assets. A financial asset or a group of financial assets is subject to impairment if, and only if, there is evidence of impairment, as a consequence of one or more events that occurred after initial recognition, which had an impact on future estimated cash flows. Impairment can be shown by indicators such as financial difficulties, failure to meet obligations, non-payment of significant amounts, the probability that the debtor goes bankrupt or is subject to another form of financial reorganisation, and if objective data shows that there is a measurable decrease in future estimated cash flows.

### **CASH AND CASH EQUIVALENTS**

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

### **FINANCIAL LIABILITIES**

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

### **DERIVATIVE FINANCIAL INSTRUMENTS**

Derivative financial instruments are initially recognised at cost and then re-measured to *fair value* at subsequent end of the reporting periods. They are designated as hedging instruments when the hedging relationship is formally documented at its inception and the periodically verified effectiveness of the hedge is expected to be high. Fair Value Hedges are recognised at fair value and any gains or losses recognised in the Income Statement. Any gains or losses resulting from the fair value measurement of the hedged asset or liability are similarly recognised in the Income Statement.

In the case of Cash Flow Hedges, the portion of any fair value gains or losses on the hedging instrument that is determined to be an effective hedge is recognised in shareholders' equity, while the ineffective portion is recognised directly in the Income statement.

### **TRADE PAYABLES**

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

### **DERECOGNITION OF FINANCIAL INSTRUMENTS**

Financial assets are derecognised when the Group has transferred all the related risks and the right to receive cash flows from the investments.

A financial liability (or portion of a financial liability) is derecognised when, and only when, it is extinguished, i.e. when the obligation specified in the contract is either fulfilled, cancelled or expires. If a previously issued debt instrument is repurchased, the debt is extinguished, even if the Group intends to resell it in the near future. The difference between the carrying amount and the amount paid is recognised in the income statement.

### **PROVISIONS FOR LIABILITIES AND CHARGES**

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

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

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

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

# ACCOUNTING STANDARDS, AMENDMENTS, INTERPRETATIONS AND IMPROVEMENTS APPLIED FROM 1 JANUARY 2014

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

## IFRS 10 – CONSOLIDATED FINANCIAL STATEMENT

### IFRS 12 – DISCLOSURE OF INTERESTS IN OTHER ENTITIES

The documents were issued on 12 May 2011 as part of the IASB project aimed at incorporating two consolidation criteria present in IAS 27 (more focused on control) and SIC 12 (more focused on risks and benefits) into a single standard, and therefore providing the most complete guidelines for establishing under what conditions an SPE or an entity whose majority of voting rights (also potential) is not held should be consolidated or not.

In summary, a situation of control occurs when it can be demonstrated that the investor has the power to make decisions about the business of the company in which he has invested and when the investor is exposed to the variability of that company's returns, and therefore is able to use his power to influence its returns.

## IFRS 11 – JOINT ARRANGEMENTS

The document was issued on 12 May 2011, and is intended to replace the current IAS 31. IFRS 11 is based on the following core principles:

- classification of arrangements in only two manners (*joint operation* and *joint venture*) instead of the three set forth in IAS 31
- distinction between the two types of arrangement based on their content
- reporting of contractual rights and obligations resulting from the arrangement on the basis of its content
- assessment of the investment in a *joint venture* based on the shareholders' equity method instead of the proportionate method, which is no longer permitted

The new standard sets forth that:

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

In a nutshell, **a joint arrangement is a joint venture if:**

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

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

Although the accounting principles have been endorsed at the end of 2012, throughout 2013, and in the early months of 2014, there were several issues concerning the application of the international accounting standards described above. These issues are principally due to the significant change in the method of accounting for joint ventures introduced with IFRS11. It should be noted that, in January, 2014, the IFRIC received numerous requests for clarifications on the application of IFRS11 in relation to which there are still some important issues concerning the classification of joint arrangements in the two types of joint operations and joint ventures. For more information on the analysis conducted by ACEA on the application of these principles, reference is made to the Consolidated Financial Statements 2013 and the paragraph "Effects deriving from the application of IFRS10 (Consolidated Financial Statements) and of IFRS11 (Joint arrangements)".

## AMENDMENTS TO IFRS 10, IFRS 12 AND IAS 27 "INVESTMENT ENTITY"

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

The document makes some amendments to IFRS 10 and therefore also to IFRS 12 and IAS 27 (2011) to grant companies managing and evaluating its investments at fair value (generally called "Investment entity") exemption from the consolidation obligations required by IFRS 10. The ratio of the exemption derives from the fact that for said company, the arrangement pursuant to the fair value measurement of its investments is of greater significance than that deriving from the consolidation of investment assets and liabilities. Companies must apply these amendments for years beginning on or after 1 January 2014. Earlier application is permitted.

## GUIDELINES FOR TRANSITIONAL PROVISIONS (AMENDMENTS TO IFRS 10, 11 AND 12)

Regulation (EU) 313/2013 of the Commission of 4 April 2013 was published in Official Journal L 95 on 5 April 2013, adopting the Guidelines to transitional provisions (Amendments to IFRS 10, 11 and 12).

The aim of the amendments is to clarify the intent of the IASB on first publication of the Guidelines for transitional provisions in IFRS 10. The amendments also include streamlining of the transition in IFRS 10, IFRS 11 and IFRS 12, limiting the obligation to provide adjusted comparison information to the previous comparison period. Furthermore, for information concerning non-consolidated structured entities, the amendments exclude the obligation of presenting comparative information for years before the date on which IFRS 12 is applied for the first time.

The companies shall begin applying the amendments, at the latest, on the first day of the first financial year beginning on or after 1 January 2014.

## **AMENDMENTS TO IFRS 7 “FINANCIAL INSTRUMENTS: DISCLOSURES - OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES” AND TO IAS 32 “FINANCIAL INSTRUMENTS: PRESENTATION - OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES”**

Regulation (EU) No. 1256/2012 of the Commission of 13 December 2012 was published in Official Journal L 360 on 29 December 2012, and adopts the Amendments to IFRS 7 Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities and to IAS 32 Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities (published by the IASB on 16 December 2011).

The amendments to IFRS 7 aim to provide additional quantitative information to allow users to compare and reconcile information generated by the application of IFRS and that generated by the application of US *Generally Accepted Accounting Principles* (GAAP) in a better way. Furthermore, the IASB amended IAS 32 in order to provide additional instructions to decrease inconsistencies in the practical application of the principle.

The companies shall begin applying the aforementioned amendments to IFRS 7 and IAS 32 on the first day of their first financial year which begins on or after 1 January 2013.

The additional amendments to IAS 32 shall apply, at the latest, on the first day of their first financial year which begins on or after 1 January 2014.

This Regulation also annuls paragraph 13 of IFRS 7, which should have occurred with the adoption of the Amendments to IFRS 7 Financial Instruments: Disclosures - Transfers of Financial Assets were adopted with Regulation (EU) No. 1205/2011 of the Commission of 22 November 2011. The provision in question must be applied from 1 July 2011 in order to be effective. It must be applied retroactively to ensure legal certainty for the issuers concerned.

## **AMENDMENTS TO IAS 36 “DISCLOSURES ON RECOVERABLE AMOUNT OF NON-FINANCIAL ASSETS”**

Regulation (EU) No. 1374/2013 of the Commission of 19 December 2013 was published in Official Journal L 346 on 20 December 2013, adopting Disclosures on the recoverable amount of non-financial assets (Amendments to IAS 36).

The amendments aim to clarify the information which must be provided on the recoverable amount of assets, when this value is based on fair value net of investment costs, only for assets for which the value has been reduced.

The companies shall begin applying the amendments, at the latest, on the first day of the first financial year beginning on or after 1 January 2014.

## **AMENDMENTS TO IAS 39 “FINANCIAL INSTRUMENTS: RECOGNITION AND ASSESSMENT – NOVATION OF DERIVATIVES AND CONTINUATION OF HEDGE ACCOUNTING”**

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

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

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

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

# ACCOUNTING PRINCIPLES, AMENDMENTS AND INTERPRETATIONS APPLICABLE AFTER THE END OF THE YEAR AND NOT ADOPTED IN ADVANCE BY THE GROUP

## A) NEW ACCOUNTING STANDARDS, AMENDMENTS TO ACCOUNTING STANDARDS AND INTERPRETATIONS ADOPTED BY THE EUROPEAN UNION

### IFRIC 21 - TAXATION

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

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

IFRIC 21 applies to financial years starting 17 June 2014.

## B) NEW ACCOUNTING STANDARDS AND AMENDMENTS TO ACCOUNTING STANDARDS ISSUED BY THE IASB IN THE PERIOD

### IFRS 14 REGULATORY DEFERRAL ACCOUNTS

On 30 January 2014 the IASB published *IFRS 14 Regulatory Deferral Accounts*, the interim standard for the Rate-regulated activities project. IFRS 14 lets those who adopt the IFRS for the first time continue to recognise rate regulation amounts using the accounting principles adopted previously. To improve the comparison with the entities already applying IFRS that do not recognise said amounts, the standard requires that the effect of the rate regulation must be presented separately from other items. The standard applies from 1 January 2016, though earlier application is permitted.

### AMENDMENTS TO IFRS 11: ACCOUNTING FOR ACQUISITIONS OF INTEREST IN JOINT OPERATIONS

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

### AMENDMENTS TO IAS 16 AND IAS 38: CLARIFICATION OF ACCEPTABLE METHODS OF DEPRECIATION AND AMORTISATION

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

### IFRS 15 REVENUE FROM CONTRACTS WITH CUSTOMERS

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

The fundamental parts for accounting purposes are to:

- identify the commercial contract, defined as a (written or verbal) agreement between two or more parties which results in rights and obligations with the customer having the right to legal protection;
- identify the obligations (distinctly identifiable) in the contract;
- determine the price of the transaction, as the fee the enterprise expects to receive for the transfer of assets or the performance of services to the customer, in accordance with the techniques in the Standard and depending on the possible presence of financial components;
- allocate the price to each "performance obligation";
- recognise the revenue when the obligation is regulated, allowing for the fact that the services may not be provided at a specific time, but over a period of time.

The standard should not introduce particular differences to accounting the most common operations. Greater differences in the times required to recognise and determine amounts should be indicated in medium/long-term service contracts and agreements containing several obligations, on the basis of which the operators reported the major criticalities of the current

regulation. The disclosure on revenue should be improved by providing extensive qualitative and quantitative information so stakeholders can clearly understand the content and important elements to determine revenues.

The standard applies from 1 January 2017, though earlier application is permitted.

### IFRS 9 FINANCIAL INSTRUMENTS

On 25 July 2014 the IASB published IFRS 9 - Financial Instruments, including the part on the classification and measurement of financial instruments, the impairment model and hedge accounting.

IFRS 9 has revised the accounting rules of IAS 39 with reference to the recognition and measurement of the financial instruments, including hedging transactions.

The principle established the following three categories for the classification of financial assets:

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

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

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

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

IFRS 9 aligns hedge accounting more closely with risk management undertaken by the company, focusing on the fact that if a risk factor can be identified and measured, independently from the type of risk and/or item, the instrument created to cover this risk can be recognised in hedge accounting, with the simple limitation that this risk could have an impact on profit and loss or other items of the comprehensive income statement (OCI).

The standard also allows information produced internally by the company to be used as the basis for hedge accounting, so that it is no longer necessary to demonstrate compliance with complex criteria and measurements created exclusively for accounting requirements. The main changes are as follows:

- **efficacy test:** the 80-125% threshold is abolished and replaced with an objective test

to verify the economic relationship between the instrument hedged and the hedging instrument (for example of there is a loss in the former there must be a gain in the latter);

- **components hedged:** not only financial assets and liabilities but any components or group of components as long as the risk is separately identifiable and measurable;
- **cost of hedge:** the time value of an option, forward points and currency spread can be excluded from hedge accounting and recognised immediately as the cost of coverage, and therefore all the fluctuations of mark to market can be temporarily recognised under other items of the comprehensive income statement (OCI);
- **disclosure:** ample disclosure is provided on the risks hedged and the instruments used, eliminating the current disclosure statement based on the distinction between cash flow hedge and fair value hedge instruments; these accounting terms often confuse investors, who are clearly more interested in the risks and how these are hedged than in the accounting classification of the hedging instruments as such.

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

### AMENDMENTS TO IAS 27: EQUITY METHOD IN SEPARATE FINANCIAL STATEMENTS

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

### AMENDMENTS TO IFRS 10 AND IAS 28: SALE OR CONTRIBUTION OF ASSETS BETWEEN AN INVESTOR AND ITS ASSOCIATE OR JOINT VENTURE

On 11 September 2014, the IASB published the aforesaid amendments aimed at clarifying the accounting treatment both in case of the loss of control over a subsidiary (governed by IFRS 10) and in case of downstream transactions governed by IAS 28, according to whether or not the object of the

transaction is a business, as defined by IFRS 3. If the object of the transaction is a business, then the profit must be recognised in full in both cases (i.e. loss of control and downstream transactions) while if the object of the transaction is not a business, then the profit must be recognised in both cases only for the proportionate amount of the non-controlling interests. These amendments will come into force from 1 January 2016 but early application is in any case allowed.

### DEFINED BENEFIT PLANS: EMPLOYEE CONTRIBUTIONS (AMENDMENTS TO IAS 19)

The amendment to IAS 19 – Employee Benefit Plans was necessary to facilitate the accounting for defined benefit plans involving contributions by employees or third parties, as long as certain conditions apply.

In detail, the amendment to IAS 19 allows contributions by employees or third parties to be recognised as a reduction of service costs in the period when the relative employment services have been rendered, if there is compliance with the following conditions:

- there is formal provision for employee or third party contributions in the conditions of the plan;
- the contributions are related to the services rendered;
- the amount of the contribution does not depend on the number of years of employment.

In all the other cases, the recognition of such contributions will be more complex since they must be attributed to the single periods of the plan by the actuarial calculation of the corresponding liability.

The amendment to IAS 19 must be applied retroactively starting from the financial statements of the years starting on or after 1 July 2014.

Early application is allowed as long as the IASB document has already been endorsed by the European Union.

### ANNUAL IMPROVEMENTS TO IFRSS (2010-2012 CYCLE)

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

- **IFRS 2 Share based payments:** in the amendments to IFRS 2, the IASB clarified



that a “performance condition” requires compliance with the following criteria:

- a) a specific period of services must be undertaken;
  - b) achievement of a specified performance target during a specified period of service (if the target is achieved after the period of service, this shall be considered as a “non-vesting condition”).
- Furthermore, the IASB has clarified that a performance target must be based on a specific target of the entity (e.g.: EBITDA, profit for the year, total revenue etc.) or on the price of the shares of the same entity. If the target is based on a share index, this shall be considered as a “non-vesting condition”, since the index also includes the equity performance of other entities.
- **IFRS 3 Business combinations:** by the amendment to IFRS 3, the IASB has clarified the classification and measurement aspects of contingent considerations. The following was clarified:
    - a) a contingent consideration is assessed either as a financial liability or equity instrument according to the provisions of IAS 32 Financial Instruments: Presentation in the financial statements;
    - b) subsequently contingent consideration, recognised as an asset or liability, is to be remeasured at fair value with the changes shown through profit or loss for the year.
  - **IFRS 8 Operating segments:** by the amendments to IFRS 8, the IASB:
    - a) has introduced a new disclosure requirement, requiring a brief description of the operating segments that have been aggregated and the economic indicators used for this aggregation;
    - b) has clarified that reconciliation of the reportable operating segments assets with the total assets of the entity is required only if a measure of segment assets is regularly provided to the chief operating decision maker (CODM) of the entity.
  - **IFRS 13 Fair value measurement:** by the amendment of IFRS 13, the IASB has clarified that the amendments to IAS 39 made after the publication of IFRS 13 were not intended to remove the expedient of measuring short term receivables and payables without taking into account the effect of discounting, where this effect is immaterial.
  - **IAS 16 Property, plant and equipment and IAS 38 Intangible assets:** by the amendments to IAS 16 and IAS 38, the IASB has clarified the procedures for applying the method of restating the amount required by the said standards. Specifically, they clarified the procedure for adjusting historical cost

and the amount of accumulated depreciation for these assets in order to update the to fair value.

- **IAS 24 Related party disclosures:** by the amendment to IAS 24, the IASB:
  - a) has extended the definition of “related parties” to the entities within the Group providing key management personnel services. Such entities are usually referred to as “*management companies*”;
  - b) has clarified that it is sufficient to report the overall amount of the cost charged by the management company without separately indicating the individual types of benefits paid to the reporting entity employees by the management company.

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

### ANNUAL IMPROVEMENTS TO IFRSS (2011-2013 CYCLE)

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

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

the link between this standard and the provisions of IFRS 3. In detail the following was clarified:

1. the entity must determine whether it has acquired investment property as defined in IAS 40;
2. the entity must conduct a separate measurement on the basis of IFRS 3 in order to determine whether the investment property acquired comes under the definition of business combination.

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

### EXPOSURE DRAFT ISSUED BY THE IASB

- On 25 March 2014 the IASB published the *Exposure Draft* and 2014/1 “*Disclosure Initiative (Proposed amendments to IAS 1)*”. The purpose of the document is to provide clarification on doubts expressed with respect to reporting requirements. In detail, the amendments regard the following aspects:
    - materiality: clarifications as to the fact that aggregation or disaggregation should not obscure useful information and that materiality applies to the main statements, the notes and the specific disclosures required by IFRS standards;
    - the balance sheet, income statement and other components of overall profit: the clarifications regard the fact that the individual line items may need to be disaggregated and aggregated. Introduction of guidance for the use of sub-total to be inserted in the charts in the financial statements;
    - explanatory notes: it is clarified that entities are entitled to flexibility in the structure of the explanatory notes. Introduction of guidance on how to define a systematic order in the notes. Furthermore, it is proposed to eliminate examples that are not useful for identifying the main accounting policies;
    - recognition in OCI of items deriving from investments measured with the equity method: the amounts included under OCI regarding equity measurement of investments in Associates and Joint Ventures must be aggregated in individual items according to whether such amounts are recognised in the income statement.
- The deadline for submitting comments to the *Exposure Draft* expired on 23 July 2014.



- On 30 January 2014 the IASB published a *Request for Information* (RFI) for the revision of IFRS 3 *Business Combinations* with the aim of collecting informations on the issued deriving from the application of the standard.  
The start-up of the revision process was originally scheduled for 2012 but was only announced on 25 July 2013. From this date, the IASB collected information to determine the extent of the revision and to identify the main issues raised by the application of IFRS 3. The document presents some questions and is a public consultation. After the deadline for submitting comments, the IASB will examine the observations received and the information collected by other consultation activities and the results of research conducted on this topic. The final conclusions of the IASB will be presented in a report and a feedback statement that will also define the measures that the IASB intends to apply after the revision.  
The technical issues discussed in the RFI regard the following areas:
  - definition of a business;

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

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

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

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

On 25 September 2014 the IASB published the *Exposure draft Measuring Quoted*

*Investments in Subsidiaries, Joint Ventures and Associates at Fair Value (Proposed amendments to IFRS 10, IFRS 12, IAS 27, IAS 28 and IAS 36 and Illustrative Examples for IFRS 13)*.

*The proposed amendments regard the measurement of investments in subsidiaries, Joint Ventures and associates measured at fair value, when these investments are quoted in an active market.*

*The consultation ended on 16 January 2015*

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

## CHANGES TO COMPARATIVE DATA

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

# CONSOLIDATED INCOME STATEMENT

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

Amounts in € thousand

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

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

*Amounts in € thousand*

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

Amounts in € thousand

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

Amounts in € thousand

# CONSOLIDATED STATEMENT OF CASH FLOWS

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

Amounts in € thousand

# CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

|  | SHARE<br>CAPITAL | STATUTORY<br>RESERVE | OTHER<br>RESERVES | PROFIT<br>FOR THE<br>PERIOD | TOTAL            | NON-<br>CONTROLLING<br>INTERESTS | TOTAL<br>SHAREHOLDERS'<br>EQUITY |
|--|------------------|----------------------|-------------------|-----------------------------|------------------|----------------------------------|----------------------------------|
| <b>Balances at 01 January 2013 Restated</b>  | <b>1,098,899</b> | <b>165,088</b>       | <b>(71,845)</b>   | <b>46,735</b>               | <b>1,238,877</b> | <b>77,184</b>                    | <b>1,316,060</b>                 |
| <i>Restated IFRS11</i>                       |                  | (2,897)              | 2,897             |                             | 0                | 1,288                            | 1,288                            |
| <b>Balances at 01 January 2013 Restated</b>  | <b>1,098,899</b> | <b>162,190</b>       | <b>(68,948)</b>   | <b>46,735</b>               | <b>1,238,877</b> | <b>78,472</b>                    | <b>1,317,349</b>                 |
| Net profit (loss)                            |                  |                      |                   | 141,940                     | 141,940          | 11,444                           | 153,384                          |
| Other comprehensive income (loss)            |                  |                      |                   | 13,360                      | 13,360           | 158                              | 13,518                           |
| <b>Total comprehensive income (loss)</b>     | <b>0</b>         | <b>0</b>             | <b>0</b>          | <b>155,300</b>              | <b>155,300</b>   | <b>11,602</b>                    | <b>166,902</b>                   |
| Allocation of 2012 net profit                |                  | 5,607                | 41,128            | (46,735)                    | (0)              |                                  | (0)                              |
| Distribution of dividends                    |                  |                      | (72,266)          |                             | (72,266)         | (5,168)                          | (77,434)                         |
| Increase / (Decrease) basis of consolidation |                  | (444)                | 1,167             |                             | 722              | (711)                            | 11                               |
| <b>Balances at 31 December 2013 Restated</b> | <b>1,098,899</b> | <b>167,353</b>       | <b>(98,920)</b>   | <b>155,300</b>              | <b>1,322,633</b> | <b>84,195</b>                    | <b>1,406,828</b>                 |

Amounts in € thousand

|  | SHARE<br>CAPITAL | STATUTORY<br>RESERVE | OTHER<br>RESERVES | PROFIT<br>FOR THE<br>PERIOD | TOTAL            | NON-<br>CONTROLLING<br>INTERESTS | TOTAL<br>SHAREHOLDERS'<br>EQUITY |
|--|------------------|----------------------|-------------------|-----------------------------|------------------|----------------------------------|----------------------------------|
| <b>Balances at 1 January 2014 Restated</b> | <b>1,098,899</b> | <b>167,353</b>       | <b>(98,920)</b>   | <b>155,300</b>              | <b>1,322,633</b> | <b>84,195</b>                    | <b>1,406,827</b>                 |
| Net profit (loss)                          |                  |                      |                   | 162,459                     | 162,459          | 6,460                            | 168,919                          |
| Other comprehensive income (loss)          |                  |                      |                   | (22,292)                    | (22,292)         | (1,200)                          | (23,492)                         |
| <b>Total comprehensive income (loss)</b>   | <b>0</b>         | <b>0</b>             | <b>0</b>          | <b>140,167</b>              | <b>140,167</b>   | <b>5,260</b>                     | <b>145,427</b>                   |
| Allocation of 2013 profit                  |                  | 4,619                | 150,681           | (155,300)                   | 0                | 0                                | 0                                |
| Distribution of dividends                  |                  |                      | (36,204)          | 0                           | (36,204)         | (7,648)                          | (43,852)                         |
| Change in basis of consolidation           |                  | 4,147                | (177)             | 0                           | 3,970            | (9,982)                          | (6,012)                          |
| <b>Balances as at 31 December 2014</b>     | <b>1,098,899</b> | <b>176,119</b>       | <b>15,381</b>     | <b>140,167</b>              | <b>1,430,566</b> | <b>71,825</b>                    | <b>1,502,391</b>                 |

Amounts in € thousand

# NOTES TO THE CONSOLIDATED INCOME STATEMENT

## CONSOLIDATED NET REVENUE

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

| € thousand                      | 31.12.2014       | 31.12.2013<br>RESTATED | INCREASE /<br>(DECREASE) | INCREASE /<br>(DECREASE) % |
|---------------------------------|------------------|------------------------|--------------------------|----------------------------|
| Revenue from sales and services | 2,931,592        | 3,203,569              | (271,978)                | (8.5%)                     |
| Other revenue and proceeds      | 106,661          | 85,446                 | 21,215                   | 24.8%                      |
| <b>Consolidated net revenue</b> | <b>3,038,253</b> | <b>3,289,015</b>       | <b>(250,762)</b>         | <b>(7.6%)</b>              |

### 1. REVENUES FROM SALES AND SERVICES – 2,931,592 THOUSAND EUROS

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

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

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

### REVENUE FROM ELECTRICITY SALES AND SERVICES

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

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

The major changes refer to:

- The decrease in revenue from electricity and heat generation amounting to 6,832 thousand euros was mainly driven by the district heating sector following the decline of market prices under the expected minimum levels, leading to the suspension of production of the combined cycle process of the Tor di Valle plant, as well as the lower amounts of heat produced (73.1 GWh in 2014 compared to 76.6 GWh in

2013). It is pointed out that during the year, Acea Produzione, by its directly owned plants, recorded a production volume totalling 498.1 GWh (+ 2.2 GWh compared to 2013);

- The reduction of revenue deriving from energy sales of 297,831 thousand euros was the direct consequence of the fall in electricity sales and in the Enhanced Protection Market (-7.2%) as well as in the free market service (-15.9%). Electricity sales in the Enhanced Protection

Market totalled 3,000 GWh. The number of withdrawal points totalled 1,023,316 (1,071,557 as at 31 December 2013). The reduction is related to the opening up of the market following the liberalisation process, now practically completed. Electricity sales on the free market was 7,887 GWh for 346,908 withdrawal points recorded at 31 December 2014 (there were 301,276 at 31 December 2013);



- Revenue from the transport and metering of energy for the Enhanced Protection Market and free market fell by 10,279 thousand euros. This lower revenue is mainly due to the different value attributed to the tariff parameters, as well as the combined effect of the reduced electricity fed into the grid and the reduction of the amounts. Overall equalisation was substantially in line with 2013 (+527 thousand euros), while with reference to the markets served, it is pointed out that with regard to the free market, there was a decrease of 0.53% in the amounts distributed, falling from 7,410 GWh as at 31 December 2013 to the current level of 7,371 GWh; it is likewise pointed out that the average number of free market customers rose by 31,104 over the

previous year. Energy distributed to customers in the Enhanced Protection Market (2,923 GWh) fell by 13.37% compared to the previous year. The amount of equalisation recoveries for years previous to 2014 recorded 14,692 thousand euros in higher revenue.

#### REVENUE FROM GAS SALES

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

#### REVENUE FROM THE SALE OF CERTIFICATES AND RIGHTS

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

| € thousand         | 31.12.2014    | 31.12.2013<br>RESTATED | INCREASE /<br>(DECREASE) | INCREASE /<br>(DECREASE) % |
|--------------------|---------------|------------------------|--------------------------|----------------------------|
| Green certificates | 21,585        | 16,237                 | 5,349                    | 32.9%                      |
| CO2 rights         | 48            | 136                    | (88)                     | (64.6%)                    |
| <b>Total</b>       | <b>21,633</b> | <b>16,373</b>          | <b>5,261</b>             | <b>32.1%</b>               |

#### REVENUE FROM INTEGRATED WATER SERVICE

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

These revenues amounted to 580,374 thousand euros, up by 44,385 thousand euros (+8.3%) over the I previous year (535,988 thousand euros).

Details of the breakdown by company are given below:

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

The increase is mainly due to the updating of the 2014 tariffs by ACEA Ato2 and ACEA Ato5. The quantification of the Restriction on Guaranteed Revenue (VRG) of ACEA Ato2 took place on the basis of AEEGSI Resolution of 25 September 2014 approving the 2014-2015 tariffs proposed by the ATO2 Central Lazio - Rome Mayors' Conference. This increase is also due to the adjustments in so-called pass-through items, i.e. recognition

in the tariff of some types of costs for the years 2012 and 2013. Specifically, for ACEA Ato2 these adjustments contributed 23.5 million euros to the growth of revenue in the period, and include the covering of costs incurred to deal with environmental emergencies and other cost components (i.e. electricity and local charges) besides inflation provided for under existing regulations.

#### REVENUE FROM OVERSEAS WATER SERVICES

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

## REVENUE FROM BIOMASS TRANSFER AND LANDFILL MANAGEMENT

This item totalled 39,419 thousand euros, up by 3,037 thousand euros compared to the previous year (36,382 thousand euros).

The breakdown by company is provided below:

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

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

## REVENUE FROM SERVICES TO CUSTOMERS

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

This type of revenue comprises:

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

The decrease was due to the combined effect of the following: **i)** an increase in revenue for Public Lighting for Roma Capitale (+6,854 thousand euros) as a result of the recognition of charges for design, works management and archaeological consultancy, amounting to 10% in addition to the fee set for the works undertaken in 2011, 2012 e 2013, in compliance with the provisions of the addendum to the service contract stipulated

in 2011 (totalling 3,551 thousand euros) and increased activities for design and construction of new plants conducted during the year (3,307 thousand euros); **ii)** a decrease in services rendered to Group companies (-863 thousand euros); **iii)** a decrease in revenue from works undertaken on request by third parties of 5,556 thousand euros, mainly on the basis of specific agreements stipulated with developers of new

areas to be urbanized; **iv)** a decrease in proceeds recorded by ARSE for marketing and installation on behalf of third parties of photovoltaic panels (-1,460 thousand euros).

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

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

## CONNECTION FEES

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

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

## 2. OTHER REVENUE AND PROCEEDS – 106,661 THOUSAND EUROS

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

The change was mainly due to the following opposing effects:

1. the recognition of 36,717 thousand euros in contributions from Entities for Energy Efficiency Certificates, of which 28,340 thousand euros refer to the estimated tariff contribution due to ACEA Distribuzione in relation to its meeting

the obligation for 2013 and 2014, while 8,377 thousand euros refer to the release of the provision for risks and charges allocated in 2013 to cover the costs for purchasing the certificates, which were incurred during the period to meet the aforementioned regulatory energy efficiency requirement;

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

4. decrease of 2,950 thousand euros in the grant assigned by the Italian State to supplement the revenue from services provided to the State of Vatican City. The change is due to the different treatment of the grant in determining the restriction on the Guaranteed Income (VRG) of Acea Ato2;
5. decrease of 929 thousand euros in the service continuity bonus payable by the AEEGSI to ACEA Distribuzione.

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

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

## CONSOLIDATED OPERATING COSTS

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

The breakdown is as follows:

| € thousand                          | 31.12.2014       | 31.12.2013<br>RESTATED | INCREASE /<br>(DECREASE) | INCREASE /<br>(DECREASE) % |
|-------------------------------------|------------------|------------------------|--------------------------|----------------------------|
| Staff costs                         | 229,543          | 238,327                | (8,784)                  | (3.7%)                     |
| External costs                      | 2,109,768        | 2,405,669              | (295,902)                | (12.3%)                    |
| <b>Consolidated operating costs</b> | <b>2,339,311</b> | <b>2,643,996</b>       | <b>(304,685)</b>         | <b>(11.5%)</b>             |

## 3. STAFF COSTS – 229,543 THOUSAND EUROS

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

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

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

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

| <b>AVERAGE NUMBER IN THE PERIOD</b> |                   |                                |                                  |
|-------------------------------------|-------------------|--------------------------------|----------------------------------|
|                                     | <b>31.12.2014</b> | <b>31.12.2013<br/>RESTATED</b> | <b>INCREASE /<br/>(DECREASE)</b> |
| Environment                         | 216               | 212                            | 4                                |
| Energy                              | 532               | 546                            | (14)                             |
| Water                               | 2,413             | 2,423                          | (10)                             |
| • <i>Lazio-Campania</i>             | 1,837             | 1,852                          | (16)                             |
| • <i>Tuscany-Umbria</i>             | 0                 | 15                             | (15)                             |
| • <i>Overseas</i>                   | 414               | 398                            | 15                               |
| • <i>Engineering and services</i>   | 163               | 158                            | 5                                |
| Networks                            | 1,377             | 1,400                          | (23)                             |
| Parent Company                      | 670               | 680                            | (10)                             |
| <b>TOTAL</b>                        | <b>5,207</b>      | <b>5,261</b>                   | <b>(54)</b>                      |

| <b>END-OF-PERIOD NUMBER OF EMPLOYEES</b> |                   |                                |                |
|--|-------------------|--------------------------------|----------------|
|  | <b>31.12.2014</b> | <b>31.12.2013<br/>RESTATED</b> | <b>CHANGES</b> |
| Environment                              | 221               | 216                            | 5              |
| Energy                                   | 522               | 526                            | (4)            |
| Water                                    | 2,366             | 2,405                          | (39)           |
| • <i>Lazio-Campania</i>                  | 1,792             | 1,834                          | (42)           |
| • <i>Tuscany-Umbria</i>                  | 0                 | 15                             | (15)           |
| • <i>Overseas</i>                        | 412               | 396                            | 16             |
| • <i>Engineering and services</i>        | 162               | 160                            | 2              |
| Networks                                 | 1,335             | 1,382                          | (47)           |
| Parent Company                           | 661               | 666                            | (5)            |
| <b>TOTAL</b>                             | <b>5,105</b>      | <b>5,195</b>                   | <b>(90)</b>    |

#### 4. EXTERNAL COSTS – 2,109,768 THOUSAND EUROS

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

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

## COSTS FOR ELECTRICITY, GAS AND FUEL

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

The change was mainly due to: **i)** lower costs relating to the procurement of electricity for the protected and free market and the related transportation costs (219,782 thousand euros and 98,212 thousand euros respectively) due to the combined effect of the lower amount of electricity distributed and sold and the different price/quantity mix in the various months and time brackets; these effects were partially offset **ii)** by payables to the Equalisation Fund for EEB in the Acea Distribuzione portfolio to cover the 2013 and 2014 obligation (30,995 thousand euros).

## MATERIALS

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

| € thousand                   | 31.12.2014    | 31.12.2013<br>RESTATED | INCREASE /<br>(DECREASE) | INCREASE /<br>(DECREASE) % |
|------------------------------|---------------|------------------------|--------------------------|----------------------------|
| Purchase of materials        | 43,973        | 50,518                 | (6,545)                  | (13.0%)                    |
| Change in inventories        | 4,069         | 1,827                  | 2,242                    | 122.7%                     |
| <b>Change in inventories</b> | <b>48,042</b> | <b>52,345</b>          | <b>(4,302)</b>           | <b>(8.2%)</b>              |
| Capitalised costs            | (20,501)      | (23,935)               | 3,434                    | (14.3%)                    |
| <b>Total</b>                 | <b>27,541</b> | <b>28,409</b>          | <b>(868)</b>             | <b>(3.1%)</b>              |

Capitalised costs posted a decrease of 3,434 thousand euros basically attributable to ACEA Distribuzione (-2,455 thousand euros) and ACEA Ato2 (-507 thousand euros).

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

| € thousand                 | 31.12.2014    | 31.12.2013<br>RESTATED | INCREASE /<br>(DECREASE) | INCREASE /<br>(DECREASE) % |
|----------------------------|---------------|------------------------|--------------------------|----------------------------|
| Environment                | 5,346         | 4,851                  | 495                      | 10.3%                      |
| Energy                     | 481           | 1,055                  | (574)                    | (54.5%)                    |
| Water                      | 13,522        | 14,164                 | (643)                    | (4.5%)                     |
| Networks                   | 7,243         | 7,601                  | (358)                    | (4.7%)                     |
| Parent Company             | 951           | 739                    | 212                      | 28.7%                      |
| <b>Costs for materials</b> | <b>27,541</b> | <b>28,409</b>          | <b>(868)</b>             | <b>(3.1%)</b>              |

## SERVICES AND CONTRACTS

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

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

## CONCESSION FEES

These fees amounted to 43,115 thousand euros (+2,130 thousand euros compared to 31 December 2013) and regard fees paid by companies that manage certain areas of Lazio and Campania under concession.

The following table shows a breakdown by Company, compared to the previous year.

| € thousand             | 31.12.2014    | 31.12.2013<br>RESTATED | INCREASE /<br>(DECREASE) | INCREASE /<br>(DECREASE) % |
|------------------------|---------------|------------------------|--------------------------|----------------------------|
| ACEA Ato2              | 35,632        | 33,364                 | 1,968                    | 5.8%                       |
| ACEA Ato5              | 7,089         | 6,984                  | 105                      | 1.5%                       |
| Gesesa                 | 343           | 286                    | 57                       | 19.9%                      |
| Crea Gestioni          | 51            | 52                     | (1)                      | 0.0%                       |
| <b>Concession fees</b> | <b>43,115</b> | <b>40,985</b>          | <b>2,130</b>             | <b>5.2%</b>                |

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

### COST OF LEASED ASSETS

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

| € thousand                   | 31.12.2014    | 31.12.2013<br>RESTATED | INCREASE /<br>(DECREASE) | INCREASE /<br>(DECREASE) % |
|------------------------------|---------------|------------------------|--------------------------|----------------------------|
| Environment                  | 1,069         | 1,444                  | (374)                    | (25.9%)                    |
| Energy                       | 3,563         | 3,481                  | 82                       | 2.4%                       |
| Water                        | 5,310         | 4,896                  | 414                      | 8.5%                       |
| Networks                     | 4,193         | 4,663                  | (470)                    | (10.1%)                    |
| Parent Company               | 9,771         | 9,318                  | 453                      | 4.9%                       |
| <b>Cost of leased assets</b> | <b>23,907</b> | <b>23,801</b>          | <b>106</b>               | <b>0.4%</b>                |

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

### OTHER OPERATING COSTS

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

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

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

### 5. NET INCOME / (COSTS) FROM COMMODITY RISK MANAGEMENT – (47) THOUSAND EUROS

As at 31 December 2014 the change in the fair value measurement of financial contracts recognised in the consolidated income statement was negative for 47 thousand euros.

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

For more details see the paragraph “Additional disclosures on financial instruments and risk management policies” in the 2014 Consolidated Financial Statements.

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

### 6. INCOME/(CHARGES) FROM EQUITY INVESTMENTS OF A NON-FINANCIAL NATURE – 18,822 THOUSAND EUROS

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

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



The decrease compared to 31 December 2013 was mainly due:

- in terms of gross operating profit, the recognition in 2013 of higher revenue (12,800 thousand euros) pertaining to 2012 with particular reference to the NIF (New Investments Fund) approved by the Area Authorities in 2013;

• in terms of financial management the recognition in 2013 of the 14,389 thousand euros financial income deriving from the discounting of GORI's debt with the Campania Regional Government: note that in June 2013 GORI, the Area Authority and the Campania Regional Government signed an Agreement, among other things, to determine the debt

for the purchase of water as 212 million euros (Group share 78.6 million euros) and define a 20-year repayment plan with interest applied from the eleventh year.

Net of these extraordinary effects, the trend for the period is substantially in line with 2013.

The details of the assessments of the companies are shown below.

| € thousand                             | 31.12.2014    | 31.12.2013<br>RESTATED | INCREASE /<br>(DECREASE) |
|--|---------------|------------------------|--------------------------|
| Publiacqua                             | 7,209         | 14,135                 | (6,925)                  |
| Gruppo Acque                           | 6,329         | 2,515                  | 3,814                    |
| Acquedotto del Fiora                   | 3,455         | 3,462                  | (7)                      |
| Umbra Acque                            | 17            | 122                    | (105)                    |
| Gori                                   | 69            | 10,464                 | (10,395)                 |
| Nuove Acque and Intesa Aretina         | 242           | 123                    | 119                      |
| Agua Azul                              | 742           | 512                    | 230                      |
| Voghera Energia Vendite in liquidation | (357)         | (343)                  | (14)                     |
| Ingegnerie Toscane                     | 970           | (106)                  | 1,076                    |
| Ecomed in liquidation                  | 145           | (368)                  | 513                      |
| Ecogena                                | 0             | (204)                  | 204                      |
| Apice in liquidation                   | 0             | (24)                   | 24                       |
| <b>Total</b>                           | <b>18,822</b> | <b>30,289</b>          | <b>(11,467)</b>          |

## 7. AMORTISATION, DEPRECIATION, IMPAIRMENT CHARGES AND PROVISIONS - 327,273 THOUSAND EUROS

Compared to the previous year this item increased by 15,110 thousand euros.

The breakdown is as follows:

| € thousand                              | 31.12.2014     | 31.12.2013<br>RESTATED | INCREASE /<br>(DECREASE) | INCREASE /<br>(DECREASE) % |
|---|----------------|------------------------|--------------------------|----------------------------|
| Amortisation and depreciation           | 203,543        | 194,775                | 8,768                    | 4.5%                       |
| Provision for impairment of receivables | 110,165        | 79,559                 | 30,606                   | 38.5%                      |
| Provision for liabilities and charges   | 13,564         | 37,827                 | (24,263)                 | (64.1%)                    |
| <b>TOTAL</b>                            | <b>327,273</b> | <b>312,162</b>         | <b>15,110</b>            | <b>4.8%</b>                |

### AMORTISATION AND DEPRECIATION

| € thousand                        | 31.12.2014     | 31.12.2013<br>RESTATED | INCREASE /<br>(DECREASE) |
|-----------------------------------|----------------|------------------------|--------------------------|
| Depreciation of tangible assets   | 118,655        | 118,155                | 500                      |
| Amortization of intangible assets | 81,199         | 75,063                 | 6,136                    |
| Impairment charges                | 3,688          | 1,557                  | 2,131                    |
| <b>Total</b>                      | <b>203,543</b> | <b>194,775</b>         | <b>8,768</b>             |

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

- amortisation of intangible assets of 6,136 thousand euros owing to the implementation of new software for improvement and technological development. The higher

amortisation mainly refers to Acea Energia (+3,025 thousand euros) and the Parent Company (+2,277 thousand euros);

- impairment charges on some assets such as the Paliano plant affected by a fire in 2013 (1,309 thousand euros) e photovoltaic assets as a result of reduced income rates caused

by the "incentives distribution" decree (640 thousand euros). This item also includes impairment charges for the start-ups at indefinite useful life for Laboratori and the proportional part of Kyklos (totalling 1,079 thousand euros).

## IMPAIRMENT CHARGES AND LOSSES ON RECEIVABLES

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

The breakdown is as follows by industrial segments:

| € thousand  | 31.12.2014     | 31.12.2013<br>RESTATED | INCREASE /<br>(DECREASE) | INCREASE /<br>(DECREASE) % |
|---|----------------|------------------------|--------------------------|----------------------------|
| Environment   | 52             | 141                    | (89)                     | (63.1%)                    |
| Energy  | 75,630         | 61,738                 | 13,892                   | 22.5%                      |
| Water   | 24,015         | 11,611                 | 12,405                   | 106.8%                     |
| Networks  | 6,744          | 3,526                  | 3,218                    | 91.3%                      |
| Parent Company                                      | 3,723          | 2,543                  | 1,180                    | 46.4%                      |
| <b>Impairment charges and losses on receivables</b> | <b>110,165</b> | <b>79,559</b>          | <b>30,606</b>            | <b>38.5%</b>               |

## PROVISIONS

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

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

There follows the breakdown of provisions by industrial segments:

| € thousand        | 31.12.2014    | 31.12.2013<br>RESTATED | INCREASE /<br>(DECREASE) | INCREASE /<br>(DECREASE) % |
|-------------------|---------------|------------------------|--------------------------|----------------------------|
| Environment       | (302)         | 612                    | (914)                    | (149.0%)                   |
| Energy            | 6,098         | 3,770                  | 2,328                    | 61.8%                      |
| Water             | (9,533)       | 9,989                  | (19,522)                 | (195.4%)                   |
| Networks          | 8,666         | 15,809                 | (7,143)                  | (45.2%)                    |
| Parent Company    | 8,638         | 7,648                  | 990                      | 12.9%                      |
| <b>Provisions</b> | <b>13,564</b> | <b>37,827</b>          | <b>(24,263)</b>          | <b>(64.1%)</b>             |

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

Ato5 totalling 18,774 thousand has been offset since the provision no longer exists for potential liabilities deriving from the issue of the legitimacy of the tariffs applied by the company for the years 2006 – 2010. Among the other uses we can point out the adjustment of the SAO *Post Mortem* Fund (-1,936 thousand euros) and the

release of 1,361 thousand euros in LaboratoRI for the recovery of plant efficiency as a result of the completions of the procedures for the sale of instruments and technical equipment owned by ACEA S.p.A. For more details see note n. 27 and the section on "Update on major disputes and litigation".

## 8. FINANCIAL INCOME - 28,170 THOUSAND EUROS

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

Financial income, amounting to 28,170 thousand euros, recorded an increase of 1,086 thousand euros over the previous year.

The change is mainly attributable to the recognition of financial income to Roma Capitale (+2,655 thousand euros) and higher interest invoiced to customers on the electricity market.

Income from measurement of fair value hedges amounted to 349 thousand euros and concerns derivatives entered into to hedge the interest rate risk on the bond issue.

## 9. FINANCIAL COSTS - 129,348 THOUSAND EUROS

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

Financial costs amounted to 129,348 thousand euros, up by 2,962 thousand euros compared to 2013.

The average overall "All in" cost of the ACEA Group's debt at 31 December 2014 stood at 3.12% compared to 3.41% in the previous year.

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

interest on bonds, compared to 31 December 2013, was up 17,631 thousand euros due to the bonds placed on the market in early September 2013 (+16,256 thousand euros) and to the issue in July 2014 under the EMTN programme of 7,680 thousand euros, partially offset by the decrease in interest on the 300,000 thousand euro bond issue in 2004 and reimbursed on 22 July 2014 (-6,289 thousand euros);

- financial costs on medium and long-term borrowings decreased by 7,022 thousand euros due to the decrease in the average interest rate. The reduction of short-term financial charges is due to the substantial elimination of short-term credit lines;
- factoring fees fell by 4,680 thousand euros for the cumulative effect of the reduction of the rate applied and a slight reduction of factored receivables.

## 10. INCOME AND COSTS FROM EQUITY INVESTMENTS – 527 THOUSAND EUROS

| € thousand                                 | 31.12.2014 | 31.12.2013<br>RESTATED | INCREASE /<br>(DECREASE) |
|--|------------|------------------------|--------------------------|
| Income from investments in Associates      | 3,369      | 3,016                  | 353                      |
| (Costs) from investments in Associates     | (2,842)    | (7,778)                | 4,936                    |
| <b>(Costs) and Income from investments</b> | <b>527</b> | <b>(4,762)</b>         | <b>5,288</b>             |

Costs from investments refer to consolidation of certain Group companies using the equity method (mainly the Sienergia Group for 1,139 thousand euros, Azga Nord for 369 thousand euros and Eur Power in liquidation per 349 thousand euros.

Income from investments mainly refers to Marco Polo in liquidation for 2,300 thousand euros, Agua de San Pedro for 585 thousand euros, GEAL for 471 thousand euros and Sogea for 12 thousand euros. With regard to Marco Polo, it is pointed out that the income arose from a revision of the estimate on the completion of the liquidation.

### INCOME TAX - 120,874 THOUSAND EUROS

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

The breakdown essentially as follows:

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

The overall increase recorded in the year, amounting to 15,088 thousand euros, derives

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

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

| € thousand  | 31.12.2014     | 31.12.2013<br>RESTATED | INCREASE /<br>(DECREASE) |
|---|----------------|------------------------|--------------------------|
| Profit (loss) before tax  | 289,793        |                        | 259,170                  |
| Theoretical tax charge at 27.5% on profit before tax (A)          | 79,693         | 27.5%                  | 71,272 27.5%             |
| Net deferred taxation (B)   | 8,166          | 2.8%                   | 15,623 6.0%              |
| Permanent differences (C)   | (7,863)        | (2.7%)                 | (22,070) (8.5%)          |
| IRES (corporate income tax) for the period (D) = (A) + (B) + (C)  | 79,996         | 27.6%                  | 64,825 25.0%             |
| IRAP (regional income tax) (E)                                    | 34,168         | 11.8%                  | 34,252 13.2%             |
| Tax Assets (F)  | 6,710          | 2.3%                   | 6,710 2.6%               |
| <b>Total taxes recognised in income statement (G)=(D)+(E)+(F)</b> | <b>120,874</b> | <b>41.7%</b>           | <b>105,786 40.8%</b>     |

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

## 12. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit for the year pertaining to ACEA by the weighted average number of ACEA shares in circulation in the year, excluding Treasury Shares. The weighted average number of shares in circulation was 212,547,907 in the 2013 and 2014 financial years. Diluted earnings per share

is calculated by dividing the profit for the year pertaining to ACEA by the weighted average number of ACEA shares in circulation in the year, excluding Treasury Shares, increased by the number of shares that might potentially be placed in circulation. As at 31 December 2013 and 2014, there are no shares that could potentially be placed in circulation, and therefore the weighted

average number of share for calculating the basic earnings coincides with the weighted average number of shares for the calculation of the diluted earnings.

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

| € thousand   | 31.12.2014    | 31.12.2013<br>RESTATED | INCREASE /<br>(DECREASE) |
|--|---------------|------------------------|--------------------------|
| Net profit attributable to the Group (€/000)   | 162,459       | 141,940                | 20,519                   |
| Net profit attributable to ordinary equity holders of the Group (€/000) (A)                              | 162,459       | 141,940                | 20,519                   |
| Weighted average number of ordinary shares outstanding for the purpose of determining earnings per share |               |                        |                          |
| • basic (B)  | 212,964,900   | 212,964,900            | 0                        |
| • diluted (C)  | 212,964,900   | 212,964,900            | 0                        |
| <b>Earnings per share (in €)</b>   |               |                        |                          |
| • <b>basic (A/B)</b>   | <b>0.7628</b> | <b>0.6665</b>          | <b>0.0963</b>            |
| • <b>diluted (A/C)</b>   | <b>0.7628</b> | <b>0.6665</b>          | <b>0.0963</b>            |

| <b>€ thousand</b>  | <b>31.12.2014</b> | <b>31.12.2013<br/>RESTATED</b> | <b>INCREASE /<br/>(DECREASE)</b> |
|--|-------------------|--------------------------------|----------------------------------|
| Net profit attributable to the Group (€/000)   | 162,459           | 141,940                        | 20,519                           |
| Net profit attributable to ordinary equity holders of the Group (€/000) (A)                  | 162,459           | 141,940                        | 20,519                           |
| Weighted average number of ordinary shares for the purpose of determining earnings per share |                   |                                |                                  |
| • basic (B)  | 212,964,900       | 212,964,900                    | 0                                |
| • diluted (C)  | 212,964,900       | 212,964,900                    | 0                                |
| <b>Earnings per share (in €)</b>   |                   |                                |                                  |
| • <b>basic (A/B)</b>   | <b>0.7643</b>     | <b>0.6680</b>                  | <b>0.0964</b>                    |
| • <b>diluted (A/C)</b>   | <b>0.7643</b>     | <b>0.6680</b>                  | <b>0.0964</b>                    |

# NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

## ASSETS

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

| € thousand                       | 31.12.2014       | 31.12.2013<br>RESTATED | INCREASE /<br>(DECREASE) | INCREASE /<br>(DECREASE) % |
|----------------------------------|------------------|------------------------|--------------------------|----------------------------|
| Non-current assets               | 4,270,593        | 4,152,547              | 118,046                  | 2.8%                       |
| Current assets                   | 2,640,556        | 2,265,072              | 375,484                  | 16.6%                      |
| Non-current assets held for sale | 497              | 6,722                  | (6,225)                  | -92.6%                     |
| <b>Total assets</b>              | <b>6,911,645</b> | <b>6,424,340</b>       | <b>487,305</b>           | <b>7.6%</b>                |

### 13. PROPERTY, PLANT AND EQUIPMENT - 2,031,410 THOUSAND EUROS

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

The remaining 31% consist mainly of the following:

a) a total of 243.2 million euros for assets in the environment segment, including the waste to energy plant that produces electricity

remunerated by CIP6 and green certificates, composting plant owned by the Kyklos, Solemme and Samace companies e the Orvieto waste dump managed by SAO,  
b) a total of 204.7 million euros from the net carrying amount of plant in the generation segment (circa 345 MW of installed power of which 122 MW regarding hydroelectric power plants), photovoltaic production with overall power just over 13 MWp and the cogeneration e trigeneration plant managed by Ecogena,

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

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

|                                  | LAND AND BUILDINGS | PLANT AND MACHINERY | INDUSTRIAL EQUIPMENT | OTHER ASSETS  | FIXED ASSET IN PROGRESS | ASSETS TO BE RELINQUISHED | TOTAL PROPERTY, PLANT AND EQUIPMENT |
|----------------------------------|--------------------|---------------------|----------------------|---------------|-------------------------|---------------------------|-------------------------------------|
| <b>31.12.2013 Restated</b>       | <b>381,239</b>     | <b>1,136,761</b>    | <b>434,262</b>       | <b>30,908</b> | <b>21,205</b>           | <b>1,818</b>              | <b>2,006,192</b>                    |
| Assets held for sale             | 0                  | 0                   | 0                    | 0             | 0                       | 0                         | 0                                   |
| Additions/Acquisitions           | 5,731              | 64,508              | 38,000               | 2,059         | 20,926                  | 434                       | 131,659                             |
| Change in basis of consolidation | 732                | 7,358               | (2)                  | 6             | 5,637                   | 0                         | 13,730                              |
| Depreciation/amortisations       | (14,297)           | (79,330)            | (17,369)             | (7,275)       | 0                       | (318)                     | (118,588)                           |
| Other changes                    | 1,597              | 5,419               | 3,435                | 2,335         | (14,368)                | 0                         | (1,582)                             |
| <b>31.12.2014</b>                | <b>375,002</b>     | <b>1,134,715</b>    | <b>458,327</b>       | <b>28,032</b> | <b>33,400</b>           | <b>1,934</b>              | <b>2,031,410</b>                    |

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

- **ACEA Distribuzione** for 101,578 thousand euros for expansion and works on the HV lines, installation or reconstruction of primary substations, maintenance and work for expansion and modernisation of MV and LV lines, reconstruction and extraordinary maintenance of secondary substations, in accordance with the priorities set out in the plan;
- **A.R.I.A.** for 6,854 thousand euros mainly due to the completion of revamping for the Terni and San Vittore del Lazio WTE plants, for system improvement of the San Vittore del Lazio plant and refurbishing of the pulper and safety plant at the Terni facility;

- **Acea Produzione** for 6,011 thousand euros, basically for extraordinary maintenance of the plant in the Tiber basin, modernisation of the Tor di Valle plant and the extension of the district heating network;
- **Ecogena** for 5,358 thousand euros basically for the construction of the new trigeneration plant serving the "Europarco" complex in Rome EUR, and for the construction of the Cinecittà Parchi cogeneration plant which came into operation in July 2014;
- **SAO** for 3,913 thousand euros regarding work undertaken for compacting the soil of the waste dump and for completing the company office building and for the project for "Revamping the waste treatment plant and expansion of the site for non-dangerous waste";

- **ACEA** for 3,651 thousand euros mainly regarding the investments for the hardware necessary for the computer network improvement and development plan.

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

- depreciation applied in SAO for 645 thousand euros for the assets involved in the revamping of the waste treatment plant;
- depreciation of 915 thousand euros applied to the assets of the Paliano plant damaged in the fire;
- impairment charges in Arse for 1,143 thousand euros mainly attributable to the photovoltaic plant installed in Paliano and affected by the

afore-mentioned fire, and the write-down of the value after the impairment test undertaken to determine the effects of the “incentives distribution” decree. A WACC of 6.3% was used in the test, and to determine measurement of the of the operating flows, reference is made to the plans for the individual plants with a

timespan from 2015 to the end of useful life (end of the incentive);

- other disposals of ACEA Distribuzione assets.

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

#### 14. INVESTMENT PROPERTY - 2,819 THOUSAND EUROS

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

| € thousand          | 31.12.2013<br>RESTATED | INVESTMENTS /<br>ACQUISITIONS | INCREASE /<br>(DECREASE) BASIS<br>OF CONSOLIDATION | AMORTISATION | DISPOSALS AND<br>OTHER CHANGES | 31.12.2014   |
|---------------------|------------------------|-------------------------------|--|--------------|--------------------------------|--------------|
| Investment property | 2,872                  | 8                             | 0  | (61)         | 0                              | 2,819        |
| <b>TOTAL</b>        | <b>2,872</b>           | <b>8</b>                      | <b>0</b>   | <b>(61)</b>  | <b>0</b>                       | <b>2,819</b> |

#### 15. GOODWILL - 150,772 THOUSAND EUROS

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

- the decrease of 591 thousand euros deriving

from the definition of Business Combination regarding the acquisition of Samace made on 1 July 2013. This amount, on the basis of a specific expert report, was attributed to property, plant and equipment;

- depreciation of goodwill regarding Laboratori for 773 thousand euros;
- depreciation of 306 thousand euros applied as

a result of the impairment test conducted on to measure the Aquaser investment in Kyklos;

- recognition of goodwill, totalling 2,839 thousand euros, arising at the time of acquisition in October 2104 of 49% of Ecogena.

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

| € thousand           | 31.12.2013<br>RESTATED | ACQUISITIONS | IMPAIRMENT<br>CHARGES/<br>REVALUATIONS | OTHER CHANGES | TOTAL          |
|----------------------|------------------------|--------------|--|---------------|----------------|
| <b>Energy</b>        | <b>138,553</b>         | <b>2,839</b> | <b>0</b>                               | <b>0</b>      | <b>141,392</b> |
| Acea Produzione      | 91,618                 | 0            | 0                                      | 0             | 91,618         |
| Acea Energia         | 46,444                 | 0            | 0                                      | 491           | 46,935         |
| Acea Energia Holding | 491                    | 0            | 0                                      | (491)         | 0              |
| Ecogena              | 0                      | 2,839        | 0                                      |               | 2,839          |
| <b>Water:</b>        | <b>773</b>             | <b>0</b>     | <b>(773)</b>                           | <b>0</b>      | <b>0</b>       |
| Laboratori           | 773                    | 0            | (773)                                  | 0             | 0              |
| <b>Environment:</b>  | <b>10,281</b>          | <b>0</b>     | <b>(306)</b>                           | <b>(596)</b>  | <b>9,379</b>   |
| ARIA                 | 7,744                  | 0            | 0                                      | 0             | 7,744          |
| Aquaser              | 2,537                  | 0            | (306)                                  | (596)         | 1,635          |
| <b>Goodwill</b>      | <b>149,608</b>         | <b>2,839</b> | <b>(1,079)</b>                         | <b>(596)</b>  | <b>150,772</b> |

In accordance with IAS 36, said balance sheet item, given that it is an intangible asset with an indefinite useful life, is not subject to amortisation, but subject to an analysis of congruity on an annual basis or more frequently where events occur or there is a change of circumstances that may lead to impairments. All the CGUs shown in the above table were subjected to impairment tests except for Ecogena e Laboratori.

It is pointed out that the Ecogena goodwill derives from the acquisition during the second half of the year, of the equity owned by Energie Alternative (33%).

Any goodwill emerging at the date of acquisition is allocated to each of the cash-generating units

expected to benefit from the synergies deriving from the acquisition. Impairment charges are identified via tests that assess the capacity of each unit to generate cash sufficient to recover the portion of goodwill allocated to it. The test to verify the value of goodwill is performed by calculating the difference between the recoverable amount, which is the higher of the value in use and the fair value less costs to sell, and the carrying amount of each Cash Generating Unit (CGU) to which goodwill has been allocated. The value in use is the current value of expected financial flows which can be assumed will derive from the continuative use of the assets of the CGU. The fair value less costs to sell represents the

amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties.

The impairment process for 2014 provides the estimate of an interval regarding the recoverable value of the individual Cash Generating Units in terms of value in use on a *continuous basis compared to the previous year*, i.e. by discounting of flows of operating results at a post-tax rate equal to the weighted average cost of the capital.

The recoverable value of the CGUs, expressed in terms of value in use, was estimated using a combination of the financial method, sensitivity analyses and Montecarlo simulation techniques.



The application of the financial method to calculate the recoverable amount and the subsequent comparison with the relevant carrying amounts, involved estimating post tax WACC, operating flows and the terminal value (TV) and, especially, the growth rate used for the flow projection beyond the period of the plan. In order to determine the operating flows and terminal value (TV), estimates for the 2015

Budget and updates on the CGU plans were used in the framework of the 2014 – 2018 plans, with regard to the years from 2016 to 2018. All the documents underlying the impairment were submitted to the Board of Directors of ACEA. The recoverable amount of the CGUs using the financial method was determined as the sum of the present value of the cash flows and the present value of the TV.

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

| OPERATING SEGMENT/<br>CGU | AMOUNT €<br>MILLION | RECOVERABLE<br>VALUE | WACC | TERMINAL VALUE                | CASH FLOW PERIOD |
|---------------------------|---------------------|----------------------|------|-------------------------------|------------------|
| <b>Energy:</b>            |                     |                      |      |                               |                  |
| Acea Produzione           | 91.6                | value in use         | 6.5% | two stages                    | up to 2019       |
| Acea Energia              | 46.9                | value in use         | 6.5% | <i>Perpetuity zero growth</i> | up to 2019       |
| <b>Environment:</b>       |                     |                      |      |                               |                  |
| ARIA                      | 7.7                 | value in use         | 6.3% | two stages                    | up to 2018       |

The *Terminal Value* was determined:

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

Furthermore, the discount rate and other parameters (for example the growth rate) were simulated using the static Montecarlo simulation technique, and stress test were conducted on some key variable in the corporate plans, also in relation to external factors.

The surplus of recoverable value of the CGU show above compared to the corresponding carrying amount comprehensive of the relative goodwill will be offset when one of the following events occurs:

- for Acea Produzione: increase of one percentage point in the discount rate;

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

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

## INTANGIBLE ASSETS

| € thousand                       | PATENT<br>RIGHTS | OTHER INTANGIBLE<br>ASSETS | FIXED ASSETS<br>IN PROGRESS | CONCESSIONS      | TOTAL            |
|----------------------------------|------------------|----------------------------|-----------------------------|------------------|------------------|
| <b>31.12.2013 Restated</b>       | <b>32,468</b>    | <b>14,367</b>              | <b>21,955</b>               | <b>1,317,286</b> | <b>1,386,076</b> |
| Assets held for sale             |                  |                            |                             |                  |                  |
| Additions/Acquisitions           | 14,731           | 374                        | 25,774                      | 146,031          | <b>186,910</b>   |
| Change in basis of consolidation |                  |                            |                             |                  | <b>0</b>         |
| Amortisation                     | (25,895)         | (1,243)                    |                             | (54,060)         | <b>(81,198)</b>  |
| Other changes                    | 26,808           | 3,294                      | (27,348)                    | (10,687)         | <b>(7,933)</b>   |
| <b>31.12.2014</b>                | <b>48,111</b>    | <b>16,791</b>              | <b>20,381</b>               | <b>1,398,571</b> | <b>1,483,855</b> |

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

### 16. CONCESSIONS AND RIGHTS ON INFRASTRUCTURE – 1,398,571 THOUSAND EUROS

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

- the net carrying amount of the tangible infrastructures acquired and constructed for managing the Integrated Water Service

(1,222,352 thousand euros at 31 December 2014). This item totalled 1,126,968 thousand euros in 2013;

- the concessions acquired for the payment of a fee totalling 172,766 thousand euros, being the concession granted by Roma Capitale to ACEA (and subsequently conferred by the latter to ACEA Ato2), for the assets consisting

of water and sewage treatment facilities. This intangible asset is amortised on a systematic basis according to the duration of the relative concession (amounting to 30 years starting from the year 1998),

- the net carrying amount of the total attributed to the item as a result of the acquisition of SAO. This asset (2,911 thousand euros) is also

amortised on a systematic basis in accordance with agreements signed with the bodies having jurisdiction.

Investments for the year regarding **Rights on infrastructure** totalled 146,031 thousand euros and mainly refer to the works performed for the remediation and expansion of water and sewage pipelines in the various municipalities, the extraordinary maintenance of water facilities and works on treatment facilities and new connections as a result of works carried out in the City of Rome and several municipalities, as well as measures for transport plant.

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

This acquisition took place on 29 December 2014 with the signature of a Framework Agreement between ACEA Ato2 S.p.A., Acque Potabili S.p.A., the Municipalities of Canterano, Capranica Prenestina, Gerano, Olevano Romano, Rocca Canterano and Rocca di Papa, and the Operational Secretariat of the Mayors' Conference of ATO 2 Central Lazio – Rome for the transfer of the management of the Integrated Water Service to the aforesaid Municipalities by the signature of a contract for the sale of a corporate branch (by Acque Potabili to ACEA Ato2 signed on 29 December 2014), in accordance with the contents

of the Resolutions by the Mayors' Conference n. 02/2007 and n. 03/2009 and the Communication of 10 July 2014. Accordingly the Service has been assigned by the Municipalities to ACEA Ato2 in its quality as manager of the Integrated Water Service of ATO 2 Central Lazio – Rome according to the terms, conditions and the duration of the 2002 management agreement.

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

#### 17. OTHER INTANGIBLE ASSETS - 85,284 THOUSAND EUROS

The increase over the previous year, totalling 16,495 thousand euros, derives from the

investments incurred in the year (40,879 thousand euros) net of amortisation (-27,138 thousand euros) and reclassifications for the commissioning of assets.

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

- charges incurred by ACEA Distribuzione for the investments regarding the new invoicing system (8,518 thousand euros) and for the improvement, optimization and monitoring of the continuity of service and the implementation of new criteria for the management of the distribution network (€ 10,285 thousand euros);
- the investments of Acea Energia regarding CRM software (2,971 thousand euros), the creation of the Data Warehouse software, the purchase of user licenses for software applications and the software for the NETA system;
- investments of the Parent Company for 10,508 thousand euros mainly to purchase and upgrade administrative and security software.

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

### 18. EQUITY INVESTMENTS IN UNCONSOLIDATED SUBSIDIARIES AND ASSOCIATES - 224,767 THOUSAND EUROS

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

| € thousand  | 31.12.2013<br>RESTATED | IMPACT ON<br>INCOME<br>STATEMENT | IMPACT ON<br>EQUITY | CHANGE IN BASIS<br>OF CONSOLIDATION | OTHER<br>CHANGES | 31.12.2014 |
|---|------------------------|----------------------------------|---------------------|-------------------------------------|------------------|------------|
| Equity investments in subsidiaries and associates | 211,952                | 20,278                           | (1,920)             | 389                                 | (5,931)          | 224,767    |

The changes recorded in the year refer to a:

- the valuations for the companies consolidated with the equity method and having an impact on the income statement totalling 20,278 thousand euros; these amounts are reflected in the income statement mainly under the item "Income/charges from equity investments of a non-financial nature" (18,821 thousand

euros) and in the item "Charges/Income from investments" (527 thousand euros);

- the "change in the basis of consolidation" reflecting the effect of the acquisition of exclusive control of the company Ecogena, measured in the previous year with the equity method. The change in the equity held by Arse in Ecogena is the result of the completion in

October of the purchase of all the shares in the investee, resulting in the valuation of the company in the consolidated assets with the full inclusion method;

- the impact of the valuations of the companies consolidated with the equity method under Shareholders' equity (-1,920 thousand euros);
- the dividends distributed by the companies Acque, Publicacqua and Ingegnerie Toscane.

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

| 31.12.2014<br>€ thousand | NON-CURRENT ASSETS | CURRENT ASSETS | NON-CURRENT LIABILITIES | CURRENT LIABILITIES | REVENUE | NET PROFIT/(LOSS) | NMP       |
|--------------------------|--------------------|----------------|-------------------------|---------------------|---------|-------------------|-----------|
| Publiacqua               | 181,328            | 45,453         | (64,188)                | (76,638)            | 88,949  | 7,279             | (36,225)  |
| Acque                    | 184,097            | 35,463         | (156,232)               | (35,210)            | 62,728  | 4,882             | (103,582) |
| Intesa Aretina           | 8,096              | 831            | 0                       | (602)               | 266     | 586               | 340       |
| Nuove Acque              | 20,388             | 4,247          | (14,755)                | (2,331)             | 8,202   | 666               | (9,246)   |
| GORI                     | 70,148             | 154,975        | (59,414)                | (132,004)           | 74,663  | 184               | (7,346)   |
| Umbra Acque              | 50,083             | 14,901         | (30,756)                | (24,800)            | 27,569  | 301               | (12,695)  |
| Ingegnerie Toscane       | 3,354              | 7,087          | (607)                   | (5,755)             | 8,693   | 970               | (2,126)   |
| Acquedotto del Fiora     | 93,226             | 21,519         | (26,638)                | (66,673)            | 38,968  | 3,940             | (49,031)  |
| Voghera vendite          | 169                | 4,887          | (237)                   | (7,825)             | 3       | (357)             | 290       |
| Ecomed                   | 3                  | 285            | 0                       | (290)               | 232     | 145               | 74        |
| Consorzio Agua Azul      | 6,989              | 1,006          | (283)                   | (932)               | 2,734   | 742               | 614       |
| Acque industriali        | 1,457              | 1,984          | (805)                   | (1,500)             | 3,805   | 233               | (705)     |
| Acque servizi            | 558                | 7,734          | (418)                   | (4,655)             | 9,932   | 554               | 391       |

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

## 19. OTHER INVESTMENTS - 2,482 THOUSAND EUROS

The item totalling 2,482 thousand euros (3,321 thousand euros in the previous year) refers to equity investments that do not qualify as subsidiaries, associates or joint ventures.

The change over the previous year amounted to 838 thousand euros and mainly refers to the impairment charges applied to the amount of the equity held in Wrc Plc and Centro Sviluppo Materiali. With regard to the latter, it is pointed out that the majority shareholder, R.I.N.A., has expressed the intention to cover losses of the company, while the non-strategic nature of the holding for ACEA has been confirmed. The final deadline ultimo for the eventual option is set at 30 September 2015.

## 20. DEFERRED TAX ASSETS - 296,224 THOUSAND EUROS

As at 31 December 2014 this item amounted to 296,224 thousand euros (308,969 thousand euros at 31 December 2013) and basically refers to the following: **(i)** 39,893 thousand euros (46,602 thousand euros at 31 December 2013) for the temporary differences between the carrying amounts recognised in the financial statements of subsidiaries, following transfers of business units, and the corresponding amounts recognised in the consolidated financial statements; **(ii)** 127,240 thousand euros (150,332 thousand euros at 31 December 2013) for lower depreciation/amortisation, **(iii)** 19,370 thousand euros for tax deductible provisions for liabilities (29,920 thousand euros at 31 December 2013); **(iv)** 52,338

thousand euros for doubtful receivables (34,488 thousand euros at 31 December 2013).

It is pointed out that:

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

The following table details the changes in this item:

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

The item "Other" includes deferred taxation related to connection fees.

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

## 21. NON-CURRENT FINANCIAL ASSETS – 34,290 THOUSAND EUROS

This item totalled 34,290 thousand euros (34,788 thousand euros at 31 December 2013) marking a decrease of 498 thousand euros.

The item basically comprises receivables from Roma Capitale for 32,580 thousand euros relating to works carried out to upgrade systems in compliance with safety and regulatory requirements as well as new constructions as per the addendum to the public lighting agreement, which were carried out in 2013. This receivable refers to the long-term portion and results from application of the financial method as envisaged in IFRIC 12 on Service Concession Agreements.

## 22 OTHER NON-CURRENT ASSETS - 43,972 THOUSAND EUROS

At 31 December 2014 these consisted of the following:

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

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

## 23. CURRENT ASSETS - 2,640,556 THOUSAND EUROS

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

### INVENTORIES

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

| € thousand     | 31.12.2014    | 31.12.2013<br>RESTATED | INCREASE /<br>(DECREASE) |
|----------------|---------------|------------------------|--------------------------|
| Environment    | 3,410         | 3,448                  | (38)                     |
| Energy         | 1,515         | 1,830                  | (315)                    |
| Water          | 8,420         | 9,872                  | (1,452)                  |
| Networks       | 15,613        | 18,334                 | (2,721)                  |
| Parent Company | 270           | 270                    | 0                        |
| <b>Total</b>   | <b>29,229</b> | <b>33,754</b>          | <b>(4,525)</b>           |

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

### TRADE RECEIVABLES

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

### CUSTOMER RECEIVABLES

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

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

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

The table below summarises the changes by operating segment:

| € thousand     | 31.12.2014       | 31.12.2013<br>RESTATED | INCREASE /<br>(DECREASE) |
|----------------|------------------|------------------------|--------------------------|
| Environment    | 29,702           | 27,627                 | 2,075                    |
| Energy         | 643,955          | 627,482                | 16,472                   |
| Water          | 406,340          | 456,160                | (49,819)                 |
| Networks       | 43,638           | 89,126                 | (45,488)                 |
| Parent Company | 39,337           | 43,975                 | (4,638)                  |
| <b>TOTAL</b>   | <b>1,162,973</b> | <b>1,244,371</b>       | <b>(81,398)</b>          |

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

#### ENVIRONMENT SEGMENT RECEIVABLES

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

plant, offset by the fall in the volume of business in Kyklos after the plant was impounded.

#### ENERGY SEGMENT RECEIVABLES

This item totalled 643,955 thousand euros and is mainly attributable to the sale of electricity to customers of the Enhanced Protection Market and free market, and by the sale of gas. The increase compared to 2013 amounted to 16,472 thousand euros and is attributable to the increase of Acea Energia receivables (12,109 thousand euros) and Acea Produzione (6,279 thousand euros) receivables, partly offset by the decrease recorded in Umbria Energy (- 5,703 thousand euros). It is pointed out that during the year, Acea Energia,

under the securitisation contract stipulated in 2009, transferred receivables from private entities for an amount of 468,927 thousand euros and in non-recourse and recourse sales of receivables mainly from customers in the Public Administration, for a total value of approximately 136,470 thousand euros, of which 116,447 thousand euros for revolving disposals. The provision for impairment at 31 December 2014 totalled 188,415 thousand euros, posting an increase, net of utilisations, of 83,251 thousand euros compared to 31 December 2013.

#### WATER SEGMENT RECEIVABLES

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

| € thousand                          | 31.12.2014     | 31.12.2013<br>RESTATED | INCREASE /<br>(DECREASE) |
|-------------------------------------|----------------|------------------------|--------------------------|
| Italian water services              | 403,990        | 453,454                | (49,465)                 |
| • Lazio-Campania                    | 403,728        | 452,788                | (49,060)                 |
| • Tuscany-Umbria                    | 262            | 666                    | (404)                    |
| Overseas water services             | 1,823          | 2,182                  | (359)                    |
| Engineering and Laboratory services | 528            | 523                    | 5                        |
| <b>Water customer receivables</b>   | <b>406,340</b> | <b>456,160</b>         | <b>(49,819)</b>          |

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

- the decrease posted in ACEA Ato2 of tariff adjustments at 31 December 2012 for billing undertaken in 2014 (96,190 thousand euros);
- the increase of 61,589 thousand euros in customer receivables not yet billed by ACEA Ato2;
- the decrease in other customer receivables in ACEA Ato2 for payments collected from municipalities and consortiums;
- the increase of 30,720 thousand euros in receivables from customer members of ACEA Ato5. This item increased mainly due to the reallocation within the item of 17,858 thousand euros in receivables for the higher operating costs incurred in the years 2006 – 2011 in relation to the Area Authority (“Ente d’Ambito”) and previously classified in other receivables. Recognition of 2014 adjustments is also comprised here;
- the decrease related to various sales transactions completed during the year by

ACEA Ato2. In particular receivables for bills to be issued, we should point out the non-recourse sales of receivables for 2012-2013 tariff adjustments (38,874 thousand euros) and the revolving non-recourse sales of receivables from private entities (10,447 thousand euros).

- With reference to bills issued we can note:
  - (i) the revolving non-recourse sale under the securitisation contract stipulated in 2010 for receivables from private entities totalling 318,504 thousand euros;
  - (ii) spot sales transactions by which receivables from the Public Administration have been sold on a non-recourse basis for 44,544 thousand euros.

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

#### NETWORK SEGMENT RECEIVABLES

These amounted to 43,638 thousand euros with a decrease of 45,488 thousand euros compared to 31 December 2013, attributable to: (i) the

decrease in receivables from wholesalers for 26,257 thousand euros in ACEA Distribuzione; (ii) the decrease of the non-attributable portion of receipts in progress (6,700 thousand euros) of ACEA Distribuzione; (iii) the increase of the provision for impairment of receivables in ACEA Distribuzione for 5,125 thousand euros; (iv) the decrease of ARSE customer receivables for receipts related to the Fiera di Rimini contract. The provision for impairment of receivables amounted to 14,438 thousand euros and posted an increase of 5,418 thousand euros basically attributable to ACEA Distribuzione. It is pointed out that during the year ACEA Distribuzione sold receivables for 308,952 thousand euros, and 81,860 thousand euros classified in other receivables, under the securitisation contract in place.

#### PARENT COMPANY RECEIVABLES

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

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

For further information on the ageing of receivables see the information in the section "Additional disclosures on financial instruments

and risk management policies" attached to this document.

#### AMOUNTS DUE FROM THE PARENT COMPANY ROMA CAPITALE

Trade receivables from Roma Capitale at 31 December 2014 totalled 67,231 thousand euros (at 31 December 2013 they amounted to 69,650 thousand euros). The total amount of receivables,

including financial receivables deriving from the public lighting contract and both current and non-current receivables, is 162,273 thousand euros compared to 154,026 thousand euros at the end of the previous year.

The following table presents an analysis of the ACEA Group's relations with Roma Capitale regarding both receivables and payables, including those of a financial nature.

| € thousand                     | 31.12.2014    | 31.12.2013<br>RESTATED | INCREASE /<br>(DECREASE) |
|--------------------------------|---------------|------------------------|--------------------------|
| RECEIVABLES                    | 162,273       | 154,026                | 8,247                    |
| PAYABLES (including Dividends) | 119,888       | 120,527                | (639)                    |
| <b>BALANCE</b>                 | <b>42,385</b> | <b>33,499</b>          | <b>8,886</b>             |

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

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

| AMOUNTS DUE TO ROMA CAPITALE                               | 31.12.2014      | 31.12.2013<br>RESTATED | INCREASE /<br>(DECREASE) |
|--|-----------------|------------------------|--------------------------|
| Electricity surtax payable                                 | (15,178)        | (14,752)               | (425)                    |
| Concession fees payable                                    | (74,047)        | (48,937)               | (25,110)                 |
| <b>Total trade payables</b>                                | <b>(89,225)</b> | <b>(63,690)</b>        | <b>(25,535)</b>          |
| <b>Total payables due within one year (B)</b>              | <b>(89,225)</b> | <b>(63,690)</b>        | <b>(25,535)</b>          |
| <b>Total (A) - (B)</b>                                     | <b>46,053</b>   | <b>60,204</b>          | <b>(14,151)</b>          |
| <b>Other financial receivables/(payables)</b>              | <b>29,442</b>   | <b>(657)</b>           | <b>30,098</b>            |
| Receivables for Dividends                                  | (3,138)         | (32,984)               | 29,847                   |
| Medium/long-term financial receivables for Public Lighting | 32,580          | 32,328                 | 252                      |
| <b>Other trade receivables/(receivables)</b>               | <b>(33,111)</b> | <b>(26,048)</b>        | <b>(7,063)</b>           |
| <i>of which: disputed payables - Vatican City fees</i>     | (20,516)        | (20,516)               | 0                        |
| <b>Net balance</b>   | <b>42,385</b>   | <b>33,499</b>          | <b>8,886</b>             |



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

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

services substantially to overall receipts of 5,152 thousand euros attributable to ACEA for 1,700 thousand euros and to ACEA Ato2 for 3,452 thousand euros.

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

- (i) 73,512 thousand euros for receivables deriving from the Public Lighting contract,
- (ii) 86,575 thousand euros for receivables for water and electric utilities, of which 78,622 thousand euros for utilities provided in 2014,
- (iii) 3,883 thousand euros mainly due to contract works and services.

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

- 34,715 thousand euros for water and electricity utilities;
- 41,843 thousand euros referring to the Public Lighting service;

- 19,396 thousand euros for contract works and services.

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

## TRADE RECEIVABLES DUE FROM SUBSIDIARIES AND ASSOCIATES

| € thousand  | 31.12.2014    | 31.12.2013<br>RESTATED | INCREASE /<br>(DECREASE) | INCREASE /<br>(DECREASE) % |
|---|---------------|------------------------|--------------------------|----------------------------|
| Amounts due from associates                               | 7,351         | 7,344                  | 7                        | 0.1%                       |
| Amounts due from subsidiaries                             | 22,366        | 25,192                 | (2,826)                  | (11.2%)                    |
| <b>Total amounts due from subsidiaries and associates</b> | <b>29,716</b> | <b>32,536</b>          | <b>(2,819)</b>           | <b>(8.7%)</b>              |

### RECEIVABLES FROM ASSOCIATES

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

### RECEIVABLES FROM SUBSIDIARIES

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

## OTHER CURRENT RECEIVABLES AND ASSETS

| € thousand  | 31.12.2014     | 31.12.2013<br>RESTATED | INCREASE /<br>(DECREASE) | INCREASE /<br>(DECREASE) % |
|---|----------------|------------------------|--------------------------|----------------------------|
| Receivables from others                           | 126,783        | 101,243                | 25,540                   | 25.2%                      |
| Accrued income and prepayments                    | 14,685         | 10,120                 | 4,565                    | 45.1%                      |
| Receivables from commodity derivatives            | 0              | 47                     | (47)                     | (100.0%)                   |
| <b>Total other receivables and current assets</b> | <b>141,467</b> | <b>111,410</b>         | <b>30,058</b>            | <b>27.0%</b>               |

## RECEIVABLES FROM OTHER

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

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

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

- 18,118 thousand euros for the increase in receivables in ACEA Distribuzione due from the Equalisation Fund for Energy Efficiency Bonds corresponding to the 2013 energy saving target assigned by the Authority for 2013 and 2014;
- 16,467 thousand euros for the recognition in Acea Energia of receivables from the Equalisation Fund for the revision of the energy sales tariff (RCV);
- 6,202 thousand euros in receivables in ACEA Distribuzione representing the remaining portion of receivables for the general equalisation for 2014;

- the elimination, due to reclassification under utilities receivables, of the receivables from the District Authority of ACEA Ato5 amounting to 17,858 thousand euros, as the result of the changes in regulations that allow the Company to bill the adjustments from previous periods, as established by the Commissioner appointed for this purpose, in three annual instalments starting from 1 July 2014.

### ACCRUED INCOME AND PREPAYMENTS

This item totalled 14,685 thousand euros (10,120 thousand euros at 31 December 2013) and mainly refers to rent on public land, rentals and insurance. The change was a positive 4,565 thousand euros and is mainly due to the net result of the increase

for Acea Energia (+6,259 thousand euros) and the decreases recorded in ACEA Ato2 (-1,174 thousand euros) and in the Parent Company (-775 thousand euros).

### RECEIVABLES FROM COMMODITY DERIVATIVES

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

### CURRENT TAX ASSETS

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

| € thousand                                      | 31.12.2014    | 31.12.2013<br>RESTATED | INCREASE /<br>(DECREASE) |
|---|---------------|------------------------|--------------------------|
| VAT receivables                                 | 55,566        | 31,053                 | 24,514                   |
| IRAP and IRES receivables                       | 11,770        | 18,769                 | (6,999)                  |
| Municipal and provincial surcharge, revenue tax | 906           | 9,986                  | (9,079)                  |
| Other tax receivables                           | 31,600        | 32,176                 | (576)                    |
| <b>Current tax assets</b>                       | <b>99,843</b> | <b>91,984</b>          | <b>7,859</b>             |

## CURRENT FINANCIAL ASSETS

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

#### FINANCIAL RECEIVABLES FROM THE PARENT COMPANY

This item totalled 62,389 thousand euros (50,121 thousand euros at 31 December 2013) and represents the unconditional right to receive cash flows in line with the methods and timing envisaged in the service agreement for public lighting management. Further details are provided in the note "Receivables due from the Parent Company Roma Capitale".

#### FINANCIAL RECEIVABLES FROM SUBSIDIARIES AND ASSOCIATES

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

#### FINANCIAL RECEIVABLES FROM THIRD PARTIES

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

- 10,700 thousand euros in ACEA Ato5 for amounts due for amounts due from the ATO and accrued over three years; one-third of the above amount was due December 31 of each year, with the first instalment due 31 December 2007. The Settlement Agreement entered into by the Company and the ATO concerns the issue of higher operating costs incurred in the 2003-2005 period and provides for the recognition of higher costs net of sums relating to (i) the tariff portion - corresponding to amortisation/depreciation and return on inflated invested capital - relating to the investments set out in the Area Plan and not carried out in the first three-year period (ii) the portion of inflation accrued on concession fees and (iii) fines for the non-fulfilment of contractual obligations in the three-year period;

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

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

#### CASH AND CASH EQUIVALENTS

The closing balance in 2014 of bank current accounts and postal accounts, held in various banks and Poste Italiane, for the various consolidated companies except those held for sale amounted to 1,017,967 thousand euros. A breakdown and changes in this item by operating segment are shown in the table below:

| € thousand     | 31.12.2014       | 31.12.2013<br>RESTATED | INCREASE /<br>(DECREASE) |
|----------------|------------------|------------------------|--------------------------|
| Environment    | 1,140            | 2,342                  | (1,202)                  |
| Energy         | 1,532            | 1,126                  | 405                      |
| Water          | 36,215           | 18,090                 | 18,125                   |
| Networks       | 639              | 0                      | 639                      |
| Parent Company | 978,440          | 541,507                | 436,933                  |
| <b>Total</b>   | <b>1,017,967</b> | <b>563,066</b>         | <b>454,900</b>           |

#### 24. NON-CURRENT ASSETS HELD FOR SALE/LIABILITIES DIRECTLY ASSOCIATED WITH ASSETS HELD FOR SALE - 398 THOUSAND EUROS

The balance at 31 December 2014 totalled 398 thousand euros, and decreased by 4,980 thousand euros compared to 31 December 2013. It includes the recognition of 497 thousand euros as the fair value of the repurchase commitment, if certain contractual conditions are not satisfied, as a result of the possible exercise of the put option granted to the buyer of the PV business unit, and the recognition of 99 thousand euros for the amount due to the buyer for the repayment of equity corresponding to the plants subject to the put. The change refers to the redemption of the commitment related to a plant at the end of the month of June 2014.

#### LIABILITIES

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

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

## 25. SHAREHOLDERS' EQUITY - 1,502,391 THOUSAND EUROS

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

### SHARE CAPITAL

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

- **Roma Capitale: n. 108,611,150** for an overall par value of 560,434 thousand euros;
- **Free float: n. 103,936,757** for an overall par value of 536,314 thousand euros;
- **Treasury Shares: n. 416,993** ordinary shares for an overall par value of 2,151 thousand euros.

### STATUTORY RESERVE

This reserve reflects the allocation of 5% net profit for previous years, in accordance with article 2430 of the Italian Civil Code.

It increased from 167,353 thousand euros at 31

December 2013 to 176,119 thousand euros at 31 December 2014, with an increase of 8,766 thousand euros primarily due to the allocation of the 2013 profit. The statutory reserve of the Parent Company amounted to 83,428 thousand euros.

### OTHER RESERVES AND RETAINED EARNINGS

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

The change was also affected by the dividend distribution of 36,204 thousand euros.

At 31 December 2014 ACEA held n. 416,993 Treasury Shares to be used for future medium/long-term incentive schemes. At this time there

are no medium/long-term share-based payment schemes planned.

### NON-CONTROLLING INTERESTS

Non-controlling interests totalled 71,825 thousand euros and decreased by 12,370 thousand euros. The difference between the two periods compared mainly reflects the combined effect of the combined effect of the portion of net profit attributable to minority interests, the decrease in shareholders' equity as a result of the distribution of dividends from net profit for 2013 and the change in the basis of consolidation after the acquisition on 1 April 2014 of a further shareholdings in the companies: Acque Blu Arno Basso, Ombrone and Acque Blu Fiorentina.

## 26. STAFF TERMINATION BENEFITS AND OTHER DEFINED BENEFIT PLANS - 118,004 THOUSAND EUROS

At 31 December 2014 this item amounted to 118,004 thousand euros (106,910 thousand euros at 31 December 2013) and reflects the termination and other benefits payable to employees on retirement or termination of employment.

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

| € thousand                                      | 31.12.2014     | 31.12.2013<br>RESTATED | INCREASE /<br>(DECREASE) | INCREASE /<br>(DECREASE) % |
|---|----------------|------------------------|--------------------------|----------------------------|
| Benefits payable upon termination of employment |                |                        |                          |                            |
| • Staff termination benefits                    | 69,116         | 66,029                 | 3,087                    | 4.7%                       |
| • Monthly bonuses                               | 10,792         | 9,083                  | 1,708                    | 18.8%                      |
| • Long-term incentive plans (LTIPs)             | 2,016          | 1,595                  | 421                      | 26.4%                      |
| Post-employment benefits                        |                |                        |                          |                            |
| • Tariff subsidies                              | 36,080         | 30,202                 | 5,878                    | 19.5%                      |
| <b>TOTAL</b>                                    | <b>118,004</b> | <b>106,910</b>         | <b>11,094</b>            | <b>10.4%</b>               |

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

The change is likewise affected by the allocation, which after the reform of staff termination benefits accounts for the staff termination benefits of employees up to 31 December 2006, and by the

impact of the review of the discount rate used for evaluation in accordance with IAS19, which results in an increase in liabilities due to the effect of the remeasurement of actuarial gains and losses (15,293 thousand euros) accounted for in "Other Comprehensive Income" (OCI).

As required by paragraph 78 of IAS 19, the interest rate used to calculate the present value of the obligation was based on returns, at the end of the reporting period, on securities of major

companies listed on the same financial market as ACEA, and on returns on government bonds in circulation at the same date that have terms to maturity similar to the residual term of the liability for the workforce in question.

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

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

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

| TYPE OF PLAN               | +0.5%     | -0.5%     |
|----------------------------|-----------|-----------|
|                            | € million | € million |
| Staff termination benefits | -4.4      | +4.8      |
| Tariff subsidies           | -1.4      | +2.3      |
| Monthly bonuses            | -0.6      | +0.7      |
| LTIP                       | -0.1      | +0.1      |

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

| TYPE OF PLAN               | -1 YEAR OLD |
|----------------------------|-------------|
|                            | € million   |
| staff termination benefits | -0.4        |
| Tariff subsidies           | +0.5        |
| Monthly bonuses            | -0.5        |

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

## 27. PROVISIONS FOR LIABILITIES AND CHARGES - 168.644 THOUSAND EUROS

At 31 December 2014 provisions for liabilities and charges amounted to 168,644 thousand euros (206,058 thousand euros at 31 December 2013) and are intended to cover potential liabilities that may derive from pending litigations, estimated on the basis of information provided by the company's internal and external legal advisors. The provisions do not take account of the effects of litigation that is expected to be concluded in the company's favour or of litigations where the potential liability arising from a negative outcome is merely considered possible.

When calculating the size of the provisions, account is taken both of the estimated costs that may derive from litigation or other disputes arising during the year and an update of estimates of the potential liabilities deriving from the litigation involving the Company in previous years.

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

| TYPE OF PROVISION                        | 31.12.2013<br>RESTATED | PROVISIONS    | RELEASE OF<br>REDUNDANCY<br>FUNDS | UTILISATIONS<br>AND OTHER<br>CHANGES | 31.12.2014     |
|--|------------------------|---------------|-----------------------------------|--------------------------------------|----------------|
| Regulatory risks                         | 65,836                 | 4,140         | (18,774)                          | (4,606)                              | 46,595         |
| Post-Operational                         | 26,399                 |               | (1,936)                           | (1,326)                              | 23,137         |
| Legal                                    | 17,721                 | 2,664         | 0                                 | (12)                                 | 20,372         |
| Other liabilities and charges            | 20,442                 | 2,648         | 0                                 | (13,918)                             | 9,172          |
| Provision for restoring plant efficiency | 1,360                  | 0             | (1,360)                           | 0                                    | 0              |
| Investees                                | 11,994                 | 117           | 0                                 | 263                                  | 12,374         |
| Contribution risks                       | 6,569                  | 112           | 0                                 | (88)                                 | 6,594          |
| Early retirement and redundancies        | 1,972                  | 19,047        | 0                                 | (18,309)                             | 2,710          |
| Tax                                      | 2,719                  | 2,376         | 0                                 | (491)                                | 4,604          |
| <b>TOTAL</b>                             | <b>155,012</b>         | <b>31,102</b> | <b>(22,071)</b>                   | <b>(38,486)</b>                      | <b>125,557</b> |
| Provision for Restoration Charges        | 38,553                 | 4,533         | 0                                 | 0                                    | 43,087         |
| Contractual commitments                  | 12,493                 | 0             | 0                                 | (12,493)                             | 0              |
| <b>TOTAL PROVISIONS</b>                  | <b>206,058</b>         | <b>35,635</b> | <b>(22,071)</b>                   | <b>(50,979)</b>                      | <b>168,644</b> |

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

- **utilisation** amounting to 50,979 thousand euros and mainly attributable to:
  - contractual commitments provisions allocated by ACEA Ato2 in 2012 to cover the obligation deriving from the MALL penalty, which was used in full (12,493 thousand euros) as a consequence of the decisions

taken by the Mayors' Conference of 10 July 2014 concerning 2014 tariffs. The tariff proposal drawn up by the Operational-Technical Secretariat, published on the web site of the Area Authority and for which we are still waiting for the relevant resolution to be published, envisages the reduction of 2012 financial increases (on the basis of the 2014 tariff) by the amount

of obligatory Operator's own investments in advance in accordance with the obligations deriving from Resolution No. 7 - 17 April 2012;

- the provision set aside in 2013 in relation to the estimated burden arising from the purchase and/or production of energy efficiency certificates to meet the objective assigned to ACEA Distribuzione that was

fully utilized (8,377 thousand euros) as a result of the purchase of a number of certificates sufficient to fulfil the obligation;

- the provisions for regulatory liabilities with a decrease of 4,606 thousand euros, essentially essentially due to the effect **(i)** of the definition in accordance with Resolution No. 163/2014/R/idr - 3 April 2014, of liabilities related to the repayment of the 2011 return on invested capital due from ACEA Ato2 to its users (3,228 thousand euros), and **(ii)** use of the provision set aside to cover the risks related to the expiry of maturity of green certificates produced by the Orte plant (1,017 thousand euros) and **(iii)** for the for the utilization of 361 thousand euros in Acea Energia;
- the early retirement and redundancies provision, utilised in the year for 18,039 thousand euros. In particular the utilisations refer to the following companies: ACEA Ato2 for 6,790 thousand euros, ACEA Distribuzione for 5,125 thousand euros, ACEA for 3,855 thousand euros and Acea Energia for 1,334 thousand euros;
- the utilisation of 1,326 thousand euros by SAO for the *Post-Operational provision*.

- **allocations** net of the release of the redundancies fund totalled 13,564 thousand euros and decreased by 24,263 thousand euros compared to 2013. This change mainly reflects the release of the redundancies fund amounting to 20,071 thousand euros, of which:
  - 18,774 thousand euros in ACEA Ato5 for the fund for allocation of customer tariffs, which was entirely utilised since there was no longer any risk of a failure to recognise previous adjustments for 2006 – 2011;
  - 1,361 thousand euros in LaboratoRI for the provision for restoring plant efficiency as a result of the completion of the procedure for the transfer of instruments and technical equipment owned by ACEA S.p.A. The provision had been allocated under a contract with the Parent Company ACEA S.p.A. for renting the corporate branch regarding the use of the Grottarossa laboratory, which expired on 31 December 2006 and was renewed in 2007 in the form of a rental contract lasting six years;
  - 1,936 thousand euros in SAO for the release of the proportional amount of the provision allocated to the Post-Operational provision, since after an expert analysis this amount proved to be in excess.

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

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

The provisions for liabilities include the commitment provided by ACEA Distribuzione to the AEEGSI (1,500 thousand euros) to remedy the alleged improper conduct charged in the investigation started by Resolution No. 300/2013/S/eel (“Start of sanctioning proceedings due to violations concerning metering aggregation”).

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

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

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

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

ACEA considers that the settlement of ongoing disputes and other potential disputes should not create any additional charges for Group companies, with respect to the amounts set aside, which represent the best estimate

possible on the basis of elements available as of today.  
For further information please refer to the section “Update on major disputes and litigation”.

## 28. NON-CURRENT BORROWINGS AND FINANCIAL LIABILITIES - 3,040,712 THOUSAND EUROS

| € thousand                  | 31.12.2014       | 31.12.2013<br>RESTATED | INCREASE /<br>(DECREASE) |
|-----------------------------|------------------|------------------------|--------------------------|
| Bonds                       | 1,909,117        | 1,290,759              | 618,358                  |
| Medium/long-term borrowings | 1,131,595        | 1,070,148              | 61,447                   |
| <b>Total</b>                | <b>3,040,712</b> | <b>2,360,907</b>       | <b>679,805</b>           |

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

| € thousand  | INSTRUMENT<br>HEDGED | FAIR VALUE<br>OF HEDGE | 31.12.2014       | INSTRUMENT<br>HEDGED | FAIR VALUE<br>OF HEDGE | 31.12.2013<br>RESTATED |
|---|----------------------|------------------------|------------------|----------------------|------------------------|------------------------|
| Bonds   | 1,855,385            | 53,732                 | 1,909,117        | 1,255,403            | 35,356                 | 1,290,759              |
| Medium/long-term borrowings                             | 1,122,558            | 9,037                  | 1,131,595        | 1,061,451            | 8,697                  | 1,070,148              |
| <b>Non-current borrowings and financial liabilities</b> | <b>2,977,943</b>     | <b>62,769</b>          | <b>3,040,712</b> | <b>2,316,854</b>     | <b>44,053</b>          | <b>2,360,907</b>       |

### BONDS

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

- 599,223 thousand euros (including accrued interest and issuing costs) for the bonds issued by ACEA in July 2014, with a duration of 10 years and fixed rate interest, in connection with the Euro Medium Term Notes (EMTN) programme worth 1.5 billion.
- The bonds, which have a minimum unit value of 100,000 euro with maturity date 15 July 2024, pay a gross annual coupon of 2.625% and have been placed at an issue price of 99.195%. The gross effective yield on maturity is 2.718%, corresponding to a yield of 128 basis points over the 10-year mid-swap rate. The bonds are governed under UK law. The settlement date was 15 July 2014. The amount of interest accrued in the period was 7,336 thousand euros,
- 602,177 thousand euros (including accrued interest) for the bonds issued by ACEA in early September 2013, with a duration of 5 years and maturity on 12 September 2018. This loan, net of positive fair value recognised in the financial management of the income statement at 1,170 thousand euros, amounted to 601,007 thousand euros.
- The bonds pay a gross annual coupon of 3.75% and were placed at an issue price of 99.754%. The gross effective yield upon maturity is therefore 3.805% corresponding to a yield of 230 basis points above the reference rate (10-year mid-swap). The bonds are governed under UK law. The settlement date was 12 September 2013. The amount

of interest accrued in the period was 22,500 thousand euros,

- 515,788 thousand euros (including accrued interest) for the bonds issued by ACEA in March 2010, with a duration of 10 years and maturity on 16 March 2020. The amount of interest accrued in the period was 22,500 thousand euros. The bonds issued have a minimum unit value of 50 thousand euros, pay a gross annual coupon of 4.5% and are were placed at an issue price of 99.779%. The gross effective yield a maturity is therefore 4.528% corresponding to a yield of 120 basis points above the reference rate (10-year mid-swap). The bonds are governed under UK law. The settlement date was 16 March 2010,
- 138,197 thousand euros (including accrued interest) for the Private Placement which, net of fair value of the negative hedging instrument for 54,902 thousand euros, amounted to 193,099 thousand euros. This fair value is allocated in a specific provision of shareholders' equity. The exchange rate difference, negative for 27,440 thousand euros, of the instrument hedged and calculated at 31 December 2014, is covered in the corresponding provision. The exchange rate at the end of 2014 was € 145.23 compared to € 144.72 at 31 December 2013. The interest accrued in the period was 3,598 thousand euros. This Private Placement bond for an amount of 20 billion Japanese Yen has a 15 year maturity (2025). The Private Placement was fully subscribed by a single investor (AFLAC). Le coupons are paid half-yearly on a deferred basis each 3 March and 3 September, applying a fixed rate in Yen of 2.5%. At the

same time a cross currency transaction was made to convert the Yen into Euro and the Yen rate applied to a fixed rate in Euro. Under the cross currency transaction, the bank would pay to ACEA, half-yearly on a deferred basis, 2.5% on the 20 billion Japanese Yen, while ACEA must pay the coupons to the bank on a deferred quarterly basis at a fixed rate of 5.025%. The borrowing and hedging contract contain an option, the former in favour of the investor and the latter in favour of the agent bank, linked to the rating trigger: the debt and the relative hedge can be recalled in their entirety if the rating of ACEA falls under investment grade level if the borrowing instrument loses its rating. At the end of the year the conditions for exercising the option did not arise.

### MEDIUM/LONG-TERM BORROWINGS (INCLUDING SHORT TERM PORTIONS)

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

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



| <b>BANK LOANS:</b>          | <b>TOTAL RESIDUAL DEBT</b> | <b>DUE BY 31.12.2015</b> | <b>FROM 31.12.2015 TO 31.12.2019</b> | <b>DUE AFTER 31.12.2019</b> |
|-----------------------------|----------------------------|--------------------------|--------------------------------------|-----------------------------|
| Fixed rate                  | 322,491                    | 20,702                   | 83,706                               | 218,082                     |
| Floating rate               | 788,181                    | 17,425                   | 410,647                              | 360,109                     |
| Floating rate to fixed rate | 67,386                     | 8,335                    | 46,551                               | 12,500                      |
| <b>Total</b>                | <b>1,178,058</b>           | <b>46,462</b>            | <b>540,904</b>                       | <b>590,691</b>              |

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

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

In particular:

- the loan taken out by ACEA Distribuzione is subject to a financial covenant expressed in the current agreement as a two decimal places ratio of 0.65 between net financial debt and the sum of net financial debt and shareholders' equity, which must not be exceeded at the end of each reporting period; this ratio must be complied with by both the borrowing company and the ACEA Group. The ratio, calculated with the same criteria

as the aforementioned agreement, has been complied with in the first half of 2014;

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

With regard to the loan agreements by the Parent Company, the contracts envisage:

- standard Negative Pledge and Acceleration Events clauses;
- clauses requiring compulsory credit rating monitoring by at least two major agencies;
- clauses requiring the company to maintain a credit rating above certain levels;
- the obligation to arrange insurance cover and maintain ownership, possession and usage of

the works, plant and machinery financed by the loan through to the maturity date;

- periodic reporting requirements;
- clauses giving lenders the right to call in the loans on the occurrence of a certain event (i.e. serious errors in the documentation provided when negotiating the agreement, default on repayments, the suspension of payments), giving the bank the right to call in all or a part of the loan.

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

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

## 29. OTHER NON-CURRENT LIABILITIES - 177,990 THOUSAND EUROS

| <b>€ thousand</b>                       | <b>31.12.2014</b> | <b>31.12.2013<br/>RESTATED</b> | <b>INCREASE /<br/>(DECREASE)</b> | <b>INCREASE /<br/>(DECREASE) %</b> |
|---|-------------------|--------------------------------|----------------------------------|------------------------------------|
| Advances from end users and customers   | 102,464           | 91,437                         | 11,027                           | 12.1%                              |
| Water connection fees                   | 24,681            | 25,346                         | (665)                            | (2.6%)                             |
| Capital grants for plant                | 18,259            | 16,761                         | 1,498                            | 8.9%                               |
| Accrued liabilities and deferred income | 32,586            | 28,006                         | 4,580                            | 16.4%                              |
| <b>TOTAL</b>                            | <b>177,990</b>    | <b>161,549</b>                 | <b>16,440</b>                    | <b>10,2%</b>                       |

### ADVANCES FROM END USERS AND CUSTOMERS

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

The following table provides the breakdown by industrial area:

| <b>€ thousand</b> | <b>31.12.2014</b> | <b>31.12.2013<br/>RESTATED</b> | <b>INCREASE /<br/>(DECREASE)</b> |
|-------------------|-------------------|--------------------------------|----------------------------------|
| Energy            | 36,142            | 33,467                         | 2,675                            |
| Water             | 65,066            | 56,715                         | 8,351                            |
| Networks          | 1,232             | 1,232                          | 0                                |
| Parent Company    | 23                | 23                             | 0                                |
| <b>Total</b>      | <b>102,464</b>    | <b>91,437</b>                  | <b>11,027</b>                    |

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

#### WATER CONNECTION FEES

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

#### CAPITAL GRANTS FOR PLANT

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

#### DEFERRED LIABILITIES AND ACCRUED INCOME

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

#### 30. PROVISION FOR DEFERRED TAXES - 93,284 THOUSAND EUROS

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

### 31. CURRENT LIABILITIES - 1,810,522 THOUSAND EUROS

| € thousand                | 31.12.2014       | 31.12.2013<br>RESTATED | INCREASE /<br>(DECREASE) |
|---------------------------|------------------|------------------------|--------------------------|
| Borrowings                | 189,957          | 599,869                | (409,912)                |
| Trade payables            | 1,249,366        | 1,207,601              | 41,765                   |
| Tax payables              | 83,941           | 41,228                 | 42,713                   |
| Other current liabilities | 287,259          | 239,082                | 48,177                   |
| <b>TOTAL</b>              | <b>1,810,522</b> | <b>2,087,779</b>       | <b>(277,257)</b>         |

#### BORROWINGS

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

#### SHORT TERM BANK CREDIT LINES

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

#### BANK LOANS FOR BONDS PAYABLE

The change amounting to 306,285 thousand euros refers to the short-term bonds, due to the effect of

the payment in the month of July of the bonds for a value of 300,000 thousand euros issued in 2004.

#### BANK LOANS

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

#### PAYABLES DUE TO PARENT COMPANY ROMA CAPITALE

The figure, totalling 3,138 thousand euros, refers to payables for dividends, down compared to 31 December 2013. Payables to the Parent Company decreased by 29,504 thousand euros due to the effect of the almost complete offsetting of the dividends recognised in the

2013 financial statements (for 30,485 thousand euros) and at the same time the dividends approved in 2014 (18,353 thousand euros); in ACEA Ato2 totalled 2,157 thousand euros compared to 2,500 thousand euros at 31 December 2013.  
In particular, during the year, the 2013 dividends

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

#### PAYABLES DUE TO SUBSIDIARIES AND ASSOCIATES

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

#### PAYABLES DUE TO THIRD PARTY SUPPLIERS

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

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

As for payables to shareholders for dividends, it is pointed out that the reduction refers to the payment of the advance on the 2013 dividend approved by the ACEA Board of Directors on 18 December 2013 (25,984 thousand euros), pertaining to the market.

It is pointed out that during 2014 factoring payables for the companies ACEA Distribuzione and Acea Energia were partly offset by higher financial payables recognised in ACEA Ato2.

#### TRADE PAYABLES

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

#### AMOUNTS DUE TO THIRD PARTY SUPPLIERS

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

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

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

- **Environment segment:** the growth of 5,082 thousand euros is mainly attributable to Aquaser (+6.568 thousand euros) mainly due to the increase in company's the business volume;
- **Energy segment:** the reduction of 17.275 thousand euros compared to 2013 is mainly attributable to Acea Energia (+31.219 thousand euros), partly offset by the increased recorded by Acea8cento (+3,059 thousand euros) and

Umbria Energy (+3,233 thousand euros) and for the effect of Ecogena (+5,829 thousand euros) which at 31 December 2013 was consolidated in equity and not fully;

- **Water segment:** the increase of 36.954 thousand euros, compared to 31 December 2013 is mainly attributable to the companies operating in the Lazio-Campania area, in particular in ACEA Ato2 (+ 34.239 thousand euros);
- **Network segment:** the increased payables to suppliers derives from ACEA Distribuzione

(10,200 thousand euros), partly offset by the lower payables recognised in ARSE (6,947 thousand euros);

- **Parent Company:** there was a decrease of 12,447 thousand euros compared to the end of 2013.

#### TRADE PAYABLES

##### TO THE PARENT COMPANY ROMA CAPITALE

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

#### TRADE PAYABLES TO SUBSIDIARIES AND ASSOCIATES

| € thousand          | 31.12.2014   | 31.12.2013<br>RESTATED | INCREASE /<br>(DECREASE) | INCREASE /<br>(DECREASE) % |
|---------------------|--------------|------------------------|--------------------------|----------------------------|
| Due to subsidiaries | 93           | 728                    | (634)                    | (87.2%)                    |
| Due to associates   | 2,437        | 7,194                  | (4,756)                  | (66.1%)                    |
| <b>TOTAL</b>        | <b>2,531</b> | <b>7,921</b>           | <b>(5,391)</b>           | <b>(68.1%)</b>             |

#### DUE TO SUBSIDIARIES

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

#### DUE TO ASSOCIATES

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

#### TAX PAYABLES

This item totalled 83,941 thousand euros (41,228 thousand euros at 31 December 2013) and comprises the IRAP and IRES tax payables for 34,844 thousand euros and 46,813 thousand euros for VAT payables.

The increase totalled 42,710 thousand euros, mainly reflecting current taxes for the year.

#### OTHER CURRENT LIABILITIES

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

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

#### DUE TO SOCIAL SECURITY INSTITUTIONS

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

| € thousand     | 31.12.2014    | 31.12.2013<br>RESTATED | INCREASE /<br>(DECREASE) | INCREASE /<br>(DECREASE) % |
|----------------|---------------|------------------------|--------------------------|----------------------------|
| Environment    | 694           | 601                    | 93                       | 15.5%                      |
| Energy         | 1,778         | 1,794                  | (16)                     | (0.9%)                     |
| Water          | 5,992         | 5,971                  | 21                       | 0.4%                       |
| Networks       | 5,719         | 5,878                  | (158)                    | (2.7%)                     |
| Parent Company | 3,295         | 3,246                  | 49                       | 1.5%                       |
| <b>TOTAL</b>   | <b>17,480</b> | <b>17,490</b>          | <b>(11)</b>              | <b>(0.1%)</b>              |

## PAYABLES ARISING FROM COMMODITY DERIVATIVES

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

## OTHER CURRENT LIABILITIES

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

| € thousand  | 31.12.2014     | 31.12.2013<br>RESTATED | INCREASE /<br>(DECREASE) |
|---|----------------|------------------------|--------------------------|
| Payables to Equalisation Fund   | 78,073         | 31,848                 | 46,226                   |
| Payables to municipalities for concession fees                                    | 51,827         | 48,636                 | 3,191                    |
| Payables for collections subject to verification                                  | 48,606         | 41,942                 | 6,664                    |
| Amounts due to staff  | 45,277         | 37,372                 | 7,905                    |
| Other payables due to municipalities  | 14,296         | 14,549                 | (254)                    |
| Payables due to Equitalia   | 11,078         | 12,833                 | (1,755)                  |
| Welfare contribution payables   | 8,363          | 11,977                 | (3,614)                  |
| Other payables  | 7,695          | 7,953                  | (259)                    |
| Payables to INPS due in instalments   | 0              | 7,427                  | (7,427)                  |
| Payables for environmental premium Art. 10 of AT14 agreement of 13/08/2007        | 1,149          | 1,287                  | (138)                    |
| Payables for purchase of rights of superficies                                    | 1,133          | 1,300                  | (167)                    |
| Payables for acquisition of corporate branch                                      | 1,106          | 0                      | 1,106                    |
| Accrued liabilities and deferred income   | 686            | 2,828                  | (2,142)                  |
| Amounts due to end users for refund of Tariff Component as per referendum outcome | 98             | 0                      | 98                       |
| <b>Other current liabilities</b>  | <b>269,386</b> | <b>219,953</b>         | <b>49,433</b>            |

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

- 46,226 thousand euros for higher payables to the Equalisation Fund: in ACEA Distribuzione it primarily refers to excise duties liabilities for the 4<sup>th</sup> and 5<sup>th</sup> bimonthly period of 2014, while in Acea Energia it refers to payables for energy equalisation. Application of equalisation has become obligatory, together with other related measures, since the second tariff cycle that came into force on 1 February 2004;
- 6,664 thousand euros in higher payables to be collected from final users, in particular in Acea Energia;
- 7,905 thousand euros in higher payables to staff, in particular in ACEA Ato2 (+4,597 thousand euros) and ACEA Distribuzione (+2,596 thousand euros);
- 1,106 thousand euros for payables to the company Acque Potabili S.p.A. as the amount for the sale of the corporate branch.
- The negative changes mainly refer to:
  - 7,427 thousand euros for payables to INPS due in instalments;
  - 3,614 thousand euros for payables to STO deriving from revenue for the application of the welfare contribution (this revenue is paid into a fund for tariff subsidies to low income household);
  - 1,755 thousand euros for payables in instalments to Equitalia, in particular in ACEA Distribuzione and ACEA Ato2;
  - 2,142 thousand euros for lower accrued liabilities and deferred income, in particular in ACEA Distribuzione.

# ACQUISITIONS DURING THE PERIOD

On 1 July 2013, the Group, through its subsidiary Aquaser, acquired 100% of SAMACE S.r.l.

The acquisition price amounted to 4.8 million euros and is subject to adjustment for the changes occurred in the net financial position at the acquisition date compared to the date set in the contract.

| NET ASSETS ACQUIRED  | CARRYING AMOUNT<br>OF ACQUIRED<br>COMPANY | FAIR VALUE<br>ADJUSTMENTS | FAIR VALUE     |
|--|---|---------------------------|----------------|
| Property, plant and equipment                              | 547.2                                     | 3,879.8                   | 4,427.1        |
| Intangible assets  | 25.7                                      |                           | 25.7           |
| Trade receivables  | 274.3                                     |                           | 274.3          |
| Other receivables  | 17.5                                      |                           | 17.5           |
| Cash and banks   | 30.0                                      |                           | 30.0           |
| Staff termination benefits and other defined benefit plans | (131.2)                                   |                           | (131.2)        |
| Tax payables   | (14.2)                                    | (303.0)                   | (317.1)        |
| Due to suppliers   | (44.0)                                    |                           | (44.0)         |
| Other payables   | (45.9)                                    |                           | (45.9)         |
| Due to banks   | (124.2)                                   |                           | (124.2)        |
| Other financial payables                                   | (125.6)                                   |                           | (125.6)        |
| <b>NET BALANCE</b>   | <b>409.6</b>                              | <b>3,576.9</b>            | <b>3,986.5</b> |
| of which attributable to non-controlling interests         |   |                           | 0.0            |
| <b>Goodwill</b>  |   |                           | <b>818.1</b>   |
| <b>Investment price</b>                                    |   |                           | <b>4,800.0</b> |
| <b>Total outlay</b>  |   |                           | <b>4,800.0</b> |
| <b>Net cash outflow for the acquisition</b>                |   |                           | <b>4,770.0</b> |
| Cash payment of the purchase price                         |   |                           | 4,800.0        |
| Cash & cash equivalents acquired                           |   |                           | (30.0)         |

Amounts in thousand euros

The acquisition is to be considered definitive.

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

| NET ASSETS ACQUIRED  | CARRYING AMOUNT<br>OF ACQUIRED<br>COMPANY | FAIR VALUE<br>ADJUSTMENTS | FAIR VALUE  |
|--|---|---------------------------|-------------|
| Property, plant and equipment                              | 17,19                                     |                           | 17,19       |
| Intangible assets  |   |                           |             |
| Financial fixed assets                                     | 2,01                                      |                           | 2,01        |
| Trade receivables  | 2,39                                      |                           | 2,39        |
| Other receivables  | 2,42                                      |                           | 2,42        |
| Cash and banks   | 2,76                                      |                           | 2,76        |
| Staff termination benefits and other defined benefit plans | -23,00                                    |                           | -23,00      |
| Tax payables f   | 4,00                                      |                           | 4,00        |
| Due to suppliers   | -8,87                                     |                           | -8,87       |
| Other payables   | -4,79                                     |                           | -4,79       |
| Due to banks   | -7,69                                     |                           | -7,69       |
| <b>NET BALANCE</b>   | <b>5,39</b>                               |                           | <b>5,39</b> |
| of which attributable to non-controlling interests         |   |                           | -           |
| <b>Goodwill</b>  |   |                           | <b>2,84</b> |
| <b>Investment price</b>                                    |   |                           | <b>8,23</b> |
| <b>Total outlay</b>  |   |                           | <b>8,23</b> |

Amounts in thousand euros

The acquisition is to be considered definitive.

# COMMITMENTS AND CONTINGENCIES

## ENDORSEMENT, SURETIES AND GUARANTEES

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

The balance comprises the following:

- the issue of a bank guarantee for 120,000 thousand euros issued in January 2012 by Cassa Depositi e Prestiti in the interests of the European Investment Bank for the loan agreement signed between ACEA and the EIB on 14 September 2009;
- 100,000 thousand euros thousand euros for the guarantee agreement entered into by the European Investment Bank and Cassa Depositi e Prestiti on 9 July 2013, with reference to the loan agreement of 100,000 thousand euros entered into on 25 October 2012 by ACEA and the European Investment Bank;
- 84,689 thousand euros for bank guarantees issued by Acea Energia mainly in favour of Terna and Eni Trading regarding the contract for the electricity dispatch service;
- 68,277 thousand euros of the Acquirente Unico and in the interests of Acea Energia as a back-to-back guarantee relating to the electricity sale agreement signed between the parties;
- 66,000 thousand euros in favour of Acea Energia and in the interests of Enel Distribuzione S.p.A. as a back-to-back guarantee for the transport of electricity;
- 53,666 thousand euros in the form of a bank guarantee issued by ACEA to Cassa Depositi e Prestiti in relation to refinancing of the loan issued to ACEA Distribuzione. This is a sole guarantee giving the lender first claim and covering all obligations linked to the original loan (493 million euros). The sum of 53,666 thousand euros refers to the guaranteed portion exceeding the loan originally disbursed (439 million euros);
- 46,185 thousand euros issued in favour of the Tax Authority to guarantee agreement on payment by instalments of the amounts due following demands accepted by Acea Energia (9,158 thousand euros) and ACEA (37,027 thousand euros);
- 10,000 thousand euros for the Global Guarantee issued in favour of Xpo Italia in the interest of Acea Energia as a back-to-back guarantee of the electrical trading transaction agreed or to be agreed between the parties;
- Global Guarantees for 10,000 thousand euros and 10,000 thousand euros issued in favour respectively of Barclays Bank (renewed in April 2014 for an amount lower than 5,000 thousand euros with respect to 31 December 2013) and BNP Paribas in the interest of Acea Energia as back-to-back guarantees of the transaction agreed or to be agreed between the parties under the terms of the ISDA Master Agreements reached;
- 21,424 thousand euros issued by insurance institutions on behalf of SAO: (i) in favour of the Province of Terni for the management of landfill operations and post-closure operations (15,492 thousand euros) and waste disposal (3,157 thousand euros) and (ii) in favour of suppliers to back contracts (2,775 thousand euros);
- 16,900 thousand euros in favour of EDF Trading in the interest of Acea Energia as back-to-back guarantee of the electrical trading transactions;
- 15,000 thousand euros in favour of Enel Trade in the interests of Acea Energia Holding as a back-to-back guarantee on electrical energy trading transactions;
- 10,000 thousand euros as guarantees in favour of Deutsche Bank AG and issued on behalf of Acea Energia as back-to-back guarantees of the transaction agreed or to be agreed between the parties under the terms of the ISDA Master Agreements reached;
- 8,000 thousand euros as a guarantee in favour of Iren Mercato S.p.A. for the precise fulfilment of the EFET agreement entered into in July 2012 between the beneficiary company and Acea Energia Holding;
- 4,202 thousand euros for the bank guarantee issued in favour of Roma Capitale in relation to the "Progetto Tecnologico" contract for the construction of the new multi-service pipe network of Via Tiburtina and adjacent streets, in the interest of Acea Distribuzione for 2,701 thousand euros and Acea Ato2 for 1,501 thousand euros;
- 2,137 thousand euros as bank guarantees issued by BBVA on behalf of ARSE to guarantee the contracts for the design, supply and installation of photovoltaic plants;
- 3,712 thousand euros as a guarantee in favour of Italgas S.p.A. in the interest of Acea Energia renewed in October 2014;
- 1,295 thousand euros relating to the bank guarantee issued by bank Bilbao Vizcaya Argentaria to GSE for the exact fulfilment of the reimbursement obligation undertaken by the company ARIA S.r.l. to GSE.

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



# SERVICE CONCESSION ARRANGEMENTS

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

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

## PUBLIC LIGHTING IN ROME

The service is provided by the Parent Company based on a deed of concession issued by Roma Capitale for a period of thirty years (from 1 January 1998). No fee was paid for this concession, which is implemented through a special service agreement, which given its accessory nature, expires on the same date of the concession (2027).

The service agreement provides, among other things for an annual update of the fee concerning consumption of electricity and maintenance and the annual increase of the lump-sum fee in relation to the new lighting installed.

Furthermore, the investments required for the service may be (i) applied for an funded by the Municipal Authorities or (ii) financed by ACES: in the first case, such works will be paid based on a price list agreed by the parties (and subject to review every two years) and will result in a percentage decrease in the ordinary fee. In the second case, the Municipality is not bound to pay a surcharge; however, ACEA will be awarded all or part of the savings expected in both energy and economic terms according to pre-established methods.

Moreover, it has been established that qualitative/quantitative parameters shall be renegotiated in 2018.

Upon natural or early expiry - also due to cases envisaged under Law Decree no. 138/2011 - ACEA will be awarded an allowance corresponding to the residual carrying amount, that will be paid by the Municipality or the incoming operator if this obligation is expressly set out in the call for tenders for the selection of the new operator. Finally, the contract sets out a list of events that represent a reason of anticipated revocation of the concession and/or resolution of contract by the will of the parties. Among these events, reference is made to newly arising needs linked with public interests, according to which ACEA has the right to receive an allowance according to the product, that is discounted based on the percentage of the annual contractual amount and the number of years until expiry of the concession.

On the basis of the number of public lighting plants as at 31 December 2009, the supplemental agreement establishes the ordinary annual fee

as 39.6 million euros, including all costs relative to the provision of electricity to supply the plants, ordinary operations and ongoing and extraordinary maintenance.

Further information is provided in the section “Related Party Transactions”.

## INTEGRATED WATER SERVICE

This service is provided under concession in the following regions:

- Lazio, where ACEA Ato2 S.p.A. and ACEA Ato5 S.p.A. provide services in the provinces of Rome and Frosinone, respectively,
- Campania, where G.O.R.I. S.p.A. provides services in the area of the Sorrento Peninsula and Capri island, the Vesuvius area, the Monti Lattari Area, as well as in the hydrographic basin of the Sarno river,
- Tuscany, where the ACEA Group operates in the province of Pisa, through Acque S.p.A., in the province of Florence, through Publiacqua S.p.A., in the provinces of Siena and Grosseto, through Acquedotto del Fiora S.p.A. and in the province of Arezzo through Nuove Acque S.p.A. It also provides the service in Lucca and province of Lucca through the company GEAL S.p.A.,
- Umbria, where the Group operates in the province of Perugia, through Umbra Acque S.p.A.

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

Revenue from Integrated Water Service was recognised on the basis of the AEEGSI resolutions approving the tariff proposals for 2014 and 2015 and adopted by the Area Authorities or by GORI and ACEA Ato5, on the basis of the decisions of the Local Authorities, which are still being evaluated by the National Authority.

These proposals contain, among other things, the adjustments of the so-called pass-through items for the years 2012 and 2013 which had been estimated in the relative financial statements. Therefore, all the differences with respect to the adjustments approved in the 2014 and 2015 Restriction on Guaranteed Revenue (VRG) with reference to the following have been recognised in the 2014 Consolidated Financial Statements:

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

With regard to the adjustment of the cost of electricity, the 2014 Consolidated Financial Statements contain only any differences with respect to the estimate made in the year 2012; for 2013, we are still awaiting the announcement

by the AEEGSI of the average cost of the segment which, with a 10% supplement, represents the cap for measuring the deviation.

## LAZIO – ACEA ATO2 S.P.A. (ATO2 – CENTRAL LAZIO - ROME)

ACEA Ato2 provides the ACEA Ato2 provides integrated water services on the basis of a thirty-year agreement signed on 6 August 2002 by the company and the Rome Provincial Authority (representing the Authority for the ATO comprising 111 municipalities, including Roma Capitale). In return for award of the concession, ACEA Ato2 pays a fee to all the municipalities based on the date the related services are effectively acquired, which is expected to occur gradually: to date, the survey work (including that for municipalities already taken over) has been completed for 94 municipalities out of 112, equivalent to around 3,869,179 residents (source ISTAT).

The larger Municipalities which have not yet been acquired include Civitavecchia to which the Lazio Regional Authority in Decree of the Regional Government No. 318 - 10/10/2013, attributed powers of substitution to transfer the integrated water service to the ATO 2 sole operator, appointing a Commissioner for this purpose. On 29 December 2014 services for water supply and/or distribution in the Municipalities of Capranica Prenestina, Olevano Romano, Canterano, Rocca Canterano, Gerano and Rocca di Papa (services previously provided by Società Acque Potabili under a system of protected management. With regard to the Municipalities of Capranica Prenestina and Olevano Romano, where the sewerage and waste water treatment services were already conducted, the transfer to ACEA Ato2 will complete the acquisition of the Integrated Water Service, while in the other four Municipalities there will only the acquisition of the water service, since the complete transfer of the Integrated Water service and only take place after the updating of sewerage and waste water treatment plants to current standards.

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

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

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

In order to contain annual tariff increases, the Area Authority, in agreement with the managing body, has reallocated the adjustments for the periods 2012 and 2013, planning their recovery after the year 2015 for an amount of approximately 19 million euros.

By Resolution 463/2014/R/idr of 25 September 2014, the AEEGSI approved the tariff proposals for the above-mentioned years and the relative tariff multipliers, while making the following main observations:

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

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

#### **LAZIO – ACEA ATO5 S.P.A. (ATO5 – SOUTHERN LAZIO - FROSINONE)**

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

The management of the integrated water service in the territory of ATO 5 Lazio-Frosinone involves a total of 85 municipalities (management still must be surveyed for the municipalities of Atina, Paliano and Cassino Centro Urbano as regards water services only) for a total population of around 480,000 inhabitants, about 460,000 inhabitants supplied and a number of end users equal to around amounting to 187,101.

During the period no new acquisitions were formalised, but it is pointed out that on 17 September 2014 a memorandum of understanding was signed with the Municipality of Atina in order to definitively conclude the dispute still pending and finally deliver the plant for the management of the Integrated Water System in municipal territory.

With regard to the Municipality of Paliano, in August 2014, ACEA Ato5 submitted a memorandum of understanding to AMEA, the current manager of the service, aimed at solving the various issues that up to now have prevented the formalisation of the transition to the Integrated Water Service.

With regard to the Municipality of Cassino, in December 2014, the Latina Regional Administrative Court accepted the application made by the Company, ordering the Municipality

to complete the procedures within ninety days from notification (or, if earlier, from the communication of the decision via administrative channels) and should they fail to comply within this deadline, a Commissioner appointed by the same decision for this purpose shall enact the said procedures.

As a result of the events mentioned in relation to applied tariff legitimacy, in its bills the company applied the tariff that was published for 2005 until 31 December 2011, in compliance with the Area Authority's instructions. However, it assesses its revenue on the basis of the minimum volumes guaranteed by the plan underlying the invitation to tender valued at the real average tariff, equal to that of the bid plus forecast and compound inflation.

For the year 2012 (and also 2013), Acea Ato5 applied the real average tariff (1.359 €/m<sup>3</sup>) to its customers and the corresponding tariff structure established by the Special Commissioner, Mr. Passino, in the "Decree Protocol No. F66 of 8 March 2012 - Determination of the integrated water service tariff applicable for the year 2012 in the ATO-5 Southern Lazio-Frosinone".

Since the Mayors' Conference of 5 March 2014, which approved the tariff proposals for 2012 and 2013, the Company has started to bill the tariff corresponding to the maximum tariff multiplier allowed in accordance with AEEGSI Resolution n. 585/2012.

As already described in the 2013 Consolidated Financial Statements, the proposal made by the operator and transmitted pursuant to Art. 9.2 of Resolution 643/2013 provides a tariff multiplier  $\vartheta$  for the years 2012 and 2013 of respectively 1.350 and 1.397, and therefore subject to a specific enquiry by the AEEGSI since it was higher than the maximum levels allowed (1.065 for 2012 and 1.134 for 2013).

It is pointed out that the Mayors' Conference of 5 March 2014 resolved as follows:

- *to approve the proposed calculation, as per technical report, that determines a provisional applicable tariff of €/m<sup>3</sup> 1.447 for the tariff multiplier applicable for the year 2012 ( $\Theta = 1.065$ ); and a provisional tariff of €/m<sup>3</sup> 1.541 for the tariff multiplier for the year 2013 ( $\Theta = 1.134$ ), provided that with respect to the  $\vartheta$ , values proposed by the operator resulting in tariff changes in absolute terms exceeding the MTN limit, an investigation shall be ordered by the Authority*
- *to send this act to the AEEG, with the documentation on the agenda for the consequent enquiry in observance of the conditions of art. 7 paragraph 7.1 of Resolution 585/2012/R/idr.*

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

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

The conference likewise approved the new tariff structure, which on the basis of Art. 39 of Annex A of Resolution n. 643/2013/R/idr, requires the Area Authorities or authorities having jurisdiction to abolish the minimum consumption rate for domestic utilities.

The mayors also resolved "to send the resolution to the AEEGSI, together with the documentation on the agenda for the consequent enquiry, in compliance with the AEEGSI notice of 16 June 2014, referred to in Art. 5 para. 5.6 of Resolution 643/2013/R/idr". The Resolution of the Mayors' Conference was published at the end of the month of September 2014.

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

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

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

ACEA Ato5 has recognised in its financial statements a provision for impairment of receivables totalling 34 million euros, which also takes into account the time necessary for the recovery of the significant amount of bills still to be issued (totalling approximately 120 million euros) with reference to prior adjustments and the difference between the cap multiplier and the multiplier contained in the tariff proposals by the operator.

### **CAMPANIA – GORI S.P.A. (SARNESE VESUVIANO)**

GORI integrated water services in 76 municipalities in the provinces of Naples and Salerno, on the basis of a thirty-year agreement signed on

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

### **RELATIONS WITH THE CAMPANIA REGIONAL GOVERNMENT**

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

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

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

It is likewise pointed out that on 24 March 2014, an addendum to the regulatory agreement of 24 June 2013 was stipulated with the Campania Region and the Extraordinary Commissioner of the Sarnese Vesuviano Area Authority, to redefine and normalize the relations between the parties regarding the management of the ASI Consortium, involving the termination of litigation under way. The agreement has substantially amended the date on which GORI

is due to take over the management of the Integrated Water Service, with the exclusive legitimation to utilise under concession the works and infrastructures of the Integrated Water Service to ensure the providing of the Integrated Water Service to the Consortium. This had been scheduled to start from 1 July 2011. The agreement enables the Campania Region to bill and collect the tariffs for the water services furnished to the ASI Consortium in Naples for the period from 2007 to 30 June 2011; the result is the reduction of the amounts due to GORI from the ASI Consortium in Naples, while there is the recognition of equivalent higher tariff adjustments by the Extraordinary Commissioner of the Sarnese Vesuviano Area Authority. Accordingly, the economic relations have been defined in such a way as to involve the adjustment of the revenue recognised by GORI with respect to the Consortium, and on the other hand the reduction of costs payable by the Region for the purchase of the water resource. This has involved the remeasurement of the payables to the Campania Region, already defined by the settlement agreement of 24 June 2013. The economic effects of the changes made were offset by the consequent tariff adjustments.

## TARIFFS

The current Extraordinary Commissioner of the Sarnese Vesuviano Area Authority, in compliance with the AEEG Resolution of 28 December 2012 n. 585/2012, passed Resolution No. 17 - 29/04/2013 establishing the Restriction on guaranteed revenues (VRG) for 2012 and 2013 and the *theta* tariff multiplier for the same years. AEEGSI has still not concluded the analysis on the 2012-2013 tariffs.

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

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

Revenue for 2014 totalled 174.2 million (Group share 64.5 million euros) and was calculated on the basis of the Extraordinary Commissioner's figures and taking into account the changes occurring with an impact on the limitation.

In particular, reference was made to the implementation of the afore-mentioned Regional Law which substantially postpones the transfer of the regional plant to 2018.

This revenue, like that of the years 2012 and 2013, includes the difference between the application of the rules in Resolutions 585/2012 and 643/2013 and the maximum allowable level in an initial stage. This difference totals approximately 46 million euros (Group share 17 million euros).

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

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

From the month of September, the Company has started issue bills to recovery the above-mentioned adjustments.

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

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

categories in economic difficulty, the Authority has decided to change the assignment of the FoNi amount for the year 2012, previously allocated to making new investments, thus allowing further tariff subsidies for 2015.

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

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

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

The definition of the above measures and the consequent implementation are a necessary condition for maintaining the principle of going concern.

It is recalled that is the Consolidated Financial Statements include provisions of 39.2 million

euros, allocated in 2011 for an amount of 44.1 million euros, intended to cover the uncertainties regarding GORI.

### **TUSCANY – ACQUE S.P.A. (ATO2 – BASSO VALDARNO)**

The management agreement, which came into force on 1 January 2002 with a twenty-year duration, was signed on 28 December 2001. In accordance with said agreement, the Operator took over the exclusive integrated water service of ATO 2, comprising all public water collection, abstraction and distribution services for civil use, sewage systems and the treatment of waste water. The Area includes 57 municipalities. Acque pays a fee to all the municipalities for the concession, including accumulated liabilities incurred under previous concessions awarded.

### **TARIFFS**

With reference to the 2014 and 2015 tariff proposal approval process, on 3 April 2014 the Territorial Conference of the Lower Valdarno ATO2 approved the guaranteed Revenue restriction limits and the theta for 2014 and 2015.

Compared to the previous year the theta is equal to 6.5% for both 2014 and 2015. In order to maintain the tariff increase to this level, the tariff recovery of the 2012 adjustments repayment component was postponed to 2017.

On 24 April 2014 the company sent the tariff update request in accordance with Resolution No. 643/2013/R/idr and the methods required by AEEGSI. On the same date the Meeting of the Tuscan Water Authority approved the tariff proposal as formulated by the Territorial Conference.

The data and evaluations in the update request presented by the company differ from the calculations approved by the Meeting of the Tuscan Water Authority on the formula used to calculate the tariff multiplier as Acque holds the formulation adopted by the Tuscan Water Authority to be incorrect, failing to respect the principle of full cost recovery.

In brief, the company's tariff proposal differs to that approved by the Tuscan Water Authority in the amount of the portion of 2012 adjustments postponed to 2017 and in the final analysis in the total guaranteed tariff revenues.

AEEGSI Resolution 402/2014/R/idr approved the tariff multipliers for 2014 and 2015, respectively amounting to 1.134 and 1.208; these multipliers, considering the size of the planned investments, take into account a shorter useful life of assets with respect to the ones set by regulations, as a result of the option exercised by the AIT to adopt financial depreciation and amortisation.

The tariff proposals were approved while awaiting the outcome of the enquiries by the AIT; in the month of November 2014 that body endorsed

the observations submitted by the Company and informed the AEEGSI of the procedures for undertaking the adjustment.

**Prior adjustments** for 2011 were approved by the Tuscan Water Authority on 30 June 2014 by Resolution No. 35 and amount to 3.8 million euros (Group share 1.7 million euros).

Revenue for 2014, recognised on the basis of the tariff calculations made for that year, totalled 126 million euros (Group share 56.7 million euros) including the estimate of adjustments of the pass-through items and the differences compared to the amount recognised in the years 2012 and 2013.

### **EXTENSION OF THE CONCESSION TO 2026**

By resolution n. 12 of 6 December 2011, Consortium Meeting of ATO 2 (now Autorità Idrica Toscana) approved the extension of the management concession of the Integrated Water System of ATO n.2 Basso Valdarno to Acque, currently expiring on 31.12.2021, by another 5 years, therefore, up to 31 December 2026, subject to three conditions which if not met will lead to suspension.

This Resolution set the deadline of 30 April 2012, later postponed to 31 December 2014, for the presentation of the Company proposal to extend the concession.

The Resolution to extend the AIT arises from the requirement of some additional investments not included in the current Area Plan at the time the borrowing agreements were made, and also absent in the subsequent reviews of the plan and the Operational Intervention Plans (OIP). In any case no Authority would have been allowed to require the operator to undertake more measures without a corresponding measure to ensure the economic and financial rebalancing of the contract, which the Authority is required to do by law.

The only instrument identified to guarantee the economic and financial balance was the extension of the duration of the concession.

In the aforesaid 2011 Resolution the extension was subordinated to three conditions which if not met will lead to suspension: **(i)** presentation of a documented proposal by the operator; **(ii)** approval in writing by the bodies currently financing Acque; **(iii)** evidence of the availability on the part of primary banks to finance eventual further financial requirements, when these are not covered by the existing financing entities or by other forms deemed appropriate by the Authority.

The changes regulatory outlook after Resolution n. 12 of 6 December 2011 enabled Acque to draft a proposal for extension of the concession up to 2026, with a revision of the investments plan

in accordance with the requirements of the 'AIT, thought without applying to banks and/or any change in the existing borrowing structure, to make more investments in the period 2014-2021. In December 2014, the Board of Directors of Acque then approved this proposal, which was officially sent to the AIT last 16 December.

In particular, with respect to the last plan approved, the new Investment Plan contained in the proposal provides for the following: **(i)** in the period 2014-2021, higher net investments of 67.0 million euros and **(ii)** in the period 2022-2026 total investments of 345 million euros.

The proposal likewise calls for the early start-up of some new works to 2020, for a total of 28.4 million euros, through the use of concessions, with a significant deferral of the payment of the amount that can be made after 31 December 2021, thus without affecting the cash flow of the company earmarked for repayment of existing borrowings. The AIT approved the proposal on 13 February 2015 and Acque has submitted to the lenders a request for a waiver to obtain consent to the extension and thus make the measure fully efficacious.

The borrowing agreed in 2006 totalled 255 million euros with use of 218 million euros; the loan repayment period starts from 2014 with incremental half-year instalment according to the system defined in the loan agreement.

With reference to the main **litigation and disputes** of the Company, the following is pointed out:

- appeal was presented to the Council of State against the decision by the Tuscany Regional Administrative Court dated 22 April 2013, which rejected the application presented by Acque for the annulment of Resolution n. 60 of 27 April 2011 of the Co.N.Vi.Ri., referring to the review of the revision for the 2005-2008 3-year period of the Area Plan of ATO 2 Toscana – Basso Valdarno. The case is currently pending,
- in November 2014, notice was delivered to the company by which CONSIAG S.p.A. summoned the company to appear before the Florence Court. CONSIAG was, up to 31 December 2001, the operator of the water service in certain Municipalities joined in a consortium, all within the ATO 3 area except for the Municipality of Montespertoli, inserted in ATO2. Besides Acque, the summons was also notified to the AIT and all the publicly-owned Acque partners.
- CONSIAG has claimed from Acque, in relation to the service undertaken in the Municipality of Montespertoli, a 0.792% share in the company and compensation totalling 1,989,834 euros. On the other hand, the Municipality of

Montespertoli is already a partner in Acque through Publiservizi (partner of Acque with 19.26% of the share capital) of which it is a partner with an equity holding of 0.98%. Therefore Acque, deeming the demand to be unfounded, has not made any allocations for this litigation.

### **TUSCANY – ACQUEDOTTO DEL FIORA S.P.A. (ATO6 – OMBRONE)**

Based on the agreement signed on 28 December 2001, the operator (Acquedotto del Fiora) is to supply integrated water services on an exclusive basis in ATO 6, consisting of public services covering the collection, conveyance and distribution of water for civil use, sewerage and waste water treatment.

The concession term is twenty-five years from 1 January 2002.

In August 2004, ACEA – via the vehicle Ombrone SpA – completed its acquisition - of an interest in the Company.

With reference to the 2014 and 2015 tariff proposal approval process, on 8 April the Territorial Conference No. 6 Ombrone of the Tuscan Water Authority approved the new tariff development and the Economic-Financial Plan for 2014-2021, approved also by the Meeting of the Tuscan Water Authority on 24 April 2014. Compared to the previous year the theta is equal to 6.5% for both 2014 and 2015. The *theta*, compared to the previous year, is equal to 6.5% both for 2014 and 2015. On 31 July 2014 the AEEGSI ratified this by Resolution 402/2014/R/idr approving the tariff multipliers for 2014 and 2015 respectively amounting to 1.134 and 1.208; these multipliers, considering the size of the investments planned, take into account a shorter useful life of assets with respect to the ones set by regulations, as a result of the option exercised by the AIT to adopt financial depreciation and amortisation. Furthermore the limitations on guaranteed revenue include the quantification of the component  $FNI^{new}$  calculated on the basis of the parameter  $\psi$  amounting to 0.5.

In order to contain annual tariff increases, the Area Authority, in agreement with the operator, has reallocated the adjustments for the years 2012 and 2013, providing for a recovery after 2015 for an amount of approximately 7 million euros (Group share 1.5 million euros).

**Prior adjustments** for the year 2011 were approved by the Tuscan Water Authority on 30 June 2014 with Resolution n. 38 and amounted to 4.2 million euros (Group share 1.7 million euros).

Revenue for 2014, recognised on the basis of the tariff calculation made for that year, totalled 90.5 million euros (Group share 40.5 million euros) including the estimate of adjustments of the

pass-through items and the differences compared to the amount recognised in the years 2012 and 2013.

From the financial point of view, it is recalled that on 5 March 2012 the Company agreed to the extension, for another 18 months, i.e. up to September 2013, of the bridge loan that has increased from 80 million euros to 92.8 million euros, with another 12.8 million euros being provided. Finally, on 5 September 2013 another increase of the bridge loan up to 105.0 million euros was issued (Group share 42.0 million euros) with maturity on 30 September 2014 necessary to cover the of the remaining portion of the new 2013 investments and of many of the investments included in the 2014 plan. The loan was supposed to have contributed, by the maturity date, to the consolidation of the current debt in a medium/long term financial structure, and to have ensured the low funding still necessary to guarantee the complete implementation of the intervention plan, already in an advanced stage.

At the same time, following new regulatory measures and after the AIT Resolution on the new MTI, the Company has sent the letters of invitation for the selection procedures to one or more banks interested in the project, the deadline for presentation of the offers set for 31 July 2014, afterwards extended, upon request by the banks themselves, to 15 October 2014. Given the above-mentioned extension of the deadline for the offer to provide medium/long-term loans, which are also necessary to refinance the existing bridge loan, the maturity of the bridge loan itself, planned for 30 September 2014, is no longer coherent, and therefore in August the Company promptly requested and obtained an extension of the bridge loan expiry tot 31 March 2015.

### **TUSCANY – PUBLIACQUA S.P.A. (ATO3 – MIDDLE VALDARNO)**

The management agreement, which came into force on 1 January 2002 with a twenty-year duration, was signed on 20 December 2001. In accordance with said agreement, the Operator took over the exclusive integrated water service of ATO 3, comprising all public water collection, abstraction and distribution services for civil use, sewerage systems and the treatment of waste water. The Area includes 49 municipalities, of which 6 managed via agreements inherited from the previous operator, Fiorentinagas. In return for awarding the concession, the Operator pays a fee to all the Municipalities, including accumulated liabilities incurred prior to award of the related contracts.

In June 2006, ACEA, through the vehicle Acque Blu Fiorentina S.p.A., completed its acquisition of an interest in the company.

With reference to the 2014 and 2015 tariff proposal approval process, on 18 April Territorial Conference No. 3 Middle Valdarno of the Tuscan Water Authority approved the new tariff development and the Economic-Financial Plan for 2014-2021, approved also by the Meeting of the Tuscan Water Authority on 24 April 2014. Compared to the previous year the theta is equal to 3.4% for 2014 and 6.4% for 2015. AEEGSI Resolution 402/2014/R/idr approved the tariff multipliers for 2014 and 2015 respectively amounting to 1.101 and 1.171; these multipliers, considering the size of the investments planned, take into account a shorter useful life of assets with respect to the ones set by regulations, as a result of the option exercised by the AIT to adopt financial depreciation and amortisation. Furthermore the limitations on guaranteed revenue include the quantification of the component  $FNI^{new}$  calculated on the basis of the parameter  $\psi$  amounting to 0.4. Revenue for 2014 was calculated on the basis of the above-mentioned approved tariff rates, for a total of 201.9 million euros (Group share 80.7 million euros) including the estimate of adjustments of the pass-through items and the differences compared to the amount recognised in the years 2012 and 2013.

It is pointed out that the Tuscan Water Authority, by its letter of 27 September 2013, started up the fourth tariff update with regard to the costs, announcing its intention to make this update for the years 2010-2011, thus excluding 2012, the year in which the Transitional Tariff Method came into force. The review concluded with the approval of Resolution No. 36 - 30 June 2014: the Tuscan Water Authority calculated an adjustment of 8.9 million euros (Group share 3.6 million euros), approximately 10 million euros (Group share 4 million euros) lower than the amount allocated in the previous years, which represents the recovery of the lower charges for depreciation and amortisation and for the remuneration of invested capital which, with the MTN in force, were recognised to the previous management company.

In terms of financing sources, on 29 November 2012, the company took out a new bridge loan with a duration of 18 months minus one day, until 23 May 2014 for a total of 75 million euros, of which a total of 60 million euros was disbursed on the subscription date.

On 15 May 2014, the Company sent a request to the Agent Bank to extend the Final Expiry of the Loan until 30 November 2014. The request was approved by the Banks and the necessary changes were made to the Loan Agreement. Upon the expiry of the bridge loan, the Company made bilateral borrowing agreements for an

overall amount of 92.5 million euros falling due: **(i)** 55 million euros on 30 June 2015 and **(ii)** 37.5 million euros on 27 November 2015.

The Company also initiated contacts with the major lending banks in order to jointly assess the best solution available for financing the 2015-2021 Economic and Financial Plan.

#### **UMBRIA – UMBRA ACQUE S.P.A. (ATO1 – UMBRIA 1)**

On 26 November 2007 ACEA S.p.A. was definitively awarded the tender called by the Area Authority for selection of the minority private business partner of Umbra Acque S.p.A. The tender procedure requires the successful bidder to subscribe an 11.335% increase in the post-increase share capital of Umbra Acque S.p.A. and the purchase of 4,457,339 shares owned by outgoing private shareholders (ACEA already holds an interest in Umbra Acque through the subsidiary Crea), corresponding to 28.665% of the post-increase share capital of Umbra Acque S.p.A. Before the end of 2007, ACEA completed the subscriptions of the share capital increase and the purchase of shares owned by outgoing private shareholders, thus acquiring ownership of 40.00000257% of the share capital of Umbra Acque S.p.A.

By Resolution 252/R/idr of 29 May 2014, the AEEGSI approved the tariff proposals for 2014

and 2015 which envisage tariff multipliers of respectively 1.126 and 1.195.

In its specific report on the topic, the Area Authority opted not to apply financial depreciation and amortisation, and in the year chosen under its own discretion decided to annul the FNI<sup>new</sup> tariff component for the year 2014. An adjustment for the year 2012 amounting to 6.3 million euros was also charged to the tariffs for 2014, 2015 and 2016, for a maximum amount of 2.1 million euros per year.

Revenue for 2014 totalled 60.9 million euros (Group share 24.3 million euros) including the estimate of adjustments of the pass-through items and the differences compared to the amount recognised in the years 2012 and 2013.

#### **TUSCANY – GEAL S.P.A., AZGA NORD S.P.A. AND LUNIGIANA ACQUE S.P.A. (ATO1 – NORTH TUSCANY)**

##### **GEAL S.P.A.**

The company GEAL S.p.A. manages the Integrated Water Service in the Municipality of Lucca.

On 18 April 2014 the Tuscan Water Authority approved the 2014 and 2015 tariff proposals and the relevant Economic-Financial Plan, with Resolution No. 6. In particular, the new tariff includes a 6.5 % increase for 2014 on the previous year. Nevertheless, over 60% of said increase is represented by the component intended to cover

2012 tariff adjustments, already accounted for as revenues in the relevant financial year.

The figures required to acknowledge the adjustment of integrated water service fees for 2010 and 2011 were sent to the competent body on 27 June 2014, in accordance with Resolution No. 268/2014. These fees are payable to the company as they were not calculated at the time by CIPE, as required by the Council of State. As there are some errors in the above resolution, the company reserves the right to appeal against the same in the courts having jurisdiction.

#### **LUNIGIANA ACQUE S.P.A. IN LIQUIDATION AND AZGA NORD S.P.A. IN LIQUIDATION**

As is known the companies were placed in liquidation respectively on 2 August 2011 and 20 December 2010. Although still in liquidation, both continued to manage the service to guarantee continuation of supply in this essential public service until handing over control to GAIA on 1 April 2012 (Lunigiana) and 1 July 2013 (AZGA Nord).

Lunigiana and AZGA Nord have both stipulated contracts with GAIA for renting corporate branches that must be converted into contracts for definitive transfer in order to collect the amount of the assets not subject to depreciation. It is pointed out that negotiations are under way for completing this transfer.



# RELATED PARTY TRANSACTIONS

## ACEA GROUP AND ROMA CAPITALE

Trading relations between ACEA Group companies and Roma Capitale include the supply of electricity and water and provision of services to the Municipality.

Among the principal services are the management, maintenance and upgrading of public lighting facilities and, with regard to environmental-water services, the maintenance of fountains and drinking fountains, the additional water service, as well as contract work. Such relations are governed by appropriate service contracts and the supply of water and electricity is subject to the current market tariffs adjusted for supply conditions.

It is pointed out that ACEA and ACEA Ato2, respectively, provide public lighting and integrated water services under the terms of two thirty-year concession agreements. Further details are provided in the section "Service concession arrangements".

With regard to public lighting, the Group provides public lighting services on an exclusive basis within the Rome area. As part of the thirty-year free concession granted by the Municipality of Rome in 1998, the economic terms of the concession services are currently governed by a service contract signed by the parties, effective as of May 2005 until the concession expiry (31 December 2027). On 15 March 2011, ACEA and Roma Capitale signed a supplemental agreement effective from the beginning of the year.

The supplements regard the following elements:

- alignment of the term of the service contract with the expiry of the concession (2027), given that the contract is merely additional to the agreement;
- annual update of the compensation concerning consumption of electricity and maintenance;
- annual increase in the lump-sum payment with regard to the new lighting points installed.

Furthermore, the investments required for the service may be (i) applied for and funded by the Municipal Authorities or (ii) financed by ACES: in the first case, such works will be paid based on a price list agreed by the parties (and subject to review every two years) and will result in a percentage decrease in the ordinary fee. In the second case, the Municipality is not bound to pay a surcharge; however, ACEA will be awarded all or part of the savings expected in both energy and economic terms according to pre-established methods.

Moreover, it has been established that qualitative/quantitative parameters shall be renegotiated in 2018.

Upon natural or early expiry, ACEA will be awarded an allowance corresponding to the

residual carrying amount, which will be paid by the Municipality or the incoming operator if this obligation is expressly set out in the call for tenders for the selection of the new operator. The contract sets out a list of events that represent a reason of early termination of the concession and/or resolution of contract by the will of the parties. Among these events, reference is made to newly arising needs attributable to the public interest including that set out in Article 23 *bis* of Law Decree 112/2008 repealed following the referenda of 12 and 13 June 2011, on the basis of which ACEA has the right to receive an allowance according to the discounted result of a defined percentage of the annual contractual amount multiplied by the number of years until expiry of the concession.

Based on the fact that the supplementary agreement exceeds the reference thresholds set out by the Company with regard to Related Party Transactions, it was analysed by the Board of Directors and approved during the meeting held on 1 February 2011, having obtained the favourable opinion of the Committee for Related Party Transactions.

The current contract, as amended by the supplemental agreement, involves a lump-sum payment as compensation for ordinary operations, ongoing and extraordinary maintenance and the supply of electricity. The amount accrued at 31 December 2014, calculated on the basis of lighting points as at 31 December 2013, amounted to 54.1 million euros and is billed in monthly instalments with payment set at 60 days.

The new constructions and investments contribute to the increase in the lump-sum figure due to the annual accrual calculated according to the capital allowance mechanism envisaged for the plants underlying the specific operation as well as the percentage reduction of the ordinary fee due from Roma Capitale, the amount of which is defined in the technical-economic project document.

A variable interest rate is applied to the invested capital.

It is pointed out that as a Local Authority, Roma Capitale has the power to regulate municipal taxes and duties that the Group companies are required to pay and which fall under its territorial jurisdiction. However, the Group is not solely liable for any such taxes and duties with respect to other companies operating in the municipality. The reciprocal receivables and payables – with regard to payment terms and conditions – are governed by each single contract:

- for the public lighting service contract, payment shall be made within sixty days of receipt of the invoice and, in case of delayed payment, the legal interest rate will be applied

for the first sixty days, after which the default interest rate will be applied, as set out from year to year by a Decree of the Ministry of Public Works and the Ministry of Economy and Finance,

- with reference to all other service contracts, the payment term for Roma Capitale as regards service contracts is sixty days from receipt of invoice, and in the case of late payment the parties have agreed to apply the current bank rate at the time.
- for the supply of electricity and water to Roma Capitale (solely with reference to regulated market users), it is envisaged that Roma Capitale makes an advance payment of 90% within 40 days of receiving a summary list of the bills issued by Group companies. Moreover, Roma Capitale must settle the remaining balance by June of the following year. In the case of late payment for electricity or water, interest is payable to the extent permitted under the terms of prevailing AEEG provisions,
- the prices applied to sales of electricity to free market users are in line with the commercial policies of Acea Energia. Payment terms are sixty days and, in case of delay, a default interest rate will be applied,
- the terms of payment for the ACEA Group relating to fees for the water services concession and the rental on its head office premises are set at thirty days from receipt of the invoice, and in the case of late payment interest shall be paid in accordance with the current bank rate at the time.

The electricity sales contract terminated on 28 February 2015

For further information regarding relations between the ACEA Group and Roma Capitale, reference should be made to the disclosures regarding receivables and payables vis à vis the Parent Company in note 23.b of this document.

The following table shows details of revenues and costs at 31 December 2014 of the ACEA Group (compared to those for the same period of the previous year) deriving from the most significant financial relations.

| € thousand                           | REVENUE    |            | COSTS        |              |
|--------------------------------------|------------|------------|--------------|--------------|
|                                      | 31.12.2014 | 31.12.2013 | 31.12.2014   | 31.12.2013   |
| Water supply                         | 34,693     | 31,277     | 0            | 0            |
| Electricity supply                   | 31,948     | 33,082     | 0            | 0            |
| Public Lighting service contract     | 53,557     | 53,203     | 0            | 0            |
| Interest on Public Lighting contract | 3,164      | 538        | 0            | 0            |
| Water service maintenance contract   | 289        | 585        | 0            | 0            |
| Monumental fountain service contract | 289        | 585        | 0            | 0            |
| Concession fee                       | 0          | 0          | 20,391       | 20,303       |
| Rental expenses                      | 0          | 0          | 115          | 154          |
| <b>Taxes and duties</b>              | <b>0</b>   | <b>0</b>   | <b>2,923</b> | <b>5,454</b> |

During the year 2014, Roma Capitale and ACEA offset 163,970 thousand euros. Reference should be made to note 23 for details on the impact of these transactions, while the table below summarises the changes in receivables and payables.

| € thousand  | 31.12.2013 | COLLECTIONS/<br>PAYMENTS | ACCRUALS 2014 | 31.12.2014 |
|-------------|------------|--------------------------|---------------|------------|
| Receivables | 154,026    | (163,970)                | 172,217       | 162,273    |
| Payables    | 120,527    | (163,970)                | 163,332       | 119,888    |

## ACEA GROUP AND ROMA CAPITALE GROUP

Anche con Società, Aziende Speciali o Enti The ACEA Group also maintains trading relations with other companies, special companies and entities owned by Roma Capitale, concerning the supply of electricity and water.

The supply of services to entities owned by the Roma Capitale Group is conducted on an arm's length basis. The prices applied to sales of electricity to free market users are in line with the sales policies of Acea Energia.

With regard to the supply of electricity, please note that ATAC is no longer supplied by Acea Energia

with effect from 1 February 2012.

The following table shows the most significant amounts of revenues, costs, receivables and payables deriving from relations between the ACEA Group and entities owned by the Roma Capitale Group

| € thousand                       | 31.12.2014        | 31.12.2014   | 31.12.2014           | 31.12.2014    |
|----------------------------------|-------------------|--------------|----------------------|---------------|
| ROMA CAPITALE GROUP              | TRADE<br>PAYABLES | COSTS        | TRADE<br>RECEIVABLES | REVENUE       |
| TRAMBUS                          | 28                | 0            | 0                    | 0             |
| AMA S.p.A.                       | 1,449             | 1,495        | 6,235                | 10,126        |
| ATAC S.p.A.                      | 105               | 478          | 39,727               | 3,037         |
| AZIENDA PALAEXPO'                | 0                 | 0            | 725                  | 970           |
| MUSICA PER ROMA                  | 49                | 40           | 179                  | 112           |
| RISORSE PER ROMA R.P.R. S.p.A.   | 0                 | 0            | 260                  | 135           |
| Bioparco S.p.A.                  | 0                 | 0            | 10                   | 354           |
| ROMA METROPOLITANE S.R.L.        | 0                 | 42           | 1,062                | 378           |
| INVESTIMENTI S.p.A.              | 0                 | 0            | 3                    | 0             |
| ROMA MULTISERVIZI S.p.A.         | 1,060             | 1,495        | 1                    | 1             |
| ZETEMA PROGETTO CULTURA S.R.L.   | 610               | 0            | 21                   | 130           |
| FONDAZIONE CINEMA PER ROMA       | 101               | 100          | 0                    | 0             |
| MET.RO.                          | 18                | 1            | 0                    | 0             |
| FARMACAP                         | 0                 | 0            | 2                    | 0             |
| AEQUA ROMA                       | 0                 | 0            | 40                   | 0             |
| ATAC PATRIMONIO SRL              | 0                 | 0            | 50                   | 28            |
| FARMACOSOCIOSANITARIA            | 0                 | 0            | 2                    | 290           |
| FIERA ROMA SRL                   | 0                 | 0            | 807                  | 996           |
| ROMA SERVIZI PER LA MOBILITA'    | 0                 | 0            | 26                   | 49            |
| LE ASSICURAZIONI DI ROMA         | 0                 | 0            | 9                    | 0             |
| HANDICAP DOPO DI NOI ONLUS       | 0                 | 0            | 1                    | 0             |
| <b>Total Roma Capitale Group</b> | <b>3,421</b>      | <b>3,650</b> | <b>49,162</b>        | <b>16,606</b> |

## ACEA GROUP AND MAIN ASSOCIATES

Up until 31 December 2011, i.e. the natural expiry date of the business unit lease, the company **Marco Polo** carried out facility management services. From 1 January 2012 the aforementioned business unit returned to ACEA, including the staff and the facility management activities involved. Marco Polo was converted into a limited liability company and was placed in liquidation as of 8 May 2013.

The following table shows amounts (thousands of euros) for revenues, costs, receivables and payables deriving from relations between the ACEA Group and the company Marco Polo.

| € thousand | REVENUE    | COSTS      | RECEIVABLES | PAYABLES   |
|------------|------------|------------|-------------|------------|
|            | 31.12.2014 | 31.12.2014 | 31.12.2014  | 31.12.2014 |
| Marco Polo | 256        | 0          | 2,340       | 24         |

## ACEA GROUP AND MAIN COMPANIES OF THE SUEZ ENVIRONMENT GROUP

At the reporting date, essentially all purchase and supply agreements signed under the terms of the 2010 Framework Agreement had expired.

## ACEA GROUP AND MAJOR COMPANIES OF THE CALTAGIRONE GROUP

The ACEA Group also maintains trading relations with Caltagirone subsidiaries or associates, concerning the supply of electricity and water. The supply of services to entities owned by this company is conducted on an arm's length basis. The prices applied to sales of electricity to free market users are in line with the sales policies of Acea Energia.

The following table shows amounts for the more important equity and economic relations between the ACEA Group and entities owned by the Caltagirone Group at 31 December 2014.

| € thousand              | 31.12.2014     | 31.12.2014 | 31.12.2014        | 31.12.2014 |
|-------------------------|----------------|------------|-------------------|------------|
| CALTAGIRONE GROUP       | TRADE PAYABLES | COSTS      | TRADE RECEIVABLES | REVENUE    |
| Total Caltagirone Group | 4,280          | 3,256      | 8,722             | 37,831     |

## LIST OF SIGNIFICANT RELATED PARTIES TRANSACTIONS

**Transactions examined and excluded from application of the OPC Procedure; since their amount exceed the threshold of major significance, these transactions, although excluded, are subject to disclosure**

**Acea Energia/ACEA Ato2:** an Addendum was signed to bring the supply contract into line with

AEEGSI requirements, according to which the integrated water service operator must be held harmless from the risk of having to pay a price for the supply higher than the maximum allowed price acknowledged for the tariff.

**Transaction examined in the OPC Procedure; since it is defined as being of major significant also apart from the amount:**

"Project LED", notified to the OPC Committee on 5 November 2014 as a disclosure in compliance

with paragraph 6.2.1 (Negotiation Phase) of the OPC Procedure. The transaction could be considered as being of major relevance, although the declared values do not exceed the required threshold, since it is part of a broader contract with Roma Capitale for the Public Lighting service). The draft contract, in the form of draft "Executive Act", revised and corrected by ACEA, is being examined by Roma Capitale. There follows the percentage weight of transactions with related parties on the statement of financial position, the income statement and the cash flow statement.

## IMPACT ON STATEMENT OF FINANCIAL POSITION

| € thousand               | 31.12.2014 | OF WHICH WITH RELATED PARTIES | % WEIGHT | 31.12.2013 RESTATED | OF WHICH WITH RELATED PARTIES | % WEIGHT |
|--------------------------|------------|-------------------------------|----------|---------------------|-------------------------------|----------|
| Financial assets         | 34,290     | 32,580                        | 95.0%    | 34,788              | 32,328                        | 92.9%    |
| Trade receivables        | 1,259,920  | 159,362                       | 12.6%    | 1,346,556           | 156,892                       | 11.7%    |
| Current financial assets | 92,130     | 72,134                        | 78.3%    | 118,302             | 60,983                        | 51.5%    |
| Trade payables           | 1,249,366  | 130,872                       | 10.5%    | 1,207,601           | 105,821                       | 8.8%     |
| Borrowings               | 189,957    | 8,229                         | 4.3%     | 599,869             | 32,984                        | 5.5%     |

## IMPACT ON INCOME STATEMENT

| € thousand                        | 31.12.2014 | OF WHICH WITH RELATED PARTIES | % WEIGHT | 31.12.2013 RESTATED | OF WHICH WITH RELATED PARTIES | % WEIGHT |
|-----------------------------------|------------|-------------------------------|----------|---------------------|-------------------------------|----------|
| Consolidated net revenue          | 3,038,253  | 203,943                       | 6.7%     | 3,289,015           | 150,058                       | 4.6%     |
| Consolidated operating costs      | 2,339,311  | 28,248                        | 1.2%     | 2,643,996           | 26,358                        | 1.0%     |
| Total financial (expense)/ income | (101,178)  | 3,065                         | (3.0%)   | (99,302)            | 144                           | (0.1%)   |

## IMPACT ON CASH FLOW STATEMENT

| € thousand  | 31.12.2014 | OF WHICH WITH RELATED PARTIES | % WEIGHT | 31.12.2013 RESTATED | OF WHICH WITH RELATED PARTIES | % WEIGHT |
|---|------------|-------------------------------|----------|---------------------|-------------------------------|----------|
| Increase in current receivables                             | (15,958)   | (2,469)                       | 15.5%    | (118,891)           | (34,634)                      | 29.1%    |
| increase /decrease in current payables                      | 38,657     | 25,052                        | 64.8%    | 76,812              | 46,769                        | 60.9%    |
| Proceeds/payments deriving from other financial investments | 27,616     | 11,403                        | 41.3%    | 32,041              | (11,257)                      | (35.1%)  |
| Dividends received  | 51         | 51                            | 100.0%   | 0                   | 0                             | 0.0%     |
| Decrease/increase in other short-term borrowings            | (411,842)  | (24,755)                      | 6.0%     | (223,112)           | 31,927                        | (14.3%)  |
| Dividends paid  | (43,852)   | (43,852)                      | 100.0%   | (77,434)            | (77,434)                      | 100.0%   |

# UPDATE ON MAJOR DISPUTES AND LITIGATION

## TAX ISSUES

### SAO TAX INSPECTION

In October 2008, the Revenue Agency notified the company with two notices of assessment which reassessed, inter alia, the tax reports for the tax years 2003 and 2004 with regard to the IRES tax. The alleged irregularities arise from the application of Article 14, paragraph 4-bis of Law n. 537 of 24 December 1993.

The appeals filed by the Company were merged by the Tax Commission of Terni which, in the month of May 2009, upheld the application for suspension filed by SAO and in November 2009 stayed the proceedings by raising the issue of the constitutionality of Article 14, paragraph 4 bis of Law n. 537 of 24 December 1993, upon which the tax assessment was based.

By decision of March 2011 the Constitutional Court dismissed the constitutionality issue and remanded the proceedings to the Tax Commission of Terni. In January 2013, the Commission upheld the appeals filed by SAO and ordered the Revenue Agency to pay 50% of the legal costs incurred by the Company.

By sentence 419/04/14 issued on 24 February 14, and deposited in July 2014, the Umbria Regional Tax Commission rejected the appeal submitted by the Revenue Agency ordering it to pay the expenses.

In addition to the above, in November 2008, the Revenue Agency notified the company, and the former Parent Company EnerTAD S.p.A., with a notice of assessment that reassessed the IRES tax due for the 2004 tax period, establishing an additional tax charge of 2.3 million euros for taxes, net of penalties, where applicable. The alleged irregularities arise from the application of Article 14, paragraph 4-bis of Law n. 537 of 24 December 1993.

SAO defense arguments were upheld by both the Provincial and the Regional Tax Commission. In February 2013, the Revenue Agency appealed to the Supreme Court and the company filed its appearance.

It is believed that the actions of the tax authorities mentioned above are illegitimate, and that the risk of having to pay the full amount is remote, which previous shareholder EnerTAD, now Erg Renew, will be obliged to pay on the basis of the guarantees issued as part of the purchase/sale agreement regarding the shares of the direct parent company A.R.I.A. S.r.l., formerly Tad Energia Ambiente S.p.A., reaffirmed by the recent award of the Board of Arbitrators.

For the sake of completeness, we also mention that in January 2009, the company challenged the decision ref. no. 2008/27753 of 27 November

2008 by which the Revenue Agency suspended the payment of a VAT refund claimed by the Company for the 2003 tax year. This refund amounting to 1.3 million euros, was recognized by the tax authorities, but it was suspended as a precautionary measure due to the above mentioned tax assessments. The Tax Commission, with Ruling issued following the hearing held in March 2010, upheld the appeal lodged by the company, thus cancelling the cited measure against the aforementioned ruling. The Revenue Agency submitted an appeal in September 2010. The proceedings are in progress. It should be noted that the receivable concerning the above VAT refund was sold for valuable consideration in July 2010. The buyer lodged an appeal, simultaneously requesting discussion at a public hearing for the cancellation of measure 73747/2011 by which the Terni Provincial Department of the Revenue Agency declared the sale of said VAT credit from SAO to said assignee to be unacceptable. By sentence no. 52/04/12 issued on 3 October 2011 and filed on 26 March 2012, the Perugia Regional Tax Commission rejected the appeal filed by the Tax Authorities, with reimbursement of costs. The Revenue Agency appealed to the Supreme Court and the company filed its appearance.

### ARSE TAX INSPECTION

On 14 June 2012, a Report on Findings from the Italian Financial Police - Rome Tax Police Department was delivered to the Company, following the inspection to check the correct use of the tax suspension provisions under the VAT tax warehouse system pursuant to article 50-bis of Law Decree no. 331 of 30 August 1993 ("VAT Warehouses"), relating to certain assets imported by the company in 2009, 2010 and 2011.

Based on the alleged abusive use of the aforementioned system by the company, the inspectors charged the company with failure to pay VAT on imports - for 2009, 2010 and 2011 - amounting to 16,198,714.87 euros.

On 6 August 2012 the company submitted a defence brief pursuant to art. 12, paragraph 7, of Law n. 212 of 27 July 2000 concerning the findings contained in the aforementioned Report on Findings.

The issue relating to the concepts of simulated warehouses and the introduction of goods to the country is particularly well-known and debated, and has been the subject of numerous papers on practices issued by the Customs Authority and several cases of legal intervention.

The company considers that all the factual and legal conditions envisaged in the regulation on the use of VAT Warehouses, as interpreted by the relevant administrative bodies, were fully satisfied and therefore the aforementioned Report on Findings is without grounds.

With regard to VAT warehouses, please also note that, as concerns the particular case of the provision of services for the assets held at the VAT warehouses (case set forth in letter h) of art. 50-bis of Law Decree no. 331/1993), art. 34, paragraph 44 of Law Decree no. 179 of 18 October 2012 recently amended art. 16, paragraph 5-bis of Law Decree no. 185 of 29 November 2008 (on the authoritative interpretation of letter h) of art. 50-bis noted above) establishing, for that case, that VAT must be deemed definitively paid if, when the merchandise is taken from the VAT warehouse for marketing within the country, the regulations set forth in paragraph 6 of art. 50-bis of Law Decree 331/93 are correctly implemented, or the reverse charge procedures pursuant to art. 17, paragraph 2, of Presidential Decree no. 633 of 26 October 1972 are correctly applied.

This approach appears to be supported by Circular n. 16/D of 20 October 2014 issued by the Customs Agency following the decision of the Court of Justice of 17 July 2014 n. C-272/13.

### GORI TAX INSPECTION

In 2011, the Revenue Agency carried out an inspection for the year 2008. At the end of the inspection, the inspectors charged the company with higher taxes payable for approximately 1 million euros (plus penalties and interest).

As a direct consequence of the tax inspection reported above, the company received: **(i)** a notice of findings in December 2012 relative to 2007 with which higher IRES corporate income taxes were charged for 3,902 thousand euros, IRAP regional tax for 2,816 thousand euros and VAT for 97 thousand euros. On 13 February 2013, the company submitted a request for tax settlement which was finalized in May involving payment of 1,249 thousand euros; **(ii)** a notice of assessment in the month of August 2013 for the year 2008, with which higher IRES and IRAP taxes were charged for 2,569 thousand euros and higher VAT for 570 thousand euros. The Company requested and obtained the payment by instalment of the sums assessed which amounted to 1,393 thousand euros; **(iii)** on 28 January 2014, an internal order of the Campania Regional Revenue Department announcing the opening of a general audit for the year 2010 and a targeted audit for the years 2011 and 2012.

The Company has requested implementation of the inspection report and payment by instalment of the sums assessed, totalling 2,970 thousand euros inclusive of fines and interest.

### ARIA (FORMERLY EALL) TAX INSPECTION

On 17 February 2012, the Terni Tax Police Department of the Guardia di Finanza launched a general inspection (IRES, IRAP and VAT) against EALL for the years 2010/2011 until its merger

into ARIA. A request for the 2009 inspection to be extended to VAT was submitted during the course of the inspection.

On 26 April 2012, ARIA S.r.l., as incorporating company of EALL, was served a notice of findings report containing the following findings:

- deductions pursuant to Tremonti ter;
- undue deduction of VAT on the disposal of ash and waste.
- difetto di competenza su alcuni costi di manutenzione.

Regarding the first of these findings, the inspectors pointed out the incorrect calculation for 2009 of a negative income component, but at the same time recognised the amount due for 2010.

In March 2014, the Terni Revenue Agency notified tax assessment n. T300E0300073/2014 to the Company and the Parent Company ACEA for IRES amounting to 3,061 thousand euros (plus fines and interest) for the lack of time correspondence of the "Tremonti ter" deduction of the incorporated company EALL. In September 2014 the agreement to this assessment was signed and at the same time 448 thousand euros inclusive of the interest was paid.

Regarding the second finding, the inspectors charged the company with unlawful deduction in 2009, 2010 and 2011 of part of the VAT on services received for the disposal of ash and waste. In practice the company had received invoices indicating the standard VAT rate rather than the subsidised rate. Following the notification, which took place during the years 2012 and 2013, of the notices of assessment for VAT for the years 2009, 2010 and 2011, in 2013 the company paid the additional tax assessed and the related penalties, assessed on a reduced basis, for a total amount of 844 thousand euros.

With regard to the third finding, on 15 October 2014 the Terni Revenue Agency notified a tax assessment to the Company and the Parent Company for the amount of 54 thousand euros inclusive of fines. The Company paid the amount due within the required time.

### **ACEA DISTRIBUZIONE TAX INSPECTION**

Following the general inspection undertaken on 19 December 2012, the tax authority served ACEA Distribuzione with a Report on Findings on 23 May 2013. The findings concern corporate income taxes (IRES), regional tax (IRAP) and VAT for a total of about 1.5 million euros. The same Report on Findings also identified irregularities for the years 2008-2012 concerning the tax treatment of certain items already identified as irregular and having a multi-year impact on the accounts.

On the basis of the report in the assessment, the Lazio Regional Revenue Department – Large Taxpayers' Office requested clarifications on the taxation treatment of these items for the fiscal years 2008 and 2009.

With reference to 2008 ACEA Distribuzione paid the sum of 56 thousand euros (plus fines and interest) in adherence to the assessment.

For the year 2009, the Lazio Regional Revenue Department notified assessment reports for excessive IRES and IRAP deductions for a taxable amount of 219 thousand euros and an excess VAT deduction of 163 thousand euros. On 19 February 2015 the Lazio Regional Revenue Department ordered the total annulment of the assessment for the IRES and IRAP items and the partial annulment of the VAT assessment.

On 20 February 2015 the Company presented an application of agreement to the VAT assessments still outstanding.

### **CUSTOMS INSPECTION OF VOGHERA ENERGIA VENDITA IN LIQUIDATION**

On 20 August 2013, the Pavia Customs Office notified a report on findings to Voghera Energia Vendita which reported the missed declaration, and consequently, failure to pay excise duties and surcharges on electricity for the period 2008 - 2011 for a total amount of 12,532 thousand euros. The same report on findings also reported the failure to account for VAT on excise duty for an amount of 2,524 thousand euros.

On 4 October 2013, pursuant to art. 12 of Law 212/2000, the company filed its defense briefs, detailing the transactions carried out in the audited years and filing copious supporting documentation.

Despite the accurate reconstruction of billing operations provided in the brief, on 14 February 2014 the Customs Office served a notice of payment for non-payment of excise duties and surcharges on electricity for the periods ranging from 2008 to 2011 for a total of 10,931 thousand euros plus interest of 941 thousand euros and an order for the payment of administrative penalties (a total of approximately 25 million euros). These acts were annulled in as far as almost all sums are concerned as a consequence of the submission of a request for tax settlement which resulted in the payment of 124 thousand euros for 2008 on 16 April 2014.

On 9 September 2014 the Pavia Customs Office notified to Voghera Energia Vendita the start-up of assessment on the consumption declarations for the years 2009-2013, completed at the end of November 2014, calculating for the entire period examined a total amount of unpaid excise duties and surcharge of approximately 130 thousand euros, plus fines and interest of approximately 305 thousand euros which would be reduced to 134 thousand euros in the case of payment within 60 days from the issue of the fines.

### **KYKLOS TAX INSPECTION**

On 20 March 2014 the Latina Tax Police Department of the Guardia di Finanza launched a general inspection (IRES, IRAP and VAT)

against Kyklos for 2012 which concluded with the notification on 6 May 2014 of a Report on the following main findings:

- lack of the principle of time correspondence for the deduction of Directors' fees;
- non-deduction of leasing instalments;
- non-deduction of vehicle maintenance costs.

The total taxable amount subject to tax is 78 thousand euros for IRES; 38 thousand euros for IRAP; 5 thousand euros for VAT.

### **GESESA TAX INSPECTION**

Following the tax inspection regarding the year 2009, the Checking Office of the Revenue Agency – Benevento Provincial Directorate notified two separate assessments:

- the assessment notified to Gesesa on 25 September 2014 for IRAP and VAT tax for an overall amount of 19 thousand euros;
- the assessment notified on 1 October 2014 both to Gesesa (as Group company) and to the Parent Company ACEA (as Parent Company) for the consolidated IRES for an overall amount of 117 thousand euros.

With regard to these assessments the companies presented applications for further checking with agreement, and the procedure closed with the signature of an agreement involving the payment of 30 thousand euros inclusive of fines and interest.

### **ACEA TAX INSPECTION**

On 17 September 2014 the Revenue Agency – Lazio Regional Directorate – opened proceedings against ACEA with a general inspection (IRES, IRAP and VAT) for the year 2011, which ended on 23 December 2014 with the notification of an assessment containing a single claim regarding IRAP for a higher taxable amount of 207 thousand euros. On 19 January the Company communicated its agreement to the assessment.

### **CLAIMS/FISCAL DISPUTES RELATED TO ARSE**

In the month of January 2015, 13 notices for adjustment and liquidation were notified to ARSE and Apollo – the company to which the photovoltaic plants built by ARSE were conferred, and sold to RTR Capital at the end of 2012. These notices regarded the assessment of a higher value, for purpose of register, mortgage and property registration taxes, compared to the amount declared at the time the right of superficies was established for some portions of land where the plant was constructed.

The acts signed substantially involve the extinguishing of the previous land rental contracts and at the same time the establishing of the right of superficies on the same portions of land. The Revenue Agency challenged the value declared in the acts, claiming that the object of these acts was the transfer not only of the real rights to the



land, but also of the ownership of the area of the photovoltaic plants. It is pointed out that this plant was constructed by ARSE, and therefore, at the time the right of superficies was established, it already owned the plant, which was later conferred upon Apollo.

The higher tax assessment on ARSE and Apollo, including fines and interest, totals around 9,500 thousand euros.

It is believed that there are well founded reasons, supported by authoritative opinions, to challenge the demands by the tax authorities both in the assumptions and, on a subordinate level, in the amounts.

## OTHER ISSUES

### ACEA ATOS - TARIFFS

With reference to the appeal by the Area Authority dated 31 July 2013 for the annulment of the final report of 30 May 2013 by the Commissioner appointed for the purpose, we are currently awaiting the hearing to be scheduled. In any case, the Company, believing the measure to be valid and effective for all the effects of the law, also given the renunciation by the Area Authority of the cautionary application, has considered that the combined effects of Art. 31 and 32 Annexe A of AEEGSI Resolution 643/2013/R establishing the procedures for the recovery of the adjustments without authorization acts by the entity granting the concession to be definitely applicable to the case at hand for all the effects of the law. Therefore, starting from the month of July 2014, ACEA Ato5 has started the recovery of the amounts in question in twelve equal quarterly instalments, since the adjustments are acknowledged to take precedence over the guaranteed revenue limitation. This action has been jointly notified both to A.ATO 5 and the AEEGSI.

### ACEA ATOS – ORDER TO PAY FOR THE RECOVERY OF CREDIT DERIVING FROM THE 2007 SETTLEMENT AGREEMENT

With regard to the credit of 10.7 million euros for higher costs incurred in the period 2003 – 2005, referred to in the settlement agreement of 27 February 2007, on 14 March 2012 ACEA Ato5 made an application for an order to pay for the credit items acknowledged to the Company by the A.ATO.

The Frosinone Court, accepting the application, issued Order to pay n. 222/2012, immediately executive, which was notified to the Area Authority on 12 April 2012.

The AATO, with the act of 22 May, filed its opposition to the injunction, requesting its revocation and, on a cautionary basis, the suspension of its provisional execution. Moreover, by way of cross-claim, it filed a demand for

payment of concession instalments for € 28,699,699.48.

ACEA Ato5 filed its appearance in this appeal against the order, opposing the demands made and on its part filing a counterclaim for the payment of the entire amount of higher costs incurred by the managing company and originally requested, totalling € 21,481,000.00.

After the hearing of 17 July 2012, the Judge deposited an order on 24 July for suspension of the provisional execution of the order to pay, postponing the discussion of the specific matter. The judge also rejected the application for issue of an order for payment of the concession instalments filed by the A.ATO.

During the hearing of 21 November 2014, the judge opened discussion on the applications made by the parties, setting the hearing for the conclusions for 17 June 2016.

### GORI – LITIGATION FOR WATER SUPPLY: ARIN

A number of cases are pending between GORI and ARIN S.p.A. (now called Azienda Speciale ABC) regarding the cost of water supply provided for A.T.O. n. 3.

ABC operates in the territory of the Municipality of Naples, and is the special agency of the Municipality that has replaced ARIN S.p.A. The Municipality of Naples comes within the territory of A.T.O. n. 2 “Naples-Volturno” of the Campania Region.

On the basis of previous concessions, ABC utilises its own water supply sources (the Serino Aqueduct in A.T.O. n. 1 of the Campania Region, and the Casalnuovo wells in A.T.O. n. 2 of the Campania Region) and also purchased water from the Campania Regional authorities.

Currently, ABC directly supplies water on a wholesale basis to some Municipalities, GORI and the Region as well.

The dispute regards the fact that ABC applies to sub-suppliers a tariff approximately three times higher than the regional tariff; the regional tariff is 0.1821 €/m<sup>3</sup> while the ABC tariff is 0.47376 €/ m<sup>3</sup> (from 1 January 2013: 0.497922 €/m<sup>3</sup>).

ABC should however charge wholesale water distributed in accordance with European and national standards (see the recent provisions in this are by the AEEGSI) of so-called “cost orientation”, i.e. in order to exclusively recover only the “effective costs” incurred for water distribution also since ABC does not have the title to sell water on a wholesale level.

This incoherence is due to the fact that the law had not yet fixed the tariff for supplies between different areas (pertaining to the Campania Region and the Area Authorities). In this regard, it is pointed out that Art. 11 of Regional Law n. 14/1997 (law implementing the “Galli Law”) states that: “Any *interference between the*

*integrated water services of different A.T.O., with particular regard to the transfers of resources and the common use of infrastructures, are governed by specific agreements between the Area Authorities on the basis of the indications provided by the Regional Government”.*

This situation obviously involves increased costs for the tariff of the Integrated Water Service of A.T.O. n. 3 with repercussions on the final users in the Municipalities falling within that A.T.O. The above considerations were extensively communicated and discussed in a Service Conference summoned for this purpose by the Sarnese Vesuviano Area Authority, in the context of evaluation, following a specific technical enquiry, showing that the management costs of the water supply works are considerably lower than the tariff applied to ABC. It does not seem justifiable for the Municipality of Naples to set tariffs (applied by ARIN) affecting final users of other Municipalities and even of another A.T.O. (namely ATO n. 3). This is why the dispute is still under way between ABC (formerly ARIN S.p.A.) and GORI.

For these reasons GORI filed the following appeals **(i)** to the Campania Regional Administrative Court against the measures by which ABC, on the basis of AEEGSI resolutions n. 585/2012 and n. 88/2013, determined the new tariff applied to the sub-distributor and **(ii)** to the Lombardy Regional Administrative Court on the basis of AEEGSI Resolution n. 560/2013 in the part approving the tariffs that ABC applied for the year 2013.

We can consider the recent sentence n. 1343/15 issued by the Naples Court, rejecting the claim by the plaintiff ABC regarding the demand for payment of the water supply services for the Municipality of Camposano in the period from the 4<sup>th</sup> quarter 2007 to the 2<sup>nd</sup> quarter 2008.

### GORI – DISPUTE WITH THE COMMISSIONER APPOINTED FOR THE SOCIAL-ECONOMIC-ENVIRONMENTAL EMERGENCY IN THE SARNO RIVER WATER BASIN

On 29 March 2011, the Appointed Commissioner for the social-economic-environmental emergency in the Sarno river water basin obtained injunction order no. 371/2011 issued by the Campania Regional Administrative Court (Naples), ordering the Area Authority and GORI - as jointly liable - to pay the sum of 5.5 million euros, plus accessory costs, to the Appointed Commissioner as sums due for their part of the loan for which they were deemed liable under the terms of the Memorandum of Understanding signed on 19 March 2004 between the appointed Commissioner, the Campania Regional Government, the Area Authority and GORI. Though this was duly challenged, by sentence no. 6003 of 21 December 2011 the Campania



Regional Administrative Court (Naples) confirmed injunction order no. 371/2011.

Accordingly, the Area Authority and GORI filed an appeal before the Council of State, which on 24 April 2012 issued order no. 1620/12 which suspended the effects of the sentence challenged until a decision was made on the merits. Council of State sentence n. 2941 of 10 June 2014 overturned the decision by the Campania Regional Administrative Court and declared the termination of the Memorandum of Understanding pursuant to Art. 1467 of the Italian Civil Code for excessive costs.

### **GORI – DISPUTE AGAINST THE CAMPANIA REGIONAL GOVERNMENT FOR ANNULMENT OF REGIONAL COUNCIL RESOLUTION NO. 172/2013 - PART DEFINING THE METHODS FOR TRANSFERRING REGIONAL WORKS**

GORI challenged Regional Council Resolution No. 172/2013, considering this way of transferring Regional Works to be prejudicial, as it does not allow for some fundamental and functional aspects for correct Integrated Water Service management such as the exact acknowledgement of the state of the Work also from a technical-management point of view (verification and examination of all relevant costs), which makes it impossible to enter the economic and financial data required to guarantee full coverage of operating costs for Regional Works, in the Area Plan's Economic-Financial Plan.

After the filing of the appeal, the Campania Region issued Regional Law n. 16/2014 under which, by the provisions of Art. 1, para. 88 to 91, wholly modified the procedures for the transfer of the works in the dispute, stating that these must be transferred under a “*single and provisional management*” for a period of 36 months to “*one or more bodies managing the Integrated Water Service among those operating in the optimal territorial areas of their jurisdiction*”, to be identified by the Region itself within 30 days from the publication of the law. During the period of provisional management, an “*efficiency enhancement plan*”, will be implemented by the signature of a specific agreement. This involves charges on the Region. Therefore, with the implementation of the provision, if GORI were to be identified as the provisional manager, it would undertake management with charges payable by the Region and not on its own account. Therefore, on 17 December 2014, the parties jointly requested an adjournment to a date to be set.

### **ARIA - AVOIDED FUEL COST (AFC)**

In a decree passed on 31 January 2014, published on 18 February 2014, the Ministry of Economic Development, establishing the value of the adjustment of the avoided cost of fuel

component for 2013 and the advance payment for the first quarter of 2014, confirmed the application of the so-called “pre-chosen initiatives” for the Avoided Cost of Fuel updating criterion based on the “evolution of conversion efficiency” with reference to the specific consumption values in the Italian Ministerial Decree of 20 November 2012.

ARIA already filed an appeal for the annulment of the above-mentioned Italian Ministerial Decree of 20 November 2012, and the Italian Ministerial Decree of 24 April 2013 (respectively, on 24 January 2013 and 16 July 2013). In an appeal filed for additional grounds on 4 October 2013, the question of constitutionality was also brought up for art. 5, paragraphs 3 and 4, of Italian Legislative Decree No. 69 - 21 June 2013, converted into Italian Law No. 98 - 9 August 2013, for the part that attributes legal value to the provisions of the Italian Ministerial Decree of 20 November 2012. Therefore, as the Italian Ministerial Decree of 31 January 2014, with reference to the parameter of the “specific consumption values” in the Italian Ministerial Decree of 20 November 2012, changed the same profiles of legitimacy that ARIA considered prejudicial, analytically referred to in the introductory appeal, ARIA also lodged an appeal based on additional grounds with the Lazio Regional Administrative Court for annulment of the Ministerial Decree of 31 January 2014.

### **E.ON. PRODUZIONE S.P.A. PROCEEDINGS AGAINST ACEA, ACEA ATO2 AND ACEAELECTRABEL PRODUZIONE**

These proceedings were launched by E.ON. Produzione S.p.A., as successor to ENEL regarding a number of concessions for the abstraction of public water from the Peschiera water sources for electricity production, to obtain an order against the jointly and severally liable defendants (ACEA, ACEA Ato2 and AceaElectrabel Produzione) for payment of the subtenion indemnity (or compensation for damages incurred due to illegitimate subtenion), which remained frozen in respect of that defendant in the 1980s, amounting to 48.8 million euros (plus the sums due for 2008 and later) or alternatively payment of the sum of 36.2 million euros.

As for the deposit with the TRAP (Regional Court of Public Waters), having jurisdiction regarding the matter in question, of the opinion of the court-appointed expert on the values of subtenion for branching off, and subsequent reduction in hydroelectric production and indemnities due, the judge adjourned the matter to the 3 October 2013 hearing, when memorials were deposited concerning partial payments of the instalments not yet paid. At the hearing of 9 January 2014 the case was further adjourned.

The expert's report shows a calculation according

to which the claims actioned in the proceedings, even when unfounded - which is unclear, because the documents containing the metering parameters of the compensation are still deemed to be applicable and effective - would be greatly altered, substantially reducing the amount of equalisation already estimated by the Group.

On 3 May 2014 the TRAP (Regional Court of Public Waters), in Sentence No. 14/14, quashed E.ON's applications ruling that the 1985 agreements are still valid, considering the application to be limited to the ‘subtenion price’, ruling however that relevant to the measurement of adjustments to be inadmissible.

E.ON was ordered to pay 32,000.00 euros court costs plus accessory charges and Court appointed expert fees.

On 23 June 2014 E.ON filed an appeal with the Higher Court of Public Waters, the first hearing of which will be held on 1 October 2014. After subsequent postponements, at the hearing of 14 January 2015, the case was referred to the collegial hearing of 10 May 2015 and also includes the decision on the request by E.ON to renew the expert opinion.

### **ACEA/SASI PROCEEDINGS**

In ruling 6/10, TRAP (Regional Court of Public Waters) accepted the request submitted by ACEA against the Società Abruzzese per il Servizio Integrato S.p.A. (SASI) for the compensation of damages for the illegitimate withdrawal of water from the Verde river. ACEA was awarded 9 million euros, plus interest accrued from 14 June 2001 until 30 July 2013 in compensation for damages. The sentence, which is not temporarily executive, was appealed by SASI before the TSAP (Higher Court for Public Waters) and ACEA filed a counterclaim. In non-definitive judgement No. 117/13 on 11/06/13 the TSAP, upholding one of the reasons for appeal, adjourned the proceedings appointing a court-appointed expert to estimate the damages suffered by ACEA in the period 2010/2013. The TSAP set the hearing for 23 October 2013, then adjourned the proceedings until 27 November 2013. At this hearing the same court-appointed expert from the first instance was assigned to the case which was adjourned until 14 May 2014 for the court-appointed expert's findings. The Court appointed expert's assessment reduced the amount due by SASI to 6 million euros, and at the hearing of 28 January 2015, the higher court rejected the application made by the counterparty to request clarifications from the expert, with the case being adjourned for the sentence to 27 May 2015.

### **A.S.A. – ACEA SERVIZI ACQUA - SMECO**

By the summons notified in autumn 2011, ACEA was summoned to court to respond to the presumed damages that its even more strongly

alleged non-compliance with unproven and in-existent obligations which are assumed to have been adopted under the shareholders' agreement relating to subsidiary A.S.A. – Acea Servizi Acqua – would have produced for minority shareholders of the latter, and their respective shareholders. The *claim* is over 10 million euros.

The judge upheld SMECO's claim and appointed a court-appointed accountant to calculate the costs borne, loss of profit and any payable fees by effect of the seller's option in the shareholders' agreements.

At the hearing on 11 February 2014, which was held to discuss the comments on the expert report, the Judge granted the parties time to comment on the Court Expert Report and summoned the Expert for clarification at the hearing on 20 March 2014.

Following the above-mentioned comments, the Delegated Judge, at the hearing of 20 March 2014 issued a decision, substantially admitting the pleadings of the defence and of ACEA's appointed expert and adjourned the case to the hearing on 1 July 2014, in order to better define, jointly with the parties and the party's appointed expert, the documentation to be acquired from Acea Ato 2 and proceed to supplement the Court Expert Report. During the hearing on 1 July 2014, the new Judge reserved a decision on the request for additional consultancy. This application was then rejected by an order issued outside the hearing. On 20 January 2015 the hearing of the case was further adjourned.

### **SORICAL DISPUTE**

At the end of 2010, the subsidiary Acea Energia (AE) was awarded a tender for the supply of electricity on the free market in favour of Sorical, a mixed public-private company that manages the wholesale water supply in the Calabria Region. The contract was regularly executed by AE, while the customer immediately began to accumulate conspicuous overdue payments, enough to cause AE to reschedule the debt already in summer 2011. Additional, subsequent payment delays led to the negotiation of a new repayment agreement, at the end of 2011, which was then repudiated by Sorical. Indeed, with evident self-serving and delaying purposes, that company called AE before the court to have it sentenced for alleged supply irregularities. AE appeared before the court and made a counterclaim for the balance of amounts billed and unpaid, totalling roughly 24 million euros, plus interest and accessory costs pursuant to the law. The judge issued an injunction order in accordance with art. 186 of the Code of Civil Procedure, by writ of execution, in favour of AE for approximately 8 million euros, plus costs and interest, which went unchallenged, pending the continuation of the proceedings adjourned

to March 2014 for the presentation of closing statements. Following this hearing, after the term for presentation of the defensive memoranda, the Judge should pass sentence before the end of the year. The hearing was adjourned to 21 November 2014.

In the meantime, AE disconnected its supply to Sorical, and the latter was placed under the regime subject to additional safeguards, while its shareholders resolved on its placement in liquidation and, on 30 May 2013, filed an application for settlement under Italian Bankruptcy law for the reorganisation, rather than liquidation, of distressed and failing businesses, which it formally waived in December 2013 requesting application of the ordinary procedure. A debt restructuring agreement was signed between AE, Sorical and the other creditors with entitlement, pursuant to Art. 182 *bis* of Royal Decree 267/42, under which Sorical agreed to pay to AE the sum of 17,698,774.00 euros. The agreement, deposited in the court, came into effect and Sorical has started to pay the amounts due. Among other things, the agreement involves the partial waiver of receivables by AE (30%) and the renunciation of the case pending and of the eventual judiciary titles obtained against Sorical that might come into effect after the collection of the full agreed amount of 17.7 million euros. It is pointed out that as of now the entire amount due has been fully collected.

### **VOLTEO ENERGIE PROCEEDINGS**

ARSE has applied for an order of payment against Volteo Energie, to which photovoltaic panels were supplied and only partially paid. The remaining amount due is approximately 2 million euros. The counterparty has opposed the order notified, and has advanced claims of compensation for alleged production defects in the supply. While the lawsuit continued – while recalling that any claims for defects in the panels can be transferred to the manufacturer – under the order dated 12 February 2013, the Court granted provisional execution to the order of payment for the sum of € 1,283,248,02 plus interest and expenses (reserving the decision on the remaining 654,136.66 euros to the final outcome of the case).

After setting of the injunction amount at 1,347,787.38 euros, Volteo proposed payment of the amount due on an instalments basis. Up to now it has paid the full amount stated in the order of payment, i.e. 1,347,787.38 euros. The case is continuing for the assessment of the amounts due to ARSE and not covered by the provisional execution, and to examine the application by Volteo to obtain the recognition of the penalty and damages. The case was adjourned to the hearing of 21 October 2014 in order to hear the witnesses, and then the

eventual allowance of the court-appointed expert; the parties were unable to reach a friendly settlement on the issue. After the rejection of the allowance of the of the court-appointed expert, the case was adjourned for the decision to the hearing of 5 July 2016.

### **MILANO '90 DISPUTE**

The issue involves the failure by Milano '90 to pay the sum of 5 million euros, due as the balance of the price of the sale of the area in the Municipality of Rome with access from Via Laurentina n. 555, completed on 28 February 2007 and with subsequent additional act of 5 November 2008. Under the additional act, the parties agreed to modify the amount from 18 million euros to 23 million euros, while at the same time eliminating the earn out, and setting the final payment deadline for 31 March 2009.

Given the failure of the purchaser to act, the procedure was started to recover the amounts due by the issue of an order to desist against Milano '90, and then by the deposit of an application of an order of payment, which was granted in a provisionally executive form on 28 June 2012.

The aforesaid order of payment was then notified on 3 September 2012, and on 23 November the distraint by third parties for the enforced collection of the payment requested was delivered to the Court Officer.

The appeal by Milano '90 against the order of payment is now pending before the X Section of the Rome Court. In the context of the lawsuit, further proceedings were undertaken pursuant to Art. 649 Civil Proceedings Code for the suspension of the provisional execution of the contested order of payment; this application was accepted by the judge.

The executive proceedings started after the provisional execution of the order, suspended up to now, were also undertaken.

At the hearing of 13 March 2014, the judge reserved the right to respond to the request for investigative findings.

By an order dated 7 April 2014, the same judge, deeming it necessary to have a technical investigation to assess the town-planning status of the property and to allow for witness testimony by ACEA, adjourned the case to the hearing of 18 December 2014 to hear the witnesses and to appoint the court expert. The investigating judge also ordered ACEA to deliver the documentation requested by the other party. The court-appointed expert was asked to respond to questions regarding the town-planning status of the area at the time of the sale and the construction volume that can be built there. The case was then adjourned to 22 October 2015 for the deposit of the court-appointed expert opinion, which is currently being completed.

## TRIFOGLIO DISPUTE

The complex dispute consists of a case filed as a plaintiff and also a case appearing as a defendant.

**Case filed as a plaintiff:** this issue concerns the breach by Trifoglio of its obligation to pay the balance of the amount due (10.3 million euros), pursuant to the sale contract regarding the so-called Autoparco property, which should have been paid on 22 December 2011.

In consideration of Trifoglio's breach, a notice was served aimed at signing a deed to voluntarily terminate the sale agreement of 22 December 2010, and then to file a claim before the Court of Rome, pursuant to art. 702-bis of the Code of Civil Procedure. The hearing for the appearance of the parties before the court set for 13 November 2012 was postponed to 30 April 2013 following Trifoglio's call of a third-party to appear before the court (Piano Assetto C9 Stazione Ostiense Consortium).

In the meantime, ATAC Patrimonio filed a claim for the termination of the sale agreement of 22 December 2010 for the portion for which it is responsible.

After changing the proceedings from summary to ordinary, the Court adjourned the case to 7 May 2014 for admission of evidence, specifying 14 January 2014 as the limit for presentation of the defensive memoranda in accordance with art. 183 VI of the Italian Code of Civil Procedure.

Together with the submission of briefs pursuant to art. 183 no. 1 of the Italian Code of Civil Procedure, a new defence counsel for Trifoglio filed its appearance in the proceedings that charged ACEA for a new breach on account of the alleged impossibility to complete the development of the area covered by the sale agreement.

The hearing was postponed to 14 October 2014 for joinder of proceedings with another case which has the same subject filed by ATAC Patrimonio and for the possible joinder of proceedings with the case filed by Trifoglio see *below*.

**Case appearing as a defendant:** in addition a new summons by Trifoglio was acknowledged, again concerning the deed of sale and aimed at having it declared null and void. In the summons, Trifoglio requested joinder with the proceedings instituted by ACEA, in addition to requesting the admission of an expert opinion. The summons, served also to ATAC Patrimonio as well as ACEA, contains a claim for compensation of approximately 20 million euros in damages. Within the scope of the memoranda in accordance with art. 183 No. 2 of the Code of Civil Procedure, the counterparty requested the admission of the Expert's opinion substantially to assess the possibility of proceeding with the development of the area.

At the hearing held on 27 May 2014 to discuss the summons filed by Trifoglio, the case was remanded to the District Presiding Judge who

ruled the proceedings be readmitted to the Judge who heard the case brought by ACEA, as the cases are related. As matters stand, the questions raised by the opposing party appear to be groundless.

The lawsuits have been combined before the judge before whom the case was being heard with ACEA as a plaintiff, and both cases were adjourned to the hearing of 7 April 2015 after the reformulation of the questions posed to the court-appointed expert. The consultancy is currently being undertaken.

## KUADRA DISPUTE

Within the scope of the Kuadra S.r.l. dispute against the subsidiary Marco Polo S.r.l. in liquidation for alleged breach of contract related to participation in the Temporary Grouping of Companies for the CONSIP order, lawsuits were also filed against the same Kuadra S.r.l. and the partners of Marco Polo (therefore: ACEA, AMA and EUR) as well as Roma Capitale.

This summons was filed by the counterparty on the basis that Marco Polo was under the management and coordination of all direct and indirect Shareholders.

ACEA holds that, also in consideration of the generic nature of Kuadra S.r.l.'s reasoning attributing responsibility to the Shareholders of Marco Polo S.r.l. in liquidation, the risk of an unfavourable ruling is considered remote, while the indirect risk as a Marco Polo Shareholder, has already been considered in the assessment of risks with the subsidiary.

The case was postponed to 19 January 2016 for the decision.

## PROVINCE OF RIETI DISPUTE

The Province of Rieti has notified a summons to ACEA and ACEA Ato2 requesting the payment of damages (under various titles) allegedly incurred to the failure to approve the agreement on so-called inter-area overlapping.

The other parties summoned in the lawsuit, together with ad ACEA and ACEA Ato2, are the Province of Roma, the ATO2 Central Lazio Rome Area Authority, Roma Capitale and the Lazio Region.

The amount of this litigation is high: currently at approximately 90 million euros (25 million euros up to 31 December 2005 and 8 million euros annually for the subsequent period), but the formulation of the defensive arguments, above all regarding ACEA, is rather weak. First of all, the identification of the judge have jurisdiction can be criticised: the ordinary court instead of the Regional Court of Public Waters; then there is the liability for compensation due to the delay in the approval of the agreement on overlapping, definitely not attributable to ACEA since it was not due to the conduct of the company.

The initial hearing is scheduled for 21 April 2015, which could also be changed due to the role of the judge assigned to the case.

## ENEL GREEN POWER

On 4 September 2014 Enel Green Power (EGP) requested to ACEA Ato2 the payment of the amounts due for the adjustment of the "subvention price" for branching off for hydroelectric and drinking purposes of the "Le Capore" springs, quantified for the period 2009 - 2013 at approximately 17 million euros (excluding VAT), claiming the actualisation of the 1985 ACEA-ENEL agreements and applying as calculation criteria the Single National Price (instead of the "price of HV energy for resale in the Municipality of Rome" provided for in those agreements). The claim was immediately challenged, citing the jurisprudence arising in the E.ON. case involving the same subject of dispute, and established by the Regional Court of Public Waters with the rejection of the claim on the relevance of the agreed price and the absence of any automatic integration mechanisms in the agreement. The invoice regarding the requested fee update was therefore returned to EGP, with total rejection of the economic claims quantified unilaterally and illegally.

Up to now EGP has not reacted and has not served notice on ACEA Ato2, probably awaiting the decisions by the higher court in the lawsuit involving E.ON., ACEA, ACEA Ato2 and Acea Produzione.

It is pointed out that after the end of the year:

- the former Chairman of ACEA has filed an application to the Rome Civil Court, Labour Section, with requests for compensation and payment of damages;
- by the note received on 19 March, Roma Capitale, asserting alleged lacking in authorisation, communicated to ARSE the start-up of procedures pursuant to Art. 7 and 8 of Law 241/1990, for the issue of the acts necessary for the recovery of the land, located in the Parco della Mistica, on which a photovoltaic plant for greenhouse cultivation was constructed.

# ADDITIONAL DISCLOSURES ON FINANCIAL INSTRUMENTS AND RISK MANAGEMENT POLICIES

## CLASSES OF FINANCIAL INSTRUMENTS

The following table shows the breakdown of financial assets and liabilities required by IFRS 7 based on the categories defined by IAS 39.

| € thousand  | HELD FOR TRADING<br>FINANCIAL<br>INSTRUMENTS AT FAIR<br>VALUE | RECEIVABLES<br>AND LOANS | FINANCIAL<br>INSTRUMENTS<br>AVAILABLE FOR<br>SALE | CARRYING<br>AMOUNT | NOTES |
|---|---|--------------------------|---|--------------------|-------|
| <b>Non-current assets</b>   | <b>0</b>  | <b>34,290</b>            | <b>2,482</b>                                      | <b>36,772</b>      |       |
| Other equity investments  |   |                          | 2,482   | 2,482              | 18    |
| Financial assets due from Parent Company, subsidiaries and associates   |   | 32,580                   |   | 32,580             | 21    |
| Financial assets due from third parties   |   | 1,710                    |   | 1,710              | 21    |
| <b>Current assets</b>   | <b>0</b>  | <b>2,416,533</b>         | <b>0</b>  | <b>2,416,533</b>   |       |
| Trade receivables from customers  |   | 1,162,973                |   | 1,162,973          | 23    |
| Trade receivables from related parties  |   | 74,582                   |   | 74,582             | 23    |
| Other current assets: fair value measurement of contracts for difference and commodity swaps with changes recognised in equity (*)          |   |                          |   | 0                  | 23    |
| Other current assets: fair value measurement of contracts for difference and commodity swaps with changes recognised in profit or loss (**) |   | 0                        |   | 0                  | 23    |
| Other current assets: energy equalisation and specification   |   | 46,517                   |   | 46,517             | 23    |
| Other current assets: subsidiaries  |   | 22,366                   |   | 22,366             | 23    |
| Financial assets due from Parent Company, subsidiaries and associates   |   | 69,042                   |   | 69,042             | 23    |
| Financial assets due from third parties: derivatives designated as hedges with changes recognised in equity (**)                            |   | 0                        |   | 0                  | 23    |
| Financial assets due from third parties: derivatives designated as hedges with changes recognised in profit or loss (**)                    |   |                          |   | 0                  | 23    |
| Financial assets due from third parties   |   | 23,088                   |   | 23,088             | 23    |
| Cash and cash equivalents   |   | 1,017,967                |   | 1,017,967          | 23    |
| <b>TOTAL FINANCIAL ASSETS</b>   | <b>0</b>  | <b>2,450,823</b>         | <b>2,482</b>                                      | <b>2,453,306</b>   |       |

(\*) This refers to the fair value measurement of contracts to purchase or sell commodities that qualify for application of IAS 39, with changes recognised through profit or loss or in shareholders' equity.

| € thousand  | HELD FOR TRADING<br>FINANCIAL<br>INSTRUMENTS | LIABILITIES AT<br>FAIR VALUE | LIABILITIES AT<br>AMORTISED<br>COST | CARRYING<br>AMOUNT | NOTES |
|---|--|------------------------------|-------------------------------------|--------------------|-------|
| <b>Non-current liabilities</b>  | <b>0</b>                                     | <b>62,769</b>                | <b>2,977,943</b>                    | <b>3,040,712</b>   |       |
| Bonds   |  |                              | 1,855,385                           | 1,855,385          | 28    |
| Bonds valued at FVH   |  | (1,170)                      |                                     | (1,170)            |       |
| Bonds valued at CFH   |  | 54,902                       |                                     | 54,902             |       |
| Bank borrowings (non-current portion)   |  |                              | 1,122,558                           | 1,122,558          | 28    |
| Bank borrowings (non-current portion) valued at CFH   |  | 9,037                        |                                     | 9,037              |       |
| <b>Current liabilities</b>  | <b>0</b>                                     | <b>349</b>                   | <b>1,439,322</b>                    | <b>1,439,671</b>   |       |
| Bank borrowings   |  |                              | 58,161                              | 58,161             | 31    |
| Payables to third parties   |  |                              | 16,564                              | 16,564             | 31    |
| Financial payables to factoring companies   |  |                              | 110,358                             | 110,358            | 31    |
| Financial payables to subsidiaries, associates  |  |                              | 4,873                               | 4,873              | 31    |
| Due to suppliers  |  |                              | 1,130,158                           | 1,130,158          | 31    |
| Trade payables to Parent Company, subsidiaries and associates   |  |                              | 119,208                             | 119,208            | 31    |
| Other current liabilities: fair value measurement of contracts for difference and commodity swaps with changes recognised in equity (*) |  | 349                          |                                     | 349                | 31    |
| <b>TOTAL FINANCIAL LIABILITIES</b>  | <b>0</b>                                     | <b>63,118</b>                | <b>4,417,265</b>                    | <b>4,480,383</b>   |       |

(\*) This refers to the fair value measurement of contracts to purchase or sell commodities that qualify for application of IAS 39, with changes recognised through profit or loss or in shareholders' equity.

## FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

The fair value of securities not quoted in an active market is calculated by using valuation models and techniques prevailing on the market or using the price provided by several independent counterparties.

The fair value of medium/long-term financial payables and receivables is calculated on the basis of the risk-free and the risk-adjusted interest rate curves.

The fair value of trade receivables and payables falling due within twelve months is not calculated as their carrying amount approximates to fair value.

In addition, fair value is not calculated when the fair value of financial assets and liabilities cannot be objectively determined.

## TYPE OF FINANCIAL RISKS AND RELATED HEDGING POLICY

### FOREIGN EXCHANGE RISK

The Group is not particularly exposed to this type of risk, which is concentrated in the conversion of the financial statements of its overseas subsidiaries.

As regards the 20 billion yen *Private Placement*, the exchange rate risk is hedged through a *cross currency* swap described in the section on interest rate risk.

### MARKET RISK

The Group is exposed to market risk, i.e. the risk that the fair value or future cash flows of a financial instrument might fluctuate as a result of market price movements, above all in relation to the risk of movements in the prices of commodities in which the Group trades.

Through the Risk Control unit, Acea Energia Holding analyses and measures exposure to market risk in line with the Guidelines of ACEA's Internal Control System and with the general Risk limit criteria of the Energy Industrial Area.

Risk analysis and management is performed according to a Risk Management process which involves the execution of activities throughout the entire year, on the basis of different frequencies

(annual, monthly and weekly). The execution of those activities is distributed between the Risk Control Unit and the Risk Owners.

Specifically:

- on an annual basis, measurements of risk indicators, i.e. limits, must be defined, which must be complied with in the management of the portfolio. These activities are the responsibility of the Risk Committee which approves the Risk Control proposal;
- on a monthly basis, the Risk Control Unit is required to check the exposure to market risk of the companies in the Energy Segment and to check compliance with the limits defined. As required by the Internal Control System, the Risk Control Unit is responsible for sending ACEA's Internal Audit Department the required information in the proper format.

The risk limits of the Energy Industrial Area are defined in such a way as to:

- minimize the overall risk of the entire area,
- guarantee the necessary operating flexibility in trading and hedging activities,
- reduce the possibility of over-hedging deriving from the variation in expected volumes for the definition of hedges.

Market risk is distinguished from price risk, i.e. the risk related to the variation in commodity prices, and volume risk, i.e. the risk connected with the variation in volumes produced and sold..

Risk analysis and management objectives are as follows:

- to protect the primary margin against unforeseen and unfavorable short-term shocks in the energy market which affect revenues or costs;
- to identify, measure, manage and represent the exposure to risk of all ACEA operating companies in the Energy Industrial Area;
- to reduce risks through the preparation and application of adequate internal controls, procedures, information systems and expertise;
- delegate risk owners with the job of defining the necessary strategies for hedging individual risks, in respect of pre-established minimum and maximum levels.

The evaluation of risk exposure involves the following activities:

- aggregation of the commodities and structure of the risk books;
- detailed analysis of the time pattern of purchases and sales and limiting of open positions, namely the exposure from physical purchases and sales of individual commodities, within set volume limits;
- creation of reference scenarios (prices, indexes);
- calculation of risk indicators/measurements (volume exposure, portfolio VAR, PAR, price range);
- checking compliance with the risk limits in force.

Derivative transactions are entered into for the purpose of hedging the risk of fluctuations in commodity prices and in compliance with the provisions of Risk Management guidelines for the Energy Industrial Area. In this regard, it is pointed out that ACEA, through the Risk Control Unit, provides the analysis and measurement of exposure to market risks, interacting with the Energy Management Unit of Acea Energia S.p.A., in accordance with the Internal Auditing and Risk Management guidelines of ACEA.

In terms of the Group's commitments to stabilize cash flows in relation to the composition of its electricity sale and purchase portfolio in the coming year, almost all existing hedging activities are managed as cash flow hedges, since the effectiveness of the hedge is demonstrable. The financial instruments used fall under swaps and contracts for difference (CFD).

The aims and policies for the management of market risk, counterparty receivables and legal matters are described in the pertinent section of the Performance Report.

It should be observed that the hedging on the purchases and sales portfolio has been undertaken with the main operators on the electricity market and the financial sector. The following information, in accordance with OIC 3, is provided in compliance with former Art. 2427-bis of the Italian Civil Code, for the description of the transactions entered into and aggregated by index hedged with validity starting from 1 January 2015:

| SWAP   | PURPOSE               | PURCHASES/SALES            | FAIR VALUE<br>IN € THOUSAND | AMOUNT<br>RECOGNISED IN<br>SHAREHOLDERS'<br>EQUITY | AMOUNT<br>RECOGNISED<br>IN INCOME<br>STATEMENT |
|--------|-----------------------|----------------------------|-----------------------------|--|--|
| PUN    | Hedge power portfolio | purchase/ sale electricity | (820)                       | (820)  | 0  |
| CONSIP | Hedge power portfolio | purchase/ sale electricity | 472                         | 472  | 0  |
|        |                       |                            | <b>(348)</b>                | <b>(348)</b>                                       | <b>0</b>                                       |

In March 2009, the IASB issued an amendment to IFRS 7, introducing a series of changes aimed at adequately meeting the need for greater transparency resulting from the financial crisis and linked to elevated uncertainty over market prices. These changes included the establishing of the fair value hierarchy. In particular, the amendment defines three levels of fair value (IFRS 7, para. 27A):

- **level 1:** if the financial instrument is listed on an active market;
- **level 2:** if the fair value is measured according to assessment techniques referring to inputs observable in the market, other than the listings of the financial instrument;
- **level 3:** if the fair value is calculated according to assessment techniques referring to inputs that cannot be observed in the market.

It should be noted that, as regards the types of commodity whose fair value is calculated,

- for derivatives on single commodities (PUN - single national price - standard base load products, Peak/Off Peak, ...) the fair value level is 1 given they are listed on active markets,
- for complex indexes (ITRemix, PUN profiled products etc.) the fair value level is 2 given these derivatives are the result of formulas containing a mix of commodities listed on active markets.

For certain components of complex indexes, the fair value level is 3 as they do not derive from listing on active markets but, instead, estimates.

Finally, It is pointed out that the Group, starting from the year 2014, has applied the provisions of EC Regulations 148 and 149/2013 (jointly and together with Reg. 648/2012, the EMIR rule) and is currently defined as NFC- (Non Financial Counterparty).

#### LIQUIDITY RISK

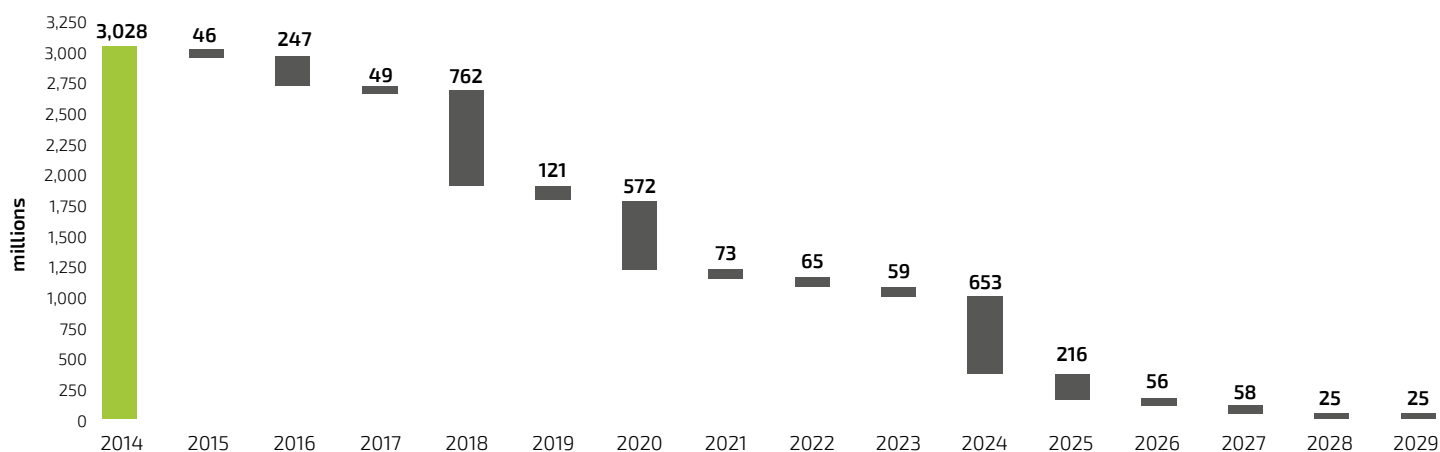
The ACEA S.p.A. liquidity risk management policy is based on ensuring the availability of significant bank lines of credit. Such lines exceed the average requirement necessary to fund planned expenditure and enable the Group to minimise the risk of extraordinary outflows. In order to minimise liquidity risk, the ACEA Group has adopted a centralised treasury management system, which includes the most important Group companies, and provides financial assistance to the companies (subsidiaries and associates) not covered by a centralised finance contract.

As at 31 December 2014 the Parent Company held committed and uncommitted lines of credit totalling 799 million euros and 300 million euros,

respectively, and not utilised. No guarantees were issued to obtain these credit lines. The committed lines of credit are revolving and have a 3-year contract duration from the opening. The availability of these lines expires in 2015. The contracts stipulated provide for the payment of a fee for non-use plus an upfront fee paid at the time the credit lines are opened. On the amounts drawn down, ACEA pays an interest rate equal to the one, two, three or six month Euribor (depending on the period of use chosen beforehand), plus a *spread* which, in some cases, may vary in line with the rating assigned to the Parent Company. In some cases, there is also a utilisation fee linked to the amount disbursed. At the end of the year, ACEA had no term deposits.

The following diagram shows the future evolution of the maturity of overall borrowing forecast on the basis of the situation in be at the end of the year.

Per quanto riguarda i debiti verso fornitori (€ 1.130,2 milioni) si precisa che la componente a scadere nei prossimi dodici mesi è pari a € 838 milioni. Lo scaduto di € 292,1 milioni verrà pagato entro il primo trimestre 2015.



With regard to trade payables (1,130.2 million euros) it is pointed out that the portion coming due in the next twelve months totals 838 million euros. The amount due of 292.1 million euros will be paid within the first quarter of 2015.

#### INTEREST RATE RISK

The ACEA Group's approach to managing interest rate risk, which takes the structure of *assets* and the stability of the Group's cash flows into account, has essentially been targeted, up to now, at hedging *funding* costs and stabilising cash flows, in such a way as to safeguard margins and

ensure the certainty of cash flows deriving from ordinary activities.

The Group's approach to managing interest rate risk is, therefore, prudent and the methods used tend to be static in nature.

A static (as opposed to dynamic) approach means adopting a type of interest rate risk management that does not require daily activity in the markets, but periodic analysis and control of positions based on specific needs. This type of management therefore involves daily activity in the markets, not for trading purposes but in order to hedge the identified exposure over the medium/long term.

ACEA has, up to now, opted to minimise interest rate risk by choosing a range of fixed and floating rate funding instruments.

As previously noted, fixed rate funding protects a borrower from *cash flow* risk in that it stabilises financial outflows, whilst heightening exposure to *fair value risk* in terms of changes in the market value of the debt.

An analysis of the consolidated debt position shows that the risk to which the ACEA Group is exposed is mainly in the form of fair value risk, such position being composed, as at 31 December 2014, by approximately 64.32% of fixed rate

borrowings, taking into account the hedging in place and thus at a lesser extent to the variations in future cash flows.

ACEA is bringing consistency to its decisions regarding interest rate risk management that essentially aims to both control and manage this risk and optimise borrowing costs, taking account of stakeholder interests and the nature of the Group's activities, and based on the prudence principle and best market practices. The objectives of these guidelines are as follows:

- to identify, from time to time, the optimum mix of fixed and floating rate debt,
- to pursue a potential optimisation of the Group's borrowing costs within the risk limits established by governance bodies and in accordance with the specific nature of the business,
- to manage derivatives transactions solely for hedging purposes, should the Group decide to use them, in respect of the decisions of the Board of Directors and, therefore, the

approved strategies and taking into account (in advance) the impact on the income statement and statement of financial position of said transactions, giving preference to instruments that qualify for hedge accounting (typically cash flow hedges and, under given conditions, fair value hedges).

Currently, the Group uses derivative instruments to hedge interest rate risk exposure for the following companies:

- ACEA:
  - swapped the 100 million euros loan obtained on 27 December 2007 to a fixed rate. The swap, a plain vanilla IRS, was stipulated on 24 April 2008, effective as of 31 March 2008 (date of drawdown of the underlying loan) and expires on 21 December 2021,
  - completed a cross currency transaction to transform to euro – through a plain vanilla DCS swap – the currency of the private

placement (yen) and the yen rate applied to a fixed euro rate through a plain vanilla IRS swap,

- swapped to floating rate 300 million euros of the 5-year 600 million euros fixed rate bond placed on the market in September 2013.

All the derivative instruments taken out by ACEA and listed above are non-speculative and their fair values were respectively:

- negative for 9.0 million euros (negative for 8.7 million euros at 31 December 2013),
- negative for 54.9 million euros (negative for 36.2 million euros at 31 December 2013) and
- positive for 1.2 million euros (+0.3 million euros compared to 0.8 million euros in 2013).

The following table shows the overall fair value changes of the medium/long-term debt portfolio based on curves of risk-less and risk adjusted rates.

| <b>BANK BORROWINGS:</b> | <b>AMORTISED COST</b> | <b>FV RISK LESS</b> | <b>DELTA</b>     | <b>FV RISK ADJUSTED</b> | <b>DELTA</b>     |
|-------------------------|-----------------------|---------------------|------------------|-------------------------|------------------|
|                         | <b>(A)</b>            | <b>(B)</b>          | <b>(A)-(B)</b>   | <b>(C)</b>              | <b>(A)-(C)</b>   |
| <b>Bonds</b>            | <b>1,909,117</b>      | <b>2,168,211</b>    | <b>(259,094)</b> | <b>2,111,619</b>        | <b>(202,502)</b> |
| fixed rate              | 322,491               | 424,041             | (101,550)        | 405,490                 | (83,000)         |
| floating rate           | 788,181               | 813,234             | (25,054)         | 811,744                 | (23,563)         |
| floating to fixed rate  | 67,386                | 69,075              | (1,689)          | 67,948                  | (562)            |
| <b>Total</b>            | <b>3,087,174</b>      | <b>3,474,562</b>    | <b>(387,387)</b> | <b>3,396,801</b>        | <b>(309,626)</b> |

This analysis was also made with the curve of the risk adjusted rates, i.e. a curve adjusted for the level of risk and the ACEA segment of activity. The curve utilised the fixed rate bonds denominated in euro, issued by Italian companies in the sector of public services and having a rating between BBB+ and BBB-.

The medium/long-term financial liabilities were subjected to a sensitivity analysis on the basis of the stress testing method, i.e. applying a constant spread to the riskless curve for all the nodes on the curve.

In this allows for the valuation of the impact on fair value and evolution of future cash flows, with

reference both to the single instruments forming the portfolio analysed and the portfolio as a whole.

The table shows the overall changes in terms of fair value of the debt portfolio based on parallel shifts (positive and negative) between - 1.5% and + 1.5%.

| <b>CONSTANT SPREAD APPLIED</b> | <b>CHANGES IN PRESENT VALUE (€ million)</b> |
|--------------------------------|---|
| -1.50%                         | (207,3)                                     |
| -1.00%                         | (135,2)                                     |
| -0.50%                         | (66,2)                                      |
| -0.25%                         | (32,7)                                      |
| 0.00%                          | 0,0   |
| 0.25%                          | 32,1  |
| 0.50%                          | 63,5  |
| 1.00%                          | 124,4                                       |
| 1.50%                          | 182,8                                       |

With regard to the type of hedging for which the fair value is determined and with reference to the hierarchies required by the IASB, it is pointed out that since these are composite instruments, the level is type 2..



## CREDIT RISK

ACEA has issued the credit policy guidelines in which different strategies have been identified that respond to the *Customer Centric* philosophy: through flexible criteria and on the basis of managed activities and customer segmentation, credit risk is managed taking into account both the customer type (public and private) and the non-homogeneous behaviour of individual customers (behavioural score).

The key principles on which the risk management strategies are based are as follows:

- definition of the customer cluster categories through the above-mentioned segmentation criteria;
- standard cluster management in ACEA Group companies, based on the same risks and commercial characteristics, of defaulting end users;
- collection methods and instruments used;
- uniformity of standard criteria regarding the application of default interest;
- division into instalments of credit;
- definition of the necessary responsibilities/authorisations for any exceptions.
- adequate reporting and training of dedicated staff.

In this respect, the Credit Management unit was set up within the Administration, Finance and Control function of ACEA; the main responsibilities of the new unit are to develop credit management policies, provide guidance on actions to be taken and analyse and continuously monitor the progress of loan related activities for any corrective action.

With regard to the distribution of electricity activities, the credit risk is represented by wholesalers: billing to them relates to the transport of energy in the distribution network and the services rendered to the end customers.

The key principles on which the credit risk management strategies are based are as follows:

- homogeneous management of sellers' receivables, deemed of equal risk,
- uniformity of standard criteria for the application of default interest;
- mitigation of credit risk through the signing of a guarantee by sellers;
- adequate monitoring through credit ageing reports;
- training of dedicated staff.

Credit management starts with the "behavioural score" or knowledge of the individual reseller through the constant analysis of payment attitudes/habits and is subsequently broken down into a series of targeted actions ranging from phone collection activities carried out in-house,

reminders sent electronically, sending of notice letters via registered post, as provided under Resolution ARG/elt 4/08, to termination of the transportation contract.

With regard to electricity sales credit risk was measured beforehand, especially in relation to the sale of gas and electricity to industrial and business customers.

The activity was performed in accordance with Credit Risk Policy Manual rules, through an in-house process involving the evaluation of credit reliability, assignment of an internal rating and recognition of the maximum limits of financial exposure to the counterparty.

## CUSTOMER EVALUATION

In Acea Energia, the first step in credit management is the prior assessment of the client. The aforementioned central Credit Management unit has the task, among others, to make a customer evaluation prior to activating the contract (for the free market). The prior scoring activity started in 2013 within the company, limited to major Business customers, and was then conducted by Credit Management throughout the second half of 2014 on the same customer basis, both for renewals and for new start-ups. At the end of 2014 Credit Management activated a prior scoring system, managed centrally by Credit Management, in order to make immediate prior evaluations for customer acquisition also for domestic customers.

The system is directly usable by Acea Energia and the commercial agencies appointed by Acea Energia. A subsequent development stage is under way with the definition of specific scorecards to refine prior evaluation of small business and retail customers. At the same time evaluation of large business customers will be implemented on the same platform by the definition of specific workflows. As a result of the organizational changes made in August 2013; the ACEA Group credit policy now includes some operational procedures issued by Credit Management. In particular, in April 2014 Credit Management issued four procedures: "Customer scoring and assignment", "Payment instalments", "Recovery plans and Settlements" and "Eliminations".

In 2014 Acea Energia used the "CREDIT CARE" software for credit management, also for the protected category service, thus using system functions for all of its customers, above all in terms of the automatic management of strategies for individual customers clusters.

In 2014, judiciary and non-judiciary debt collection was enhanced with the Legal Disputes Unit and for the first time using the services of a

primary market operator for the legal recovery of consumer debts to be collected.

From the management standpoint, there were various measures in 2014 for the process of combining collection operations, intervening on the collections channel (elimination of blank payment slips, revision of agreements with banks) on software systems and on the number of staff dedicated to the process.

With regard to the supply of water the implementation of credit risk management strategies started with a macro-distinction between public sector end users (municipalities, public administrations, etc.) and private sector end users (industrial, commercial, condominium, etc.), given that said categories present different levels of risk, in particular:

- low risk of insolvency and high risk of late payment for public sector end users,
- variable risk of insolvency and late payment risk for private sector end users.

As regards credits due from public sector end users, which account for over 30% of the past due receivables, they are converted to cash through the without-recourse factoring to financial partners and a residual portion is managed directly through the offsetting of receivables/payables or by means of settlement agreements. Credit management for private sector end users, which represent approximately 60% of the past due receivables, starts with behavioural scores or "knowledge in terms of the probability of default of each individual customer through the constant analysis of payment attitudes/habits", and is subsequently implemented through a series of targeted actions ranging from reminder letters, assignment to specialised companies for credit recovery via phone collection, to detachment of the defaulting end users and receivable factoring transactions.

The water segment is also characterised by a significant amount of invoices to be issued which are determined by the characteristics of the business.

The table below shows the ageing of trade receivables, inclusive of the allowance for doubtful accounts, detailed in note 23.

- Total trade receivables inclusive of allowance for doubtful: 1.441 million euros
- Trade receivables due to expire: 676 million euros
- Past due trade receivables: 765 million euros of which:
  - Within twelve months: 329.2 million euros
  - Over twelve months 435.8 million euros.

## ANNEXES TO THE NOTES

A. List of consolidated companies

B. Reconciliation of shareholders' equity and statutory profit – consolidated

C. Remuneration of Directors, Statutory Auditors, Key Managers and Independent Auditors

D. Segment information: statement of financial position and income statement

## A. LIST OF CONSOLIDATED COMPANIES

| NAME  | REGISTERED OFFICE  | SHARE CAPITAL<br>(IN EUROS) | % INTEREST | GROUP'S<br>CONSOLIDATED<br>INTEREST | METHOD OF<br>CONSOLIDATION |
|---|--|-----------------------------|------------|-------------------------------------|----------------------------|
| ACEA Distribuzione S.p.A.                   | P.le Ostiense, 2 - Rome  | 345,000,000                 | 100.00%    | 100.00%                             | Line-by-line               |
| ACEA Ato2 S.p.A.                            | P.le Ostiense, 2 - Rome  | 362,834,320                 | 96.46%     | 100.00%                             | Line-by-line               |
| Acea Reti e Servizi Energetici S.p.A.       | P.le Ostiense, 2 - Rome  | 300,120,000                 | 100.00%    | 100.00%                             | Line-by-line               |
| Acque Blu Arno Basso S.p.A.                 | P.le Ostiense, 2 - Rome  | 8,000,000                   | 75.81%     | 100.00%                             | Line-by-line               |
| Acque Blu Fiorentina S.p.A.                 | P.le Ostiense, 2 - Rome  | 15,153,400                  | 75.01%     | 100.00%                             | Line-by-line               |
| Ombrone S.p.A.                              | P.le Ostiense, 2 - Rome  | 6,500,000                   | 99.51%     | 100.00%                             | Line-by-line               |
| LaboratoRI S.p.A.                           | Via Vitorchiano - Rome   | 2,444,000                   | 100.00%    | 100.00%                             | Line-by-line               |
| ACEA Ato5 S.p.A.                            | Viale Roma -Frosinone  | 10,330,000                  | 98.45%     | 100.00%                             | Line-by-line               |
| Sarnese Vesuviano S.r.l.                    | P.le Ostiense, 2 - Rome  | 100,000                     | 99.16%     | 100.00%                             | Line-by-line               |
| CREA S.p.A. (In liquidation)                | P.le Ostiense, 2 - Rome  | 2,678,958                   | 100.00%    | 100.00%                             | Line-by-line               |
| Crea Gestioni S.r.l.                        | P.le Ostiense, 2 - Rome  | 100,000                     | 100.00%    | 100.00%                             | Line-by-line               |
| Gesesa S.p.A.                               | Industrial Zone Pezzapiana - Benevento   | 520,632                     | 59.52%     | 100.00%                             | Line-by-line               |
| Lunigiana S.p.A. (In liquidation)           | Via Nazionale 173/A - Aulla (MS)   | 750,000                     | 95.79%     | 100.00%                             | Line-by-line               |
| Aguaazul Bogotá S.A. Esp                    | Bogotá- Colombia   | 1,482,921                   | 51.00%     | 100.00%                             | Line-by-line               |
| Acea Dominicana                             | Avenida Las Americas Santo Domingo   | 644,937                     | 100.00%    | 100.00%                             | Line-by-line               |
| ARIA S.r.l.                                 | Via G. Bruno 7 - Terni   | 2,224,992                   | 100.00%    | 100.00%                             | Line-by-line               |
| S.A.O. S.r.l.                               | Loc. Pian del Vantaggio 35/b   | 7,524,400                   | 100.00%    | 100.00%                             | Line-by-line               |
| Ecoenergie S.r.l. (In liquidation)          | Via San Francesco d'Assisi 15 C - Paliano (FR)   | 10,000                      | 90.00%     | 100.00%                             | Line-by-line               |
| Aquaser S.r.l.                              | Via dei Lecceci, 16 - Volterra (PI)  | 9,050,000                   | 88.29%     | 100.00%                             | Line-by-line               |
| Kyklos S.r.L                                | Via Ferriere - Nettuno n. km 15 Aprilia (LT)   | 500,000                     | 51.00%     | 100.00%                             | Line-by-line               |
| Solemme S.p.A.                              | Località Carboli in Monterotondo Marittimo (GR)  | 761,400                     | 100.00%    | 100.00%                             | Line-by-line               |
| S.A.M.A.C.E. S.r.l.                         | Via Lungo Sisto, 60 Sabaudia (LT)  | 38,480                      | 100,00%    | 100,00%                             | Line-by-line               |
| Acea8cento S.p.A.                           | P.le Ostiense, 2 - Rome  | 120,000                     | 100.00%    | 100.00%                             | Line-by-line               |
| Acea Gori Servizi Scarl                     | Via ex Aeroporto s.n.c. località Area "Consorzio Sole" - Pomigliano d'Arco<br>Line-by-line | 1,000,000                   | 69.82%     | 100.00%                             | Line-by-line               |
| Acea Illuminazione Pubblica S.p.A.          | P.le Ostiense, 2 - Rome  | 1,120,000                   | 100.00%    | 100.00%                             | Line-by-line               |
| Acea Produzione S.p.A.                      | P.le Ostiense, 2 - Rome  | 5,000,000                   | 100.00%    | 100.00%                             | Line-by-line               |
| Acea Energia S.p.A.                         | P.le Ostiense, 2 - Rome  | 10,000,000                  | 100.00%    | 100.00%                             | Line-by-line               |
| Acea Servizi Acqua S.r.l. (In liquidation)  | P.le Ostiense, 2 - Rome  | 10,000                      | 70.00%     | 100.00%                             | Line-by-line               |
| Innovazione Sostenibilità Ambientale S.r.l. | Via Ravano K.m. 2.400 - Pontecorvo (FR)  | 91,800                      | 51.00%     | 100.00%                             | Line-by-line               |
| Umbria Energy S.p.A.                        | Via B. Capponi, 100- Terni   | 1,000,000                   | 50.00%     | 50.00%                              | Line-by-line               |
| Elga Sud S.p.A.                             | Via Montegrappa, 6 - Trani   | 250,000                     | 49.00%     | 49.00%                              | Line-by-line               |
| Ecogena S.p.A.                              | P.le Ostiense, 2 - Rome  | 6,000,000                   | 100.00%    | 100.00%                             | Line-by-line               |
| Parco della Mistica S.r.l.                  | P.le Ostiense, 2 - Rome  | 10,000                      | 100,00%    | 100,00%                             | Line-by-line               |

Companies accounted for using the equity method as from 1 January 2014 in accordance IFRS11

| NAME   | REGISTERED OFFICE                 | SHARE CAPITAL<br>(IN EUROS) | % INTEREST | GROUP'S<br>CONSOLIDATED<br>INTEREST | METHOD OF<br>CONSOLIDATION |
|--|-----------------------------------|-----------------------------|------------|-------------------------------------|----------------------------|
| Acque S.p.A.                                     | Via Garigliano,1- Empoli          | 9,953,116                   | 45.00%     | 45.00%                              | Shareholders' equity       |
| Acque Industriali S.r.l.                         | Via Garigliano,1- Empoli          | 100,000                     | 100.00%    | 45.00%                              | Shareholders' equity       |
| Acque Servizi S.r.l.                             | Via Garigliano,1- Empoli          | 400,000                     | 100.00%    | 45.00%                              | Shareholders' equity       |
| Consorcio Agua Azul                              | Los Pinos 399 – 27 Lima - Peru    | 17,379,190                  | 25.50%     | 25.50%                              | Shareholders' equity       |
| Voghera Energia Vendita S.p.A.<br>in liquidation | Largo Toscanini, 5 – Voghera (PV) | 250,000                     | 50.00%     | 50.00%                              | Shareholders' equity       |
| Ecomed S.r.l.                                    | P.le Ostiense, 2 - Rome           | 10,000                      | 50.00%     | 50%                                 | Shareholders' equity       |
| Publiacqua S.p.A.                                | Via Villamagna 90/c - Florence    | 150,280,057                 | 40.00%     | 40.00%                              | Shareholders' equity       |
| GORI S.p.A.                                      | Via Trentola,211 – Ercolano       | 44,999,971                  | 37.05%     | 37.05%                              | Shareholders' equity       |
| Umbra Acque S.p.A.                               | Via G. Benucci,162 (PG)           | 15,549,889                  | 40.00%     | 40.00%                              | Shareholders' equity       |
| Intesa Aretina Scarl.                            | Via B.Crespi, 57 - Milan          | 18,112,000                  | 35.00%     | 35.00%                              | Shareholders' equity       |
| Nuove Acque S.p.A.                               | Loc. Cuculo - Arezzo              | 34,450,389                  | 46.16%     | 16.16%                              | Shareholders' equity       |
| Ingegnerie Toscane S.r.l.                        | Via di Villamagna 90/c - Florence | 100,000                     | 43.01%     | 43.01%                              | Shareholders' equity       |
| Acquedotto del Fiora S.p.A.                      | Via Mameli,10 Grosseto            | 1,730,520                   | 40.00%     | 40.00%                              | Shareholders' equity       |

The following companies are consolidated using the equity method:

| NAME   | REGISTERED OFFICE                             | SHARE CAPITAL<br>(IN EUROS) | % INTEREST |
|--|---|-----------------------------|------------|
| SI(E)NERGIA S.p.A.                             | Via Fratelli Cairoli 24 Perugia               | 132,000                     | 42.08%     |
| Cesap Vendita Gas S.r.l.                       | Via del Teatro, 9 Bastia Umbra (PG)           | 80,000                      | 42.08%     |
| Azga Nord S.p.A. (In liquidation)              | P.zza Repubblica – Pontremoli (Massa Carrara) | 217,500                     | 49.00%     |
| Geal S.p.A.                                    | Viale Leporini, 1348 – LUCCA                  | 1,450,000                   | 28.80%     |
| Sogea S.p.A.                                   | Via Mercatanti, 8 - RIETI                     | 260,000                     | 49.00%     |
| Aguas De San Pedro SA                          | Las Palmas, 3 - San Pedro (Honduras)          | 6,162,657                   | 31.00%     |
| Umbriadue Servizi Idrici scarl                 | Strada Sabbione zona ind. A72 - TERNI         | 100,000                     | 34.00%     |
| Coema  | P.le Ostiense, 2 - Rome                       | 10,000                      | 33.50%     |
| Amea S.p.A.                                    | Via San Francesco d'Assisi 15 C – Frosinone   | 1,689,000                   | 33.00%     |
| Arkesia S.p.A. In liquidation                  | Via San Francesco d'Assisi 17 C – Frosinone   | 170,827                     | 33.00%     |
| Citelum Napoli Pubblica<br>Illuminazione scarl | Via Monteverdi, 11 - Milan                    | 90,000                      | 32.18%     |
| Eur Power S.r.l. (In liquidation)              | Largo Virgilio Testa, 23 - Roma               | 4,100,000                   | 25.00%     |
| Le Soluzioni Scarl                             | Via Garigliano, 1- Empoli                     | 250,678                     | 30.50%     |
| Sinergetica S.r.l.                             | Via Fratelli Cairoli, 24 - Perugia            | 10,000                      | 21.46%     |
| Sinergetica Gubbio S.r.l.                      | Via Fratelli Cairoli, 24 - Perugia            | 15,000                      | 21.46%     |
| Sinergetica Project S.r.l.                     | Via Fratelli Cairoli, 24 - Perugia            | 40,000                      | 21.46%     |
| Sienergias Distribuzione S.r.l.                | Via Fratelli Cairoli, 24 - Perugia            | 20,000                      | 42,08%     |
| Marco Polo S.r.l. (In liquidation)             | Via Marco Polo, 31 – Rome                     | 10,000                      | 33.00%     |
| Umbria Distribuzione Gas S.p.A.                | Via Bruno Capponi 100 – Terni                 | 2.120.000                   | 15,00%     |

## B. RECONCILIATION OF SHAREHOLDERS' EQUITY AND STATUTORY PROFIT – CONSOLIDATED

|   | PROFIT FOR THE YEAR |                               | SHAREHOLDERS' EQUITY |                               |
|---|---------------------|-------------------------------|----------------------|-------------------------------|
|   | 31.12.2014          | 31.12.2013<br><i>RESTATED</i> | 31.12.2014           | 31.12.2013<br><i>RESTATED</i> |
| <b>Balances in ACEA's statutory financial statements</b>  | <b>89,601</b>       | <b>94,479</b>                 | <b>1,397,478</b>     | <b>1,360,340</b>              |
| Surplus of shareholders' equity and profit for the year at current values compared to book values | 170,425             | 120,718                       | 137,058              | 94,282                        |
| Higher depreciation and amortisation in consolidated financial statements                         | (1,715)             | (1,294)                       | 9,061                | 10,776                        |
| Elimination of effects of business combination of entities under common control                   | (2,377)             | (1,591)                       | (2,377)              | (1,591)                       |
| Elimination of tax effects, including those from previous years                                   | (6,710)             | (6,710)                       | 20,393               | 27,103                        |
| Accounted for using the equity method   | 14,614              | 26,242                        | 63,214               | 48,600                        |
| Elimination of dividends  | (126,063)           | (116,711)                     | 0                    | 0                             |
| Goodwill ACEA Ato2, ACEA Distribuzione, ARIA  | 24,741              | 24,741                        | (194,204)            | (218,944)                     |
| Elimination of extraordinary items  | (57)                | 2,067                         | (57)                 | 2,067                         |
| <b>Balances in consolidated financial statements</b>  | <b>162,459</b>      | <b>141,940</b>                | <b>1,430,566</b>     | <b>1,322,633</b>              |

## C. REMUNERATION OF DIRECTORS, STATUTORY AUDITORS AND KEY MANAGERS

### BOARD OF DIRECTORS AND BOARD OF STATUTORY AUDITORS

| € thousand                                     | REMUNERATION DUE            |                       |                              |                    | TOTAL        |
|--|-----------------------------|-----------------------|------------------------------|--------------------|--------------|
|  | REMUNERATION FOR THE OFFICE | NON-MONETARY BENEFITS | BONUSES AND OTHER INCENTIVES | OTHER COMPENSATION |              |
| Board of Directors in office until 5 June 2014 | 124                         | 53                    | 159                          | 2,031              | <b>2,368</b> |
| Board of Directors in office as of 5 June 2014 | 104                         | 27                    | 118                          | 222                | <b>472</b>   |
| Board of Statutory Auditors                    | 491                         | 0                     | 0                            | 0                  | <b>491</b>   |

### KEY MANAGERS

Fees due to executives with strategic responsibilities for 2014 amount to:

- salaries and bonuses 2,021 thousand euros,
- non-monetary benefits 179 thousand euros.

Remuneration paid to key managers is established by the Remuneration Committee based on average levels of pay in the labour market.

For additional information please refer to the Remuneration Report

### INDEPENDENT AUDITORS

As required by article 149 duodecies of the CONSOB Regulations for Issuers, the fees paid to the Independent Auditors, Reconta Ernst & Young, are shown in the table below.

| € thousand   | AUDIT RELATED SERVICE | AUDIT SERVICES | NON AUDIT SERVICES | TOTAL        |
|--------------|-----------------------|----------------|--------------------|--------------|
| ACEA S.p.A.  | 268                   | 253            | 126                | 648          |
| ACEA Group   | 879                   | 120            | 101                | 1,098        |
| <b>Total</b> | <b>1,146</b>          | <b>373</b>     | <b>227</b>         | <b>1,746</b> |

## D. SEGMENT INFORMATION: STATEMENT OF FINANCIAL POSITION AND INCOME STATEMENT

Please note the following for a greater understanding of this section:

- generation, trading/energy management and sales refer to the Energy segment which, from an organizational standpoint, is responsible for the companies Acea Energia, Umbria Energy, Voghera Energia Vendite in liquidation, Elga Sud, Acea Produzione, Ecogena and Parco della Mistica,
- distribution, public lighting (Rome and Naples) and PV systems refer to the Networks segment
- analysis and research services refer to the Engineering and Services Department, which, from an organizational standpoint, is responsible for Laboratori S.p.A.,
- Overseas Water Services refer to the Water segment which, from an organizational standpoint, is also responsible for the water companies operating abroad,
- Italian Water Services refer to the Water segment which, from an organizational standpoint, is responsible for the water companies operating in Lazio, Campania, Tuscany and Umbria, and for AceaGori Servizi,
- environment refer to the Environment segment which, from an organizational standpoint, is responsible for the Companies of the ARIA Group and the Aquaser Group.

### 2013 RESTATED STATEMENT OF FINANCIAL POSITION

|  | GENERATION   | DISTRIBUTION   | SALES        | ENERGY<br>MANAGEMENT | PUBLIC<br>LIGHTING | ITALIAN<br>WATER<br>SERVICES |
|--|--------------|----------------|--------------|----------------------|--------------------|------------------------------|
| <b>Investments</b>                                 | <b>5,230</b> | <b>102,510</b> | <b>5,987</b> | <b>177</b>           | <b>289</b>         | <b>129,266</b>               |
| Operating Segments                                 |              |                |              |                      |                    |                              |
| Property, plant and equipment                      | 162,398      | 1,373,538      | 360          | 1,507                | 459                | 14,074                       |
| Intangible Assets                                  | 8,274        | 31,244         | 93,518       | (383)                | 2,073              | 1,727,767                    |
| Non-current financial assets measured at equity    |              | 0              | 0            |                      |                    |                              |
| Non current financial assets                       |              |                |              |                      |                    |                              |
| Other non-current trading assets                   |              |                |              |                      |                    |                              |
| Other non-current financial assets                 |              |                |              |                      |                    |                              |
| Inventories  | 1,830        | 11,944         | 0            | 0                    | 6,451              | 9,689                        |
| Trade receivables from third parties               | 3,898        | 163,238        | 623,757      | 64,459               | 18,305             | 453,579                      |
| Trade receivables from Parent Company              | 6,057        | 1,151          | 43,023       | 0                    | 61,824             | 28,354                       |
| Trade receivables from subsidiaries and associates | 0            | 0              | 16,036       | 69,665               | 0                  | 8,957                        |
| Other current trading assets                       |              |                |              |                      |                    |                              |
| Other current financial assets                     |              |                |              |                      |                    |                              |
| Cash and cash equivalents                          |              |                |              |                      |                    |                              |
| Non-current assets held for sale                   |              |                |              |                      |                    |                              |
| <b>Total assets</b>                                |              |                |              |                      |                    |                              |

Amounts in €/thousand

### 2013 RESTATED STATEMENT OF FINANCIAL POSITION

|  | GENERATION | DISTRIBUTION | SALES   | ENERGY<br>MANAGEMENT | PUBLIC<br>LIGHTING | ITALIAN<br>WATER<br>SERVICES |
|--|------------|--------------|---------|----------------------|--------------------|------------------------------|
| <b>Segment liabilities</b>                                 |            |              |         |                      |                    |                              |
| Trade payables to third parties                            | 5,409      | 305,823      | 381,412 | 201,284              | 11,915             | 292,091                      |
| Trade payables to Parent Company                           | 1,655      | 5,646        | 84,288  | 67                   | 2,704              | 69,953                       |
| Trade payables to subsidiaries and associates              | 0          | 33           | 0       | 16,923               | 60,441             | 1,441                        |
| Other current trading liabilities                          |            |              |         |                      |                    |                              |
| Other current financial liabilities                        |            |              |         |                      |                    |                              |
| Staff termination benefits and other defined-benefit plans | 2,259      | 34,545       | 3,937   | 298                  | 2,719              | 28,651                       |
| Other provisions   | 3,254      | 14,754       | 9,726   | 44                   | 337                | 89,144                       |
| Provision for deferred taxes                               |            |              |         |                      |                    |                              |
| Other non-current trading liabilities                      |            |              |         |                      |                    |                              |
| Other non-current financial liabilities                    |            |              |         |                      |                    |                              |
| Liabilities directly associated with assets held for sale  |            |              |         |                      |                    |                              |
| Shareholders' equity                                       |            |              |         |                      |                    |                              |
| <b>Total liabilities and shareholders' equity</b>          |            |              |         |                      |                    |                              |

Amounts in €/thousand



| OVERSEAS   | ENGINEERING | CORPORATE     | ENVIRONMENT   | PV POWER   | TOTAL          | CONSOLIDATION<br>ADJUSTMENTS | GROUP<br>TOTAL   |
|------------|-------------|---------------|---------------|------------|----------------|------------------------------|------------------|
| <b>211</b> | <b>485</b>  | <b>11,874</b> | <b>12,137</b> | <b>435</b> | <b>268,601</b> | <b>0</b>                     | <b>268,601</b>   |
| 977        | 2,156       | 166,508       | 255,532       | 29,992     | 2,007,500      | 1,554                        | 2,009,054        |
| 4          | 87          | 10,494        | 23,210        | 0          | 1,896,288      | (360,593)                    | 1,535,694        |
|            |             |               |               |            | 2,189,346      | (1,977,394)                  | 211,952          |
|            |             |               |               |            |                |                              | 3,321            |
|            |             |               |               |            |                |                              | 357,738          |
|            |             |               |               |            |                |                              | 34,788           |
| 183        | 0           | 0             | 3,448         | 209        | 33,754         | 0                            | 33,754           |
| 2,182      | 19,279      | 26,603        | 46,890        | 35,215     | 1,457,404      | (213,034)                    | 1,244,371        |
| 0          | 21          | 771           | 307           | 0          | 141,509        | (71,859)                     | 69,650           |
| 77         | 0           | 37,575        | 109           | 0          | 132,419        | (99,883)                     | 32,536           |
|            |             |               |               |            |                |                              | 203,393          |
|            |             |               |               |            |                |                              | 118,302          |
|            |             |               |               |            |                |                              | 563,066          |
|            |             |               |               | 6,722      | 6,722          |                              | 6,722            |
|            |             |               |               |            |                |                              | <b>6,424,340</b> |

| OVERSEAS | ENGINEERING | CORPORATE | ENVIRONMENT | PV POWER | TOTAL     | CONSOLIDATION<br>ADJUSTMENTS | GROUP<br>TOTAL   |
|----------|-------------|-----------|-------------|----------|-----------|------------------------------|------------------|
| 1,148    | 3,015       | 64,773    | 37,792      | 5,296    | 1,309,958 | (195,894)                    | 1,114,064        |
| 0        | 198         | 20,521    | 881         | 1        | 185,915   | (100,300)                    | 85,615           |
| 491      | 0           | 4,260     | 17          | 24       | 83,631    | (75,710)                     | 7,921            |
|          |             |           |             |          |           |                              | 280,310          |
|          |             |           |             |          |           |                              | 599,869          |
| 200      | 2,839       | 28,787    | 2,688       | 0        | 106,922   | (12)                         | 106,910          |
| 304      | 2,262       | 31,593    | 30,499      | 2,695    | 184,611   | 21,448                       | 206,058          |
|          |             |           |             |          |           |                              | 92,964           |
|          |             |           |             |          |           |                              | 161,549          |
|          |             |           |             |          |           |                              | 2,360,907        |
|          |             |           |             | 1,344    | 1,344     |                              | 1,344            |
|          |             |           |             |          |           |                              | 1,406,828        |
|          |             |           |             |          |           |                              | <b>6,424,340</b> |

## INCOME STATEMENT AS AT 31 DECEMBER 2013 RESTATED

|   | GENERATION | DISTRIBUTION | SALES     | ENERGY<br>MANAGEMENT | PUBLIC<br>LIGHTING | ITALIAN<br>WATER<br>SERVICES |
|---|------------|--------------|-----------|----------------------|--------------------|------------------------------|
| Revenues  | 61,552     | 466,504      | 2,255,098 | 888,511              | 126,523            | 576,440                      |
| Staff costs   | 5,245      | 62,525       | 18,975    | 1,257                | 8,264              | 84,341                       |
| Energy purchase   | 6,387      | 79,357       | 2,102,737 | 873,991              | 0                  | 35                           |
| Sundry materials and overheads  | 12,242     | 79,576       | 80,876    | 11,192               | 111,832            | 254,011                      |
| Income/(Charges) from equity investments<br>of a non-financial nature | (224)      |              | (343)     |                      |                    | 30,756                       |
| EBITDA  | 37,454     | 245,046      | 52,168    | 2,071                | 6,427              | 268,808                      |
| Depreciation/amortisation   | 18,421     | 95,092       | 69,463    | 1,207                | 1,196              | 74,315                       |
| EBIT  | 19,033     | 149,954      | (17,295)  | 863                  | 5,231              | 194,494                      |
| Finance (costs)/income  |            |              |           |                      |                    |                              |
| (Costs)/Income from investments                                       |            |              | (195)     |                      |                    | 885                          |
| Profit/(loss) before tax  |            |              |           |                      |                    |                              |
| Taxation  |            |              |           |                      |                    |                              |
| Net profit (loss)   |            |              |           |                      |                    |                              |
| <b>Totale Passività e Netto</b>                                       |            |              |           |                      |                    |                              |

Amounts in €/thousand

## STATO PATRIMONIALE 2014

|   | GENERATION | DISTRIBUTION | SALES   | PUBLIC LIGHTING | ITALIAN WATER<br>SERVICES |
|---|------------|--------------|---------|-----------------|---------------------------|
| Investments   | 11,590     | 121,404      | 8,142   | 747             | 146,839                   |
| Operating Segments                                    |            |              |         |                 |                           |
| Property, plant and equipment                         | 172,035    | 1,407,170    | 1,744   | 765             | 14,073                    |
| Intangible Assets                                     | 6,504      | 41,908       | 128,545 | 2,407           | 1,809,739                 |
| Non-current financial assets measured at equity       |            | 0            | 0       |                 |                           |
| Non current financial assets                          |            |              |         |                 |                           |
| Other non-current trading assets                      |            |              |         |                 |                           |
| Other non-current financial assets                    |            |              |         |                 |                           |
| Inventories   | 1,515      | 9,175        | 0       | 6,505           | 8,096                     |
| Trade receivables from third parties                  | 19,434     | 102,859      | 707,666 | 15,598          | 404,976                   |
| Trade receivables from Parent Company                 | 469        | 1,514        | 37,538  | 4,533           | 31,389                    |
| Trade receivables from subsidiaries and<br>associates | 0          | 0            | 16,784  | 0               | 8,452                     |
| Other current trading assets                          |            |              |         |                 |                           |
| Other current financial assets                        |            |              |         |                 |                           |
| Cash and cash equivalents                             |            |              |         |                 |                           |
| Non-current assets held for sale                      |            |              |         |                 |                           |
| <b>Total assets</b>                                   |            |              |         |                 |                           |

Amounts in €/thousand

| OVERSEAS | ENGINEERING | CORPORATE | ENVIRONMENT | PV POWER | TOTAL     | CONSOLIDATION ADJUSTMENTS | GROUP TOTAL    |
|----------|-------------|-----------|-------------|----------|-----------|---------------------------|----------------|
| 11,421   | 25,167      | 115,429   | 8,802       | 111,137  | 4,646,585 | (1,357,502)               | 3,289,083      |
| 3,148    | 9,541       | 10,156    | 451         | 50,155   | 254,060   | (15,733)                  | 238,327        |
| 0        | 0           | 3,106     | 0           | 83       | 3,065,697 | (1,023,629)               | 2,042,068      |
| 5,234    | 7,164       | 53,370    | 2,559       | 63,673   | 681,728   | (318,127)                 | 363,601        |
| 512      |             | (392)     |             |          | 30,309    |                           | 30,309         |
| 3,551    | 8,461       | 48,404    | 5,793       | (2,774)  | 675,409   | (13)                      | 675,395        |
| 175      | 1,030       | 28,251    | 0           | 23,724   | 312,874   | (712)                     | 312,162        |
| 3,376    | 7,431       | 20,154    | 5,793       | (26,498) | 362,535   | 698                       | 363,233        |
|          |             |           |             |          |           |                           | (99,302)       |
| 772      |             | (17)      |             | (6,206)  | (4,762)   |                           | (4,762)        |
|          |             |           |             |          |           |                           | 259,170        |
|          |             |           |             |          |           |                           | 105,786        |
|          |             |           |             |          |           |                           | <b>153,383</b> |

| OVERSEAS | ENGINEERING | CORPORATE | ENVIRONMENT | PV POWER | GROUP TOTAL | CONSOLIDATION ADJUSTMENTS | TOTAL CONSOLIDATED |
|----------|-------------|-----------|-------------|----------|-------------|---------------------------|--------------------|
| 590      | 1,499       | 14,159    | 13,341      | 262      | 318,574     | 0                         | 318,574            |
| 2,571    | 3,008       | 160,971   | 243,855     | 32,699   | 2,038,890   | (4,671)                   | 2,034,219          |
| 153      | 206         | 14,344    | 26,085      | 0        | 2,029,890   | (395,252)                 | 1,634,638          |
|          |             |           |             |          | 2,079,897   | (1,855,130)               | 224,767            |
|          |             |           |             |          |             |                           | 2,482              |
|          |             |           |             |          |             |                           | 340,196            |
|          |             |           |             |          |             |                           | 34,290             |
| 324      | 0           | 0         | 3,410       | 204      | 29,229      | 0                         | 29,229             |
| 1,818    | 32,244      | 25,753    | 53,475      | 22,819   | 1,386,641   | (223,668)                 | 1,162,973          |
| 5        | 15          | 591       | 88          | 0        | 76,141      | (8,910)                   | 67,231             |
| 16       | 0           | 36,850    | 317         | 0        | 62,419      | (32,702)                  | 29,716             |
|          |             |           |             |          |             |                           | 241,310            |
|          |             |           |             |          |             |                           | 92,130             |
|          |             |           |             |          |             |                           | 1,017,967          |
|          |             |           |             | 497      | 497         |                           | 497                |
|          |             |           |             |          |             |                           | <b>6,911,645</b>   |

## 2014 STATEMENT OF FINANCIAL POSITION

|  | GENERATION | DISTRIBUTION | SALES   | PUBLIC LIGHTING | ITALIAN WATER SERVICES |
|--|------------|--------------|---------|-----------------|------------------------|
| <b>Segment liabilities</b>                                 |            |              |         |                 |                        |
| Trade payables to third parties                            | 14,493     | 311,857      | 532,559 | 14,043          | 364,908                |
| Trade payables to Parent Company                           | 3,059      | 8,082        | 16,897  | 100             | 98,636                 |
| Trade payables to subsidiaries and associates              | 0          | 32           | 5,215   | 3,282           | 650                    |
| Other current trading liabilities                          |            |              |         |                 |                        |
| Other current financial liabilities                        |            |              |         |                 |                        |
| Staff termination benefits and other defined-benefit plans | 2,592      | 38,724       | 4,672   | 3,036           | 31,419                 |
| Other provisions   | 5,418      | 8,170        | 10,502  | 411             | 56,954                 |
| Provision for deferred taxes                               |            |              |         |                 |                        |
| Other non-current trading liabilities                      |            |              |         |                 |                        |
| Other non-current financial liabilities                    |            |              |         |                 |                        |
| Liabilities directly associated with assets held for sale  |            |              |         |                 |                        |
| Shareholders' equity                                       |            |              |         |                 |                        |
| <b>Total liabilities and shareholders' equity</b>          |            |              |         |                 |                        |

Importi in migliaia di Euro

## 2014 INCOME STATEMENT

|  | GENERATION | DISTRIBUTION | SALES     | PUBLIC LIGHTING | ITALIAN WATER SERVICES |
|--|------------|--------------|-----------|-----------------|------------------------|
| Revenues   | 59,356     | 486,102      | 2,047,684 | 67,267          | 622,630                |
| Staff costs  | 5,528      | 56,137       | 20,573    | 7,384           | 85,036                 |
| Energy purchase  | 5,337      | 110,597      | 1,861,963 | 0               | 221                    |
| Sundry materials and overheads                                     | 14,665     | 77,046       | 86,932    | 53,307          | 277,355                |
| Income/(Charges) from equity investments of a non-financial nature |            |              | (357)     | 0               | 18,292                 |
| EBITDA   | 33,826     | 242,322      | 77,860    | 6,576           | 278,310                |
| Depreciation/amortisation  | 19,129     | 94,279       | 88,191    | 611             | 70,963                 |
| EBIT   | 14,697     | 148,042      | (10,331)  | 5,965           | 207,347                |
| Finance (costs)/income   |            |              |           |                 |                        |
| (Costs)/Income from investments                                    |            | (1,139)      | (349)     |                 | 113                    |
| Profit/(loss) before tax   |            |              |           |                 |                        |
| Taxation   |            |              |           |                 |                        |
| <b>Net profit (loss)</b>   |            |              |           |                 |                        |

Amounts in €/thousand

| OVERSEAS | ENGINEERING | CORPORATE | ENVIRONMENT | PV POWER | GROUP TOTAL | CONSOLIDATION ADJUSTMENTS | TOTAL CONSOLIDATED |
|----------|-------------|-----------|-------------|----------|-------------|---------------------------|--------------------|
| 725      | 3,500       | 49,868    | 41,526      | 2,468    | 1,335,947   | (205,789)                 | 1,130,158          |
| 0        | 214         | 20,523    | 1,107       | 0        | 148,618     | (31,941)                  | 116,678            |
| 232      | 0           | 7,050     | 29          | 0        | 16,489      | (13,959)                  | 2,531              |
|          |             |           |             |          |             |                           | 371,199            |
|          |             |           |             |          |             |                           | 189,957            |
| 203      | 3,266       | 30,685    | 3,419       | 0        | 118,016     | (12)                      | 118,004            |
| 0        | 745         | 35,073    | 27,613      | 2,379    | 147,264     | 21,380                    | 168,644            |
|          |             |           |             |          |             |                           | 93,284             |
|          |             |           |             |          |             |                           | 177,990            |
|          |             |           |             |          |             |                           | 3,040,712          |
|          |             |           |             | 99       | 99          |                           | 99                 |
|          |             |           |             |          |             |                           | 1,502,391          |
|          |             |           |             |          |             |                           | <b>6,911,645</b>   |

| OVERSEAS | ENGINEERING | ENVIRONMENT | PV POWER | CORPORATE | GROUP TOTAL | CONSOLIDATION ADJUSTMENTS | TOTAL CONSOLIDATED |
|----------|-------------|-------------|----------|-----------|-------------|---------------------------|--------------------|
| 8,703    | 31,311      | 128,412     | 6,531    | 122,802   | 3,580,800   | (542,547)                 | 3,038,253          |
| 2,933    | 10,067      | 10,715      | 314      | 54,895    | 253,582     | (24,038)                  | 229,543            |
| 0        | 0           | 3,012       | 0        | 277       | 1,981,407   | (234,941)                 | 1,746,466          |
| 3,892    | 9,971       | 60,346      | 1,819    | 61,510    | 646,843     | (283,494)                 | 363,348            |
| 742      | 0           | 145         | 0        | 0         | 18,822      | 0                         | 18,822             |
| 2,621    | 11,274      | 54,485      | 4,397    | 6,120     | 717,790     | (73)                      | 717,716            |
| 286      | (36)        | 26,330      | 0        | 27,587    | 327,340     | (68)                      | 327,273            |
| 2,335    | 11,309      | 28,155      | 4,397    | (21,467)  | 390,449     | (6)                       | 390,444            |
|          |             |             |          |           |             |                           | (101,178)          |
| 585      |             | (55)        |          | 1,371     | 527         |                           | 527                |
|          |             |             |          |           |             |                           | 289,793            |
|          |             |             |          |           |             |                           | 120,874            |
|          |             |             |          |           |             |                           | <b>168,919</b>     |



**ACEA S.p.A.**

**Consolidated Financial Statements as of December 31, 2014**

**Independent auditors' report  
pursuant to art. 14 and 16 of Legislative Decree n. 39 dated January  
27, 2010  
(Translation from the original Italian text)**

**Independent auditors' report  
pursuant to art. 14 and 16 of Legislative Decree n. 39 dated January 27, 2010  
(Translation from the original Italian text)**

To the Shareholders  
of ACEA S.p.A.

1. We have audited the consolidated financial statements of ACEA S.p.A. and its subsidiaries, (the "ACEA Group") as of and for the year ended December 31, 2014, comprising the statement of financial position, the income statement, the statement of comprehensive income, the statement of changes in shareholders' equity, the statement of cash flows and the related notes. The preparation of these financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and with art. 9 of Legislative Decree n. 38/2005 is the responsibility of the ACEA S.p.A.'s management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards recommended by CONSOB (the Italian Stock Exchange Regulatory Agency). In accordance with such standards, we planned and performed our audit to obtain the information necessary to determine whether the consolidated financial statements are materially misstated and if such financial statements, taken as a whole, may be relied upon. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, as well as assessing the appropriateness of the accounting principles applied and the reasonableness of the estimates made by management. We believe that our audit provides a reasonable basis for our opinion.

The consolidated financial statements of the prior year and the consolidated statement of financial position as at January 1, 2013 are presented for comparative purposes. As described in the explanatory notes, as a result of the retrospective application of IFRS 10 and IFRS 11, management has restated certain comparative figures related to the prior year and the consolidated statement of financial position as at January 1, 2013, which derives from consolidated financial statements as of December 31, 2012, with respect to the figures previously presented, upon which we issued our auditors' reports dated April 30, 2014 and March 25, 2013, respectively. We have examined the methods used to restate the comparative figures and the related information presented in the explanatory notes, for the purpose of expressing our opinion on the consolidated financial statements as of December 31, 2014 and for the year then ended.

3. In our opinion, the consolidated financial statements of the ACEA Group as of December 31, 2014 have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union and with art. 9 of Legislative Decree n. 38/2005; accordingly, they present clearly and give a true and fair view of the financial position, the results of operations and the cash flows of the ACEA Group as of December 31, 2014 and for the year then ended.



4. We draw the attention to the following matters:

- With reference to the subsidiaries GORI S.p.A., management has disclosed in the notes and in the Report on Operations the reasons that require the provision recognized in a prior year to be maintained, due to the persistent uncertainty affecting GORI S.p.A.'s operations.
- With the enactment of Law n. 214 of December 22, 2011, the Regulatory Authority for Electricity Gas and Water ("AEEGSI", formerly "AEEG") has assumed the functions of regulating, controlling and monitoring water services. The water sector is characterized by complex regulatory decisions recently issued, including, in particular, the resolution n.585/2012/R/idr of December 28, 2012 in which the AEEGSI approved the Transitional Tariff Methodology ("MTT") for determining 2012 and 2013 tariffs and the subsequent resolution of December 27, 2013 n. 643/2013/R/idr in which the AEEGSI approved the Water Tariff Method for determining 2014 and 2015 tariffs. Management has disclosed in the notes and in the Report on Operations the main matters established by the mentioned resolutions and, in particular the methods and terms defining the adjustments related to the completion of the process on tariff matters, which involve the Area Authorities and AEEGSI.
- The ACEA Group carries on significant transactions with related parties, whose nature and extent are described in the notes to the financial statements.

5. Management of ACEA S.p.A. is responsible for the preparation of the Report on Operations and the Corporate Governance and Ownership Structure Report in accordance with the applicable laws and regulations. Our responsibility is to express an opinion on the consistency of the Report on Operations and the specific section on Corporate Governance and Ownership Structure Report, limited to the information indicated in art. 123-bis paragraph 1, letters c), d), f), l), m) and paragraph 2, letter b) of Legislative Decree n. 58/1998, with the financial statements as required by the law. For this purpose, we have performed the procedures required under Auditing Standard 001 issued by the Italian Accounting Profession (CNDCEC) and recommended by CONSOB. In our opinion, the Report on Operations and the information presented in the Corporate Governance and Ownership Structure Report as required by art. 123-bis paragraph 1, letters c), d), f), l), m) and paragraph 2), letter b) of Legislative Decree n. 58/1998, are consistent with the consolidated financial statements of the ACEA Group as of December 31, 2014.

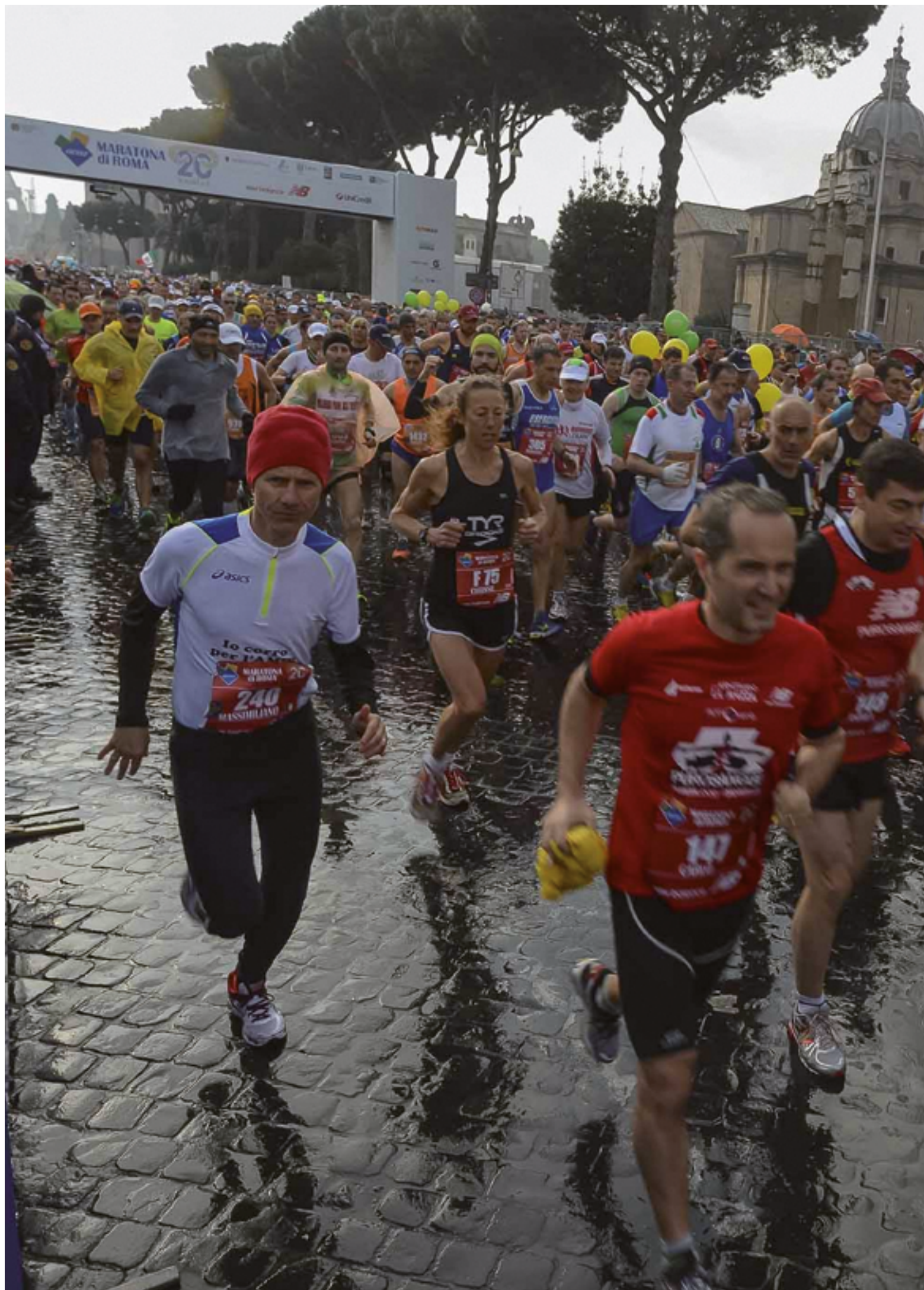
Rome, April 1, 2015

Reconta Ernst & Young S.p.A.  
signed by: Filippo Maria Aleandri, partner

*This report has been translated into the English language solely for the convenience of international readers*











# 2014

CORPORATE GOVERNANCE  
AND OWNERSHIP STRUCTURE REPORT

PURSUANT TO ARTICLE 123-BIS FINANCE  
CONSOLIDATION ACT (TUF)

"The *Maratona di Roma* is the world's best city marathon. The Colosseum, St Peter' Square, Trevi Fountain and Piazza Navona: no other city can offer the runners such spectacular sights".

*Runner's World UK*

**20<sup>th</sup> edition of Acea Maratona di Roma,**  
via dei Fori imperiali  
March 2014



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# 1. ISSUER'S PROFILE

Acea is one of the major Italian multiutility operators and has been operating for more than 100 years in the sector for industrial development of network services of general economic interest. Listed on the stock exchange since 1999, the company manages and develops water and electrical energy networks and environmental services. The Acea Group is currently the biggest Italian operator in the water sector in terms of supplied inhabitants and one of the biggest Italian stakeholders in both the final energy market and for the urban management of environmental services. It is also one of the primary national companies in terms of sales of electrical energy.

This report illustrates the corporate governance system adopted by ACEA SpA and which is structured into a series of principles, rules and procedures that are in line with the criteria specified with the Corporate Governance Code of listed companies promoted by Borsa Italiana (the Italian stock exchange). This corporate governance system was also drawn up on the

basis of CONSOB recommendations, and more generally, on the basis of international best practices.

The corporate governance system adopted by ACEA is basically aimed at creating value for its shareholders over the medium-long term with awareness of the social relevance of the Group's business and the need therefore to adequately take account of all the interests involved in running its business.

ACEA's corporate governance structure is arranged according to the traditional organisational model and consists of the following bodies: the general meeting of shareholders, the Board of Directors (assisted by the Committees set up as part of the same Board), the Board of Statutory Auditors and the auditing firm.

Without prejudice to the tasks assigned to the shareholders' meeting, the strategic management of the company is entrusted to the Board of

Directors, the fulcrum of the organizational system, while the supervisory functions are entrusted to the Board of Statutory Auditors, a body equipped with autonomous functions and powers and appointed on the basis of the legally defined criteria of professionalism, honorability and independence.

The regulatory audit is assigned, in accordance with the law, to a specialized auditing firm, regularly registered with the Register of Auditors and appointed by the Shareholders' Meeting on the basis of the Board of Statutory Auditor's proposal.

The information in this Report refers to 2014 and some specific matters were updated to 11/03/2015, the date of the Board of Directors' meeting that approved this Report, the text of which has been published on the web site [www.acea.it](http://www.acea.it) under the section "Rules and Values", in the "Corporate Governance" sub-menu.



## 2. INFORMATION ON SHAREHOLDING STRUCTURE

(ARTICLE 123BIS OF THE TUF, PARAGRAPH 1)

### A) SHARE CAPITAL STRUCTURE (PURSUANT TO ARTICLE 123BIS OF THE TUF, LETTER A)

The Company's share capital, equal to 1,098,898,884.00 euros, fully subscribed and paid up, is divided into 212,964,900 ordinary shares with a nominal value of 5.16 euros each, listed on the electronic equity market (MTA) organised and managed by Borsa Italiana (refer to Table 1). There are no shares with limited voting rights or without voting rights, except for 416,993 treasury shares with suspended voting rights, in accordance with Art. 2357-ter of the Italian Civil Code.

### B) RESTRICTIONS ON THE TRANSFER OF SECURITIES (PURSUANT TO ARTICLE 123BIS OF THE TUF, PARAGRAPH ONE, LETTER B)

There are no restrictions on the transfer of securities, except for restrictions for individual shareholders.

### C) SIGNIFICANT SHAREHOLDINGS (PURSUANT TO ARTICLE 123BIS OF THE TUF, PARAGRAPH ONE, LETTER C)

Direct or indirect relevant shareholdings, in accordance with art. 120 of the TUF and on the basis of information available at 11/03/2015 on the CONSOB web site and from communications in accordance with the same article, are shown in Table 1.

### D) SECURITIES GRANTING SPECIAL RIGHTS (PURSUANT TO ARTICLE 123BIS OF THE TUF, PARAGRAPH ONE, LETTER D)

No securities granting special control rights were issued.

### E) EMPLOYEE EQUITY INTEREST: MECHANISM FOR EXERCISING THE RIGHT TO VOTE (ARTICLE 123BIS OF THE TUF, PARAGRAPH ONE, LETTER E)

In accordance with art. 13 of the Articles of Association, and in order to facilitate the collection of proxies from shareholders who are employees of the Company, its subsidiaries and associates who adhere to shareholders' associations that meet the requisites dictated by the effective applicable regulations, appropriate areas will be made available for notification and the proxy collection process.

### F) RESTRICTIONS ON VOTING RIGHTS (PURSUANT TO ARTICLE 123BIS OF THE TUF, PARAGRAPH ONE, LETTER F)

Art. 6 of the Articles of Association restricts an equity investment to 8% of the share capital, with the sole exception of Roma Capitale; the Company shall be notified if this limit is exceeded. This limit shall be considered reached, both in direct and indirect terms, as better specified in paragraphs 2 and 3 of the cited article and as described below in the "Shareholders' Meeting" chapter of this Report. If it is violated, the shareholder shall be prohibited from exercising their voting rights for shares exceeding the indicated measure and, in the event that a resolution was made with the determining vote originating from the shares exceeding that percentage, the resolution shall become contestable.

### G) SHAREHOLDER AGREEMENTS (PURSUANT TO ARTICLE 123BIS OF THE TUF, PARAGRAPH ONE, LETTER G)

The company does not have any shareholders' agreements of any kind in accordance with Art. 122 of the TUF, nor special veto powers or other extraordinary powers to influence decisions other than those for direct issue in relation to the equity interest held.

### H) CHANGE OF CONTROL CLAUSES (PURSUANT TO ARTICLE 123BIS, PARAGRAPH ONE, LETTER H OF THE TUF) AND PROVISIONS CONCERNING TOB (IN ACCORDANCE WITH ART. 104, PARAGRAPH 1.-TER, AND 104-BIS, PARAGRAPH 1)

Acea has stipulated the following significant agreements which will become effective or cancelled in the case of change of control in the contracting company:

- Long-term financing totaling € 200 million from the European Bank for investments in favor of ACEA S.p.A.

In terms of TOB, there is no departure in the Articles of Association as in Art. 104, paragraphs 1 and 1-bis of the TUF, nor are there any neutralisation rules as in Art. 104 bis of the TUF.

### I) PROXIES FOR SHARE CAPITAL INCREASES PURSUANT TO ARTICLE 2443 OF THE ITALIAN CIVIL CODE AND FOR POWERS OF THE DIRECTORS TO ISSUE PARTICIPATING FINANCIAL INSTRUMENTS AS WELL AS AUTHORIZATION FOR THE PURCHASE OF TREASURY SHARES (PURSUANT TO ART. 123 BIS, PARAGRAPH 1, LETT. M, OF THE TUF)

As of 31/12/2014 and on the date of this Report, there are no Board of Director's delegations for a share capital increase, nor for the purchase of treasury shares.

Moreover, as already indicated, as of today the Company holds 416,993 treasury shares with suspended voting rights in accordance with art. 2357-ter of the Italian Civil Code, remaining from purchases of treasury shares, authorised by a resolution made by the ordinary general meeting on 23 October 1999, amended by a resolution made by the ordinary general meeting on 29 April 2000, re-approved by ordinary general meeting resolution on 31 October 2001 and supplemented by a resolution made by the ordinary shareholders' meeting of 30 April 2002

### L) MANAGEMENT AND COORDINATION ACTIVITIES (PURSUANT TO ART. 2497 ET SEQUITUR OF THE ITALIAN CIVIL CODE)

Art. 2497 et seq. of the Italian Civil Code is not applicable since ACEA autonomously defines its own strategic policies and is endowed with full organisational, management and business autonomy, not being subject to any management and coordination activity.

# 3. COMPLIANCE

(PURSUANT TO ART. 123 BIS, PARAGRAPH 2, LETT. A), OF THE TUF)

ACEA adheres to the Corporate Governance Code (henceforth, the "Code") which contains a structured series of recommendations pertaining to the modalities and rules for managing and controlling listed companies.

Although the adoption of the principles contained within the Code is not legally required, ACEA adhered to the Code since its original version in 2001 as well as its amendments and supplements that were most recently approved in July 2014 by

the Corporate Governance Committee of Borsa Italiana.

The complete text of the Corporate Governance Code is accessible to the public on the website of Borsa Italiana <http://www.borsaitaliana.it/comitato-corporate-governance/codice/2014clean.pdf>.

The company provides annual information on its governance system and its adherence to the Code by means of a Report which is drafted in accordance

with Article 123-bis of the TUF and which illustrates the degree of adjustment to the principles and application criteria that are established by the Code itself and by international best practices.

The Report is made available to the Shareholders on an annual basis with the documentation provided for the Shareholders' Meeting to approve the financial statements, and it is also duly published on the Company web site ([www.acea.it](http://www.acea.it)) in the "Corporate Governance" section.

## 4. BOARD OF DIRECTORS

### 4.1 APPOINTMENT AND REPLACEMENT (PURSUANT TO ART. 123 BIS, PARAGRAPH 1, LETT. L), OF THE TUF)

The appointment and replacement of Directors is governed by currently effective regulations, as incorporated and integrated within the allowed limits by the Articles of Association, prepared in adherence to and compliance with the requisites of the Code for listed companies.

According to the Company's Articles of Association, the Board of Directors consists of five to nine members, appointed by the ordinary general meeting of shareholders (which determines the number within these limits) for a period of up to three financial years, who can be re-elected at the end of their term.

Directors can be elected if they meet the requirements of the law and regulations.

The election of directors is regulated by art. 15.1 of the Articles of Association.

This article establishes the following:

- the criteria regarding gender balance as established by law must be complied with in the composition of the Board;
- Directors are elected on the basis of lists in which the candidates shall be listed in numerical order in accordance with the positions to be filled; each list must indicate at least two candidates who qualify as independent in accordance with the law; the first independent candidate shall not be lower than second on the list and the second independent candidate shall not be lower than fourth;
- appointments are made as follows:  
"A. half plus one of the directors to be appointed shall be taken from the list which obtained the majority of votes ("Majority Shareholder List"), in numerical

*order, rounding down to the lower unit in the event of a fractional number; B. without prejudice to compliance with legal regulations and the Articles of Association provisions regarding limits of relation with the majority shareholder list, the remaining directors shall be taken from the other lists. To this end, the votes that the lists receive shall be divided, for each list, subsequently by 1, 2, 4 and 8 up to the number of directors to be elected. The quotients obtained in this way shall be progressively assigned to the candidates of each of these lists, according to the order of the same respectively assigned to the candidates. The quotients allocated to the candidates from the various lists shall be arranged in a single decreasing ranking. Those who have obtained the highest quotients shall be elected.*

*If more than one candidate obtains the same quotient, the candidate from the list that did not elect any director or which elected the lowest number of directors shall be appointed.*

*In the event that none of these lists has yet appointed a director, or all have appointed the same number of directors, from among these lists, the candidate from the list that received the highest number of votes shall be appointed. If list votes are equal, and the quotients are equal, a new vote shall be cast by the entire general meeting, and the candidate who receives a simple majority of votes shall be appointed.*

*In any case, if only one regular list is presented other than the Majority Shareholder List, the candidates shall be elected from this one, according to the order of presentation."*

The election mechanism introduced guarantees the appointment of at least one director representing the minority shareholders as well as the appointment of the minimum number of independent directors in accordance with the law (one if the Board has less than seven members, two if the Board has more than seven members) as per Art. 147 ter par. 4 of the TUF.

The lists must be submitted twenty-five days before the date set for the first meeting by the Shareholders who alone or with other shareholders, represent at least one percent of the shares entitled to vote at the Ordinary general meeting.

No party can be a candidate in more than one list and each shareholder has the right to vote for one list only. The lists of candidates are filed at the registered office and published in three daily national newspapers at the Company's expense in order to be extensively disclosed.

### OUTGOING DIRECTORS:

In accordance with art. 15.3 of the Articles of Association: *If during the financial year a Director appointed on the basis of the list system described above is no longer able to perform his/her function, the Board shall replace the director through co-optation pursuant to Article 2386 of the Italian Civil Code, with the first non-elected candidate on the list to which the outgoing Director belonged, in accordance with the law in force regarding gender balance, or if there are no other candidates on the list, with the first candidate among the non-elected ones, irrespective of his/her original list. If the outgoing Director was not from the Majority List, in any case the non-relation requirement with the Majority List must be observed. If the outgoing Director meets*

all independence requirements, and/or belongs to the lesser represented gender group, and because they are outgoing the number of independent directors and/or the number of directors that belong to the lesser represented gender is reduced to below the minimum number required by law, the first unelected candidate on the list the outgoing Director was from who meets the independence requirements pursuant to the law and/or that is the same gender as the retiring director shall be co-opted. Directors so appointed shall remain in office until the first subsequent shareholders' meeting."

#### REPLACEMENT OF DIRECTOR:

In accordance with art. 15.4 of the Articles of Association: "When appointing new Directors to replace those who stepped down during the year, by majority vote the meeting will choose the new Director, in accordance with prevailing law on independence and gender balance, where possible, from the unelected candidates on the list that the outgoing Director was on, and who confirmed his or her candidature in writing at least ten days prior to the date of the meeting, along with the statements regarding the fact that there are no reasons for which he or she would be ineligible or incompatible, and that the requirements provided for by the law in force or the Articles of Association for the position were met.

If the Director cannot be replaced using this method, a resolution must be passed by majority vote, in accordance with requirements regarding minority representation and the minimum number of independent Directors. The Directors appointed in this manner will remain in office for the same term as the other Directors.

If, for any reason, the number of Directors in office is reduced to less than half, the entire Board of Directors will stand down and the Meeting must be called at the earliest opportunity to elect another board. The Board will however remain in office to carry out ordinary administration duties only, until the Meeting has decided on its reconstitution, and at least half of the new Directors have accepted the appointment."

#### MAJORITIES REQUIRED TO MAKE CHANGES TO THE ARTICLES OF ASSOCIATION

In accordance with Article 12 of the Articles of Association, to make changes to the Articles of Associations, the extraordinary shareholders' meeting will pass a resolution with the majorities set forth by law.

#### 4.2 COMPOSITION (PURSUANT TO ART. 123 BIS, PARAGRAPH 2, LETT. D), OF THE TUF)

On 15 April 2013, the General Meeting appointed a 9-member Board of Directors (refer to table 2.1 for information on its composition) which shall remain in office for three years, and in any case until the date the shareholders' meeting is called to approve the 2015 financial statements.

On 3 March 2014, the majority shareholder Roma Capitale formulated a request to deliberate upon the following points of the agenda of the day within the shareholders' meeting:

- Decrease in the number of members of the Board of Directors (if the previous point is approved);
- Appointment of the Board of Directors;
- Appointment of the Chairman (in any case)
- Determination of the compensation of the Board of Directors.

As a result, the shareholders' meeting of 5 June 2014 appointed a new Board with seven members which holds office for three years, and any case until the date the shareholders' meeting is called to approve the 2016 financial statements.

As of 31 December 2014, and until today, it is composed as follows: Catia Tomasetti (Chairman), Alberto Irace (Chief Executive Officer), Paola Antonia Profeta, Elisabetta Maggini, Francesco Caltagirone, Diane D'Arras and Giovanni Giani. Of the aforesaid directors in office, 2 are executive Directors (the Chairman and the CEO), to which the Board has delegated individual management powers, while the remaining 5 Directors are non-executive and do not have individual management authority.

The following provides a summarised personal and professional profile of the Directors in office as at 31 December 2014:

**Catia Tomasetti:** born in Rimini on 17/12/1964, with a degree in law with maximum grades and a Supreme Court attorney. She has been working for almost 20 years in project financing operations, restructurings, lending and bank law. She was involved in the first project finance operation in Italy and since then has followed numerous innovative operations (a market first) in Italy as well as many of the most important Italian project finance operations and their re-financing. She is recognized as a major expert in the sector of project financing, energy and restructurings by the most prestigious international legal guides such as Chambers, Legal500 and IFLR.

She is also an expert in public and private mixed companies as well as public services and privatizations; she is regularly involved in consulting activities for drafting regulations concerning the electrical sector, the integrated

water sector and project bonds. She has participated in the first and primary project financing operations within the Italian sectors of electrical energy production, gas, waste and water. She is regularly entrusted by the public authorities to draft certain regulations, including regulations applicable to the so-called mixed companies and for integrated water services. She is providing consulting services to the Territorial Agency of Emilia Romagna for Water and Waste Services (Agenzia Territoriale dell'Emilia-Romagna per i Servizi Idrici e Rifiuti, ATERSIR) for activities concerning the in house providing of integrated water services.

She is currently the Vice Chairman of Federutility and a member of the Unigiunta Board of Management and Council; a member of the Chairman's Committee for the Civita Association as well as Head of the Banking and Financial department and of the Project Finance Department within the Bonelli Erede Pappalardo law firm. Appointed on the basis of list no. 1 presented by Roma Capitale (containing: n.1 Catia Tomasetti, n. 2 Elisabetta Maggini, n. 3 Alberto Irace, n. 4 Paola Antonia Profeta, n. 5 Franco Paparella, n. 6 Salvatore Monni, n. 7 Fausto Valtriani, n. 8 Giovanni Campa, n. 9 Donatella Visconti); the relative appointment proposal received a favorable vote of 68.6247% from voting parties.

**Alberto Irace:** born in Cagliari on 13/11/1967, and previously the head of the water sector of Acea, the most important industrial division of the company, he has coordinated, in the past five years, the development and management of the integrated water services of the Tuscany region. As CEO of Publicacqua SpA – a company of the group which manages the integrated water cycle in Florence, Prato, Pistoia and Arezzo – he introduced, for the first time, state of the art technological and organizational solutions for the management of network services within the Italian water sector. Due to this contribution to technological innovation in managing the water service, he received the prestigious award "Utility Manager for the year 2013".

An expert in local public services, he has managed legal-administrative as well as organizational aspects of the water resources and gas distribution sector. He was appointed on the basis of list no. 1 presented by the aforementioned Roma Capitale.

**Elisabetta Maggini:** born in Rome on 24/07/1982, with a degree in law and specialized in Real Estate Finance with a Master from the School of Business of the university Luiss "Guido Carli"; she is a director in the Board of Sorgente Group, with a proxy for Institutional Relations; a member of the Women's Entrepreneurial Committee within the Chamber of Commerce of

Rome; a member of the Managerial Committee of ACER Giovani, the association of building constructors in Rome. From 2008 to 2013, she has been involved in youth and female entrepreneurship for the presidency of the Province of Rome and, subsequently, for the Presidency of the Lazio Region. She was appointed on the basis of list no. 1 presented by the aforementioned Roma Capitale.

**Paola Antonia Profeta:** born in Milan on 02/05/1972, with a honors degree in economics and social sciences from Bocconi University, he obtained a PhD in Economics from the Pompeu Fabra University of Barcellona. He is a confirmed assistant lecturer in finance within Bocconi University of Milan; a member of the CESifo Research Network, Munich (Germany); a part of the editorial committee for scientific magazines in the economic sector; a member of the work group for monitoring the application of Law 120/2011 “quotas of gender representation” within publically controlled companies and established within the Department of Equal Opportunities, Presidency of the Council of Ministers; a member of the General Board for the Milan Fairs Foundation; a member of the Board of Directors of ISFOL; a scientific advisor for Unicredit and the Universities Foundation. He holds the position of Board Director in Banca Profilo, a company listed on the Italian stock exchange. He was appointed on the basis of list no. 1 presented by the aforementioned Roma Capitale.

**Francesco Caltagirone:** born in Rome on 29/10/1968. Currently Chairman and Chief Executive Officer of Cementir Holding and member of the Board of Directors of the following joint-stock companies: Banca Fintat Euramerica, Caltagirone and Caltagirone Editore.

Appointed from list No. 2 presented by Fincal SpA, owner - at the time of the shareholders' meeting for the appointment - of 7.513% of the share capital (list containing No. 1 Francesco Caltagirone, n. 2 Paolo Di Benedetto, n. 3 Azzurra Caltagirone, n. 4 Mario Delfini, n. 5 Tatiana Caltagirone, n. 6 Massimiliano Capece Minutolo Del Sasso, n. 7 Albino Majore, n. 8 Annalisa Mariani) who obtained 13.3813% of the votes with a quotient of 21,437,487.

**Giovanni Giani:** born in Lecco on 14/01/1950, engineer, manager with vast international experience in business development and managing public service companies as well as in the industrial sector, and an expert in industrial international relations. He is currently the Chairman and Chief Executive Officer of Ondeo Italia SpA, Suez Environnement's Italian Holding.

Appointed from list No. 3 presented by Ondeo Italia SpA, owner of 12.483% of the share capital at the date of the appointment meeting (list containing No. 1 Giovanni Giani, n. 2 Diane D'Arras, n.3 Olivier Jacquier, n. 4 Gael Falchier, n. 5 Francesca Menabuoni, n. 6 Mauro Alfieri, n. 7 Dominique Romani, n. 8 Marica Lazzarin, n. 9 Francesco Nocentini) obtaining 17.9524% of the favourable votes, with a quotient of 28,760,573.

**Diane D'Arras:** born in Henin Beaumont (France) on 02/05/1955, engineer, a graduate of the Ecole Nationale des Ponts et Chaussées, Institut des Sciences Politiques de Paris, Institut des Hautes Etudes de Défense Nationale. Appointed Water Western Senior Executive V.P. in January 2011. Responsible for strategy and partnership in Europe for the water segment. She is a founding member and the first elected Chairman of the Water Supply and Sanitation Technology Platform, a European association centered upon research which brings together members of more than 20 countries. Appointed from list No. 3 presented by the above-mentioned Ondeo Italia SpA, with a quotient of 14,380,286.50.

#### MAXIMUM POSITIONS HELD IN OTHER COMPANIES

The BoD in its session on 23 March 2011, following the favourable opinion of the Internal Audit Committee, resolved that the maximum number of positions that each Director can hold in listed companies is 10, including the one held in ACEA, so that maximum availability to carry out the role is ensured.

The nature of Directors' responsibilities requires that they have sufficient time to pursue their duties: the nature and number of other positions held by serving Directors must permit them to perform their duties to the best of their ability. All the Directors in office, appointed by the Shareholders' Meeting on 5 June 2015, previously at the time of registration of the lists and, subsequently, on accepting the appointment, revealed any other positions held.

According to the latest communications received by the Board of Directors in implementation of resolutions passed, on 11/03/2015 all Directors held a number of positions compatible with the maximum number resolved by the Board.

**Chart 1** enclosed with this Report contains a list of director or auditor positions held by each Director in other companies listed on regulated markets, including foreign markets, in financial, banking, insurance or large companies.

#### Induction Programme

The characteristics of informational reporting to the Board allows the Directors to acquire adequate knowledge of the activity sector

in which the company operates as well as of company dynamics and their developments and of the relative regulatory framework of reference. During the course of the year, the directors were called upon to participate in initiatives and events that were organized by the Company. In the month of December 2014, an induction session was held for the directors, titled “Corporate Governance within the Acea Group and external relations; Corporate Governance Code; legal and corporate structures of public utilities”.

## 4.3 ROLE OF THE BOARD OF DIRECTORS

The Company Board of Directors plays a central role in corporate governance and is responsible for the strategic and organizational functions of the Group companies. In consideration of its role, the Board of Directors meets on a regular basis and operates in order ensure that it carries out its functions as efficiently as possible.

More specifically, in accordance with the law, the Articles Of Association and the Guidelines of the Internal Control and Risk Management System (henceforth, the “Guidelines”) approved 20 December 2012, the Board of Directors has the following duties:

- establish the strategic and general management guidelines and development areas for the Company; the economic and financial coordination of Group activities by approving long-term strategic plans providing guidance on Group development, investment plans, financial plans, and annual budgets; making and disposing of equity investments, excluding intragroup transactions;
- define the nature and level of risk that can be taken in accordance with the strategic goals of the Company;
- approve and change internal regulations for the Company's general organisational structure, the Group's macrostructure and any significant changes which may significantly impact the Group's organization;
- appoint the General Manager;
- Formulate the corporate governance system and provide for the creation of specific Board Committees within it as well as appoint their members and establish the duties when approving the respective organisational rules;
- adopt the Organisation and Management Model pursuant Italian Legislative Decree 231/2001 and appoint the Supervisory Body;
- designate directors and auditors for significant subsidiaries, within the scope of ACEA's responsibilities, with significant being defined as those listed on regulated markets and those which require capital

- commitments, shareholder financing or guarantees of over 10 million euros;
- assign and revoke CEO proxies, defining their limits and methods;
- reserve and exercise authority on behalf of Acea and its subsidiaries for amounts of over 7.5 million euros if in line with the budget, and over 1 million euros if not included in the budget;
- establish, upon proposal by the appropriate Committee and in consultation with the Board of Statutory Auditors, the remuneration of the Chairman, the CEO and the other Directors with specific duties, and the amount due the members of the Board Committees, and payment for top management with strategic responsibilities;
- define - subject to the opinion of the Risk and Control Committee (hereinafter also "RCC"), details of which can be found in chapter 10 - the guidelines for the Internal Control and Risk Management System in such a way that the principal risks which Acea and the main Group companies are exposed are correctly identified, and adequately measured, managed and monitored;
- assess the adequacy of the ACEA organisational, administrative and accounting structures and its strategic subsidiaries, with particular reference to the Internal Control and Risk Management System (hereinafter also referred as the "Control System");
- assess general performance (Art. 2381 of the Italian Civil Code), in particular by taking into consideration information received from delegated bodies, as well as by periodically comparing the results achieved with those budgeted;
- appoint and dismiss:
  - the Head of the Audit Department, subject to the approval of the RCC, on proposal of the Director in charge of the Internal Control and Risk Management System, and having consulted the Board of Statutory Auditors, ensuring that he or she has adequate resources to meet any needs in addition to establishing remuneration in accordance with company policies;
  - a Chief Financial Officer, if the shareholders' meeting has not provided for this and considering the Board of Statutory Auditors' judgement, (as per Articles of Association art. 22-ter) in addition to supervising the adequacy of the CFO's powers and resources for exercising their duties;
- approve, on an annual basis, the work plan of the Head of the Audit Department, having consulted with the Board of Statutory Auditors and the Director in charge of the Control System;

- evaluate, in consultation with the Board of Auditors, the results provided by the external auditors in any suggestion letter and in the report on the fundamental issues that emerge during the regulatory audit;
- evaluate, on at least a half-yearly basis, the adequacy of the Internal Control and Risk Management System with respect the Company's characteristics and in accordance with the risk profile assumed, in addition to illustrating the main characteristics of the Control System in the Corporate Governance Report, expressing its assessment, subject the opinion of the Risk and Control Committee on its adequacy;
- establish corporate procedures for personal or confidential third party data processing (in accordance with Italian Legislative Decree 196/2003);
- adopt the procedures necessary protect the health of workers and appoint parties oversee occupational safety (in accordance with Legislative Decree 81/2008);
- promote continuous dialogue with shareholders on the basis of a mutual understanding of roles;
- promote initiatives aimed at favouring the broadest possible participation of shareholders in general meetings and facilitating the exercise of shareholder rights;
- adopt, upon proposal of the CEO, the procedures for internal management and external communication of documents and information concerning the company, particularly with reference to "price sensitive" information and those relative to operations on financial instruments and implemented by individuals which, due to their role, have access to sensitive information;
- make a self-assessment of the function of the Board and its Committees, including with respect their size and composition, at least once a year;
- evaluate the independence of its non-executive members, at least once a year.

#### **The Board of Directors has performed the aforesaid tasks, among others:**

- evaluated general performance during 2014, when preparing the accounting reports (draft financial statements for the year and consolidated financial statements as of and for the year ended 31/12/2013; half-year financial reports; intermediary directors' report for the 1st and 3rd quarter of the financial year), in particular by taking into consideration information received from delegated bodies, as well as periodically comparing the results reached with those planned;
- On 11/03/2015, the Board of Directors:
- evaluated the adequacy of the Internal

Control and Risk Management System, as well as the adequacy of the organisational, administrative and general accounting structure of the Company and of the subsidiaries of strategic importance, considering Acea's Control System be suitable as a whole pursue company objectives.

- carried out, as an integral part of the aforesaid evaluation process, a self-assessment of the composition and operations of the Board and its internal Committees. This evaluation regarded the independence, structure and composition of the Board of Directors, the operations of the Committees and the Board and the information flows received by the Board and by its Committees in exercising their functions. The Board of Directors hired a specialized auditing firm to complete these auditing tasks, as described in greater detail below.

#### **FUNCTIONING**

In compliance with the terms provided for by law and with the timetable, the Board meets regularly, organising itself and operating guarantee it will effectively and efficiently perform its functions. During 2014 the Board of Directors held 16 meetings, each lasting about 2 hours and 30 minutes on average, with the regular participation of the directors and the attendance of the Board of Statutory Auditors.

The participation of each director in the Board meetings is reported in Table 2.

For 2015, four BoD meetings approve financial reports for the reporting period have been planned and communicated the market. To date, three meetings have been held, including the one of today.

The Board works in accordance with an operational regulations which have been in effect since 22 April 2003, and which governs the methods for guaranteeing timely and complete pre-meeting disclosures; the regulations require that resolution proposals and disclosures should be sent the company secretariat, together with all the useful documentation and the Managers for the specific subjects, at least 10 calendar days before the date set for the Board's session. The segment then submits these without delay the CEO for approval, for the purposes of drafting the Agenda.

At least six days before the date set for the Board's session, the company secretariat submits the resolution proposals and disclosures along with the draft Agenda, already approved by the CEO, to the BoD Chairman for approval. The Chairman draws up the Agenda, also with proposals and topics within his sphere of responsibility, which, at least three days before the date set for the Board session, is transmitted the individual Directors and the members of the Board of Statutory

Auditors together with all of the documentation prepared by the Company's departments.

Company (or Group company) managers or consultants may be invited to discuss the points of the Agenda, but they must exit the meeting before the Board makes a resolution

## BOARD OF DIRECTORS AND COMMITTEE EVALUATION

The Board of Directors, in accordance with the provisions of the application criteria established by 1.C.1 lett g) of the Corporate Governance Code, must at least once a year assess the size, composition and performance of the same Board and its Committees ("board evaluation"), autonomously or through an external independent consultant.

In 2014, ACEA entrusted the task of conducting the Board Evaluation – for a three year period – to the consultant Egon Zehnder, a primary consultant company and a long-time expert on the subject; it possesses the required independence prerequisites and has not been entrusted other assignments from Acea.

The consultant's activities involve the evaluation of the Board and Committees, in accordance with the best international practices; in particular, all the operating areas of the Board were assessed in order to find any areas that could be improved in the future.

The Board evaluation, in particular, in addition to assessing the level of adhesion of the Board to the principles and behaviour defined in the Regulation of the Board itself and the Corporate Governance Code, also involved benchmarking with respect to the best practices in Italy and abroad, focusing on finding the most suitable actions to take in order to improve the Board's performance.

The process used in the evaluation is essentially based on gathering various personal opinions in interviews which are performed by using both a questionnaire and in open talks with each single Board Member and the Chairman of the Board of Statutory Auditors, the data from which is then processed by the consultant.

The questions in the questionnaire and in the Board Member interviews are focused on various aspects of Board and Committee performance, such as:

- adequacy of the size and composition of the Board, allowing for the professional characteristics, competence and the specific experience of its members;
- the role of the Board when examining strategies and evaluating performance in general;
- agendas and Board meetings;
- information flow and quality;
- the atmosphere in the Board and in relations with Management;

- the role, competence and performance of the Board Committees;
- relations with the Board of Statutory Auditors and the Supervisory Body.

Egon Zehnder, in the 11 March Board meeting, presented the results of the evaluation made during the first year of his mandate for the Board currently in office; in particular, the consultant – on the basis of his collected comments and his comparative analysis – reached the following conclusions:

- "In this first year of mandate, the number of Directors was not deemed adequate in relation to the complexity of company operations and for the purposes of positive functioning of the Committees; the potential expansion of the Board from 7 to 9 members, and which must be presented to the shareholders' meeting for approval, could generate unquestionable improvements if the complementary competencies are generated (specific market experiences, managerial backgrounds, past Board experiences in listed companies of elevated complexity). The presence of other independent members could also lead to an enrichment of the composition and improvement in the functioning of Committees, in particular the Committee for Related Parties.
- In terms of general Board functioning, the consolidation of experience of the current Directors will lead to a valorization and improvement in the areas of strength that were previously expressed by this Board in the past mandate months;
- Commitment of individual directors and a desire to learn, even through new training;
- A positive climate and good spirit of collaboration, even through the contribution of the Chairman in this sense;
- Constructive discussions aiming for decisions;
- Effective presentations in the Board on the part of the CEO and of Acea departments;
- Solid support of the Corporate Secretariat and of other corporate bodies.
- The Board will want to take into account the following areas of potential improvement and identified within the realm of the Board Review:
  - Improved planning of meetings, with annual calendars;
  - Greater time within the Board dedicated to:
    - Strategy
    - Risk assessment
    - Human resources and succession plans;
  - Improved knowledge of operational management by the Board;
  - A revision of the timing for delivering preventive information;
  - A revision of the role and specific operations of the Ethics Committee and of Related Parties."

## 4.4 DELEGATED BODIES

### CHIEF EXECUTIVE OFFICER

In compliance with Art. 20 of the Articles of Association, the Chief Executive Officer is delegated all powers of ordinary management, signature, legal and court representation as well as powers held by proxy, within certain limits. The Chief Executive Officer reports to the Board of Directors and the Board of Statutory Auditors - at least once every quarter and in any case at the Board meetings - on the activities concerning the Company's operating performance, and any deed passed by proxy, in accordance with art. 20.1 of the Articles of Association. The Chief Executive Officer is currently also the General Manager without receiving any additional compensation for this role.

As decided at the BoD meeting of 9 June 2014, the Chief Executive Officer will:

- perform his duties based on long-term plans and annual budgets approved by the Board while assuring and verifying compliance with operating guidelines. Those powers have been delegated to the Chief Executive Officer from ACEA and its subsidiaries for transactions of 7.5 million euros or less (tender contracts, purchases, leases, disposals, participation in tenders, etc.) if in line with the budget and for up to 1 million euros if it is outside of the budget; for Group subsidiaries working in the electrical energy and gas markets, the CEO's powers include: i) issuing guarantees or other sureties for up to 12 million euros if budgeted and up to 2 million euros if not budgeted; ii) issuing all guarantees or other obligatory sureties the AEGG [Italian Electric Energy and Gas Authority], GME [Energy Market Manager], Terna SpA, the Single Buyer and other public entities;
- undersign tender agreements of any amount that are awarded in accordance with Legislative Decree 163/2006;
- Implement organisational and procedural changes in the Parent Company's operations, in compliance with guidelines approved by the Board of Directors;
- preside over and coordinate the Management Committee, a Consulting Committee that is comprised of Company executives and which is responsible for monitoring the Group's operating performance and individual business areas as well as any failure to meet targets;
- ensure the correct management of corporate information. Please refer to chapter 5 "Market Disclosures of Company Information" for more details.

Furthermore, and by means of the resolution of 9 June 2014, the CEO was granted the role of



executive director responsible for supervising the operations of the Internal Control and Risk Management System, with the duties indicated in paragraph 10.

## CHAIRMAN

In compliance with Art. 20 of the Articles of Association, the Chairman is the Company's legal representative and signatory and, furthermore, may convene and chair Board and Shareholders' Meetings.

With a resolution on 9 June 2014, the Board delegated certain institutional policy and control duties to the Chairman, granting him the corresponding management delegations, in particular: monitoring Group operations and verifying the implementation of Board resolutions and corporate governance rules, even in execution of the powers reserved to the Board; verifying corporate activities and procedures with respect to the quality of services provided and received as well as their environmental impact and social sustainability; supervising the BoD secretariat and all related activities; the power to implement all activities required by currently effective regulations pertaining to reporting and communications, even through the publication of newspapers and online media and including the appointment of the Managing Director from amongst employees of the group and possessing the legal prerequisites.

The BoD's activities are co-ordinated by the Chairman, who calls Board meetings, sets their agendas and chairs the meetings, ensuring that the directors have all the documentation and information necessary in a timely manner, except in necessary or urgent cases, so the Board can express a knowledgeable opinion on the subjects submitted.

## JOINT POWERS OF THE CHAIRMAN AND CHIEF EXECUTIVE OFFICER

With a BoD resolution on 9 June 2014, a joint proxy was also granted to the Chairman and the CEO, in the event of proven urgency and necessity, with the right to implement acts normally reserved to the BoD and regarding contract work, purchases, company transformation, participation in tenders and issuing guarantees in addition to appointing - when urgency does not allow time to call the BoD (in the first subsequent meeting the latter must be informed and shall verify the requirements of necessity and urgency

were fulfilled) - the members of the Board of Statutory Auditors and the members of the Board of Directors of the most significant subsidiary and controlled companies, where the latter are defined as follows:

- a) listed on regulated markets or with publicly traded shares pursuant to Art. 116 of Legislative Decree 58\98 of the Consolidated Finance Act;
- b) that require capital commitments, shareholder loans or guarantees of more than 10 million euros.

In addition, the Chairman and the CEO will appoint the members of the Board of Statutory Auditors and the Boards of Directors of Acea S.p.A. Group Companies that are not considered to be the "most significant".

## BOARD DISCLOSURES

Pursuant to Art. 20 of the Articles of Association and in compliance with legal dispositions, the BoD, as well as the Board of Statutory Auditors, shall receive constant and exhaustive disclosures from the Chairman and the CEO regarding activities carried out while exercising proxies, reported at least on a quarterly basis in a dedicated report regarding the general business performance and its foreseeable outlook. In particular, for all of the more important transactions carried out in the context of their own powers - including therein any atypical transactions or related party transactions, whose approval is not reserved to the BoD - the Chief Executive Officer and the Chairman shall refer the Board about the characteristics of those transactions, the subjects involved and any their relation to the Group in addition to their methods of determination and the related economic and equity effects.

## 4.5 OTHER EXECUTIVE DIRECTORS

There are no other executive directors.

## 4.6 INDEPENDENT DIRECTORS

As at 31 December 2014 and to date, there are three independent nonexecutive directors in the Board of Directors, specifically: Elisabetta Maggini, Paola Antonia Profeta and Diane D'Arras (see table 2).

The procedure followed by the Board to verify independence dictates that the Director must declare the requirement has been met when presenting the list as well as at the time of accepting the appointment, and must be verified by the Board of Directors in the first meeting following the appointment. The independent director must also promptly inform the Board of Directors if this requirement is no longer met

The directors were assessed as independent pursuant to law and Art. 3 of the Corporate Governance Code.

No parameters other than those set out in the Corporate Governance Code were used in the evaluation of Director independence requirements.

Therefore, based on the information provided by the individual subjects concerned or in any case available to the Company, immediately after appointment, and most recently, in March 2015, the Board of Directors certified that independence requirements in the Corporate Governance Code were met by the above mentioned Directors.

The Board of Statutory Auditors, in compliance with the provisions in Art. 3 of the Code, verified that the criteria and procedures adopted by the Board of Directors to assess the independence of its members had been correctly applied.

## 4.7 LEAD INDEPENDENT DIRECTOR

On 11/03/2015, as in previous years, the BoD confirmed that the requisites set forth by the Corporate Governance Code for appointing a lead independent director are still not applicable given that the Chairman of the Board does not hold the main role of company manager (chief executive officer) nor does he retain a controlling interest in the company's share capital.



# 5. MARKET DISCLOSURES OF COMPANY INFORMATION

Since September 2006, upon proposal of the CEO, ACEA's BoD adopted Regulations for the internal management and market disclosure of company documents and information, which can be consulted on [www.acea.it](http://www.acea.it) (in the corporate governance section); these Regulations:

- establishes the methods for processing and distributing company information within the Group;
- establishes the confidentiality obligations for the Company's employees who come into possession of information, the imprudent dissemination of which could be damaging the Company's and/or its shareholders' assets; it also establishes the Company's obligation, in

certain circumstances, to provide timely and full information to the markets;

- also govern announcements of price sensitive information in order to avoid distortions and misstatements

A list of persons who have access to Confidential Information has been kept since the same year, as per art. 115-bis of the Italian Consolidated Law on Financial Intermediation (TUF). Confidential Information for these purposes is defined as information, pursuant to art. 181 of the TUF, which is not in the public domain, and relates directly or indirectly to ACEA and/or its Subsidiaries and that, if made public, would have a material effect on the price of the Company's shares.

In addition, an Internal Dealing Code was adopted in compliance with the provisions of Art. 114 par. 7 of the TUF which - on the request of relevant parties who assign the relative task - provides that ACEA may make legal notifications on their behalf regarding transactions on financial instruments related to the Company which they have carried out, or which people closely related to them have carried out, if these transactions are of an amount that is equal to or higher than 5,000.00 (five thousand/00) euros by 31 December of each year; transactions where the total amount does not reach more than 5,000.00 (five thousand/00) euros by the end of the year are not communicated after each notification.

## 6. BOARD COMMITTEES

*(PURSUANT TO ART. 123 BIS, PAR. 2, LETT. D) OF THE TUF)*

The BoD has set up two internal Committees with advisory and consulting functions: the Risk and Control Committee and the Appointment and Remuneration Committee.

These committees consist of at least three non-executive directors, the majority of which are independent, appointed by the Board of Directors, which selects the Chairman of the Committee from the independent directors.

The composition, duties and functioning of the committees are regulated by specific regulations that are approved by the BoD.

The BoD also created the Related Party Transactions Committee pursuant to Consob Resolution no. 17221 of 12 March 2010 and its amendments, and on the basis of the provisions of the "Related Party Transactions procedure"

adopted by the Company and briefly described in paragraph 11 of this report.

The Related Party Transactions Committee, consisting of at least three independent Directors, has the power and duties to perform examinations, make proposals and provide advice which aims to evaluate and make decisions on Related Party Transactions, whether of little relevance or significant.

# 7. APPOINTMENT AND REMUNERATION COMMITTEE

The Appointment and Remuneration Committee comprises three directors as of 31 December 2014, all non-executive, two of whom are independent as follows: Elisabetta Maggini (Chairman, independent), Paola Antonia Profeta (independent) and Giovanni Giani (non-independent).

The Board of Directors acknowledged the experience and qualification in accounting and financial matters of Paola Antonia Profeta.

The Committee held five meetings in 2014, the minutes of which were kept and characterized by the regular participation of the committee members. Each meeting lasted for about 1 hour 45 minutes.

Within the range of duties assigned it, the Appointment and Remuneration Committee makes recommendations and advises the Board of Directors in addition to monitoring application of the criteria and decisions adopted by the Board. The Committee also makes proposals and offers advice on remuneration for directors with specific duties, the General Manager and key personnel. The Committee also expresses an opinion on the wage policies and loyalty strategies concerning Group personnel that are presented by the Chief Executive Officer.

More specifically it:

1. proposes policies to the Board of Directors regarding remuneration of directors and executives with key responsibilities, promoting medium-long term sustainability in consideration of the fact that - for executive directors or those invested with specific offices and, when compatible, even for executives with strategic responsibilities - the fixed component and the variable component must be adequately balanced in accordance with the key objectives and the risk management policies;
2. periodically evaluates the adequacy, overall consistency and actual application on the basis of information provided by the CEO, making recommendations the Board of Directors to that end;
3. presents proposals or expresses opinions to the Board of Directors regarding the remuneration of the executive directors and other directors with specific offices, setting performance objectives for the variable component of their remuneration;
4. expresses opinions to the Board of Directors on remuneration policies for executives with strategic responsibilities;
5. monitors the application of the decisions made by the Board, and more specifically verifies that they achieved their performance goals;
6. submits the Remuneration Report to the Board, which the directors will then present to the annual meeting.
4. examined and then proposed to the Board to assign the 2014 objectives on the basis of the short-term Variable Incentives System and only to Management (including the General Manager) and not to executive Directors;
5. examined and proposed to the Board the 2014 objectives to assign to Alberto Irace, both in economic/financial terms as well as qualitative goals (customer satisfaction), as deliberated by the shareholders' meeting;
6. examined the proposal for an agreement to terminate the employment relationship with the General Manager, Paolo Gallo, and, in acknowledgement of the opinion expressed by the entrusted consultant, deliberated to propose it for approval to the Board of Directors;
7. formulated an opinion to the Board of Directors in relation to the size and composition of the Board itself, in accordance with Article 5, paragraph 1, letter a) of the Corporate Governance Code, and Article 5, paragraph one, letter b), no. 1 of the Committee operational Regulations, by proposing the expansion of the number of Board members from 7 to 9.

The Directors cannot participate in Committee meetings in which proposals of the BoD are formulated regarding their own remuneration. The Committee has access to the information required to perform its duties, even through company departments, and may avail itself of external consultants within the terms defined by the BoD.

In 2014, the Committee:

1. examined and approved the Annual Report on the activities carried out by the Remuneration Committee;
2. examined and approved the Remuneration Report pursuant to Art. 123-ter of Legislative Decree no. 58 - 24 February 1998;
3. acknowledged the attainment of the economic/financial objectives and authorized the payment of the 2013 MBO variable incentives program;

The Board confirmed the allocation of an annual budget for 2015 of €25,000.00 (twenty five thousand/00 euro) for the Committee in order to allow for the assignment, if deemed necessary, of external positions that are functional to the implementation of its activities.

# 8. REMUNERATION OF DIRECTORS

## GENERAL REMUNERATION POLICY

The Remuneration Policy for Directors and Executives with strategic responsibilities are illustrated in the document “Remuneration Report” approved by the BoD on 11 March 2015, pursuant art. 123-ter, paragraph 2 of the TUF; please refer to the latter for more details. Payment for the members of the Board of Directors is established by the General Meeting, and additional payments for members of the Committees with consulting and proposal functions established within the BoD is set by

This report is available within the website [www.acea.it](http://www.acea.it) and is subject to the advisory vote of the shareholders’ meeting which is convened to approve, in April 2015, the financial statements of the year 2014.

The remuneration of Board members and additional compensation for members of Committees with consulting and advisory functions – and formed within the BOD – was established by the shareholders’ meeting of 5 June 2014 and with a significant decrease in amounts. With regard to this point, always refer to the aforementioned “Remuneration Report”. This Remuneration Policy – whose current compensation system is described in detail within the “Remuneration Report” – defines the guidelines that are consistent with the following themes:

- a significant portion of the remuneration of Executive Directors and Executives with strategic responsibilities of the Company is linked to the economic results attained by the Company and potentially by the attainment of specific performance objectives – predetermined and measurable – which are specified in advance by the Board itself, as detailed in the “Remuneration Report” – Section I;
- a *Long Term Incentive Plan* with three year renewal is planned. The current plan refers to

the 2013-2015 three-year period. The purpose of the Plan lies in providing incentives to management for the attainment of economic/ financial results that are in the interest of shareholders;

- as of 2014, a clawback clause has been adopted for top executives and those with strategic responsibilities, according to which the Company retains the right to request the return of variable remuneration (both in the short and long-term period) if this remuneration is disbursed as a result of objectives attained following fraudulent and/or grossly negligent behaviors such as the intentional alteration of the data used to attain the objective or the attainment of these objectives through behaviors which conflict with company or legal norms.

Acea, by adhering to the Corporate Governance Code, also applies – with the required date of effectiveness, ie from 1 August 2014 – that required by the new principle 6.P.5 of this Code and pertaining to indemnities for the termination of employment relations with the Executive Directors and with the General Manager.

## REMUNERATION OF EXECUTIVE DIRECTORS AND EXECUTIVES WITH STRATEGIC RESPONSIBILITIES

For details on the remuneration package of the Chairman and the CEO – both in terms of fixed and variable compensation, and subject to substantial changes during the shareholders’ meeting – refer to the Remuneration Report for the year 2014 – Section II, in compliance with Article 123-ter of the TUF.

## INCENTIVE MECHANISMS FOR THE INTERNAL AUDIT DEPARTMENT MANAGER AND THE CFO

With regard to incentive mechanisms for the manager of the internal audit department and the CFO, these are subject to an annual evaluation which is based on qualitative and

efficiency criteria; on the basis of these criteria, the individual objectives are assigned to the parties in question and, as a result, are only connected to economic/financial objectives by the part represented by the gates.

## REMUNERATION OF NON-EXECUTIVE DIRECTORS

The remuneration of non-executive directors is not linked to the economic results attained by the Company and is proportional to the commitment that is required of them as well as their potential participation in one or more Committees. None of the non-executive directors is a recipient of stock-based incentive plans.

## DIRECTOR INDEMNITY IN THE EVENT OF REVOCATION, DISMISSAL OR TERMINATION OF CONTRACT FOLLOWING A TAKE-OVER BID (PURSUANT TO ART. 123 BIS, PARAGRAPH 1, LETT. I), OF THE TUF)

No agreements were stipulated between ACEA and the directors holding office which provide for indemnities in the case of resignation or dismissal/revocation without just cause.

With regard to any mutually agreed termination of a work relationship with the resigning CEO-General Manager, the terms of the agreement – as detailed in Section II of the 2015 Remuneration Report – Year 2014 – are consistent with that outlined in the 2014 Remuneration Report – Year 2013.

# 9. RISK AND CONTROL COMMITTEE

The Risk and Control Committee assists the Board of Directors, making sure the latter has all the necessary information for evaluations and decision-making concerning the Control System, and approve periodic financial reports.

The Committee consist of at least three non-executive directors, the majority of whom are independent. The Chairman of the Committee

is elected from amongst the independent directors. At least one member of the Committee has adequate accounting and finance or risk management experience, to be evaluated by the Board of Directors when said member is appointed.

The members and the Chairman of the Committee are appointed by the Board of Directors.

Committee members hold office for the same term as the Board of Directors that appointed them. Committee members are dismissed by the Board of Directors if they do not meet independence, non-executive and honorability requirements. In the performance of its duties, the Committee has the right to access information and contact any corporate departments, as necessary and

to perform said duties with the help of the corporate divisions on the basis of their fields of competence, and also have recourse to external consultants within the limits of the annual budget allocated by the Board of Directors. The consultant should be chosen by avoiding any possible conflict of interest and without appointing subjects who provide services the company of such key strategic nature that this would compromise the consultant's independent judgement.

The Committee can ask the Audit Department to audit specific areas, informing the Chairman of the Board of Auditors, the Chairman of the Board of Directors and the Director in charge of the Internal Control and Risk Management System, except in cases in which these are subject to audit. The Chairman of the Board of Statutory Auditors or another auditor appointed by the same, participates in the work of the Committee. The manager of the Audit Department also usually participates at the meetings. The Director in charge of the Internal Control and Risk Management System, the Chairman of the Board of Directors and the other auditors also participate. Furthermore, when requested by the Chairman of the Committee, other Board members or managers may also participate, provide information and express their opinions when pertinent.

The Committee performs examinations for and gives opinions to the Board of Directors in order to:

- define guidelines so that the principal risks which ACEA S.p.A. and its subsidiaries are exposed are correctly identified, and adequately measured, managed and monitored;
- determine the criteria of compatibility of said risks with a management strategy that is consistent with the strategic goals established;
- evaluate, at least on a half-yearly basis, the adequacy of the Control System with respect to the Company's characteristics and in accordance with the risk profile assumed, and the effectiveness of the same;
- approve, at least once a year, the work plan of the Manager of the Audit Department after having consulted the Board of Statutory Auditors and the Director in charge of the Internal Control and Risk Management System;

- describe the principal characteristics of the control system in the annual Corporate Governance Report, evaluating the overall adequacy of the same;
- evaluate, in consultation with the Board of Statutory Auditors, the results provided by the Auditing Firm in any suggestion letter and in the report on the fundamental issues that emerged during the external audit;
- upon proposal by the Director in charge of the Internal Control and Risk Management System drawn up with the Chairman of the Board of Directors - and after having consulted the Board of Auditors in relation to the appointment and dismissal of the Head of the Audit Department - establishes the remuneration of the same in accordance with company policies, ensuring that adequate resources have been assigned to meet needs. This opinion is binding.

Furthermore, the Committee assists the Board of Directors:

- assesses the correct use of accounting criteria for the preparation of the periodic financial statements, in collaboration with the Chief Financial Officer, the external auditor and the Board of Statutory Auditors;
- assesses opinions for the Board of Directors on specific aspects inherent to identifying principal business risks;
- examines the periodic reports that regard the evaluation of the Internal Control and Risk Management System and any significant reports issued by the Audit Department;
- monitors the independence, adequacy, efficiency and effectiveness of the Audit Department.

The Committee comprises three directors as of 31 December 2014, all nonexecutive, two of whom are independent as follows: Elisabetta Maggini (Independent chairman), Paola Antonia Profeta (independent) and Giovanni Giani (non-independent).

The Director Paola Antonia Profeta has accounting and finance experience which was retained adequate by the Board when he was appointed. In 2014, the Committee held 9 meetings, characterised by the regular participation of the committee members and the Chairman of the Board of Statutory Auditors. Each meeting lasted for about 1 hour 10 minutes. Of these, three were held with the Board of Statutory Auditors.

Upon invitation by the Committee, other parties also attended to explain single points of the agenda during the meetings, all of which was drafted into minutes.

In 2014, the Committee performed its duties as set out in the Corporate Governance Code and the internal Regulations, and in particular:

- supported, with adequate preliminary activities, the decision and evaluation of the Board of Directors in relation to the control system as well as those pertaining to the approval of periodical financial reports;
- evaluated – in collaboration with the CFO, and following consultation with the external auditor and the Board of Statutory Auditors – the correct utilization of accounting principles and their consistency for the purposes of drafting the consolidated financial statements;
- examined the periodical reports of the Audit Department;
- expressed opinions on specific elements pertaining to the identification of primary company risks following consultations with company division managers on the modalities for managing these risks;
- monitored the autonomy, adequacy, efficacy and efficiency of the Audit Department;
- requested that the Audit Department implement audits on specific operational divisions while simultaneously reporting this to the Chairman of the Board of Statutory Auditors;
- reported on implemented activities and the adequacy of the internal control and risk management system to the Board of Directors on at least a half-year basis, and at the time of approval of the annual and half-year financial statements.

The Committee had access to the information and company departments that are necessary for performing its duties and did not exercise its right to make use of external consultants in relation to Internal Control and Internal Auditing systems, or for verifying accounting, legal and tax principles, or other types, if necessary carry out its duties. The Board of Directors confirmed the allocation of an annual budget of 25,000.00 euros (twentyfivethousand/00) for the Committee in order enable it, where necessary, to hire external consultants for support to the activities of each Committee.

# 10. INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

ACEA's Internal Control and Risk Management System (hereinafter Control System), an essential element in the Group Corporate governance system, is a process that is based on the best practices and standards of the Corporate Governance Code and comprises a set of rules, policies, procedures and organisational structures aimed at permitting the identification, measurement, management and monitoring of primary risks in order to identify potential events that could influence the achievement of corporate goals in addition to managing risk within acceptable limits. This system is integrated into the more general organisational and corporate governance structure adopted by Acea SpA. The Board of Directors has defined the "Guidelines for the Internal Control and Risk Management System" for the purposes of:

- providing guidelines for the various parties implementing the Control System in order to ensure that the primary risks affecting Acea SpA and its subsidiaries are correctly identified as well as adequately measured, managed and monitored while determining the compatibility of these risks with company management that is consistent with identified strategic objectives and that behaviors are assumed within the company and its subsidiaries that are consistent with the risk profile identified by the Board of Directors and that any events which may prevent the attainment of company objectives are managed;
- providing guidelines to ensure coordination between the departments in the Control System;
- identifying the standards and responsibilities for governance, management and monitoring of the risks related to the company business.

In 2014, and in accordance with the principles of previous Guidelines governing the Internal Audit System, the Company continued to improve both the control environment and the supervision and monitoring of risks.

## OVERALL SYSTEM OF INTERNAL CONTROL AND RISK MANAGEMENT

### A) ROLES AND TASKS OF VARIOUS CONTROL SYSTEM PARTIES

The governance and implementation of the overall Control System require the involvement of parties with different business roles (governance and control bodies, company departments, management and employees).

For a description of the roles and tasks of these Bodies, please see the specific sections of this report (BoD, Internal Committees, CEO, Manager of Audit Department, CFO, Supervisory Body). The role of the Ethics Committee is described

in paragraph 17, "Further corporate governance procedures."

The Group's management has the responsibility to define, implement and maintain an effective risk management process that is able to carry out plans and reach strategic objectives. In their daily operations, Acea S.p.A.'s Industrial Areas and Corporate Departments are each specifically responsible on a daily basis for taking actions to reach expected business goals and manage the related risks.

Employees have the responsibility to work in compliance with internal and external regulations as well as with procedures and management directives, and - even with the support of appropriate training courses - increase their skills and the professionalism that is necessary for effectively carrying out controls, as defined in the Internal Control System.

### B) RISK MANAGEMENT SYSTEM

ACEA's risk management system provides for distributed responsibility and involvement of parties at every level of the organisation. More specifically, the risk management process implemented in ACEA includes the identification, evaluation, mitigation and monitoring of risks. Identification: given the specificity of the business and its sector, the risk categories which are most relevant for the Group are identified, and an internal risks taxonomy is defined. Evaluation is based on measuring the impact and probability of occurrence of the events which may generate risks and opportunities for the company and uses a structured *Control Risk Self-Assessment (CRSA)* model with the goal of defining the main risks, the intervention priorities and mitigation policies in order to bring residual risk back to a level which is considered acceptable by the top management. Management of company departments participates actively in the evaluation process, coordinated by the Manager of the Audit Department. In order to integrate qualitative evaluation, specific indicators have been introduced (ex. PAR and VAR) for certain risk types, such as those deriving from the purchase and sale of commodities.

Controls are arranged in three complementary levels:

- First level controls, aimed at ensuring the correct execution of business processes in order to prevent and manage risks by opportune mitigating actions, carried out by the regular operational structures.
- Second level controls, aimed at verifying that the controls defined for carrying out business operations are effective and operative through continuous monitoring activities with the purpose of ensuring that the risk mitigating actions are adequately identified and implemented within the organisation by those

responsible for implementing them.

- Third level controls, assigned to the Audit Department, consist of independent assessments on the design and function of the overall Control System, and on the monitoring of the implementation of improvement plans defined by management. Audit Department reports on a hierarchical basis to the Board of Directors and is not responsible for any operational activities. It reports to the Chairman, the CEO, the Risk Control Committee and the Board of Statutory Auditors on the function, adequacy and effectiveness of the Control System.

The Audit Department follows a work plan drawn up by using risk-based methods, approved by the Board of Directors, after consulting the Board of Statutory Auditors and the Director in charge of the Internal Control and Risk Management System.

### C) CONTROL SYSTEM QUALIFYING ELEMENTS

#### CONTROL SYSTEM PERVASIVE ELEMENTS

A fundamental highlight of Acea's control system includes the pervasive elements which make up the infrastructural foundation of the system itself; among these the following aspects are particularly worthy of note:

- the definition of ethical values and criteria of conduct, which should inspire the behaviour of employees and all those who operate in pursuit of the company's goals, is ensured by the provisions of the new edition of the Code of Ethics approved by the BoDs of Acea SpA and its subsidiaries and communicated within and outside the company;
- the roles and responsibilities as well as relations between corporate Departments are clearly defined within the adopted organisational structure, signatory powers and internal delegations are consistent with the hierarchical level, the supervised organisational unit and the assigned goals.

To this end, organisational charts and other organisational devices, the organisation and management model as per Italian legislative decree 231/01, business procedures and the delegations and powers system are formalised, updated in a timely manner and adequately distributed and communicated.

#### CENTRAL MONITORING SUPERVISION FOR SPECIFIC RISK CATEGORIES

Central monitoring supervision for specific risk categories represents the method by which it is possible to assess risks and the related control systems across different internal processes within the Group. The main areas subject to central monitoring supervision are described below.

**Financial risks.** The approach of the Acea Group to managing the interest rate risk is based on the type of asset structure and the stability of the Group's cash flow; the activity, entrusted to the Administration, Finance and Control Department, is therefore essentially prudent and aims to preserve funding costs and stabilise cash flows deriving from ordinary activities. The primary objective, considering the needs expressed in the strategic plan, is the optimisation of the Group's borrowing costs and the related limitation of the effects caused by the exposure to the interest rate risk while identifying the optimal combination between fixed and variable rates. The risk appetite and related limits are defined by the Board of Directors, through the approval of the single financing operations affecting the interest rate risk and any hedging transactions.

**Market risks.** With regard to *commodity* risks – essentially derived from activities pertaining to the buying and selling of electrical energy and gas within the Energy Segment – the year 2014 was marked by a transfer of oversight functions for constant control and monitoring to the Administration, Finance and Control Department, thereby strengthening compliance with the principle of segregation of responsibilities and favoring the integration of the control model within the general organizational, administrative and accounting structure of the company, even with the objective of realizing potential synergies through the coordination of interdependent internal control system units.

**Credit and counterparty risks.** For the purposes of overseeing and monitoring the risk of credit exposure to customers and counterparties within commodity trading agreements, the company – during the course of 2014 – further implemented actions for prevention which aim to verify the reliability of the counterparties prior to the presentation of offers to potential clientele and initiated projects for the improvement of credit management processes, even by centralizing certain activities that were previously allocated to operational companies within the departments of the parent company. The Credit Management Unit - allocated within the Administration, Finance and Control Department - is responsible for monitoring credit trends and outstanding amounts for all customers of the Group in addition to drafting the policies pertaining to credit management and verifying their implementation.

**Security and asset protection.** Within the scope of the larger company macrostructure, the "Security and Protection" department serves as a control oversight unit for monitoring risks to assets as well as environmental and workplace safety/hygiene risks. This department, in line with Group strategy:

- defines and publishes corporate policies and strategies on the Environment, Safety and Quality;
- defines and publishes Energy Management, energy saving and cost control policies to guarantee the progressive optimization of Group energy costs;
- develops and manages Environment, Safety, Quality and Energy Management Systems for Acea and other Group Companies;
- guarantees the definition and control of the implementation of policies for occupational health and safety, the environment, and the physical and logical protection of company assets;
- guarantees supplier qualification processes and ratings.

The Safety and Protection Department manager was also assigned the role of Employee in accordance with Italian Legislative Decree 81/08 as well as Energy Manager and Management representative for the Acea Certificates Management Systems.

- **Compliance risks pursuant to Italian Legislative Decree 231/2001.** An Organisational and Management Model was adopted, a description of which can be found in paragraph 10.3.
- **Regulatory Risks.** The main *businesses* of the Acea Group form part of regulated segments since they are based on the use of networks and provide essential services. It is therefore of fundamental importance adequately supervise the regulatory risks in order to pursue Group goals. The Regulatory Department operates within the organisational structure of Acea SpA with the aim of minimising the regulatory risk by monitoring the evolution of the regulatory framework and identifying the related consequences on the planned objectives and the company processes. In addition, in agreement with the relevant companies and Departments, the Regulatory Department has the task of identifying the measures to be adopted in order to valorise any opportunities, mitigate the effects of any negative consequences, and ensure full compliance of the company activities with the provisions of the Regulatory Authority.
- **- Financial Reporting process risks.** The supervision of risks is one of the responsibilities of the Chief Financial Officer (par. 10.5). The Internal Control and Risk Management System for Financial Reporting is described in the paragraph below

## **D) INFORMATION FLOW SYSTEM**

To guarantee the continuous monitoring of the adequacy and performance of the Internal Control and Risk Management System, and to encourage

an efficient exchange of information between the various subjects operating within the scope of the system, structured communication flows towards the top management as well as to the Audit Department and the Supervisory bodies have been defined.

## **E) OVERALL ASSESSMENT OF THE ADEQUACY OF THE CONTROL SYSTEM ADEQUACY**

Please refer to paragraph 4.3 on the Board of Directors.

## **PRIMARY CHARACTERISTICS OF THE CURRENT RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM IN RELATION TO THE FINANCIAL REPORTING PROCESS (ART. 123-BIS, PARAGRAPH 2, LETT. B O F THE TUF)**

### **INTRODUCTION**

Within the sphere of the Internal Control System, the "Group Management and Control Model pursuant to Law 262" is particularly important as regards Financial Reporting, and it was implemented when the Group's Internal Control System was adapted to what is required by Law 262/2005. More specifically, in 2007 Acea began implementing changes to meet the requirements of Law 262/2005 for planning an effective Group Internal Control over Financial Reporting (ICFR) System, which is subject to continuous improvement and adaptation to keep up with the evolution of company activities, so the Chief Financial Officer (CFO) and the CEO of Acea S.p.A. can issue the reports required by art. 154-bis of the TUF.

This system is defined as the set of activities for identifying risks/controls and defining specific procedures and tools adopted by Acea in order to ensure with reasonable certainty that the objectives of reliability, accuracy, integrity and timeliness as regards financial reporting shall be reached.

The Model defines the guidelines, the methodological references and the responsibilities for the establishment, evaluation and maintenance of the ICFR.

The Model is developed under the assumption that the ICFR is part of the broader Internal Control and Risk Management System, an essential element of Acea's corporate governance, and that the reliability of the information communicated to the market on the company's position and results is a fundamental element for all stakeholders.

The Model consists of a set of documents, approved by Acea's Board of Directors on 20 February 2008 and distributed to the Group

companies, which define all of the fundamental aspects of the system

- CFO Regulation;
- Guidelines for Model implementation;
- Periodic Group reporting for implementing the information flow.

The Model is supplemented by the Group's accounting principles manual and the Guide for closing the consolidated financial statements as well as administrative and accounting procedures and specific operational documents.

The Internal Control and Risk Management system has been implemented in relation to the Group's financial reporting, even through subsequent adaptations, and in consideration of the guidance provided by some category bodies regarding the CFO's activities, in particular:

- *Andaf Position Paper* "Chief Financial Officer responsible for financial reporting";
- *AIIA Position Paper* "Internal Audit's contribution in implementing a good Corporate Governance process and organising information flows with the CFO";
- Guidelines issued by the Italian Manufacturers' Federation, Confindustria, "Guidelines for performing the CFO's activities pursuant art. 154-bis TUF".

## DESCRIPTION OF THE PRIMARY CHARACTERISTICS OF THE CURRENT RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM IN RELATION TO THE FINANCIAL REPORTING PROCESS

The Model defines reference guidelines for instituting and managing the administrative and accounting procedures system (so-called activity/risks/controls matrices) for Acea and for the significant consolidated companies for the purpose of Financial Reporting (companies), regulating the main phases and responsibilities.

### a) Phases

*Definition of the scope of analysis.* Acea annually updates the scope of analysis of the administrative-accounting control systems and the monitoring of underlying processes in order to guarantee that this is able to cover risks regarding the financial reporting of the most significant account items within the scope of consolidation. The scope of the analysis is initially determined on the basis of the effect of each Group Company on the consolidated financial statements, taking into account the relevance that significant accounts and administrative-accounting processes linked with them have on the same; subsequently the results of that analysis are integrated with qualitative considerations that take into account both the Group structure and the characteristics of specific financial statements items.

*Analysis of risks and process controls.* The approach that Acea has adopted identifies "key" points of risk and control, considered significant with reference to the consolidated financial statements. To this end, control objectives and the relative risks are defined for each process and activity, ie:

- assertion of financial statements: an element which needs to be complied with in reporting company affairs for the purpose of representing them in a true and correct way in the financial statements;
- theoretical risk: risk identified at an "inherent level", so, not taking into account the existence and effective operation of specific control techniques aimed at eliminating the risk itself and at reducing it to an acceptable level;
- specific control objective: objective which must be guaranteed by carrying out control activities.

Specifically, the financial statement assertions considered within the Model are:

- *Existence and occurrence* (the company's assets and liabilities exist at a certain date and the recorded transactions represent events which actually occurred during a specific period);
- *Completeness* (all of the transactions, assets and liabilities to be represented have been effectively included in the financial statements);
- *Rights and obligations* (the company's assets and liabilities represent the company's rights and obligations, respectively, at a certain date);
- *Evaluation and reporting* (the assets, liabilities, net shareholders' equity, revenues and costs are posted in the financial statements at their correct value, in accordance with generally accepted accounting principles);

Presentation and disclosure (the financial statement items have been correctly named, classified and described).

The so-called key controls are identified for each specific risk/control objective and are required to assess the existing control systems (manual/automatic controls; preventive/subsequent) in relation to each material process in order to meet the control objective and effectively mitigate the risk.

*Evaluation of controls against identified risks.* The evaluation of the **control plans** in administrative and accounting procedures is aimed at analysing how individual control activities are structured and defined in relation to the objective of covering the risk of committing errors in the financial statements. The evaluation

is performed on the basis of the goal that the control aims to reach; in other words, if the risk is mitigated ("adequate/inadequate" control).

The so-called Lines of Business are responsible for evaluating control plans, starting from the hierarchical level above the control manager up to the Delegated Administrative Body level in the case of Group companies.

The evaluation of **control operations** found within administrative and accounting procedures is also in turn subject to specific analysis by the Lines. Indeed, for controls whose design is evaluated as adequate, it is necessary to proceed by evaluating their operations ("operative/nonoperative" control).

The control operations, certified by the Lines, are corroborated by implementing independent monitoring through a CFO periodic testing plan. The testing plan is defined according to priority and rotation and based on which a specific subset of controls to be tested is selected for each reference period, in order to examine the main controls used in the procedures.

The CFO implements a process to share and distribute the test results so that the management of reference can take the necessary corrective actions in their own departments.

*Corrective actions plan.* Where, based on the analyses carried out by the lines, the "key" controls do not exist, are not documented or are not carried out correctly according to company procedures, the managers of the organisational unit involved up to the level of the Delegated Administrative Bodies for Group companies shall define and carry out a corrective plan, indicating the time schedules and responsibilities for taking corrective actions. The corrective plan is submitted to the CFO in order to comprehensively evaluate the system and co-ordinate the actions to implement, and is updated every six months by the responsible parties.

Overall assessment. In order for Acea's CFO and CEO to issue the statements required by Art. 154-bis of the TUF, a system of internal "chain" certifications, more extensively described in the following paragraph, has been set up in order to ensure suitable internal formalisation of responsibilities in terms of the adequacy and effective application of administrative and accounting procedures as well as to prepare and distribute the plan for corrective actions, where applicable, and to update the procedures (see point b) Roles and Responsibilities).

The overall assessment is therefore based on a complex evaluation process which considers:

- the evaluation of the design of existing controls and the evaluation of their function, carried out by Acea's management and by



the Delegated Administrative Bodies of the companies together with implementation of the corrective plans;

- the analysis of test's results;
- the final analysis of areas for improvement which emerge with reference their importance in terms of financial statement reporting.

Where it is deemed necessary within the scope of the evaluation process, the adopted methodology indicates that it is possible design and perform compensatory controls and checks. Significant gaps which may emerge shall be reported to the supervisory bodies, according to the methods in the CFO Regulations.

### b) Roles and Responsibilities

The Model is based on the clear internal allocation of responsibilities for planning, evaluating and maintaining the ICFR in time, without prejudice to CFO and Delegated Administrative Body legal responsibilities. To this end, financial reporting within the Acea Group is based on an internal "chain" system of certifications which has the goal of ensuring adequate internal formalisation of responsibilities for adequacy and the effective application of administrative and accounting procedures, monitoring the corrective actions plan when applicable, and identifying in a timely manner any changes in control which are the responsibility of the Lines, and change factors/risks which emerged during the course of normal process operations and which could influence the ICFR's adequacy.

The CFO and CEO evaluation process, based on which the financial statements are issued according to the Consob model, therefore includes internal reporting (reporting forms) by the Managers of relevant Acea processes and by the Delegated Administrative Bodies for the companies. Specifically, through Reporting, Acea has regulated roles and responsibilities, activities to be performed by each party involved, a calendar, instructions for filling out the reporting forms and methods for updating administrative and accounting procedures.

The Model has identified the main stakeholders in the financial reporting process, other than the CFO and the Delegated Administrative Bodies, with their relative responsibilities.

- **The Controller** performs and certifies the execution of controls within the Controller's scope of responsibility, according to the methods and timing that are assigned by administrative and accounting procedures to the Subprocess Manager, providing the informational basis of the reporting flow;
- **Subprocess Manager** is the party responsible for a correlated set of operating activities necessary for reaching one specific control objective; he/she is responsible for

the comprehensive evaluation of the design and function of controls in relation to the applicable subprocess; furthermore, he/she is responsible for updating and ensuring the implementation of the corrective actions plan.

- **The companies' 262 Administrative Referent** represents the Group companies' reference point for all activities required for ACEA's CFO to issue the certification; he/she is responsible for consolidating all information received from the subprocess managers and making the comprehensive evaluation of the design and function of controls for reference companies, submitting it to the company's Delegated Administrative Body; he/she is also responsible for guaranteeing information flows to and from the CFO.
- **companies' Delegated Administrative Body** is responsible for evaluating the company's control design and function and sending the internal certification to the CFO in the defined format, together with the appropriately validated corrective actions plan, moreover communicating any change factors/risks which have occurred in the period of reference that could affect ICFR adequacy.

Finally, with reference to the other governance and controls Bodies within and outside the Group, Acea established a virtuous process of information exchange from and the CFO, structured and formulated for the purpose of providing the bodies of the Internal Control System with a comprehensive view, which is as extensive as possible.

## 10.1 DIRECTOR IN CHARGE OF THE CONTROL SYSTEM

The Acea BoD identified the Chief Executive Officer as the person in charge of the company and maintaining an effective Internal Control and Risk Management System and gave the CEO the authority to implement the guidelines of the Internal Control and Risk Management System. In 2014, the CEO, with the support of the Audit Department, identified the main company risks, considering the business areas Acea and its subsidiaries operate in, and periodically presented them for review to the Board. He implemented the guidelines formulated by the Board while providing for the planning, implementation and management of the Control System and continuously verifying its comprehensive adequacy, effectiveness and efficiency. In addition, the CEO adapted the system to the dynamics of the operating conditions and the legal and regulatory context, and requested the Audit Department - while informing the Board of Statutory Auditors and the Risk Control Committee - to check specific operational areas and compliance with the internal rules and procedures in company operations.

## 10.2 MANAGER OF THE AUDIT DEPARTMENT

At the proposal of the CEO, with the approval of the Risk and Control Committee and having consulted the Board of Statutory Auditors, with a resolution dated 18 December 2013, the BoD nominated Liberata Giovannelli as Manager of the Audit Department, defining her remuneration in line with company policies.

The Internal Control and Risk Management System Guidelines, approved by the BoD, define the mission and activities of the Audit Department which assumes a central role in the coordination of the Internal Control and Risk Management System. The manager of the Audit Department must verify the suitability of the System, its performance both continuously and to meet specific needs, as well as the support provided by the CEO to identify and prioritize the main risks for Acea SpA and its subsidiaries.

In addition, the Audit Department performs the general review of the risk analysis process implemented by the second level control structures in charge of specific risk categories, coordinating the information flows of said structures (see Chapter 10 "Internal Control and Risk Management System")

The Board of Directors has approved the Audit Department's Work Plan in a meeting held on 8 May 2014 and also verified the adequacy of the resources attributed to the department to meet its responsibilities.

The Manager of the Audit Department, who has direct access all the information required perform his/her duties, is not responsible for operational areas nor subject to the hierarchical structure of operational area Managers, reporting directly to the Board of Directors.

The Audit Department performed the following activities in 2014 in accordance with the duties described:

- both on a continuous basis and in accordance with specific necessities, and in compliance with international standards, it verified the effectiveness and suitability of the System through an audit plan, approved by the Board of Directors and based on a structured process of analysis and prioritisation of the main risks for Acea SpA and its subsidiaries;
- prepared regular reports containing adequate information on implemented work as well as on the suitability of the System, risk management procedures, and compliance with the plans established reduce risk, and sent them to the Chairman of the Board of Statutory Auditors as well as the Risk and Control Committee, the Board of Directors and the CEO;
- verified the reliability of the IT systems, including the accounting systems, within the scope of the processes included in the audit plan;

- supported the Supervisory Bodies of the subsidiaries for the purposes of their compliance with the Organisation and Management Model pursuant to Legislative Decree 231/01 and its amendments and supplements and to verify its effective implementation;
- provided support to the Ethics Committee in order to monitor the implementation of the Code of Ethics approved by the BoD on 22 February 2012;
- monitored activities pertaining to informational disclosure and internal training in relation to the contents of the Code of Ethics and on behalf of the Ethics Committee;
- provided support for the Supervisory Body in implementing the Organisational and Management Model approved by the Board of Directors on 18 December 2013, even through the execution of the audits required by the Body;
- monitored, on behalf of the Supervisory Body, training activities pursuant to Legislative Decree 231/01 and its subsequent amendments and supplements;
- verified, by applying the specific procedure (whistleblowing), the credibility of reports of violations of the Code of Ethics with in-depth investigations in order to identify conduct that is non-compliant with the principles of the Code, periodically reporting to the Ethics Committee;
- provided support to the management in order to identify and assess major risks for Acea SpA and its subsidiaries by using a well-organized process of *Control Risk Self Assessment while* reporting the findings of the *management* analysis to the Risk and Control Committee and the Board of Statutory Auditors.

### 10.3 ORGANISATIONAL MODEL PURSUANT TO ITALIAN LEGISLATIVE DECREE 231/2001

By adopting the Organisational Model pursuant to Legislative Decree 231/2001, Acea intends to comply with the provisions of the law in accordance with the principles of the Decree, the Corporate Governance Codes and the recommendations of the Supervisory and Control Authorities, in order to make the control systems and **Corporate Governance** systems more effective, and in particular prevent the crimes referred in the Decree.

#### ACEA SET THE FOLLOWING GENERAL GOALS BY ADOPTING THE ORGANISATIONAL MODEL:

- awareness of activities subject to the risk of significant criminal activity with respect to the Company (activities at risk) and awareness of

the methods and procedures that govern the activities at risk;

- disclosure, personal acquisition and specific declarations supporting a corporate culture based on legality, fully aware that any behaviour that contravenes the law, regulations, corporate governance rules, instructions of the supervisory and control authorities or internal provisions will be strictly censured by the Company;
- disclosure, personal acquisition and declarations supporting a culture of control that monitors the achievement of said goals.

Acea's Organisational Model was approved in 2004 and is systematically revised in specific planned initiatives involving *management* with the help of the Audit Department. The current Organisational Model, approved by Board of Directors resolution of 18 December 2013, was drawn up following a thorough analysis of the company's activities, with the aim of identifying potential risks of committing unlawful acts provided for under Legislative Decree 231/01. The model consists of a set of general principles, rules of conduct and specific control standards to prevent the unlawful acts provided for being committed as far as possible.

In relation to the various criminal offences and related sensitive activities that were identified, the Organisational Model identifies the corporate, functional and instrumental processes that monitor areas of activities at risk, and refers to the main organisational and control principles which the organisational system must comply with - and which the recipients must comply with - when carrying out their activities within the scope of functional and instrumental company processes. The Supervisory Body ("SB"), set up in accordance with Italian Legislative Decree 231/01, has full and independent powers of initiative, intervention and control over the functioning, effectiveness and observance of the Organisational Model in order to prevent the risk of offences being committed which could imply the Company's administrative responsibility. The SB supervises the Organisational Model's effectiveness and adequacy by monitoring its progress and proposing the necessary updates to the BoD. In addition, it has the task of notifying the relevant Acea bodies of any breaches of the Organisational Model which could imply liability for the Company.

Art. 14, par. 2 of Stability Law no. 183 of 12 November 2011 amended article 6 of Legislative Decree 231/01, providing for the possibility that the Board of Statutory Auditors can act directly as the Supervisory Body, in accordance with Legislative Decree 231/01 while also assigning this Board a specific annual budget for 2015 of € 25,000.00 (twentyfivethousand/00 euro).

Therefore, in order to rationalise the control

system, on 16 April 2013 ACEA's Board of Directors passed a resolution to assign the functions of the supervisory body to the Board of Auditors, in accordance with Legislative Decree 231/01. As provided for by Acea's Organisational Model - for the purposes indicated in the Decree, and after having identified the activities subject to the risk of crime and the most suitable measures to prevent them - the subsidiaries adopted an Organisation and Management Model that reflected the principles and contents of the Model adopted by the Parent Company. In order to guarantee full implementation of the Organisational Model by Acea and its subsidiaries, in accordance with the Decree and/or consolidated case law, the following was implemented:

- the information flows to the Supervisory Body were redefined and re-organised in order to permit the monitoring of significant and relevant operations in areas defined as at risk of crimes being committed pursuant to Legislative Decree 231/01. This information was gathered and managed for the main Group companies through a specific IT medium which was updated during 2014 by introducing additional informational flows and adjusting pre-existing ones; it includes risk indicators that highlight potentially abnormal transactions;
- communication and training courses relating to Legislative Decree 231/2001 were developed, along with the specific Company Model, the new Code of Ethics and the environmental regulations;
- a specific channel was set up for reporting any non-observance of the Model to the Supervisory Body.

### 10.4 AUDITING FIRM

The General meeting of shareholders, which met on 29 April 2008, granted the 9-year assignment for auditing the interim report, annual financial statements and the consolidated financial statements to the company Reconta Ernst & Young S.p.A., expiring in 2016, along with the auditing throughout the year of regular corporate accounting and correct reporting of operational transactions in ACEA's accounting entries.

### 10.5 CHIEF FINANCIAL OFFICER

On 13 November 2006, ACEA changed its Articles of Association to include the Chief Financial Officer (CFO), introduced by the legislator with Law 262/05, which requires appointment of the CFO by the BoD.

On 31 July 2013 the Acea Board of Directors appointed Franco Balsamo Chief Financial Officer from 5 August 2013 in accordance with Law 262/2005.

On 9 June 2014, the new Board of Directors of

ACEA confirmed the appointment of Franco Balsamo (Head of the Administration, Finance and Control Department) as CFO, in accordance with Law 262/2005.

The Chief Financial Officer is responsible for establishing and maintaining the Internal Control System on Financial Reporting and issuing specific certifications according to the CONSOB model, in collaboration with the CEO.

More specifically, the CFO has the following duties, pursuant to the Regulations approved by the BoD on 20 February 2008:

- prepares adequate administrative and accounting procedures for drawing up the financial statements, the consolidated financial statements and the consolidated interim report;
- ensures that the financial statements are drawn up in compliance with applicable international accounting principles;
- ensures that the Company's deeds and communications to the market and related accounting disclosures, as well as interim disclosures, correspond to the documented

results, the registers and the accounting entries;

- ascertains, together with the Internal Audit Committee, (a) the propriety of the accounting policies adopted, and, (b) their suitability for the preparation of consolidated financial statements.

The appointed Chief Financial Officer – along with the Chief Executive Officer, and in accordance with art. 154 bis of the TUF - issued a certification without any comments worthy of note.

## 11. DIRECTORS' INTERESTS AND RELATED PARTY TRANSACTIONS

The related party transactions procedure, drawn up in accordance with article 2391-bis of the Italian Civil Code, was adopted in compliance with the principles of the "Regulation containing provisions regarding related party transactions" pursuant to Consob Resolution no. 17221 of 12 March 2010 as amended and which took effect from 1 January 2011, amended by the Board of directors on 18 December 2013, coming into effect 1 January 2014. It applies to transactions carried out directly by Acea, or by its subsidiaries with direct and/or indirect individual control, with related parties.

Transactions are divided out as follows, in accordance with the amount involved:

- transactions of Major Significance, in which at least one of the significance indicators in

Annex 3 of the Regulation from the aforesaid Consob Resolution no. 17221 of 12 March 2010 as amended, is higher than the 5% threshold for which approval of the Acea SpA BoD is required;

- low amount transactions with a value of no more than 200,000.00 euros (two hundred thousand);
- transactions of minor significance, which includes all related party transactions not included in the transactions of major significance or in the low amount transactions

For the purposes of approval of transactions of Major Significance or of Lower Significance with related parties, the procedure requires that a Related Party Transactions Committee should express its opinion on the interests of the

company in carrying out the transaction, and on its advantages and the substantial fairness of the relative terms. To date, the Related Party Transactions Committee comprises the three following independent directors: Diane D'Arras as coordinator, Elisabetta Maggini and Paola Antonia Profeta.

The Board of Directors has confirmed the allocation of an annual budget for 2015 of € 50,000,00 (fifty thousand/00 euro) for the Committee in order to allow for – if deemed necessary – the allocation of external tasks that are functional to the implementation of its activities.

Please refer the "Rules and Values" menu and the "Corporate Governance" sub-menu on the web site [www.acea.it](http://www.acea.it) for more information.

## 12. APPOINTMENT OF AUDITORS

According to the requirements of law and the company's Articles of Association, the Board of Auditors is composed of three statutory auditors and two alternate auditors, appointed by the ordinary shareholders' meeting of shareholders for a period of three years, who can be re-elected at the end of their term.

The criteria regarding gender balance as established by law must be complied with in the composition of the Board of Statutory Auditors. The Board of Statutory Auditors is elected in compliance with Art. 22 of the Articles of Association; the same procedures apply as those for the appointment of directors. Half plus one of the eligible statutory auditors and one alternate auditor are taken from the list which obtained the

majority of votes, in the progressive order as they are presented on the list, rounding down in the event of a fractional number.

For the other members of the Board of Statutory Auditors, those who obtained the first and second highest quotient from the minority lists shall be appointed Statutory Auditor and Alternate Auditor; in accordance with the rules set forth by art. 15 and 22 of the Articles of Association, if there is an equal quotient, the person from the minority shareholder list which obtained the most votes shall be appointed Auditor. In any event, at least one Statutory Auditor shall be appointed by the minority shareholders. If an Auditor resigns during the year, he/she shall be replaced by an alternate auditor from the same list as the Auditor to be replaced.

To appoint the members of the Board of Statutory Auditors who have not been elected, for any reason, under the terms indicated in the preceding Paragraphs, the Shareholders' Meeting shall pass a resolution with the majority of votes provided for by the law.

The Shareholders' Meeting shall elect the Chairman from within the group of Auditors appointed by the minority shareholders. Therefore, as of now, this elective system requires that the lists be presented by shareholders who, alone or together with other shareholders, represent at least 1% of the share capital. The lists shall be presented to the registered office, and ACEA will publish them in three daily national newspapers.

## 13. COMPOSITION AND FUNCTIONING OF THE BOARD OF STATUTORY AUDITORS

(PURSUANT TO ARTICLE 123 BIS, PARAGRAPH 2, LETT. D), OF THE TUF)

The current Board of Statutory Auditors was appointed by the ordinary shareholders' meeting of 15 April 2013, and will remain in office until approval of the 2015 financial statements.

During the meeting held to make the appointments, three lists were presented: List No. 1 presented by Roma Capitale with three candidates, Corrado Gatti, Laura Raselli and Antonia Coppola, List no. 2 presented by the shareholder FINCAL Spa with two candidates, Enrico Laghi and Carlo Schiavone; List No. 3 presented by the shareholder ONDEO ITALIA Spa with two candidates, Franco Biancani and Davide Carelli. 75.18% of voters voted for List no. 1, 15.1801% voted for List No. 2 and 9.1876% of voters voted for List No. 3.

According to the appointments made at that meeting and as described in *Table no. 3*, the Board of Statutory Auditors comprises the following members and a brief summary of their professional profile is provided below, pursuant to art. 144 – decies Reg. of the CONSOB Regulations for Issuers:

- **Enrico Laghi, Chairman**, Registered in the Register of Auditors, the Register of Chartered Accountants of Rome and member of the Technical Consultants of the Court of Rome. He is currently a lecturer in Corporate Economics at La Sapienza University of Rome;
- **Corrado Gatti, statutory auditor** Professor Extraordinaire of Economics and Corporate Management at La Sapienza University of Rome. Has been a member, auditor and chairman of the Board of Statutory Auditors or supervisory body of companies and authorities. He is a management consultant on strategic, organizational and financial themes for private and public companies and is registered with

the Association of Certified Accountants and Chartered Accountants of Rome, the Register of Statutory Auditors and the Roll of the Technical Consultants of the Court of Rome.

- **Laura Raselli, statutory auditor** An Economics and Commerce graduate from the Libera Università Internazionale degli Studi Sociali Guido Carli (L.U.I.S.S.) independent university of Rome. Registered with the Association of Certified Accountants and Chartered Accountants of Rome, the Register of Statutory Auditors and the Roll of the Technical Consultants of the Court of Rome. Has been a Statutory auditor for companies and a corporate and tax consultant for private and public companies. Court-Appointed Superintendent of the Court of Rome.
- **Antonia Coppola, alternate auditor** A Corporate Economics and Commerce graduate from La Sapienza University of Rome. Registered with the Association of Certified Accountants of Rome. Registered on the Register of Auditors. Board Member of the Association of Certified Accountants and Chartered Accountants of Rome.
- **Franco Biancani, alternate auditor** An Economics and Commerce graduate from La Sapienza University of Rome, chartered accountant. Has been an auditor and chairman of the Board of Statutory Auditors of companies. Registered on the Register of Auditors.

The auditors are chosen from people who are qualified as independent and shall act autonomously and independently even as regards the shareholders who elected them.

The independence of the auditors is assessed by

Acea in accordance with the law and Art. 3 of the Corporate Governance Code.

After the appointment of an auditor who is qualified as independent and subsequently at least once a year, based on the information provided by the involved party or in any case available to Acea, the Board of Statutory Auditors shall evaluate any relations which could be or appear to be able compromise that auditor's independent judgement. At meetings the BoD provides the Board of Statutory Auditors with information on the Board's activities, even through the Board of Statutory Auditors' direct participation in the meetings as well as through the review of material illustrating items on the meeting's agenda, prior to such meetings and received in the same form and at the same time as the documentation made available Directors.

The Board of Statutory Auditors exercises its powers and fulfils its duties set out by current provisions. In carrying out its activity, the Board of Statutory Auditors co-ordinated with the Audit department mainly through periodic meetings which discussed the independent monitoring work plan and the results of the main operations carried out in the year.

Moreover, the Board co-ordinated with the Risk and Control Committee through the participation of its Chairman in meetings.

During the year, the Board of Directors held 23 meetings, each lasting about 1 hour and 45 minutes on average, with the regular participation of the statutory auditors.

In 2015, on the date of this report, the Board has met twice, and each meeting lasted for an average of 1 hour and 50 minutes.

# 14. INVESTOR RELATIONS

(IN ACCORDANCE WITH ART. 123 BIS, PAR. 2, LETT. A), TUF)

*Price-sensitive* information concerning the Company is promptly disclosed to the market and the relevant Supervisory Authorities, and is made available in a document at the Company's registered office and on its web site [www.acea.it](http://www.acea.it), where continuously updated information is posted.

ACEA's organisational structure includes an **Investor Relations** department which reports to the CEO; the manager is Elvira Angrisani. The Company organises special *conference calls* with institutional investors and financial analysts

when approving the annual, interim and quarterly results and the Industrial Plan and for any *price-sensitive* operations.

In 2014:

- Conference Calls were held with the financial community and timed to coincide with approval of the annual and interim results as well as of the 2014-2018 Industrial Plan;
- roadshows were organized in major European and American venues, during which "one on one" meetings were held as well as open presentations with over 160

equity investors, buy side analysts and credit investors/analysts;

- the Company participated at Utility Conferences organized by major Merchant Banks.

In addition, in order to ensure that Shareholders and Investors are provided with timely information, corporate documents, press releases, notices and other corporate information is published on the Company web site ([www.acea.it](http://www.acea.it)).

# 15. SHAREHOLDERS' MEETINGS

(PURSUANT TO ART. 123 BIS, PAR.. 2, LETT. C, OF THE TUF)

Shareholders' meeting regulations are contained within ACEA S.p.A.'s Articles of Association, and, other than referring legal requirements, articles 10, 11, 12, 13 and 14 deal specifically with the shareholders' meeting.

As at 31 December 2014, and as of today's date, art. 10 sets forth the methods for calling the Shareholders' Meeting, indicating at 10.3 that "without prejudice to the power of convening a meeting established by specific provisions of the law, the Shareholders' Meeting, both ordinary and extraordinary, shall be convened by the Board of Directors through a notice of meeting which shall contain the date, the venue and the time of the meeting and the agenda of the business to be transacted." In paragraph 4 of the same article, it is furthermore confirmed that the meeting may also be called outside the registered office, provided it is held in Italy.

"The notice of the meeting must be given on the Company's web site, and in the Official Gazette of the Italian Republic, or in the *Il Sole - 24 Ore* newspaper in compliance with the terms established by the laws in force. There may be calls for meetings following the second call. The notice calling a meeting may set, for different days, the second, third and possible subsequent meetings to be held in the event of a failure in order to reach a quorum according to the law in each of the previous meetings" (art. 10.4 of the Articles of Association)

Art. 11.1 sets forth that the "*Shareholders' Meeting is convened at least once a year to approve the financial statements within 120 days from the close of the financial year, or within 180 days from the above mentioned*

*close if the conditions under art. 2364 of the Italian Civil Code apply.*"

Art. 11.2 sets forth that "*the Extraordinary Shareholders' Meeting shall be convened any time it is necessary pass a resolution which the law reserves to its competence.*"

Art. 11.3 indicates that "*both the ordinary and extraordinary shareholders' meetings shall be convened when so requested by a number of shareholders representing the percentages set forth in the laws in force, who must indicate the topics to discuss when making the request, or when the request is made by the Board of Statutory Auditors or its members as foreseen by the law.*

*Additionally, the number of Shareholders representing the percentages set out in the dispositions of the law in force, in accordance with the terms established by prevailing law, may request that other items be added to the agenda, indicating the additional topics to discuss in the request. The Shareholders' Meeting cannot be convened nor can shareholders request additional items to be added to the agenda for topics the meeting passes resolutions on by law on the basis of Directors' proposals, projects or reports.*"

Article 12 of the Articles of Association expressly sets forth that the majorities necessary for validating the ordinary and extraordinary shareholders' meeting's constitution and resolutions be those required by law.

Article 13.1 of the Shareholders' Meeting rules establishes that "*the right to participate at*

*the shareholders' meetings and exercise the right to vote will be confirmed by notification sent by the intermediary to the issuer, in accordance with the accounting records, and in favor of the party who has the right to vote in accordance with the methods and terms provided for by prevailing law*" (so-called "*record date*").

Art. 13.2 however establishes that any shareholder entitled to intervene at the meeting can be represented pursuant the law. Furthermore, the same paragraph of article 13 sets forth that "*with the exception of Roma Capitale, or subsidiaries thereof, which have acquired the capacity of Shareholders, the voting right may not be exercised for more than 8% of the share capital, even by proxy*"

In this regard, note article 6 of the Articles of Association which instead sets forth that: "*with the exception of Roma Capitale and any subsidiary thereof which becomes a Shareholder, no Shareholder may hold an equity interest in the Company greater than 8% of the share capital. In the event of breach, the relevant shareholder may not exercise voting rights on the shareholding that exceeds said limit, and resolutions passed with the decisive vote of such exceeding shares which are not entitled to cast votes pursuant to Art. 6 may be rescinded pursuant to article 2377 of the Italian Civil Code. Shares which are not entitled cast votes are in any case counted determine a quorum for the meeting*" (art. 6.1 of the Articles of Association).

"*The aforesaid limit also applies to the*

equity investments held by the group to which each Shareholder belongs, with the latter defined as follows:

- that formed by the persons, whether natural or legal, which directly or indirectly control, are controlled by or fall under the same control as the shareholder;
- that formed by entities connected the shareholder, even though not having corporate form;
- that formed by persons, whether natural or legal, which directly or indirectly, explicitly or by means of conclusive behaviour, have entered into or otherwise adhere arrangements of the kind described in Art. 122 of Italian Legislative Decree 58/98, the extent that such arrangements concern at least 8% of the voting share capital.

Control and connection, for the purposes of this article 6, shall be deemed exist in the instances laid out in art. 2359 of the Italian Civil Code." (art. 6.2 of the Articles of Association) Point no. 3 of article 6 sets forth that the limit pursuant to art. 6 point 1 also applies:

- shares held by the family of the shareholder, where family shall be deemed include the same shareholder, a non-divorced spouse and cohabiting and/or tax-deductible children;
- shares beneficially held by a natural or legal person through controlled entities, trustees, intermediaries;
- shares directly or indirectly held, as security or usufruct, if a secured creditor or usufructuary holds the voting rights;
- shares subject to repo arrangements, with reference to both giver-on and taker-in. "

Point 4 of article 6 furthermore sets forth that "whoever holds shares in excess of the 8% of the share capital shall notify such circumstance to the Company in writing within twenty days of completion of the transaction through which the threshold was crossed".

Another restriction set by article 6 in point number 5 is that which sets forth that "those Shareholders who have not participated in approving the resolutions concerning the introduction or removal of the restrictions on the transfer of the shares shall not be entitled to withdraw"

Article 13.3 sets out: "In order to facilitate the collection of proxies from shareholders who are employees of the Company or its subsidiaries - and adhering to shareholders' associations that meet the requisites dictated by the effective applicable regulations, in accordance with the terms and procedures established by the Board of Directors directly or through its authorised persons - appropriate areas will be made available for notification and the proxy collection process.

If the proxy is conferred via computer, in accordance with the procedures provided for by prevailing law, notification of the aforesaid proxy may be conferred each time by using the company web site, in accordance with the methods in the notice of meeting."

On 3 November 2000, the Ordinary Shareholders' Meeting approved the adoption of a Regulation governing Shareholders' Meetings (available at the registered office or on the web site [www.acea.it](http://www.acea.it)). The approved Regulations are the result of detailed studies of texts prepared by various

study Commissions established in different trade associations, and in particular is inspired by studies carried out by Assonime. Article 7.3 of the aforesaid Regulation regulates the methods by which the shareholders' right to speak on the subjects set for discussion is guaranteed:

"The request to intervene on individual agenda topics can be presented at the chair's table (of the Shareholders' Meeting) from the time of constitution of the Shareholders' Meeting until when the Shareholders' Meeting's Chairman has closed the discussion on the relative agenda topic. In inviting people to speak, by regulation, the Chairman of the Shareholders' Meeting follows the order in which the requests to intervene were made. Each shareholder can make just one intervention on each agenda topic, within the time limit of ten (10) minutes."

During the shareholders' meeting, the Board of Directors reported on activities carried out following company programmes, providing shareholders with correct information on the elements necessary make informed decisions on topics of the meeting's competence.

The Board of Directors considers the Shareholders' Meeting to be of great importance to Investor relations. Directors therefore encourage as many Investors as possible to participate in the Shareholders' Meetings, assisting them in this to the best of their ability.

During the 2014 financial year, and as of today, there have been no significant changes in the capitalisation of ACEA shares or in the composition of its company structure which could damage the prerogatives of minority interests.

# 16. ADDITIONAL CORPORATE GOVERNANCE PRACTICES

(EX ART. 123 BIS, CO. 2, LETT. A, TUF)

## ETHICS COMMITTEE

The Ethics Committee was established, assigned full and independent powers to take action and control and delegated to supervise the implementation and observance of the rules of behaviour in the Acea's Code of Ethics.

The composition and functioning of the Committee are regulated by specific Regulations approved by the Board of Directors.

The members of the Committee as at 31 December 2014, are: Paola Antonia Profeta (Chairman), Francesco Caltagirone, Elisabetta Maggini and two externally appointed members, Maurizio Zollo and Luigi Giuliano.

In accordance with the responsibilities attributed by the Code of Ethics and the above-mentioned Regulation, the Committee promotes awareness of the Code of Ethics within the Group; heightens the awareness of Acea S.p.A. managers and employees on ethical matters; assists Acea in ensuring correct application of the Code of Conduct standards and criteria; develops and spreads awareness of the procedures necessary to ensure the aims and compliance with the Code principles; controls any breach of the standards

of conduct of the Code, and proposes penalties in accordance with the work contracts. Finally, the Committee prepares a report on the work done, to be sent to the Supervisory Body, the Board of Directors, the Risk and Control Committee and proposes any amendments needed to improve the Code principles.

On 22 February 2012, the Acea Spa BoD, on the basis of a proposal from the Ethics Committee, decided to adopt a new Code of Ethics.

BoDs of the subsidiaries passed resolutions adopt the Code of Ethics, an integral part of the Organisational and Management Models.

The Code of Ethics is a fundamental element of control for Acea, so the Company distributes it to its personnel, both when hired and in cyclical training courses. Employees, suppliers and all those who contribute to the company's activities (consultants, collaborators, etc.) must also adhere the contents of the Code.

To guarantee monitoring over effective compliance with the Code of Ethics, a well-structured procedure to manage reports that indicate behaviour that breaches the principles set out in the Code was introduced (known as whistle

blowing), providing confidential contact channels and suitable protection for whistle blowers. The Audit Department examined the reports and verified any actual violations. The reports and the consequent actions taken for improvement are monitored by the Ethics Committee.

In 2014, and in order to encourage the effective application of the sustainability principle in the new edition of the Code of Ethics, the Ethics Committee provided guidelines and recommendations to Acea SpA structures in order to define the sustainability objectives and report on them in the 2014 Sustainability Report. In particular, the Committee focused on compliance with the principles of the Code in its relations with customers, the fundamental aspects of which were constantly monitored by examining specific relations and interviewing the competent subjects.

The Board confirmed the allocation of an annual budget for 2015 of €25,000.00 (twenty five thousand/00 euro) for the Committee.

When carrying out its duties, the Committee coordinates its work with the work of the Supervisory Body.

# 17. CHANGES SINCE YEAR END CLOSURE

Changes which occurred after the end of the financial year until today's date have been described in the specific sections.

**On behalf of the Board of Directors  
The Chairman**

**Catia Tomasetti**



**TABLE 1: INFORMATION ON SHAREHOLDING STRUCTURE**

| <b>SHARE CAPITAL STRUCTURE</b>    |                   |                               |  |                               |
|-----------------------------------|-------------------|-------------------------------|--|-------------------------------|
|                                   | <b>No. Shares</b> | <b>% w.r.t. share capital</b> | <b>Borsa Italiana automated stock market Listing</b> | <b>Rights and obligations</b> |
| Ordinary shares                   | 212,964,000       | 100%                          | 100%   |                               |
| Shares with limited voting rights | -----             |                               |  |                               |
| Shares without voting rights      | -----             |                               |  |                               |

**OTHER FINANCIAL INSTRUMENTS**  
(attributing the right to subscribe newly issued shares)

|                   | <b>Listed (indicate the markets) / unlisted</b> | <b>No. of instruments In circulation</b> | <b>Category of shares for the service of conversion/ financial year</b> | <b>No. of shares for the service of conversion/ financial year</b> |
|-------------------|---|--|---|--|
| Convertible Bonds | -----   | -----                                    |   |  |
| Warrant           | -----   | -----                                    |   |  |

**RELEVANT SHAREHOLDINGS**  
From the Consob site dated 5 March 2015

| <b>Declarant</b>              | <b>Share % of the ordinary capital</b> | <b>Share % of the voting capital</b> |
|-------------------------------|--|--------------------------------------|
| ROMA CAPITALE                 | Roma Capitale                          | 51%                                  |
| NORGES BANK                   | Norges Bank                            | 2.020%                               |
| SUEZ ENVIRONNEMENT COMPANY SA | Ondeo Italia SpA                       | 12.483%                              |
| Caltagirone Francesco Gaetano | Gamma Srl                              | 1.033%                               |
|                               | Viapar Srl                             | 2.874%                               |
|                               | Fincal SpA                             | 7.513%                               |
|                               | So.fi.cos. Srl                         | 2.886%                               |
|                               | Viafin Srl                             | 1.550%                               |

**TABLE 2: STRUCTURE OF THE BOARD OF DIRECTORS AND COMMITTEES AS AT 31/12/2014**
**BOARD OF DIRECTORS**
**Required quorum for the presentation of lists at the last appointment: 1% of the shares with voting rights**

| <b>Office</b> | <b>Members</b>        | <b>Year of birth</b> | <b>Date of initial appointment*</b>                             | <b>In office since</b>             | <b>In office up to</b> | <b>List (M/m) **</b> | <b>Exec.</b> |
|---------------|-----------------------|----------------------|---|------------------------------------|------------------------|----------------------|--------------|
| Chairman      | Catia Tomasetti       | 1964                 | 05/06/2014  | 05/06/2014                         | 31/12/2016             | M                    | X            |
| CEO           | Alberto Irace         | 1967                 | 05/06/2014  | 05/06/2014 BOD<br>09/06/2014 (CEO) | 31/12/2016             | M                    | X            |
| Director      | Elisabetta Maggini    | 1982                 | 05/06/2014  | 05/06/2014                         | 31/12/2016             | M                    |              |
| Director      | Paola Antonia Profeta | 1972                 | 05/06/2014  | 05/06/2014                         | 31/12/2016             | M                    |              |
| Director      | Francesco Caltagirone | 1968                 | 29/04/2010  | 05/06/2014                         | 31/12/2016             | m                    |              |
| Director      | Giovanni Giani        | 1950                 | coop. BOD<br>29/11/2011<br>Date of taking office:<br>04/05/2012 | 05/06/2014                         | 31/12/2016             | m                    |              |
| Director      | Diane D'Arras         | 1955                 | 15/04/2013  | 05/06/2014                         | 31/12/2016             | m                    |              |

**NOTES:**

\* This symbol specifies the director entrusted with the internal control and risk management system.

\* Date of initial appointment of each director refers to the date in which the director was initially appointed (absolutely) within the Board of ACEA SpA

\*\* This column specifies the list from which each director is drawn ("M": majority list; "m": minority list)

\*\*\* This list specifies the number of offices of director or auditor held by the party in question within other companies listed in regulated markets, even foreign ones, and either financial, banking, insurance or other firms of significant size. The last page of the Corporate Governance Report fully describes the offices that are held.

(1). This column specifies the participation of the directors in meetings of Board and its committees, respectively.

(2). This column specifies the qualification of director within the Committee: "P": chairman, "M": member.

| Non-Exec. | Ind. acc. to Code | Indep. acc. to TUF | No of other offices<br>*** | Risk and Control Committee |     | Appointment & Remuneration Committee |     |     |
|-----------|-------------------|--------------------|----------------------------|----------------------------|-----|--------------------------------------|-----|-----|
|           |                   |                    |                            | (1)                        | (2) | (1)                                  | (2) | (1) |
|           |                   |                    | -----                      | 7/7                        |     |                                      |     |     |
|           |                   |                    | -----                      | 7/7                        |     |                                      |     |     |
| x         | x                 | x                  | -----                      | 7/7                        | P   | 6/6                                  | P   | 3/3 |
| x         | x                 | x                  | 1                          | 6/7                        | M   | 5/6                                  | M   | 2/3 |
| x         |                   |                    | 8                          | 7/7                        |     |                                      |     |     |
| x         |                   |                    | -----                      | 7/7                        | M   | 6/6                                  | M   | 3/3 |
| x         | x                 | x                  | -----                      | 7/7                        |     |                                      |     |     |

TABLE 2.1: OUTGOING DIRECTORS IN 2014

**BOARD OF DIRECTORS**

Required quorum for the presentation of lists at the last appointment: 1% of the shares with voting rights

| Office   | Componenti            | Anno di nascita | Data di Prima nomina*                             | In carica dal                         | In carica fino a | Lista (M/m)** | Esec. |
|----------|-----------------------|-----------------|---|---------------------------------------|------------------|---------------|-------|
| Chairman | Giancarlo Cremonesi   | 1947            | 29/10/2008  | 15/04/2013                            | 05/06/2014       | M             | X     |
| CEO •    | Paolo Gallo           | 1961            | 15/04/2013  | 15/04/2013<br>BOD 16/04/2013<br>(CEO) | 05/06/2014       | M             | X     |
| Director | Antonella Illuminati  | 1967            | 15/04/2013  | 15/04/2013                            | 05/06/2014       | M             |       |
| Director | Andrea Peruzzy        | 1962            | 15/09/2009  | 15/04/2013                            | 05/06/2014       | M             |       |
| Director | Maurizio Leo          | 1955            | 15/04/2013  | 15/04/2013                            | 05/06/2014       | M             |       |
| Director | Francesco Caltagirone | 1968            | 29/04/2010  | 15/04/2013                            | 05/06/2014       | m             |       |
| Director | Paolo Di Benedetto    | 1947            | 29/04/2010  | 15/04/2013                            | 05/06/2014       | m             |       |
| Director | Giovanni Gianì        | 1950            | coop. BOD<br>29/11/2011<br><br>Ass.<br>04/05/2012 | 15/04/2013                            | 05/06/2014       | m             |       |
| Director | Diane D'Arras         | 1955            | 15/04/2013  | 15/04/2013                            | 05/06/2014       | m             |       |

NOTES:

• This symbol specifies the director entrusted with the internal control and risk management system.

\* Date of initial appointment of each director refers to the date in which the director was initially appointed (absolutely) within the Board of ACEA SpA

\*\* This column specifies the list from which each director is drawn ("M": majority list; "m": minority list)

\*\*\* This list specifies the number of offices of director or auditor held by the party in question within other companies listed in regulated markets, even foreign ones, and either financial, banking, insurance or other firms of significant size. The last page of the Corporate Governance Report fully describes the offices that are held.

(1). This column specifies the participation of the directors in meetings of Board and its committees, respectively.

(2). This column specifies the qualification of director within the Committee: "P": chairman, "M": member.

TABLE 3: STRUCTURE OF THE BOARD OF AUDITORS AS AT 31/12/2014

**COLLEGIO SINDACALE**

Required quorum for the presentation of lists at the last appointment: 1 % of the shares with voting rights

| Office            | Members         | Year of birth | Date of initial appointment* | In office since | In office up to |
|-------------------|-----------------|---------------|------------------------------|-----------------|-----------------|
| Chairman          | Enrico Laghi    | 1969          | 2010                         | 15/04/2013      | 31/12/2015      |
| Statutory auditor | Laura Raselli   | 1971          | 2013                         | 15/04/2013      | 31/12/2015      |
| Statutory auditor | Corrado Gatti   | 1974          | 2010                         | 15/04/2013      | 31/12/2015      |
| Alternate auditor | Antonia Coppola | 1970          | 2013                         | 15/04/2013      | 31/12/2015      |
| Alternate auditor | Franco Biancani | 1942          | 2013                         | 15/04/2013      | 31/12/2015      |

NOTES:

\* \* The date of initial appointment of each auditor refers to the date in which the auditor was appointed for the first time (absolutely) in the Board of Auditors of the issuer.

\*\* This column indicates the list from which each auditor was drawn (the majority list (M), or the minority list "m").

\*\*\* This column indicates the participation percentage of auditors at the Board of Auditors meetings

\*\*\*\* This column indicates the number of director or auditor position were held by the concerned party reported in accordance with art. 148 bis TUF and the relative implementational provisions contained with the Consob Issuers Regulations. The complete list of positions is published by Consob within its website, in accordance with art. 144-quinquiesdecies of CONSOB Issuer's Regulation.

| Non- Esec. | Indip. da Codice | Indip. da TUF | Risk and Control Committee |     | Appointment & Remuneration Committee |     |     |
|------------|------------------|---------------|----------------------------|-----|--------------------------------------|-----|-----|
|            |                  |               | (1)                        | (2) | (1)                                  | (2) | (1) |
|            |                  |               | 9/9                        |     |                                      |     |     |
|            |                  |               | 9/9                        |     |                                      |     |     |
| x          | x                | x             | 8/9                        | M   | 3/3                                  | M   | 2/2 |
| x          | x                | x             | 8/9                        | M   | 3/3                                  | M   | 2/2 |
| x          | x                | x             | 6/9                        | P   | 3/3                                  | M   | 1/2 |
| x          |                  |               | 9/9                        |     |                                      |     |     |
| x          | x                | x             | 9/9                        | M   | 3/3                                  | P   | 2/2 |
| x          |                  |               | 9/9                        | M   | 2/3                                  | M   | 2/2 |
| x          | x                | x             | 8/9                        |     |                                      |     |     |

| List (M/m)<br>** | Ind. acc. To Code | *** (%) | No. Of other offices<br>**** |
|------------------|-------------------|---------|------------------------------|
| m                | x                 | 22/23   | 7                            |
| M                | x                 | 21/23   | 1                            |
| M                | x                 | 21/23   | 14                           |
| M                | x                 |         | -----                        |
| m                | x                 |         | -----                        |

**CHART 1. COMPOSITION OF THE ACEA BOARD OF DIRECTORS AND POSITIONS HELD BY DIRECTORS IN OTHER COMPANIES**

| <b>ROLE</b>             | <b>NAME</b>           | <b>POSITION</b>                 | <b>OTHER POSITIONS (*)</b>   |
|-------------------------|-----------------------|---------------------------------|--|
| Chairman                | Catia Tomasetti       | Executive Director              | -----  |
| Chief Executive Officer | Alberto Irace         | Independent director            | -----  |
| Director                | Elisabetta Maggini    | Independent director            | -----  |
| Director                | Paola Antonia Profeta | Independent director            | Banca Profilo (C)  |
| Director                | Diane D'Arras         | Non-Independent director        | -----  |
| Director                | Giovanni Giani        | Non-Independent director        | -----  |
| Director                | Francesco Caltagirone | Amministratore non indipendente | Cementir Holding SpA (P e AD)<br>Cimentas A.S. (C)<br>Cimbeton A.S. (C)<br>Aalborg Portland A.S. (C)<br>Unicon A.S. (C)<br>Banca Finnat Euramerica SpA (C)<br>Caltagirone SpA (C)<br>Caltagirone Editore SpA (C) |

(\*) List of the positions of director or auditor held by each Director in other companies listed on regulated markets, including foreign markets, in financial, banking, insurance or large companies.



# 2014

## ACEA S.P.A. FINANCIAL STATEMENTS CONSOLIDATED FINANCIAL STATEMENTS OF THE ACEA GROUP

### **ACEA SPA**

#### **Registered office**

Piazzale Ostiense 2 – 00154 Rome

#### **Share capital**

Euro 1.098.898.884 fully paid

#### **Fiscal Code, VAT number and Registration in the Rome Companies' Register**

05394801004

**Rome REA 882486**

A cura di

**Amministrazione, Finanza e Controllo**

Graphic design and layout

**Message – Borsa Italiana Gruppo**

Coordination of External Relations and Communication

**Tiziana Flaviani**

Web version

**Message – Borsa Italiana Gruppo**

Coordination of External Relations and Communication

**Laura Colella**

Photography

**Archivio Acea** – the photographs are taken by **Fabio Anghelone**

Printed by

**Marchesi Grafiche**

on FSC certified paper

Printed in April 2015









VALUE

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