2016

CONSOLIDATED FINANCIAL STATEMENTS
2016 INTERIM CONDENSED

acea

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Colosseum · Rome

REPORT ON OPERATIONS

ACEA ORGANISATIONAL MODEL

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

ACEA adopts an operational model based on an organisational layout in line with the Strategic Business 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 organised in corporate functions and four operating segments – Environment, Energy, Water and Networks.
The activities of each business segment are described below.

ENVIRONMENT SEGMENT

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

ENERGY SEGMENT

The ACEA Group is a major operator in Italy in the sale of electrical energy and offers innovative and flexible solutions for the supply of electrical energy 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, always striving to improve the quality of its services in particular as far as *web and social* channels are concerned. Finally, the Group operates in the energy generation sector, running hydroelectric and thermoelectric plants in Lazio, Umbria and Abruzzo.

WATER SEGMENT

The ACEA Group is the biggest Italian operator in the water sector supplying water to 8.5 million people. The Group manages the integrated water service in Rome and Frosinone and in the respective provinces, as well as in other parts of Lazio, in Tuscany, Umbria and Campania. The Company completes the quality of the services offered with the sustainable management of water resources and respect of the environment. The Group has developed *know how* at the forefront in the design, construction and management of integrated water systems: from the source to the aqueducts, from distribution to the sewer network, and treatment. Laboratory services are of particular importance.

NETWORKS SEGMENT

The ACEA Group is a major operator in Italy with over 10 TWh of electricity distributed in Rome, where the Group manages the distribution network providing services for over 1.6 million delivery points. The Group also manages the public and artistic lighting of the capital providing power for over 189,000 lighting points, applying solutions that strive to become more and more efficient with a lower environmental impact every year. By 2020 we plan to replace 100 thousand light bulbs with the same number of led bulbs. The ACEA Group is committed to energy efficiency projects and the development of new technologies, such as *smart grids* and electric mobility, through particularly innovative pilot projects.

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

ACEA HOLDING

WATER

96%	Acea Ato 2
98%	Acea Ato 5
99%	Sarnese Vesuviano 37% Gori
100%	Crea Gestioni
40%	Umbra Acque
99%	Ombrone 40% Acquedotto del Fiora
77%	Acque Blu Arno Basso 45% Acque
75%	Acque Blu Fiorentine 40% Publiacqua
35%	Intesa Aretina 46% Nuove Acque
25%	Consorcio Agua Azul
51%	Aguazul Bogotà
100%	Acea Dominicana

ENERGY

100%	Acea Energia 81% Acea Produzione
100%	Acea8cento
100%	Acea Energy Management

ENVIRONMENT

100%	Acea Risorse e Impianti per l'Ambiente
100%	Solemme
88%	Acquaser
50%	Ecomed

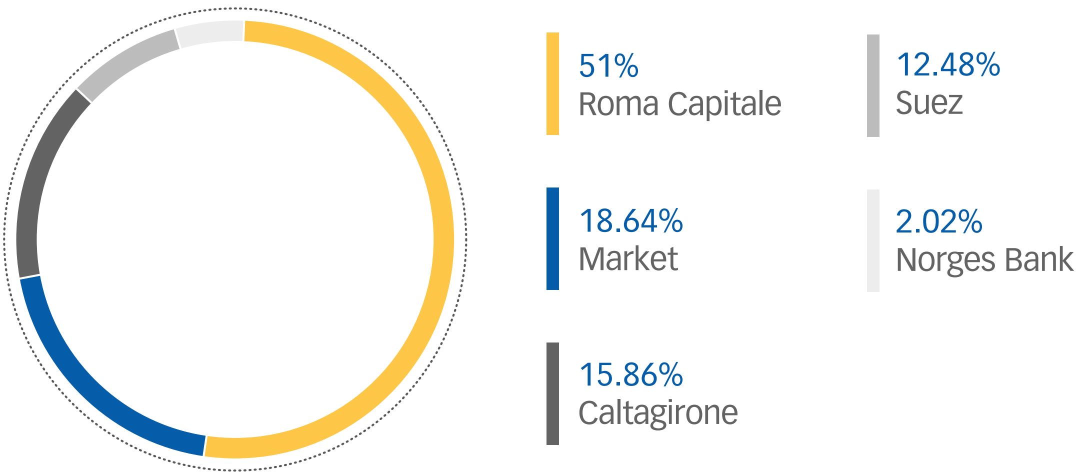
NETWORKS

100%	Areti
100%	Acea Illuminazione Pubblica

OTHER SERVICES

100%	Acea ElaboRi

The share capital of ACEA S.p.A. at 30 June 2016 is broken down as follows:



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

CORPORATE BODIES

Board of Directors

Catia Tomasetti	Chairman
Alberto Irace	CEO
Francesco Caltagirone	Director
Massimiliano Capece Minutolo del Sasso	Director
Angel Simon Grimaldos[2]	Director
Giovanni Giani	Director
Elisabetta Maggini	Director
Roberta Neri	Director
Paola Antonia Profeta	Director

Board of Statutory Auditors[1]

Enrico Laghi	Chairman
Rosina Cichello	Statutory Auditor
Corrado Gatti	Statutory Auditor
Lucia Di Giuseppe	Alternate Auditor
Carlo Schiavone	Alternate Auditor

Executive Responsible for Financial Reporting

Demetrio Mauro

Auditing Firm

EY S.p.A.

[1] Appointed by the Shareholders' Meeting of 28 April 2016.
[2] Co-opted to replace the outgoing Director Diane d'Arras.

SUMMARY OF RESULTS

Income Statement Data (million euros)	30.06.16	30.06.15	Increase/ (Decrease)	% Increase/ (Decrease)
Consolidated net revenue	1,386.7	1,441.1	(54.4)	(3.8%)
Consolidated operating costs	957.9	1,100.8	(142.9)	(13.0%)
Income/(Costs) from equity investments of a non-financial nature	14.9	12.9	2.0	15.5%
- of which: EBITDA	67.8	67.7	0.1	0.2%
- of which: Amortisation, depreciation, impairment charges and provisions	(41.0)	(43.7)	2.7	(6.1%)
- of which: Financing activities	(4.2)	(4.4)	0.2	(5.1%)
- of which: (Profit)/ loss on investments	(0.0)	0.0	(0.0)	0.0%
- of which: Taxation	(7.7)	(6.7)	(1.0)	14.3%
Net income/(costs) from commodity risk management	0.0	0.0	0.0	0.0%
EBITDA	**443.7**	**353.3**	**90.5**	**25.6%**
EBIT	**274.1**	**202.7**	**71.4**	**35.2%**
Net profit/(loss)	**154.3**	**103.6**	**50.6**	**48.9%**
Profit/(loss) attributable to minority interests	4.7	4.3	0.4	9.7%
Net profit/(loss) attributable to the Group	**149.5**	**99.3**	**50.2**	**50.5%**

EBITDA per operating segment (million euros)	30.06.16	30.06.15	Increase/ (Decrease)	% Increase/ (Decrease)
ENVIRONMENT	**29.2**	**27.1**	**2.1**	**7.6%**
ENERGY	**69.7**	**55.9**	**13.8**	**24.6%**
Production	17.5	18.3	(0.9)	(4.8%)
Sales	52.3	37.6	14.7	39.0%
WATER:	**164.5**	**146.7**	**17.9**	**12.2%**
Overseas	0.8	4.3	(3.5)	(80.5%)
Lazio - Campania	146.5	128.4	18.0	14.1%
Tuscany-Umbria	12.5	11.1	1.5	13.2%
Engineering	4.7	2.8	1.9	65.8%
NETWORKS	**180.7**	**123.3**	**57.4**	**46.6%**
ACEA (Corporate)	**(0.4)**	**0.3**	**(0.7)**	**(256.3%)**
Total EBITDA	**443.7**	**353.3**	**90.5**	**25.6%**

Consolidated balance sheet data (million euros)	30.06.16	31.12.15	Increase/ (Decrease)	30.06.15	Increase/ (Decrease)
Net Invested Capital	3,763.2	3,606.1	157.1	3,647.5	115.8
Net Debt	(2,131.9)	(2,010.1)	(121.8)	(2,128.9)	(3.0)
Consolidated Shareholders' Equity	(1,631.4)	(1,596.1)	(35.3)	(1,518.6)	(112.8)

Net debt per Operating Segment (million euros)	30.06.16	31.12.15	Increase/ (Decrease)	% Increase/ (Decrease)
ENVIRONMENT	**185.2**	**187.7**	**(2.5)**	**(1.4%)**
ENERGY	**230.6**	**287.0**	**(56.4)**	**(19.7%)**
Production	123.4	130.7	(7.3)	(5.6%)
Sales	107.2	156.3	(49.1)	(31.4%)
WATER	**703.9**	**537.3**	**166.6**	**31.0%**
Overseas	(1.6)	(2.1)	0.6	(26.8%)
Lazio - Campania	697.7	522.1	175.6	33.6%
Tuscany-Umbria	0.3	0.2	0.1	79.5%
Engineering	7.5	17.2	(9.7)	(56.5%)
NETWORKS	**656.2**	**581.7**	**74.5**	**12.8%**
ACEA (Corporate)	**356.0**	**416.3**	**(60.3)**	**(14.5%)**
Total	**2,131.9**	**2,010.1**	**121.8**	**6.1%**

Investments per operating segment (million euros)	30.06.16	30.06.15	Increase/ (Decrease)	% Increase/ (Decrease)
ENVIRONMENT	**8.0**	**9.8**	**(1.8)**	**(18.1%)**
ENERGY	**27.4**	**6.6**	**20.8**	**314.4%**
Production	16.1	2.5	13.5	532.4%
Sales	11.3	4.1	7.3	178.6%
WATER	**100.6**	**74.6**	**26.0**	**34.9%**
Overseas	0.2	0.2	0.1	36.1%
Lazio - Campania	99.6	74.0	25.7	34.7%
Tuscany-Umbria	0.0	0.0	0.0	0.0%
Engineering	0.7	0.4	0.3	64.0%
NETWORKS	**80.1**	**67.7**	**12.4**	**18.3%**
ACEA (Corporate)	**4.7**	**8.8**	**(4.1)**	**(46.6%)**
Total	**220.8**	**167.4**	**53.3**	**31.8%**

SUMMARY OF OPERATIONS AND INCOME, EQUITY AND FINANCIAL PERFORMANCE OF THE GROUP

Definition of alternative *performance* indicators

On 5 October 2015, the *ESMA* (*European Security and Markets Authority*) published its guidelines (ESMA/2015/1415) on the criteria for submitting alternative performance indicators that, from 3 July 2016, will replace CESR/05-178b recommendations. 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, *gross operating profit* is an operating performance indicator calculated by adding together the Operating profit and "Amortisation, depreciation, provisions and impairment charges";
2. *net financial position* is an indicator of the ACEA Group's financial structure, obtained by adding together Non-current borrowings and financial liabilities net of Non-current financial assets (loans and receivables and securities other than 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, less "Current liabilities" and "Non-current liabilities", excluding items taken into account when calculating the *net financial position.*

ACEA GROUP RESULTS OF OPERATIONS

The following is a comment to the performance of the period; the figures at 30 June 2016 are compared with those for the same period of the previous year.

Notes Ref.		30.06.16	30.06.15	Increase/ (Decrease)	% Increase/ (Decrease)
1	Revenue from sales and services	1,356.9	1,406.1	(49.2)	(3.5%)
2	Other revenue and proceeds	29.8	35.0	(5.2)	(14.9%)
	Consolidated net revenue	**1,386.7**	**1,441.1**	**(54.4)**	**(3.8%)**
3	Staff costs	109.1	117.1	(7.9)	(6.8%)
4	Costs of materials and overheads	848.7	983.7	(135.0)	(13.7%)
	Consolidated Operating Costs	**957.9**	**1,100.8**	**(142.9)**	**(13.0%)**
5	**Net income/(costs) from commodity risk management**	**0.0**	**0.0**	**0.0**	**0.0%**
6	**Income/(Costs) from equity investments of a non-financial nature**	**14.9**	**12.9**	**2.0**	**15.5%**
	Gross Operating Profit	**443.7**	**353.3**	**90.5**	**25.6%**
7	Amortisation, depreciation, provisions and impairment charges	169.7	150.6	19.1	12.7%
	Operating profit/(loss)	**274.1**	**202.7**	**71.4**	**35.2%**
8	Financial income	7.5	11.4	(3.8)	(33.8%)
8	Financial costs	(49.8)	(56.6)	6.8	(12.0%)
9	Income/(Costs) from equity investments	0.6	(0.6)	1.2	(194.6%)
	Profit/(loss) before tax	**232.3**	**156.8**	**75.5**	**48.2%**
10	Taxation	78.1	53.2	24.9	46.8%
	Net profit/(loss)	**154.3**	**103.6**	**50.6**	**48.9%**
	Net profit/(loss) from discontinued operations	0.0	0.0	0.0	0.0%
	Net profit/(loss)	**154.3**	**103.6**	**50.6**	**48.9%**
	Profit/(loss) attributable to minority interests	4.7	4.3	0.4	9.7%
	Net profit/(loss) attributable to the Group	**149.5**	**99.3**	**50.2**	**50.5%**

Amounts in millions of euros

Consolidated net revenue – 1,386.7 *million euros*

€ millions	30.06.16	30.06.15	Increase/ (Decrease)	% Increase/ (Decrease)
Revenue from sales and services	1,356.9	1,406.1	(49.2)	(3.5%)
Other revenue and proceeds	29.8	35.0	(5.2)	(14.9%)
Consolidated net revenue	**1,386.7**	**1,441.1**	**(54.4)**	**(3.8%)**

1. Revenue from sales and services – 1,356.9 *million euros*

Broken down as follows:

€ millions	30.06.16	30.06.15	Increase/ (Decrease)	% Increase/ (Decrease)
Revenue from electricity sales and services	920.1	980.5	(60.4)	(6.2%)
Revenue from gas sales	38.1	49.3	(11.2)	(22.7%)
Revenue from incentives for electricity produced	12.5	11.6	0.9	8.0%
Revenue from the Integrated Water Service	300.8	281.0	19.8	7.0%
Revenue from Overseas Water Services	2.3	4.5	(2.2)	(48.3%)
Revenue from biomass transfer and landfill operations	21.7	18.4	3.4	18.4%
Revenue from services to customers	43.2	43.5	(0.3)	(0.7%)
Connection fees	18.1	17.4	0.7	4.0%
Total	**1,356.9**	**1,406.1**	**(49.2)**	**(3.5%)**

Revenue from electricity sales and services amount to 920.1 million euros, a decrease compared to last year of 60.4 million euros. This decrease was mainly caused by the following events:

- a 130.1 million euros reduction in revenue from the sale of electrical energy as a result of lower quantities sold on the free market, reflecting the optimization of the sales' portfolio, and changes in prices.
  The sale of electricity on the protected categories market showed a 10.6% decline year on year, while the sale of electricity on the Free Market dropped by 13.0% compared to the same period last year. The reduction mainly concerned the B2B segment and derives from a strategy of consolidation and growth in the small business and mass market segments;
- the 70.0 million euros increase in revenues from electricity transport and metering in the free and protected markets results in part from tariff changes and in part from the recognition of 63.3 million euros following the changes introduced by AEEGSI Resolution 654/2015; for more details please see section *"Performance of Operating Segments - Networks Segment"*;
- the decrease in revenues from electricity and heat generation (- 0.6 million euros) derives from a reduction in the quantity produced by the hydroelectric segment (approximately 68.6 GWh) and a reduction in market prices. There was a reduction also in the district heating segment compared to the first half of 2015 due to the mild weather conditions last winter (- 5.7 GWht).

Revenue from gas sales decreases by 11.2 million euros mainly due to a drop in the sales of Acea Energia and its subsidiaries (- 12.6 million cubic metres of gas compared to 30 June 2015).

Revenue from incentives for electricity produced increased by 0.9 million euros mainly due to the effect of an increase in plant production. This item mainly refers to: **i)** Acea Produzione for 10.2 million euros (+ 0.7 million euros compared to the same period last year) incurred in relation to the energy produced by the Salisano and Orte power plants, and **ii)** ARIA for 2.4 million euros (+ 0.4 million euros compared to the same period last year) from the Terni and San Vittore WTE plants.

Revenues from the Integrated Water Service increased by 19.8 million euros, mainly the result of the tariff increases for the period with reference to the companies providing water services in Lazio. Revenues were calculated on the basis of the tariff proposals approved by the Mayors' Conference (ACEA Ato2) or Operators' tariff requests in accordance with article 7 of Resolution 664/2015. In the latter case, these revenues do not include tariff components requiring specific approval (or consent by silence) of the 2016 tariff calculations (i.e. FNI New Investments Fund). The revenues include the estimate of the adjustments for pass-through costs.

Overseas revenues dropped by 2.2 million euros, essentially due to the completion of orders started in previous years and to the effect of the exchange rate.

Revenue from biomass transfer and landfill operations increased by 3.4 million euros on the one hand due to the effect of an increase in waste conferred to the SAO dump, and on the other hand due to an increase in *pulper* conferment with the relevant price increase.

Revenues from services to customers dropped by 0.3 million euros mainly due to:

- a reduction in revenues from third party contracts for Acea Illuminazione Pubblica, ACEA Ato2 and *areti* (- 1.5 million euros);
- an increase in revenues from intragroup services (+ 1.2 million euros).

This item includes 30.3 million euros in income for the management of the Public Lighting service, which remains substantially the same as in the first half of 2015.

Connection fees increased by 0.7 million euros. These fees are broken down as follows:

- free and protected markets: 16.7 million euros (+ 1.5 million euros compared to 30 June 2015);
- water market: 1.5 million euros (- 0.8 million euros compared to 30 June 2015).

2. Other revenue and income – 29.8 *million euros*

A 5.2 million euros decrease was recorded.
Broken down as follows:

€ millions	30.06.16	30.06.15	Increase/ (Decrease)	% Increase/ (Decrease)
Contributions from Entities for Energy Efficiency Certificates	1.3	6.4	(5.1)	(80.4%)
Nonrecurring gains	2.6	9.2	(6.6)	(72.0%)
Other revenues	13.9	6.0	7.9	131.8%
Reimbursement for damages, penalties, compensation	2.5	3.3	(0.8)	(24.2%)
Feed-in-tariff	2.3	2.2	0.1	6.6%
Government grant (Prime Ministerial Decree of 23/04/04)	2.0	2.1	(0.1)	(6.3%)
Regional grants	0.9	1.0	(0.1)	(11.3%)
Income from end users	1.3	1.6	(0.3)	(16.8%)
Seconded staff	1.0	1.1	(0.1)	(11.5%)
Property income	0.7	0.8	(0.1)	(7.7%)
IFRIC 12 margin	0.7	0.6	0.1	12.5%
Recharged cost for company officers	0.5	0.6	(0.1)	(9.2%)
Other revenue and proceeds	**29.8**	**35.0**	**(5.2)**	**(14.9%)**

The change compared to 30 June 2015 was determined by the following opposing effects:

(i) in the first six months of 2016 tariff contributions accrued on energy efficiency bonds in the portfolio decreased by 5.1 million euros as a consequence of bonds not purchased compared to the period of reference. Revenues at June 2016 show a price difference compared to those used to estimate the bonds held at 31 December 2015;

(ii) lower non-recurring revenues of 6.6 million euros, mainly due to the recognition in Agua Azul Bogotá in the first half of 2015 of an extraordinary income of 3.4 million euros, principally related to the closure of litigation with the municipal administration;

(iii) recognition of 9.6 million euros in higher revenues for Elga Sud due to the effects of the contract signed in March 2006 for the sale of digital meters. Said sale is part of a more extensive commercial agreement also with other Group companies.

Consolidated operating costs – 957.9 *million euros*

At 30 June 2016 these decreased by 142.9 million euros (-13.0% compared to the same period last year when they amounted to 1,100.8 million euros. The breakdown is provided in the following table.

€ millions	30.06.16	30.06.15	Increase/ (Decrease)	% Increase/ (Decrease)
Staff costs	109.1	117.1	(7.9)	(6.8%)
Costs of materials and overheads	848.7	983.7	(135.0)	(13.7%)
Consolidated operating costs	**957.9**	**1,100.8**	**(142.9)**	**(13.0%)**

3. Staff costs – 109.1 *million euros*

The increase in staff costs, inclusive of capitalised costs, amounted to 2.7 million euros and was mainly influenced by companies in the Water and Environment Segments.

€ millions	30.06.16	30.06.15	Increase/ (Decrease)	% Increase/ (Decrease)
Staff costs including capitalised costs	159.3	156.6	2.7	1.7%
Capitalised costs	(50.1)	(39.5)	(10.6)	26.9%
Staff costs	**109.1**	**117.1**	**(7.9)**	**(6.8%)**

Capitalized costs recorded an increase of 10.6 million euros, determined by the increase primarily in Acea Ato2 (+ 5.1 million euros), in *areti* (+ 3.2 million euros) and ACEA Ato5 (+ 1.0 million euros). This increase reflects the efforts and commitment of the Group's staff to the complex project for the change of information systems and business processes (Acea2.0).

The trend in staff costs by Operating Segment, including capitalised costs, is shown in the following table:

€ millions	30.06.16	30.06.15	Increase/ (Decrease)	% Increase/ (Decrease)
Environment	6.6	6.0	0.6	10.3%
Energy	14.9	14.8	0.1	0.6%
Water	62.1	60.3	1.8	3.0%
Networks	46.3	46.0	0.3	0.7%
Parent Company	29.3	29.5	(0.1)	(0.5%)
Staff costs	**159.3**	**156.6**	**2.7**	**1.7%**

The average number of staff is 4,997 employees with a variation of -137 compared to the first half of 2015; there was a less marked reduction in the end-of-period number of employees (- 11) equal to 4,999 employees.

4. Cost of materials and overheads – 848.7 *million euros*

There was an overall decrease of 135.0 million euros (-13.7%) compared to the 983.7 million euros on 30 June 2015.

€ millions	30.06.16	30.06.15	Increase/ (Decrease)	% Increase/ (Decrease)
Electricity, gas and fuel	683.7	816.6	(132.9)	(16.3%)
Materials	13.5	12.2	1.2	10.0%
Services	103.7	109.8	(6.1)	(5.6%)
Concession fees	23.7	21.3	2.4	11.1%
Cost of leased assets	11.8	11.7	0.1	1.0%
Other operating costs	12.3	12.0	0.3	2.6%
Costs of materials and overheads	**848.7**	**983.7**	**(135.0)**	**(13.7%)**

Purchase costs of electricity, gas and fuel amounted to 683.7 million euros, down 132.9 million euros from the previous year. The change was mainly due to: **i)** lower costs for the procurement of electricity for both the protected market and the free market and the related transport costs (- 120.5 million euros). This reduction derives from the combined effect of less electricity sold, as a result of the diversification of the customer portfolio and a different quantity/ price mix in the months and time ranges; **ii)** lower costs for the procurement of gas (- 40.1%); **iii)** a reduction in the cost of white certificates purchased by *areti* (- 5.9 million euros) to meet regulatory energy efficiency requirements, as a result of lower quantities purchased in the reporting period compared to the first half of 2015 (- 58,102 bonds).

Costs for the purchase of materials increase by 1.2 million euros to 13.5 million euros.

Service costs dropped 6.1 million euros to 103.7 million euros compared to last year. This trend is mainly caused by:

i) a decrease in costs for contract work (- 5.7 million euros) mainly for ACEA Ato2, costs for intragroup services (- 3.0 million euros), staff and insurance costs (totalling - 2.2 million euros),

ii) there was however an increase in costs for maintenance fees (+ 2.3 million euros), with particular reference to *areti* and ACEA, costs for the transportation and disposal of waste (+ 1.6 million euros), costs for electricity, water and gas (+ 1.2 million euros) and postal expenses (+ 1.0 million euros).

Concession fees increased by 2.4 million euros mainly due to the effect of an increase in Roma Capitale fees and a more extensive territory served than in the first six months of 2015.

The **cost of leased assets** amounts to 11.8 million euros, an increase of 0.1 million euros compared to last year (was 11.7 million euros).

Other operating costs amounted to 12.3 million euros, with an increase of 0.3 million euros on 2015. This increase is attributable to an increase in taxes and duties (+ 0.7 million euros), partially offset by the decrease in non-recurring losses (- 0.6 million euros).

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

At 30 June 2016 the change in the *Fair Value* measurement of financial contracts is equal to 0.0 million euros.

The portfolio of financial instruments under *hedge accounting* was the only component of the portfolio.

For further details please refer to the section *"Additional disclosures on financial instruments and risk management policies"* in the 2015 Consolidated Financial Statements.

6. Income/(Costs) from equity investments of a non-financial nature – 14.9 *million euros*

This item represents 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	30.06.16	30.06.15	Increase/ (Decrease)	% Increase/ (Decrease)
Gross Operating Profit	67.8	67.7	0.1	0.1%
Amortisation, depreciation, impairment charges and provisions	(41.0)	(43.7)	2.7	(6.1%)
Financial items	(4.2)	(4.4)	0.2	(5.1%)
Taxation	(7.7)	(6.7)	(1.0)	14.3%
Income from equity investments of a non-financial nature	**14.9**	**12.9**	**2.0**	**15.5%**

The increase compared to 30 June 2015 is mainly due to the effects of lower depreciation for Acque S.p.A. This reduction is the direct consequence of changes made to the agreement awarding the water service with an extension of the concession from 2021 to 2026. The companies' valuation is detailed below:

€ millions	30.06.16	30.06.15	Increase/ (Decrease)	% Increase/ (Decrease)
Publiacqua	6.6	5.9	0.7	11.1%
Acque Group	4.0	4.1	(0.1)	(2.7%)
Acquedotto del Fiora	1.3	0.5	0.8	171.2%
Umbra Acque	0.1	0.3	(0.2)	(62.2%)
Gori	1.7	1.1	0.6	52.2%
Nuove Acque and Intesa Aretina	0.4	0.2	0.1	51.5%
Agua Azul	0.6	0.6	0.0	0.0%
Voghera Energia Vendita S.p.A. in liquidation	0.0	(0.2)	0.2	(100.0%)
Ingegnerie Toscane	0.4	0.5	(0.1)	(18.4%)
Total	**14.9**	**12.9**	**2.0**	**15.5%**

7. Amortisation, depreciation, provisions and impairment charges – 169.7 *million euros*

€ millions	30.06.16	30.06.15	Increase/ (Decrease)	% Increase/ (Decrease)
Amortisation and depreciation	117.1	110.3	6.8	6.2%
Provision for impairment of receivables	28.5	32.7	(4.2)	(12.8%)
Provision for liabilities and charges	24.0	7.5	16.5	219.4%
Amortisation, depreciation, impairment charges and provisions	**169.7**	**150.6**	**19.1**	**12.7%**

Amortisation equal to 117.1 million euros, can be broken down as follows: an increase of 6.8 million euros (6.2%), mainly attributable to an increase in investments in all business segments as well as the regulatory situation and tariff updates related to invested capital, for the water sector.

Impairment of receivables amounted to 28.5 million euros, decreasing by 4.2 million euros mainly in the Energy Segment (- 2.4 million euros), the Water Segment (- 1.1 million euros) and the Networks Segment (- 1.0 million euros). The lower provisions are a direct consequence of improved performance in the collection of trade receivables.

Provisions for liabilities amounted to 24.0 million euros (+219.4% compared to the same period last year). The increase can be attributed to provisions for early retirement and redundancy (+ 8.8 million euros), provisions allocated against regulatory risks (+ 4.6 million euros) mainly for the Energy Segment and tax provisions (+ 1.1 million euros).

8. Finance (costs) and income – 42.3 *million euros*

Net finance costs totalled 42.3 million euros, dropping 2.9 million euros. In particular, this trend derives from a 6.8 million euros reduction in finance costs and a 3.8 million euros reduction in finance income. In detail, the decrease in costs derives mainly from a reduction in interest on short and medium-long-term borrowings (- 4.3 million euros), a reduction in commissions on receivables sold (- 1.9 million euros) and a reduction in default interest (- 0.9 million euros), partly offset by the ineffective portion of hedging derivatives recognized under *Cash flow hedge* and equal to 1.2 million euros mainly determined by significant fluctuations in the yen exchange rate as a result of Brexit. Income on receivables from customers (- 2.9 million euros) and bank interest income (- 1.0 million euros) also decreased

9. Income and costs from Equity Investments – 0.6 *million euros*

These refer to the result of the consolidation under the equity method of certain Group companies, with specific reference to Agua de San Pedro and Geal.

10. Taxation for the period – 78.1 *million euros*

Overall tax expenses for the period were estimated at 78.1 million euros compared to 53.2 million euros for the same period last year.
The overall increase of 24.9 million euros derives from an increase in pre-tax profit; in fact the *tax rate* is equal to 33.6% compared to 33.9% of the previous period.

ACEA GROUP FINANCIAL POSITION AND CASH FLOWS

Notes Ref	ACEA GROUP STATEMENT OF FINANCIAL POSITION (in million euros)	30.06.16	31.12.15	Increase/ (Decrease)	% Increase/ (Decrease)	30/06/15	Increase/ (Decrease)	% Increase/ (Decrease)
	NON-CURRENT ASSETS AND LIABILITIES	**3,957.6**	**3,868.6**	**89.0**	**2.3%**	**3,747.0**	**210.6**	**5.6%**
11	Property, plant and equipment and intangible assets	3,978.1	3,870.9	107.2	2.8%	3,734.6	243.5	6.5%
12	Equity investments	255.2	250.2	4.9	2.0%	233.4	21.8	9.3%
13	Other non-current assets	310.4	314.3	(4.0)	(1.3%)	334.5	(24.1)	(7.2%)
14	Staff termination benefits and other defined benefit plans	(117.9)	(108.6)	(9.3)	8.6%	(112.1)	(5.9)	5.2%
15	Provisions for liabilities and charges	(197.5)	(187.1)	(10.5)	5.6%	(167.5)	(30.1)	17.9%
16	Other non-current liabilities	(270.7)	(271.2)	0.5	(0.2%)	(275.9)	5.3	(1.9%)
	NET WORKING CAPITAL	**(194.3)**	**(262.5)**	**68.2**	**(26.0%)**	**(99.5)**	**(94.8)**	**95.3%**
17	Current receivables	1,147.2	1,098.7	48.5	4.4%	1,211.1	(63.9)	(5.3%)
18	Inventories	31.6	26.6	5.0	18.8%	30.1	1.6	5.3%
19	Other current assets	208.3	205.9	2.4	1.2%	151.1	57.1	37.8%
20	Current payables	(1,178.2)	(1,245.3)	67.0	(5.4%)	(1,098.1)	(80.1)	7.3%
21	Other current liabilities	(403.2)	(348.4)	(54.8)	15.7%	(393.6)	(9.6)	2.4%
	INVESTED CAPITAL	**3,763.2**	**3,606.1**	**157.1**	**4.4%**	**3,647.5**	**115.8**	**3.2%**
22	**NET DEBT**	**(2,131.9)**	**(2,010.1)**	**(121.8)**	**6.1%**	**(2,128.9)**	**(3.0)**	**0.1%**
	Medium/long-term loans and receivables	32.3	31.5	0.8	2.6%	35.9	(3.6)	(10.0%)
	Medium/long-term borrowings	(2,669.7)	(2,688.4)	18.8	(0.7%)	(2,707.0)	37.4	(1.4%)
	Short-term loans and receivables	94.3	91.5	2.9	3.1%	122.9	(28.5)	(23.2%)
	Cash and cash equivalents	582.9	814.7	(231.8)	(28.5%)	594.5	(11.6)	(2.0%)
	Short-term borrowings	(171.6)	(259.2)	87.5	(33.8%)	(175.1)	3.4	(1.9%)
23	**Total shareholders' equity**	**(1,631.4)**	**(1,596.1)**	**(35.3)**	**2.2%**	**(1,518.6)**	**(112.8)**	**7.4%**
	FUNDING	**(3,763.2)**	**(3,606.1)**	**(157.1)**	**4.4%**	**(3,647.5)**	**(115.8)**	**3.2%**

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 financial position, thereby showing the weight of funding.

In the first half of 2016, the ACEA Group's statement of financial position showed an increase in invested capital of 157.1 million euros (+ 4.4 %) compared to the figure at 31 December 2015. This is the net result of the increase in net fixed assets (+ 89.0 million euros) and an increase in net working capital (+ 68.2 million euros).

Non-current assets and liabilities – 3,957.6 *million euros*
Compared to 31 December 2015, this item showed an overall increase of 89.0 million euros (+ 2.3%); a breakdown of the item is shown below.

11. Property, plant and equipment/intangible assets – 3,978.1 *million euros*

Assets increased by 107.2 million euros (2.8%) compared to the end of the previous year.
This increase was derived mainly from investments in the first six months of 2016 amounting to 220.8 million euros net of 117.1 million euros in amortisation.

The table below shows the level of investments made in 2016 per Operating Segment, compared to those of the previous year.

Investments per operating segment (million euros)	30.06.16	30.06.15	Increase/ (Decrease)	% Increase/ (Decrease)
ENVIRONMENT	**8.0**	**9.8**	**(1.8)**	**(18.1%)**
ENERGY	**27.4**	**6.6**	**20.8**	**314.4%**
Production	16.1	2.5	13.5	532.4%
Sales	11.3	4.1	7.3	178.6%
WATER	**100.6**	**74.6**	**26.0**	**34.9%**
Overseas	0.2	0.2	0.1	36.1%
Lazio - Campania	99.6	74.0	25.7	34.7%
Tuscany-Umbria	0.0	0.0	0.0	0.0%
Engineering	0.7	0.4	0.3	64.0%
NETWORKS	**80.1**	**67.7**	**12.4**	**18.3%**
ACEA (Corporate)	**4.7**	**8.8**	**(4.1)**	**(46.6%)**
Total	**220.8**	**167.4**	**53.3**	**31.8%**

The **Environment Segment** reduced the level of capital expenditures by 1.8 million euros with specific reference to SAO and ARIA respectively for *revamping* the waste treatment plant and line I of the San Vittore WTE plant in Lazio.

The **Energy Segment** reported an increase of 20.8 million euros, mainly attributable to the increase in investments by Acea Produzione for **(i)** *revamping* the plant engineering at the Tor di Valle power station and the Castel Madama Hydroelectric power plant, for **(ii)** upgrading the power tunnels from the reservoir of the San Cosimato dam and **(iii)** the extension of the district heating network in the Mezzocammino district. Acea Energia contributes 7.3 million euros to the increase in capital expenditures, mainly for the development of technological infrastructures.

The **Water segment** incurred higher capital expenditures compared to the same period last year totalling 26.0 million euros, mainly with reference to ACEA Ato2, for works carried out on the water supply network, the waste treatment plants and for the Acea2.0 program.

The **Networks Segment** recorded higher capital expenditures (+ 12.4 million euros) as a result of expansion, renewal and upgrading activities for the managed systems as well as activities relating to the Acea2.0 program and WFM.

The **Parent Company** recorded a 4.1 million euros decrease in capital expenditures compared to those in the first six months of the previous year. This reduction is partly related to the consistent *effort* last year to promote the Acea2.0 project.

12. Equity investments – 255.2 *million euros*

Compared to 31 December 2015, equity investments increased by a total of 4.9 million euros primarily reflecting the valuation of companies consolidated using the equity method in accordance with IFRS 11.

13. Other non-current assets – 310.4 *million euros*

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

€ millions	30.06.16	31.12.15	Increase/ (Decrease)	% Increase/ (Decrease)
Deferred tax assets	273.9	274.6	(0.7)	(0.2%)
Receivables from others	36.1	39.3	(3.2)	(8.3%)
Accrued income and prepayments	0.4	0.5	0.0	(8.8%)
Other non-current assets	**310.4**	**314.3**	**(4.0)**	**(1.3%)**

Compared to 31 December 2015 there was a 4.0 million decrease in this item, which can mainly be attributed to the reduction (- 3.2 million euros compared to 31 December 2015) in Parent Company receivables that 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 equal to 0.4 million euros, refer mainly to insurance premiums paid in advance, lease payments, maintenance fees and rent on public land.

14. Staff termination benefits and other defined-benefit plans – 117.9 *million euros*

At 30 June 2016 this item recorded an increase of 9.3 million euros. In addition to the provision for the period which, pursuant to the revised legislation on Termination Benefits, consists of the employee termination benefits accrued until 31 December 2006, the change reflects use in the period and the discount rate used for the valuation according to IAS19 (from 2.03% in 2015 to 1.09% in the first six months of 2016).

15. Provisions for liabilities and charges – 197.5 *million euros*

€ millions	31.12.15	Utilisations	Provisions	Reclassifications/ Other changes	30.06.16
Legal	20.2	(2.1)	2.4	0.0	20.6
Tax	4.3	(1.4)	1.4	(0.1)	4.1
Regulatory risks	54.2	(0.8)	6.0	0.0	59.4
Investees	1.3	0.0	0.1	0.0	1.4
Contributory risks	6.5	0.0	0.0	0.0	6.6
Early retirements and redundancies	3.3	(8.1)	9.5	0.0	4.8
Post mortem	23.0	(0.1)	0.0	0.0	23.0
Insurance excess	1.2	(0.5)	0.0	0.0	0.7
Other liabilities and charges	21.7	(0.6)	0.5	0.1	21.7
Subtotal Provisions for Liabilities and Charges	**135.8**	**(13.6)**	**19.9**	**0.0**	**142.2**
Provisions for restoration charges	51.3	0.0	4.1	0.0	55.3
Total Provisions for Liabilities and Charges	**187.1**	**(13.6)**	**24.0**	**0.0**	**197.5**

The main changes refer to:

- the provision set aside to deal with the charges arising from the voluntary redundancy and early retirement procedure increasing by 1.4 million euros, net of uses, compared to 31 December 2015;
- the provision for restoration charges increasing by 4.1 million euros due to allocations made in 2016 related to the costs required to keep the water service infrastructure in a good condition;
- to the regulatory risk provision, which increases by 5.2 million euros, mainly due to higher charges for extra fees of the Bacino Imbrifero Montano on the Sangro River, on the basis of Law 228/2012, an increase in fees due to the Abruzzo Regional Government in accordance with Regional Law No.38 of 22/10/2013, and the effects related to the high risks deriving from energy market regulation updates.

16. Other non-current liabilities – 270.7 *million euros*

This item recorded a decrease of 0.5 million euros (-0.2%) compared to 31 December 2015. This item consists of:

€ millions	30.06.16	31.12.15	Increase/ (Decrease)	% Increase/ (Decrease)
Advances from end users and customers	115.4	110.7	4.7	4.2%
Provision for deferred taxes	82.4	87.1	(4.7)	(5.4%)
Accrued liabilities and deferred income	28.8	28.7	0.1	0.5%
Capital grants and those for water connections	44.0	44.7	(0.7)	(1.5%)
Other non-current liabilities	**270.7**	**271.2**	**(0.5)**	**(0.2%)**

Advances includes: **i)** the amount of security deposits subject to adjustment by water companies mainly attributable to ACEA Ato5 for 1.5 million euros; **ii)** the amount of advances relating to liabilities for advances on energy consumption, mainly 2.8 million euros attributable to Acea Energia, paid by customers in the Protected Categories market, that bear interest at the conditions set by the AEEGSI regulation (Resolution No. 204/99).

The **provision for deferred taxes** decreased by a total of 4.7 million euros compared to 31 December 2015 mainly attributable to deferred taxation on the valuation at the current exchange rate of the *Private Placement* bond issued by the Parent Company.

Capital grants and those for **water connections** showed a net overall decrease of 0.7 million euros, due to an increase in capital grants. The grants are accounted for in liabilities and progressively recognised in the income statement each year over the duration of the investment to which the grant is connected. The amount recognised as income is determined on the basis of the useful life of the asset to which it refers.

Accrued liabilities and deferred income, amounting to 28.8 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 areti for the replacement of electromechanical meters with electronic meters (AEEGSI Resolution No. 292/06).

Net working capital – (194.3) *million euros*

€ millions	30.06.16	31.12.15	Increase/ (Decrease)	30.06.15	Increase/ (Decrease)
Current receivables	**1,147.2**	**1,098.7**	**48.5**	**1,211.1**	**(63.9)**
- due from end users/customers	1,071.1	1,005.1	66.0	1,111.2	(40.1)
- due to Roma Capitale	47.5	63.7	(16.2)	69.4	(21.9)
Inventories	**31.6**	**26.6**	**5.0**	**30.1**	**1.6**
Other current assets	**208.3**	**205.9**	**2.4**	**151.1**	**57.1**
Current payables	**(1,178.2)**	**(1,245.3)**	**67.0**	**(1,098.1)**	**(80.1)**
- due to Suppliers	(1,034.3)	(1,092.3)	57.9	(968.2)	(66.1)
- due to Roma Capitale	(136.2)	(147.3)	11.1	(126.1)	(10.0)
Other current liabilities	**(403.2)**	**(348.4)**	**(54.8)**	**(393.6)**	**(9.6)**
Net working capital	**(194.3)**	**(262.5)**	**68.2**	**(99.5)**	**(94.8)**

17. Current receivables – 1,147.2 *million euros*

€ millions	30.06.16	31.12.15	Increase/ (Decrease)	30.06.15	Increase/ (Decrease)
Trade receivables	1,071.1	1,005.1	66.0	1,111.2	(40.1)
Amounts due from Roma Capitale	47.5	63.7	(16.2)	69.4	(21.9)
Amounts due from subsidiaries and associates	28.6	29.9	(1.3)	30.5	(1.9)
Current receivables	**1,147.2**	**1,098.7**	**48.5**	**1,211.1**	**(63.9)**

Receivables from end users and customers

Compared to the previous year and the first six months of 2015, they respectively increased by 66.0 million euros and decreased by 40.1 million euros. This performance is significantly influenced by the recognition of 63.3 million euros in Network Segment receivables as a consequence of regulatory changes in AEEGSI Resolution 654/2015/R/eel. For more details, please see the comments on the performance of the business segments.

The table below shows the changes by Operating Segment compared to the same period of 2015 and to the end of the previous year:

€ millions	30.06.16			31.12.15			Increase/(Decrease)		
	End users (a)	Customers (b)	Total	End users (c)	Customers (d)	Total	End users (a)-(c)	Customers (b)-(d)	Total
Environment	0.0	34.4	34.4	0.0	29.7	29.7	0.0	4.7	4.7
Energy	366.2	88.5	454.6	426.8	78.5	505.3	(60.7)	10.0	(50.7)
Water	437.8	31.7	469.5	381.3	30.4	411.7	56.5	1.3	57.7
Networks	99.5	4.1	103.6	22.4	7.3	29.7	77.1	(3.2)	73.9
Corporate	0.4	8.6	9.0	0.0	28.6	28.7	0.4	(20.0)	(19.6)
Total	**903.8**	**167.3**	**1,071.1**	**830.6**	**174.5**	**1,005.1**	**73.3**	**(7.3)**	**66.0**

€ millions	30.06.16			30.06.15			Increase/(Decrease)		
	End users (a)	Customers (b)	Total	End users (c)	Customers (d)	Total	End users (a)-(c)	Customers (b)-(d)	Total
Environment	0.0	34.4	34.4	0.0	37.2	37.2	0.0	(2.8)	(2.8)
Energy	366.2	88.5	454.6	492.3	67.9	560.1	(126.1)	20.6	(105.5)
Water	437.8	31.7	469.5	411.8	17.0	428.8	26.0	14.7	40.7
Networks	99.5	4.1	103.6	12.5	37.5	50.0	87.0	(33.4)	53.6
Corporate	0.4	8.6	9.0	0.0	35.1	35.1	0.4	(26.5)	(26.1)
Total	**903.8**	**167.3**	**1,071.1**	**916.5**	**194.7**	**1,111.2**	**(12.7)**	**(27.4)**	**(40.1)**

Please note that in the first six months of 2016 receivables were sold without recourse for a total amount of 651.4 million euros. The breakdown by Operating Segment is provided below.

€ millions	30.06.16	of which *Public Administration*
Energy Segment	238.0	5.5
Water Segment	172.7	11.5
Networks Segment	240.8	53.5
Total	**651.4**	**70.5**

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

- in the **Environment Segment** the stock of total receivables increased by 4.7 million euros mainly deriving from an increase in SAO receivables;
- the **Energy Segment** recorded an overall decrease of 50.7 million euros deriving from the net effect of the 60.7 million euros decrease in receivables due from end users, partially offset by the increase in receivables from customers (+ 10.0 million euros);
- in the **Water Segment** total receivables increased by 57.7 million euros. This trend mainly concerns the water management companies in Lazio and Campania with specific reference to ACEA Ato2 (+ 46.7 million euros) and Acea Ato5 (+ 8.5 million euros). This is affected by the tariff changes;
- in the **Networks Segment** total receivables increased by 73.9 million euros. As mentioned above, the increase that can be attributed exclusively to *areti*, is affected by the recognition of 63.3 million euros;
- the **Parent Company** recorded a decrease of 19.6 million euros, mainly due to the reclassification of the receivables from the Vatican State into the corresponding payables to Roma Capitale (20.5 million euros). This reclassification was made to ensure comparability of trade receivables and payables.

Receivables are shown net of the **Provision for impairment of receivables**, which at 30 June 2016 amounted to 320.6 million euros compared to 320.2 million euros at the end of last year.

Receivables from the Parent Company Roma Capitale
Trade receivables due from Roma Capitale totalled 58.0 million euros at 30 June 2016 (72.2 million euros at 31 December 2015).
The total amount of receivables (including short-term and medium/long term financial receivables resulting from the public lighting contract) was 130.4 million euros compared to 142.8 million euros at the end of the previous year.
The Group has a positive net balance of 4.4 million euros for the period, substantially in line with the balance recorded at the end of 2015.
Offsetting in the first six months amounted to 29.1 million euros, for the contract fees for the public lighting service in terms of financial receivables, and in terms of payables, the dividends matured for 2014.
Furthermore, in the reporting period 23.6 million euros in utility receivables were collected and dividends were paid to Roma Capitale as resolved for 2015 (54.3 million euros).

The following table shows an analysis of receivables and payables, including those of a financial nature, between ACEA Group and Roma Capitale.

Amounts due from Roma Capitale	30.06.16	31.12.15	Increase/ (Decrease)
Utility receivables	30.9	46.8	(15.9)
Contract work and services	17.5	17.7	(0.2)
Other receivables: seconded staff	0.2	0.2	0.0
Total services billed	**48.6**	**64.7**	**(16.1)**
Grants receivable	2.4	2.4	0.0
Total services requested	**51.0**	**67.1**	**(16.1)**
Receivables for bills to be issued: Public Lighting	4.1	2.6	1.5
Receivables for bills to be issued: other	2.9	2.5	0.3
Total services to be billed	**7.0**	**5.1**	**1.8**
Total trade receivables	**58.0**	**72.2**	**(14.3)**
Financial receivables for Public lighting services	**72.5**	**70.6**	**1.9**
Financial receivables for billed Public lighting services	59	61	(2)
Financial receivables for Public lighting services to be billed	13.4	9.6	3.8
Total receivables due within one year (A)	**130.4**	**142.8**	**(12.4)**

Amounts due to Roma Capitale	30.06.16	31.12.15	Increase/ (Decrease)
Electricity surtax payable	(15.2)	(15.2)	0.0
Concession fees payable	(112.1)	(99.3)	(12.8)
Total trade payables	**(127.4)**	**(114.6)**	**(12.8)**
Total payables due within one year (B)	**(127.4)**	**(114.6)**	**(12.8)**
Total (A) - (B)	**3.0**	**28.2**	**(25.2)**
Other financial receivables/(payables)	**20.6**	**(6.2)**	**26.8**
from Parent Company City of Rome for dividends	(8.5)	(35.3)	26.8
Medium/long term financial receivables for Public lighting services	29.1	29.1	0.0
Other trade receivables/(payables)	**(19.2)**	**(20.7)**	**1.5**
Net balance	**4.4**	**1.3**	**3.1**

Amounts due from associates
These receivables amounted to 5.2 million euros and were substantially in line with the previous year.

Receivables from jointly controlled entities
These amounted to 23.3 million euros (24.7 million euros at 31 December 2015), down 1.4 million euros. They relate to receivables from companies consolidated using the equity method as a result of the application of IFRS 11.

18. Inventories – 31.6 *million euros*

This item increased by 5.0 million euros compared to 31 December 2015. The changes by Operating Segment are shown in the following table:

€ millions	30.06.16	31.12.15	Increase/ (Decrease)	% Increase/ (Decrease)
Environment	4.5	3.7	0.8	21.9%
Energy	1.9	1.6	0.3	15.8%
Water	7.1	7.1	0.0	0.6%
Networks	17.8	13.9	3.9	28.0%
Parent Company	0.3	0.3	0.0	0.0%
Inventories	**31.6**	**26.6**	**5.0**	**18.8%**

19. Other current assets – 208.3 *million euros*

There was an overall increase of 2.4 million euros, or 1.2%, compared to the previous year, as follows:

€ millions	30.06.16	31.12.15	Increase/ (Decrease)	% Increase/ (Decrease)
Receivables from others	111.7	117.9	(6.1)	(5.2%)
Accrued income and prepayments	13.3	12.8	0.5	3.9%
Tax receivables	83.2	75.2	8.0	10.7%
Other current assets	**208.3**	**205.9**	**2.4**	**1.2%**

Other receivables amounted to a total of 111.7 million euros. The reduction in this figure mainly derives from the collection of receivables due as a consequence of the cancellation of energy efficiency bonds to meet energy efficiency obligations (11.8 million euros).

Accrued income and prepayments amounted to 13.3 million euros (12.8 million euros at 31 December 2015) and mainly refer to rent on public land, lease payments and insurance.

Tax receivables, amounted to 83.2 million euros (+ 8.0 million euros compared to 31 December 2015) and mainly include 39.1 million euros in Corporate Income Tax (IRES) and Regional Income Tax (IRAP) tax receivables and 28.6 million euros in VAT receivables.

20. Current payables – 1,178.2 *million euros*

€ millions	30.06.16	31.12.15	Increase/ (Decrease)	% Increase/ (Decrease)
Amounts due to third-party suppliers	1,034.3	1,092.3	(57.9)	(5.3%)
Amounts due to the parent company Roma Capitale	136.2	147.3	(11.1)	(7.5%)
Amounts due to associates	4.4	2.2	2.1	94.0%
Trade payables due to Subsidiaries	3.4	3.5	(0.1)	(3.4%)
Current payables	**1,178.2**	**1,245.3**	**(67.0)**	**(5.4%)**

Amounts due to third-party suppliers
Trade payables amounted to 1,034.3 million euros (1,092.3 million euros at 31 December 2015). The following table provides the breakdown by operating segment:

€ millions	30.06.16	31.12.15	Increase/ (Decrease)	% Increase/ (Decrease)
Environment	44.9	46.8	(1.9)	(4.1%)
Energy	367.6	398.4	(30.8)	(7.7%)
Water	250.4	272.1	(21.7)	(8.0%)
Networks	295.4	310.9	(15.5)	(5.0%)
Parent Company	76.1	64.1	12.0	18.8%
Trade payables	**1,034.3**	**1,092.3**	**(57.9)**	**(5.3%)**

The decrease derives essentially from the optimization of the Acea Energia customer portfolio (and the *commodities'* price trend) partially offset by the increase deriving from the development of the technological platform.

Amounts due to Parent Company Roma Capitale
They amounted to 136.2 million euros and the reduction of 11.1 million euros is mainly due to the effect of the reclassification as trade receivable of the 20.5 million euros debt, which cannot be claimed as it is related to receivables from the Vatican State. This reclassification was made to ensure comparability of trade receivables and payables.

Payables to associates and joint ventures
The balance of 7.7 million euros was 2.0 million euros higher than that at 31 December 2015 and mainly refers to payables arising from the public lighting service provided by the associate *Citelum Napoli Pubblica Illuminazione* in the Municipality of Naples.

21. Other current liabilities – 403.2 *million euros*
RegisThese posted an increase of 54.8 million euros (+15.7%). The following table shows the main items making up the balance:

€ millions	30.06.16	31.12.15	Increase/ (Decrease)	% Increase/ (Decrease)
Other current liabilities	226.6	287.8	(61.3)	(21.3%)
Tax Payables	156.1	42.3	113.7	268.5%
Amounts due to social security institutions	19.4	18.1	1.3	7.2%
Amounts due to end users for tariff restrictions	0.2	0.2	0.0	0.0%
Payables arising from commodity derivatives	0.7	(0.4)	1.1	(261.4%)
Accrued liabilities and deferred income	0.3	0.3	0.0	(15.6%)
Other current liabilities	**403.2**	**348.4**	**54.8**	**15.7%**

Other Current Liabilities amounted to 226.6 million euros, and were mainly made up of payables to the Equalisation Fund (26.0 million euros), concession fees payable (54.5 million euros), amounts due to staff (27.1 million euros) and collections subject to verification (64.3 million euros).
Compared to 31 December 2015 there was a reduction of 61.3 million euros, predominantly due to lower payables to the Equalisation Fund (- 63.7 million euros, especially in *areti*), partly offset by higher payables for collections subject to verification (+ 6.1 million euros, in particular for ACEA Ato2 and Acea Energia).

Tax payables amounted to 156.1 million euros (42.3 million euros at 31 December 2015) and mainly included 50.9 million euros in VAT tax payables for the period, 24.7 million euros in Corporate Income Tax (IRES) and Regional Income Tax (IRAP) tax payables, and 43.9 million euros in municipal, provincial surcharge and revenue tax payables.

Social security and welfare payables amounted to 19.4 million euros registering an increase compared to last year (was 18.1 million euros at 31 December 2015).

Payables from commodity derivatives included the *fair value* of a number of financial contracts entered into by Acea Energia. At 30 June 2016 this figure was 0.7 million euros compared to - 0.4 million euros in the same period of 2015.

22. Net debt – (2,131.9) *million euros*
Group debt at 30 June 2016 recorded an overall increase of 121.8 million euros, up to 121.8 million euros from 2,010.1 million euros at the end of 2015.

This change is mainly due to the increase in net working capital resulting from the cumulative effect of the growth of current receivables, the reduction of payables and the increase in capital expenditures also with reference to the digitalisation associated with the Acea2.0 project.

€ millions	30.06.16	31.12.15	Increase/ (Decrease)	% Increase/ (Decrease)
Non-current financial assets/ (liabilities)	3.1	2.4	0.8	31.9%
Parent company non-current financial assets/(liabilities)	29.2	29.1	0.1	0.2%
Non-current borrowings and financial liabilities	(2,669.7)	(2,688.4)	18.8	(0.7%)
Net medium/long-term debt	**(2,637.4)**	**(2,657.0)**	**19.6**	**31.4%**
Cash and cash equivalents and securities	582.9	814.7	(231.8)	(28.5%)
Short-term bank borrowings	(81.6)	(58.7)	(22.9)	39.0%
Current financial assets/(liabilities)	(63.8)	(147.7)	83.9	(56.8%)
Parent company and associates current financial assets/(liabilities)	68.1	38.7	29.4	76.0%
Net short-term debt	**505.5**	**646.9**	**(141.4)**	**29.8%**
Total net financial position	**(2,131.9)**	**(2,010.1)**	**(121.8)**	**61.1%**

Net medium - long term debt – (2,637.4) *million euros*
With regard to this component, it should be noted that:

- Parent company non-current financial assets/(liabilities) stood at 29.2 million euros and include financial receivables from Roma Capitale for 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 2,669.7 million euros, recording a decrease of 18.8 million euros compared to 2,688.4 million euros of the previous year, and can be broken down as follows:

€ millions	30.06.16	31.12.15	Increase/ (Decrease)	% Increase/ (Decrease)
Bonds	1,907.5	1,904.0	3.5	0.2%
Medium/long-term borrowings	762.1	784.4	(22.3)	(2.8%)
Medium/long-term borrowings	**2,669.7**	**2,688.4**	**(18.8)**	**(0.7%)**

Bonds – 1,907.5 *million euros*
This item includes:

- 608.0 million euros (inclusive of accrued interest and 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 7.9 million euros;
- 608.3 million euros (including accrued interest) referring to a 5-year bond issued by ACEA at the beginning of September and maturing 12 September 2018. The *fair value* of hedging derivatives on this debt was positive and equal to 0.8 million euros. Interest accrued during the period amounted to 11.2 million euros;
- 505.0 million euros (including accrued interest) refer to a 10-year bond issued by ACEA in March 2010 and maturing 16 March 2020. Interest accrued during the period amounted to 11.2 million euros;
- 186.4 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 11.4 million euros and the effective portion has been allocated to a specific equity reserve. The exchange rate difference - negative by 9.4 million euros - calculated at 30 June 2016 on the hedged instrument, was allocated to a translation reserve. The exchange rate at 31 December 2016 amounted to 114.61 euros against 131.07 euros at 31 December 2015. Interest accrued during the period amounted to 2.2 million euros.

Medium/long-term borrowings – 762.1 *million euros (including short-term portions - 807.7 million euros)*
They recorded a total decrease of 22.3 million euros, compared to 784.4 million euros in 2015.

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

Bank Loans:	Total Residual Debt	Due by 30.06.17	Due 30.06.17 - 30.06.22	Due after 30.06.22
fixed rate	300.1	21.9	92.1	186.2
floating rate	455.4	15.3	260.0	180.0
floating rate to fixed rate	52.2	8.3	39.7	4.2
Total	**807.7**	**45.5**	**391.8**	**370.3**

The *fair value* of ACEA hedging derivatives was a negative 6.4 million euros, decreasing 0.6 million euros compared to 31 December 2015 (was a negative 7.0 million euros).

For medium/long-term borrowings and bonds conditions, please refer to the Interim Condensed Consolidated Financial Statements for the year ended 30 June 2016.

Net short-term debt – 505.5 *million euros*
The short-term component was positive and compared to the end of 2015 there was a reduction of 141.4 million euros mainly due to the reduction in Group cash and cash equivalents.

Cash and cash equivalents amounted to 582.9 million euros and compared to 31 December 2015 decreased by 231.8 million euros, mainly due to the change recorded by the Parent Company. The following table provides the breakdown by operating segment:

€ millions	30.06.16	31.12.15	Increase/ (Decrease)	% Increase/ (Decrease)
Environment	0.8	0.3	0.4	131.6%
Energy	16.0	6.8	9.2	135.8%
Water	40.1	35.2	4.8	13.7%
Networks	0.0	(0.2)	0.2	(112.4%)
Parent Company	526.0	772.5	(246.5)	(31.9%)
Cash and cash equivalents	**582.9**	**814.7**	**(231.8)**	**(28.5%)**

Short-term bank borrowings totalled 81.6 million euros; there was a 22.9 million euros increase due to a 30 million euros increase in Parent Company payables.

The balance of **Financial assets and (liabilities)** at 30 June 2016 determines an increase in debt of 63.8 million euros, with a decrease of 83.9 million euros compared to 2015 mainly due to the reduction in payables to *factors* in relation to factoring transactions.

Parent company and associates non-current financial assets/(liabilities) record a decrease in borrowings of 29.4 million euros and mainly include the net (financial) exposure to Roma Capitale (72.5 million euros).
At 30 June 2016 the Parent Company held unused *uncommitted* credit lines totalling 779 million euros. No guarantees were issued to obtain these credit lines.

Finally, as part of the *EMTN* programme of 1.5 billion euros, approved in 2014, ACEA can issue bonds for a total 900 million euros until 2019.

The long-term ratings assigned to ACEA by international rating agencies are as follows:
- Fitch “BBB+”;
- Moody’s “Baa2”.

23. Shareholders’ equity – 1,631.4 *million euros*
The changes occurred during the period, amounting to 35.3 million euros, are detailed in the table below.
The change, net of profit for the period amounting to 154.3 million euros, was essentially due to **i)** the distribution of Parent Company dividends amounting to 106.3 million euros; **ii)** and the change in actuarial gains and losses amounting to - 7.3 million euros.

REFERENCE CONTEXT

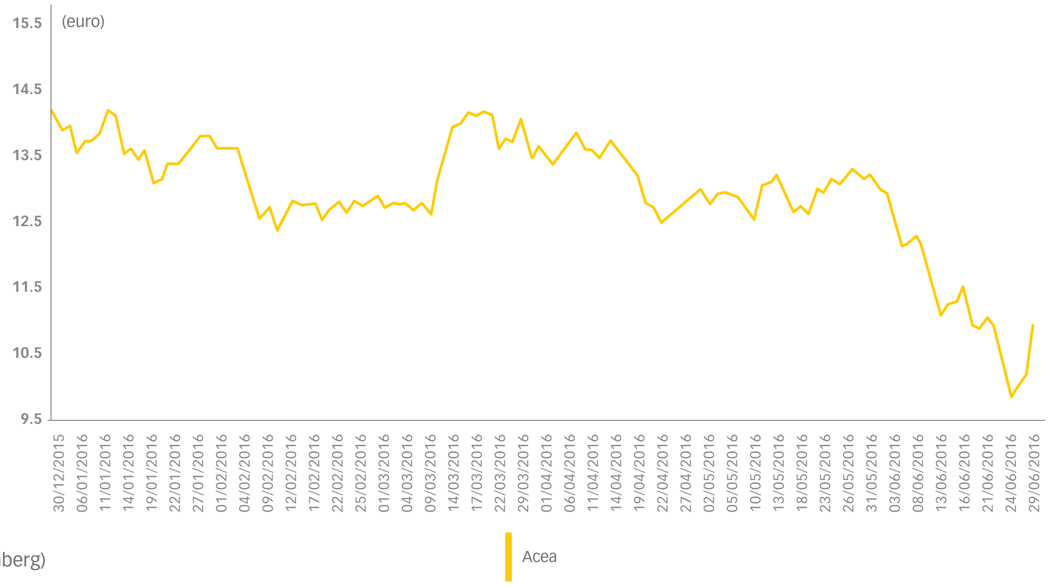
Performance of the equity markets and the ACEA share
In the first six months of **2016**, international stock markets were mainly affected by the persistent slowdown of the economy in China and developing countries in general and by the political monetary policies adopted by the Fed and the ECB.

At the end of June, the unexpected result of the Referendum in Great Britain with the majority voting for the country to leave the European Union (Brexit), caused a considerable shock to markets all over the world, marking the start of a new phase of uncertainty and volatility.
The Italian Stock Exchange "underperformed" compared to other stock exchanges around the world, with the following results: **FTSE Italia All Share -23.5%, FTSE MIB -24.4% and FTSE Italia Mid Cap -16.8%**.

ACEA SHARE PERFORMANCE

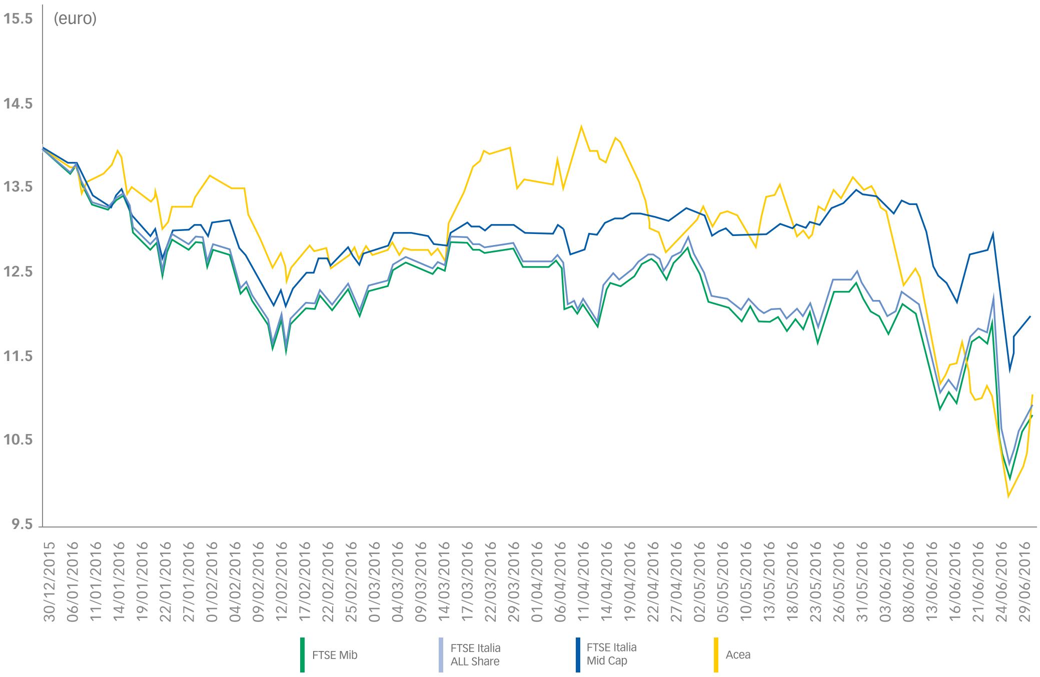
In the first six months of **2016**, the **ACEA share lost 23.0%**. The share price stood at 10.9 euros at 30 June 2016 (capitalisation: 2,327.7 million euros). In the reporting period, a high of 14.25 euros was recorded on 21 March with a low of 9.8 euros recorded on 27 June.

During the reporting period, **average daily traded volumes were equal to approximately 110,000** (essentially in line with those traded in the first six months of 2015).



(Source: Bloomberg)

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



(graph normalized to Acea values – Source Bloomberg)

	% increase/decrease 30.06.16 (compared to 31.12.15)
Acea	**- 23.0%**
FTSE Italia All Share	-23.5%
FTSE Mib	-24.4%
FTSE Italia Mid Cap	-16.8%

Around 95 reports/notes were published on ACEA's share in the first half of 2016.

ENERGY MARKET

Electricity demand in Italy in the first six months of 2016 (151,005 GWh) [2] decreased by 2.0% compared to the same period of the last financial year. In Italy the electrical energy demand dropped by 3,145 GWh, which in non-calendar terms corresponds to a 2.6% decrease. 85.2% of electricity requirements were covered by national (Italian) production and the remaining share was covered by imports from abroad (balance of imports -1.7% compared to September 2015).

In this context, net national production (129,688 GWh) decreased by 1.9% compared to the same period in 2015, while the overseas balance showed a decrease of 1.7%. Hydroelectric power (-8.9%) and PV (-13.1%) decreased, while other sources of Italian production increased compared to the previous year, in particular: wind power (+13.9%) and geothermal production (+2.7%).

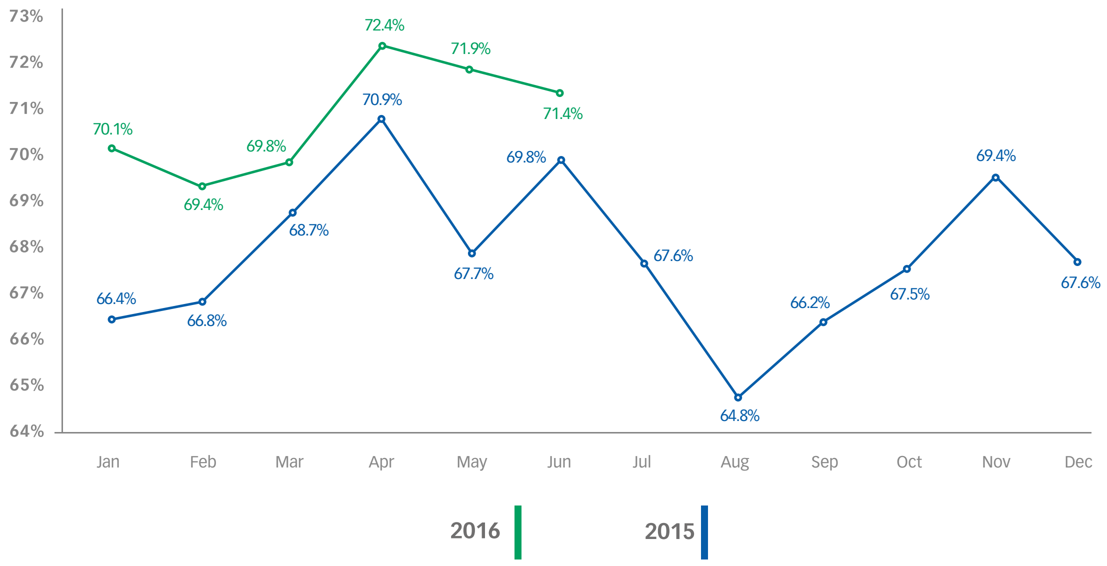
GWh	1st half of 2016	2st half of 2016	% increase/ decrease 2016/2015
Net Production			
- Hydroelectric	21,505	23,601	(8.9%)
- Thermoelectric	83,823	83,808	0.0%
- Geothermal	2,953	2,874	2.7%
- Wind power	10,138	8,900	13.9%
- PV Power	11,269	12,970	(13.1%)
Total Net Production	**129,688**	**132,153**	**(1.9%)**
Imports	25,702	25,391	1.2%
Exports	3,145	2,450	28.4%
Balance of Imports	**22,557**	**22,941**	**(1.7%)**
Pumping systems consumption	**1,240**	**944**	**31.4%**
Electricity Demand	**151,005**	**154,150**	**2.0%**

With reference to the results of the electricity market in the month of June, electrical energy traded on the day-ahead market dropped on an annual basis (-0.8%) to 23.4 million MWh; in particular, the increase in trading on the Power Exchange is confirmed, equal to 16.7 million MWh (+1.5%) while the volumes traded *over the counter* on the PCE and nominated on the DAM dropped again to 6.7 million MWh (-6.1%).

Market liquidity is still quite high (71.4%), gaining 1.6 percent year-on-year.

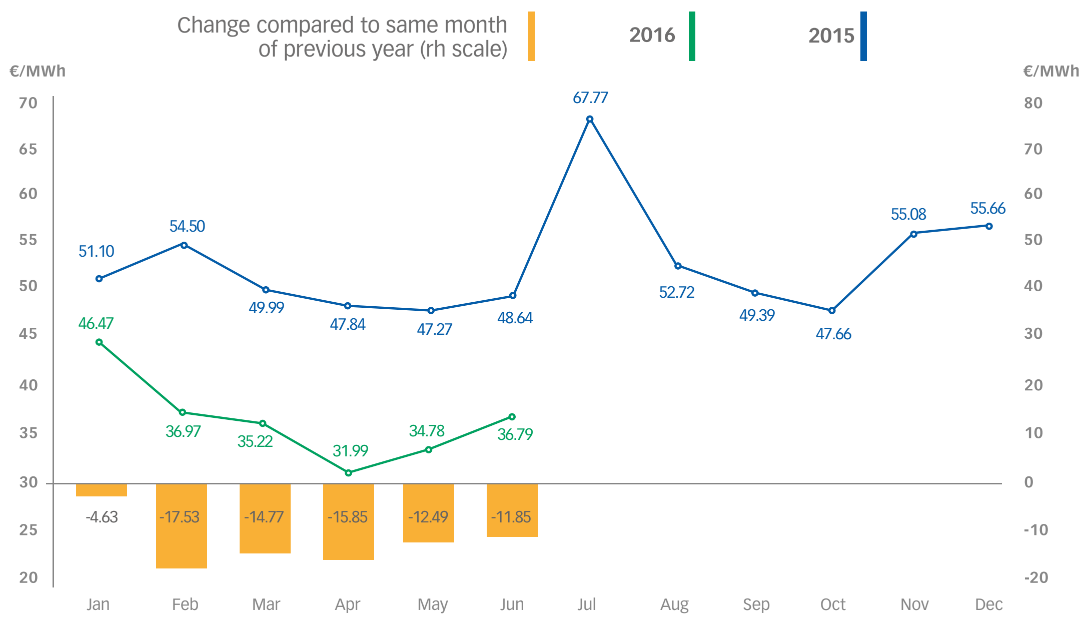
[2] Source: Terna – June 2016, monthly report on the electricity system.

Liquidity on the DAM[3]



The average purchase price of electricity on the power exchange (PUN) remained low at 36.79 €/MWh, with a year-on-year drop of 24.4%. An analysis by time bands shows an annual decrease of 11.90 €/MWh (-22.7%) at peak times and 11.82 €/MWh (-25.3%) off-peak, with prices respectively standing at 40.45 €/MWh and 34.82 €/MWh. The peak/base-load ratio increased slightly compared to a year ago reaching 1.10.

National Single Price (PUN)[3]



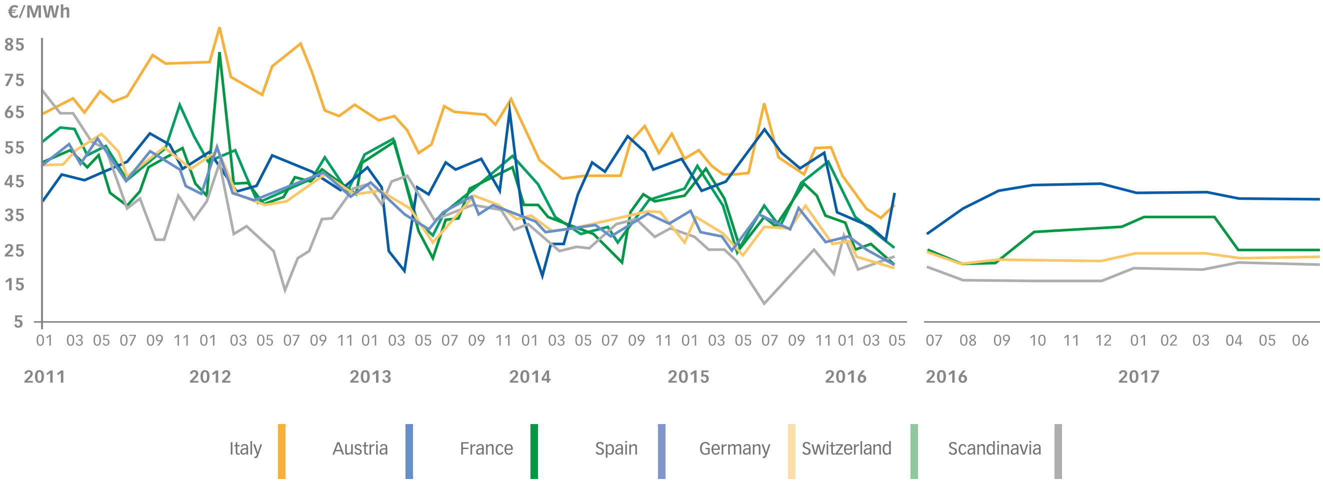
Sale prices dropped considerably year-on-year in all areas, widening the gap between the North and other areas where all prices are higher than 40 €/MWh, with no significant differences between various time bands. Going against this trend, in the North the average baseload sale price equal to 32.59 €/MWh showed a marked difference between peak times (40 €/MWh) and off-peak times, when it dropped to 28.78 €/MWh.

As for the price trend of the European energy markets, the month of June was characterised by a general increase in the listings in Europe for spot energy markets, although it is still decidedly lower than one year ago. In detail, the growth rate of Brent spot listings remained constant, reaching 48 $/barrel after having followed a trend similar to that observed in the first five months of last year also at the beginning of 2016, although to a lesser extent.

The major power exchanges recorded figures that were decisively lower than those in June last year (-9/24%), but going against the short-term trend with values increasing in all areas, particularly in Spain where the price reached 39 €/MWh (+51%) higher even than the price in Italy (37 €/MWh, +6%) where the price is usually higher than in Spain. The listings of the central-northern power exchanges were all around 26-28 €/MWh (+14/23%).

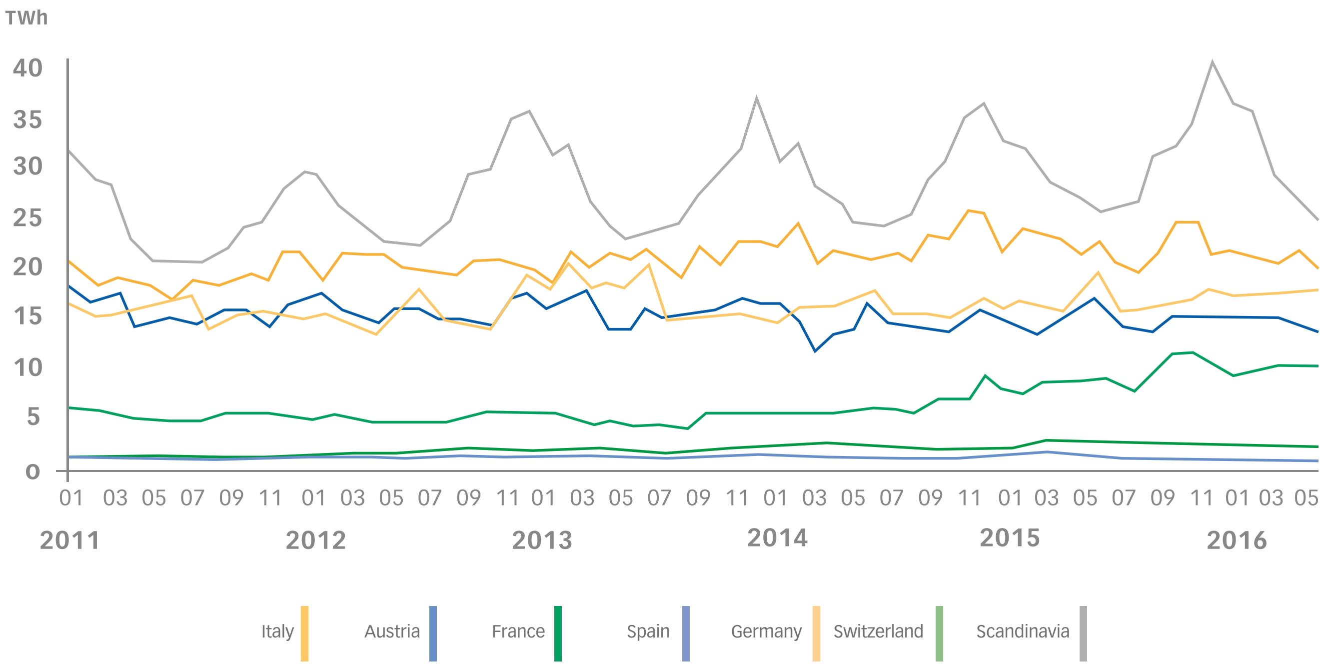
[3] Source: Energy Market Operator (GME) - June 2016, GME Newsletter

Price on the European Power Exchanges (arithmetic mean €/MWh)[3]



Annual and Monthly Volumes on European Power Exchange spot markets[3]

	Volume (TWh)		
Area	June 16	Var M-1 (%)	Var M-12 (%)
ITALY	16.7	+ 0 %	+ 1 %
FRANCE	10.2	+ 1 %	+ 17 %
GERMANY	18.2	- 14 %	- 11 %
SPAIN	13.1	+ 2 %	- 12 %
SCANDINAVIA	25.5	- 8 %	- 2 %
AUSTRIA	0.6	- 6 %	- 10 %
SWITZERLAND	2.2	+ 8 %	+ 11 %



[3] Source: Energy Market Operator (GME) - June 2016, GME Newsletter

REGULATIONS AND TARIFFS

Compared to the Consolidated Financial Statements at 31 December 2015, to which we refer for further details, the main regulatory changes in the reporting period are shown below.

AEEGSI WATER SERVICES ACTIVITIES

Resolution 51/2016/R/Idr - Approval of the tariff proposed by the Area Authority ATO5 Southern Lazio - Frosinone for the 2012-2015 period, for the purpose of determining the adjustments under the tariff method for the second regulatory period, MTI-2

For the purpose of determining the adjustments under the Tariff Method for the second regulatory period, MTI-2, this resolution approves the tariff proposed by the Area Authority ATO5 Southern Lazio - Frosinone for the 2012-2015 period.

Resolution 104/2016/R/Idr - Approval of the tariff proposed by the Sarnese Vesuviano Area Authority for the 2012-2015 period, for the purpose of determining the adjustments under the tariff method for the second regulatory period, MTI-2

For the purpose of determining the adjustments under the Tariff Method for the second regulatory period, MTI-2, this resolution approves the tariff proposed by the operator GORI S.p.A. for the 2012-2015 period.

Resolution no. 137/2016/R/com - New Consolidated Accounting *unbundling* Regulation (TIUC) provisions on *unbundling* obligations for the water sector

With this Resolution, the AEEGSI supplemented the current accounting unbundling framework provided by the TIUC (Consolidated Accounting *Unbundling* Regulation) for the electricity and gas sector by introducing accounting unbundling obligations for operators of the Integrated Water Service (SII) and related notification obligations. The measure, which follows an extensive consultation process (82/2013/R/com, 379/2015/R/idr and 515/2015/R/idr) and *focus groups* set up with stakeholders, thus completes the accounting *unbundling* regulatory framework, adopting a new version of the TIUC, which contains the previously applicable provisions for *energy* services, and the new provisions introduced for the water sector.
The resolution provides that the accounting unbundling regime of the water sector applies to all SII operators operating the service under agreements that comply with the applicable regulations. Specifically, with reference to the water service, it envisages an ordinary regime applicable to SII operators serving more than 50,000 inhabitants and also for multi-ATO operators and for larger operators (as identified by the Area Authorities) which, while not directly supplying the service to end users, provide collection or abstraction, drinking water and/or waste treatment services. The regulatory framework confirms the introduction of the geographical-territorial breakdown of the SII accounting unbundling, at ATO level, in order to enable the detection of all the economic and financial data for each of the SII services, necessary to ensure its application. The new provisions on accounting *unbundling* of the Integrated Water Service will be applied from 2016, which will be considered an experimental year in the water sector; therefore, the first *unbundled* data collected is not expected to be used for the 2018 tariff approval. Integrated Water Service operators may prepare unbundled annual accounts for the years 2016 and 2017 according to the simplified unbundling accounting regime, except for multi-ATO operators and any operators who are required to prepare unbundled annual accounts under the ordinary regime for the electricity and gas sector. Given the time necessary for the adjustment of IT and management facilities, it will be possible, limited to the 2016 financial year, and only for the water sector, to make use of ex-post allocation criteria of accounting items at the activity level, departing from the principle of hierarchy of sources which is applicable in the ordinary accounting unbundling regime. On 2 may 2016 the AEEGSI published schedules of unbundled annual accounts on its web site. These accounts concern the first financial year of the water sector that opens after 31 December 2015 (financial year 2016). The Authority clarified that the schedules provide examples of the tables which will be made available through an automated data gathering system for enterprises in the sector, subject to notification.

Resolution No. 217/2016/R/idr – Start of the procedure for the assessment of applications on contract quality and RQSII supplements

The measure integrates the application procedures of some provisions concerning the Contractual Quality Regulation for the Integrated Water Service (RQSII) and in particular the rules on the obligations concerning the distribution and opening of consumer protection offices; on this question the AEEGSI has ruled that the Regulatory Agency of competence for the territory, in agreement with the operator and Consumers' associations, can submit a justified application for departure to the obligations on the minimum opening times of provincial consumer protection offices, without prejudice to the fact that, if the application is approved by the Authority, the same must still comply with the general standards (maximum and average waiting times at the consumer protection offices).
The measure in question also starts the procedure for evaluating any applications for departures and exemptions, respectively referring to the minimum opening times and minimum number of operators who must be working at each provincial consumer protection office, giving the Director of Water Systems Operations the powers to proceed with the preparatory analyses.
Furthermore, the measure amends art. 8.1 and 9.1 of the RQSII changing the time from which the supply contract must be made available for the end user to sign, from the date on which the estimate is accepted to the date on which work is completed.

Resolution 225/2016/E/com - Reform of the system for the protection of end customers when handling complaints and settling disputes out of court for sectors regulated by the Italian Authority for Electricity, Gas and Water (AEEGSI). Final guidelines for the electricity and gas markets

The framework of reference for the protection outlined in the document applies to all sectors that come under the competence of the Authority, while the implementing measures specifically defined refer, for the moment, exclusively to the electricity and gas markets; another consultation document will be drawn up for the other sectors.

The document confirms the aim of rationalizing and reforming the protection system, taking action at the three different levels identified: the first level focuses on handling complaints with the customer and enterprise as protagonists; the second level focuses on managing and solving disputes (in other words complaints that couldn't be solved appropriately at the first level), for which further intermediation is required by attempting to find a settlement; finally at the third level there will be a limited number of disputes that couldn't be settled, and a decision on these may be taken directly by the Authority (an attempt must be made to find a settlement, unless the customer refuses to consider this solution and intends to take the matter to the ordinary court).

On the subject of consumer protection, Regional Law No. 6 of 25 May 2016 "Provisions for the protection of consumers and end users" (Lazio Regional Official Bulletin of the LAZIO Regional Authority No. 42 of 26/05/2016) was published; this measure, which will innovate a sector that was regulated at a regional level in 1992, sets up a regional register for consumer and user associations, the Regional consumers' and end users' council and an Observatory on prices and consumption. By approving the measure, the Lazio Regional Authority wished to promote and recognize, also by bringing regional regulations into line with national (Italian) and European regulations, the more extensive protection of the rights of interested parties, citizens who are consumers and the end users of goods and services, providing information, training, education and assistance on the subject of the protection of rights, as well as the economic and legal interests of consumers and end users.

Resolution No. 374/2016/R/idr – Approval of the application for departure to the obligation to open a provincial one-stop shop, presented by the operator ACEA Ato2 S.p.A.

In accordance with the implementation of the procedure for evaluating applications for departure and exemption to the obligation to open a provincial one-stop shop as required by Resolution 217/2016, ACEA Ato2 submitted a specific application to the Authority on 15 June 2016.

In consideration of the elements provided by the Company, the authorization notified by the Regulatory Agency with territorial competence and the additional information gathered by the Regulating Authority, the AEEGSI approved the application for departure to the obligation to open a provincial one-stop shop submitted in compliance with article 52, paragraph 2, of the Contractual Quality Regulation for the Integrated Water Service (RQSII) in the territories of the Viterbo and Frosinone Provincial Authorities.

In particular, as far as the province of Viterbo is concerned, of a total number of 626,595 water end users supplied by ACEA Ato2 (almost all of which are in the Province of Rome) active water end users in the Municipalities of Vejano or Oriolo Romano account respectively for 0.22% and 0.29% of the total. The Company stated that, as to this date there is no ACEA Ato2 one-stop shop in these municipalities, end users can use the one-stop shops in the nearby municipalities of Cerveteri, Tolfa and Allumiere.

For the municipalities in the Province of Frosinone, the operator stated that the Municipality of Filettino had not adhered to the consolidated management scheme in application of the provisions of paragraph 2 bis of art. 147 of Italian Legislative Decree No. 152/2006 as it is a municipality with a resident population of less than 1,000 inhabitants (with a total number of active end users amounting to less than 0.16% of the total number of end users supplied) and in the Municipality of Trevi in Lazio, ACEA Ato2 only supplies waste treatment services, therefore in accordance with article 3 of the RQSII, in cases in which article 156 of Italian Legislative Decree 152/06 applies, the aqueduct services' operator is the sole point of reference for the end user and in terms of contractual quality obligations without prejudice to the provisions of Article 27 and Article 34.

Lombardy Regional Administrative Court judgments on actions brought by certain Operators

On 15 April 2016, the Panel of experts, identified by Order 4745/2015 of the Council of State, as part of the proceedings pending before it and concerning appeals against Resolution 585/12/R/idr on the Transitional Tariff Method (water) - MTT, filed the draft report prepared to respond to questions from the Court.

These questions concerned the following issues:

1. whether the formulas and parameters intended to calculate the benchmark interest rate (Art. 18.2) and the risk hedging component (art. 18.3) fall within the reliability and plausibility limits of the industrial economy technical and scientific sector, in terms of their ability to reflect the tariff component strictly limited to covering the costs of invested capital;
2. whether the applied parameters constitute a duplication of risk factors already considered in other parts of the resolution in question, and whether in practice the defined coefficients imply any unreasonable overestimation of the risk factor in the risk hedging component (art. 18.3).

In response to those questions the Panel of experts stated that, overall, the methodology contained in the Resolution (and the individual parameters adopted in Art. 18 of Annex A to the Resolution) refers to a large extent to the *WACC* methodology and, as such, it is certainly reliable, reasonable and consistent with the know-how of the industrial economy, and is also in line with the regulatory practice in Italy and abroad.

Finally the Panel of experts did not detect in the formulas and parameters any duplication of risk factors already considered in other parts of the Resolution and considered that the coefficients, specifically determined, do not involve any unreasonable overestimation of the risk factor within the risk hedging component.

Lastly, the Group companies lodged an appeal against AEEGSI Resolutions 664 and/or 655 issued in December 2015.

AEEGSI ELECTRICITY ACTIVITIES

Resolution 13/2016/R/eel - Initial provisions for the adjustment of the structure of the tariff components covering general charges for HV and EHV customers

The measure introduces the initial provisions implementing Decree Law 210/15, regarding the modification of the tariff structure for general electricity system charges applied to high and extra high voltage end users, which - as of 2016 - must be expressed in three components (fees per withdrawal point per year, per kW of maximum power drawn in each month and per kWh of energy drawn from the grid). The amendment, which the Authority should have implemented as of 1st April of this year, with retroactive effect from 1st January, has been extended - by amending the text of the decree, through Law 21/16 - to all voltage levels and to all end users other than households. Therefore, given the large number of parties involved, the AEEGSI, by **Resolution 138/2016/R/eel of 30 March 2016 - start of the procedure for determining the tariff components related to the general electricity system charges for non-household end users, under law 21/2016** - referred the definition of the new tariffs to the conclusion of a proper consultation process, providing that, as of 1 January 2016, the general charges will be billed through advance payments to all end users other than households, with subsequent adjustment on the basis of the new price structure and levels as defined at the end of the consultation process. The Authority hopes that this reform can be implemented gradually over time, possibly in a differentiated manner according to the voltage level.

Resolution 17/2016 / R /com - Provisions on the minimum content of replies to customer complaints concerning abnormal amounts billed for electricity and gas

Following the consultation process that took place through **Resolution 411/2015/R/com,** the Authority published Resolution 17/2016/R/com which has expanded the set of information that must be provided to customers in response of complaints regarding the billing of abnormal amounts. The new provisions come into effect on 1 July 2016. The resolution also provides for:

- a change in the definition of "billing of abnormal amounts", according to which abnormal bills will be those with significant amounts billed: **(i)** based on measured or estimated metering data following other bills based on measured or estimated data; **(ii)** containing the recalculations provided by the new "bill 2.0" (recalculations for modification of measurement data for previous misreading or consumption reconstruction, recalculations for change in the price components applied); **(iii)** issued after a billing block; **(iv)** issued after the activation of the supply with abnormal values compared to the reading provided by the customer;
- the change of both the Consolidated Code on electricity arrearage (TIMOE) and the Consolidated Code on gas arrearage (TIMG), establishing that the prohibition of forwarding the suspension request to the distributor in case the vendor has not provided a justified reply to a written complaint concerning an abnormal amount, does not apply if the abnormal amount is less than or equal to €50.0 and the customer complaint has been sent over 10 days after the payment deadline of the abnormal amount;
- the obligation for vendors to make a written complaint form or a form for the written request to correct abnormal billing amounts available on the *homepage* of their website, containing in addition to the required fields currently provided, also the field for the customer's own meter reading. If the customer provides his/her Email address in the complaint, the vendor must preferentially use this address to reply.

Resolution 73/2016/R/eel - Amendments and additions to Authority Resolutions 111/06, 166/2013/R/com, 258/2015/R/com and 487/2015/R/eel, necessary for entering into and terminating dispatching and transport contracts and for introducing switching provisions for customers in the protected market

The measure assigns the responsibility to verify the simultaneous existence of dispatching and transport contracts to the Integrated Information System (SII), as a necessary condition for accessing the transmission and distribution services provided by the regulation: as of 1 June 2016, Terna and distribution companies are required to promptly notify the SII of any contract entered into or terminated.
Accordingly, the SII (and no longer the distributor) will be responsible for:

- providing Terna with a list of active end users in a given month, following the signing or termination of the transport contract, which is necessary to update the Official Central Register (RCU);
- checking the consistency between the dispatching and transport contracts entered into and the master data of withdrawal points made available to dispatching end users on a monthly basis pursuant to the Settlement Code (TIS), possibly undertaking the necessary actions to correct any inconsistencies;
- The Official Central Register will be updated by the SII simultaneously with the provision of the master data of the withdrawal points to end users of the dispatching service, by the sixth day prior to the last day of each month (instead on the sixth business day prior to the last day, as was the case until now).

Resolution 75/2016/R/eel - Revision of price safeguards in the electricity and natural gas retail market: protection similar to the free electricity market for residential customers and small businesses

In this consultation, the Authority proposed to:

- reform the Protected Categories market starting from 2017, changing both contractual conditions (eliminating payment by instalments of guarantee deposits for example) and economic conditions (defined as the estimate of unit costs for the quarter, and no longer for the year, and concerning the purchase of electricity on the day-ahead market, without including, as is the case at the moment, the estimate of the costs related to any hedging of the risk of fluctuations in commodity prices); a third party will estimate the day-ahead market price (GSE for example);
- introduce the Similar Protected Service, again starting in 2017. The Similar Protected Service supplied by vendors operating on the free market who meet certain requirements (including the requirements of economic-financial validity, operating quality, such as the ability to manage billing and complaint processes in a correct and timely manner), only for customers included in the reformed protected categories market who wish to have recourse to the same. Requirements will be monitored every quarter by the Single Buyer to make sure conditions are maintained. The customer can adhere to the Similar Protected Service through a specific web site managed by the Single Buyer, on which the only offers available will be those from suppliers who haven't reached the maximum number of customers that can

be supplied yet; the Similar Protected Service contract must be drawn up within 45 days of when contact was made by the parties, it being obligatory for the supplier to report that the contract has been entered into and if it has been terminated using the web site. Said contract will be for one year from the date of switching and will be characterised by some contractual terms similar to those for the reformed Protected Categories market.

As for the economic conditions, the price of electricity for each type of customer will be that applied for the reformed Protected Categories market, net of the fee for equalisation components (PPE), but with a discount on the sale marketing price (PCV), defined by the supplier during the procedures for identifying authorized suppliers and expressed in euros/customer/year; this discount must be higher for customers who sign the Similar Protected Service contract through so-called aggregator subjects (consumer associations or trade associations) using the so-called collective switching procedure. When the discount is notified, the supplier can also specify the maximum number of customers they agree to supply under the Similar Protected Regime, within a default threshold established by the Authority (the hypothesis is 500,000 customers).

By the end of the third month before the date of expiry of the Similar Protected Service contract, the supplier must inform the customer of the free market economic and contractual conditions, which may be applied when the contract expires; if the customer fails to accept an offer from the same supplier, they must find another vendor.

The ACEA Group responded to this consultation on 11 April 2016, strongly opposing the Similar Protected Regime, which is considered to be a totally unsuitable mechanism for the transition of end customers towards the end of the protected categories market, which will take place in 2018. Instead of such a complex and expensive mechanism, lasting only one year, ACEA proposed introducing economic disincentives in the Protected Categories Market as the only system to lead customers to the free market, together with the adoption of measures that severely restrict the customer's ability to access certain services in the protected categories market.

Resolution 100/2016 /R/com - Provisions on the issuance of the final invoice upon termination of the supply of electricity or natural gas

The actions defined in the resolution, which follows consultation document 405/2015/R/com, are addressed to all customers with low voltage electricity supply contracts, with the exception of supply contracts of electricity intended for public lighting - for the electricity sector - and to all customers consuming less than 200,000 cubic meters/year - for the natural gas sector - regardless of whether they are in the protected categories market or in the free market, who terminate their supply contracts for any reason, including change of vendor, disconnection and transfer of contract.

The measure establishes the rules governing the issue of the final invoice upon termination of the supply of electricity or natural gas and the monitoring of such provisions; in addition, it regulates the activities that the distributor has to perform in the event of a reading provided by the customer and termination of the supply: consistent with the current regulation, the distributor is required to validate the data, align it to the termination date, and notify it to the transport end user.

The resolution applies to termination of supply contracts, including transfer of contracts, starting from 1 June 2016 and to contract *switching* from 1 July 2016.

Resolution 102/2016/R/gas - Settlement in the event of contract transfer in the gas sector and changes to Annex A to AEEGSI Resolution 398/2014/R/eel

AEEGSI has issued rules governing contract transfers in the gas sector through the Integrated Information System and has amended Annex A to Resolution 398/2014 regarding transfers in the electricity sector. One of the main innovations introduced has been the change in the definition of transfer, which is now intended as a change in ownership of a withdrawal point pertaining to an end customer who is the contracting party to a supply contract rather than a change in the party to whom the supply contract is made out; the resolution extended this change also to the electricity sector, so that the trading partner may propose the requesting end customer alternative solutions to the one already active on the point.

Resolution 140/2016/R/eel - Update, for the quarter 1 April- 30 June 2016, of the economic conditions for the sale of electricity in the protected categories market and amendments to the Sale Code (TIV)

The resolution updates, for the quarter 1 April - 30 June 2016, the economic conditions for the sale of electricity in the protected categories market and amends the TIV in force since 1 April 2016. One of the components subject to amendment is the DISPbt component. The updating of the LV dispatching component (DISPbt) was based on the information sent to the Authority by some industry operators with regard to the amounts billed in relation to fraudulent withdrawals of end customers for the period January - December 2013, and the corresponding collection within 24 months. The values of the LV dispatching in force from 1 April 2016 will be slightly lower for domestic customers and slightly higher for non-domestic customers.

Resolution 167/2016/R/eel - Assignment to the Integrated Information System of withdrawal measurement aggregation activities for settlement purposes, with reference to electricity supply points managed on an hourly basis

The document illustrates the AEEGSI guidelines on the allocation to the SII of the activity - currently carried out by distribution companies - of aggregating hourly electricity withdrawal measurements for *settlement* purposes.

The Authority will require that, with regard to the withdrawal points managed on an hourly basis, the measurement aggregation should be carried out by the Integrated Information System (SII) on an experimental basis, in parallel with the distributors as of the last quarter of 2016, and subsequently officially entrusted to the Single Buyer, as of February 2017 for January data. The document leaves the possibility open that the said activity be assigned to the SII also with reference to the withdrawal points not managed on an hourly basis.

Resolution 179/2016/R/eel – Determining the contribution and bonus for putting voltage quality measuring equipment into service

The measure determined the bonuses for distribution companies to put voltage quality measuring equipment into service, in accordance with article 71 of 2012-2015 Consolidated Electricity Quality Code (TIQE). The cost part of the areti portion, with reference to the number of MV half-busbars at 31 December 2014, is equal to 195,306 euros.

Decision 8/2016 – Transitional mechanism for the adjustment of operating costs: Method for calculating relevant operating costs in accordance with paragraph 34.2 of the Consolidated Regulations on electricity sales (TIV)

In this decision, the AEEGSI specified the cost items to be included in the transitional mechanism for the adjustment of operating costs other than arrearage for 2014 and 2015; the mechanism applies to protected categories market operators supplying over 10 million customers.
In Resolution 659/2015/R/eel in fact, the Authority set up said mechanism to allow for the size effect (included in the tariff for the sale of electricity (RCV) component from 2016), in other words, the presence or not of economies of scale based on the different size of operator companies. In this same resolution, the AEEGSI referred the determination of operating costs to a subsequent resolution. These operating costs will be calculated on the basis of separate annual costs, necessary for participation in the mechanism and the application for participation must be submitted to the Fund for energy and environmental services (CSEA) by 15 October 2016.

Resolution 209/2016/E/com – Adoption of the consolidated code on procedures for the out-of-court settlement of disputes between customers or end users and operators in sectors regulated by the Italian Authority for Electricity, Gas and Water (AEEGSI) – Consolidated Settlement Code (TICO)

This resolution approved the Consolidated Settlement Code (TICO) which makes an attempt at reaching a settlement obligatory as a prerequisite for taking legal action, and comes into force from 1 January 2017. In particular, the document defines the procedures and operating methods for making the obligatory attempt to reach a settlement through the Settlement Service, which has already been set up by the Authority as part of an online experiment testing the voluntary procedures for settling claims out-of-court. These procedures, regulated by Resolution 260/2012/E/com, will no longer be applied from January 2017, unless there is a transitory application of pending settlement procedures; in a similar way, from 2017 the effects of the list of operators who voluntarily adhered to the settlement procedures will no longer be valid.
Furthermore, as a consequence there will no longer be an alternative to choose between the Settlement service and a second level complaint made through the Consumer Protection Office. As an alternative to settlement through the Authority it will be possible to make the obligatory attempt to find a settlement using the mediation/settlement procedures of the Chamber of Commerce and the procedures of the bodies registered in the Alternative Dispute Resolution (ADR) list (set up by the Authority in Resolution 620/2015/E/com), which includes joint settlement bodies.
As for the scope of application and the type of disputes, the procedure applies to LV and/or MV, domestic and non-domestic end customers, including *prosumers*, for disputes with operators and, to *prosumers* also of the GSE for dedicated withdrawal and on-site exchange.

Resolution 216/2016/R/com – Period billing on the *retail* market, within the framework of the evolution and change of protected price regimes

This document proposes specific rules on billing the consumption of end customers on the electricity and gas *retail* markets.
Furthermore, in terms of the evolution of protected services, starting in 2018, the Authority intends to require that each vendor must offer its free market customers also a so-called standard offer characterised by standardized contractual conditions, without prejudice to the freedom to determine the price.
Specifically, the resolution describes a series of actions concerning:

- data to be used for period billing, establishing the priority with which the actual data on meter readings will be used to calculate consumption;
- an incentive to use automatic readings, making it obligatory to provide a channel for collecting automatic readings also in certain electricity sector categories;
- automatic reading information obligations;
- regulations on mixed billing (bills that include, as well as consumption for the period, also the estimated billing, in other words estimated consumption up to the day of issue of the bill), it being forbidden to issue mixed bills in these cases;
- billing periods, in particular requiring that in the electricity sector bills are issued more often for non-domestic customers with contracted power capacities of from 16.5 kW to 30 kW (changing from every two months to once a month);
- criteria for quantifying estimated consumption;
- obligations on the theme of payment by instalments also for the standard free market offer.

The AEEGSI requires that all planned interventions must be finished within four months of approval of this measure.
Acea Energia made comments on the documents submitted by operators' associations, stating that it was strongly against the proposed introduction of standard free market offers, as, introducing excessively strict and inflexible elements goes against the spirit of the free market.

Resolution 223/2016/R/gas – Provisions on insurance for gas end customers, for the 4-year period 1 January 2017 - 31 December 2020

This resolution updated the criteria which should regulate insurance for end customers against the risks deriving from the use of gas for the period 1 January 2017 - 31 December 2020 (the current insurance contract expires on 31 December 2016).
Specifically:

- the duration of the insurance cover has changed from 3 to 4 years;
- the cover offered for insurance beneficiaries has been limited to all redelivery points for domestic end users and residential condominiums, as defined by the Consolidated code on retail sales of natural gas (TIVG), and redelivery points equipped with class G25 meters or lower used for public services and various utilities, as defined in accordance with the TIVG (currently all Redelivery points are included except Redelivery points for various utilities with a consumption > 200,000 cubic metres);
- without prejudice to the distributor's obligation to pay insurance costs by 30 April each year.

Furthermore, vendors' information obligations have been determined.
Finally, the resolution refers the definition of the annual unit cost paid to end customers (currently 60 euro cents/year) to a subsequent measure.

Resolution No. 233/2016/R/eel - Calculation of the provisional tariffs of reference for 2016 electricity distribution

The resolution makes the provisional tariffs of reference known for the 2016 electricity distribution service – inclu-

sive of the pre-final data value of capital costs borne by the distributor in 2015 - which will be made definitive by the Authority after the same distributors have published the final data.
Unlike the previous 4-year period, the value of the tariff of reference for 2016 is unique for the sale and distribution of electricity.

Resolution 247/2016/R/eel – Experimental regulation of outages with prior warning

This document describes the final guidelines provided by the Authority on the experimental regulation with the aim of reducing the duration of MV and LV outages with prior warning in the 3-year period 2017-2019.
Considering the various critical elements related to the regulation of outages with prior warning, the Authority considers it to be preferable for the distributors to self-define selective ways to improve the situation for the territorial ambit, which will be implemented in the 3-year period 2017-2019.
In particular, the enterprises that adhere to the experiment must specify the participating territorial ambit ex-ante and, for each of these, the expected improvement for each year of the 3-year period 2017-2019, on the basis of the 2012-2014 3-year average weighted for LV end users.
The Authority reserves the right to verify the sustainability and feasibility of the annual improvements proposed ex-ante, reserving the right to exclude ambits for which it considers unsustainable objectives have been set. Furthermore, the same enterprises must agree to observe the same self-defined objectives also for the 4-year period 2020-2023.

Resolution 255/2016/R/eel – Reform of the tariff structure of general system charges for non-domestic customers on the electricity market

The document concerns the reform procedure implemented by the AEEGSI after Law 21/2016 (so-called "mille proroghe" law) was passed, in which the Italian legislator required that general system charges for all non-domestic customers must be recalculated, with retroactive effect from 1 January 2016, introducing a power rate component (€/kW) like the existing flat rate (€/POD) and energy rate (€/kWh) components: the Regulating Authority was therefore asked to give these tariff component the same trinomial structure currently used for network fees.
Pending conclusion of the above procedure, the current charges' structure will be maintained (flat rate and energy rate) with adjustments for any differences deriving from the future application of the trinomial structure, with the Authority deciding on the procedures to use following consultation.
As for the new tariff structure coming into force:

- we confirm that it will come into force from 1 January 2016 for HV customers;
- the 2 following options are proposed for MV and LV customers:
  - **a)** application of the new tariff structure to MV customers from 1 July 2016 and LV customers from 1 January 2017;
  - **b)** application of the new tariff structure to MV customers from 1 January 2017 and LV customers from 1 January 2018.

Resolution 267/2016/R/eel – Second generation smart metering systems for measuring low voltage electricity, compliant with the functional requirements of Resolution 87/2016/R/eel. Guidelines for the acknowledgment of costs

The document describes the procedures for defining and acknowledging the cost of low voltage *smart metering* systems, on the basis of the functional requirements and specifications for authorizing the meters defined by the AEEGSI in Resolution 87/2016/R/eel.
Therefore, three regulation hypotheses are described to provide incentives for setting the recognized cost of 2G *smart metering* systems, as follows:

- Hypothesis 1) - in this approach, similar to that adopted in the natural gas sector, the Regulating Authority sets a standard unit cost per installed meter in combination with *sharing* mechanisms for higher/lower actual costs, borne by the enterprises compared to the standard cost.
- Hypothesis 2) - an IQI (*Information quality incentive*) matrix will be adopted to try and reduce the opportunistic behaviour of enterprises when submitting their *business plans* to the Regulating Authority, encouraging then to submit capital cost estimates for 2G *smart metering* systems which should reflect the real expectations of the enterprises. The cost recognized for tariff purposes with the application of the IQI matrix, as well as depending on the standard cost level and *sharing* mechanism described in hypothesis 1, also depends on the degree of correspondence between the actual costs and the costs estimated by the same enterprise, and the how costs estimated by the enterprise compare to the costs estimated by the Regulating Authority.
- Hypothesis 3) – this is an evolution of hypothesis 2 and considers an approach based on the total expense (capital costs and operating costs). In fact, in accordance with what was announced when the regulations for the fifth regulatory period were being defined, in hypothesis 3 the Authority starts an undeveloped experiment based on the *totex* approach, implying that the enterprises and the Regulating Authority will discuss total estimated cost plans and not just capital estimated cost plans. In hypothesis 3, the level of cost capitalisation for regulatory purposes doesn't depend on the decisions taken by the enterprise, but is established by the Regulating Authority, setting two total cost percentages, the division of which is defined ex ante: one percentage (so-called *fast money*), which corresponds to the concept of operating costs, all of which is used to calculate the cost recognized for one certain year, and another percentage (so-called *slow money*) which depends on the capitalization rate set by the Regulating Authority, which increases recognized invested capital, as a financial increase.

Report 278/2016/I/com – Annual report on the quality of electricity and gas vendor phone services – 2015

The Authority published the Annual report on the quality of electricity and gas vendor phone services for 2015; said report, required by art. 32 of the Code on the regulation of the quality of service selling electricity and natural gas (TIQV) must be published by 31 May each year, and provides an overall view of the quality of phone services.

The Annual report replaced the six-monthly call centre classification which was published up to 1 January 2015.
The document published showed that all the enterprises

met service obligations (minimum opening times, free landline calls to call centres with IVR, the possibility of speaking to an operator at the second IVR level) and that all enterprises consistently met general standards.

Acea Energia met all three 3 general standards: service accessibility indicator (AS) = 100 (standard ≥95%), average time on hold (TMA) = 161.17 (standard ≤ 200 seconds) and service level (LS) = 86.33 (standard ≥ 80%); the percentage of calls per customers served (with an active contract) was 3.25%, higher than the Italian average of 1.25%.

Resolution 288/2016/R/eel – Final guidelines on rationalizing the regulations for the electricity metering service – TIME

This document contains the AEEGSI final guidelines on metering electricity, with two main themes:

- integration, in one single measure, of the regulation for metering the energy fed into and withdrawn, and metering energy generated: the Authority believes it is expedient to rationalize and standardize the terminology used in TIME as far as possible to be in line with that used in the "Consolidated Accounting Unbundling Regulation" (TIUC) and to confirm, at least in this phase, all other approved provisions that are part of other measures;
- responsibility for metering operations: the document proposes giving Terna full responsibility to manage all the measures necessary to calculate the amount of energy exchanged between the national grid (RTN) and other electricity networks, also using algorithms on the basis of available metering data, at the same time avoiding the massive installation of meters at interconnection points.

A new version of the "Consolidated Code on rules and regulations for electricity metering services" (TIME) will be published following the consultation. This code, coming into effect from 1 January 2017, will replace the current version in force and the current regulation on metering energy generated in accordance with Resolution 595/2014/R/eel.

Resolution 302/2016/R/com – procedure and times regulating withdrawal from supply contracts

In this measure the Authority amended the procedures and times for small customers to exercise their right to withdraw from electricity and gas supply contracts: **(i) electricity**: domestic customers, non-domestic LV customers including *prosumers* and LV multi-site customers; **(ii) gas**: domestic customers, residential condominiums and non-domestic customers with a consumption of no higher than 200,000 cubic meters/year. The new regulation will come into effect on 1 January 2017 also for contracts valid on that date. The resolution intends to standardize the regulation of withdrawal and *switching*. In particular, in the case of *switching*, the deadline for giving notice is approximately three weeks regardless of the market of origin and type of customer: the outgoing vendor in fact, must be notified of the withdrawal by the 10th of the month before the *switching* date. Concerning the method to use, there is a procedure for the single incoming vendor to send the withdrawal for all end customers. When fully operational, withdrawals will be transmitted using the SII (to be defined in a subsequent measure). It will also no longer be necessary to send notification of withdrawal for termination of the protected categories market service or to withdraw from the protected market.

Resolution 327/2016/R/eel – Extension to the deadline for meeting the obligation to separate company names and communications' policies when selling electricity to end customers

With this measure, the Authority extended the deadline for "*debranding*" to 1 January 2017, in other words the deadline by which company names and communications' policies of enterprises operating both on the free market and the Protected Categories market must be separated. The previous deadline of 30 June 2016, set by Resolution 296/2015/R/com, remains however valid for the *debranding* of distributors with vending companies from the same corporate group. The extension was granted pending publication of the parliamentary bill on competition which may contain procedures for changing the protected categories market from 2018 (such as calling a tender to assign the service), which would therefore no longer justify *debranding* measures, as required by the Authority, both in terms of the protection requirements of end customers and in terms of the aim of promoting competition.

Resolution 333/2016/R/eel – Evaluation of actual imbalances for 2012, 2013 and 2014 as a result of Lombardy Regional Administrative Court sentence 1648/2014, Council of State Ruling 1532/2015 and the latest Council of State ruling 2457/2016

In this resolution the Authority confirmed the guidelines laid down in **Resolution 623/2015/R/eel**, at the same time excluding, as proposed by the ACEA Group, the period October 2014 - February 2015, and authorized Terna to adjust the imbalance fees for dispatching end users who choose the "Standard Regulation", by 1 November 2016.
Furthermore, **Resolution 316/2016/R/eel** (with a 18 July 2016 deadline) implemented a consultation process to define a transitory change of the regulation on imbalances to be adopted from January 2017, pending structural reform which will begin in 2019.

Decision 17/2016 - First provisions on general equalization (electricity sector) for the period 2016-2019

In this decision, the AEEGSI established the rules for determining and paying equalization sums on distribution revenues and transmission costs from 2016. The advances are 2-monthly and are paid by the distributor to the Fund for energy and environmental services CSEA within 15 working days of the end of each 2-month period, if negative, or paid by the CSEA to the distributors within 30 working days of the end of each 2-month period, if positive.
The distributor will pay CSEA the amounts due or CSEA will pay its amounts due, if positive, by 30 September 2016 only for the 2-month periods of 2016 that have already passed on the date on which the decision was published.

Resolution 410/2016/C/eel – Application for revocation of single precautionary order No. 911 issued by the Lombardy Regional Administrative Court, Sec. II, on 19 July 2016, which suspends the effectiveness of Resolution 354/2016/R/eel updating the economic conditions for the sale of electricity in the protected categories market, for the quarter 1 July - 30 September 2016

The effectiveness of Resolution No. 354/2016/R/eel has currently been suspended by effect of single precautionary order No. 911 issued by the Lombardy Regional Administrative Court of Milan, Section II, on 19 July 2016.

TREND 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. Note that the results of the "Other" segment include those deriving from ACEA corporate activities as well as intersectorial adjustments.

30.06.16	Environment	Energy				Water				
Million euros		Generation	Sales	Intra segment eliminations	Segment Total	Italian Water Services	Overseas	Engineering	Intra segment eliminations	Segment Total
Revenue	67	30	838	(12)	856	331	3	17	(14)	336
Costs	38	12	785	(12)	786	172	2	12	(14)	172
Gross operating profit	**29**	**17**	**52**	**0**	**70**	**159**	**1**	**5**	**0**	**165**
Depreciation and accumulated impairment charges	13	12	36	0	47	51	0	2	0	53
Operating profit/loss	**16**	**6**	**16**	0	**22**	**108**	**1**	**3**	**0**	**112**
Investments	8	16	12	0	28	102	0	1	(1)	101

30.06.16	Networks				Other		Consolidated Total
Million euros	Distribution	Public Lighting	Intra segment eliminations	Segment Total	Corporate	Consolidation adjustments	
Revenue	284	32	(2)	314	55	(226)	1,402
Costs	105	31	(2)	134	55	(226)	958
Gross operating profit	**180**	**1**	**0**	**181**	**0**	**0**	**444**
Depreciation and accumulated impairment charges	43	0	0	43	13	0	170
Operating profit/loss	**137**	**1**	**0**	**138**	**(14)**	**0**	**274**
Investments	79	1	0	80	5	0	221

30.06.15	Environment	Energy				Water				
Million euros		Generation	Sales	Intra segment eliminations	Segment Total	Italian Water Services	Overseas	Engineering	Intra segment eliminations	Segment Total
Revenue	64	32	971	(18)	985	311	9	13	(11)	322
Costs	37	13	934	(18)	929	172	4	10	(11)	176
Gross operating profit	**27**	**19**	**37**	**0**	**56**	**139**	**5**	**3**	**0**	**147**
Depreciation and accumulated impairment charges	14	11	31	0	42	40	0	0	0	40
Operating profit/loss	**13**	**8**	**6**	**0**	**14**	**99**	**5**	**3**	**0**	**107**
Investments	10	3	4	0	7	74	0	0	0	74

30.06.15			Networks				Other	Consolidated Total
Million euros	Distribution	Public Lighting	PV power	Intra segment eliminations	Segment Total	Corporate	Consolidation adjustments	
Revenue	229	33	3	0	264	55	(236)	1,454
Costs	111	30	1	0	141	54	(236)	1,101
Gross operating profit	**118**	**3**	**2**	**0**	**123**	**1**	**0**	**353**
Depreciation and accumulated impairment charges	43	0	0	0	43	10	0	151
Operating profit/loss	**75**	**3**	**2**	**0**	**80**	**(9)**	**0**	**203**
Investments	66	1	0	0	67	9	0	167

The revenues in the above table include the condensed result of equity investments (of a non-financial nature) consolidated using the equity method.

ENVIRONMENT OPERATING SEGMENT

Operating figures, equity and financial results for the period

Operating figures	U.M.	30.06.16	30.06.15	Increase/ (Decrease)	% Increase/ (Decrease)
WTE conferment	kTon	190	173	18	10.2%
RDF production plant conferment	kTon	0	0	0	0.0%
Electrical Energy transferred	GWh	134	132	2	1.8%
Waste coming into Orvieto plants	kTon	53	46	6	13.5%
Waste Recovered/Disposed of	kTon	168	161	7	4.3%

Financial results (million euros)	30.06.16	30.06.15	Increase/ (Decrease)	% Increase/ (Decrease)
Revenue	67.0	63.8	3.2	5.0%
Costs	37.8	36.7	1.1	3.1%
Gross operating profit	29.2	27.1	2.1	7.6%
Operating profit/(loss)	15.8	13.1	2.7	20.8%
Average number of staff	230	221	10	4.3%
Capex	8.0	9.8	(1.8)	(18.1%)

Financial results (million euros)	30.06.16	31.12.15	Increase/ (Decrease)	% Increase (Decrease)	30.06.15	Increase/ (Decrease)	% Increase (Decrease)
Net debt	185.2	187.7	(2.5)	(1.4%)	202.6	(17.4)	(8.6%)

This Segment closed the first six months of 2016 with EBITDA at 29.2 million euros, an increase of 2.1 million euros on the same period last year. This performance, while considering the prolonged unavailability of the Kyklos plant (- 0.1 million euros) and lower margins from Aquaser (- 0.2 million euros), represents an increase of 2.1% mainly due to better performance from ARIA (+ 0.5 million euros) and SAO (+ 1.4 million euros) due to a greater amount of energy produced and incoming waste.
The average number of staff as at 30 June 2016 was 230, ten more than the same period of the previous year. This increase is mainly attributable to Aquaser (+ 4) and ARIA (+ 14), the later absorbed by the relocation of 11 workers from ISA, to finish work on the Terni WTE plant.

Capital expenditures stood at 8.0 million euros, down compared to those of the same period last year (was 9.8 million euros) mainly due to the *revamping* of the SAO plant last year.

Net debt in the Segment stood at 185.2 million euros, substantially in line with that at year-end 2015.

Operating review

ARIA

Terni waste-to-energy plant (UL1)

The Terni waste-to-energy plant produces electricity from renewable sources, specifically in a *pulper* paper mill waste-to-energy plant.
The first six months of 2016 were characterized by the high performance of the plants, both in terms of incoming waste and of electrical energy produced and sold to the grid. This result was also made possible by progressive optimization of preliminary conferred waste treatment processes and the rescheduling of scheduled shutdowns, as well as by a significant number of contracts signed for *pulper* delivery, thereby meeting the full requirements of the plant for 2016.

As regards the authorizations for the Terni waste to energy plant, it should be noted that, in relation to the application submitted by the Company concerning the extension of waste categories (EWC codes) that can be treated for energy recovery, in the month of June 2016 a new Services Conference was held to discuss the coordinated EIA/IEA (Environmental Impact Assessment/Integrated Environmental Authorisation) procedure, with the aim of obtaining an extension of the EWC codes that can be treated for energy recovery. At the same Conference, the Authorities involved requested some clarifications and technical amendments which were prepared and sent by the company in the times required. In addition, the experimentation (which lasted 6 months) approved by the Terni Provincial Authority came to an end. In this experiment the Company attempted to optimize the system for reducing atmospheric emissions. Consequently the Company applied for authorisation to permanently introduce said plant optimization.
As described greater detail in the 2015 Consolidated Financial Statements, the verification process initiated by the National Grid Operator (GSE) in November 2015 was successfully completed in February 2016, with consequent recognition and collection of the green certificates accrued by the plant until the end of 2015.

Paliano RDF production plant (UL2)

The Paliano RDF production plant holds a single authorisation for the production of RDF, expiring on 30 June 2018. As known, in June 2013 this plant was partly destroyed by a major fire; after completion of the technical assessment as required by the Judicial Authorities, the Company began analytical and structural studies to implement an action plan to completely clean the areas, replace and rebuild the RDF production plant. The work done up to now and the additional procedural authorisations obtained by the Company will make it possible to reopen the analysis procedure to obtain Integrated Environmental Authorisation for plant operation. Again with reference to this plant and the surveys performed following the above-mentioned accident, the environmental surveys have been completed in accordance with planning time estimates approved by the competent Area authorities. The last surveys confirmed there was no contamination resulting from the fire, although the analytical results of groundwater analysis will require further verification in accordance with the ordinary procedures set out by the Consolidated Environment Act.

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 high performance during the year, both in terms of the electricity produced and in terms of RDF used for energy recovery. The plant operating data confirmed the positive trend of processes also from an environmental standpoint, which are consistently in line with required limits. Measure No. G00063 of 13 January 2016, notified on 26 January 2016, granted the new Integrated Environmental Authorization valid for 8 years from 24 July 2013 to 24 July 2021. This authorisation completes the procedure for renewing Authorisation for the construction and operation of the plant, meaning significant rationalisation in terms of authorisation requirements for the San Vittore del Lazio plant. Note that the procedure in question will also make it possible to begin some additional work on the industrial site to improve the quality of communal and staff areas. Concerning the *revamping* of Line 1, reconstruction proceeded in a regular way and it is therefore plausible to confirm the planned conclusion of work in 2016.

As for the reconstruction work underway, note that, with reference to the adaptation and upgrading of the San Vittore del Lazio plant (lines II and III), an Agreement was entered into for the transfer of electricity under the CIP 6/92 regulation; this, in consideration of the emergency in the waste sector, as declared at the time by the Lazio Regional Authority. As for lines 2 and 3 of the same plant, Waste-to-energy plant qualification (WTE) has already been obtained. Similar qualification was obtained for the *revamping* project of the Terni plant. Concerning the relevant recognition and collection of the green certificates for the two plants in question, the procedure was completed for the Terni plant until 2015, while the procedure is still ongoing for the San Vittore del Lazio plant, due to the recent updating (with a positive outcome) of the GSE characterization plan. There are no critical elements for the positive outcome of the ongoing procedure of the latter process.

SAO

SAO owns the plant located in the municipality of Orvieto for treating and reclaiming municipal and special waste; in particular, on the same site there is a non-hazardous waste dump, currently being cultivated, and a non-separated biological mechanical waste treatment plant for the valorisation of organic waste from separate collection. The economic performance in the first half of 2016 was characterised by a regular flow of municipal waste from the territory of reference and, in particular, by the phase in which the new waste treatment and composting plant with an energy recovery section can be put into service. In fact, the functional and fitness tests were performed on the new plant starting in January 2016, so the plant can go into ordinary service. Notable critical elements and unfinished parts of the works were found during the inspections carried out by the Test Commission, with specific and timely notice of the same sent to the contractor, making it impossible for SAO to take over the plant. As the above problems persist, and there has been no progressive evolution of the plant engineering functions, the Company was forced to implement the procedure for the rescission of the contract due to repeated and serious breaches of contract by the contractor in relation to the contractual obligations assumed, both in terms of construction and management. On 4 July, after the results of the inspection performed by the Test Commission, Project Manager (RUP) and Works Management, the company after giving notice, rescinded the contract and on 6 July 2016 the building site area was handed over to the company by the contractor.

Finally, note that:
- in the month of April, the GSE completed the procedure for the transfer of ownership of the plant for the utilisation of biogas energy produced by dumps, previously owned by ICQ, and therefore the company implemented the procedures necessary for the adjustment requests for the year 2015;
- as part of a survey on waste to energy plants in the Province of Terni, the GSE began an audit in accordance with art. 7 of Law 241/1990, concerning the renewable energy sources (RES) qualification of SAO's Biogas plant.
  As far as is known, the survey was performed following the exchange between GSE S.p.A. and the Terni Provincial Authority. For the Orvieto plant, this is the same survey as the one performed by GSE S.p.A. in 2012, which produced positive results. Also in this case the Company submitted written memorandums and documents within the required times, requesting the survey be concluded as soon as possible, considering the operations of the plant in question to be fully legitimate.
  In June 2016, GSE's decisions were received following the conclusion of the audit, which confirmed the renewable energy sources (RES) qualification of SAO's Biogas plant was correct and met requirements in full.

AQUASER GROUP

Aquaser
Aquaser operates in the sector of ancillary services associated with the integrated water cycle, loading, transporting, recovering and disposing of sludge from biological treatment and waste produced from water treatment, treating effluent and liquid waste and providing the services connected thereto. There were no significant events during the reporting period.

KYKLOS
Kyklos operates in the waste treatment sector. It produces and markets mixed compost conditioners; in particular it operates in the areas of Campoverde in Aprilia on the basis of a Single Authorisation for special non-hazardous waste treatment and recycling plants obtained from the Province of Latina with a maximum capacity of 66,000 tonnes/year.
Having obtained the release from seizure, the additional required measures were completed to put the entire composting plant and related equipment back into service (shut down for nearly 18 months) with the testing of the waste management plant for the leachates produced. The plant started receiving conferment of all authorized waste again on 1 June 2016.
Finally, the construction site for an industrial shed to be used to store the finished product was set up; the second experiment with the tender procedure is underway for the construction of an anaerobic digestion and composting section authorized for the development of plant capacity up to 120,000 tons/year, as the first experiment produced no valid offers.

ISA
This company operates in the logistics and transportation sector. There were no significant events during the reporting period.

SOLEMME

Solemme operates in the waste recycling sector, composting organic waste, in particular sludge from civil waste treatment and producing mixed compost conditioners. The Company has two Local Units in which two plants are located: **(i)** the Monterotondo Marittimo composting plant which is included in the Grosseto Provincial Authorities' Waste management plan; and **(ii)** the Sabaudia plant which recycles and disposes of waste on the basis of the Integrated Environmental Authorisation issued by the Lazio Regional Authority. As for the Monterotondo Marittimo plant, note that on 8 June 2016 the Tuscany Regional Authority issued the Integrated Environmental Authorisation for plant operation in its current configuration and for the development of the same, consisting of the adaptation of the current plant and the inclusion of a biogas plant. A tender has been called to find the Supplier who will draw up the final design and construct the new plant engineering.

ENERGY OPERATING SEGMENT

Operating figures and financial results for the period

Operating figures	U.M.	30.06.16	30.06.15	Increase/ (Decrease)	% Increase/ Decrease
Energy Produced (hydro + thermal)	GWh	206	280	(74)	(26.4%)
Energy Produced (photovoltaic)	GWh	5	2	3	150.0%
Electrical Energy sold - Free	GWh	2,841	3,267	(426)	(13.0%)
Electrical Energy sold - Protected	GWh	1,364	1,526	(162)	(10.6%)
Electrical Energy - No. Free Market Customers (P.O.D.)	N/000	296	328	(31)	(9.8%)
Electrical Energy - No. Protected Market Customers (P.O.D.)	N/000	955	1,002	(47)	(4.7%)
Gas Sold	Msm^3	66	78	(13)	(15.4%)
Gas - No. Free Market Customers	N/000	147	150	(3)	(1.9%)

Financial results (million euros)	30.06.16	30.06.15	Increase/ (Decrease)	% Increase/ Decrease
Revenue	855.5	985.1	(129.6)	(13.2%)
Costs	785.8	929.1	(143.4)	(15.4%)
Gross Operating Profit	69.7	56.0	13.8	24.6%
Operating profit/(loss)	22.4	14.2	8.3	58.3%
Average number of staff	555	541	14.0	2.5%
Capex	27.4	6.6	20.8	314.4%

Financial results (million euros)	30.06.16	31.12.15	Increase/ (Decrease)	% Increase/ Decrease	30.06.15	Increase/ (Decrease)	% Increase/ Decrease
Net debt	230.6	287.0	(56.4)	(19.7%)	361.7	(131.1)	(36.3%)

This Segment closed the first six months of 2016 with EBITDA at 69.7 million euros, an increase of 13.8 million euros on the same period of the previous year.
The increase is the result of contrasting effects that concern both the production companies (- 0.9 million euros) and the sales companies (+ 14.7 million euros). In particular:

- + € 10,2 milioni in Elga Sud;
- + € 4,8 milioni in Acea Energia;
- - € 1,3 milioni in Acea Produzione.

The consistent increase in **Elga Sud** can be attributed to recognition of 9.6 million euros in revenues due to the effects of the contract signed in March 2006 for the sale of digital meters. Said sale is part of a more extensive commercial agreement also with other Group companies.
The improvement in **Acea Energia** is mainly the result of the combined effect of the margin in the Protected Categories Market (+ 7.5 million euros compared to the same period of 2015) and in the Free Market (- 3.4 million euros compared to 2015). The reasons for these changes are attributable respectively: **(i)** to the effect of the revision of the tariff for the sale of electricity (RCV) defined by AEEGSI Resolution 659/2015, which introduced, as of 1 January 2016, the marketing and sale remuneration component for separate companies supplying up to 10 million withdrawal points for end users, and **(ii)** to lower volumes sold in the B2B segment, partially offset by higher margins in the mass market segment. There was an increase of 1.6 million euros due to the effect of the optimization of the commodity purchases' portfolio.
The deterioration in **ACEA Produzione** performance is due to a reduction in the energy margin as a result of the price trend and a slight reduction in the quantities produced by the hydroelectric segment and the district heating segment, which produced lower revenues than in the same period of 2015 also due to the mild winter.

In terms of staff, as of 30 June 2016 the average number of employees was 555, 14 more than the same period of the previous year, mainly attributable to Acea Energia (+ 12).

Capital expenditures in the period stood at 27.4 million euros, an increase of 20.8 million euros (respectively + 13.5 million euros in Acea Produzione and + 7.3 million euros in Acea Energia) mainly due to the *revamping* of the plant engineering at the Tor di Valle power station and the Castel Madama Hydroelectric power plant, for functional and static upgrading works on power tunnels from the reservoir of the San Cosimato dam as well as the extension of the district heating network in the Mezzocammino district in the south of Rome. Higher capital expenditures in Acea Energia were mainly in IT systems.

Net debt at the end of the first six months of 2016 amounted to 230.6 million euros, 56.5 million euros less than at 31 December 2015, mainly due to the reduction in Acea Energia's working capital principally as a result of the debt with a Group company operating in the water segment being paid off.

Operating review

ENERGY MANAGEMENT

Acea Energia is responsible for performing the "*Energy Management*" necessary to Group operations, particularly with regard to sales and production.
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 for Acea Produzione and other companies in the ACEA Group. It performed the following main activities in the period:

- the optimisation 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 (2015 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 the first six months of 2016, Acea Energia purchased a total 3,867 Gwh of electricity from the market, of which 3,816 Gwh through bilateral agreements and 51 Gwh through the Power Exchange, essentially for resale to free market end users and the residual part 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 218.9 MW, including five hydroelectric plants (three in Lazio, one in Umbria and one in Abruzzo), 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). The photovoltaic plants purchased from the Company following the total demerger of Acea Reti and Servizi Energetici S.p.A. must be added to this, with a total installed power of 8.5 MWp.
Through its directly owned plants, in the first six months of 2016 the Company achieved a production volume of 213.1 GWh of which **(i)** 202.7 GWh from hydroelectric plants, **(ii)** 1.1 GWh from mini hydro plants, **(iii)** 3.9 GWh from thermoelectric production and **(iv)** 5.4 GWh from PV production.
In the district heating segment, through the Tor di Valle plant's cogeneration unit, Acea Produzione supplied 2,843 end users located in the Torrino Sud, and Mostacciano districts (located in the southern part of Rome) with 41.2 GWh.

The **hydroelectric segment** recorded production of 203.8 GWh in the first six months of 2016, which was lower than the budget based on the ten-year historical expected average (-10.1%) due to a prolonged drought last winter (amongst the driest of the last century), even more evident for the Mandela and Orte run-of-river plants (-3.7% overall); in this regard in should be noted that the Castel Madama power plant is currently undergoing *revamping* works as well as functional and static upgrading works on the power tunnels from the reservoir of the San Cosimato dam, which is also undergoing consolidation works affecting the dam body and rock-dam contact that began on 30 July 2015.
Also the St. Angelo power plant with 73.6 GWh recorded a sharp drop compared to the expected ten-year average (-20.7%); finally, in the first six months of 2016 the average water inputs of the Aventino (4.7 m3/s) and Sangro (12.0 m3/s) rivers were respectively -44% and -39% compared to the average of the three prior years 2013-2015. The average power output in the period was 16.8 MW with the Casoli and Bomba lakes that respectively closed the year ended 30 June 2016 at 250.61 and 252.09 meters above sea level.

The Company's **thermoelectric production** stood at 3.9 GWh as of 30 June 2016.
2016 was confirmed a difficult period throughout the thermoelectric production sector, as previously mentioned. For the Company, this mainly had an impact on production in the combined cycle section of the Tor di Valle plant, no longer able to withstand the impact of the market, which is also made worse by a continuing drop in market prices.
With regard to the plant modernization project, in 2015 the company that will be in charge of the construction of the new plant was identified, while in the month of March 2016 the process for identifying the company that will carry out all the site preparation operations was completed.
2016 was the ninth 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.

On the theme of **photovoltaic production**, as well as its own plants, the Company managed third party plants (O&M plants) with a total power capacity of 15.4 MWp.

ELECTRICITY AND GAS SALES

As for the sales market, the refocusing of **Acea Energia's** sales strategy continued in the period with a more capillary and attentive selection of customers which tends to favour contracting small (residential and *microbusiness*) customers.
With reference to the *joint ventures* in the reporting period, management of the investment in **Umbria Energy** and **Cesap Vendita Gas**, operating in Umbria continued. As for **Voghera Energia Vendite**, the merger into Acea Energia became effective on 1 May 2016, with retroactive accounting and tax effects at 1 January 2016.

During the first six months of 2016, the sale of electricity on the Protected Categories market amounted to 1,364 GWh, a reduction of 10.6% compared to the same period last year. The number of withdrawal points totalled 955,499 (1,002,157 at 30 June 2015).
Sale of electricity on the Free Market amounted to 2,652 GWh for Acea Energia and 189 GWh for the retail *Joint Venture*, for a total 2,841 GWh, a decrease of 13.0% on the same period of 2015. The reduction mainly concerned the B2B segment and derives from a strategy of consolidation and growth in the small business and mass market segments.
Furthermore, Acea Energia sold 66 million standard cubic metres (sm3) of gas to end users and wholesalers corresponding to 146,952 redelivery points (there were 149,772 on 30 June 2015) including those of the *Joint Ventures* equal to 24,901.

The significant events in the first six months of 2016 are described below:

- With reference to the preliminary investigation opened by the Antitrust Authority (Ref. PS/9815), which resulted in a fine of 600 thousand euros, on 1 February 2016 the Company filed an appeal with the Regional Administrative Court. Following further requests for information from the Antitrust Authority received on 11 March 2016, Acea Energia sent its answer on 25 March 2016. While reasserting the compliance of its actions with the law, Acea Energia agreed to make further changes to the texts of the scripts (the texts describing the commercial offer the agents must comply with when making telephone calls), and to take some measures to improve its processes by the end of July 2016. Following the meetings held and with reference to the Antitrust Authority's requests, while reasserting that its current process complies with the provisions of the Consumer Code, in order to bring its operations perfectly into line with the *wishes* expressed by the Antitrust Authority, Acea Energia sent a note to the Authority on 24 June 2016 describing all the actions it intends to take in the following months to guarantee its compliance, in an indubitable way. On 21 July 2016 the Authority notified Acea Energia of the Company's compliance with the disciplinary measures, substantially holding the actions taken and the measures proposed by the Company in recent months and currently being adopted to be sufficient.
- Regarding the procedure initiated by AEEGSI with Resolution 111/2015/S/eel, during the market test, which expired on 21 January 2016, a customer submitted observations to which Acea Energia replied before May 5 2016, in accordance with the times set by the Authori-

ty. At the outcome, the final resolution will be published and the commitments will become mandatory.

- With reference to the preliminary investigation opened by the Antitrust Authority (Ref. PS/9354), during the first quarter the Company delivered the required documentation and the investigation closing date was set at May 12. On 13 June 2016, the Antitrust Authority notified the Company of a disciplinary measure being taken amounting to a total of 3.6 million euros concerning the ascertainment of two different violations of the Consumer Code, as follows: (i) inadequate management of the end users' requests concerning the billing of electricity and gas consumption: late or non-acknowledgment which failed to find a solution and implementation or prosecution of the action to collect sums while the same requests were still pending and (ii) creating obstacles to refunding credit accrued by end users. Acea Energia is currently finishing the overall analysis of the disciplinary measure and studying the question in-depth in order to appeal against the act before the Regional Administrative Court. In fact, after a preliminary analysis of the disciplinary measure performed with the lawyers for the defence, it was found that: a) the practices challenged by the Competition Authority must be considered absolutely marginal, both in terms of the number of consumers affected, and in terms of the impact on the overall management of customer relations; b) some of the acts challenged have actually already been assessed by the AEEGSI which did not consider the same to be worthy of any particular note; c) in certain parts, the disciplinary measure refers to obligations to provide additional information which are not required by any rule of law.
  While performing the above-mentioned analysis, Acea Energia is evaluating what action to take to comply with the notice given in the final measure. The Company must draw up the compliance report by 14 August of this year.
- On 26 February 2016, Acea Energia appealed to the Lombardy Regional Administrative Court against Resolution 659/2015/r/eel.

COGENERATION

In January 2016 the construction of the new trigeneration plant for the EUR "Europarco" complex in Rome was completed and operation of the plant was started. The supply of energy to the "Cinecittà World" system resumed with the opening of the 2016 season. The energy supply service has been contracted for a period of 15 years. At the same time, in order to create intra-group synergies, the contract with Acea Produzione for running and servicing the Cinecittà World plants came into effect. Lastly, the marketing campaign targeted at some of Acea Energia's major customers continues, to promote the cogeneration energy efficiency services proposed by the Company.

WATER OPERATING SEGMENT

Operating figures and financial results for the period

Operating figures *	U.M.	30.06.16	30.06.15	Increase/ (Decrease)	% Increase/ Decrease
Water Volumes	Mm^3	206	213	(7)	(3.3%)
Electrical Energy Consumed	GWh	195	191	4	2.1%
Sludge Disposed of	kTon	88	89	(1)	(1.1%)

* The figures refer to companies consolidated on a line-by-line basis.

Financial results (million euros)	30.06.16	30.06.15	Increase/ (Decrease)	% Increase/ Decrease
Revenue	336.3	322.2	14.1	4.4%
Costs	171.8	175.6	(3.8)	(2.2%)
Gross Operating Profit	164.5	146.7	17.9	12.2%
Operating profit/(loss)	111.6	106.3	5.3	5.0%
Average number of staff	2,266	2,376	(109.0)	(4.6%)
Capex	100.6	74.6	26.0	34.9%

Financial results (million euros)	30.06.16	31.12.15	Increase/ (Decrease)	% Increase/ Decrease	30.06.15	Increase/ (Decrease)	% Increase/ Decrease
Net debt	703.9	537.3	166.6	31.0%	549.1	154.8	28.2%

The Segment's EBITDA at 30 June 2016 totalled 164.5 million euros, up 17.9 million euros on 2015. The change was mainly due to the result obtained by Acea Ato2 (+ 18.5 million euros) and to higher results of equity consolidated companies (+ 1.8 million euros). Conversely, the foreign companies' contribution to EBITDA was negative (- 3.5 million euros) mainly related to the closing of AguaAzul Bogota orders. Revenues were calculated on the basis of the tariff proposals approved by the Mayors' Conference (ACEA Ato2) or Operators' tariff requests in accordance with article 7 of Resolution 664/2015. In the latter case, these revenues do not include tariff components requiring specific approval (or consent by silence) of the 2016 tariff calculations (i.e. FNI New Investments Fund). The revenues include the estimate of the adjustments for pass-through costs.

Staff costs amounted to 40.0 million euros, decreasing by 4.4 million euros compared to the first six months of 2015, substantially due to the effect of the progressive increase in process efficiency as a consequence of technological development.
The average number of employees at 30 June 2016 was down by 109; this was related to the foreign subsidiary AguaAzul Bogota that completed a number of contracts in Central America.

Net debt of the Segment at 30 June 2016 was 703.9 million euros, an increase of 166.6 million euros compared to 31 December 2015. This increase is mainly attributable to ACEA Ato5 as a result of the 125 million euros loan granted by the Parent Company to pay off commercial debts with Group Companies; at the end of the first six months of the year, this loan was drawn down by over 90 million euros.
The amount of this debt is also affected by higher capital expenditures for the period and the increase in net working capital.

Capital expenditures of the Segment were 100.6 million euros and were mainly attributable to Acea Ato2 for over 84.5 million euros. The main capital expenditures concerned the water supply network, waste treatment plants and the Acea2.0 application map.

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 77 of the total 112 services in the ATO are currently still run entirely by the Municipalities.
At 30 June 2016 the overall situation in the territory managed is as follows:

Acquisitions	No. of municipalities
Municipalities fully acquired into the Integrated Water Service:	**77**
Municipalities with Protected Entity	2
Municipalities partially acquired, for which ACEA ATO 2 provides one or more services	14
Municipalities in which ACEA Ato2 provides no services	11
Municipalities that declared they do not wish to be part of the Integrated Water Service*	8

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

During 2015 the management of the drinking water services in the municipalities of Colleferro, Valmontone and Manziana was acquired as well as the waste treatment and sewerage service in the municipalities of Rocca di Papa and Rocca Prioria, thus completing the management of the integrated water service in these municipalities.
During the first half of the year, the Company acquired the sewerage service of the Municipality of Bracciano (from 1 June 2016), specifically the part concerning the Co.B.I.S. waste treatment plant, while the acquisition of the municipal sewerage and Waste treatment services for the Castel Giuliano waste treatment plant network has been delayed pending conclusion of the works to update the same Waste treatment plant. Finally, management of the drinking water service will become executive when ACEA Ato2 has finished the work necessary for the reconversion and updating of the existing municipal drinking water systems.
The following procedures have also been implemented:

- acquisition of the Integrated Water Service in the Municipalities of Civitella San Paolo, Labico, Morlupo and Rignano Flaminio; in particular an Agreement for the reimbursement of investments was drawn up with the Rignano Flaminio Municipal Authority to comply with Mayors' Conference requirements;
- the water service of the Municipality of Pomezia will be taken over in advance. It is currently managed, under a protected regime until 2018, by Infrastrutture Distribuzione Gas (ex Edison Distribuzione Gas).

The larger Municipalities that have not yet been acquired include Civitavecchia which is characterised by pending critical financial, operative and authorisation elements so at this time it is impossible to formulate a hypothesis for development and a solution.

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 3,700,000 residents in Rome and in more than 112 Municipalities in the Lazio region, via five aqueducts and a system of pressurised pipes. Three further sources of supply provide non-drinking water used in the sprinkler system of Rome.
The sewerage service comprises a sewer network of about 6,200 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 waste treatment system and pumping stations that serve the network and sewage trunk lines.

In the first six months of 2016 the main **waste treatment plants** treated approximately 260 million m3 of waste water. Sludge, sand and grating production for all managed plants in the same period was over 74.0 thousand tonnes, a decrease of around 13% compared to the same period last year. This decrease can partly be attributed to the Roma Est sludge dryer going into service.
At 30 June 2016, the Company manages a total of 565 **sewage pumping stations**, including 173 in the municipality of Rome, and a total of 179 waste treatment plants, including 33 in the Municipality of Rome. With reference to the problems concerning the seizure of waste treatment plants, with reference to the pending proceedings regarding the Roma Est waste treatment plant, notice of conclusion of preliminary investigations was given on 22 April 2016: some Company managers and directors and the Company itself were indicted in accordance with Italian Legislative Decree No. 231/2001.

With regard to the Acea2.0 project, in the first quarter of 2016 the *Work Force Management roll out* plan was completed which saw the involvement of around 600 operating staff as per the project plan, and work was also allocated for the single contract second lot. As of January 2016 the system implementations provided by the *roadmap* were completed, which led to the introduction of new functionalities. Structural improvements were also made to enable the inclusion of other ACEA Group companies, with *go live* expected during the second quarter of 2016. These include the Acea Ato5 *go live*, which provides for significant synergies with ACEA Ato2, such as the setup of a single *dispatching* operations room.
Lastly, as a result of AEEGSI Resolution 655/2015/R/idr regulating commercial quality and introducing new operating processes and new indicators, the *roadmap* initially provided had to be reviewed with the simultaneous start of a project analysis phase which involved the major water companies and which will lead to the definition of adjustments and innovations to be implemented in Acea2.0 with effect from 1 July 2016, date of entry into force of the regulatory requirements.

With reference to **tariffs**, on 26 May 2016 in accordance with articles 7.5 and 7.6 of Resolution 664/2015, the Company submitted the tariff request for the period 2016-2019 which substantially coincides with the tariff proposal published by the STO on the ATO2 web site after a specific technical analysis of the figures submitted by ACEA Ato2 in the month of April. On 27 June 2016 the AEEGSI sent ATO2 formal notice to calculate its tariffs for the second regulatory period 2016-2019 within the following thirty days, through the IT portal using the procedure provided for by Resolution 664/2015, and Decisions No. 2/2016 DSID and No. 3/2016 DSID, including a warning that, after said deadline had expired, the operator's application will be understood to have been approved by the same competent subject as a tariff arrangement, by effect of the provisions of the above mentioned art. 20 of Law No. 241 of 7 August 1990, and will be sent to the Authority for evaluation and approval within the following 90 days.
The ATO2 Mayors' Conference, called by the Metropolitan Mayor for 27 July 2016, approved the 2016-2019 tariff calculations, the essential contents of which are described in the paragraph "*Service Concession Arrangements*" to which we refer for further details.

On the basis of the above-mentioned calculations, revenues for the period were estimated at 264.6 million euros: these include estimated adjustments of pass-through items and the FNI component (11.9 million euros).

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 the 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.
Integrated water service operations in the territory of ATO 5 Lazio-Frosinone involves a total of 85 municipalities (operations must still be surveyed for the municipalities of Atina, Paliano and Cassino town centre as regards water services only) for a total population of around 470,000 inhabitants, about 460,000 inhabitants supplied and a number of end users equal to around 185,700.

The drinking water system comprises supply and distribution plants and networks that use 7 main sources from which an equal number of aqueduct systems originate. Coverage of this service amounts to about 97%.
The sewerage-purification system comprises a network of sewers and trunk lines connected to waste treatment terminals. The company manages 203 sewage pumping plants and 110 biological waste treatment plants, as well as 15 Imhoff tanks and 3 percolating filters.
Following the recognition and related assessment of end 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 end users.

As regards the acquisition of plants related to the IWS management in the municipality of Paliano, as the Company did not receive any response from the municipal administration regarding the formal notice to immediately transfer the plants no later than 30 days after receipt of the said formal notice, on 18 February 2016 Acea Ato5 filed an appeal before the Lazio Regional Administrative Court - Latina Section against the Municipality of Paliano and AMEA in order to obtain: **(i)** ascertainment of breach by the municipality and the appointment of a Special Commissioner, and alternatively **(ii)** full delivery of the works, goods and facilities and compensation for damage suffered as a result of negligent breach of the deadline for completing the proceedings. On 9 May 2016 the Municipal Authority of Paliano refused to approve the Company's application and therefore, at the 12 May 2016 hearing, the Latina Regional Administrative Court in ruling 415/2016 declared the discontinuance of the matter in dispute due to lack of interest, sentencing the Municipal Authority to pay court costs. ACEA Ato5 is preparing an appeal against the refusal of the Municipal Authority to allocate the service.
Concerning the non-acquisition of the plants in the Municipality of Cassino, in ruling 2086/2016 passed on 19 May, the Council of State upheld the Company's appeal affirming that the Cassino Municipal Authority must consign the Integrated Water Service assets in the municipal territory within 30 days of communication or notification of the above ruling, at the same time appointing the Prefect of Frosinone Special Commissioner to take over in the matter from the Municipal Authority if necessary in the case of continued non-compliance. The deadline expired on 27 June 2016.

Subsequently, as for relations with the Cassino Municipal Authority, the Company filed an appeal with the Higher Court of Public Waters for the ascertainment of the invalidity and/or annulment, subject to suspension of the effectiveness of the resolution (No. 7) passed by the Town Council in February 2016. Following the first hearing on 22 June 2016, the case was adjourned to discuss the merits at the subsequent hearing on 1 February 2017.
In the above-mentioned resolution the Cassino Municipal Authority decided, amongst other things, to withdraw from the Cooperation Agreement drawn up in accordance with Regional Law No. 6/1991 and to prepare a *business plan* "*which highlights the possible advantages both in terms of service and in economic terms of managing the Public Asset Water by setting up a "Special Company"* based on the model adopted by other Italian municipalities to make water services public once again in compliance with the 2011 Referendum.

With reference to the **tariff**, for the first six months of 2016 the Company applied the decisions taken by the Mayor's Conference of 14 July 2014, within the limits of a 9% increase on 2014.
As for the 2016-2019 tariff proposals, the Company sent the Area Authority the documentation necessary to define the tariffs for the second regulatory period in accordance with Resolution 664/2015/R/idr. However, as no approval has been forthcoming by the deadline set in the above-mentioned resolution, in accordance with articles 7.5 and 7.6 of Resolution 664/2015, on 30 May 2016 the Company submitted the 2016-2019 tariff request, the essential contents of which are described in the paragraph "*Service Concession Arrangements*".
To the date of today, the AEEGSI has still not given notice to the Area Authority to determine the tariffs; however the Mayors' Conference will examine the Operator's proposal at the 29 July 2016 meeting.

On the basis of the tariff request described above, revenues for the period were estimated as amounting to 33.4 million euros including estimated pass-through item adjustments. The FNI and $Opex_{qc}$ components (totalling 4.8 million euros) were not recognized in revenues pending the decisions the Mayors' Conference will take in consideration of, or in application of, consent by silence in accordance with article 7.6 of Resolution 664/2015.
Note that, as described in the 2015 Consolidated Financial Statements, the financial recovery of the differences accrued in the first regulatory period between the calculated tariff multiplier and the maximum admissible, will be done on the basis of Resolution No. 51/2016.

As for prior adjustments for the period 2006 – 2011, quantified by the Special Commissioner as equal to 75.2 million euros, note that Council of State Ruling No. 1882/2016 confirmed the 26 June 2015 sentence of the Latina Regional Administrative Court and rejected the appeal filed by Area Authority ATO 5 for the annulment of the Commissioner's Decree.

As for relations with the Area Authority, note that:

- on 18 February 2016 the AATO 5 Conference passed a resolution to implement the procedure for the rescission of contract in accordance with art. 34 of the Concession Agreement. Said measure was taken following the STO's 28 January 2016 report and an Area Council meeting held on the same day. On 15 March 2016 AATO 5 gave the company notice to comply and implemented the procedure for the rescission of the contract, giving the company 6 months to reply. The company, on the assumption that the procedure implemented is absolutely unjustified and in any case not in line with the findings of the notice given, filed an appeal with the Lazio Regional Administrative Court, Latina section. We are currently waiting for a public hearing to be scheduled to discuss the matter.
- on the same date, in Resolution No. 1/2016 published on 26 February, the Mayors' Conference refused to give its consent for the project to merge ACEA Ato5 into ACEA Ato2. Also in this case, considering said refusal to be unwarranted, the company appealed against the decision before the Lazio Regional Administrative Court, Latina section. Following the Company's withdrawal of the application for interim relief, the Administrative Court scheduled the hearing to discuss the merits of the case in February 2017.

As part of the Acea2.0 Project, there was a *go live* of the new commercial and operating (WFM) systems on 18 April 2016.

GORI
The Company manages the Integrated Water Service throughout the entire territory of ATO No. 3 Sarnese Vesuviano in the Campania Region (76 municipalities) with a surface area of 897 Km2 and a population of approximately 1.44 million inhabitants.
A total 4,386 Km of water network is currently managed, consisting of 350 Km of primary abstraction network and 4,030 Km of distribution network, and a 2,300 Km drainage system.
GORI currently manages 9 water sources, 71 wells, 158 tanks, 98 water pumping stations, 156 waste water pumping stations and 11 waste treatment plants, including small plants for smaller settlements.
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.

With regard to the relevant events occurred in the period, it should be noted that:

- on 4 March 2016, the AEEGSI sent notification to the Company with the Communication of Findings and the conclusion of the procedure initiated by Resolution 380/2014/R/idr for the adoption of sanctions and prescriptive measures for violations of the integrated water service regulation, substantially confirming the allegations contained in said resolution;
- on 10 March 2016 the procedure for the approval by AEEGSI of the ATO3 tariff proposals was finally completed, with the publication of the resolution 104/2016/R/idr containing: *"Approval, for the purpose of determining the adjustments under the tariff method for the second regulatory period, MTI-2, of the tariff proposed by the Sarnese Vesuviano Area Authority for the 2012-2015 period".* In particular, AEEGSI:
    - approved the maximum applicable tariff multipliers for each year, as follows: ϑ =1.065; 2013: ϑ =1.134; 2014: ϑ =1.236; 2015: ϑ =1.347;
    - as a consequence, establishing the total amount of tariff adjustments to recover for the years after 2015 as amounting to 38.9 million euros (Group share 14.4 million euros);
    - required the Authority to adjust the Economic-Financial Plan to include the values approved in the same resolution, also in consideration of the cor-

rection of the item cost of Loans to owners (MTp) for the year 2013 as an error was made in the calculation, and to make the adjustments on the basis of the recognition procedures valid from 2016;

- required the Authority to send, within 30 days of publication of the measure, "*the results of the surveys carried out concerning assumptions on which the cost component for wholesale acquisitions is based, and in particular with reference to the provisions of the Agreement, signed on 24 June 2013, for the regulation of relations between the Campania Regional Authority, the Area Authority, Acqua Campania S.p.a. and GORI S.p.a., the same competent subject will have considered when quantifying the prior-year items for periods before sector regulation and control functions were transferred to the Authority, likewise requesting that the same agreement is compatible with the integration of gaps in the law by use of other parts of related regulations (confirmed by the above-mentioned case law) in consideration of the provisions introduced by the Authority from 2012*".

In the month of April, the Authority replied to the AEEGSI requirements, noting that for 2012 there had been a material error amounting to approximately 4 million euros for the wholesale water tariff reduction as the 2013 Regulatory agreement already specified a 25% reduction. This error will be recovered in the tariff calculations of the second regulatory period, in which also the part of loans not recognized in 2013 will also be recovered.

With reference to **tariffs**, note that on 15 June 2016 the Company submitted a tariff update request in accordance with article 7.5 of Resolution 664/2015/R/idr. The tariff request allows for and includes, amongst other things, the Application for economic - financial rebalancing and the Application for recognition of the effective arrearage cost for 2014 and 2015.
The Application for economic - financial rebalancing is based on the results of analyses carried out by the Authority that prepared the final Report drawn up on 18 May 2016: the Authority considers the grounds on which the above application is based to be valid and therefore, finds that there are conditions for proceeding with the proposal to adopt the rebalancing measures in the same application with the changes introduced with particular reference to the scenario which considers the transfer of the so-called Regional Works. Said rebalancing measures must therefore be included in and be the subject of the Economic-Financial Plan to be prepared within the scope of the tariff requirements provided for by Resolution 664/2015. The Authority reached the same conclusions for the application for recognition of the effective arrearage cost for 2014 and 2015.

Revenues for the period amount to 80.9 million euros (Group share 30.0 million euros) and represent the best estimate made on the basis of the requests submitted to the Operator pending approval.

Refer to the entire contents of the paragraph "*Service Concession Arrangements*" also for information on the financial effects deriving from the conclusion of the recognition of equalisation measures.

GESESA
The Company operates in ATO 1 Calore Irpino which promotes and develops the initiative for the management of the Integrated Water Service in Municipalities in the Province of Avellino and Benevento. The Company manages the Integrated Water Service of 20 Municipalities in the Province of Benevento with a population of approximately 115,000 inhabitants supplied in a territorial area of approximately 673 km2 with 54,000 end users. Sewerage and waste water treatment services are supplied to around 83% of end users, while waste treatment services are supplied to approximately 40%. Currently, the Authority, controlled by the Extraordinary Commissioner in accordance with Decree of the Regional Government No. 813/2012, has not yet appointed a Sole operator to manage the Integrated Water Service.

Within the scope of a more extensive question concerning the planning and management of Water Resources in the Campania Region, ATO 1 recently implemented the guidelines for the Mission Structure on the Planning and Management of Water Resources, aimed at promoting the common cause of the ex-Area Authorities to find a Sole operator that answers to the same Authorities.

Following approval of Regional Law 15/2015 on the reorganisation of the Campania Integrated Water Service GESESA is collaborating with other companies in the sector to set up a single territorial operator for ATO1.

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 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.

With reference to the **extension of the concession to 2026,** on 29 February 2016 the Company received a letter of consent for extension of the service concession to 2026 from the agent bank of the loan signed in 2006. Consequently, on 10 March 2016, after obtaining authorization from the Tuscany Water Authority, the Acque Board of Directors authorized the CEO to sign the letter of consent and the agreement modifying the loan agreement entered into in 2006.
In addition, on 6 April 2016 Acque and the Tuscany Water Authority signed the document by which the amendment to the water service concession became effective with the new expiration in 2026 compared to the previous expiration set in 2021. The amending agreement includes certain additional obligations with respect to the loan agreement entered into in 2006.
More specifically, the Company will now have to provide the agent bank with annual certification signed by the legal representative and by the independent auditors stating, inter alia, that the ADSCR (*Annual Debit Service Cover Ratio*) parameter calculated with reference to the year end complies with the contractual covenants. More specifically, as of 31 December 2015, if the certified ADSCR parameter is equal to or greater than 1.1, the Company may distribute dividends up to a maximum amount of 3.0 million euros in addition to the dividends received from its investments in other companies which continue to be available for distri-

bution to shareholders. If, on the contrary, the ADSCR parameter measured and certified is less than 1.1, the company may only distribute the dividends received from its investments in other companies to shareholders. An early repayment of the debt in the years 2017, 2018 and 2019 is also envisaged. The amount to be reimbursed shall be the lesser of 50% of cash surplus at year end and 6.0 million euros. The amount paid in advance will reduce the capital repayments for the subsequent years until maturity, on a pro-rata basis.

As regards **tariffs,** as of 1 January 2016, pursuant to the provisions of AEEGSI Resolution 664/2015 art. 9.1 Paragraph a) which approves the 2016-2019 tariff method, the Company applied the 2016 tariff increase to the tariff structure, as provided for by the last Economic-Financial Plan (PEF) approved by AEEGSI in Resolution 402/2014. The tariffs may be subject to adjustment following the adoption of the final tariffs by the Tuscany Water Authority and AEEGSI.
As for the tariff for the second regulatory period, in accordance with the Tuscany Water Authority, the 30 April 2016 deadline for the Area Authority to submit tariff proposals having expired, Acque did not submit a tariff update request in accordance with paragraph 7.5 of AEEGSI Resolution 664/2015/R/idr, also in consideration of the complexity of the requirements in the same resolution, which include the modification of the service agreement, for which the authorisation of Lenders is required.
However, on 27 June 2016 the AEEGSI gave the Tuscany Water Authority and the Company formal notice to comply in accordance with art. 1 of Resolution 307/2016/R/idr within 30 days of receipt of the same to submit the tariff proposal for the second regulatory period 2016-2019. Acque, having already agreed on a schedule with the Tuscany Water Authority, will in any case submit the required documents within the given time.

Revenues for the period, including adjustments for pass-through items, totalled 69.2 million euros, (Group share 31.1 million euros) and represent the best estimate made on the basis of Resolution 664/2015 as no tariff proposal has been drawn up yet.

The new Service Charter, which came into effect on 1 July 2016 was drawn up with the Tuscany Water Authority and the Consumer Association; the Charter is subject to approval by the Tuscany Water Authority in the month of July.

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 3, comprising all public water collection, abstraction and distribution services for civil use, sewerage systems and waste water treatment plants. 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 the awarding of the related contracts.
In June 2006, ACEA - via the vehicle Acque Blu Fiorentine S.p.A. – completed its acquisition of an interest in the company.

As regards **tariffs,** as of 1 January 2016, pursuant to the provisions of AEEGSI Resolution 664/2015 art. 9.1 Paragraph a) which approves the 2016-2019 tariff method, the Company applied the 2016 tariff increase to the tariff structure, as provided for by the last Economic-Financial Plan (PEF) approved by AEEGSI in Resolution 402/2014. The tariffs may be subject to adjustment following the adoption of the final tariffs by the Tuscany Water Authority and AEEGSI.
In relation to the 2016-2019 tariff proposals, on 27 June 2016 the AEEGSI sent the Tuscany Water Authority and Tuscan operators (and therefore also Publiacqua), notice to comply in accordance with article 1 of Resolution 307/2016/R/idr and article 3, paragraph 1, let. f) of Prime Ministerial Decree 20 July 2012. The company is therefore completing the documents and preparing specific regulatory schemes, the deeds and dates of which will be in accordance with paragraph 7.3 of Resolution 664/2015/R/idr, necessary for the tariff update for the second regulatory period.
Revenues for the period, including adjustments for pass-through items, totalled 112.3 million euros, (Group share 44.9 million euros) and represent the best estimate made on the basis of Resolution 664/2015 as no tariff proposal has been drawn up yet.

In terms of **funding sources**, on 30 April 2015 the Company took on a 50 million euros loan with the European Investment Bank (EIB) which matures at the end of 2020. On 30 March 2016 a 110 million euros loan agreement was entered into which matures on 30 June 2021. This loan will be disbursed in full on the date of preparation of this document; the drawdown will partially be used to reimburse current loans.

Acquedotto del Fiora
Based on the agreement signed on 28 December 2001, Acquedotto del Fiora is to supply integrated water services on an exclusive basis in ATO 6, consisting of public services covering the collection, abstraction and distribution of water for civil use, sewerage and waste 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 2016-2019 **tariffs**, the Company sent the Tuscany Water Authority all the documents required to calculate the tariffs for the second regulatory period; as is the case for other Water companies in Tuscany, Acquedotto del Fiora did not submit a tariff update request in accordance with paragraph 7.5 of AEEGSI Resolution 664/2015 and therefore on 27 June 2016 the AEEGSI gave the Tuscany Water Authority and the Company formal notice to comply in accordance with art. 1 of Resolution 307/2016/R/idr within 30 days of receipt of the same, to submit the tariff proposal for the second regulatory period 2016-2019. The Company, having already agreed on a schedule with the Tuscany Water Authority, will in any case submit the required documents within the given time.
Revenues for the first six months of 2016, including adjustments for pass-through items, totalled 45.6 million euros, (Group share 18.2 million euros) and represent the best estimate made on the basis of Resolution 664/2015 as no tariff proposal has been drawn up yet.

In **financial terms**, on 30 June 2015 the Company entered into the Loan Agreement for an overall amount of 143.0 million euros which will completely cover the Company's existing debt (consisting of current mortgage loans, Bridge loans and short-term borrowings with various banks) as well as funding part of the planned investments; final maturity is expected to be 31 December 2025. The loan is a variable rate loan with a guarantee on the Company's current accounts and receivables and upon pledge of Ombrone's shares in Acquedotto del Fiora. Finally, the Company contracted a *plain vanilla* type rate equal to 70% of the "Loan" until final maturity, through *Interest Rate Swap* operations to transform the current variable rate into a fixed rate.

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.

The company performed its activities in all 38 Municipalities constituting ATOs 1 and 2.

For the first six months of 2016, the price charged to end users is that set out in Resolution No. 2 of 29 April 2014 of the ATO 1 and 2 Single Meeting, as per AEEGSI Resolution No. 252/R/idr of 29 May 2014, which approved the tariff proposals for 2014 and 2015.

The tariff calculations of the second regulatory period were determined at the second meeting at the end of June. Major changes included a tariff increase of 5.5%, recognition of the FoNI component and the introduction of the component related to commercial quality (so-called OPEXqc).

Revenues for the period, including adjustments of pass-through items, amounted to a total 29.6 million euros (Group share 11.8 million euros) including the FoNI component equal to 0.2 million euros (Group share 0.08 million euros) used entirely to provide tariff subsidies to low income families.

Note that, the appeal filed by the lawyer of the Umbria Public Water Board with the Head of State through Exceptional Review Proceedings against ATI Umbria 1 (and ATI Umbria 2 and Umbra Acque S.p.A. as nominal opponents), for the annulment, subject to suspension, of Resolution No. 6 of 28/04/2015 in which ATI1 approved adjustments for pre-2003/2011 prior-year items (the years before the AEEGSI was established, for which ATI still has competence in terms of tariffs) was challenged with the consequent request for the Operator to pay sums due to End users. In said Appeal the Umbria Public Water Board challenged both formal irregularities (such as ATI Umbria 1 not posting the definitive Resolution and its annexes on the Court Notice Board, which ATI Umbria 1 attempted to rectify by issuing ratification) and irregularities concerning the alleged invalidity of said act of approval of the adjustments in presumed violation of the principle of non-retroactivity of the tariff.

Said Appeal is a "judicial" type of remedy, an administrative encumbrance, challenged by both the respondent ATI Umbria 1 and the nominal opponent Umbra Acque by submitting a request for the transposition of the appeal to the Umbria Regional Administrative Court and the appellants, in a deed dated 22 February 2016, filed a formal appearance before the Umbria Regional Administrative Court, reserving the right to submit additional grounds, for the annulment subject to suspension, of Resolution No. 6 of 28 April 2015 and the relevant annexes with which ATI Umbria 1 approved the adjustments for pre-2003/2011 prior-year items.

The risk of an unfavourable ruling is considered remote as the ATI resolution is based on the provisions of AEEGSI Resolution No. 643/2013 (therefore legitimate and required) and the calculation of the adjustment is the consequence of what was provided for by the standardised method valid at the time and by the provisions of conventional rules and regulations (and it was therefore the company's right). It is evident that an improbable negative outcome of the dispute would result in charges that could not be covered by a tariff review, although there are probably grounds for an extraordinary review.

On 29 April the Company received notice by registered mail of another appeal filed by the Umbria Public Water Board with the Head of State through Exceptional Review Proceedings challenging the acts of approval ATI Umbria 1 adopted with Meeting Resolution No. 13 of 30 November 2015 concerning the adjustments of prior-year items that ATI Umbria 1 already passed Resolution No. 6 of 28 April 2015 on. This resolution is the subject of another dispute (Exceptional Review Proceedings transposed to the Umbria Regional Administrative Court). The same considerations made above for the previous dispute are also valid for this one.

Finally it should be emphasized that the new "Umbra Waste and Water Resources Authority" was set up, with the establishment of its bodies and the appointment of the Governing Board and the Chairman; full operation is planned shortly with approval of the Budget for 2016.

NETWORKS OPERATING SEGMENT

Operating figures
and financial results for the period

Operating figures	U.M.	30.06.16	30.06.15	Increase/ (Decrease)	% Increase/ Decrease
Electrical Energy distributed	GWh	4,945	5,087	(142)	(2.8%)
Energy produced by photovoltaic plants	GWh	0	7	(7)	(100.0%)
Energy Efficiency Bonds sold/cancelled	No.	120,961	222,556	(101,675)	(45.7%)
No. Customers	N/000	1,620	1,622	(2)	(0.1%)
Km of Network	Km	30,016	29,821	195	0.7%

Financial results (million euros)	30.06.16	30.06.15	Increase/ (Decrease)	% Increase/ Decrease
Revenue	314.4	264.5	49.8	18.8%
Costs	133.7	141.2	(7.6)	(5.4%)
Gross Operating Profit	180.7	123.3	57.4	46.6%
Operating profit/(loss)	138.0	79.9	58.1	72.7%
Average number of staff	1,314	1,343	(29.0)	(2.2%)
Capex	80.1	67.7	12.4	18.3%

Financial results (million euros)	30.06.16	31.12.15	Increase/ (Decrease)	% Increase/ Decrease	30.06.15	Increase/ (Decrease)	% Increase/ Decrease
Net debt	656.2	581.7	74.5	12.8%	621.3	34.9	5.6%

EBITDA at 30 June 2016 was 180.7 million euros, an increase of 57.4 million euros, compared to the first half of 2015.
The change in EBITDA is a direct result of the increase in *a*reti revenues following application of AEEGSI Resolution 654/2015/R/eel, which for the fifth regulatory period starting 1 January 2016, amends the remuneration mechanism of capital invested by electricity distribution companies by eliminating the so-called *regulatory lag*, providing for remuneration that replaces the 1% *WACC* provided for in the fourth regulatory period valid for the years 2012-2015.
This does not change the structure of rights and obligations compared to the previous regulatory cycle, nor does it change the accounting procedure applied to distribution revenues.
However, the introduction of important new elements in the mechanism and times for recognizing capital expenditure, made it possible to calculate the revenues with which the investments will be paid more accurately and precisely, after eliminating the so-called "*regulatory lag*". The effects of this change, after regulatory studies following action taken to clear up and explain operators' requirements and how different remuneration is calculated, were only valued starting from the first six months of 2016. This results in recognition of income in the first six months of 63.3 million euros, of which 36.3 million euros refer to the reimbursement of depreciation rates and the corresponding remuneration of capital expenditures in previous financial years, although the effects have still not materially been charged back to the tariff.
Note that the public lighting segment contribution to the Area EBITDA was negative (- 1.2 million euros), mainly due to the result of Acea Illuminazione Pubblica (- 1.0 million euros).
Staff costs showed a reduction of 2.9 million euros compared to the first six months of 2015 partly as a result of a reduction in staff; the average number of staff at 30 June 2016 was 1,314, down 29 compared to the same period last year.

Net debt at the end of the reporting period stood at 656.2 million euros, an increase of 74.5 million euros compared to the end of 2015, mainly due to *a*reti (+ 65.7 million euros). This increase is due partly to higher capital expenditures and partly to the increase in net working capital.

Segment capital expenditure stood at 80.1 million euros, an increase of 12.4 million euros. The main capital expenditures concern the works on the HV, MV and LV network as well as a series of extension works on the MV networks and extraordinary maintenance on aerial cables.

ELECTRICITY DISTRIBUTION

Energy report
As shown in the following table, at 30 June 2016 *areti* injected 5,279.3 GWh into the network with a 2.83% decrease compared to the same period of 2015.

GWh	1st half of 2016	1st half of 2015	% Increase/ (Decrease)
Source A.U.	1,301.9	1,476.5	(11.83%)
Imports	194.0	192.9	0.56%
Market subject to additional safeguards	1,495.9	1,669.4	(10.39%)
Free market	3,694.9	3,667.0	0.76%
Underlying distributors	0.9	1.0	(8.37%)
General total	**5,279.3**	**5,433.0**	**(2.83%)**

Transport service tariffs
The year 2016 is the first year of the new regulatory period, the term of which has been increased from four to eight years (2016-2023) divided into two sub-periods: the first four with method continuity, the method for the others to be subsequently implemented. The regulatory provisions are organized in three Consolidated Codes: The "AEEG Consolidated Code on electricity distribution and transmission services (TIT)", Annex A to Resolution 654/2015/R/eel, the "AEG Consolidated Code on the electricity metering service (TIME)", Annex B to Resolution 654/2015/R/eel, and the "AEEG Consolidated Code on economic terms for provision of the connection service (TIC)", Annex C to Resolution 654/2015/R/eel published on 23 December 2015. For the distribution service, the AEEGSI confirmed unbundling of the tariff applied to end customers (the so-called compulsory tariff) from the reference tariff for determination of the restriction on revenue permitted to each company (the reference tariff).
The main changes from the previous regulatory period (2012-2015) consist of:

1. Regulatory lag and return on invested capital;
2. Extension of regulatory useful life;
3. Tariff adjustment criteria: cost coverage, measurement.

With regard to the first point, the AEEGSI has changed the manner for offsetting the regulatory lag, recognizing new investments made both for Distribution and for measurement (no retroactivity).
The criterion based on the increase in the investment rate of return granted to new investments, equal to 1% (year t-2), has been replaced by recognition in the capital base (RAB) also of the investments made in year t-1, evaluated on the basis of pre-final data. This data will be used for the calculation of the reference provisional tariffs published on 12 May in Resolution No. 233/2016/R/eel and will then be replaced by actual data for the determination of the final reference tariffs published by February of the following year. The AEEGSI recognizes in year t only the return on capital for assets that came into operation in year t-1, without recognizing the related depreciation charge. Furthermore, for investments made in the period 2012-2014, the new resolution recognizes an increase in the investment rate of return of 1% - recognized as reimbursement for the time *lag* between the date on which the investments were made and the date on which they were recognized in tariff t+2 - guaranteed by a flat rate increase of net fixed assets. Through the definition of this tariff mechanism, the distributor in fact has already acquired the right to have the invested capital recognized and reimbursed when the investments were made if they were managed in accordance with regulations, without having to take further action in the future regardless of when the investment is reimbursed.
With reference to depreciation recognized in the tariff, the new regulation increases the useful life of certain regulatory assets, such as HV electric lines (increased from 40 to 45 years), MV and LV lines and "end users' connection points" (from 30 to 35 years).
The rate of return on net capital (WACC), whose calculation parameters were published in Resolution 654/2015/R/eel, is 5.6% for the distribution service on the investments made until 31 December 2015. In terms of operating costs, the new company-based tariff covers the specific costs by means of a national average cost adjustment coefficient, calculated by the AEEGSI on the basis of actual company costs and on the basis of scale variables. These costs, when calculating the company-based tariff for 2016, according to the definitions of Resolution No. 654/2015, 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.

Updating of the distribution reference tariff after the first year is 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 will be updated using the price cap mechanism (with a productivity recovery target of 1.9%);
- 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.

The AEEGSI confirms the mechanism, already introduced in the third regulatory period, for the higher remuneration of certain categories of investments made until 2015, but does not specify whether this mechanism will be confirmed in the new cycle.

As regards sale activities, the AEEGSI introduces a single reference tariff that reflects both the costs for managing the network service and marketing costs, with recognition of the specific capital costs also for investments in marketing activities.

With regard to the transmission tariff, the AEEGSI confirmed the introduction of a binomial tariff (capacity and consumption) for HV customers, and the cost tariff structure for the transmission service to Terna (CTR), also introducing a binomial price. Given the two tariffs, the equalization mechanism has been confirmed.

The general equalisation mechanisms for distribution costs and revenue for the regulatory cycle in force 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.

The Consolidated Metering Code (TIME) governs tariffs for the metering service, divided into meter installation and maintenance, taking meter readings, confirming and recording readings. The structure of the fees has been changed compared to the previous regulatory period only with regard to the fees for collection and validation of meter readings, previously broken down and now unified into a single fee.
The AEEGSI has introduced a new method for recognizing the cost of capital in relation to low voltage electronic meters, for companies that supply the service to more than 100,000 withdrawal points, based on the recognition of investments actually made by the individual firms confirming the criterion for determining the metering service tariff on the basis of the national cost for remote management systems and for electromechanical meters still in place (residual cost), maintaining the metering equalization also for the fifth regulatory period. The equalisation mechanism aims to guarantee that returns on investments in meters and electronic meter reading systems is attributed to the distribution companies that have actually made such investments, in accordance with deadlines given for the replacement of meter stock.

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 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.

The "AEEG Consolidated Code on economic terms for the provision of connection services (TIC)", Annex C to Resolution 654/2015/R/eel, governs the economic terms for the provision of connection services and specific services (transfers of network equipment requested by end users, contract transfers, disconnections, etc.) to paying end users, essentially in line with the previous regulatory period.

Energy efficiency objectives
The goal of *a*reti for the year 2016 amounts to 242,924 EEBs and as provided for by Ministerial Decree of 28 December 2012, the Company will have to cancel at least 60% of this value, i.e. 145,754 EEBs by May 2017.
In the first six months of the year, *a*reti also cancelled 60% of its obligation for 2015, equal to 120,961 EEBs, the preliminary cancellation unit value of which is 114.83 euros as per Decision DMEG/EFR/11/2016 published on 16 June 2016. The same decision also established the estimate price of reference for the obligatory year 2016 equal to 118.37 euros/EEB.

AEEGSI Supervision
In the light of **Resolution 110/2016/S/eel** published on 4 April 2016, the AEEGSI approved and made mandatory the commitments proposed by ARETI as part of the penalty proceedings initiated **by resolution 300/2013/S/eel** of 8 July 2013, concerning metering aggregation for the purpose of determining the physical and economic items of the dispatching service.
The above proposal provided for:

- assumption and discharge of the financial burden recognized by the electrical system to dispatching end users with withdrawal points in the ACEA Distribuzione area, for which the settlement of payables pertaining to the year 2011 was suspended and paid with delay due to mismatches between physical volumes measured and billed, otherwise imposed on the *uplift fee*;
- payment to dispatching end users of compensation in an amount of 1,000 euro for each monthly hourly aggregate communication referred to the year 2011 which proved to be inconsistent with the measurement data billed, evaluated upon notification of the adjustment to Terna on 20 May 2012.

As a consequence, after having quantified the amount to pay Terna (approximately 1.5 million euros) and dispatching end users (approximately 0.5 million euros), the first instalments were paid in the month of June.

With regard to AEEGSI **Resolution 62/2014/S/eel** we are still waiting for the results of the analysis while, with regard to AEEGSI **Resolution 512/2013/S/eel**, which follows VIS 60/11, after the appeal lodged with the Lombardy Regional Administrative Court by the Company, AEEGSI, by resolution 14/2016/C/eel, decided to appeal to the State Council. Please refer to the same section in the 2015 Directors' Report for further information.

PUBLIC LIGHTING

In the first six months of 2016, Acea Illuminazione Pubblica installed a total of 1,048 lighting points for Roma Capitale and third party customers.
It should be noted that, during the period the 'DEL'AMOR' project was started by publishing the calls for offers for the supply and installation of the structures; the project concerns the implementation of an energy efficiency plan for Roma Capitale public lighting, funded by the Rome Administration, based on the replacement of the current HPS (High Pressure Sodium) light fittings with LED ones.
On 17 June 2016 an agreement was signed amending the Service Agreement of 13 February 2007 and the Compliance Agreement of 15 March 2011, concerning Public and Artistic, Monumental lighting in which the parties defined the times and fees for replacing the current HPS fittings with LED fittings.

With regard to activities to restore original operating conditions, after numerous cables were stolen, over 18.5 km of new copper-clad aluminium cables were laid. This new technology, already experimented last year, which uses less copper with the aluminium means the two metals can only be separated in an industrial process.

CORPORATE

Equity and financial results for the period

Financial results (million euros)	30.06.16	30.06.15	Increase/ (Decrease)	% Increase/ Decrease
Revenue	54.7	54.6	0.1	0.1%
Costs	55.1	54.4	0.7	1.3%
Gross Operating Profit	(0.4)	0.3	(0.7)	(263.8%)
Operating profit/(loss)	(13.8)	(9.9)	(3.9)	39.6%
Average number of staff	630	654	(24.0)	(3.7%)
Capex	4.7	8.8	(4.1)	(46.6%)

Financial results (million euros)	30.06.16	31.12.15	Increase/ (Decrease)	% Increase/ Decrease	30.06.15	Increase/ (Decrease)	% Increase/ Decrease
Net debt	356.0	416.3	(60.3)	14.5%	394.1	(38.1)	9.7%

ACEA closed the first six months of 2016 with an EBITDA of 0.7 million euros that decreased by - 0.4 million euros compared to 31 December 2015, essentially due to the combined effect of **(i)** an increase in the cost of materials and overheads mainly for technical and IT consulting, mitigated by the continuing cost reduction policy **(ii)** the decrease in staff costs.

The average number of staff at 30 June 2016 was 630, slightly less than the same period in the previous year (654).

Investments amounted to 4.7 million euros, a decrease of 4.1 million euros compared to the same period in 2015 (was 8.8 million euros).

Net debt at 30 June 2016 decreased by 60.3 million euros to 356.0 million euros, compared to the end of 2015. This decrease can mainly be attributed to **(i)** the increase in subsidiary dividends (+ 110.8 million euros), **(ii)** the increase in receivables from subsidiaries for centralized treasury relations offset **(iii)** by the reduction in liquidity needs generated by changes in working capital, including the payment of trade payables and tax liabilities and for capital expenditures made during the reporting period.

ACEA S.p.A. business activities

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

Within the Group, ACEA acts as a centralised treasurer for the major subsidiaries.
Inter-company transactions, the existing cash pooling agreement of which was reviewed during the first six months of 2016, consist of:

- setting up a *revolving* type medium/long-term loan (Inter-company Credit Line), to cover working capital and investment liquidity needs. This credit line **(i)** came into effect on 1 April 2016 and is valid until 31 December 2019 and **(ii)** generates fixed rate interest, updated annually, as defined in each single cash pooling agreement;
- making its own credit lines available for bank guarantees or by directly issuing corporate guarantees (Guarantee Line). This line **(i)** comes into effect on 31 December 2019 **(ii)** sets a *credit limit* for the type of guarantee and **(iii)** generates a different fee for bank guarantees and corporate guarantees.

ACEA 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.
As regards service agreements, with effect from 1 January 2014 and for a three year period, ACEA revised the list of offered services, aligned fees to market prices, made the service agreements *compliant* for regulatory purposes and under the Organisational, Management and Control model and introduced new SLAs (*Service Level Agreements*) to improve the level of service offered, to be compared to the related KPI (*Key Performance Indicators*).
Furthermore, as part of the Acea 2.0 project, specific *addendums* were drawn up for the service agreements regulating services provided by ACEA to its main Subsidiaries. The fee is equal to the cost borne.

SIGNIFICANT EVENTS DURING THE PERIOD

ACEA S.P.A.: APPROVAL OF THE 2016 - 2020 BUSINESS PLAN

On 11 March 2016 the ACEA Board of Directors approved the Group Business Plan for the period 2016-2020. This plan confirms Company strategy is focused on regulated business, the innovation and rationalisation of internal processes, and service quality. Forecasts allow for the new electricity and water distribution regulatory framework, with the consequent optimisation of the allocation of resources in the most profitable business segments. Furthermore, there is a hypothesis for acceleration and an expansion of efficiency objectives, especially with reference to the Acea 2.0 project.
At the same meeting the Board of Directors also approved the 2015 Financial Statements and proposed the distribution of a dividend equal to 0.50 euros per share.

ACEA S.P.A.: PUBLICATION OF THE LISTS OF CANDIDATES FOR THE APPOINTMENT OF THE BOARD OF STATUTORY AUDITORS

On 6 April 2016, in relation to the Shareholders' Meeting that was held on 28 April 2016, the Lists of candidates for the appointment of the Statutory Auditors were duly registered at the Company's office.

ACEA S.P.A.: STANDARD & POOR'S RATING WITHDRAWAL ON REQUEST BY ACEA

On 27 April 2016, upon ACEA's request, Standard & Poor's withdrew all its ratings on the Company and on the outstanding bond issues, after confirming the "BBB-" rating on the long-term debt and the "A-3" rating on short-term debt, with a "Stable" outlook.
This decision stems from an in-depth analysis, which also involved leading investors and analysts and was based, inter alia, on a disagreement regarding the evaluation method used by Standard & Poor's which does not reflect the significant operational and financial improvements achieved by the ACEA Group in recent years.

ACEA S.P.A.: THE SHAREHOLDERS' MEETING APPROVED THE 2015 FINANCIAL STATEMENTS, THE DISTRIBUTION OF A DIVIDEND EQUAL TO 0.50 EURO PER SHARE, AND APPOINTED THE BOARD OF STATUTORY AUDITORS

On 28 April 2016 the Acea S.p.A. Shareholders' Meeting approved the Financial statements and presented the Consolidated financial statements at 31 December 2015. The Shareholders' Meeting also passed a resolution on the use of ACEA S.p.A.'s statutory profit from 2015 with the distribution of a total dividend of 106,482,450.00 euros, equal to 0.50 euros per share, to be paid from 22 June 2016 with a detachment date of 20 June and a *record date* of 21 June.
The Shareholders' Meeting also appointed the new Board of Statutory Auditors, defining the fees of the same. The Board of Statutory Auditors will remain in office for three years, until approval of the 2018 Financial statements. The members of the Board of Statutory Auditors were elected by votes cast on the basis of the list system, according to the procedure specified in articles 15 and 22 of the By-laws.

ACEA S.P.A.: RESIGNATION OF THE DIRECTOR DIANE D'ARRAS

On 1 June 2016 Diane d'Arras, elected Director in the list submitted by the Shareholder Suez, an Independent and non-executive director of Acea SpA and Coordinator of the Related Party Transactions Committee, resigned from her position as Director due to an increasing number of professional commitments in the Suez Group.

ACEA S.P.A.: PUBLICATION OF THE DOCUMENT PROVIDING INFORMATION ON SIGNIFICANT RELATED PARTY TRANSACTIONS

On 24 June 2016 Acea made the document providing information on the contract for the LED plan, signed by Acea SpA and Roma Capitale on 17 June 2016 available to the public at its registered office and on its corporate web site www.acea.it.

ACEA S.P.A.: CO-OPTATION OF A NEW DIRECTOR

On 28 June 2016, to replace the outgoing Director Diane d'Arras elected on the list of the Minority shareholder Suez Italia SpA and on the basis of a proposal made by the same Shareholder, the Acea Board of Directors co-opted Angel Simon Grimaldos as a Non-executive director, in accordance with art. 2386 of the Italian Civil Code and art. 15 of the By-laws.

SIGNIFICANT EVENTS AFTER THE END OF THE REPORTING PERIOD

As provided for by EEC and national (Italian) legislation and sector Authority regulations, ACEA Distribuzione changed its name to *a*reti on 1 July 2016.
*a*reti was established in compliance with the obligations to separate the identity, company names and communications policies provided for, respectively by paragraph 23.3 and paragraph 38.2 of Italian Legislative decree 93/11.

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 AND LEGISLATIVE 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.

The Integrated Water Service territorial and *governance* regulations continue to be affected by specific amendments; mainly with reference to the reorganisation of local public service regulations of economic relevance (MADIA Reform) and the environment with the so-called Green Economy Annex. Further developments are expected as a result of the much criticized ex Daga government bill (S 2343), when the complex approval procedure has been concluded.

Law No. 68 of 22 May 2015 (published in Official Journal 28 No. 122 on May 2015) approved new regulations on environmental crimes.
In particular, Law 68/2015 introduces the new Title VI-*bis* -"Crimes against the environment" into the Italian Criminal Code amending art. 257 and 260 of Legislative Decree No. 152/2006.
These new crimes add to the list of unlawful acts for which Authorities can be held responsible in accordance with Legislative Decree No. 231/2001, requiring an update of organisational models.

OPERATING AND ENVIRONMENTAL RISKS

ACEA Ato2 – critical situations concerning irregular discharges

The Operating Agreements signed, officially ratified the obligation to transfer the integrated water services of Municipalities to ATO2 (except for protected services) in accordance with the law. In realty the times and procedures for the implementation of said transfer were not observed both due to the unwillingness of some Municipal Authorities to transfer the Service, and as it was impossible for the Operator, in particular from 2008, to take over the management of water, sewerage and waste water treatment plants that did not comply with the provisions of the laws in force to avoid exposing both the Operator and its Executives to the consequent criminal charges applied by the magistracy.
The most critical situations in fact are discharges that are still not treated and/or existing waste treatment plants that must be requalified and/or upgraded to meet the new emissions limits set by the Supervisory and Control Authorities as a result of a different evaluation of the hydrologic structure of receiving water courses or even, the nature of the receiving system (soil instead of water) as some waste water treatment plants discharged onto soil as the water course was dry when inspected.
The situation represents a real environmental emergency requiring administrative action. In fact, in 2008 the Regional Authority signed a "*Memorandum of understanding for the implementation of extraordinary reclamation of river, lake and sea resources to solve the discharge emergency in ATO2 – Central Lazio – Rome*" to allocate specific funds for the implementation of some plans of action to deal with the emergency.
Today, thanks to a noteworthy technical development and economic commitment, 161 discharges have been collected for water treatment. There are still 85 active discharges of which 53 included in the ACEA Ato2 action plan and 32 that the Municipal or Regional Authorities should eliminate using public funds.
At the beginning of 2016, in consideration of Resolution 644/15, the Plan of Action for the period 2016-2019 was updated with guidelines up to the end of the concession (2032). This Plan is part of the documentation on which the tariff request is based, which in accordance with art. 7.5 of Resolution 664/15 was sent to the AEEGSI for approval.

In the first years, from 2003 on, investments were made which in the Integrated Water Service implementation phase highlighted the lack of knowledge of the plants being acquired from the Municipal Authorities and the need to draw up a plan aimed at solving the most critical problems, especially in the hygienic-sanitary sector. The consequent times required for the planning and to obtain authorisation to set up construction sites for the works delayed investments in the territory. In the following years, thanks to the investments made it was possible to make up the gap left by previous years, also by allocating higher investments than those that were planned in the previous 2014-2017 Plan.
The results were reached also thanks to the extensive renewal of the organizational system, processes and technological systems used from 2013-2014; this renewal has resulted in an improvement in the Company's operational performance, optimizing the organisational structure, processes and discovering opportunities for synergies and innovation to support our strategic goals.

Thanks to this renewal and the planning done in previous years, we were able to increase investments in new major works. There are still some difficulties associated with the authorisation phase of projects and these remain critical especially as far as the declaration of public utility by the municipal authorities and Roma Capitale in particular is concerned, and the consequent property purchasing processes to buy up the land required for the works.
Note that a specific Extraordinary Commissioner was recently appointed by Decree of the President of the Council of Ministers of 9 November 2015, to solve the critical situation caused by Roma Capitale failing to declare the public utility of some strategic projects to deal with the environmental emergency in the Municipality with particular reference to important action to be taken to upgrade untreated discharges such as: completion of the work on the Ponte Ladrone trunk line, the Crescenza III trunk line, the Magliana-Maglianella VI trunk line, the Acqua Traversa trunk line, the Rebibbia trunk line, and the Via Veientana trunk line.
The 2016-2019 Plan, as well as continuing the commitment to deal with the environmental emergencies that characterised the first concession period, also provides for an increase in the volumes of investments in the field of extensions and the reclamation of waterworks and sewers, an increase in scheduled maintenance and no longer work done to repair damage and, in the waste treatment field, bringing plants subject to the application of more and more restrictive authorization procedures into line and implementing the plant rationalization plan, aimed at increasing plant management efficiency.
This Plan, as well as the interventions required to eliminate the above-mentioned 53 discharges that are still active, also includes interventions for the complete hygienic-sanitary reclamation of the ATO2 territory such as the upgrading or development of obsolete water treatment plants, discharging onto "soil" or into "non-perennial" tanks, according to the interpretation/evaluation of the authority responsible for granting authorization or proven change in the hydraulic regime of receiving water courses.

ACEA Ato2 – critical elements of the drinking water system

Two critical elements emerged following the acquisition of the Integrated Water Service:

- quality of the water flowing out of the source;
- water shortage mainly in the South of Rome.

As for the first point, the quali-quantitative crisis caused by the presence in the territory of water sources that do not comply with the chemical parameters such as those for arsenic and fluorine, which are naturally found in underground water sources of volcanic origin, with the consequent critical situation in terms of the quantity and quality of the water supplied (Municipalities in the district of Castelli Romani and in general those in the volcanic areas of the ATO with over 170,000 inhabitant in fourteen Municipalities), resulted in the Company having to draw up restoration plans to put into action to meet the parameters of Legislative Decree No. 31/2001 as implemented in subsequent investment plans of the Area Plan.
For this purpose the following main interventions were planned and put into action:

- replacement of the local qualitatively critical sources with sources characterised by better qualitative properties;
- mixing water sources free of undesired elements;
- construction of drinking water plants using reverse osmosis filtration technology.

The above activities were concluded with the "Madrid" water purifier going into service in the Municipality of Trevignano.
Today, as the above activities have been concluded it is therefore necessary to complete the planned interventions, to guarantee the quality of the water supplied in the above-mentioned territories also in unfavourable conditions (drought, systems out of service) and increase the reliability of drinking water plants. The efforts of the Company will be focused on creating new plants to increase the available water supply, especially for summer, in the Municipalities of Oriolo Romano, Sant'Oreste, Allumiere (second line), Fiano Romano and Vejano.
As for the second critical element, in other words the water shortage mainly affecting the Colli Albani area, which is supplied by the Simbrivio aqueduct, the Doganella aqueduct and over 140 local wells, over the years various interventions have attempted to solve this critical situation, such as taking a branch off the Pertuso spring, putting new plants, the Arcinazzo tank and the Ceraso "booster" plant into service.
Furthermore, of the interventions that aim to deal with the water shortage emergency in the best possible way, in particular in some municipalities to the south of Rome, in summer when consumption increases, particular attention is paid to the management of water resources. For example, in the Municipality of Velletri, to contain the critical situation, water was rationed in shifts with information of availability also provided on company web sites, and ACEA Ato2 used tankers to supply water to the inhabitants. There were similar problems in the Municipality of Olevano, which were however solved.

Energy Segment

With regard to the ***Energy Segment***, the main operational risks linked to the activities of the energy segment companies (Acea Energia and Acea Produzione) can be considered 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 taken out a series of insurance policies with leading insurance companies from the start of their operations, to cover *Property Damage*, *Business Interruption* and *Third Part Liability*. 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 the quality, reliability and duration of works;
- 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.

The **risk relating to the effectiveness of investments** basically stems from the increasingly stringent AEEGSI service continuity regulations. To deal with this risk, ARETI has

strengthened the tools for analysing network performance in order to make increasingly better use of capital expenditure (e.g. ORBT project) and applied new technologies (automation of medium voltage network, smart grids, etc.).
As **far as the risk linked to work quality is concerned**, ARETI 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 can also be used to identify and apply 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 1,240 inspections conducted. In 2015, 77 work sites were suspended, out of a total 1,369 inspections conducted.
During the year, the good level in the reputation indicator was confirmed for companies that worked for ARETI.
The **risk relating to the ability to meet deadlines** arises from the number of entities that have to be addressed in the authorisation procedures and from the considerable uncertainty linked to the response times of these entities; the risk lies in the possibility of refusals 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 with 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 the 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). Note 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, the 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 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 the 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 exposure to within the defined limits, the Group enters into contracts drawn up on the basis of the typologies 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 the risk of variations in the price of electrical energy and natural gas, 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 Segment.
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 daily). The execution of those activities is distributed between the *Risk Control* Unit and the *Risk Owners*.
Specifically:

- on an annual basis, risk indicator measurements, i.e. limits in force, must be re-examined, and these must be observed in risk management. These activities are the responsibility of the Chief Financial Officer with the help of *Risk Control*;
- on a daily 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;
- The relevant reports are sent to the Top Management on a daily and monthly basis. 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 Segment are defined in such a way as to:

- minimise the overall risk of the entire segment;
- guarantee the necessary operating flexibility in *the provisioning of commodities* and *hedging* activities;
- reduce the possibility of *over-hedging* deriving from the variation in expected volumes for the definition of hedges.

Market risk can be described as the "Price Risk", i.e. the risk related to the variation in *commodity* prices, and the "Volume Risk", i.e.:

- for Acea Energia this is the risk connected with the variation in the volumes effectively sold compared to

estimated volumes in sales contracts with end users (sales profiles);
- for ACEA Produzione this is the risk related to the variation in the volumes produced and volumes sold.

Risk analysis and management objectives are as follows:
- to protect the primary margin against unforeseen and unfavourable 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 Segment;
- to reduce risks through the preparation and application of adequate internal controls, procedures, information systems and expertise;
- delegate the job of defining the necessary strategies for hedging individual risks to *Risk Owners*, 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 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/metrics (Volumetric exposure, VAR, PAR, *price range*);
- checking compliance with risk limits in force.

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 in the medium/long term.
ACEA has, up to now, opted to minimise interest rate risk by choosing a mixed *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

The Group *policy* for managing liquidity risk, for both ACEA and its subsidiaries, involves the adoption of a financial structure which, coherent with *business* objectives and within the limits defined by the Board of Directors, guarantees a suitable liquidity level that can meet financial requirements, while maintaining an appropriate balance between maturity and composition of debt.
The liquidity risk management process, using financial instruments for planning suitable expenditure and income for optimal treasury management and to monitor the group debt trend, adopts a centralised treasury management system, which provides financial assistance to the subsidiaries and associates not covered by a centralised finance contract.

CREDIT RISK

ACEA drew up the guidelines of the *credit policy* which established different credit management strategies. Through flexibility criteria and on the strength of the activities managed, as well as 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 includes also the full review of the credit management process both in terms of the application map and the standardisation of activities for all Group companies, with the definition of a new *credit policy*, fully integrated into the systems.
From an organisation point of view, centralised management was further consolidated by setting up ad hoc Parent Company organizational units, responsible for credit policies and debt collecting with customers who are no longer supplied or with significant exposures. The structures of each single company responsible for managing credit refer to ACEA's Credit dept., which guarantees *end to end* supervision of the entire process.
As in previous years, in 2016 the Group assigned revolving and spot credit without recourse, to private customers and Public Administrations. These transactions led to the de-recognition of all the sold assets from the financial statements as all the associated 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 amongst other things on the Group's credit rating.
A reduction in the credit rating by rating agencies could represent a limiting factor for access to the capital market and increase collecting costs with the consequent negative effects on the equity, economic and financial standing of the Group.
ACEA's current rating is shown in the following table.

Company	M/L Term	Short Term	Outlook	Date
Fitch	BBB+	Na	Stable	26.06.15
Moody's	Baa2	Na	Stable	24.06.15

Note that, on 27 April 2016, upon ACEA's request, Standard & Poor's withdrew all its ratings on the Company and on the outstanding bond issues, after confirming the "BBB-" rating on the long-term debt and the "A-3" rating on short-term debt, with a "Stable" outlook. This decision stems from an in-depth analysis, which was based, inter alia, on a disagreement regarding the evaluation method used by Standard & Poor's which does not reflect the significant operational and financial improvements achieved by the ACEA Group in recent years.

OPERATING (AND FINANCIAL) OUTLOOK

The results achieved by the ACEA Group at 30 June 2016 are higher than expected and, therefore, confirm *guidance*, in terms of EBITDA for 2016, in the high *range* already reported to the market.

In the following months the ACEA Group will continue its efforts to rationalise and increase the efficiency of both corporate processes and operational processes in all business segments. These goals will be pursued also through the extensive development of IT systems so that by 2016 the Company can manage networks and provide services in a truly innovative way.
The technological development and the change in customers' habits and expectations have created the need for a deep-rooted change in ACEA which is not just technological, but also in organisational and cultural terms. The name of this change is Acea2.0.
The digitalisation of processes started in 2015 is a real *business transformation* which involves the reorganisation of business with a major focus on the people who are requalified and totally dedicated to the process of change.
Acea2.0 represents a revolution in the way we work, turning the Company into a *mobile office* with *customer-oriented* processes.
The introduction of *Workforce Management* will increase productivity, reduce losses, with increasing attention being paid to environmental sustainability and safety at work; in addition it will improve the quality of *operations* and of the service we offer our customers, through streamlined, faster processes, that cut across the various structures involved.

To meet the challenges of the modern world we will be making major investments in digital technologies to redesign our approach to customer relations, with the ultimate goal of providing high value added services, through channels that ensure simpler interaction and self-service modes of operation.
This project is proof of the Company's will to make major investments which, without affecting the solidity of the Group's financial structure, have an immediate positive impact on performance, on EBITDA and on both billing and collecting.
With this process of change and modernisation ACEA will create a Group where competitiveness and the central role played by the customer, become a focus for growth.

Furthermore, we will continue to focus more and more on implementing all the necessary measures aimed at constantly improving the billing and sales process to help contain working capital and Group debt.

The ACEA Group's financial structure is solid for years to come, as, at 30 June 2016, the entire debt is characterised by long-term maturities with an average lifespan of about 6.4 years. 71.6% of debt is fixed rate in order to ensure protection against any increases in interest rates as well as any financial or credit volatility.

2.

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CONSOLIDATED FINANCIAL STATEMENTS

FORM AND STRUCTURE

GENERAL INFORMATION

The Half-Year Condensed Consolidated Financial Statements at 30 June 2016 of the ACEA S.p.A. Group were approved by Board of Directors' resolution on 28 July 2016. The Parent Company, ACEA SpA is an Italian joint-stock company, with its registered office in Rome, at Piazzale Ostiense 2 and whose shares are traded on the Milan Stock Exchange.
The ACEA Group's principal operating segments are described in the Report on Operations.

COMPLIANCE WITH IAS/IFRS

These Half-Year Condensed Consolidated Financial Statements have been prepared in compliance with international accounting standards in force on the reporting date, approved by the *International Accounting Standards Board* (IASB) and adopted by the European Union. The standards consist of the *International Financial Reporting Standards* (IFRS), the *International Accounting Standards* (IAS) and the interpretations of the *International Financial Reporting Interpretations Committee* (IFRIC) and the *Standard Interpretations Committee* (SIC), collectively referred to as the "IFRS". In preparing these interim financial statements, in compliance with IAS 34 on interim financial reporting, the same standards were adopted as for preparation of the Consolidated Financial Statements as at 31 December 2015, to which reference should be made for a more complete understanding of these statements. These Interim Condensed Consolidated Financial Statements were drawn up in the format envisaged by IAS 34.

BASIS OF PRESENTATION

The half-year condensed 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 shareholders' equity. The Report also includes notes prepared under the IAS/IFRS currently in effect.
The Income Statement is classified on the basis of the nature of expenses, the Statement Of Financial Position is based on the liquidity method by dividing between current and non-current items, whilst the Statement Of Cash Flows is presented using the indirect method.

The Interim Condensed 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 Interim Condensed Consolidated Financial Statements are comparable with the figures for the comparison period.

ALTERNATIVE PERFORMANCE INDICATORS

On 5 October 2015, *ESMA (European Securities and Markets Authority)* published its guidelines (ESMA/2015/1415) on criteria for the presentation of alternative performance indicators which replace, as of 3 July 2016, CESR/05-178b recommendations. 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 operating *performance* indicator and from 1 January 2014 also includes the condensed result of equity investments in jointly controlled entities for which the consolidation method changed when international accounting standards for financial reporting IFRS10 and IFRS11 came into force. The *gross operating profit* is calculated by adding the item "Amortisation, depreciation, provisions and impairment charges" to the Operating profit;
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 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, less "Current liabilities" and "Non-current liabilities", excluding items taken into account when calculating the *net financial position.*

USE OF ESTIMATES

In application of IFRS, preparation of the half-year condensed 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 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 the annual financial statements, unless there are signs of impairment that call for immediate impairment testing.

In the first half of 2016, in light of the regulatory changes that have affected the remuneration of service concession arrangements for electric power distribution, additional elements were provided which enabled the distributors to improve the measurement of revenues from electricity transport, facilitating their correlation with the corresponding costs; this was not previously possible due to the delay in confirming the right to recognition of the remuneration.

EFFECTS OF THE SEASONALITY OF TRANSACTIONS

For the type of business in which it operates, the ACEA Group is not subject to significant seasonality. Some specific operating segments, however, can be affected by uneven trends that span an entire year.

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. a 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

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

CONSOLIDATION PROCEDURES

General procedure

The financial statements of the Group's subsidiaries, associates and *joint ventures* are prepared for the same accounting period and using the same accounting standards as those adopted by the Parent Company. Consolidation adjustments are made to align any dissimilar accounting policies applied.
All Intragroup balances and transactions, including any unrealised profits on Intragroup transactions, are eliminated in full. Unrealised losses are eliminated unless costs cannot be subsequently recovered.
The carrying amount of investments in subsidiaries is eliminated against the corresponding share of the shareholders' equity of each subsidiary, including any adjustments to reflect *fair values* at the acquisition date. Any positive difference is treated as "goodwill", while any negative difference is recognized through profit or loss 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 IFRS5 and accounted for at fair value net of costs to sell.
If the business combination is achieved in stages, the fair value of the investment previously held has to be remeasured and any resulting gain or loss is recognized in profit or loss.
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 IFRS5.

Consolidation of foreign operations

All the assets and liabilities of foreign operations denominated in a currency other than the euro are translated using the exchange rates at the end of the reporting period. Revenue and costs are translated using average exchange rates for the period. Any translation differences are recognised in a separate component of Shareholders' equity until the investment is sold.

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 ACEA Group's consolidated financial statements include the financial statements of the Parent Company, ACEA, and the financial statements of the Italian and foreign subsidiaries, for which, in accordance with the provisions of IFRS10, there is exposure to the variability of returns and of which a majority of voting rights in the ordinary meetings is held, either directly or indirectly, and consequently the ability to influence the investee returns by exerting management power. Entities that the Parent Company jointly controls with other parties are accounted for using the equity method.

A) Changes in basis of consolidation

The scope of consolidation at 30 June 2016 has not changed compared to the consolidated annual accounts of the previous year.
During the first six months of the year the merger of Voghera Energia Vendite in liquidation into Acea Energia came into effect.

B) Unconsolidated investments

Tirana Acque S.c.a.r.l. in liquidation, 40% owned by ACEA, is recognized at cost. The subsidiary is excluded from the scope of consolidation as it is not operational and its relevance in qualitative and quantitative terms is not significant.

ACCOUNTING STANDARDS AND MEASUREMENT CRITERIA

The accounting standards and the recognition and measurement criteria adopted in the presentation of the Half-Year Condensed Consolidated Financial Statements are those used in preparation of the Consolidated Financial Statements for the year 2015, to which reference should be made for a description of those most important.

ACCOUNTING STANDARDS, AMENDMENTS, INTERPRETATIONS AND IMPROVEMENTS APPLIED AS OF 1 JANUARY 2016

The following documents have already been issued by the IASB and endorsed by the European Union as amendments to international accounting standards in force from 1 January 2016:

IFRS 11: Joint Arrangements

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*. If the *joint operation* is not a business, the acquisition must be recognized as separate acquisition of assets and liabilities without recognition of goodwill, deferred tax assets and by capitalizing any incidental expenses incurred.

IAS 16: Property, plant and equipment; IAS 38: Intangible assets

On 13 May 2014 the IASB published the amendments to the two standards to explain that the depreciation and amortization methods 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.

IAS 27: Separate Financial statements

By this amendment, the IASB introduced the ability to recognize investments in subsidiaries, associates or *joint ventures* in the separate financial statements using the equity method. This option, which was not permitted before, is in addition to the other two options that have been retained:

- cost method; or
- at *fair value* in accordance with IAS 39 or IFRS 9.

The option of using the equity method for all or some categories of investments will have to be applied retrospectively in the separate financial statements.

IAS 10: Consolidated Financial Statements; IAS 28: Investments in associates and joint ventures

On 11 September 2014 the IASB published these amendments in order to clarify the accounting treatment, both in the event of loss of control of a subsidiary (regulated by IFRS 10) and in the event of downstream transactions regulated by IAS 28, depending on whether the assets covered by the transaction constitute a business as defined by IFRS 3.
If the assets covered by the transaction constitute a business, the gain has to be recognized in full in both cases (i.e. loss of control and *downstream transactions),* otherwise, in both cases, the gain has to be recognized only for the portion relating to non-controlling interests.

Improvements to International Financial Reporting Standards (2012-2014 cycle)

On 25 September 2014 the IASB published the document "*Annual Improvements to IFRSs: 2012-2014 Cycle*".

The document introduces amendments to the following standards:

- **IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations***: this amendment introduces a specific guidance on IFRS 5 in case an entity reclassifies an asset (or a disposal group) from the held-for-sale category to the held-for-distribution category (or vice versa), or when the requirements for classification of an asset as held-for-distribution are no longer satisfied. The amendments establish that: (i) such reclassification should not be considered as a change to a marketing plan or to a distribution plan and that the same classification and evaluation criteria continue to be valid, (ii) the assets that no longer meet the criteria for the *held-for-distribution classification* should be treated the same way as an asset that ceases to be classified as *held for sale*.
- **IFRS 7 *Financial Instruments: Disclosures***
  Servicing contracts - The document regulates the introduction of additional guidance to clarify whether a *servicing contract* constitutes continuing involvement in a transferred asset for the purpose of disclosures on transferred assets.
  Paragraph 42C(c) of IFRS 7 states that an agreement under which an entity retains the contractual rights to receive the cash flows of a financial asset but assumes a contractual obligation to pay the cash flows to one or more entity does not in itself constitute continuing involvement for the purpose of applying transfer disclosure requirements. However, in practice, most of the contracts have additional aspects that lead to residual involvement in the asset: for example, when the amount and/or the term of the *servicing fee* are linked to the amount and/or term of the net collected cash flows. The proposed amendments, which will be applicable prospectively, should therefore add guidance on this aspect.
  Applicability of the amendments to IFRS 7 on offsetting disclosure to condensed interim financial statements - The document clarifies doubts regarding disclosures about offsetting financial assets and financial liabilities (effective for accounting periods beginning on or after 1 January 2013) in the interim financial statements and, where disclosure is required, whether the obligation applies to all interim financial statements after 1 January 2013 or to the interim report of the first year of application only. The document clarifies that the disclosure about offsetting financial assets and liabilities is not explicitly required for all interim financial state-

ments. However, such disclosures may be necessary to fulfil the requirements of IAS 34, if the information is material.

- **IAS 19 *Employee Benefits – Discount rate: regional market issue***
  This document introduces amendments to IAS 19 to clarify that the *high quality corporate bonds* used to determine the discount rate of *Staff termination benefits* should be issued in the same currency used for the payment of *benefits*. The proposed amendments clarify that the scope of the *high quality corporate bond* market to consider is the same as that of the currency.
- **IAS 34 *Interim Financial Reporting – Disclosure of information "elsewhere in the interim report":*** the document proposes amendments to clarify the requirements when the information required is presented in the interim financial report but not in the interim financial statements. The amendment clarifies that said information is to be included through a *cross-reference* from the *interim financial statements* and other parts of the interim *financial report* and that said document has to be made available to people reading the financial statements in the same way and at the same time as for the *interim financial statement*.

Amendments to IAS 1 Disclosure Initiative

The amendments to IAS 1 clarify some existing requirements in this standard, such as:

- the materiality requirement of IAS 1;
- the fact that specific line items in the statements of profit or loss and other comprehensive income or in the statement of the net financial position can be disaggregated;
- the fact that entities have flexibility with respect to the order in which they present the notes to the financial statements;
- the fact that the share of other comprehensive income relating to associates and *joint ventures* accounted for using the equity method should be presented as an aggregate in a single line and recognized in the items that will not subsequently be reclassified to profit or loss;
- a summary of significant accounting standards applied, including:
  - the measurement basis (or bases) used in preparing the financial statements;
  - the other accounting standards applied that are relevant for understanding the financial statements.

In addition, the amendments clarify the applicable requirements when presenting sub-totals in the statements of profit or loss and other comprehensive income or in the statement of the net financial position.

Changes to IFRS10, IFRS12 and IAS28 Investment Entities: Applying the consolidation Exception

The amendments to IFRS 10 clarify that the exemption from presenting consolidated financial statements applies to the parent company which is the subsidiary of an investment entity, when the investment entity measures all its subsidiaries at *fair value.*
In addition, the amendments clarify that only a subsidiary of an investment entity that is not itself an investment entity and that provides support services to the investment entity is consolidated. All other subsidiaries of an investment entities are measured at *fair value.* The amendments to IAS 28 Investments in associates and *joint ventures* allow the investor that uses the equity method to maintain the *fair value* measurement applied by the associate or joint venture of an investment entity in the valuation of their investments in subsidiaries.

Amendments to IAS 19 defined Contribution Plan: Employee contributions

IAS 19 requires an entity to consider employee or third party contributions in accounting for defined benefit plans. When contributions are related to the service provided, they should be attributed to the periods of service as a negative benefit. This amendment clarifies that, if the amount of the contributions is independent of the number of years of service, the entity is allowed to recognize these contributions as a reduction of the service cost in the period in which the service is provided, rather than allocating the contribution to the period of service.

ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS NOT YET APPROVED AND NOT EARLY ADOPTED BY THE GROUP

The effects of application of these standards cannot be assessed to date. The Group started its analysis of the potential effects arising from application of said standards.

IFRS 9 Financial Instruments

On 25 July 2014 the IASB published IFRS 9 Financial Instruments which addresses the classification and measurement of financial instruments, the impairment model and hedge accounting.
IFRS 9 replaces the accounting rules laid down by IAS 39 with regard to the recognition and measurement of financial instruments, including hedging transactions.
The standard envisages the following three categories for the classification of financial assets:

- financial assets measured at amortized cost;
- financial assets at fair value through profit or loss ("FVTPL" *)*;
- financial assets at *fair value* through other comprehensive income ("FVOCI" *)*.

With reference to this classification, the following additional provisions should be noted:

- "non-trading equity instruments", which should be classified as FVTPL, can be classified in the FVOCI category on the basis of an irrevocable decision of the reporting entity. In this case, the changes in *fair value* (including foreign exchange differences) are recognized in OCI and will never be reclassified in Profit/(loss) for the year;
- if the financial assets classified in the *"amortized cost"* or "FVOCI" category give rise to an *"accounting mismatch",* the reporting entity can irrevocably decide to use the *"fair value option"* by classifying these financial assets in the "FVTPL" category;
- with reference to *"debt instruments"* classified as FVOCI, it is noted that interest income, *expected credit losses* and foreign exchange differences will have to be recognized in profit/(loss) for the year. Conversely, the other effects arising from measurement at *fair value,* will be recognized in OCI and which will be reclassified in profit/(loss) for the year only if the financial asset is derecognized.

With regard to financial liabilities the standard proposes the classification already provided in IAS 39 but introduces an important innovation for financial liabilities classified as

"FVTPL", as the portion of the change in *fair value* attributable to own credit risk will have to be recognized in OCI rather than in Profit/(loss) for the year as currently required by IAS 39. Thus, under IFRS 9, when an entity experiences a worsening in its credit risk, despite having to reduce the value of its liabilities at fair value, it will not reflect the effect of this reduction in the profit/(loss) for the year but in OCI.
IFRS 9 introduces a new impairment model based on expected losses. The entity shall, immediately and regardless of whether a "trigger event" has occurred, recognize the expected future losses on financial assets, and must continually adjust the estimate, taking also into account the changes in the counterparty's credit risk, on the basis not only of past and current circumstances and data, but also paying due attention to future forecasts. The estimate of future losses should initially be made by reference to the expected losses over the next 12 months, and subsequently, with reference to the total losses over the life of the asset.
Expected losses over the next 12 months are the portion of the losses that would be incurred upon occurrence of a counterparty's event of default, within 12 months from the reporting date, and are calculated as the product of the maximum loss and the probability that an event of default occurs.
The total losses over the life of the financial asset are the present value of the average future losses multiplied by the probability that an event of default occurs in the life of the financial asset.
IFRS 9 introduces a *hedge accounting* model designed to represent in the financial statements the effect of an entity's risk management activities, focusing on the circumstance that if a risk item can be identified and measured, regardless of the type of risk and/or item, hedge accounting can be applied to the instrument used to hedge such risk, the only limitation being that the risk may affect the income statement or the statement of other comprehensive income (OCI).
In addition, the standard enables entities to use information produced internally as a basis for *hedge accounting*, without having to prove that they meet complex criteria and metrics designed solely for accounting purposes. The main changes concern:

- effectiveness test: the 80-125% threshold is abolished and replaced by an objective test that verifies the economic relationship between the hedged item and the hedging instrument (e.g. if there is a loss on the former there must be a profit on the latter);
- Covered items: not only financial assets and liabilities but any item or group of items as long as the risk is separately identifiable and measurable;
- cost of the hedge: the *time value* of an option, the *forward* points, the *spread* on a currency can be excluded from *hedge accounting* and recognized immediately as cost of the hedge; accordingly, all *mark to market* fluctuations can then be temporarily recognized in other comprehensive income (OCI);
- disclosure: a broader description of the risks hedged and the instruments used is provided, replacing the current disclosure based on the distinction between *cash flow hedges* and *fair value hedges*; these are accounting terminologies that often confuse investors, who are clearly more interested in risks and how they are hedged than in the accounting categories of these instruments.

The new standard is applicable as of 1 January 2018. Earlier application is permitted provided that the IASB document has already been endorsed by the European Union.

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:

- 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 that stakeholders can clearly understand the content and important elements to determine revenues.
The standard applies from 1 January 2018, though earlier application is permitted.

During the month of April 2016, the IASB issued certain clarifications which essentially consist of:

- identifying a performance obligation (the promise to transfer a good or a service to a customer) in a contract;
- determining whether a company is the customer (supplier of a good or service) or an agent (responsible for the organization of the good or service to be provided); and
- determining whether the revenue deriving from the asset under concession has to be recognized at a given time or over the lifetime of the concession.

In addition to the clarifications, the amendments include two additional observations in order to reduce the costs and complexity for an entity upon first application of the new standard.
Also the clarifications shall first apply from 1 January 2018, though earlier application is permitted.

IFRS 16 *Leases*
Issued in January 2016, this standard replaces the previous standard on leases, IAS 17 and the related interpretations, identifies the criteria for the recognition, measurement, presentation and disclosures to be provided with reference to lease agreements for both the lessor and the lessee. IFRS 16 marks the end of the distinction in terms of classification and accounting treatment of operating leases (with off-balance sheet disclosures) and finance leases (recognized in the financial statements). The right to use the leased asset (*"Right of Use"*) and the commitment made will result from financial data in the financial statements (IFRS 16 will ap-

ply to all transactions involving a right of use, regardless of the contractual form, i.e. lease, rental or hire purchase). The main novelty is the introduction of the concept of control within the definition. More specifically, to determine whether a contract is a lease, IFRS 16 requires a lessee to verify whether it has the right to control the use of a given asset for a specified period of time. There will be no accounting symmetry with the lessor, which will continue to apply a separate accounting treatment depending on whether the contract is an operating lease or a finance lease (on the basis of current guidelines). On the basis of this new model, the lessee shall recognize:

a) in the balance sheet, the assets and liabilities for all leases that have a term exceeding 12 months, unless the underlying asset has a modest value; and

b) in profit or loss, depreciation of the leased assets separately from interest on the related liabilities.

As regard the lessor, the new standard should have a lower impact on the financial statements (except for financial intermediaries) as the current accounting treatment will not change, except for a more comprehensive financial reporting in quantitative and qualitative terms. The standard shall apply as of 1 January 2019, but early application is permitted provided that IFRS 15 - Revenue from contracts with customers is also adopted.

Amendments to IAS 12 - Recognition of deferred tax assets for unrealised losses",

Issued in January 2016, the amendments provide clarification on the recognition of deferred tax assets related to debt instruments measured at *fair value.* The amendments clarify the requirements for the recognition of deferred tax assets in relation to unrealized losses, in order to eliminate the differences in accounting practice. The amendments will take effect, subject to prior endorsement, for annual periods beginning on or after 1 January 2017. Earlier application is permitted.

HALF-YEAR CONSOLIDATED INCOME STATEMENT

Notes Ref.		30.06.16	Of which related party transactions	30.06.15	Of which related party transactions	Increase/ (Decrease)
1	Revenue from sales and services	1,356,886		1,406,115		(49,229)
2	Other revenue and proceeds	29,817		35,028		(5,211)
	Consolidated net revenue	**1,386,703**	**50,479**	**1,441,143**	**78,278**	**(54,440)**
3	Staff costs	109,124		117,054		(7,930)
4	Costs of materials and overheads	848,743		983,722		(134,978)
	Costi Operativi Consolidati	**957.867**	**20.743**	**1.100.776**	**16.747**	**(142.908)**
5	**Net income/(costs) from commodity risk management**	**0**		**0**		**0**
6	**Income/(Costs) from equity investments of a non-financial nature**	**14,906**		**12,901**		**2,004**
	Gross Operating Profit	**443,742**	**29,736**	**353,269**	**61,531**	**90,473**
7	Amortisation, depreciation, provisions and impairment charges	169,679		150,597		19,082
	Operating profit/(loss)	**274,062**	**29,736**	**202,672**	**61,531**	**71,390**
8	Financial income	7,519	688	11,365	97	(3,846)
9	Financial costs	(49,814)	3	(56,608)	0	6,794
10	Income/(Costs) from equity investments	571		(604)		1,175
	Profit/(loss) before tax	**232,338**	**30,428**	**156,825**	**61,629**	**75,513**
11	Taxation	78,086		53,201		24,886
	Net profit/(loss)	**154,252**	**30,428**	**103,624**	**61,629**	**50,627**
	Net profit/(loss) from discontinued operations					
	Net profit/(loss)	**154,252**	**30,428**	**103,624**	**61,629**	**50,627**
	Profit/(loss) attributable to non-controlling interests	4,713		4,295		417
	Net profit/(loss) attributable to the Group	**149,539**		**99,329**		**50,210**
12	Earnings (loss) per share attributable to Parent Company's shareholders					
	Basic	0.70218		0.46641		0.23577
	Diluted	0.70218		0.46641		0.23577
	Earnings (loss) per share attributable to Parent Company's shareholders, net of Treasury Shares					
	Basic	0.70355		0.46733		0.23623
	Diluted	0.70355		0.46733		0.23623

Amounts in € thousand

QUARTERLY CONSOLIDATED INCOME STATEMENT

	2nd quarter 2016	2nd quarter 2015	Increase/ (Decrease)	% Increase/ (Decrease)
Revenue from sales and services	652,771	661,149	(8,378)	(1.3%)
Other revenue and proceeds	20,257	18,413	1,844	10.0%
Consolidated net revenue	**673,028**	**679,562**	**(6,533)**	**(1.0%)**
Staff costs	53,212	58,225	(5,013)	(8.6%)
Costs of materials and overheads	391,265	452,678	(61,414)	(13.6%)
Consolidated Operating Costs	**444,477**	**510,903**	**(66,427)**	**(13.0%)**
Net income/(costs) from commodity risk management	**0**	**0**	**0**	**0,0%**
Income/(Costs) from equity investments of a non-financial nature	**8,016**	**7,201**	**815**	**11.3%**
Gross Operating Profit	**236,568**	**175,859**	**60,709**	**34.5%**
Amortisation, depreciation, provisions and impairment charges	86,095	77,318	8,777	11.4%
Operating profit/(loss)	**150,473**	**98,541**	**51,932**	**52.7%**
Financial income	3,732	5,875	(2,143)	(36.5%)
Financial costs	(25,008)	(27,307)	2,299	(8.4%)
Income/(Costs) from equity investments	98	(537)	635	(118.3%)
Profit/(loss) before tax	**129,295**	**76,571**	**52,724**	**68.9%**
Taxation	44,203	26,495	17,708	66.8%
Net profit/(loss)	**85,092**	**50,076**	**35,016**	**69.9%**
Net profit/(loss) from discontinued operations	0	0	0	0.0%
Net profit/(loss)	**85,092**	**50,076**	**35,016**	**69.9%**
Profit/(loss) attributable to non-controlling interests	2,431	1,256	1,175	93.6%
Net profit/(loss) attributable to the Group	**82,661**	**48,820**	**33,840**	**69.3%**

Amounts in € thousand

HALF-YEAR CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

€ thousand	30.06.16	30.06.15	Increase/ (Decrease)	% Increase/ (Decrease)
Net income for the period	**154,252**	**103,624**	**50,627**	**48.9%**
Profit/(Loss) from translation of financial statements expressed in a foreign currency	**(605)**	**(515)**	**(90)**	**17.5%**
Reserve for exchange differences	(21,915)	(8,262)	(13,652)	165.2%
Tax reserve for exchange differences	5,260	2,272	2,987	131.5%
Gains/losses from exchange rate difference	**(16,655)**	**(5,990)**	**(10,665)**	**178.0%**
Effective portion of profits/(losses) on hedging instruments ("cash flow hedges")	22,062	17,991	4,071	22.6%
Tax effect of other gains/(losses) on hedging instruments (“cash flow hedges")	(5,329)	(4,948)	(381)	7.7%
Profit/(Loss) From the Effective Portion on Hedging Instruments net of tax effect	**16,734**	**13,044**	**3,690**	**28.3%**
Actuarial gains/losses on employee benefits recognized in equity	(10,271)	6,418	(16,690)	(260.0%)
Tax effect of other actuarial gains/(losses) on employee benefits	2,993	(1,685)	4,678	(277.7%)
Actuarial Profit/(Loss) on defined benefit pension plans net of tax effect	**(7,278)**	**4,734**	**(12,012)**	**(253.8%)**
Total components of other comprehensive income, net of tax effect	**(7,805)**	**11,272**	**(19,077)**	**(169.2%)**
Total comprehensive income/loss	**146,447**	**114,897**	**31,550**	**27.5%**
Total comprehensive income (loss) attributable to:				
Group	141,815	110,438	31,377	28.4%
Non-controlling interests	4,631	4,459	172	3.9%

Amounts in € thousand

QUARTERLY CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	2nd quarter 2016	2nd quarter 2015	Increase/ (Decrease)
Net income for the period	**85,092**	**50,076**	**35,016**
Profit/(Loss) from translation of financial statements expressed in a foreign currency	**30**	**(1,026)**	**1,056**
Reserve for exchange differences	(18,133)	9,124	(27,257)
Tax reserve for exchange differences	4,352	(2,509)	6,861
Gains/losses from exchange rate difference	**(13,781)**	**6,615**	**(20,396)**
Effective portion of profits/(losses) on hedging instruments ("cash flow hedges")	27,455	7,143	20,312
Tax effect of other gains/(losses) on hedging instruments ("cash flow hedges")	(6,632)	(1,964)	(4,668)
Profit/(Loss) From the Effective Portion on Hedging Instruments net of tax effect	**20,823**	**5,179**	**15,644**
Actuarial gains/losses on employee benefits recognized in equity	(8,763)	5,594	(14,357)
Tax effect of other actuarial gains/ (losses) on employee benefits	2,554	(1,461)	4,015
Actuarial Profit/(Loss) on defined benefit pension plans net of tax effect	**(6,209)**	**4,134**	**(10,342)**
Total components of other comprehensive income, net of tax effect	**864**	**14,901**	**(14,038)**
Total comprehensive income/loss	**85,956**	**64,977**	**20,978**
Total comprehensive income (loss) attributable to:			
Group	83,537	63,436	20,100
Non-controlling interests	2,419	1,541	878

Amounts in € thousand

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Ref. Note	€ thousand	30.06.16	of which with related parties	31.12.15	of which with related parties	Increase/ (Decrease)
13	Property, plant and equipment	2,112,624		2,087,324		25,300
14	Investment property	2,668		2,697		(30)
15	Goodwill	155,373		155,381		(8)
16	Concessions	1,580,323		1,520,304		60,019
17	Other intangible assets	126,653		104,696		21,957
18	Equity investments in subsidiaries and associates	252,600		247,490		5,111
19	Other investments	2,586		2,750		(164)
20	Deferred tax assets	273,910		274,577		(667)
21	Financial assets	32,271	29,109	31,464	29,109	807
22	Other assets	36,480		39,764		(3,284)
	NON-CURRENT ASSETS	**4,575,487**	**29,109**	**4,466,446**	**29,109**	**109,041**
23.a	Inventories	31,636		26,623		5,013
23.b	Trade receivables	1,147,170	137,663	1,098,674	157,905	48,496
23.c	Other current assets	125,039		130,675		(5,636)
23.d	Current tax assets	83,219		75,177		8,043
23.e	Current financial assets	97,115	83,611	94,228	80,593	2,886
23.f	Cash and cash equivalents	582,855		814,653		(231,797)
23	**CURRENT ASSETS**	**2,067,034**	**221,274**	**2,240,030**	**238,498**	**(172,996)**
24	Non-current assets held for sale	497		497		0
	TOTAL ASSETS	**6,643,018**	**250,383**	**6,706,972**	**267,607**	**(63,954)**

Amounts in € thousand

Ref. Note	LIABILITIES	30.06.16	of which with related parties	31.12.15	of which with related parties	Increase/ (Decrease)
	Shareholders' equity					
	Share capital	1,098,899		1,098,899		0
	Statutory reserve	95,188		87,908		7,280
	Other reserves	(351,525)		(350,255)		(1,271)
	retained earnings/ (losses)	566,310		512,381		53,929
	Profit (loss) for the period	149,539		174,992		(25,453)
	Total Group shareholders' equity	**1,558,411**		**1,523,924**		**34,486**
	Non-controlling interests	72,957		72,128		828
25	**Total shareholders' equity**	**1,631,367**		**1,596,053**		**35,314**
26	Staff termination benefits and other defined-benefit plans	117,918		108,630		9,289
27	Provisions for liabilities and charges	200,346		189,856		10,490
28	Borrowings and financial liabilities	2,669,673		2,688,435		(18,762)
29	Other liabilities	188,263		184,100		4,163
30	Provision for deferred taxes	82,397		87,059		(4,662)
	NON-CURRENT LIABILITIES	**3,258,597**		**3,258,079**		**518**
	Trade payables	1,178,217	150,872	1,245,257	157,020	(67,039)
	Other current liabilities	247,135		306,052		(58,917)
	Financial debt	171,547	11,556	259,087	35,931	(87,540)
	Tax Payables	156,055		42,346		113,709
31	**CURRENT LIABILITIES**	**1,752,954**	**162,428**	**1,852,741**	**192,951**	**(99,787)**
24	Liabilities directly associated with assets held for sale	99		99		0
	TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**6,643,018**	**162,428**	**6,706,972**	**192,951**	**(63,954)**

Amounts in € thousand

CONSOLIDATED STATEMENT OF CASH FLOWS

€ thousand	30.06.16	of which with related parties	30.06.15	of which with related parties	Increase/ (Decrease)
Cash flow from operating activities					
Profit before tax from continuing operations	232,338		156,826		75,512
Profit before tax from discontinued operations	0		0		0
Depreciation/amortisation	117,137		108,935		8,202
Revaluations/impairment charges	13,056		20,438		(7,381)
Increase/(decrease) in provisions for liabilities	10,490		1,548		8,941
Net increase/(decrease) in staff termination benefits	(1,030)		(2,134)		1,103
Gains on disposals	0		0		0
Net financial interest expense	42,295		45,243		(2,948)
Income taxes paid	0		0		0
Cash flow generated by operating activities before changes in working capital	**414,286**		**330,856**		**83,430**
Increase in current receivables	(74,326)	(20,242)	23,928	(13,068)	(98,255)
Increase/decrease in current payables	(67,039)	(6,148)	(156,680)	6,743	89,641
Increase/(decrease) in inventories	(5,013)		(823)		(4,189)
Change in working capital	**(146,378)**		**(133,575)**		**(12,803)**
Change in other assets/liabilities during the period	**(21,178)**		**65,728**		**(86,905)**
TOTAL CASH FLOW FROM OPERATING ACTIVITIES	**246,730**		**263,008**		**(16,278)**
Cash flow from investment activities					
Purchase/sale of property, plant and equipment	(91,090)		(76,650)		(14,441)
Purchase/sale of intangible fixed assets	(133,285)		(97,151)		(36,134)
Equity investments	9,649		6,385		3,263
Purchase/sale of investments in subsidiaries	0		1,305		(1,305)
Proceeds/payments deriving from other financial investments	(3,693)	3,018	(34,190)	34,349	30,497
Dividends received	0	0	239	239	(238)
Interest income received	12,189		14,623		(2,434)
TOTAL CASH FLOW FROM INVESTMENT ACTIVITIES	**(206,230)**		**(185,439)**		**(20,790)**
Cash flow from financing activities					
Non-controlling interests in subsidiaries' capital increase	(419)		(163)		(256)
Repayment of borrowings and long-term loans	(50,821)		(359,821)		309,000
Disbursement of borrowings/ other medium/long-term loans	0		0		0
Decrease/increase in other short-term borrowings	(87,540)		(14,998)		(72,542)
Interest expense paid	(22,805)		(27,532)		4,728
Dividends paid	(110,713)	(110,713)	(98,520)	(98,520)	(12,193)
TOTAL CASH FLOW FROM FINANCING ACTIVITIES	**(272,298)**		**(501,034)**		**228,736**
Cash flows for the period	**(231,797)**		**(423,465)**		**191,667**
Net opening balance of cash and cash equivalents	**814,653**		**1,017,967**		**(203,314)**
Net closing balance of cash and cash equivalents	**582,855**		**594,502**		**(11,646)**

Amounts in € thousand

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

€ thousand	Share capital	Legal reserve	Other reserves	Profit for the period	Total	Non-controlling interests	Total shareholders' equity
Balances as at 01 January 2015	**1,098,899**	**176,119**	**15,381**	**140,167**	**1,430,566**	**71,825**	**1,502,391**
Reclassification		(92,691)	92,691				0
Net profit (loss)				50,509	50,509	3,040	53,549
Other comprehensive income (losses)				(3,507)	(3,507)	(122)	(3,629)
Total comprehensive income (loss)	*0*	*0*	*0*	*47,002*	*47,002*	*2,918*	*49,919*
Appropriation of result for 2014			140,167	(140,167)	0	0	0
Change in basis of consolidation			543		543	(156)	387
Balances as at 31.03.15	**1,098,899**	**83,428**	**248,782**	**47,002**	**1,478,111**	**74,586**	**1,552,697**
Net profit (loss)				48,820	48,820	1,256	50,076
Other comprehensive income (losses)				14,616	14,616	285	14,902
Total comprehensive income (loss)	*0*	*0*	*0*	*63,436*	*63,436*	*1,541*	*64,978*
Appropriation of result for 2014		4,480	(4,480)	0	0		0
Distribution of dividends			(95,834)		(95,834)	(2,686)	(98,520)
Change in basis of consolidation			(239)		(239)	(311)	(550)
Balances as at 30.06.15	**1,098,899**	**87,908**	**148,229**	**110,438**	**1,445,474**	**73,131**	**1,518,605**

Amounts in €/thousand

€ thousand	Share capital	Legal reserve	Other reserves	Profit for the period	Total	Non-controlling interests	Total shareholders' equity
Balances as at 01.01.16	**1,098,899**	**87,908**	**155,533**	**181,584**	**1,523,924**	**72,128**	**1,596,053**
Net profit (loss)				66,878	66,878	2,281	69,160
Other comprehensive income (losses)				(8,600)	(8,600)	(69)	(8,669)
Total comprehensive income (loss)	*0*	*0*	*0*	*58,278*	*58,278*	*2,213*	*60,491*
Appropriation of result for 2015			181,584	(181,584)	0	0	0
Distribution of dividends					0		0
Change in basis of consolidation			(908)		(908)	734	(175)
Other Changes					0		
Balances as at 31.03.16	**1,098,899**	**87,908**	**336,209**	**58,278**	**1,581,295**	**75,075**	**1,656,369**
Net profit (loss)				82,661	82,661	2,431	85,092
Other comprehensive income (losses)				876	876	(13)	864
Total comprehensive income (loss)	*0*	*0*	*0*	*83,537*	*83,537*	*2,419*	*85,956*
Appropriation of result for 2015		7,280	(7,280)	0	0	0	0
Distribution of dividends			(106,274)		(106,274)	(4,439)	(110,713)
Change in basis of consolidation			(147)		(147)	(98)	(245)
Balances as at 30.06.16	**1,098,899**	**95,188**	**222,508**	**141,815**	**1,558,411**	**72,957**	**1,631,367**

Amounts in €/thousand

NOTES TO THE CONSOLIDATED INCOME STATEMENT

CONSOLIDATED NET REVENUE

As at 30 June 2016 these amounted to 1,386,703 thousand euros (1,441,143 thousand euros at 30 June 2015), recording a decrease of 54,440 thousand euros (- 3.8%) over the previous year, and are broken down as follows:

€ thousand	30.06.16	30.06.15	Increase/ (Decrease)	% Increase/ (Decrease)
Revenue from sales and services	1,356,886	1,406,115	(49,229)	(3.5%)
Other revenue and proceeds	29,817	35,028	(5,211)	(14.9%)
Consolidated net revenue	**1,386,703**	**1,441,143**	**(54,440)**	**(3.8%)**

1. Revenue from sales and services

– 1,356,886 *thousand euros*
This item reported an overall decrease of 49,229 thousand euros (-3.5%) compared to 30 June 2015, which closed with a total of 1,406,115 thousand euros.

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

€ thousand	30.06.16	30.06.15	Increase/ (Decrease)	% Increase/ (Decrease)
Revenue from electricity sales and services	920,112	980,469	(60,357)	(6.2%)
Revenue from gas sales	38,111	49,292	(11,181)	(22.7%)
Revenues from electricity incentives	12,512	11,582	930	8.0%
Revenue from the Integrated Water Service	300,761	280,988	19,773	7.0%
Revenue from Overseas Water Services	2,309	4,463	(2,154)	(48.3%)
Revenue from biomass transfer and landfill operations	21,727	18,350	3,376	18.4%
Revenue from services to customers	43,232	43,548	(316)	(0.7%)
Connection fees	18,122	17,424	699	4.0%
Revenue from sales and services	**1,356,886**	**1,406,115**	**(49,229)**	**(3.5%)**

REVENUE FROM ELECTRICITY SALES AND SERVICES

Revenue from electricity sales and services amounted to 920,112 thousand euros and, net of intercompany eliminations, include the following items:

€ thousand	30.06.16	30.06.15	Increase/ (Decrease)	% Increase/ (Decrease)
Electricity and heat generation	5,188	6,126	(938)	(15.3%)
Electricity sales	722,549	852,333	(129,784)	(15.2%)
Transport and metering of energy	168,098	98,052	70,047	71.4%
Energy sales from WTE	21,650	21,763	(112)	(0.5%)
Energy from photovoltaic plants	212	384	(171)	(44.7%)
Cogeneration	2,414	1,812	602	33.2%
Revenue from electricity sales and services	**920,112**	**980,469**	**(60,357)**	**(6.2%)**

The major changes refer to:

- the reduction of 129,784 thousand euros in revenue from the sale of electricity due to: **i)** the decrease in the volumes of electricity sold in the Protected Categories market (-10.6%), **ii)** the decrease in the volumes of electricity sold in the Free Market (-13%) which covered the B2B industrial segment, and is essentially due to our continued efforts in the customer portfolio diversification strategy, which saw an increase in the small business and mass market segments in terms of number of customers served;
- the increase in revenues from electricity transport and metering in the free and protected markets for 70,047 thousand euros as a result of tariff changes as well as regulatory changes that enable to better estimate the distributor's right to recognition of cost components related to capital expenditures made in a given year (return on invested capital and depreciation rate) at the same time as the expenditures are incurred and the amortization process is started. As a result, 63,300 thousand euros were recognized as revenue for the first half;
- the growth of revenues from cogeneration (+ 602 thousand euros) stems from higher volumes of heat sold for various uses.

REVENUE FROM GAS SALES

Revenue from gas sales amounted to 38,111 thousand euros, down by 11,181 thousand euros compared to 30 June 2015 mainly due to lower volumes sold by Acea Energia (-12.6 million standard cubic meters of gas to end customers and wholesalers).

REVENUES FROM ELECTRICITY INCENTIVES

Revenue from the sale of certificates and rights amounted to 12,512 thousand euros, up 930 thousand euros compared to the previous year. This item includes the recognition of revenue from green certificates: **i)** of Acea Produzione (10,151 thousand euros) accruing in relation to energy produced at the Salisano and Orte plants, **ii)** of A.R.I.A. (2,375 thousand euros) deriving from a system of incentives for renewable sources from the Terni WTE plant and the San Vittore del Lazio WTE plant.

The breakdown of this item by type is as follows:

€ thousand	30.06.16	30.06.15	Increase/ (Decrease)	% Increase/ (Decrease)
Green certificates	12,527	11,582	945	8.2%
Co_2 rights	(15)	0	(15)	0.0%
Revenues from electricity incentives	**12,512**	**11,582**	**930**	**8.0%**

REVENUE FROM THE 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 300,761 thousand euros, up 19,773 thousand euros (+7.0%) compared with the previous year (280,988 thousand euros).
Details of the breakdown by company are given below:

€ thousand	30.06.16	30.06.15	Increase/ (Decrease)	% Increase/ (Decrease)
ACEA Ato2	262,146	242,946	19,200	7.9%
ACEA Ato5	31,325	32,293	(968)	(3.0%)
Crea Gestioni	1,984	1,896	89	4.7%
Gesesa	5,305	3,852	1,452	37.7%
Revenue from the Integrated Water Service	**300,761**	**280,988**	**19,773**	**7.0%**

The change in Acea Ato 2 (+ 19,200 thousand euros) mainly results from growth of the 2016 VRG (guaranteed revenue restriction) approved on 27 July 2016 compared to the previous six months (+ 23,436 thousand euros), partially offset by lower adjustments for pass-through items (electricity, concession fees) for 3,309 thousand euros. Growth of Gesesa (+ 1,452 thousand euros) is mainly the result of the change in the served area.

REVENUE FROM OVERSEAS WATER SERVICES

These revenues amounted to 2,309 thousand euros, down 2,154 thousand euros compared with the previous year (4,463 thousand euros). The decrease mainly derives from Agua Azul Bogota (- 2,316 thousand euros) as a result of the completion of orders started in previous years as well as the currency effect (at constant exchange rates the increase would have been 1,758 thousand euros).

REVENUE FROM BIOMASS TRANSFER AND LANDFILL OPERATIONS

These revenues amounted to 21,727 thousand euros, up 3,376 thousand euros compared with the previous year (18,350 thousand euros).
The breakdown by company is provided below:

€ thousand	30.06.16	30.06.15	Increase/ (Decrease)	% Increase/ (Decrease)
A.R.I.A.	13,620	11,489	2,131	18.5%
SAO	4,984	4,544	440	9.7%
Kyklos	86	0	86	0.0%
Aquaser	2,266	1,843	424	23.0%
Solemme	549	386	163	42.2%
Innovation and sustainability	221	88	133	152.1%
Revenue from biomass transfer and landfill operations	**21,727**	**18,350**	**3,376**	**18.4%**

The change in 2016 was mainly influenced by:

- ARIA due to greater quantity of pulper delivered to the WTE plants and to the tariff effect.
- SAO due to the higher amount of waste coming into the landfill, mitigated by a decrease in price.

REVENUE FROM SERVICES TO CUSTOMERS

These amounted to 43,232 thousand euros (43,548 thousand euros at 30 June 2015) recording a decrease of 316 thousand euros.
This type of revenue comprises:

€ thousand	30.06.16	30.06.15	Increase/ (Decrease)	% Increase/ (Decrease)
Public Lighting - Rome	27,990	27,760	230	0.8%
Public Lighting - Naples	2,329	2,647	(318)	(12.0%)
Revenue from services requested by third parties	5,894	7,481	(1,586)	(21.2%)
Intercompany services	3,596	2,372	1,224	51.6%
PV power	222	120	102	84.5%
GIP revenue	3,200	3,167	33	1.0%
Revenue from services to customers	**43,232**	**43,548**	**(316)**	**(0.7%)**

The decrease reflects the combined effect of: **i)** decrease in revenue from contract work ordered by third parties for 1,586 thousand euros mainly carried out by ACEA Ato2, **ii)** increase in the services provided to Group companies for 1,224 thousand euros, **iii)** lower Public Lighting revenues with the municipality of Naples (- 318 thousand euros).

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

€ thousand	30.06.16	30.06.15	Increase/ (Decrease)	% Increase/ (Decrease)
Environment	42	142	(100)	(70.3%)
Energy	723	(31)	754	(2,412.9%)
Water	5,854	6,530	(676)	(10.4%)
Networks	5,762	6,373	(610)	(9.6%)
Parent Company	30,851	30,534	316	1.0%
Revenue from services to customers	**43,232**	**43,548**	**(316)**	**(0.7%)**

CONNECTION FEES

These amounted to 18,122 thousand euros and were up by 699 thousand compared to 30 June 2015. These fees are broken down as follows:

- Energy segment 8,949 thousand euros (+759 thousand euros);
- Water Segment: 1,460 thousand euros (- 778 thousand euros);
- Networks Segment: 7,714 thousand euros (+ 717 thousand euros).

2. Other revenue and proceeds – 29,817 *thousand euros*
This item decreased by 5,211 thousand euros (-14.9%) compared to 30 June 2015, which closed with a total of 35,028 thousand euros.

The change was mainly due to the following opposing effects:

(i) A 5,129 thousand euros reduction in tariff contributions accrued on energy efficiency certificates as a result of lower purchased amounts in the reporting period (- 58,102 certificates);

(ii) lower non-recurring items for 6,610 thousand euros, mainly deriving from recognition in the first 2015 half-year report of Agua Azul Bogotá of non-recurring income for 3,429 thousand euros linked to the settlement of litigation brought against the municipality; and for 2,009 thousand euros from Acea Energia;

(iii) higher revenues in Elga Sud for 9,600 thousand euros related to the effects of the agreement signed in March 2006 for the sale of digital meters. This sale was part of a wider trade agreement which covered several Group companies.

A breakdown of said item is shown in the table below.

€ thousand	30.06.16	30.06.15	Increase/ (Decrease)	% Increase/ (Decrease)
Contributions from Entities for Energy Efficiency Certificates	1,252	6,382	(5,129)	(80.4%)
Non-recurring gains	2,576	9,186	(6,610)	(72.0%)
other revenues	13,917	6,003	7,914	131.8%
Reimbursement for damages, penalties, compensation	2,533	3,340	(807)	(24.2%)
Feed-in-tariff	2,337	2,191	146	6.6%
Government grant (Prime Ministerial Decree of 23/04/04)	2,000	2,135	(135)	(6.3%)
Regional grants	922	1,039	(117)	(11.3%)
Income from end users	1,314	1,579	(265)	(16.8%)
Seconded staff	985	1,113	(128)	(11.5%)
Property income	729	790	(61)	(7.7%)
IFRIC 12 margin	712	633	79	12.5%
Gains on asset disposals	0	44	(44)	(100.0%)
Recharged cost for company officers	540	595	(55)	(9.2%)
Other revenue and proceeds	**29,817**	**35,028**	**(5,211)**	**(14.9%)**

CONSOLIDATED OPERATING COSTS

As at 30 June 2016 these amounted to 957,867 thousand euros (1,100,776 thousand euros at 30 June 2015), recording a decrease of 142,908 thousand euros (- 13.0%) from the previous year. The breakdown is as follows:

€ thousand	30.06.16	30.06.15	Increase/ (Decrease)	% Increase/ (Decrease)
Staff costs	109,124	117,054	(7,930)	(6.8%)
Costs of materials and overheads	848,743	983,722	(134,978)	(13.7%)
Consolidated operating costs	**957,867**	**1,100,776**	**(142,908)**	**(13.0%)**

3. Staff costs – 109,124 *thousand euros*

€ thousand	30.06.16	30.06.15	Increase/ (Decrease)	% Increase/ (Decrease)
Staff costs including capitalised costs	159,253	156,561	2,692	1.7%
Capitalised costs	(50,129)	(39,507)	(10,622)	26.9%
Staff costs	**109,124**	**117,054**	**(7,930)**	**(6.8%)**

The decrease in staff costs, inclusive of capitalised costs, amounted to 2,692 thousand euros and was mainly influenced by the higher staff costs in the Water (+ 1,782 thousand euros), Environment (+ 621 thousand euros) and Networks (+ 242 thousand euros) Segments.

With regard to capitalized costs, there was an increase of 10.622 thousand euros, essentially driven by the growth of capitalized costs recorded in all business segments. This increase reflects the efforts and commitment of the Group's staff in the complex project for the change of information systems and business processes (Acea2.0).

The following tables show the average and actual number of staff by operating segment compared to same period of the previous year.

Average number of employees

€ thousand	30.06.16	30.06.15	Increase/ (Decrease)	% Increase/ (Decrease)
Environment	230	221	10	4.3%
Energy	555	541	14	2.5%
Water	2,266	2,376	-109	(4.6%)
Lazio-Campania	*1,820*	*1,798*	*22*	*1.2%*
Tuscany-Umbria	*0*	*0*	*0*	*0.0%*
Overseas	*275*	*410*	*-135*	*(33.0%)*
Engineering and services	*172*	*168*	*4*	*2.4%*
Networks	1,314	1,343	-29	(2.2%)
Parent Company	630	654	-24	(3.7%)
TOTAL	**4,994**	**5,134**	**-139**	**(28.4%)**

End-of-period number of employees

€ thousand	30.06.16	30.06.15	Increase/ (Decrease)	% Increase/ (Decrease)
Environment	231	220	11	5.0%
Energy	557	541	16	3.0%
Water	2,276	2,231	45	2.0%
Lazio-Campania	*1,820*	*1,799*	*21*	*1.2%*
Tuscany-Umbria	*0*	*0*	*0*	*0.0%*
Overseas	*285*	*264*	*21*	*8.0%*
Engineering and services	*171*	*168*	*3*	*1.8%*
Networks	1,310	1,344	-34	(2.5%)
Parent Company	627	652	-25	(3.8%)
TOTAL	**5,001**	**4,988**	**13**	**12.6%**

Costs of materials and overheads – 848,743 *thousand euros*
This item reported an overall decrease of 134,978 thousand euros (-13.7%) compared to 30 June 2015, which closed with a total of 983,722 thousand euros.

€ thousand	30.06.16	30.06.15	Increase/ (Decrease)	% Increase/ (Decrease)
Electricity, gas and fuel	683,733	816,604	(132,871)	(16.3%)
Materials	13,473	12,250	1,223	10.0%
Services	103,707	109,819	(6,112)	(5.6%)
Concession fees	23,668	21,312	2,355	11.1%
Cost of leased assets	11,840	11,720	120	1.0%
Other operating costs	12,322	12,016	307	2.6%
Costs of materials and overheads	**848,743**	**983,722**	**(134,978)**	**(13.7%)**

ELECTRICITY, GAS AND FUEL COSTS

This item includes:

€ thousand	30.06.16	30.06.15	Increase/ (Decrease)	% Increase/ (Decrease)
Purchase of electricity	434,373	520,272	(85,899)	(16.5%)
Gas purchase	9,883	16,502	(6,619)	(40.1%)
Transport of electricity and gas	238,620	273,204	(34,584)	(12.7%)
White certificates	231	6,131	(5,899)	(96.2%)
Green certificates and Co2 rights	626	495	131	26.4%
Electricity, gas and fuel costs	**683,733**	**816,604**	**(132,871)**	**(16.3%)**

The change was mainly due to: **i)** lower costs relating to the procurement of electricity for the protected and free market and the related transport costs (respectively - 85,899 thousand euros and - 34,584 thousand euros). This reduction reflects the combined effect of lower electricity sold, due to the diversification of the customer portfolio and the different quantity/price mix across months and time brackets; **ii)** the costs incurred for the procurement of gas (- 6,619 thousand euros); **iii)** a reduction in the cost of white certificates purchased by *areti* to meet regulatory energy efficiency requirements, as a result of lower quantities purchased during the reporting period compared to the first half of 2015 (- 5,899 thousand euros).

MATERIALS

The cost of materials amounted to 13,473 thousand euros and represents the cost of materials used during the period net of capital expenditure, as shown in the table below.

€ thousand	30.06.16	30.06.15	Increase/ (Decrease)	% Increase/ (Decrease)
Purchase of materials	27,181	21,262	5,918	27.8%
Change in inventories	(4,910)	(605)	(4,305)	711.4%
Change in inventories	**22,270**	**20,657**	**1,613**	**7.8%**
Capitalised costs	(8,797)	(8,407)	(390)	4.6%
Materials	**13,473**	**12,250**	**1,223**	**10.0%**

The purchases of materials, net of inventories, recorded a 1,613 thousand euros increase, essentially attributable to the Networks Segment (+ 809 thousand euros) and the Water Segment (+ € 688 thousand euros).
The costs for materials incurred by the operating segments are detailed below.

€ thousand	30.06.16	30.06.15	Increase/ (Decrease)	% Increase/ (Decrease)
Environment	2,282	2,490	(208)	(8.4%)
Energy	425	499	(74)	(14.8%)
Water	6,401	5,903	498	8.4%
Networks	3,799	2,974	825	27.7%
Parent Company	566	384	181	47.2%
Costs for Materials	**13,473**	**12,250**	**1,223**	**10.0%**

SERVICES AND CONTRACT WORK

This item amounted to 103,707 thousand euros, down by 6,112 thousand euros from 109,819 thousand euros at 30 June 2015. For an analysis of the breakdown, please see the following table:

€ thousand	30.06.16	30.06.15	Increase/ (Decrease)	% Increase/ (Decrease)
Transport of electricity and gas	23,097	23,470	(373)	(1.6%)
Contract work	14,460	20,137	(5,677)	(28.2%)
Disposal and transport of sludge, slag, ash and waste	13,797	12,189	1,608	13.2%
Other services	14,199	14,414	(215)	(1.5%)
Payroll services	6,600	7,816	(1,217)	(15.6%)
Insurance costs	5,403	6,367	(964)	(15.1%)
Electricity, water and gas consumption	3,001	1,935	1,066	55.1%
Internal use of electricity	3,404	3,888	(484)	(12.4%)
Intragroup services	465	3,445	(2,980)	(86.5%)
Telephone and data transmission costs	2,462	2,960	(497)	(16.8%)
Postal expenses	3,219	2,203	1,015	46.1%
Maintenance fees	4,209	1,885	2,324	123.3%
Cleaning, transport and porterage	2,019	1,850	169	9.1%
Advertising and sponsorship costs	2,178	2,020	158	7.8%
Corporate bodies	1,359	1,703	(344)	(20.2%)
Meter readings	1,048	1,070	(21)	(2.0%)
Bank charges	1,425	1,180	244	20.7%
Travel and accommodation expenses	674	570	103	18.1%
Seconded staff	592	637	(46)	(7.2%)
Printing costs	97	80	17	20.9%
Costs for services	**103,707**	**109,819**	**(6,112)**	**(5.6%)**

CONCESSION FEES

Concession fees totalled 23,668 thousand euros (+ 2,355 thousand euros compared to the same period in 2015) and referred to companies that manage Area Authorities under concession in Lazio and Campania.
The following table shows a breakdown by Company, compared to the previous year.

€ thousand	30.06.16	30.06.15	Increase/ (Decrease)	% Increase/ (Decrease)
ACEA Ato2	20,086	17,733	2,353	13.3%
ACEA Ato5	3,373	3,375	(3)	(0.1%)
Gesesa	183	178	5	2.8%
Crea Gestioni	26	26	0	0.0%
Concession fees	**23,668**	**21,312**	**2,355**	**11.1%**

Further information is provided in the section “Service concession arrangements”.

COST OF LEASED ASSETS

This item amounted to 11,840 thousand euros, in line with the previous year (11,720 thousand euros as at 30 June 2015). The following table illustrates the changes by operating segment:

€ thousand	30.06.16	30.06.15	Increase/ (Decrease)	% Increase/ (Decrease)
Environment	382	277	106	38.2%
Energy	2,176	1,999	177	8.9%
Water	2,725	2,437	288	11.8%
Networks	1,847	2,166	(319)	(14.7%)
Parent Company	4,710	4,842	(132)	(2.7%)
Cost of leased assets	**11,840**	**11,720**	**120**	**1.0%**

This item includes lease payments of 5,297 thousand euros (5,404 thousand euros at 30 June 2015) and charges relating to other lease payments and rentals for 6,543 thousand euros (6,316 thousand euros at 30 June 2015).

OTHER OPERATING COSTS

This item amounted to 12,322 thousand euros at 30 June 2016, up by 307 thousand euros. The table below provides details of this item by type:

€ thousand	30.06.16	30.06.15	Increase/ (Decrease)	% Increase/ (Decrease)
Taxes and duties	6,456	5,753	703	12.2%
Damages and outlays for legal disputes	1,260	1,468	(208)	(14.2%)
Contributions paid and membership fees	699	1,019	(320)	(31.4%)
General and administrative expenses	1,782	1,124	658	58.5%
Cost for instalment payments to EQUITALIA	44	0	44	0.0%
Losses on asset disposals	0	10	(10)	(100.0%)
Non-recurring losses	2,080	2,641	(561)	(21.2%)
Other operating costs	**12,322**	**12,016**	**307**	**2.6%**

5. Net income/(Costs) from commodity risk management – (0.0) *thousand euros*

As at 30 June 2016 the change in the fair value measurement of financial contracts recognised in the consolidated income statement was 0 thousand euros.
The portfolio of financial instruments under *Hedge Accounting* was the predominant component of the overall portfolio.
For further details please refer to the section *"Additional disclosures on financial instruments and risk management policies"* in the 2015 Consolidated Financial Statements.
Please note that the assessment of counterparty risk carried out in accordance with IFRS 13 does not affect the effectiveness test carried out on the instruments measured under *Hedge Accounting* rules.

6. Income/(Costs) from equity investments of a non-financial nature – 14,906 *thousand euros*

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

€ thousand	30.06.16	30.06.15	Increase/ (Decrease)	% Increase/ (Decrease)
GROSS OPERATING PROFIT	67,832	67,730	102	0.2%
Amortisation, depreciation, impairment charges and provisions	(41,016)	(43,698)	2,683	(6.1%)
Financial items	(4,193)	(4,419)	227	(5.1%)
Total profit/(loss) on investments	(42)	4	(45)	(1,158.7%)
Taxation	(7,676)	(6,715)	(961)	14.3%
Income from equity investments of a non-financial nature	**14,906**	**12,901**	**2,004**	**15.5%**

The EBITDA of these companies is in line with the previous six months; the increase in this item compared to 30 June 2015 mainly derives from:

- decrease in depreciation recorded in Acque for 2,828 thousand euros as a result of the amendment to the water service agreement that reflects the lengthening of the concession from 2016 to 2021; partially offset by higher depreciation in Publiacqua and Acquedotto del Fiora for 2,083 thousand euros as a result of higher capital expenditures;
- decrease in provisions mainly related to Acquedotto del Fiora which, in June 2015, had set aside provisions to cover the risk linked to contract claims;
- decrease in the write-down of doubtful receivables with specific regard to Gori (- 809 thousand euros).

The companies' valuation is detailed below.

€ thousand	30.06.16	30.06.15	Increase/ (Decrease)	% Increase/ (Decrease)
Publiacqua	6,552	5,899	653	11.1%
Gruppo Acque	3,969	4,081	(111)	(2.7%)
Acquedotto del Fiora	1,269	468	801	171.2%
Umbra Acque	104	276	(172)	(62.2%)
Gori	1,699	1,116	583	52.2%
Nuove Acque and Intesa Aretina	358	237	122	51.5%
Agua Azul	560	560	0	0.0%
Voghera Energia Vendita S.p.A. in liquidation	0	(216)	216	(100.0%)
Ingegnerie Toscane	409	501	(92)	(18.4%)
Ecomed in liquidation	(16)	(21)	5	(22.7%)
Total	**14,906**	**12,901**	**2,004**	**15.5%**

7. Amortisation, depreciation, impairment charges and provisions – 169,679 *thousand euros*

Compared to the previous year this item increased by 19,082 thousand euros.
The breakdown is as follows:

€ thousand	30.06.16	30.06.15	Increase/ (Decrease)	% Increase/ (Decrease)
Amortisation and depreciation	117,137	110,346	6,791	6.2%
Provision for impairment of receivables	28,533	32,735	(4,202)	(12.8%)
Provision for liabilities and charges	24,009	7,516	16,493	219.4%
Total	**169,679**	**150,597**	**19,082**	**12.7%**

AMORTISATION AND DEPRECIATION

€ thousand	30.06.16	30.06.15	Increase/ (Decrease)	% Increase/ (Decrease)
Depreciation	65,816	67,363	(1,546)	(2.3%)
Amortization	51,317	41,572	9,745	23.4%
Impairment charges	4	1,411	(1,407)	(99.7%)
Depreciation/amortisation	**117,137**	**110,346**	**6,791**	**6.2%**

The 6,791 thousand euros increase in depreciation and amortisation breaks down as follows:

- decrease in depreciation of property, plant and equipment of 1,546 thousand euros;
- increase in the amortisation of intangible assets equal to 9,745 thousand euros, mainly attributable to an increase in capital expenditures in all business segments and to regulatory changes and tariff updates in relation to invested capital, for the water segment;
- decrease in impairment losses for 1,407 thousand euros due to the write-down of goodwill with indefinite useful life recognized in Ecogena on 30 June 2015 as a result of the *impairment* test.

IMPAIRMENT CHARGES AND LOSSES ON RECEIVABLES

This item amounted to 28,533 thousand euros, down 4,202 thousand euros, mainly with reference to Acea Energia.

The breakdown by operating segment is provided below:

€ thousand	30.06.16	30.06.15	Increase/ (Decrease)	% Increase/ (Decrease)
Environment	124	397	(273)	(68.8%)
Energy	23,357	25,806	(2,449)	(9.5%)
Water	1,662	2,717	(1,054)	(38.8%)
Networks	1,286	2,243	(957)	(42.7%)
Parent Company	2,104	1,572	532	33.9%
Impairment charges and losses on receivables	**28,533**	**32,735**	**(4,202)**	**(12.8%)**

PROVISIONS

At 30 June 2016 the provisions, net of releases of provisions in excess of expected liabilities, amounted to 24,009 thousand euros; their breakdown by type is as follows:

€ thousand	30.06.16	30.06.15	Increase/ (Decrease)	% Increase/ (Decrease)
Legal	2,408	1,981	428	21.6%
Tax	1,400	300	1,100	367.3%
Regulatory risks	5,983	1,433	4,550	317.6%
Investees	74	0	74	
Contributory risks	47	0	47	N.A.
Early retirements and redundancies	9,496	721	8,775	1,216.8%
Contracts and supplies	500	379	121	31.8%
Insurance excess	9	408	(399)	(97.8%)
Post mortem	0	0	0	
Concession fees	0	0	0	
Other liabilities and charges	6	28	(22)	(77.3%)
Total	**19,924**	**5,250**	**14,674**	**279.5%**
Ifric 12 restoration charges	4,085	2,267	1,819	80.2%
Total Provisions	**24,009**	**7,516**	**16,493**	**219.4%**

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

€ thousand	30.06.16	30.06.15	Increase/ (Decrease)	% Increase/ (Decrease)
Environment	20	156	(135)	(87.0%)
Energy	7,696	1,447	6,249	432.0%
Water	10,026	4,461	5,565	124.8%
Networks	1,998	809	1,189	147.0%
Parent Company	4,269	644	3,624	562.4%
Provisions	**24,009**	**7,516**	**16,493**	**219.4%**

The most significant provisions made during the year comprised:

- the provision for voluntary redundancies and early retirements (9,496 thousand euros) which represents the amounts necessary to cover the staff reduction plan through the adoption of voluntary redundancy and early retirement measures for the Group staff;
- the provisions for regulatory risks (5,983 thousand euros), specifically with respect to: **i)** Acea Energia for 3,600 thousand euros in relation to the penalty imposed by ACGM for unfair business practices and **ii)** ACEA Produzione for 1,040 thousand euros in relation to the amount requested by Terna for the transitional remuneration of production capacity available for the years 2010 and 2011;
- the provision for tax risks (1,400 thousand euros) in relation to excise duties in Acea Energia;
- the provision for legal risks (2,408 thousand euros).

Further information is provided in note 27 and in the section *"Update on major disputes and litigation"*.

8. Financial income – 7,519 *thousand euros*

€ thousand	30.06.16	30.06.15	Increase/ (Decrease)	% Increase/ (Decrease)
Interest on loans and receivables	1,913	1,591	322	20.3%
Bank interest income	387	1,426	(1,039)	(72.8%)
Interest on trade receivables	4,558	7,451	(2,893)	(38.8%)
Interest on other receivables	335	125	210	168.4%
Financial income from discounting to present value	432	0	432	0.0%
Financial income from measurement of fair value hedges	(130)	0	(130)	0.0%
Other income	24	773	(749)	(96.9%)
Financial income	**7,519**	**11,365**	**(3,846)**	**(33.8%)**

Financial income amounted to 7,519 thousand euros, down by 3,846 thousand euros compared to the previous year. The change mainly resulted from the recognition of lower financial income from customers of Acea Energia (- 3,098 thousand euros) and the decrease of bank interest income of the Parent Company as a result of the decrease in liquid funds.

9. Financial costs – 49,814 *thousand euros*

€ thousand	30.06.16	30.06.15	Increase/ (Decrease)	% Increase/ (Decrease)
Costs (Income) on Interest Rate Swaps	721	1,483	(761)	(51.3%)
Interest on bonds	33,514	32,961	554	1.7%
Interest on medium/long-term borrowings	9,102	13,429	(4,327)	(32.2%)
Interest on short-term borrowings	285	919	(634)	(69.0%)
Ineffective portion of derivative instruments measures as CFH	1,219	0	1,219	0.0%
Default interest and interest on deferred payments	307	1,174	(867)	(73.9%)
Interest cost net of actuarial gains and losses	1,072	878	194	22.1%
Factoring fees	2,833	4,746	(1,913)	(40.3%)
Interest on payments by instalment	123	169	(46)	(27.2%)
Costs from discounting to present value	0	327	(327)	100.0%
Other financial charges	58	387	(328)	(84.9%)
Interest payable to end users	194	217	(23)	(10.5%)
Foreign exchange gains (losses)	385	(81)	466	(575.4%)
Financial costs	**49,814**	**56,608**	**(6,794)**	**(10.0%)**

Financial costs amounted to 49,814 thousand euros, down 6,794 thousand euros compared to 30 June 2015.
The average overall "All in" cost of the ACEA Group's debt at 30 June 2016 stood at 3.18% against 3.37% of the previous period.

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

- net financial costs on *interest rate swaps* decreased by 761 thousand euros compared to 30 June 2015;
- interest on bonds in issue increased by 554 thousand euros compared to 30 June 2015;
- interest expense on medium-long term borrowings decreased by a total of 4,327 thousand euros compared to 30 June 2015 due to the decrease in interest rate;
- the ineffective portion of derivative instruments designated as *cash flow hedges* increased by 1,219 thousand euros mainly from strong fluctuations in the yen exchange rate in the proximity of "Brexit";
- compared to 30 June 2015 default interest and interest on deferred payments decreased by 867 thousand euros due to Acea Energia;
- Factoring fees decreased by 1,913 thousand euros compared to 30 June 2015 due to the reduction in the applied rate; furthermore, during the period, lower receivables were sold compared to the first half 2015;
- net foreign exchange gains and losses increased by 466 thousand euros compared to 30 June 2015.

10. Income and costs from Equity Investments – 571 *thousand euros*

€ thousand	30.06.16	30.06.15	Increase/ (Decrease)	% Increase/ (Decrease)
Income from investments in associates	644	469	175	37.2%
(Costs) from investments in associates	(73)	(1,073)	1,000	(93.2%)
(Costs)/Income from investments	**571**	**(604)**	**1,175**	**(194.6%)**

The costs from equity investments refer to the consolidation of certain Group companies using the equity method, mainly Agua de San Pedro (348 thousand euros) and Geal (338 thousand euros).

11. Income Tax – 78,086 *thousand euros*

Tax expenses for the period were 78,086 thousand euros compared to 53,201 thousand euros in the same period of the previous year.
The breakdown is essentially as follows:

- Current taxes: 79,433 thousand euros (53,538 thousand euros at 30 June 2015);
- Net deferred/(prepaid) taxes: - 1,347 thousand euros (337 thousand euros at 30 June 2015).

The overall increase recorded in the period, amounting to 24,886 thousand euros, mainly derives from an increase in profit before tax.
The table below shows the breakdown of taxes and the correlated percentage weight calculated on consolidated pre-tax profit.

€ thousand	2016	%	2015	%
Profit before tax from continuing and discontinued operations	232,338		156,825	
Expected tax charge at 27.5% on profit before tax	63,893	27.5%	43,127	27.5%
Net deferred taxation	(5,283)	(2.3%)	(3,692)	-2.4%
Permanent differences	(70)	0.0%	(1,638)	-1.0%
IRES for the period	58,540	25.2%	37,797	24.1%
Tax Assets	3,937	1.7%	3,355	2.1%
IRAP (regional income tax)	15,610	6.7%	12,049	7.7%
Total taxes	**78,086**	**33.6%**	**53,201**	**33.9%**

The tax rate for the year was 33.6% (33.9% in 2015).

12. Earnings per share

Earnings per share are calculated by dividing profit for the year attributable to ACEA by the weighted average number of ACEA shares outstanding during the year, excluding treasury shares. The weighted average number of shares outstanding was 212,547,907 as at 30 June 2016. Earnings per share are calculated by dividing profit for the year attributable to ACEA by the weighted average number of ACEA shares outstanding during the year, excluding treasury shares and including the number of shares that could potentially be put into circulation. At 30 June 2016 there were no shares that could potentially be put into circulation and, accordingly, the weighted average number of shares for the calculation of basic earnings per share coincides with the weighted average number of shares for the calculation of diluted earnings per share.

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

€ thousand	30.06.16	30.06.15	Increase/ (Decrease)
Net profit attributable to the Group (€/000)	149,539	99,329	50,210
Net profit attributable to ordinary equity holders of the Group (€/000) (A)	149,539	99,329	50,210
Weighted average number of ordinary shares for the purpose of determining earnings per share			
- basic (B)	212,964,900	212,964,900	0
- Basic (C)	212,964,900	212,964,900	0
Earnings per share (€)			
basic (A/B)	0.70218	0.46641	0.23577
diluted (A/C)	0.70218	0.46641	0.23577

€ thousand	30.06.16	30.06.15	Increase/ (Decrease)
Net profit attributable to the Group (€/000)	149,539	99,329	50,210
Net profit attributable to ordinary equity holders of the Group (€/000) (A)	149,539	99,329	50,210
Weighted average number of ordinary shares outstanding for the purpose of determining earnings per share			
- basic (B)	212,547,907	212,547,907	0
- Basic (C)	212,547,907	212,547,907	0
Earnings per share (€)			
basic (A/B)	0.70355	0.4673	0.23623
diluted (A/C)	0.70355	0.4673	0.23623

NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ASSETS

At 30 June 2016 these amounted to 6,643,018 thousand euros (6,706,972 thousand euros at 31 December 2015), recording a decrease of 63,954 thousand euros or -1.0% from the previous year; they are broken down as follows:

€ thousand	30.06.16	31.12.15	Increase/ (Decrease)	% Increase/ (Decrease)
Non-current assets	4,575,487	4,466,446	109,041	2.4%
Current assets	2,067,034	2,240,030	(172,996)	(7.7%)
Non-current assets held for sale	497	497	0	0.0%
Total assets	**6,643,018**	**6,706,972**	**(63,954)**	**(1.0%)**

13. Property, plant and equipment – 2,112,624 *thousand euros*

The net book value of infrastructure used for the distribution of electricity (1,494 thousand euros) accounted for nearly 70% of Property, plant and equipment.

The remaining 30% was mainly composed of:

(a) facilities belonging to the Environment Segment companies for 240 thousand euros;

(b) infrastructure related to the Energy Segment for 205 thousand euros;

(c) infrastructure related to the Parent Company for 152 thousand euros.

The following table shows the breakdown and changes in property, plant and equipment at 30 June 2016:

€ thousand	Land and buildings	Plant and machinery	Industrial equipment	Other assets	Fixed assets in progress	Assets to be relinquished	Total property, plant and equipment
Historical cost 31.12.15	**490,999**	**2,505,146**	**685,869**	**111,034**	**56,704**	**5,031**	**3,854,784**
Assets held for sale	-	-	-	-	-	-	-
Investments/ Acquisitions	1,298	19,956	8,380	1,107	58,952	317	90,010
Divestments	-	(10)	-	1	(10)	-	(19)
Change in basis of consolidation	-	-	-	-	-	-	-
Other changes	(938)	(10,856)	-	(68)	(2,030)	-	(13,892)
Historical cost 30.06.16	**491,359**	**2,514,236**	**694,249**	**112,074**	**113,616**	**5,348**	**3,930,883**
Accumulated depreciation at 31.12.15	**(123,571)**	**(1,364,136)**	**(198,705)**	**(78,102)**		**(2,946)**	**(1,767,460)**
Assets held for sale	-	-	-	-		-	-
Depreciation/ amortisation	(7,428)	(44,730)	(9,776)	(3,651)		(203)	(65,787)
Divestments	-	-	-	(2)		-	(2)
Change in basis of consolidation	-	-	-	-		-	-
Other changes	(201)	15,593	(434)	31		-	14,989
Accumulated depreciation at 30.06.16	**(131,200)**	**(1,393,273)**	**(208,915)**	**(81,723)**		**(3,149)**	**(1,818,260)**
Net value 30.06.16	**360,160**	**1,120,963**	**485,334**	**30,351**	**113,616**	**2,199**	**2,112,624**

Capex during the period was up compared to the same period last year (74,091 thousand euros at 30 June 2015) and amounted to 90,010 thousand euros. Capital expenditures are primarily those carried out by:

- ***areti*** for 64,005 thousand euros in relation to the construction and maintenance of HV lines, installation of primary and secondary stations, construction, extension and maintenance of MV and LV lines;
- **ARIA** for 4,090 thousand euros in relation to investments for the *revamping* of line 1 of San Vittore del Lazio plant, the purchase of a storage building in the city of Terni and improvements to the Terni UL1 plants and the San Vittore UL3 plants;
- **SAO** for 2,623 thousand euros in relation to the *revamping* of the waste treatment plant and the purchase of drainage material for the soil of the Orvieto landfill;
- **Acea Produzione** for 15,971 thousand euros in relation to plant revamping works at the Castel Madama hydroelectric power plant and upgrading works at the San Cosimato dam, the extension of the district heating network in the Mezzocammino district of Rome and the *repowering* works at the Tor di Valle power plant.

Other changes refer to reclassifications due to the commissioning of assets under construction and disposals and divestments of assets.

14. Investment property – 2,668 *thousand euros*

Investment property primarily includes land and buildings not used in operations and held for rental. The decrease compared to the end of last year is mainly due to the effect of depreciation for the period (30 thousand euros).

15. Goodwill – 155,373 *thousand euros*

At 30 June 2016 goodwill amounted to 155,373 thousand euros (155,381 thousand euros at 31 December 2015). The amount is almost unchanged from the previous year as shown in the following table.

€ thousand	31.12.15	Acquisitions	Impairments/ Revaluations	Other changes	30.06.16
Energy segment	**140,010**	**0**	**0**	**(4)**	**140,006**
Renewable energy plants	93,046	0	0		93,046
Energy sale	46,964	0	0	(4)	46,960
Environment segment:	**15,370**	**0**	**0**	**(4)**	**15,367**
Waste to energy plants	7,744	0	0	0	7,744
Composting plants	7,626	0	0	(4)	7,622
Goodwill	**155,381**	**0**	**0**	**(8)**	**155,373**

During the reporting period no *impairment* indications were detected, including with reference to the 2016-2020 Strategic Plan approved by the ACEA Board of Directors in March. For further information on the *cash generating units* and corresponding goodwill values, please refer to the comments in the notes to the 2015 Consolidated Financial Statements.

INTANGIBLE ASSETS

€ thousand	Patent rights	Other intangible assets	Fixed assets in progress	Concessions	Total Intangible assets
31.12.15	**43,076**	**20,591**	**41,028**	**1,520,304**	**1,625,000**
Depreciation/amortisation	(13,850)	(712)	0	(36,754)	(51,317)
Investments/ Acquisitions	2,394	199	27,860	100,290	130,742
Divestments	0	0	0	0	0
Change in basis of consolidation	0	2	(2)	0	0
Other changes	(23)	3,317	2,775	(3,517)	2,551
30.06.2016	**31,596**	**23,397**	**71,660**	**1,580,323**	**1,706,976**

Compared to 31 December 2015, intangible assets increased 81,976 thousand euros as a result of the combined effect of additions for 130,742 thousand euros, amortization for 51,317 thousand euros and other changes for 2,551 thousand euros.

16. Concessions and Rights on Infrastructure e diritti sull'infrastruttura – 1,580,323 *thousand euros*

This item mainly refers to the Water Services and essentially includes:

- the values of concessions received from the municipalities (143,230 thousand euros),
- The overall amount of all tangible infrastructure for the management of water services (1,437,094 thousand euros), in accordance with IFRIC 12.

Concessions refer for 141,855 thousand euros to the thirty-year concession from Roma Capitale on the assets consisting of water and sewage treatment facilities, and for 468 thousand euros to the right arising from taking over the management of the integrated water service in the Municipality of Formello. Rights are amortised on the basis, respectively, of the remaining term of the concession signed between ACEA and Roma Capitale and the term of the Management Agreement signed by the Mayors and ATO2.
Capital expenditure for the year relating to **Infrastructure rights** amounted to 100,290 thousand euros and mainly refers to:

- Acea Ato2 for 84,526 thousand euros for extraordinary maintenance, the rebuilding, modernization and expansion of water supply, sewage and water treatment plants and of the networks;
- Acea Ato5 for 14,222 thousand euros for the replacement, maintenance and expansion of water supply and sewerage pipes and of water treatment plants.

The item **Other changes** mainly comprises reclassifications for the commissioning of the assets.

17. Other intangible assets – 126,653 *thousand euros*

The increase over the previous year, amounting to 21,957 thousand euros, arises from capital expenditure incurred during the period (30,452 thousand euros), net of amortisation (14,562 thousand euros) and reclassifications following the entry into operation of the assets.
Capital expenditures carried out during the year totalled 30,452 thousand euros and are mainly attributable to:

- *a*reti for 15,266 thousand euros in relation to costs incurred for the re-engineering of information and commercial systems related to distribution, the development of software projects related to Acea2.0 and for the *Work Force Management* project;
- Acea Energia for 10,301 thousand euros in relation to the implementation of the Acea2.0 project and the upgrading of the billing software;
- the Parent Company for 3,781 thousand euros in relation to the purchase and implementation of software in support of administrative, personnel and security management systems.

The item **"Disposals and other changes"** includes the amount of green certificates of Acea Produzione and ARIA amounting to 21,805 thousand euros; the change compared to the previous year derives from the net effect of the decrease recorded in ARIA (-3,774 thousand euros) in relation to the collection of accrued receivables and the increase in Acea Produzione for 6,517 thousand euros.

18. Investments in unconsolidated subsidiaries and associates – 252,600 *thousand euros*

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

€ thousand	31.12.15	Impact on income statement	Impact on equity	Change in basis of consolidation	Other changes	30.06.16
Equity investments in subsidiaries and associates	247,490	15,477	(1,051)	0	(9,315)	252,600

The changes occurred during the period refer to:

- valuations of companies consolidated using the equity method, whose impact on the income statement totalled 15,477 thousand euros; these valuations are booked in the income statement mainly under "Income/costs from equity investments of a non-financial nature" (14,906 thousand euros) and under "Income/costs from equity investments" (571 thousand euros);
- the impact of valuations of companies consolidated using the equity method on shareholders' equity (1,051 thousand euros);
- dividends distributed by companies for 8,072 thousand euros.

The income statement and balance sheet data of the main investees consolidated using the equity method are provided below.

30.06.16 € thousand	Non-current assets	Current assets	Non-current liabilities	Current liabilities	Revenue	Net profit/ (loss)	NFP
AZUL	6,052	1,018	(143)	(368)	1,594	560	480
INTESA ARETINA	8,598	598	0	(471)	0	0	316
NUOVE ACQUE	19,415	5,639	(13,454)	(3,041)	4,558	542	(8,520)
ECOMED	3	376	(4)	(387)	0	(16)	165
FIORA	101,281	21,540	(80,779)	(17,443)	18,840	1,580	(55,740)
GORI	76,065	165,747	(66,821)	(135,599)	35,043	1,757	(316)
Ingegnerie Toscane	3,241	7,992	(621)	(6,249)	3,961	409	(3,367)
ACQUE INDUSTRIALI	1,463	2,291	(692)	(2,019)	1,759	7	(596)
ACQUE SERVIZI	1,074	9,269	(1,105)	(6,177)	4,663	91	(1,291)
ACQUE	176,903	42,171	(139,689)	(38,613)	31,876	4,074	(99,834)
PUBLIACQUA	185,424	56,916	(106,733)	(44,451)	49,103	6,634	(52,399)
UMBRA ACQUE	52,129	13,080	(29,128)	(26,329)	13,532	247	(12,905)

31.12.15 € thousand	Non-current assets	Current assets	Non-current liabilities	Current liabilities	Revenue*	Net profit/ (loss)	NFP
AZUL	6,375	1,243	(312)	(302)	1,606	560	850
INTESA ARETINA	8,096	598	0	(471)	0	0	316
NUOVE ACQUE	20,123	5,059	(13,913)	(2,869)	4,191	420	(8,205)
ECOMED	3	314	0	(374)	0	(21)	103
FIORA	99,781	21,687	(80,523)	(17,132)	19,766	779	(51,918)
GORI	73,076	162,167	(64,421)	(133,092)	33,459	1,174	1,677
Ingegnerie Toscane	3,205	8,219	(464)	(6,151)	3,974	501	(1,666)
ACQUE INDUSTRIALI	1,496	3,049	(717)	(2,772)	2,252	40	(439)
ACQUE SERVIZI	868	10,075	(1,050)	(6,848)	4,983	178	(798)
ACQUE	176,923	45,667	(143,688)	(41,946)	33,089	3,533	(95,167)
PUBLIACQUA	183,210	58,287	(76,804)	(73,242)	45,490	5,933	(36,453)
UMBRA ACQUE	51,626	13,436	(30,265)	(25,150)	13,668	418	(12,382)

* Data refer to 30 June 2015

19. Other investments – 2,586 *thousand euros*
This item, totalling 2,586 thousand euros (2,750 thousand euros at the end of the previous year), consists of equity interests that do not qualify as subsidiaries, associates or *joint ventures*.
The change compared to the previous year amounted to 164 thousand euros and mainly refers to the foreign currency adjustment of foreign exchange holdings.

20. Deferred tax assets – 273,910 *thousand euros*
At 30 June 2016, deferred tax assets, net of deferred tax liabilities, amounted to 191,513 thousand euros (187,518 thousand euros at 31 December 2015).
The changes in deferred tax assets were mainly related to: **(i)** temporary differences between the values recorded in the financial statements of subsidiaries as a result of the transfer of business segments and the corresponding amounts recognized in the consolidated financial statements for 31,693 thousand euros (35,630 thousand euros at 31 December 2015), **(ii)** provisions for risks that have a tax effect for 25,841 thousand euros (24,810 thousand euros at 31 December 2015), **(iii)** impairment of receivables for 51,713 thousand euros (51,441 thousand at 31 December 2015), **(iv)** defined benefit and defined contribution plans for 13,306 thousand euros (13,188 thousand euros at 31 December 2015), **(iv)** tax losses for the period for 3,927 thousand euros (677 thousand euros at 31 December 2015), **(vii)** *fair value* measurement of *commodities* and other financial instruments for 5,238 thousand euros (10,292 thousand euros at 31 December 2015).
The deferred tax liabilities mainly reflect the difference between the economic and technical depreciation rates ap-

plied and the tax-related rates. Uses in the period totalling 2,266 thousand euros and allocations amounting to 5,025 thousand euros contributed to this item.

The following table details the changes in this item:

€ thousand	2015 Balance	Changes in 2016 Change in basis of consolidation	Adjustments/ reclassifications	Changes in shareholders' equity	Utilisations	Rate adjustment	IRES/IRAP provisions	Balance
Deferred tax assets								
Tax losses	677	0	0	0	0	0	3,251	3,927
Remuneration of BoD members	691	0	0	0	(3)	0	0	688
Provision for liabilities and charges	24,810	0	0	0	(3,544)	0	4,575	25,841
Impairments of receivables and investments	51,441	0	0	0	(139)	0	412	51,713
Depreciation/ amortisation	117,322	0	0	0	(3,409)	0	5,377	119,289
Defined benefit and defined contribution plans	13,188	0	0	442	(410)	0	87	13,306
Tax assets on consolidation adjustments	35,630	0	0	0	(3,937)	0	0	31,693
Fair value commodities and other financial instruments	10,292	0	0	(5,346)	0	0	293	5,238
Others	20,529	0	116	14	(522)	0	2,077	22,214
Total	**274,577**	**0**	**116**	**(4,889)**	**(11,963)**	**0**	**16,070**	**273,910**
Deferred taxes								
Depreciation/ amortisation	71,473	0	0	0	(1,660)	0	3,066	72,878
Defined benefit and defined contribution plans	(74)	0	0	(2,163)	(217)	0	43	(2,412)
Fair value commodities and other financial instruments	5,130	0	0	(5,260)	0	0	59	(71)
Others	10,530	0	0	1	(388)	0	1,858	12,001
Total	**87,059**	**0**	**0**	**(7,421)**	**(2,266)**	**0**	**5,025**	**82,397**
Net	**187,518**	**0**	**116**	**2,532**	**(9,697)**	**0**	**11,044**	**191,513**

The Group recognised 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 – 32,271 *thousand euros*
These amounted to 32,271 thousand euros (31,464 thousand euros at 31 December 2015), recording an increase of 807 thousand euros.
This item mainly includes receivables due from Roma Capitale for 29,109 thousand euros, relating to new investments for the Public Lighting service, such as plant upgrading, energy savings, legislative adjustments and technological innovation, which will be paid to ACEA, for an amount equal to tax depreciation, after 2015, in compliance with the terms of the Supplementary Agreement to the service contract signed on 15 March 2011.

22. Other non-current assets – 36,480 *thousand euros*

At 30 June 2016, the break-down was as follows:

€ thousand	30.06.16	31.12.15	Increase/ (Decrease)	% Increase/ (Decrease)
Amounts due from the State	113	1,138	(1,025)	(90.0%)
Advances and deposits	1,444	1,477	(33)	(2.2%)
Other receivables	34,512	36,698	(2,186)	(6.0%)
Accrued income and prepayments	411	450	(40)	(8.8%)
Other non-current assets	**36,480**	**39,764**	**(3,284)**	**(8.3%)**

Other receivables totalled 34,512 thousand euros (they were 36,698 thousand euros at 31 December 2015) and refer to long-term receivables generated by the public lighting service agreement in the city of Rome, which represent the total investments made at 31 December 2010 for this service, now due following adoption of the financial method according to IFRIC 12 as a result of the additional agreements between ACEA and Roma Capitale on the service agreement in question.

23. Current assets – 2,067,034 *thousand euros*

€ thousand	30.06.16	31.12.15	Increase/ (Decrease)	% Increase/ (Decrease)
Inventories	**31,636**	**26,623**	**5,013**	**18.8%**
Trade receivables:				0.0%
Receivables from customers	1,071,097	1,005,113	65,984	6.6%
Receivables from Parent Company	47,516	63,679	(16,163)	(25.4%)
Amounts due from subsidiaries and associates	28,557	29,882	(1,325)	(4.4%)
TOTAL TRADE RECEIVABLES	**1,147,170**	**1,098,674**	**48,496**	**4.4%**
Other current receivables and assets	125,039	130,675	(5,636)	(4.3%)
Current financial assets	97,115	94,228	2,886	3.1%
Tax receivables	83,219	75,177	8,043	10.7%
Cash and cash equivalents	582,855	814,653	(231,797)	(28.5%)
Current assets	**2,067,034**	**2,240,030**	**(172,996)**	**(7.7%)**

Inventories

These amounted to 31,636 thousand euros (26,623 thousand euros at 31 December 2015); the breakdown by operating segment is as follows:

€ thousand	30.06.16	31.12.15	Increase/ (Decrease)	% Increase/ (Decrease)
Environment	4,518	3,708	811	21.9%
Energy	1,890	1,632	258	15.8%
Water	7,110	7,069	41	0.6%
Networks	17,846	13,944	3,903	28.0%
Parent Company	270	270	0	0.0%
Total	**31,636**	**26,623**	**5,013**	**18.8%**

The increase was primarily attributable to *areti* (+ 3,915 thousand euros) for the Networks Segment and to ARIA (+ 806 thousand euros) for the Environment Segment.

TRADE RECEIVABLES

These amounted to 1,147,170 thousand euros, recording a decrease of 48,496 thousand euros compared to the previous year, when the figure was 1,098,674 thousand euros.

RECEIVABLES FROM CUSTOMERS

This item amounted to 1,071,097 thousand euros, an increase of 65,984 thousand euros compared to 31 December 2015.

€ thousand	30.06.16	31.12.15	Increase/ (Decrease)	% Increase/ (Decrease)
Receivables due from end users for bills issued	430,068	428,469	1,599	0.4%
Receivables due from end users for bills to be issued	473,771	402,118	71,653	17.8%
Total receivables due from end users	**903,839**	**830,587**	**73,252**	**8.8%**
Receivables from other customers	167,213	153,451	13,762	9.0%
Other current receivables and assets	44	21,075	(21,030)	(99.8%)
Total receivables	**1,071,097**	**1,005,113**	**65,984**	**6.6%**

The table below summarises the changes by operating segment:

€ thousand	30.06.16	31.12.15	Increase/ (Decrease)	% Increase/ (Decrease)
Environment	34,397	29,742	4,655	15.7%
Energy	454,612	505,292	(50,680)	(10.0%)
Water	469,480	411,736	57,745	14.0%
Networks	103,578	29,690	73,888	248.9%
Parent Company	9,029	28,653	(19,624)	(68.5%)
Total	**1,071,097**	**1,005,113**	**65,984**	**6.6%**

Receivables are stated net of the Provision for Impairment of Receivables which at 30 June 2016 amounted to 320,557 thousand euros, an increase over the previous year of 363 thousand euros. The performance of receivables, both gross and net of the provision for the impairment of receivables, is shown below.

€ milioni	30.06.16			31.12.15			Increase/ (Decrease)		
Total	Gross receivables (a)	Provision for impairments (b)	Net receivables	Gross receivables (c)	Provision for impairments (d)	Total	Gross receivables (a)-(c)	Provision for impairments (b)-(d)	Net receivables
Environment	37,315	(2,918)	34,397	32,567	(2,824)	29,742	4,749	(94)	4,655
Energy	703,228	(248,616)	454,612	744,186	(238,894)	505,292	(40,958)	(9,722)	(50,680)
Water	521,556	(52,075)	469,480	467,748	(56,013)	411,736	53,807	3,938	57,745
Networks	115,006	(11,428)	103,578	46,835	(17,145)	29,690	68,171	5,717	73,888
Corporate	14,549	(5,519)	9,029	33,971	(5,318)	28,653	(19,423)	(202)	(19,624)
Total	**1,391,653**	**(320,557)**	**1,071,097**	**1,325,308**	**(320,195)**	**1,005,113**	**66,346**	**(363)**	**65,984**

Environment segment receivables

These amounted to 34,397 thousand euros, up by 4,655 thousand euros compared to 31 December 2015; the increase refers to SAO for 3,392 thousand euros.

Energy segment receivables

Receivables in this segment amounted to 454,612 thousand euros; they are primarily generated by the sale of electricity to the protected and free market customers and by gas sales. The decrease compared to 2015 was 50,680 thousand euros.
The provision for impairment of receivables at 30 June 2016 amounted to 248,616 thousand euros, with an increase net of uses of 9,722 thousand euros compared to 31 December 2015.

Water segment receivables

These totalled 469,480 thousand euros and were composed as follows:

€ thousand	30.06.16	31.12.15	Increase/ (Decrease)	% Increase/ (Decrease)
Italian water services	468,001	409,758	58,243	14.2%
Lazio-Campania	*467,947*	*409,486*	*58,461*	*14.3%*
Tuscany-Umbria	*54*	*272*	*(217)*	*(80.0%)*
Overseas Water Services	1,114	1,621	(507)	(31.3%)
Engineering and Laboratory Services	365	357	9	2.4%
Total	**469,480**	**411,736**	**57,745**	**14.0%**

The increase of 57,745 thousand euros compared to 2015 is mainly due to tariff changes in ACEA Ato2 (+ 46,598 thousand euros) and Acea Ato 5 (+ 8,465 thousand euros).
The provision for impairment of receivables at 30 June 2016 amounted to €52,075 thousand euros, with a decrease net of uses of 3,938 thousand euros compared to 31 December 2015.

Network segment receivables

They amounted to 103,578 thousand euros, an increase of 73,888 thousand euros compared to 31 December 2015 which is attributable solely to *a*reti as a result of the regulatory changes contained in AEEGSI Resolution 654/2015/R/eel. For more detail, please see the comments on the performance of the business segments.
The provision for impairment of receivables amounted to 11,428 thousand euros, down by 5,717 thousand euros, mainly attributable to the write-off of receivables from users.

Parent Company receivables

These amounted to a total of 9,029 thousand euros, recording a decrease of 19,624 thousand euros compared to 31 December 2015. The change was mainly due to the reclassification of the corresponding debt (20,516 thousand euros) under the receivables vis à vis the Vatican State, in order to increase comparability between trade receivables and trade payables.
The Provision for impairment of receivables amounted to 5,519 thousand euros and is essentially unchanged compared to the previous year.
For more information on the aging of receivables, reference is made to the section "Additional information on financial instruments and risk management policies" in the annex to this document.

RECEIVABLES FROM THE PARENT COMPANY ROMA CAPITALE

Trade receivables due from Roma Capitale totalled 57,951 thousand euros at 30 June 2016 (72,203 thousand euros at 31 December 2015).
The total amount of receivables (including short-term and medium/long term financial receivables resulting from the public lighting contract) was 130,414 thousand euros compared to 142,773 thousand euros at the end of the previous year.

The following table presents an analysis of receivables and payables, including those of a financial nature, between ACEA Group and Roma Capitale.

€ thousand	30.06.16	31.12.15	Increase/ (Decrease)	% Increase/ (Decrease)
RECEIVABLES	149,088	163,357	(14,270)	(8.7%)
PAYABLES (including dividends)	(144,663)	(162,038)	17,374	(10.7%)
Balance (Receivables - Payables)	**(4,424)**	**(1,319)**	**3,105**	**(235.3%)**

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

Amounts due from Roma Capitale	30.06.16	31.12.15	Increase/ (Decrease)
Utility receivables	30,895	46,756	(15,861)
Contract work and services	17,474	17,722	(248)
Other receivables: seconded staff	214	184	30
Total services billed	**48,583**	**64,662**	**(16,079)**
Grants receivable	2,402	2,402	0
Total services requested	**50,984**	**67,063**	**(16,079)**
Receivables for bills to be issued: Public Lighting	4,101	2,604	1,497
Receivables for bills to be issued: other	2,866	2,537	330
Total services to be billed	**6,967**	**5,140**	**1,827**
Advances	**0**	**0**	**0**
Total trade receivables	**57,951**	**72,203**	**(14,252)**
Financial receivables for Public lighting services	**72,463**	**70,570**	**1,893**
Financial receivables for billed Public lighting services	59,062	61,009	(1,947)
Financial receivables for Public lighting services to be billed	13,401	9,561	3,840
Total receivables due within one year (A)	**130,414**	**142,773**	**(12,359)**

Amounts due to Roma Capitale	30.06.16	31.12.15	Increase/ (Decrease)
Electricity surtax payable	(15,243)	(15,232)	(11)
Concession fees payable	(112,127)	(99,339)	(12,788)
Total trade payables	**(127,370)**	**(114,571)**	**(12,799)**
Total payables due within one year (B)	**(127,370)**	**(114,571)**	**(12,799)**
Total (A) - (B)	**3,044**	**28,202**	**(25,158)**
Other financial loans and receivables/(borrowings)	**20,597**	**(6,186)**	**26,782**
from Parent Company City of Rome for dividends	(8,512)	(35,295)	26,782
Medium/long term financial receivables for Public lighting services	29,109	29,109	0
Other trade receivables/(payables)	**(19,217)**	**20,698**	**1,480**
Net balance	**4,424**	**1,319**	**3,105**

The change in receivables and payables results from items accrued in the period, the effects of items offset and collections occurred exclusively in the month of June.

The stock of receivables outstanding at 30 June 2016 was down by 12,359 thousand euros from the previous year; more specifically it recorded:

- a decline in receivables from water service users amounting to 6,537 thousand euros;
- a decrease in receivables from electricity users amounting to 9,453 thousand euros;
- the growth of trade receivables for invoices to be issued for 1,827 thousand euros almost entirely attributable to works for new public lighting installations;
- the growth of financial receivables for public lighting amounted to 1,893 thousand euros essentially due to the accrued regulatory adjustment and the accrued annual fee.

Nettings in the period amounted to 29,119 thousand euros, by which the financial receivables relating to fees for the Public Lighting service agreement were offset against payables for dividends accrued by ACEA as at the end of 2014. In addition, during the reporting period 23,887 thousand euros were collected; the major categories of the concerned receivables are listed below:

(i) 16,634 thousand euros for receivables from water service users, of which 9,011 thousand euros for bills issued in the previous year and 7,623 thousand euros for bills issued in the current year;
(ii) 6,943 thousand euros for receivables from electricity users for bills relating to the year 2015;
(iii) 175 thousand euros for receivables mainly related to the water agreement;
(iv) 141 thousand euros with regard to receivables for new public lighting installations.

As regards payables, there was a net decrease of 15,464 thousand euros. The main changes are listed below:

(i) growth of payables in Acea Ato2 as a result of the concession fee accrued for the year (+ 12,788 thousand euros);

(ii) decrease (- 29,119 thousand euros) in payable for dividends already recognised as of 31 December 2015 as a result of the nettings of the period referred to above;

(iii) decrease in the payable for new regulations for street cables following the payment of the outstanding amount recognised in 2015 of 4,788 thousand euros.

The dividend accrued by the Parent Company for the year 2015 amounting to 54,305 thousand euros was paid in June (payable recorded as a result of the shareholders' resolution of 28 April 2016).

TRADE RECEIVABLES FROM ASSOCIATES AND JOINT VENTURES

€ thousand	30.06.16	31.12.15	Increase/ (Decrease)	%Increase/ (Decrease)
Receivables from Associates	5,217	5,188	30	0.6%
Receivables from jointly controlled entities	23,340	24,694	(1,354)	(5.5%)
Total	**28,557**	**29,882**	**(1,325)**	**(4.9%)**

Receivables from associates

These receivables totalled 5,217 thousand euros (5,188 thousand euros at 31 December 2015) and primarily refer to receivables from Marco Polo for 1,236 thousand euros, from Umbria Due Servizi Idrici for 1,165 thousand euros, from Sogea for 643 thousand euros, from Si(e)nergia in liquidation for 639 thousand euros and from Agua de San Pedro for 823 thousand euros.

Receivables from joint ventures

These receivables totalled 23,340 thousand euros (24,694 thousand euros at 31 December 2015), down 1,354 thousand euros; they refer to amounts due from companies consolidated using the equity method. In particular the balance consists of 13,740 thousand euros in receivables recognised in ACEA due from its subsidiaries and 8,024 thousand euros in Sarnese Vesuviano due from its subsidiary GORI. The receivables from subsidiaries recorded in Acea were affected by the recognition of receivables arising from the allocation of costs incurred for the Acea2.0 program and reflects the allocation of the investment in the joint venture.

OTHER CURRENT RECEIVABLES AND ASSETS

€ thousand	30.06.16	31.12.15	Increase/ (Decrease)	%Increase/ (Decrease)
Receivables from others	111,730	117,866	(6,136)	(5.2%)
Accrued income and prepayments	13,309	12,809	500	3.9%
Total	**125,039**	**130,675**	**(5,636)**	**(4.3%)**

Receivables from others

These totalled 111,730 thousand euros, with breakdown of the main contributing items as follows:

€ thousand	30.06.16	31.12.15	Increase/ (Decrease)	%Increase/ (Decrease)
Receivables due from the Equalisation Fund	15,060	12,224	2,836	23.2%
Receivables from Equalisation Fund for Tariff Contribution from meeting the targets	815	12,642	(11,827)	(93.6%)
Other receivables from Equalisation Fund	46,347	38,928	7,418	19.1%
Regional grants receivable	7,355	7,355	0	0.0%
Receivables from Equitalia	4,208	4,168	41	1.0%
Security deposits	4,151	3,368	783	23.3%
Receivables from social security institutions	1,520	3,475	(1,955)	(56.3%)
Receivables from individual transfers	2,441	2,441	0	0.0%
Suppliers' advances	1,674	2,072	(398)	(19.2%)
Receivables due from Municipal Authorities	90	0	90	0.0%
Receivables from Factor from the sale	62	62	0	0.0%
Other receivables for Naples public lighting services	1,873	858	1,015	118.3%
Advances to employees	63	45	18	38.8%
Other receivables	26,071	30,227	(4,156)	(13.7%)
Total	**111,730**	**117,866**	**(6,136)**	**5.2%**

The change amounting to -6,136 thousand euros is mainly due to the collection of receivables accrued on the "cancellation" of energy efficiency bonds corresponding to the satisfaction of its energy efficiency requirement (11,827 thousand euros). This change was partially offset by changes in other receivables from the Equalisation Fund pertaining to Acea Energia (+ 6,044 thousand euros), *areti* (+ 2,836 thousand euros) and Acea Ato2 (+ 1,366 thousand euros).

Accrued income and prepayments

These amounted to 13,309 thousand euros (12,809 thousand euros at 31 December 2015) and refer mainly to rent on public land, lease payments and insurance. The change was a positive 500 thousand euros.

CURRENT TAX ASSETS

These amounted to 83,219 thousand euros (75,176 thousand euros at 31 December 2015) and refer to the following:

€ thousand	30.06.16	31.12.15	Increase/ (Decrease)	%Increase/ (Decrease)
VAT receivables	28,581	16,272	12,309	75.7%
IRAP and IRES receivables	32,681	31,362	1,319	4.2%
Municipal and provincial surcharge, revenue tax	2,183	3,742	(1,559)	(41.7%)
Other tax receivables	19,774	23,800	(4,026)	(16.9%)
Total	**83,219**	**75,176**	**8,043**	**10.7%**

ATTIVITÀ FINANZIARIE CORRENTI

€ thousand	30.06.16	31.12.15	Increase/ (Decrease)	%Increase/ (Decrease)
Financial receivables from the Parent Company	72,463	70,570	1,893	2.7%
Financial receivables from subsidiaries and associates	6,928	6,776	153	2.3%
Financial receivables from third parties	17,723	16,883	840	5.0%
Total	**97,115**	**94,228**	**2,886**	**3.1%**

Financial receivables from the Parent Company Roma Capitale

These totalled 72,463 thousand euros, up 1,893 thousand euros compared to 31 December 2015. They represent the unconditional right to receive cash flows in line with the methods and timing envisaged in the service agreement for public lighting management. Further details are provided in the note "Receivables due from the Parent Company Roma Capitale".

Financial receivables from associates and joint ventures

These amounted to 6,928 thousand Euros, (6,776 thousand euros at 31 December 2015) and refer to 2,702 thousand euros for a loan, including accrued interest, disbursed in November 2010 to Sienergia in liquidation to cover certain investment projects, 2,828 thousand euros for a receivable recognised in Crea Gestioni vis à vis Umbriadue Servizi and 322 thousand euros for a loan granted to the company Citelum Acea Napoli Pubblica Illuminazione.

Financial receivables from third parties

These receivables totalled 17,723 thousand euros (16,883 thousand euros at 31 December 2015) and are mainly broken down as follows:

- 10,700 thousand euros recorded in ACEA Ato5. This amount refers to the receivable 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,
- 5,323 thousand euros accrued for the management of the public lighting service.

The two items didn't record any change in the first half of the year.

CASH AND CASH EQUIVALENTS

The balance at 30 June 2016 of bank current accounts and postal accounts, opened with the various banks and Post Offices by the consolidated companies, except by companies held for sale, amounted to 582,855 thousand euros.
A breakdown and changes in this item by operating segment are shown in the table below:

€ thousand	30.06.16	31.12.15	Increase/ (Decrease)	%Increase/ (Decrease)
Environment	759	328	431	131.6%
Energy	16,047	6,805	9,243	135.8%
Water	40,061	35,223	4,838	13.7%
Networks	25	(200)	224	(112.4%)
Parent Company	525,964	772,497	(246,533)	(31.9%)
Total	**582,855**	**814,653**	**(231,797)**	**(28.5%)**

24. Non-current assets held for sale/Liabilities directly associated with assets held for sale – *397 thousand euros*

The balance at 30 June 2016 amounted to 397 thousand euros, unchanged from 31 December 2015. 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.

LIABILITIES

At 30 June 2016 these amounted to 6,643,018 thousand euros (6,706,972 thousand euros at 31 December 2015), recording a decrease of 63,954 thousand euros (- 1.0%) over the previous year, and are broken down as follows:

€ thousand	30.06.16	31.12.15	Increase/ (Decrease)	%Increase/ (Decrease)
Shareholders' equity	1,631,367	1,596,053	35,314	2.2%
Non-current liabilities	3,258,597	3,258,079	518	0.0%
Current liabilities	1,752,954	1,852,741	(99,787)	(5.4%)
Liabilities directly associated with assets held for sale	99	99	0	0.0%
Total Liabilities	**6,643,018**	**6,706,972**	**(63,954)**	**(1.0%)**

25. Shareholders' equity – 1,631,367 *thousand euros*

At 30 June 2016, shareholders' equity amounted to 1,631,367 thousand euros (1,596,053 thousand euros at 31 December 2015).
Changes in shareholders' equity during the period are shown in the appropriate statement.

Share capital

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

- **Roma Capitale: 108,611,150** ordinary shares with an overall par value of 560,433 thousand euros;
- **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 2,152 thousand euros.

Legal reserve

The legal reserve includes 5% of the profits from previous years, in accordance with article 2430 of the Italian Civil Code, and it refers to the legal reserve of the parent company amounting to 95,188 thousand euros.

Other reserves and retained earnings

At 30 June 2016 this item was 214,785 thousand euros against 162,126 thousand euros at 31 December 20152015.

The change was mainly due to: **i)** the distribution of dividends of the parent company for 106,274 thousand euros and **ii)** the change in actuarial gains and losses amounting to - 7,278 thousand euros.

At 30 June 2016 ACEA held 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 72,957 thousand euros, having risen by 828 thousand euros. The difference between the two periods under comparison mainly reflects the combined effect of the portion of net profit attributable to minority interests and the decrease in shareholders' equity as a result of the distribution of dividends from net profit for 2015.

26. Staff termination benefits and other defined benefit plans – 117,918 *thousand euros*

At 30 June 2016, said item totalled 117,918 thousand euros (108,630 thousand euros as at 31 December 2015) and represents termination and other benefits payable to employees on retirement or termination of employment.
The following table shows the change in actuarial liabilities during the year:

€ thousand	30.06.16	31.12.15	Increase/ (Decrease)	%Increase/ (Decrease)
Benefits payable upon termination of employment				0.0%
- Staff termination benefits	73,247	64,012	9,235	14.4%
- Monthly bonuses	10,564	10,020	544	5.4%
- Long-Term Incentive Plans (LTIP)	2,072	2,346	(274)	(11.7%)
Post-employment benefits				0.0%
- Tariff subsidies	32,036	32,252	(217)	(0.7%)
Total	**117,918**	**108,630**	**9,289**	**8.6%**

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.

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, the following table shows the main parameters used for the evaluation.

	June 2016	December 2015
Discount Rate	1.09%	2.03%
Revenue growth rate (average)	1.6%	1.6%
Long-term inflation	1.5%	1.5%

With regard to the measurement of the Group Employee Benefits (Staff termination benefits (TFR), Monthly bonuses, 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 summarized below.

Type of plan	+0.5%	-0.5%
	€ millions	€ millions
Staff termination benefits (TFR)	-3.9	+4.2
Tariff subsidies	+0.6	+1.8
Monthly bonuses	+0.2	+0.6

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

Type of plan	-1 Year of age
	€ millions
Staff termination benefits (TFR)	+0.4
Tariff subsidies	-0.4
Monthly bonuses	-1.0

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

27. Provisions for liabilities and charges – 200,346 *thousand euros*

At 30 June 2016, these provisions totalled 200,346 thousand euros (189,856 thousand euros at 31 December 2015); they 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:

€ thousand	31.12.15	Utilisations	Provisions	Payment of Redundancy Funds	Reclassifications /Other changes	30.06.16
Legal	20,232	(2,056)	2,408	0	0	20,584
Tax	4,259	(1,411)	1,400	0	(105)	4,143
Regulatory risks	54,218	(831)	5,983	0	0	59,370
Investees	4,080	0	74	0	31	4,185
Contributory risks	6,540	(27)	47	0	0	6,560
Early retirements and redundancies	3,346	(8,060)	9,496	0	(9)	4,773
Post mortem	23,044	(50)	0	0	0	22,994
Concession fees	0	0	0	0	0	0
Insurance excess	1,192	(468)	9	0	0	732
Other liabilities and charges	21,689	(649)	506	0	115	21,662
Provision for liabilities and charges	0	0	0	0	0	0
Subtotal Provisions for Liabilities and Charges	**138,599**	**(13,552)**	**19,924**	**0**	**32**	**145,003**
Provisions for restoration charges	51,257	0	4,085	0	0	55,343
Contractual commitments	0	0	0	0	0	0
Total Provisions for Liabilities and Charges	**189,856**	**(13,552)**	**24,009**	**0**	**32**	**200,346**

The main changes refer to
- the provision for regulatory risks which increased by 5,152 thousand euros, mainly as a result of the amount allocated in relation to the penalty imposed by the Antitrust Authority to Acea Energia (3,600 thousand euros); and the provision for risks related to the *capacity payment* in Acea Produzione (1,040 thousand euros);
- the provision set aside to deal with the charges arising from the voluntary redundancy and early retirement procedure, which increased by 1,427 thousand euros, net of uses, compared to 31 December 2015;
- the provision for restoration charges, which increased by 4,085 thousand euros as a result of allocations made in 2016 related to the costs required to keep the water service infrastructure in good condition.

For more details about the nature of the allocations please refer to note 7.

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

28. Non-current borrowings and financial liabilities – 2,669,673 *thousand euros*

€ thousand	30.06.16	31.12.15	Increase/ (Decrease)	%Increase/ (Decrease)
Bonds	1,907,534	1,904,022	3,512	0.2%
Medium/long-term borrowings	762,139	784,413	(22,274)	(2.8%)
Total	**2,669,673**	**2,688,435**	**(18,762)**	**(0.7%)**

The figures in the table include the fair value, at 30 June 2016, of hedging instruments entered into by ACEA and certain Group companies which are shown separately from the hedged instrument in the table below.

€ thousand	Hedged instrument	Fair value of derivative	30.06.16	Hedged instrument	Fair value of derivative	31.12.15
Bonds	1,896,919	10,615	1,907,534	1,866,346	37,676	1,904,022
Medium/long-term borrowings	755,720	6,421	762,141	769,837	7,004	784,413
Non-current borrowings and financial liabilities	**2,652,639**	**17,036**	**2,669,673**	**2,636,183**	**44,680**	**2,688,435**

Bonds

These amounted to 1,907,534 thousand euros (1,904,022 thousand euros at 31 December 2015) and refer to the following:

- 608,142 thousand 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 7,853 thousand euros.
- 608,771 thousand euros (including accrued interest) referring to a 5-year bond issued by ACEA at the beginning of September 2013 and maturing 12 September 2018.
  This payable, net of the positive Fair Value of 793 thousand euros recognised under net finance costs in the income statement, amounted to 607,977 thousand euros.
  Interest accrued during the period amounted to 11,189 thousand euros.
- 505,013 thousand euros (including accrued interest) refer to a 10-year bond issued by ACEA in March 2010, maturing 16 March 2020. Interest accrued during the period amounted to 11,207 thousand euros.
- 174,986 thousand euros relating to the *Private Placement* which, net of the *Fair Value* of the hedge, a negative 11,408 thousand euros, amounted to 186,395 thousand euros. The *fair value* of the effective portion is allocated to a specific reserve in shareholders' equity and the ineffective portion of the derivative, which is designated as a *Cash flow hedge*, amounted to 1,219 thousand euros and was mainly due to the strong yen exchange rate fluctuations in the proximity of "Brexit"; the exchange rate difference - positive by 9,352 thousand euros - calculated at 30 June 2016 on the hedged instrument was allocated to a translation reserve. The exchange rate at 30 June 2016 amounted to 114.61 euros against 131.07 euros at 31 December 2015. Interest accrued during the period amounted to 2,213 thousand euros.

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

They totalled 807,669 thousand euros (830,421 thousand euros at 31 December 2015) and include: **(i)** principal outstanding falling due beyond twelve months amounting to 762,139 thousand (784,413 thousand euros at 31 December 2015), **(ii)** the portions of the same borrowings falling due in the twelve months thereafter, totalling 45,529 thousand euros (46,008 thousand euros at 31 December 2015) and **(iii)** 6,421 thousand euros as the negative *fair value* of interest rate risk and currency risk hedges.

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

Bank Loans:	Total Residual Debt	Maturing on 30.06.17	from 30.06.17 until 30.06.22	Maturing after 30.06.22
fixed rate	300,085	21,856	92,058	186,170
floating rate	455,354	13,339	260,015	180,000
floating rate to fixed rate	52,230	8,334	39,729	4,167
Total	**807,669**	**45,529**	**391,802**	**370,337**

The *fair value* of ACEA hedging derivatives was a negative 6,421 thousand euros, decreasing 583 thousand euros compared to 31 December 2015 (negative 7,004 thousand euros).

The Group's principal medium/long–term borrowings are subject to *covenants* to be complied with by the borrowing companies in accordance with normal international practices.
In particular, the loan taken out by *a*reti 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 2015.
The loan agreements entered into by the Parent Company envisage:

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

During the year there was no evidence that any of the covenants had not been complied with.
Information on the fair value of the above borrowings is provided in the section *"Additional disclosures on financial instruments and risk management policies"* of the 2015 Consolidated Financial Statement.

The table below shows the fair value of borrowings broken down by type of loan and interest rate as at 30 June 2016. The fair value of medium/long-term debt is calculated on the basis of the risk-free and the risk-adjusted interest rate curves.

Bank Loans:	Amortised cost (A)	RISK-FREE FV (B)	increase/ (decrease) (A) - (B)	RISK ADJUSTED FV (C)	increase/ (decrease) (A) - (C)
Bonds	1,907,534	2,127,839	(220,305)	2,055,801	(148,267)
fixed rate	300,085	393,042	(92,957)	369,969	(69,884)
floating rate	455,354	466,118	(10,765)	464,769	(9,416)
floating rate to fixed rate	52,230	53,340	(1,110)	52,102	127
Total	**2,715,202**	**3,040,339**	**(325,137)**	**2,942,641**	**(227,439)**

As regards the type of hedge 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.

29. Other non-current liabilities – 188,263 *thousand euros*

€ thousand	30.06.16	31.12.15	Increase/ (Decrease)	%Increase/ (Decrease)
Advances received	115,383	110,688	4,695	4.2%
Water connection fees	23,684	24,017	(332)	(1.4%)
Capital grants	20,346	20,687	(341)	(1.7%)
Accrued liabilities and deferred income	28,850	28,709	141	0.5%
Total other liabilities	**188,263**	**184,100**	**4,163**	**2.3%**

ADVANCES FROM END USERS AND CUSTOMERS

Advances include: **i)** the amount of security deposits and consumption advances of 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 following table provides the breakdown by operating segments:

€ thousand	30.06.16	31.12.15	Increase/ (Decrease)	%Increase/ (Decrease)
Energy	45,042	42,410	2,631	6.2%
Water	68,970	67,761	1,209	1.8%
Networks	1,349	494	855	173.2%
Parent Company	23	23	0	0.0%
Total	**115,383**	**110,688**	**4,695**	**4.2%**

CAPITAL GRANTS AND WATER CONNECTION FEES

This item amounted to 23,684 thousand euros (24,017 thousand euros at 31 December 2015) and mainly refer to connection fees in Acea Ato2 for 18,925 thousand euros and ACEA Ato5 for 4,759 thousand euros. The item also includes 20,346 thousand euros (20,687 thousand at 31 December 2015) for grants accounted for in liabilities and progressively recognised in the income statement of each year over the term of the underlying investment. The amount recognised as income is determined on the basis of the useful life of the asset to which it refers.

ACCRUED LIABILITIES AND DEFERRED INCOME

Accrued liabilities and deferred income, amounting to 28,850 thousand 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 residual contribution received by areti for the replacement of electromechanical meters with electronic meters (AEEGSI Resolution No. 292/06).

30. Provision for deferred taxes – 82,397 *thousand euros*

At 30 June 2016 the provisions totalled 82,397 thousand euros (87,059 thousand euros at 31 December 2015).
These provisions above all regard the difference between economic and technical rates of depreciation and tax-related rates. Uses in the period totalling 2,266 thousand euros and allocations amounting to 5,025 thousand euros contributed to this item. Please see note 20 for details.

31. Current liabilities – 1,752,954 *thousand euros*

€ thousand	30.06.16	31.12.15	Increase/ (Decrease)	%Increase/ (Decrease)
Financial debt	171,547	259,087	(87,540)	(33.8%)
Trade payables	1,178,217	1,245,257	(67,039)	(5.4%)
Tax Payables	156,055	42,346	113,709	268.5%
Other current liabilities	247,135	306,052	(58,917)	(19.3%)
Current liabilities	**1,752,954**	**1,852,741**	**(99,787)**	**(5.4%)**

BORROWINGS

€ thousand	30.06.16	31.12.15	Increase/ (Decrease)	%Increase/ (Decrease)
Short-term bank credit lines	36,082	12,710	23,372	183.9%
Bank loans	45,529	46,008	(478)	(1.0%)
Due to the parent Municipality of Rome	8,512	35,295	(26,782)	(75.9%)
Due to subsidiaries and associates	0	596	(596)	(100.0%)
Payables due to third parties	**81,424**	**164,480**	**(83,055)**	**(50.5%)**
Total	**171,547**	**259,087**	**(87,540)**	**(33.8%)**

Short-term bank credit lines
They amounted to 36,082 thousand euros (12,710 thousand euros at 31 December 2015), showing an increase of 23,372 thousand euros, mainly attributable to the Parent Company (+ 30,000 thousand euros), partially offset by the reduction in the companies of the Environment and Energy Segments.

Bank loans
These totalled 45,529 thousand euros and refer to the current portion of bank loans falling due within twelve months. Further details are provided in note 28 of these notes.

Due to the Parent Company Roma Capitale
The value of 8,512 thousand euros decreased by 26,782 thousand euros as a result of the distribution of dividends. With regard to the changes in this item, reference is made to the comments on the corresponding asset item with respect to 31 December 2015.

Due to subsidiaries and associates
They amounted to 0 thousand euros.

Payables due to third parties
These amounted to 81,424 thousand euros (164,480 thousand euros at 31 December 2015). The breakdown of this item mainly concerns:

€ thousand	30.06.16	31.12.15	Increase/ (Decrease)	%Increase/ (Decrease)
Dividends payable to shareholders	**2,531**	**401**	**2,130**	**531.3%**
Environment	346	158	187	118.3%
Water	2,184	242	1,942	803.6%
Parent Company	1	1	0	0.0%
Payables due to third parties	**78,894**	**164,079**	**(85,185)**	**(70.2%)**
Environment	1,255	5,936	(4,680)	(78.9%)
Energy	26,985	43,207	(16,221)	(37.5%)
Water	25,673	44,243	(18,570)	(42.0%)
Networks	21,347	68,924	(47,576)	(69.0%)
Parent Company	3,632	1,769	1,863	105.3%
TOTAL	**81,424**	**164,480**	**(83,055)**	**(50.5%)**

Payables to third parties reported a decrease of 85,185 thousand euros, mainly due to the reduction in payables to *factors* for the sale of receivables.

TRADE PAYABLES

Amounts due to third-party suppliers

€ thousand	30.06.16	31.12.15	Increase/ (Decrease)	%Increase/ (Decrease)
Trade payables	1,034,335	1,092,264	(57,929)	(5.3%)
Payables to the parent company	136,151	147,259	(11,108)	(7.5%)
Payables to subsidiaries and associates	7,731	5,734	1,997	34.8%
Trade payables	**1,178,217**	**1,245,257**	**(67,039)**	**(5.4%)**

Trade payables amounted to 1,034,335 thousand euros. The decrease of 57,929 thousand euros is the result of contrasting factors:

- **Environment Segment:** the decrease of 1,922 thousand euros is mainly attributable to ARIA;
- **Energy segment:** they decreased by 30,795 thousand euros compared to 31 December 2015, mainly due to Acea Energia;
- **Water segment:** the decrease of 21,721 thousand euros compared to 31 December 2015 is mainly due to Acea Ato2 (- 28,546 thousand euros), partially offset by an increase in payables in Acea Ato5 (+ 6,409 thousand euros);
- **Water segment:** they decreased by 15,536 thousand euros compared to 31 December 2015, mainly due to areti;
- **Parent Company:** they increased by 12,045 thousand euros compared to 31 December 2015.

The Group has entered into *factoring* agreements, typically in the reverse factoring technical form. On the basis of the contractual structures in place the supplier has an option sell, at its discretion, the receivables from the company to a lending bank. In some cases, the payment deadline set in the invoice is further deferred by agreement between the supplier and the Group; these delays are granted against payment of a fee.
If the payment has been deferred, a quantitative analysis is performed aimed at verifying whether the change of contractual terms is material; this is made through a quantitative test in accordance with the provisions of IAS 39 AG62. In this context, the relationships for which the primary obligation with the supplier is maintained and the deferral of the payment deadline, if granted, does not involve a substantial change in payment terms, retain their nature and are therefore classified as trade payables.

Trade payables due to the Parent Company Roma Capitale

These totalled 136,151 thousand euros. Details are provided in Note 23 on trade receivables.

Trade payables due to subsidiaries and associates

€ thousand	30.06.16	31.12.15	Increase/ (Decrease)	%Increase/ (Decrease)
Due to subsidiaries	3,367	3,485	(118)	(3.4%)
Amounts due to associates	4,364	2,249	2,115	94.0%
Total	**7,731**	**5,734**	**1,997**	**34.8%**

Payables to subsidiaries mainly include the amounts due to the Acque Group, while the payables to associates mainly refer to amounts due by ACEA to the associate Citelum Napoli Pubblica illuminazione (3,929 thousand euros).

TAXES PAYABLE

These amounted to 156,055 thousand euros (42,346 thousand euros at 31 December 2015) and include 24,624 thousand euros for IRES and IRAP tax payables for the period and 50,914 thousand euros for VAT.
The increase of 113,709 thousand euros, was mainly due to taxation for the period.

OTHER CURRENT LIABILITIES

These amounted to 247,135 thousand euros with breakdown as shown in the following table:

€ thousand	30.06.16	31.12.15	Increase/ (Decrease)	%Increase/ (Decrease)
Amounts due to social security institutions	19,439	18,126	1,313	7.2%
Accrued liabilities and deferred income	271	321	(50)	(15.6%)
Other current liabilities	227,425	287,605	(60,180)	(20.9%)
Total	**247,135**	**306,052**	**(58,917)**	**(19.3%)**

Due to social security institutions

These amounted to 19,439 thousand euros (18,126 thousand euros at 31 December 2015); their breakdown by operating segment is as follows:

€ thousand	30.06.16	31.12.15	Increase/ (Decrease)	%Increase/ (Decrease)
Environment	826	745	82	11.0%
Energy	1,977	1,944	33	1.7%
Water	7,457	6,290	1,167	18.6%
Networks	5,629	5,702	(73)	(1.3%)
Parent Company	3,549	3,445	104	3.0%
Total	**19,439**	**18,126**	**1,313**	**7.2%**

Payables arising from *commodities* derivatives

This item amounted to 665 thousand euros and represents the *Fair Value* of certain financial contracts signed by Acea Energia.

Other current liabilities

These totalled 227,425 thousand euros, down 60,180 thousand euros compared to 31 December 2015. This item essentially consists of:

€ thousand	30.06.16	31.12.15	Increase/ (Decrease)	%Increase/ (Decrease)
Payables to Equalisation Fund	25,971	89,678	(63,706)	(71.0%)
Payables to municipalities for concession fees	54,526	53,737	789	1.5%
Payables for collections subject to verification	64,291	58,202	6,089	10.5%
Amounts due to staff	27,066	32,756	(5,690)	(17.4%)
Other payables to Municipalities	8,689	9,748	(1,059)	(10.9%)
Payables to Equitalia	8,493	9,168	(675)	(7.4%)
Welfare contribution payables	15,034	13,130	1,904	14.5%
Payables for environmental premium Art. 10 of ATI4 agreement of 13/08/2007	2,313	3,200	(886)	(27.7%)
Payables for purchase of surface rights	967	1,017	(50)	(4.9%)
Amounts due to end users for refund of Tariff Component as per referendum outcome	37	48	(10)	(21.9%)
Payables for the purchase of a business unit	1,944	2,644	(700)	(26.5%)
Other payables	18,093	14,279	3,814	140.2%
Other current liabilities	**227,425**	**287,605**	**(60,180)**	**(20.9%)**

The change, amounting to 60,180 thousand euros, mainly refers to the combined effect of the following opposite factors:

- - 63,706 thousand euros for lower payables by *areti* to the Equalisation Fund following the payment of past due monthly payments;
- - 5,690 thousand euros for lower payables to employees, especially in ACEA (- 2,425 thousand euros), in *areti* (- 1,131 thousand euros) and in ACEA Ato2 (- 1,705 thousand euros);
- + 6,089 thousand euros due to higher receipts subject to verification in Acea Ato2 (+ 3,914 thousand euros) and Acea Energia (+ 2,770 thousand euros);
- + 1,904 thousand euros for payables to the STO deriving from revenue relating to application of the welfare contribution (this revenue is allocated to a fund for subsidised tariffs granted to families in hardship).

COMMITMENTS AND CONTINGENCIES

ENDORSEMENTS, SURETIES AND GUARANTEES

At 30 June 2016 they totalled 617,679 thousand euros; they amounted to 610,991 thousand euros at 31 December 2015 and showed an increase of 6,688 thousand euros.
The balance is made up of:

- the issue of a bank guarantee for 100,000 thousand euros issued in January 2012 by Cassa Depositi e Prestiti in the interests of the European Investment Bank for the loan agreement signed between ACEA and the EIB on 14 September 2009;
- 100,000 thousand euros for the guarantee agreement entered into by the European Investment Bank and Cassa Depositi e Prestiti on 9 July 2013, with reference to the loan agreement of 100,000 thousand euros entered into on 25 October 2012 by ACEA and the European Investment Bank;
- 65,189 thousand euros for the bank guarantees issued by Acea Energia, mostly in favour of Terna and Eni Trading & Shipping relative to the electricity dispatch service contract;
- 68,277 thousand euros in favour of the Acquirente Unico and in the interests of Acea Energia as a back-to-back guarantee relating to the electricity sale agreement signed between the parties;
- 66,000 thousand euros in favour of Acea Energia and in the interests of Enel Distribuzione S.p.A. as a back-to-back guarantee for the transport of electricity;
- 53,666 thousand euros in the form of a bank guarantee issued by ACEA to Cassa Depositi e Prestiti in relation to refinancing of the loan issued to *a*reti. 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);
- 10,000 thousand euros for the Global Guarantee issued in favour of Axpo Italia in the interests of Acea Energia as a back-to-back guarantee on electrical energy trading transactions agreed or to be agreed between the parties;
- 21,003 thousand euros issued by insurance institutions on behalf of SAO: **(i)** in favour of the Province of Terni for the management of landfill operations and post-closure operations (15,492 thousand euros) and waste disposal (3,157 thousand euros) and **(ii)** in favour of suppliers to back contracts (2,775 thousand euros);
- the guarantee of 19,000 thousand euros in favour of Enel Trading in the interests of Acea Energia as a back-to-back guarantee on electrical energy trading transactions;
- the guarantee of 15,000 thousand euros in favour of Enel Trade in the interests of Acea Energia as a back-to-back guarantee on electrical energy trading transactions;
- 14,883 thousand euros for the bank guarantees issued by *a*reti in favour of Terna relative to the electricity transmission service contract;
- the guarantee in favour of Iren Mercato S.p.A. in the amount of 8,000 thousand euros for the precise fulfilment of the EFET agreement entered into in July 2012 between the beneficiary company and Acea Energia;
- 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 *a*reti for 2,701 thousand euros and ACEA Ato 2 for 1,501 thousand euros;
- 3,712 thousand euros for the guarantee issued in favour of Italgas SpA in the interest of Acea Energia, renewed in October 2014;
- 1,295 thousand euros relating to the bank guarantee issued by Banco Bilbao Vizcaya Argentaria in favour of GSE for the correct fulfilment of ARIA's obligation to make the reimbursement to GSE.

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

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.

As for the water - environment segment, the ACEA Group provides the **Integrated Water Service** (SII) under a concession arrangement in the following regions:

- Lazio, where ACEA Ato2 S.p.A. and ACEA Ato5 S.p.A. provide services in the provinces of Rome and Frosinone, respectively,
- Campania, where G.O.R.I. S.p.A. provides services in the area of the Sorrento Peninsula and Capri island, the Vesuvio area, the Monti Lattari Area, as well as in the hydrographic basin of the Sarno river,
- Tuscany, there the ACEA Group operates in the province of Pisa, through Acque S.p.A., in the province of Florence, through Publiacqua S.p.A., in the provinces of Siena and Grosseto, through Acquedotto del Fiora S.p.A. and in the province of Arezzo through Nuove Acque S.p.A. It also provides the service in Lucca and province of Lucca through the company GEAL S.p.A.,
- Umbria, where the Group operates in the province of Perugia, through Umbra Acque S.p.A.

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

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

PUBLIC LIGHTING - ROME

The service is carried out by the Parent Company based on a deed of concession issued by Roma Capitale for a period of thirty years (from 1 January 1998). No fee was paid for this concession, which is implemented through a special service agreement, which given its accessorial nature, expires on the same date of the concession (2027).
The service agreement provides for an annual update of the fee concerning consumption of electricity and maintenance and the annual increase of the lump-sum fee in relation to the new lighting installed.
Furthermore, the investments required for the service may be **(i)** applied for and funded by the Municipal Authorities or **(ii)** financed by ACEA: 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.
During the month of June, ACEA and Roma Capitale signed a private agreement aimed at regulating commitments and obligations arising from the implementation of the LED Plan and, consequently, amending Article 2.1 of the Supplementary Agreement signed in 2011.
More specifically, the agreement provides for the installation of 186,879 fittings, in the number of 10,000 per month starting thirty days after the signing of the agreement; the price was set at 48 million euros for the entire LED Plan. 10% of the price will be paid in advance and the remaining part on the basis of specific bimonthly progress certificates, to be paid by Roma Capitale within thirty days following the closing of the progress certificate for 80%, and within fifteen days after verification of the same progress certificate for the remaining 15%. The agreement also provides for incentive/penalty mechanisms based on higher/lower than planned installations every two months and for a reduction of the fee paid by Roma Capitale to the extent of 50% of the economic value of Energy Efficiency bonds due to ACEA for the LED Project.
As a result of the implementation of the LED Plan, the parties partially amended Article 2.1 of the 2011 Supplementary Agreement with reference to the price list and the composition of the service management fee. The analysis of the potential effects with respect to IFRIC 12 application is in progress.

INTEGRATED WATER SERVICE

Lazio - ACEA Ato2 S.p.A. (Ato 2 - Central Lazio - Rome)

ACEA Ato2 provides integrated water services on the basis of a thirty-year agreement signed on 6 August 2002 by the company and Rome Provincial Authority (representing the Authority for the ATO comprising 111 municipalities, including Roma Capitale). In return for award of the concession, ACEA Ato2 pays a fee to all the municipalities based on the date the related services are effectively acquired, which is expected to occur gradually: to date, the survey work (including that for municipalities already taken over) has been completed for 94 municipalities out of 112, equivalent to around 3,869,179 residents (source ISTAT).

During the half year the Company obtained the sewerage service of the municipality of Bracciano (effective 1 June 2016) for the part strictly related to the Co.BI.S Purifier, while the acquisition of the municipal sewerage and water treatment services related to the network of the Castel Giuliano Purifier is subject to completion of the upgrading work of the said purifier. Finally, the management of the drinking water service shall become operative when Acea Ato2 completes the works needed for the upgrading and functional restructuring of existing municipal water treatment plants.
The following processes have been initiated:

- acquisition of the Integrated Water Service in the municipalities of Civitella San Paolo, Labico, Morlupo and Rignano Flaminio; more specifically, for the last mentioned Municipality, the Agreement was signed for the refund of the investments based on the requirements of the Conference of Mayors,
- early takeover of the water service in the municipality of Pomezia, currently managed by Infrastrutture Distribuzione Gas (formerly Edison Gas Distribuzione) under a protected system until 2018.

With regard to the tariff arrangements for the 2016-2019 period, Resolution 664/2015 set 30 April 2016 as deadline for the Regulatory Agencies (EGA) to send AEEGSI the entire documentation required for the final approval by said Authority of the 2016-2019 tariff proposal. In accordance with the provisions of art.7.3 of the mentioned Resolution (and of Decisions 2/2016 and 3/2016 - DSID of late March 2016) which expressly provided for the model template, forms and methods of transmission of the documents required by the Resolution), the Regulatory Agency (EGA) of ATO2 Central Lazio should have sent the following within the said period:

- the **Action Plan,** with the specific indications provided for by the Resolution (art. 6.2);
- the **Economic-financial plan,** which, according to the provisions of paragraph 6.2, spells out the operator revenue restriction and the tariff multiplier that each operator will have to apply in each segment for each year of the 2016-2019 period, subject to any future updates;
- the **Concession Agreement,** containing the amendments needed to implement the rules introduced by the same measure;
- the accompanying report that covers the methodology applied;
- the resolution/(s) establishing the tariff or the approval of the updated economic/financial plan;
- the updating of the necessary data (technical data, turnover, financial data, etc.).

In April 2016, the Company sent the Authority STO the data collection file and the action program as well as, pursuant to art. 23.3 Annex A of Resolution 664/2015, specific reasoned request for recognition of the additional costs ($Opex_{QC}$) due to the adjustment to the service quality Standards defined by AEEGSI in Annex A of Resolution 655/2015 (RQSII), unless already included in the service Charter.
In May, following a specific technical appraisal, the STO and the Company finalized a shared tariff proposal which has been published on the ATO2 website.
Given the Regulatory Agency's failure to approve the tariff on time, ACEA Ato2, in accordance with Articles 7.5 and 7.6 of Resolution 664/2015, on 26 May 2016 submitted the 2016-2019 tariff application, the essential contents of which are described below:

- adoption of a regulatory framework relating to the fourth quadrant referred to in art. 9.1 Annex A of Resolution 664/2015/R/IDR (high level of capital expenditure compared to the value of existing infrastructure and *opex* per capita below the national average value determined by the Authority), thus, with application of the maximum annual tariff increase equal to 8.5%;
- 820 million euros expected capital expenditure for the 2016-2019 period;
- adoption, for the purpose of determining the FNI_{new}, component, of the value of the ψ parameter equal to 0.6 (the maximum envisaged value is 0.8). The amount of this component for 2016 thus amounted to 23.7 million;
- the full use of that component to fund new capital expenditure except for 2 million euros as of 2017 to be used for subsidised tariffs to less affluent users;
- the use of the unspent portion of the solidarity contribution collected in 2015 (13.2 million euros) to reduce the adjustments due for 2016;
- the reduction of the 2014 and 2015 fixed asset additions by the amount resulting from application of the MALL parameter to the 2012-2015 period (9.2 million euros) resulting in a favourable tariff impact for users due to the lack of recognition of capital costs pertaining to them;
- the adoption of the application prepared by the STO (and shared with the operator) pursuant to art. 32 Annex A of Resolution 664/2015, which provides for the recognition of bonuses for the achievement of improved standards compared to those laid down by AEEGSI with Resolution 655/2015;
- determination of the tariff multiplier to apply to the tariff in force in 2015, equal to:
    - 1.049 for the year 2016;
    - 1.099 for the year 2017;
    - 1.103 for the year 2018;
    - 1.131 for the year 2019.

On 27 June 2016 the AEEGSI sent ATO2 a formal notice to determine the tariff under its own remit for the second regulatory period 2016-2019 within the next thirty days - via the web portal and in the manner envisaged by resolution 664/2015, as well as by decisions 2/2016 DSID and 3/2016 DSID - warning that, after expiration of the time limit, the operator's application shall be deemed accepted by the relevant authority as tariff proposal, as a result of previous provisions in Article 7.6 of Resolution 664/2015 pursuant to Article 20 of law no. 241 of 7 August 1990, and will be sent to the Authority for review and approval, within the next 90 days.
The ATO2 Conference of Mayors, called to make the relevant decisions on 27 July 2016 in order to satisfy tariff sustainability needs and safeguard investments, approved a tariff multiplier of 1.000 for the year 2016, envisaging a postponement of the tariff adjustments due for 2016 and 2017 (totaling 60.1 million euros) to subsequent years; in return for such postponement, an offsetting financial charge was recognized.

On the basis of the above decisions, revenues for the period were recognized in the amount of 264.6 million euros: they include the estimated adjustments of pass-through items and the FNI component (11.9 million euros). The decisions regarding the differences related to the estimated adjustments of pass-through items for the years 2014 and 2015, currently estimated at around 0.5 million euros, are being evaluated.

Lastly, in accordance with art. 9 of Resolution 664/2015 regarding the fees to be applied to users, the fees charged in the first half are calculated on the basis of the tariff multiplier resulting from the Economic-Financial Plan already approved in the previous tariff proposal (equal to 0.9928 of the rate applied in 2015).

Lazio – ACEA Ato5 S.p.A. (Ato5 - Southern Lazio - Frosinone)

ACEA Ato5 provides integrated water services on the basis of a thirty-year agreement signed on 27 June 2003 by the company and Frosinone Provincial Authority (representing the Authority for the ATO comprising 86 municipalities). In return for being awarded the concession, ACEA Ato5 pays a fee to all the municipalities based on the date the related services are effectively acquired.
The management of the integrated water service in the territory of ATO 5 - Southern Lazio-Frosinone involves a total of 85 municipalities for a total population of around 470,000 inhabitants, about 460,000 inhabitants supplied and a number of end users equal to around 185,700.
To date, three municipalities are awaiting completion of the process: Atina, Cassino centro and Paliano, as a result of issues that have emerged over the years.

As regards the acquisition of plants related to the IWS management in the municipality of Paliano, as the Company did not receive any response from the municipal administration regarding the formal notice to immediately transfer the plants no later than 30 days after receipt of the said formal notice, on 18 February 2016 Acea Ato 5 filed an appeal before the Lazio Regional Administrative Court - Latina Section against the Municipality of Paliano and AMEA in order to obtain: **(i)** ascertainment of the breach by the municipality and the appointment of a Special Commissioner, and in the alternative **(ii)** the full delivery of the works, goods and facilities and compensation for damage suffered as a result of negligent breach of the deadline for completing the proceedings. On 9 May 2016 the Municipality of Paliano rejected the application of the Company and, therefore, at the hearing on 12 May 2016, the Regional Administrative Court of Latina, by judgment 415/2016, dropped the case due to lack of interest in the action and ordered the municipality to pay the costs. Acea Ato5 is preparing an appeal against the Municipality's rejection to hand over the service.

With regard to the failure to obtain the plants of the municipality of Cassino, the State Council, in its judgment 2086/2016 filed on 19 May, upheld the Company's application and confirmed the obligation of the Municipality of Cassino to deliver the assets pertaining to the SII and located in the municipal territory, within 30 days from the notification of the judgment, at the same time appointing the Prefect of Frosinone as Special Commissioner to replace the Administration in the event the latter defaults on its obligation. The term expired on 27 June 2016. On 1 July 2016, the Prefect of the Province of Frosinone, appointed Mr. Ernesto Raio as Commissioner at the Municipality of Cassino to enforce the judgment.

As further regards relationships with the Municipality of Cassino, the Company filed an appeal before the Higher Court of Public Waters seeking the nullity and/or annulment, subject to prior suspension, of the resolution (no. 7) adopted by the Town Council in February 2016. Following the first hearing on 22 June 2016, the discussion on the merit was postponed to the hearing set on 1 February 2017. By the mentioned resolution, the Municipality of Cassino decided, among other things, to withdraw from the Cooperation Agreement entered into pursuant to Law no. 6/1991 and to draw up a business plan *"that takes the utmost advantage of the potential benefits, in terms of service and cost, of managing the Water service (a public asset) through the creation of a" Special Company""* taking as a model the solutions already implemented by other Italian municipalities in order to bring back the water service into public control in accordance with the 2011 Referendum.

With reference to the **tariff**, for the first half of 2016 the Company applied the decisions taken by the Mayor's Conference of 14 July 2014, within the limits of a 9% increase on the prior year.
As regards the tariff proposals for the 2016-2019 period, the documentation necessary to define the tariffs for the second regulatory period in accordance with Resolution 664/2015/R/idr, was provided to the Area Authority. However, as there was no approval within the time limit set by the mentioned resolution, the Company, in accordance with Articles 7.5 and 7.6 of Resolution 664/2015, on 30 May 2016 submitted the 2016-2019 tariff application, the essential contents of which are described below:

- adoption of the regulatory framework relating to the fifth quadrant;
- adoption, for the purposes of determining the FNI_{new}, component, of the value of the ψparameter equal to 0.8. Therefore, the amount of this component for 2016 is 7.6 million euros;
- in line with Resolution 51/2016, adopting an arrearage cost equal to that provided for Southern Italy (7.1%);
- preparation of a specific, reasoned application for the recognition of the additional costs ($Opex_{QC}$) related to the adjustment to the service quality Standards defined by AEEGSI in Annex A of Resolution 655/2015, for approximately 2 million euros;
- determination of the tariff multiplier to apply to the tariff in force in 2015, equal to 1.08 for each year from 2016 to 2019 included.

As of today AEEGSI has not yet formally demanded the Area Authority to make the tariff determinations; however, the Mayors' Conference will examine the Operator's proposal at its meeting of 29 July 2016.

The revenues for the period were estimated on the basis of the tariff request described above, resulting in an amount of 33.4 million euros, including the estimated adjustments of pass-through items. The FNI and $Opex_{qc}$ components (totaling 4.8 million euros) were not included in the recognised revenues, pending the decision that the Mayors' Conference will take in this regard or satisfaction of the consent by silence condition pursuant to Article 7.6 of Resolution 664/2015. The decisions regarding the differences related to the estimated adjustments of pass-through items for the years 2014 and 2015, currently estimated at around 0.1 million euros, are being evaluated.

As described in the 2015 Consolidated Financial Statements, the financial recovery of the differentials accrued in the first regulatory period between the calculated and the maximum allowable rate multiplier will take place on the basis of resolution no. 51/2016.

As for prior adjustments for the period 2006 – 2011, quantified by the appointed Commissioner as equal to 75.2 million euros, the Council of State upheld the 26 June 2015 sentence of the Lazio Regional Administrative Court – Latina District and therefore rejected the appeal filed by the ATO 5 for the annulment of the Commissioner's Decree.

With regard to relations with the ATO, the following should be noted:

- On 18 February 2016 the ATO 5 Conference approved to start the agreement termination procedure pursuant to art. 34 of the concession agreement. This measure was decided following a report from the STO of 28 January 2016 and a meeting of the Area Council held on the same date. On 15 March 2016, the AATO 5 formalized the notice to comply and started the termination procedure, giving six months to the company for submitting its counter arguments. Based on the assumption that the procedure started is unlawful, and in any case not in line with the observations contained in the formal notice to comply, the Company has filed appeal to the Regional Court of Lazio - Latina District. The fixing of the public hearing to discuss the merits is currently pending;
- on the same date, by resolution no. 1/2016 published on 26 February, the Mayors' Conference denied its consent to the merger by absorption of Acea Ato 5 in Acea Ato 2. Again, considering the refusal unlawful, the Company has appealed against it before the Regional Court of Lazio - Latina District. Following the withdrawal by the Company of the application for interim relief, the Administrative Court has scheduled a hearing for discussion on the merits in February 2017.

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

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

TARIFFS

First regulatory period

As known, on 10 March 2016 the procedure for the approval by AEEGSI of the ATO3 tariff proposals was finally completed, with the publication of Resolution 104/2016/R/idr containing: *"Approval, for the purpose of determining the adjustments under the tariff method for the second regulatory period, MTI-2, of the tariff proposed by the Sarnese Vesuviano Area Authority for the 2012-2015 period"*. More specifically, AEEGSI:

- approved the tariff multipliers to the extent of the maximum applicable amount for each year, namely: year 2012: €=1.065; anno 2013: €=1.134; anno 2014: €=1.236; anno 2015: €=1.347;
- consequently established the total amount of tariff adjustments to recover in the years subsequent to 2015 in 38.9 million euros (Group share 14.4 million euros);
- ordered the Area Authority to adjust the economic-financial plan to the values approved under the same resolution, taking also into account the adjustment of the cost item "Owners' Loans (MTP)" year 2013 due to erroneous valuation, adjustments to be made according to the rules provided as of 2016;
- ordered the Area Authority to submit, within 30 days of the publication of the measure, *"the results of the verifications carried out on the assumptions underlying the treatment of the cost component for bulk purchases, and in particular with regard to the provisions in the Agreement - signed on 24 June 2013 - governing relations between the Campania Region, the Area Authority, Acqua Campania S.p.a. and GORI S.p.a, which the relevant party will have taken into account in the quantification of prior-year items relating to periods prior to the transfer to the Authority of sector regulatory and control functions, asking also to verify that said agreement is compatible with the principle of "hetero-integration" (confirmed by the case law referred to above) in the light of the provisions introduced by the Authority as of 2012 "*.

In April, the Authority acknowledged the requests made by AEEGSI, noting for the year 2012, a material error of about 4 million euros in relation to the wholesale water tariff reduction, given that the 2013 Agreement already included a 25% reduction.

This error will be recovered in the tariff determinations of the second regulatory period, in which also the portion of loans not recognized in the year 2013 will be recovered.

Application for economic - financial rebalancing and application for arrearage

Pursuant to Art. 32.2 Annex A of Resolution 643/2013/R/idr and pursuant to Resolution 122/2015/R/idr, in order to gain access to the equalization measures in terms of advances and financing of tariff adjustments, on 23 March 2016, the Company filed a formal rebalancing application by submitting a set of measures, including access to equalization, which, if accepted, would lead to finally overcoming the situation of financial imbalance in the ATO3 management; simultaneously and in connection with the aforementioned rebalancing application, the Company also submitted a specific request for the recognition of the actual arrearage cost for the years 2014 and 2015, pursuant to art. 30.3, Annex A of AEEGSI Resolution 643/2013/R/idr.

The ATO3 conclusions concerning the analysis of the application were formalized in the final Report of 18 May 2016: the Authority considers that the grounds underlying the application are well-founded and that, therefore, the conditions for adopting the proposed rebalancing measures are satisfied, with the changes introduced with specific reference to the scenario providing for the transfer of the "Regional works". Accordingly, such rebalancing measures will have to be included and covered by the Economic Financial Plan to be prepared as part of the tariff obligations established by Resolution 664/2015. ATO3 reaches the same conclusions also with reference to the application for the recognition of the actual arrearage cost for the years 2014 and 2015. For more information, reference is made to the next paragraph.

Tariff proposal for the second regulatory period

The ATO Sarnese Vesuviano, in view of the need to jointly

evaluate (within the prescribed time limit, i.e. 60 days after receipt) the mentioned rebalancing application made by the Operator on 23/03/2016, on 29 April 2016 submitted a request for extension of the deadline to 30 May 2016.
However, such time limit having expired and the ATO not having complied with the request, despite the preliminary investigation carried out by the commissioner structures, on 15 June 2016 the Operator submitted an application for rate update in accordance with Article 7.5 of Resolution 664/2015/R/idr, and accordingly submitting a tariff proposal for the 2016-2019 period to the ATO, the Region and AEEGSI. The regulatory framework developed by the Company takes into account the provisions of Resolution 664/2015 (and of decisions no. 2 and no. 3 of 2016) as well as, mainly to accelerate the tariff approval process, the ATO indications resulting from the final report of the investigation activities related to the economic- financial rebalancing application- and to the validation of data underlying the 2016-2019 tariff proposal.
In addition, the 2016-2019 tariff determination submitted by GORI takes into account and includes, in addition to the application for rebalancing and that of the recognition of the actual arrearage cost for 2014 and 2015:

- the application for recognition of Opex$_{new,}$ pursuant to art. 23.6 of Annex A to AEEGSI Resolution 664/2015/R/idr, submitted jointly with the tariff update application for the recognition of endogenous and revisable operating costs related to the systemic change in the Operator's scope of activities following the start of the Regional Works management after transfer of such works;
- the application for the additional Opex $_{QC}$ related to the activities carried out to adjust to the service quality standards defined by AEEGSI resolution 655/2015/R/idr; in this regard it should be noted that the Area Authority, as part of the aforementioned final data validation report, has ruled on this application, considering as eligible the costs relating to external services only, while excluding those relating to the internal staff, given the synergies and efficiencies that can be achieved in relation to the staff of the Regional works to be transferred in the four-year 2016-2019 period;
- the tariff increase within the maximum annual change limit established by art. 3.2 Annex A of AEEGSI Resolution 664/2015/R/idr; the adjustments generated in this situation should be considered as a mere financial postponement that is sustainable through - and therefore conditional upon - the desired access to the financial equalization. Indeed, as part of the tariff update application, the Operator also asked AEEGSI to approve - at the same time, and as part of the tariff approval process - the economic-financial rebalancing measures and, specifically, the financial equalisation.

The rebalancing application attached to the 2016-2019 tariff proposals is based, among other things, on the assumption that the Campania region authorizes the payment by instalment of the debt accrued in the three year 2013-2016 period; should this not be the case, GORI reserves the right to request an increase of the financial equalisation funds up to a total of 230 million euros.

Revenues for the period amounted to 80.9 million euros (Group share 30.0 million euros); they represent the best estimate based on the application submitted by the Operator pending its approval and include the estimated adjustments of pass-through items. The decisions regarding the differences related to the estimated adjustments of pass-through items for the years 2014 and 2015 are being evaluated.

The tariff adjustments due to GORI as at 31 December 2015 amounted to 206.1 million euros (Group share 76.4 million euros) and consist of: **(i)** prior-year items accrued up to 31 December 2011 for 122.4 million euros and **(ii)** tariff adjustments accrued during the first regulatory period (2012-2015) for 83.7 million euros. Those for the first six months of 2016 are estimated at 1.9 million euros. The tariff adjustments are also updated in relation to the effects of AEEGSI Resolution 338/2015.

RELATIONS WITH THE CAMPANIA REGIONAL GOVERNMENT

No significant events occurred with respect to the 2015 Consolidated Financial Statements, to which reference is made for further details on this matter.

For the above reasons and despite the significant uncertainty (mainly related to the billing times of tariff adjustments for pre-2012 prior-year items and the relevant collections, the procedure for approving the above applications for recognition of arrearage and rebalancing submitted to the competent Authorities, as well as the agreement reached to pay the debt with the Regional Authority in instalments as a result and within the scope of the rebalancing measures to be adopted), which have an evident impact of a financial nature, the preconditions of a going concern have been met as it is believed a settlement will be found for the above proceedings and agreements within reasonable time in the suggested manner.

In this regard, given the situation of financial tension, it was considered appropriate to retain the provision made in prior years amounting to 39.2 million euros, allocated in 2011 for 44.1 million euros, in relation to the continuing uncertainty that characterizes GORI's activities.

In financial terms, on 23 April 2014 a contract was signed to reschedule the loan which matured in June 2011 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 maturing on 30 June and 31 December each year.

Campania – GESESA S.p.A. (Ato1- Calore Irpino)

The Company operates in ATO 1 Calore Irpino which promotes and develops the initiative for the management of the Integrated Water Service in Municipalities in the Province of Avellino and Benevento. The Company manages the Integrated Water Service of 20 Municipalities in the Province of Benevento with a resident population served of approximately 115,000 inhabitants over an area of approximately 673 sq. km and 54,000 users. The sewerage service is provided to approximately 83% of users while the purification service to about 40%. Currently, the Authority, controlled by the Extraordinary Commissioner in accordance with Decree of the Regional Government No. 813/2012, has not yet appointed a Sole operator to manage the Integrated Water Service.
ATO 1, within the scope of a more extensive question concerning the planning and management of Water Resources in the Campania Region, recently implemented the guidelines for the Mission Structure on the Planning and Management of Water Resources, aimed at promoting the common cause of the ex-Area Authorities to find a Sole operator that answers to the same Authorities.

Following approval of Regional Law 15/2015 on the reorganization of the Campania SII, GESESA is looking for opportunities to aggregate with other companies in the industry in order to create an entity that can be identified as the sole operator in the ATO1 area.

Finally, please note that to date the 2016-2019 tariff proposal has not yet been prepared.

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. In return for award of the concession, Acque pays a fee to all the municipalities, including accumulated liabilities incurred under previous concessions awarded.

With reference to the **extension of the concession to 2026,** on 29 February 2016 the Company received a letter of consent to the extension of the service concession to 2026 from the agent bank of the loan signed in 2006. Consequently, on 10 March 2016, after obtaining authorization from the Tuscany Water Authority, the Board of Directors of Acque authorized the CEO to sign the letter of consent and the agreement modifying the loan agreement entered into in 2006.
Therefore, on 6 April 2016, Acque and the Tuscany Water Authority signed the document by which the amendment to the water service concession has become effective with the new expiration in 2026 compared to the previous expiration set in 2021. The amending agreement includes certain additional obligations with respect to the loan agreement entered into in 2006.
More specifically, the Company will now have to provide the agent bank with an annual certification signed by the legal representative and by the independent auditors stating, inter alia, that the ADSCR (Annual Debit Service Cover Ratio) parameter calculated with reference to the year end is in accordance with the contractual covenants. More specifically, as of 31 December 2015, if the certified ADSCR parameter is equal to or greater than 1.1, the Company may distribute dividends up to a maximum amount of 3.0 million euros in addition to the dividends received from its investments in other companies which continue to be available for distribution to shareholders. If, on the contrary, the ADSCR parameter measured and certified is less than 1.1, the company may only distribute to shareholders the dividends received from its investments in other companies. An early repayment of the debt in the years 2017, 2018 and 2019 is also envisaged. The amount to be reimbursed shall be the lesser of 50% of cash surplus at year end and 6.0 million euros. The amount paid in advance will reduce the capital repayments for the subsequent years until maturity, on a pro-rata basis.

As regards **tariffs,** as of 1 January 2016, pursuant to the provisions of AEEGSI Resolution 664/2015 art.9.1 Paragraph a) which approves the 2016-2019 tariff method, the Company applied the 2016 tariff increase to the tariff structure, as provided by the last Economic-Financial Plan (PEF) approved by AEEGSI through resolution 402/2014. The tariffs may be subject to adjustment following the adoption of the final tariffs by the Tuscany Water Authority and AEEGSI.
As regards the rates of the second regulatory period, Acque, in agreement with the Tuscany Water Authority, after expiration of 30 April 2016 deadline set for submission of the tariff proposals by the Area Authorities, did not submit an application for tariff update in accordance with paragraph 7.5 of AEEGSI Resolution 664/2015/R/idr, also in consideration of the complex formalities required by the resolution, including the amendment of the service concession agreement, for which the opinion of the lenders is required. However on 27 June 2016, AEEGSI sent the Tuscany Water Authority and the Company, formal notice to comply in accordance with art. 1 of Resolution 307/2016/R/idr, setting a 30-day deadline from receipt of the notice for sending the tariff proposal for the second 2016-2019 regulatory period. Having already agreed a timetable with the Tuscany Water Authority, Acque will in any case send the requested documentation by the deadline. On 27 July 2016, the Company submitted the 2016-2019 tariff application in accordance with Articles 7.5 and 7.6 of Resolution 664/2015.
Revenues for the period, including adjustments for pass-through items, totalled 69.2 million euros, (Group share 31.1 million euros) and represent the best estimate made on the basis of Resolution 664/2015.

The new Service Charter, which entered into force on 1 July 2016, was defined together with the Tuscany Water Authority and the consumer association; the charter will be submitted for approval to the Tuscany Water Authority's bodies during the month of July.

With regard to the main **disputes** of the Company, it should be noted that:

- An appeal was lodged against the ruling issued on 22 April 2013 by the Tuscany Regional Administrative Court which dismissed the appeal filed by Acque for cancellation of Co.N.Vi.Ri. resolution No. 60 of 27 April 2011, related to the re-examination of the review for the 2005-2008 period of the Toscana – Basso Valdarno AATO 2 area plan. The proceedings are currently pending,
- in November 2014, the company was served a writ of summons by CONSIAG SpA to appear before the court of Florence. Until 31 December 2001, CONSIAG was the water service operator for the consortium municipalities, all of which are part of the ATO 3, except for the municipality of Montespertoli that is included in ATO2. In addition to Acque, the summons was also notified to the Tuscan Water Authority and to all the public shareholders of Acque. With regard to Acque, CONSIAG is claiming a 0.792% interest in the company and compensation for a total amount of 1,989,834 euros, as a result of the service carried out in the municipality of Montespertoli. On the other hand, the Municipality of Montespertoli already had an indirect interest in Acque, through Publiservizi (shareholder of Acque with 19.26% of the shares) of which it is a shareholder with a 0.98% stake. The Company believes these claims are groundless.

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

Based on the agreement signed on 28 December 2001, the operator (Acquedotto del Fiora) is to supply integrated water services on an exclusive basis in ATO 6, consisting of public services covering the collection, abstraction and distribution of water for civil use, sewerage and waste water treatment.
The concession term is twenty-five years from 1 January 2002.
In August 2004, ACEA – via the vehicle Ombrone SpA – com-

pleted its acquisition - of an interest in the Company.

With reference to the 2016-2019 **tariffs,** the Company sent the Tuscany Water Authority the necessary documentation to determine the second regulatory period tariffs; as for the other water companies in Tuscany, Acquedotto del Fiora has not yet submitted an application for tariff update, pursuant to paragraph 7.5 of AEEGSI Resolution 664/2015; therefore, on 27 June 2016, AEEGSI sent the Tuscany Water Authority and the Company, formal notice to comply in accordance with art. 1 of Resolution 307/2016/R/idr, setting a 30 day deadline from receipt of the notice for sending the tariff proposal for the second 2016-2019 regulatory period. Having already agreed a timetable with the Tuscany Water Authority, the Company will in any case send the requested documentation by the deadline. On 27 July 2016, the Company submitted the 2016-2019 tariff application in accordance with Articles 7.5 and 7.6 of Resolution 664/2015.

Revenues for the first half of 2016, including adjustments for pass-through items, totalled 45.6 million euros, (Group share 18.2 million euros) and represent the best estimate made on the basis of Resolution 664/2015.

After further in-depth study and related requests from Lenders concerning the **calibration of cash flows** to favour the bankability of the Fiora project, the Tuscany Water Authority in Resolution No. 9 of 13 February 2015 restructured the Investment Plan with the same balances for the period 2015-2023.
The above facts, also in consideration of renewed general stability in regulatory terms and thanks to the timely collaboration of the Tuscany Water Authority, allowed the Company to successfully proceed with the structuring of the Medium/long-term loan, which was taken out on 30 June 2015.
After completion of the competitive procedure, the Company and the lending Banks entered into the Loan Agreement for an overall amount of 143.0 million euros which will completely cover the Company's existing debt (consisting of current mortgage loans, Bridge loans and short-term borrowings with various banks) as well as funding part of the planned investments; final maturity is expected to be 31 December 2025. The loan is a variable rate loan with guarantee on the Company's current accounts and receivables and upon pledge of Ombrone's shares in Acquedotto del Fiora.
In order to protect the Company from excessive market volatility, in line with the *term sheet*, in consideration of the principles of economical convenience and financial risk, the Company contracted a *plain vanilla* type rate equal to 70% of the "Loan" with some Lenders until final maturity, through *Interest Rate Swap* operations to transform the current variable rate into a fixed rate.

Tuscany - Publiacqua S.p.A. (Ato3 - Medio Valdarno)
The management agreement, which came into force on 1 January 2002 with a twenty-year duration, was signed on 20 December 2001. In accordance with said agreement, the Operator took over the exclusive integrated water service of ATO 3, comprising all public water collection, abstraction and distribution services for civil use, sewerage systems and waste water treatment plants. 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 the awarding of the related contracts.
In June 2006, ACEA - via the vehicle Acque Blu Fiorentine S.p.A. – completed its acquisition - of an interest in the company.

As regards **tariffs,** as of 1 January 2016, pursuant to the provisions of AEEGSI Resolution 664/2015 art.9.1 Paragraph a) which approves the 2016-2019 tariff method, the Company applied the 2016 tariff increase to the tariff structure, as provided by the last Economic-Financial Plan (PEF) approved by AEEGSI through resolution 402/2014. The tariffs may be subject to adjustment following the adoption of the final tariffs by the Tuscany Water Authority and AEEGSI.
As regards the 2016-2019 tariff proposals, on 27 June 2016 AEEGSI sent the Tuscany Water Authority and the Tuscan operators (and therefore also to Publiacqua), notice to comply pursuant to Art. 1 of Resolution 307/2016/R/idr and Art. 3, paragraph 1, lett. f) of Prime Ministerial Decree of 20 July 2012. The company is thus completing the documentation and preparing the specific regulatory forms, documents and data referred to in paragraph 7.3 of Resolution 664/2015/R/idr that are necessary for the second regulatory period tariff update. On 27 July 2016, the Company submitted the 2016-2019 tariff application in accordance with Articles 7.5 and 7.6 of Resolution 664/2015.
Revenues for the period, including adjustments for pass-through items, totalled 112.3 million euros, (Group share 44.9 million euros) and represent the best estimate made on the basis of Resolution 664/2015.

In terms of **funding sources**, on 30 April 2015 the Company took on a 50 million euros loan with the European Investment Bank (EIB) which matures at the end of 2020. On 30 March 2016 a 110 million euros loan agreement was signed, expiring on 30 June 2021, which was fully disbursed as at the date of preparation of this document; the use of the loan was partly intended to repay existing loans and mortgages.

Umbria – Umbra Acque S.p.A. (Ato1 – Umbria 1)
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.
The company performed its activities in all 38 Municipalities constituting ATOs 1 and 2.

For the first half of 2016, the price charged to users is set out in Resolution no. 2 of 29 April 2014 of the ATO 1 and 2 Single Meeting, as per AEEGSI Resolution no. 252/R/idr of 29 May 2014 which approved the tariff proposals for 2014 and 2015.
The tariff proposals for the second regulatory period were defined in the Single Meeting of ATO1 and ATO2 at the end of June and sent to AEEGSI for final approval. The most notable aspects include the 5.5% tariff increase, the registration of the FoNi component and the introduction of the component linked to commercial quality (OPEXqc).
Revenues for the period, including adjustments of pass-through items, amounted to a total 29.6 million euros (Group share 11.8 million euros) including the FoNI component equal to 0.2 million euros (Group share 0.08 million euros) used entirely to provide tariff subsidies to low income families.

An Extraordinary Appeal was submitted to the Head of State by the attorney of the Umbria Public Water Board

against the ATI Umbria 1 (and against the ATI Umbria 2 and Umbra Acque S.p.A. as counterparties) seeking the annulment, subject to prior suspension, of Resolution no. 6 of 28/4/2015, by which the ATI1 approved the adjustments for the 2003/2011 prior-year items (the years, prior to the establishment of AEEGSI, for which there were residual tariff amounts accrued in favour of the ATIs) with consequent request for payment from the Operator. By this Appeal the Umbria Public Water Board challenged the resolution both on formal grounds (such as failure by the ATI Umbria 1 to publish the final Resolution and the annexes thereto in the court notice board, which ATI Umbria 1 tried to remedy by the subsequent issuance of validation acts) and on substantial grounds in relation to the alleged unlawfulness of the act approving the adjustments in alleged violation of the principle of tariff non-retroactivity.
This appeal is an administrative remedy which was opposed by both the defendant ATI Umbria 1 and the counterparty, Umbra Acque, with request to transfer the appeal before the Umbria Regional Administrative Court; the applicants, by deed dated 22/02/2016, filed their appearance before the Umbria Regional Administrative Court, reserving the right to submit additional grounds for the annulment, subject to prior suspension, of Resolution no. 6 of 28/4/2015 and annexes thereto by which ATI Umbria 1 approved the adjustments to prior-year 2003/2011 items.
The risk of an unfavourable outcome is considered remote as the ATI resolution is based on the provisions of AEEGSI Resolution no. 643/2013 (it was therefore entitled and obliged to act) and the quantification of the adjustment is a result of the provisions of the then-applicable standard method and those of the regulatory agreement (it is therefore a company's right). It is also quite evident that a potential, although unlikely, negative outcome of the litigation would generate expenses that could only be recovered through the tariff review, actually constituting sufficient reason for an extraordinary review.
On 29 April an additional Extraordinary Appeal to the Head of State was notified to the Company by registered post, by which the Umbria Public Water Board challenged the ATI Umbria 1 validation act adopted by Shareholders' Meeting Resolution no. 13 of 30/11/2015 regarding the adjustments of prior-year items already approved by ATI Umbria 1 with the previous Resolution no. 6 of 28/4/2015, and already the subject of previous litigation (Extraordinary Appeal transferred to the Umbria Regional Administrative Court). For this litigation the same considerations made for the previous dispute apply.

Finally it should be emphasized that the new "Umbra Waste and Water Resources Authority" was set up, with the establishment of its bodies and the appointment of the Governing Board and the Chairman; full operation is planned shortly with the approval of the Budget for 2016.

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

GEAL S.p.A.

GEAL S.p.A. manages integrated water services in the municipal territory 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. Said fees are payable to the company as they were not calculated at the time be CIPE, as required by the Council of State. As there are some errors in the above resolution, the company reserves the right to appeal against the same in the competent courts of law.

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 both drew up lease contracts for the business units with GAIA which must be transformed into definitive transfer contracts to collect the value of the non-amortised assets. Negotiations are ongoing for the completion of the sale in question.

RELATED PARTY TRANSACTIONS

ACEA GROUP AND ROMA CAPITALE

Trading relations between ACEA Group companies and Roma Capitale include the supply of electricity and water and provision of services to the Municipality.
Among the principal services are the management, maintenance and upgrading of public lighting facilities and, with regard to environmental–water services, the maintenance of fountains and drinking fountains, the additional water service, as well as contract work.
Such relations are governed by appropriate service contracts and the supply of water and electricity is conducted on an arm's length basis.
ACEA and ACEA Ato 2, 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"*.

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 of this document.

The following table shows details of revenues and costs at 30 June 2016 of the ACEA Group (compared to those of the prior year) deriving from the most significant financial relations.

€ thousand	Revenue		Costs	
	30.06.16	30.06.15	30.06.16	30.06.15
Supply of fresh water	18,608	18,513		0
Supply of Electricity	0	11,974		0
Public lighting service contract	27,990	26,839		0
Public lighting contract interest	1,902	1,517	0	0
Water maintenance service contract	109	88	0	0
Monumental fountain service contract	109	88	0	0
Concession fee	0	0	12,798	10,712
Rental expenses	0	0	120	100
Taxes and duties	0	0	2,757	3,176

During the period Roma Capitale made payments for a total of 83,425 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	31.12.15	Collections/ payments	Accruals 2016	30.06.16
Receivables	163,325	(52,944)	38,682	149,064
Payables	162,005	(83,425)	60,059	144,640

ACEA GROUP AND ROMA CAPITALE GROUP

The ACEA Group also maintains trading relations with other companies, special companies and entities owned by Roma Capitale, concerning the supply of electricity and water.
The supply of services to entities owned by the Roma Capitale Group is conducted on an arm's length basis. The prices applied to sales of electricity to free market users are in line with the sales policies of Acea Energia.
With regard to the supply of electricity, please note that ATAC is no longer supplied by Acea Energia with effect from 1 February 2012.
The following table shows the most significant amounts of revenues, costs, receivables and payables deriving from relations between the ACEA Group and entities owned by the Roma Capitale Group.

Roma Capitale Group	Trade payables	Costs	Trade receivables	Revenue
AMA S.P.A.	743	542	7,783	3,610
ATAC S.P.A.	286	54	4,886	783
ROMA MULTISERVIZI S.P.A.	524	330	0	0
Total	1,553	926	12,669	4,393

ACEA GROUP AND MAIN CALTAGIRONE GROUP COMPANIES

The ACEA Group companies maintain trading relations that mainly concern 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 the most significant amounts relating to financial relations between the ACEA Group and entities owned by the Caltagirone Group at 30 June 2016.

€ thousand	Revenue	Costs	Receivables	Payables
Caltagirone Group	1,183	4,820	1,018	4,256

LIST OF SIGNIFICANT RELATED PARTY TRANSACTIONS

There were no highly significant transactions with related parties during the reporting period.

UPDATE ON MAJOR DISPUTES AND LITIGATION

Updates on the significant events occurring in the six-month period are provided below. For further information on the individual issues, please refer to the description given in the 2015 Consolidated Financial Statements.

TAX ISSUES

areti tax inspection

In the Report on Findings regarding the general audit for the year 2010, an irregularity was also found 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 irregularity reported in the report of findings, the Regional Department of Lazio - Large Taxpayers' Office, on 23 December 2014, served two distinct notices of assessments for the year 2009, one concerning direct taxes (IRES and IRAP) and one concerning indirect taxes (VAT). The Company filed an application for internal review dated 17 February 2015 and the Revenue Office acknowledged the validity of the reasons submitted by *areti* in connection with its activities and ordered the full annulment of the document relating to direct taxes. With regard to the VAT irregularities, the Revenue Office partially acknowledged the reasons put forward by the Company and therefore ordered the partial annulment of the assessment document, bringing the total request to 129 thousand euros plus penalties. Regarding the VAT irregularity, the Company has deemed it appropriate to bring the matter before the court.

Based on the same grounds reported in the report of findings, the Revenue Agency - Regional Department of Lazio - Large Taxpayers' Office on 19 May 2016 notified two notices of assessment relating to VAT for the years 2011 and 2012. The tax recovered through the notices of assessment amounted to 160 thousand euros for 2011 and 138 thousand euros for the year 2012. On 7 July 2016, the company filed an application for tax settlement with the offices of the Regional Revenue Department.

Alleged irregularities/ tax litigation regarding ARSE

In January 2016, ARSE, a defunct company at such date following its total spin-off, was notified a tax payment notice relating to the additional registration tax in relation the reclassification of the transfer and subsequent sale of the stake of Apollo S.r.l., transferee company of the photovoltaic plants. The requested tax payment, including interest, amounted to 672 thousand euros.

The beneficiary companies of the Arse spin-off, Acea, Elga Sud and Acea Produzione, consider the payment notice is groundless both in terms of obvious formal irregularities, and as regards the subject-matter of the notice. An application for internal review was submitted, requesting full annulment of the document and an appeal has been lodged with the relevant Tax Commission.

OTHER ISSUES

ACEA Ato5 - Tariff

During the month of June 2015, the Regional Administrative Court of Latina dismissed the application brought on 31 July 2013 by the Area Authority, as destitute of legal basis; the application was seeking the cancellation of the final report of the special Commissioner of 30 May 2013 who, replacing an inactive Administration, had completed the procedure in accordance with ruling no. 529/11 concerning the definition of adjustments and service levels for the period 2006-2011. The Area Authority has appealed to the Council of State against this decision, which has issued its ruling no. 1882/2016 on 7 April 2016, rejecting the appeal and sharing the costs upon the parties.

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

With regard to the 10.7 million euro receivable for higher costs incurred in the 2003-2005 period, pursuant to the Settlement agreement of 27 February 2007, on 14 March 2012, ACEA Ato5 lodged an appeal for an injunction order concerning the receivable recognised by the A.ATO to the company.

Accepting the appeal, the Court of Frosinone issued Injunction Order no. 222/2012, enforceable immediately, notice of which was served to the Area Authority on 12 April 2012.

By notice dated 22 May 2012, the AATO sent notice of its opposition to the injunction order, requesting the cancellation of the order and, as a precautionary measure, the suspension of its provisional enforcement. Moreover, as a counterclaim, it submitted a claim for the payment of concession fees totalling 28,699,699.48 euros.

ACEA Ato5 appeared before the court in the proceedings against the injunction order, challenging the adversary's demands and in turn formulating a counterclaim for the payment of the entire amount of higher costs incurred by the Operator and originally requested, totalling 21,481,000.00 euros.

Following the hearing on 17 July 2012, the Judge - in an Order filed on 24 July - suspended the temporary enforcement of the injunction order, and postponed to a later date the discussion of the merits of the issue.

The judge also rejected the request for an order of payment of the concession fees submitted by the A.ATO.

During the hearing on 21 November 2014, the judge withdrew its reservations on the motions for admission of evidence filed by the parties and fixed the hearing for the final statements at 17 June 2016. The hearing was postponed to 15 November 2016 on the same pending issues.

GORI – Dispute over water supplies: ARIN

Several judgments are pending concerning disputes between GORI and A.R.I.N. S.p.A. (Now Azienda Speciale ABC) in relation to the cost of water supplies provided in favour of ATO 3.

ABC operates, obviously, in the territory of the Municipality of Naples and is the special company of that municipality that has taken the place of A.R.I.N. S.p.A. S.p.A. The Municipality of Naples belongs to the territory of ATO 2 "Naples-Volturno" of the Campania Region.

On the basis of very old concession agreements ABC uses its own sources of supply (Serino Aqueduct of ATO 1 in the Campania Region and the well field of Casalnuovo in ATO 2 in the Campania Region) and also purchases water from the Campania Region.

Currently, ABC directly to supplies water wholesale to several municipalities, to GORI and even to the Region.

The matter in dispute is that the tariff ABC applies to sub-contractors is about three times higher than the regional tariff; the regional rate is equal to 0.225[4] €/cu.m, while the ABC's tariff is 0.56 €/cu.m.

On the contrary, ABC should be applying the tariff for water distributed wholesale in respect of the EU and national cost orientation principle (see the most recent AEEGSI) provisions on the subject) i.e., with the aim of recovering only "actual costs" incurred to distribute the water, also in consideration of the fact that ABC is not authorized to sell water wholesale.

Moreover, the assessments currently carried out by AEEGSI as part of the preliminary joint investigation and the recent analysis submitted by the Commissioner of the Napoli Volturno Area Authority, have established that the unit cost of the water supplied by ABC is certainly lower than that currently applied and, according to the above analysis, it amounts to 0.33748 €/cm against the value declared by ABC of 0.56 €/cm.

Obviously, this situation causes an increase of cost on the integrated water service tariff of ATO no. 3, with repercussions on end users in the municipalities of that ATO.

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

It does not appear to be justifiable that the municipality of Naples determines tariffs (applied by ARIN) which impact the end users of other municipalities and even of another A.T.O. (ATO 3, to be precise). For these reasons, the dispute between ABC (former A.R.I.N. S.p.A.) and GORI is still ongoing.

For these reasons in 2013 GORI challenged **(i)** before the Campania Regional Administrative Court, the measures by which ABC has determined, on the basis of AEEGSI Resolutions no. 585/2012 and no. 88/2013, the new tariff applied to sub-distributors, and **(ii)**before the Lombardy Regional Administrative Court, AEEGSI Resolution no. 560/2013, with regard to the portion that approved the rates applied by ABC in 2013.

We draw your attention to the recent judgment no. 1343/15 issued by the Court of Naples, which rejected ABC (plaintiff) claims concerning the request of payment for the water supplied to the Municipality of Camposano in the period from the 4th quarter of 2007 to the 2nd quarter 2008.

Moreover the Court of Naples, Section XI, by ruling no. 12198 of 28 September 2015, rejected ABC claims brought by summons in which it was seeking an order of payment against GORI for 1,843,617.04 euros: (i) by way of breach of contract for failing to pay the fees for the wholesale water supply, (ii) for damages pursuant to Art. 2043 of the Italian Civil Code, on the assumption that the offence constitutes a theft crime and, in the alternative, in the event that breach of contract is not admitted, (iii) for unjust enrichment. More specifically, in support of the judgment, the Magistrate noted the lack of contractual relationship between ABC and GORI, as such relationship failed to comply with the essential requirement of the written form, the non-existence of the crime of theft and the non-existence of unjust enrichment as not duly documented and proven. Finally ABC filed an appeal before the Naples Court of Appeal seeking a review of the aforementioned judgment and the first hearing was scheduled for 1 July 2016. The Court postponed the final pleadings to 2019.

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

The proceedings in question brought by GORI and seeking the annulment of Regional Council Resolution no. 172/2013, was settled by decision of the Naples - Campania Regional Administrative Court no. 1544 of 24/03/2016, which ruled that there was no longer an interest in the case, as a result, primarily, of the recent provisions of regional law no. 5/2015 which superseded the above resolution no. 172/2013. Thus the Regional Administrative Court upheld GORI's arguments, excluding, moreover, its alleged liability invoked by the Region regarding the delayed transfer of the Regional Works related to the SII within the ATO 3 still managed be the same Region.

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 sub-tension indemnity (or compensation for damage incurred due to illegitimate sub-tension), which remained frozen to that set in the 1980s, amounting to 48.8 million euros (plus the sums due for 2008 and later) or alternatively payment of the sum of 36.2 million euros.

As for the decision of the TRAP (Regional Court of Public Waters), before which a ruling is pending regarding the matter in question, to arrange for a court-appointed expert as regards the values of sub-tension for branching off, and subsequent reduction in hydroelectric production and indemnities due, the judge suspended the 3 October 2013 hearing where memoranda were presented concerning the partial payment of the unpaid fees. In the 9 January 2014 hearing, a decision on the case was not taken.

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.

[4] This value does not take into account the effects of AEEGSI Resolution 338/2015/R/idr.

On 3 May 2014 the TRAP (Regional Court of Public Waters), in Sentence No. 14/14, quashed E.ON.'s applications ruling that the 1985 agreements are still valid, considering the application to be limited to the 'subtension price', ruling however that relevant to the measurement of adjustments to be inadmissible.
E.ON was ordered to pay 32 thousand euros for 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 a number of procedural postponements, at the hearing of 14 January 2015, the proceedings were deferred to the hearing before the panel of judges on 10 May 2015, also with respect to the decision on the request for a new court appointed expert appraisal submitted by E.ON. As of 29 February 2016, the Higher Court of Public Waters had not yet issued a ruling. It should also be noted that, with effect from 1 December 2015, E.On. Produzione S.p.A. transferred, through a partial spin-off, the business unit engaged in the production of energy from hydroelectric sources, to ERG Hydro s.r.l.. The filing of the decision is currently pending.

A.S.A. – Acea Servizi Acqua – SMECO

By means of summons notified in autumn 2011, ACEA was summoned to court to respond to the presumed damages that its even more strongly alleged non-compliance with unproven and inexistent obligations which are assumed to have been adopted under the shareholders' agreement relating to subsidiary A.S.A. – Acea Servizi Acqua – would have caused to minority shareholders of the latter, and their respective shareholders. The *claim* is worth over 10 million euros.
The judge upheld SMECO's claim and appointed a court-appointed accountant to calculate the costs borne, loss of profit and any payable fees by effect of the seller's option in the shareholders' agreements.
At the 11 February 2014 hearing held to discuss the comments on the expert's statement, the Judge set a time limit for the parties to present notes to the court-appointed expert and called the court-appointed expert for clarifications on 20 March 2014.
Following the above-mentioned comments, the Delegated Judge, at the hearing of 20 March 2014 issued a decision, substantially admitting the pleadings of the defence and of ACEA's appointed expert, postponed the case to the hearing on 1 July 2014, in order to better define, jointly with the parties and the party's appointed expert, the documentation to be acquired from Acea Ato 2 and proceed to supplement the Court Expert Report. During the hearing on 1 July 2014, the new Judge reserved a decision on the request for additional consultancy, which was subsequently rejected by decision issued outside the hearing. On 20 January 2015 the case was adjourned for judgment. By judgment no. 17154/15 of 17 August 2015, the Court entirely dismissed the application and ordered the parties to jointly reimburse the costs to ACEA which were assessed in 50,000 euros in addition to incidental expenses. On 1 October 2015 SMECO lodged an appeal before the 2nd Civil Section of the Rome Court of Appeal General Docket 6033/15. At the hearing of 3 February 2016, the case was adjourned to 1 April 2018 for the final pleadings.

Volteo Energie

ARSE submitted an application for an injunction order against Volteo Energie, to which only partially paid PV panels were supplied. The residual debt is approximately 2 million euros. The counterparty opposed the immediately notified claim, and also submitted claims for compensation for alleged production gaps in the supply. While the proceedings continue - and without prejudice to the fact that any faults in the panels can be charged back to the manufacturer – by order on 12 February 2013, the Court approved provisional enforcement of the injunction order for 1.283.248,02 euros plus interest and costs (suspending a decision on the remaining 654.136,66 euros until the end of the enquiry).
After requisition of 1.347.787,38 euros, Volteo proposed payment in instalments.
They have already paid the entire amount of the requisition equal to 1.347.787,38 euros. The proceedings continue to evaluate the portion of ARSE receivables not covered by the provisional enforcement and to examine Volteo's application for acknowledgment of the penalty and damages.
The case was adjourned to 21 October 2014 to hear the witnesses and, after that, appointment of a court-appointed expert if necessary, while a settlement of the dispute does not seem probable. The lawsuit, after rejection of the request for a court appointed expert, was adjourned for the decision to the hearing of 5 July 2016. The judgment is currently pending.

Milano '90 dispute

This issue concerns Milano '90's failure to pay 5 million euros due for the balance of the sale price of the area in the municipality of Rome with access from via Laurentina No. 555, formalised on 28 February 2007 and with a subsequent supplementary deed of 5 November 2008. With the supplementary deed, the parties agreed to change the fee from 18 to 23 million euros, while eliminating the *earn out*, setting 31 March 2009 as the payment deadline.
Given the purchaser's failure to act, the procedure to collect the amounts due was initiated by preparing a notice pay addressed to Milano '90 and through application for an injunction order which, on 28 June 2012, was granted in a temporarily enforceable form.
Therefore, the aforementioned injunction order was notified on 3 September 2012 and on 23 November, it was delivered to the Judicial Officer for third-party seizures, for the coercive collection of the amounts due.
Today, the objection by Milano '90 is pending before section X of the Court of Rome. An additional proceeding within this case was established pursuant to art. 649 of the Code of Civil Procedure, aimed at suspending the temporary execution of the challenged injunction order. This suspension was approved by the Judge.
Enforcement was also suspended, after the temporary enforcement of the injunction order.
At the hearing on 13 March 2014, the Judge reserved its decision as to the admission of evidence.
By decision dated 7 April 2014 the Judge, considering that a technical survey was needed to assess the land planning situation of the property and deciding to admit the witnesses' evidence as requested by ACEA, adjourned the hearing to 18 December 2014 for the witness hearing and engagement of the Court appointed expert. By decision of 6 November 2015, the investigating judge, at the request of the Court Appointed Expert, postponed the case to 28 January 2016 for the filing of the technical appraisal. The judge reserved the decision, postponing it to 5 May 2016. The Court Appointed Expert filed the clarifications requested by the Court regarding the existing land value appraisals and the case was postponed to 15 June 2017 for the submission of final pleadings.

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 turning the proceedings from summary to ordinary, the Court adjourned the case to 7 May 2014 for the admission of evidence, by granting the time limit for filing briefs pursuant to art. 183, paragraph 6 of the Italian Code of Civil Procedure with effect from 14 January 2014.
Together with the submission of briefs pursuant to art. 183 no. 1 of the Italian Code of Civil Procedure, a new defence counsel for Trifoglio filed its appearance in the proceedings that charged ACEA for a new breach on account of the alleged impossibility to complete the development of the area covered by the sale agreement.
The hearing was postponed to 14 October 2014 for joinder of proceedings with another case, which has the same subject and was 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, which as well as to ACEA was also served to ATAC Patrimonio, contains a claim for damages of approximately 20 million euros.
In the briefs submitted pursuant to art. 183 no. 2 of the Italian Code of Civil Procedure, the counterparty requested the admission of the expert advice essentially to assess the possibility to proceed with development of the area.
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 cases were joined before the Court that was hearing the case filed as plaintiff by the company, and both actions were adjourned to the hearing on 7 April 2015 after reformulation of the questions submitted to the Court Appointed Expert. The case was postponed to the hearing on 6 October 2015 for the final appointment of the expert by the court and assignment of the mandate, once the preliminary procedural issues have been solved. The hearing for discussion of the appraisal was scheduled for 20 January 2016 on request of the court appointed expert to make use of assistants and the case was subsequently postponed to 15 June 2016. The technical appraisal was filed on such date. On 21 September 2016 the expert's report will be examined.

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 shareholders 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 on the admission of evidence. The judge reserved the decision on the matter. Overcoming the aforementioned reservation, the Court rejected the motions for admission of evidence submitted by the plaintiffs, and postponed the case to 4 October 2016 for the final pleadings.

Dispute with Giancarlo Cremonesi

Former ACEA Chairman, Giancarlo Cremonesi, filed an appeal before the Court of Rome, Employment section, asking for an order requiring the company to pay in his favour the remuneration not received due to the early termination of his office as well as the related non-material damages.
At the hearing on 5 May 2016, the Court issued judgment no. 4362, partially unfavourable as it did not award damages. During the month of July 2016 the judgment was enforced.

Dispute with Andrea Peruzy and Maurizio Leo

With similar actions brought before the Court Employment Division, former Directors of ACEA S.p.A. Peruzy and Leo, summoned ACEA and requested that the Company be ordered to pay in their favour the remuneration not received by them - amounting to 190 thousand euros and 185 thousand euros respectively - due to the early termination of office, and compensation for pecuniary and non-pecuniary damage for various specified reasons, to be also quantified on an equitable basis.
ACEA filed its appearance and in the first place asserted the non-applicability of the employment law procedure and then the necessary transfer of the proceedings to the ordinary courts, as well as the lack of grounds of the claim.
The cases were postponed for the decision on the preliminary procedural issues to the hearing of 19 November 2015.
At the hearing on 25 February 2016, the Court, by order of the same date, declared the lack of jurisdiction of the specialized Section and referred the case to the President of the Court for allocation to another section.
For **Maurizio LEO,** the case was resumed before the Court of Rome - Business Section and the next hearing has been scheduled for 25 October 2016. For **Andrea PERUZY,** the case was also assigned to the Court of Rome - Business Section and the next hearing has been scheduled for 29 November 2016.

Former COS proceedings

It should be noted that six workers, already assigned to the COS contract, who did not amicably settled the dispute with ACEA and who were successful in the appeal proceedings, their employment contract having been acknowledged, brought legal actions to obtain the wages not taken; their requests were entirely dismissed by the Court, with judgment 5538/15 of 3 June 2015, considering - mainly - that in the meanwhile they had continued to work as employees of the company ALMAVIVA Contact (formerly COS) receiving a salary. The value of the claims was 660 thousand euros net of incidental expenses. Lodging of an appeal is likely. The six workers appealed on the merits and the outcome was unfavourable to ACEA. In 2015, ACEA appealed to the Supreme Court and the judgment is still pending. As for the proceedings on the amount due by way of salary for the 2008/2014 period, by Judgment no. 5538/15 of 3 June 2015 - the Court of Rome - Employment Section, Case no. 32631/14 - rejected the appeals. The deadlines for the other parties to file their appeal is pending. The appeal from an employee is also pending and the hearing will be held on 19 January 2017.

ARMOSIA proceedings

These are opposition proceedings filed against the injunction issued by the Court of Rome - General Docket 58515/14 against *a*reti in the amount of 226,621.34 euros, requested by Armosia MP by way of lease payments for the months of April-May-June of 2014 in relation to the property in Rome - Via Marco Polo, 31. The injunction was declared provisionally enforceable by order of 8 July 2015.

At the hearing on 17 February 2016, the Court joined these proceedings with the other proceedings General Docket 30056/2014 pending before the Court of Rome - brought by ACEA and by *a*reti (the assignee of the lease) seeking a declaration of termination of the lease agreement.

In the latter proceedings, Armosia MP also filed a counterclaim for damages in consideration of the state of degradation of the property at the time it was released by *a*reti. The liability is approximately 9 million euros. At the hearing on 17 February, both ACEA and *a*reti challenged the claim. The Court ordered an expert appraisal and postponed the case to 14 March 2016 for the appointment of the expert. The deadline for delivery of the expert appraisal has been set on 10 November 2016 and the hearing to examine the expert's report has been postponed to 30 November 2016. At present it is not possible to make forecasts on the two opposing proceedings: that of ACEA, concerning termination of the lease agreements, and that of Armosia MP regarding ascertainment of and order to pay the lease payments, plus damages.

ANNEXES

A. LIST OF CONSOLIDATED COMPANIES

B. RECONCILIATION OF SHAREHOLDERS' EQUITY AND STATUTORY PROFIT – CONSOLIDATED

C. REMUNERATION OF DIRECTORS, STATUTORY AUDITORS AND KEY MANAGERS

D. SEGMENT INFORMATION: STATEMENT OF FINANCIAL POSITION AND INCOME STATEMENT

A. LIST OF CONSOLIDATED COMPANIES

Company Name	Registered Office	Share capital in euro	% holding	Group's consolidated shareholding	Consolidation Method
Environment segment					
ARIA S.r.l.	Via G. Bruno 7- Terni	2,224,992	100.00%	100.00%	Line-by-line
Aquaser S.r.l.	P.le Ostiense, 2 - Roma	3,900,000	93.06%	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
Kyklos S.r.l.	Via Ferriere – Nettuno n. km 15 - Latina	500,000	100.00%	100.00%	Line-by-line
S.A.O. S.r.l.	Loc. Pian del Vantaggio 35/B - Orvieto (TR)	7,524,400	100.00%	100.00%	Line-by-line
Solemme S.p.A.	Località Carboli - Monterotondo Marittimo (GR)	761,400	100.00%	100.00%	Line-by-line
Energy segment					
Acea Energia S.p.A.	P.le Ostiense, 2 - Roma	10,000,000	100.00%	100.00%	Line-by-line
Acea Produzione S.p.A.	P.le Ostiense, 2 - Roma	5,000,000	100.00%	100.00%	Line-by-line
Acea8cento S.r.l.	P.le Ostiense, 2 - Roma	10,000	100.00%	100.00%	Line-by-line
Cesap Vendita Gas S.r.l.	Via del Teatro, 9 - Bastia Umbra (PG)	10,000	100.00%	100.00%	Line-by-line
Ecogena S.p.A.	P.le Ostiense, 2 Roma	6,000,000	100.00%	100.00%	Line-by-line
Elga Sud S.r.l.	P.le Ostiense, 2 - Roma	10,000	100.00%	100.00%	Line-by-line
Parco della Mistica S.r.l.	P.le Ostiense, 2 Roma	10,000	100.00%	100.00%	Line-by-line
Umbria Energy S.p.A.	Via B. Capponi, 100 - Terni	1,000,000	50.00%	100.00%	Line-by-line
Acea Energy Management S.r.l.	P.le Ostiense, 2 Roma	50,000	100.00%	100.00%	Line-by-line
Water segment					
ACEA Ato2 S.p.A.	P.le Ostiense, 2 - Roma	362,834,320	96.46%	100.00%	Line-by-line
ACEA Ato5 S.p.A.	Viale Roma snc - Frosinone	10,330,000	98.45%	100.00%	Line-by-line
Acea Dominicana S.A.	Avenida Las Americas - Esquina Mazoneria, Ensanche Ozama -Santo Domingo	644,937	100.00%	100.00%	Line-by-line
Acea Gori Servizi S.c.a.r.l.	Via ex Aeroporto s.n.c. località Area "Consorzio Sole" - Pomigliano d'Arco	1,000,000	69.82%	100.00%	Line-by-line
Acea Servizi Acqua S.r.l. *(in liquidation)*	P.le Ostiense, 2 - Roma	10,000	70.00%	100.00%	Line-by-line
Acque Blu Arno Basso S.p.A.	P.le Ostiense, 2 - Roma	8,000,000	76.67%	100.00%	Line-by-line
Acque Blu Fiorentine S.p.A.	P.le Ostiense, 2 - Roma	15,153,400	75.01%	100.00%	Line-by-line
Aguaazul Bogotà S.A.	Calle 82 n. 19°-34 - Bogotà- Colombia	1,482,921	51.00%	100.00%	Line-by-line
Crea Gestioni S.r.l.	P.le Ostiense, 2 - Roma	100,000	100.00%	100,00%	Line-by-line
CREA S.p.A. *(in liquidazione)*	P.le Ostiense, 2 - Roma	2,678,958	100.00%	100.00%	Line-by-line
Gesesa S.p.A.	Z.I. Pezzapiana lotto 11/12 - Benevento	534,991	57.93%	100.00%	Line-by-line
Lunigiana S.p.A. *(in liquidazione)*	Via Nazionale 173/175 – Massa Carrara	750,000	95.79%	100.00%	Line-by-line
Ombrone S.p.A.	P.le Ostiense, 2 - Roma	6,500,000	99.51%	100.00%	Line-by-line
Sarnese Vesuviano S.r.l.	P.le Ostiense, 2 - Roma	100,000	99.16%	100.00%	Line-by-line
ACEA Elabori S.p.A.	Via Vitorchiano – Roma	2,444,000	100.00%	100.00%	Line-by-line
Networks segment					
areti S.p.A.	P.le Ostiense, 2 - Roma	345,000,000	100.00%	100.00%	Line-by-line
Acea Illuminazione Pubblica S.p.A.	P.le Ostiense, 2 - Roma	1,120,000	100.00%	100.00%	Line-by-line

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

Company Name	Registered Office	Share capital in euro	% holding	Group's consolidated shareholding	Consolidation Method
Environment segment					
Ecomed S.r.l.	P.le Ostiense, 2 - Roma	10,000	50.00%	50.00%	Equity method
Water segment					
Acque S.p.A.	Via Garigliano,1 - Empoli	9,953,116	45.00%	45.00%	Equity method
Acque Industriali S.r.l.	Via Bellatalla,1 - Ospedaletto (Pisa)	100,000	100.00%	45.00%	Equity method
Acque Servizi S.r.l.	Via Bellatalla,1 - Ospedaletto (Pisa)	400,000	100.00%	45.00%	Equity method
Acquedotto del Fiora S.p.A.	Via Mameli,10 - Grosseto	1,730,520	40.00%	40.00%	Equity method
Consorcio Agua Azul S.A.	Calle Amador Merino Reina 307 - Lima - Perù	17,379,190	25.50%	25.50%	Equity method
GORI S.p.A.	Via Trentola, 211 - Ercolano (NA)	44,999,971	37.05%	37.05%	Equity method
Ingegnerie Toscane S.r.l.	Via di Villamagna 90/c - Firenze	100,000	42.52%	42.52%	Equity method
Intesa Aretina S.c.a.r.l.	Via B.Crespi, 57 - Milano	18,112,000	35.00%	35.00%	Equity method
Nuove Acque S.p.A.	Loc.Cuculo - Arezzo	34,450,389	46.16%	16.16%	Equity method
Publiacqua S.p.A.	Via Villamagna - Firenze	150,280,057	40.00%	40.00%	Equity method
Umbra Acque S.p.A.	Via G. Benucci, 162 - Ponte San Giovanni (PG)	15,549,889	40.00%	40.00%	Equity method

The following companies are also consolidated using the equity methodo:

Company Name	Registered Office	Share capital in euro	% holding
Environment segment			
Amea S.p.A.	Via San Francesco d'Assisi 15C - Paliano (FR)	1,689,000	33.00%
Arkesia S.p.A. *(in liquidation)*	Via S. Francesco D'Assisi, 17 - Paliano (FR)	170,827	33.00%
Coema	P.le Ostiense, 2 - Roma	10,000	33.50%
Water segment			
Azga Nord S.p.A. *(in liquidation)*	Piazza Repubblica Palazzo Comunale - Pontremoli (MS)	217,500	49.00%
Geal S.p.A.	Viale Luporini, 1348 - Lucca	1,450,000	28.80%
Sogea S.p.A.	Via Mercatanti, 8 - Rieti	260,000	49.00%
Aguas de San Pedro S.A.	Las Palmas, 3 - San Pedro (Honduras)	6,162,657	31.00%
Umbriadue Servizi Idrici S.c.a.r.l.	Strada Sabbione zona ind. A72 - Terni	100,000	34.00%
Le Soluzioni	Via Garigliano,1 - Empoli	250,678	30.50%
Networks segment			
Citelum Napoli Pubblica Illuminazione S.c.a.r.l.	Via Monteverdi Claudio, 11 - Milano	90,000	32.18%
Sienergia S.p.A. *(in liquidation)*	Via Fratelli Cairoli, 24 - Perugia	132,000	42.08%
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	35.77%
Sienergy Project S.r.l.	Via Fratelli Cairoli, 24 - Perugia	40,000	23.85%
Sienergas Distribuzione S.r.l.	Via Fratelli Cairoli, 24 - Perugia	20,000	42.08%
Umbria Distribuzione Gas S.p.A.	Via Bruno Capponi 100 - Terni	2,120,000	15.00%
Other			
Marco Polo Srl *(in liquidation)*	Via delle Cave Ardeatine, 40 - Roma	10,000	33.00%

B. RECONCILIATION OF SHAREHOLDERS' EQUITY AND STATUTORY PROFIT – CONSOLIDATED

€ thousand	Profit for the year		Shareholders' equity	
	30.06.16	30.06.15	30.06.16	30.06.15
Balances in ACEA's statutory financial statements	**135,186**	**122,320**	**1,485,961**	**1,457,291**
Surplus of shareholders' equity and profit for the year at current values compared to book values	143,282	98,632	92,540	127,659
Higher depreciation and amortisation in consolidated financial statements	(1,662)	(1,680)	4,341	6,002
Elimination of effects of business combination of entities under common control	0	(265)	0	(398)
Elimination of tax effects, including those from previous years	(3,937)	(3,355)	31,693	10,314
Accounted for using the equity method	12,781	9,925	98,548	85,767
Elimination of dividends	(150,902)	(138,887)	0	0
Elimination ACEA Ato 2, areti,, ARIA	12,370	12,370	(157,093)	(169,463)
Elimination of extraordinary items	2,420	269	2,420	6,751
Balances in consolidated financial statements	**149,539**	**99,329**	**1,558,411**	**1,523,924**

C. REMUNERATION OF DIRECTORS, STATUTORY AUDITORS AND KEY MANAGERS

Board of Directors and Board of Statutory Auditors

€ thousand	Remuneration due				
	Remuneration for the office	Non-monetary benefits	Bonuses and other incentives	Other compensation	Total
Consiglio di Amministrazione	115	34	105	200	**454**
Collegio Sindacale	215	0	0	0	**215**

Key Managers
Fees due to executives with strategic responsibilities for the first half of 2016 amount to:
- salaries and bonuses 985 thousand euros;
- non-monetary benefits 131 thousand euros.

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

D. SEGMENT INFORMATION: STATEMENT OF FINANCIAL POSITION AND INCOME STATEMENT

Please note the following for a better understanding of the breakdown provided in this section:

- generation and sales refer to the Energy Segment which, from an organizational standpoint, is responsible for the companies Acea Energia, Umbria Energy, Elga Sud, Acea Produzione, Ecogena, Parco della Mistica and Cesap Vendita Gas,
- distribution and public lighting (Rome and Naples) refer to the Networks segment which, from an organisational standpoint, is responsible for *a*reti and Acea Illuminazione Pubblica,
- analysis and research services refer to the Engineering and Services Department, which, from an organizational standpoint, is responsible for Acea Elabori,
- Overseas Water Services refer to the Water segment which, from an organizational standpoint, is also responsible for the water companies operating abroad,
- Italian Water Services refer to the Water segment which, from an organizational standpoint, is responsible for the water companies operating in Lazio, Campania, Tuscany and Umbria, and for AceaGori Servizi,
- environment refers to the Environment segment which, from an organizational standpoint, is responsible for the Companies of the ARIA Group and the Aquaser and Solemme Group.

2015 statement of financial position

	Environment	Generation	Sales	Italian water services	Overseas	Engineering	Distribution	Public Lighting	Corporate	Group total	Consolidation adjustments	Consolidated Total
Investments	**25,895**	**15,247**	**15,335**	**202,474**	**424**	**1,548**	**154,331**	**1,841**	**11,769**	**428,864**		**428,864**
Property, plant and equipment	245,366	191,184	6,710	20,737	1,998	2,994	1,466,147	926	157,314	2,093,376	(3,355)	2,090,021
Intangible Assets	33,887	6,561	129,876	1,932,604	560	159	56,934	3,618	13,509	2,177,709	(397,328)	1,780,381
Non-current financial assets measured at equity												247,490
Non-current financial assets												2,750
Other non-current trading assets												314,341
Other non-current financial assets												31,464
Inventories	3,708	1,632		7,034	35		7,136	7,078	0	26,623		26,623
Trade receivables from third parties	59,755	28,377	559,808	410,288	1,621	33,691	108,137	9,177	23,111	1,233,966	(228,853)	1,005,113
Trade receivables from Parent Company	156	4,899	36,227	46,839		114	4,068	62,689	624	155,617	(91,939)	63,679
Trade receivables from subsidiaries and associates	312		4,476	9,562					90,102	104,451	(74,569)	29,882
Other current trading assets												205,852
Other current financial assets												94,228
Cash and cash equivalents												814,653
Non-current assets held for sale		497								497		497
Total assets												**6,706,972**

Amounts in € /thousand

2015 statement of financial position

	Environment	Generation	Sales	Italian water services	Overseas	Engineering	Distribution	Public Lighting	Corporate	Group total	Consolidation adjustments	Consolidated Total
Segment liabilities												
Trade payables to third parties	51,865	15,932	453,950	402,551	476	3,324	303,640	12,170	63,753	1,307,662	(215,398)	1,092,264
Trade payables to Parent Company	2,147	2,029	20,742	152,000		827	22,349	663	20,521	221,278	(74,018)	147,259
Trade payables due to subsidiaries and associates	301		4,540	619	224			64,995	25,044	95,723	(89,989)	5,734
Other current trading liabilities												348,397
Other current financial liabilities												259,087
Staff termination benefits and other defined benefit plans	3,531	2,449	4,160	28,369	233	3,090	34,143	2,820	29,847	108,642	(12)	108,630
Other provisions	26,999	8,906	21,121	69,897		590	6,995	344	31,592	166,444	23,412	189,856
Provision for deferred taxes												87,059
Other non-current trading liabilities												184,100
Other non-current financial liabilities												2,688,435
Liabilities directly associated with assets held for sale		99								99		99
Shareholders' equity												1,596,053
Total liabilities and shareholders’ equity												**6,706,972**

Amounts in € /thousand

Income Statement as at 30 June 2015

	Generation	Distribution	Sales	Public Lighting	Italian water services	Overseas	Engineering	Environment	PV power	Corporate	Group total	Consolidation adjustments	Total Consolidated
Revenue	31,693	229,448	971,698	32,687	298,413	8,276	13,295	63,853	2,853	54,624	1,706,841	(265,698)	1,441,143
Staff costs	2,846	24,285	11,431	3,776	41,762	1,761	6,922	5,851	-	27,345	125,979	(8,925)	117,054
Costs	10,501	86,391	922,463	26,605	129,747	2,736	3,538	30,853	639	27,017	1,240,490	(256,769)	983,722
Income/(Costs) from equity investments of a non-financial nature			(216)	-	12,577	560	-	(21)	-	-	12,901	-	12,901
EBITDA	**18,346**	**118,772**	**37,588**	**2,305**	**139,482**	**4,339**	**2,835**	**27,128**	**2,214**	**262**	**353,273**	**(4)**	**353,269**
Depreciation/ amortisation	10,686	43,203	31,095	196	40,839	78	316	14,011	-	10,173	150,597	-	150,597
Operating profit/(loss)	**7,660**	**75,569**	**6,493**	**2,109**	**98,643**	**4,261**	**2,519**	**13,117**	**2,214**	**(9,910)**	**202,676**	**(4)**	**202,672**
Financial (costs)/ income													(45,243)
(Costs)/ Income from investments		(846)	(40)		57	401		42		(218)	(604)		(604)
Profit/(loss) before tax													**156,825**
Taxation													53,201
Net profit (loss)													**103,624**

Amounts in € /thousand

Half-Year Statement of financial position 2016

	Environment	Generation	Sales	Italian water generation	Overseas	Engineering	Distribution	Public Lighting	Corporate	Group total	Consolidation adjustments	Consolidated Total
Investments	7,993	16,055	11,343	99,630	223	712	79,419	663	4,716	220,752	-	**220,752**
Property, plant and equipment	240,537	198,262	6,179	21,000	2,111	3,092	1,493,124	895	154,529	2,119,729	(4,448)	2,115,281
Intangible Assets	29,163	12,931	134,856	1,993,699	713	346	70,292	4,230	13,976	2,260,206	(397,846)	1,862,360
Non-current financial assets measured at equity											-	252,600
Non-current financial assets											-	2,586
Other non-current trading assets											-	310,390
Other non-current financial assets											-	32,271
Inventories	4,518	1,890	-	7,088	22	-	11,051	7,066	-	31,636	-	31,636
Trade receivables from third parties	58,562	25,616	452,619	468,896	1,114	22,378	150,660	10,066	2,323	1,192,233	(121,137)	1,071,097
Trade receivables from Parent Company	207	3,585	30,985	26,034	-	68	3,236	4,153	654	68,921	(21,405)	47,516
Trade receivables from subsidiaries and associates	414	-	2,825	9,053	-	-	-	-	63,088	75,379	(46,822)	28,557
Other current trading assets												208,258
Other current financial assets												97,115
Cash and cash equivalents												582,855
Non-current assets held for sale	-	497	-	-	-	-	-	-	-	497	-	497
Total assets												**6,643,018**

Amounts in € /thousand

Half-Year Statement of financial position 2016

	Environment	Generation	Sales	Italian water generation	Overseas	Engineering	Distribution	Public Lighting	Corporate	Group total	Consolidation adjustments	Consolidated Total
Segment liabilities												
Trade payables to third parties	47,570	26,886	382,229	308,705	600	3,833	291,805	10,363	76,316	1,148,306	(113,971)	1,034,335
Trade payables to Parent Company	2,035	1,616	23,283	139,438	-	1,254	14,283	653	5	182,568	(46,417)	136,151
Trade payables due to subsidiaries and associates	(0)	-	3,024	1,180	368	-	177	14,887	6,708	26,344	(18,613)	7,731
Other current trading liabilities												403,190
Other current financial liabilities												171,547
Staff termination benefits and other defined benefit plans	4,209	2,670	4,832	31,429	255	3,394	37,568	3,122	30,439	117,918	-	117,918
Other provisions	26,799	11,194	24,804	76,756	15	1,590	7,580	336	27,831	176,907	23,439	200,346
Provision for deferred taxes												82,397
Other non-current trading liabilities												188,263
Other non-current financial liabilities												2,669,673
Liabilities directly associated with assets held for sale	-	99	-	-	-	-	-	-	-	-		99
Shareholders' equity												1,631,367
Total liabilities and shareholders' equity												**6,643,018**

Amounts in € /thousand

Income Statement as at 30 June 2016

	Environment	Generation	Sales	Italian water generation	Overseas	Engineering	Distribution	Public Lighting	Corporate	Group total	Consolidation adjustments	Group total
Revenue	67,046	29,848	837,514	316,578	2,387	16,634	284,337	31,950	69,531	1,655,826	(269,123)	1,386,703
Staff costs	6,225	2,486	11,089	38,613	1,013	5,894	21,045	4,005	25,843	116,214	(7,090)	109,124
Costs	31,625	9,890	774,169	133,334	1,087	6,038	83,729	26,810	44,118	1,110,801	(262,057)	848,743
Income/(Costs) from equity investments of a non-financial nature	(16)	-	-	14,361	560	-	-	-	-	14,906	-	14,906
EBITDA	**29,181**	**17,472**	**52,256**	**158,991**	**847**	**4,702**	**179,564**	**1,134**	**(430)**	**443,717**	**24**	**443,742**
Depreciation/amortisation	13,333	11,504	35,794	51,221	128	1,560	42,651	82	13,407	169,679	-	169,679
Operating profit/(loss)	**15,847**	**5,968**	**16,462**	**107,770**	**719**	**3,142**	**136,913**	**1,052**	**(13,837)**	**274,038**	**24**	**274,062**
Financial (costs)/income												(42,295)
(Costs)/Income from Equity Investments		(47)		269	348	-	-	-		571	-	571
Profit/(loss) before tax												**232,338**
Taxation												78,086
Net profit/(loss)												**154,252**

Amounts in € /thousand

2016

CONSOLIDATED FINANCIAL STATEMENTS
2016 INTERIM CONDENSED

ACEA SPA
Registered office
Piazzale Ostiense 2 – 00154 Rome

Share Capital
1,098,898,884 euros fully paid-up

Taxpayers' code, VAT and Register of Enterprises of Rome No.
05394801004

Rome Economic and Administrative Business Register No.
882486

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