



ACEA S.p.A.
Financial Statements for the year ended
31 December 2014
Part Two

Form and structure

General information

The ACEA S.p.A. financial statements for the financial year as at 31 December 2014 were approved by Board of Directors' resolution on 11 March 2015. ACEA is an Italian joint-stock company based in Rome, Italy, piazzale Ostiense 2, whose shares are traded on the Milan Stock Exchange.

Compliance with IAS/IFRS

The financial statements have been prepared under the *International Financial Reporting Standards* (IFRS) effective at the balance sheet date, approved by the *International Accounting Standards Board* (IASB), adopted by the European Union and consisting of the *International Financial Reporting Standards* (IFRS), *International Accounting Standards* (IAS) and interpretations of the *International Financial Reporting Interpretations Committee* (IFRIC) and *Standing Interpretations Committee* (SIC), collectively referred to as "IFRS" and in accordance with art. 9 of Legislative Decree 38/05.

ACEA S.p.A. has adopted *International Financial Reporting Standards* (IFRS) as of 2006, with the date of transition to IFRS established as 1 January 2005. The last financial statements prepared under Italian accounting standards relate to 31 December 2005.

Basis of presentation

The Financial statements for the year ended 31 December 2014 consist of the Statement of Financial Position, Income Statement, Statement of Comprehensive Income, Statement of Cash Flows and Statement of Changes in Shareholders' Equity, all of which have been prepared under IAS 1. They also include notes prepared under the IAS/IFRS currently in effect.

The Income Statement is classified on the basis of the nature of expenses, the Statement of Financial Position is based on the liquidity method by dividing between current and non-current items, whilst the Statement of Cash Flows is presented using the indirect method.

The Financial statements for the year ended 31 December 2014 have been prepared in euros and all amounts have been rounded off to the nearest thousand euros, unless otherwise indicated.

Alternative performance indicators

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

1. for ACEA, *gross operating profit* is an operating performance indicator, the sum of Operating profit and "Amortisation, depreciation, provisions and impairment charges";
2. the *net financial position* is an indicator of ACEA's financial structure, the sum of Non-current borrowings and financial liabilities net of Non-current financial assets (loans and receivables and securities other than equity investments), Current borrowings and Other current liabilities net of Current financial assets and of Cash and cash equivalents;
3. *net invested capital* is the sum of "Current assets", "Non-current assets" and "Assets and liabilities held for sale", less "Current liabilities" and "Non-current liabilities", excluding items taken into account in calculating the *net financial position*.

Use of estimates

Pursuant to IFRS, in compiling the Financial Statements, the Management is required to make estimates and assumptions that affect the reported amounts of revenue, costs, assets and liabilities and the disclosure of contingent assets and liabilities as at the reporting date. The actual amounts may differ from such estimates. Estimates are used for the recognition of provisions for



credit risk, obsolescent inventories, impairment charges incurred on assets, employee benefits, fair value of derivatives, taxes and other provisions. The original estimates and assumptions are periodically reviewed and the impact of any change is recognised in the Income Statement.

In addition, it should be noted that certain estimation processes, especially the most complex, such as the calculation of any impairment of non-current assets, are generally performed in full only when drafting the annual financial statements, unless impairment indicators call for immediate impairment testing.

For further details on the estimation methods used in comments on results, kindly refer to the following paragraphs.

Accounting standards and measurement criteria

The most significant accounting standards and measurement criteria are described below.

Non-current assets held for sale

Non-current assets (and groups of assets being disposed of) classified as held for sale are accounted for at the lower of their previous carrying amount and their market value less sale costs. Non-current assets (and groups of assets being disposed of) are classified as held for sale when their carrying amount is expected to be recovered through a sale transaction rather than through their continued use in the Company's production activity. This condition is only met when a sale is highly probable, the asset (or group of assets) is available for immediate sale in its present condition and the Management is committed to its sale, which is expected to take place within twelve months of the classification of this item.

Exchange rate difference

ACEA S.p.A. and its European subsidiaries have adopted the euro (€) as their functional and presentation currency. Foreign currency transactions are initially recognised at the exchange rate on the date of the transaction. Foreign currency monetary assets and liabilities are translated into the functional currency using the exchange rate valid at the end of the reporting period. Exchange differences are recognised in the Income Statement, with the exception of differences deriving from foreign currency loans taken out in order to hedge a net investment in a foreign entity. Such exchange differences are taken directly to shareholders' equity until disposal of the net investment, at which time any differences are recognised as income or expenses in the Income Statement. The tax effect and tax credits attributable to exchange differences deriving from this type of loan are also taken directly to shareholders' equity. Non-monetary items denominated in a foreign currency and booked at historical cost are translated at the exchange rate valid on the date the transaction was initially recorded. Non-monetary items accounted for at fair value are translated using the exchange rate valid at the date the value was determined.

The functional currency used by the Group's Latin American companies is the official national currency. At the reporting date, the assets and liabilities of these companies are translated into ACEA S.p.A.'s presentation currency at closing rates, while their income and expenses are translated at average rates for the period or at the rates valid at the date of the related transactions. Exchange differences, resulting from the use of different rates to translate income and expenses as opposed to assets and liabilities, are taken directly to shareholders' equity and recognised as a separate component of equity (equity reserve). On the disposal of a foreign economic entity, the cumulative exchange differences booked as a separate component of shareholders' equity (reserve) are recognised in the Income Statement.

Revenue recognition

Revenue is recognised when the amount of revenue can be reliably measured and it is probable that the economic benefits associated with the transaction will flow to ACEA S.p.A. Depending on the type of transaction, revenue is recognised on the basis of the following specific criteria:

Sale of goods

Revenue is recognised when the significant risks and rewards of ownership of the goods have been transferred to the buyer.

Rendering of services

Revenue is recognised with reference to the stage of completion of the transaction based on the same criteria used for contract work in progress. When the amount of the revenue cannot be reliably determined, revenue is recognised only to the extent of the recognised expenses that are recoverable.

Financial income

Income is recognised on the basis of the interest accrued on the net value of the relevant financial asset by using the actual rate of interest (i.e. the rate of interest required to discount future estimated cash flows and equate them to the initial carrying amount of the asset). Interest is accounted for as an increase in the value of the financial assets recorded in the accounts.

Dividend income

Dividend income is recognised when the shareholder's right to receive payment is established. Dividend income is classified as a component of financial income in the Income Statement.

Grants

Grants related to plant investments received from both public and private entities are accounted for at fair value when there is reasonable assurance that they will be received and that the envisaged conditions will be complied with.

Grants related to specific plants whose value is recorded under plant, property and equipment are recognised as non-current liabilities and progressively recognised in the Income Statement on a straight-line basis over the useful life of the asset to which they refer.

Grants related to the period under review (disbursed in order to provide the Company with immediate financial aid or as compensation for expenses and losses incurred in a previous period) are recognised in the Income Statement in full, once the conditions for recognition have been complied with.

Construction contracts in the process of completion

Construction contracts are accounted for on the basis of the contractual payments accrued with reasonable certainty, according to the percentage of completion method (cost to cost), attributing revenue and profits of the contract to the individual reporting periods in proportion to the stage of contract completion. Any positive or negative difference between contract revenue and any prepayments received are respectively recognised as assets or liabilities in the Statement of Financial Position.

In addition to contract fees, contract revenue includes variations, price changes and the payment of incentives to the extent that it is probable that they will form part of actual revenue and that they can be reliably determined. Any identified losses are booked regardless of the stage of contract completion.

Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to be ready for its intended use or sale are capitalised as part of the cost of the asset until it is ready for use or sale. Income on the temporary investment of the borrowings is deducted from the capitalised borrowing costs.

All other borrowing costs are recognised in the Income Statement in the period in which they are incurred.

Employee benefits

Employee benefits disbursed concurrently or after termination of employment in the form of defined-benefit and defined-contribution plans (such as Staff Termination Benefits, Bonuses, Tariff Subsidies, as described in the notes) or other long-term benefits are recognised in the period in which the related right accrues. The valuation of the liabilities is performed by independent actuaries. Such funds and benefits are not financed.

The cost of the benefits involved in the various plans is determined separately for each plan based on the actuarial valuation method, using the projected unit credit method to carry out actuarial valuations at the end of the reporting period.

The profit and loss deriving from the actuarial calculations are recorded in the operating profit statement, therefore in a specific equity reserve, and are not subject to subsequent recognition in the Income Statement.

Taxation

Income taxes for the period represent the aggregate amount of current taxes (under the tax consolidation regime) and deferred taxes.

Current taxes are based on the taxable amount for the period. The taxable amount differs from the result recorded in the Income Statement as it excludes positive and negative components that will be taxable or deductible in other periods and also excludes items that will never be taxable or deductible. Current tax liabilities are calculated using the tax rates enacted or substantively enacted at the end of the reporting period, and taking account of tax instruments permitted by tax legislation (the domestic tax consolidation regime or pass-through tax treatment).

Deferred taxes are the taxes expected to be paid or recovered on temporary differences between the carrying amounts of assets and liabilities in the Statement of Financial Position and the corresponding tax base used in the computation of the taxable income. They are accounted for using the liability method. Deferred tax liabilities are generally recognised on all taxable temporary differences, whilst deferred tax assets are recognised to the extent that it is probable that future taxable income will be available against which the temporary difference can be utilised.

The carrying amount of deferred tax assets is reviewed at each closing date and reduced to the extent that, based on the plans approved by the Board of Directors, it is no longer probable that sufficient future taxable income will be available against which all or part of the assets can be recovered.

Deferred taxes are determined using tax rates that are expected to apply to the period in which the asset is realised or the liability settled. Deferred taxes are taken directly to the Income Statement, with the exception of those relating to items taken directly to shareholders' equity, in which case the related deferred taxes are also taken to equity.

Property, plant and equipment

Property, plant and equipment is stated at cost, including any directly attributable costs of making the asset ready for its intended use, less accumulated depreciation and any accumulated impairment charges.

The cost includes the costs of dismantling and removing the asset and cleaning up the site at which the asset was located, if covered by the provisions of IAS 37. Each component of an asset with a cost that is significant in relation to the total cost of the item, and having a different useful life, is depreciated separately.

Land, whether free of constructions or annexed to civil and industrial buildings, is not depreciated as it has an unlimited useful life.

Depreciation is calculated on a straight-line basis over the expected useful life of the asset, applying the following rates:

| DESCRIPTION | ECONOMIC/TECHNICAL RATE | | |
|--|-------------------------|--------|-------|
| | Min | | Max |
| Plant and machinery used in operations | 1.25% | | 6.67% |
| Other plant and machinery | | 4% | |
| Industrial and commercial equipment used in operations | 2.5% | | 6.67% |
| Other industrial and commercial equipment | | 6.67% | |
| Other assets used in operations | | 12.50% | |

| | | | |
|-----------------------------------|-------|--------|-----|
| Other assets | 6.67% | | 19% |
| Motor vehicles used in operations | | 8.33% | |
| Other motor vehicles | | 16.67% | |

Plant and machinery in the course of construction for use in operations, or for purposes yet to be determined, is stated at cost, less any impairment charges. The cost includes any professional fees and, in the case of certain assets, interest expense capitalised in accordance with the Company's accounting policies. Depreciation of such assets, in line with all the other assets, begins when they are ready for use. In the case of certain complex assets subject to performance tests, which may be of a prolonged nature, readiness for use is recognised on successful completion of the related tests.

Any property, plant and equipment is tested for impairment annually: the tests are conducted in respect of each tangible asset or, if need be, in respect of each cash generating unit.

An asset held under a financial lease is depreciated over its expected useful life, in line with assets that are owned, or, if lower, over the lease term.

Gains and losses deriving from the disposal or retirement of an asset are determined as the difference between the estimated net disposal proceeds and the carrying amount of the asset and are recognised as income or expense in the Income Statement.

Investment property

Investment property, represented by property held to earn rentals or for capital appreciation or both, is stated at cost, including any negotiating costs less accumulated depreciation and any impairment charges.

Depreciation is calculated on a straight-line basis over the expected useful life of the asset. The rates applied range from a minimum of 1.67% to a maximum of 11.11%.

Investment property is eliminated from the accounts when sold or when the property is unusable over the long-term and its sale is not expected to provide future economic benefits.

Sale and lease-back transactions are accounted for based on the substance of the transaction. Reference should therefore be made to the policy adopted for Leasing.

Any gain or loss deriving from the elimination of an investment property is recognised as income or expense in the Income Statement in the period in which the elimination takes place.

Intangible assets

Intangible assets acquired separately or deriving from a business combination

Intangible assets acquired separately are capitalised at cost, whilst those deriving from a business combination are capitalised at fair value at the date of acquisition. After initial recognition, an intangible asset is carried at cost. The useful life of an intangible asset may be defined as definite or indefinite.

Intangible assets are tested for impairment annually: the tests are conducted in respect of each intangible asset or, if necessary, in respect of each cash-generating unit.

The useful life of an asset is reviewed annually and, where applicable, any adjustments are made on a prospective basis.

Gains and losses deriving from the disposal of an intangible asset are determined as the difference between the estimated net disposal proceeds and the carrying amount of the asset and are recognised as income or expense in the Income Statement at the time of disposal.

Research and development costs

Research and development costs are recognised as an expense during the period in which they are incurred. Development costs incurred in relation to a specific project are capitalised when there is

reasonable assurance that they will be recovered in future periods. After initial recognition, such costs are carried at cost, which may be reduced by any accumulated amortisation or accumulated impairment charges.

Each capitalised development cost is amortised throughout the period in which the related project is expected to generate future economic benefits.

The carrying amount of development costs is subject to an annual impairment review when the asset is not yet in use, or more frequently when an indicator during the period raises doubts about whether or not the carrying amount is recoverable.

Brands and patents

These assets are initially recognised at cost and amortised on a straight-line basis over the useful life of the asset.

With regard to the rates of amortisation, the following is noted:

- ✓ development costs are amortised on a straight-line basis over a period of five years based on the expected residual useful life of the asset;
- ✓ intellectual property is amortised over an estimated useful life of three years.

Impairment of assets

At each reporting date, ACEA S.p.A. reviews the value of its tangible and intangible assets and of its equity investments to assess whether there is any indication that an asset may be impaired. If any indication exists, the Group estimates the recoverable amount of the asset in order to determine the impairment charge.

When it is not possible to estimate the recoverable amount of the individual asset, ACEA S.p.A. estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Intangible assets with indefinite useful lives, including goodwill, are tested for impairment annually and each time there is any indication that an asset may be impaired, in order to determine the impairment charge.

The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. In calculating value in use, future cash flow estimates are discounted using a pre-tax rate that reflects current market assessments of the value of money and the risks specific to the business.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount is reduced to its recoverable amount. An impairment charge is immediately recognised as an expense in the Income Statement, unless the asset is represented by land or buildings, other than investment property, carried at a restated amount, in which case the impairment charge is treated as a revaluation decrease.

When an impairment no longer exists, the carrying amount of the asset (or cash-generating unit), with the exception of goodwill, is increased to its new estimated recoverable amount. The reversal however must not exceed the carrying amount that would have been determined had no impairment charge been recognised for the asset in prior periods. The reversal of an impairment charge is recognised immediately as income in the Income Statement, unless the asset is carried at a restated amount, in which case the reversal is treated as a revaluation increase.

Where an impairment charge is recognised in the Income Statement, it is included among amortisation, depreciation and impairment charges.

Equity investments

Equity investments in subsidiaries and associates are recognised in the Statement of Financial Position at cost, after taking account of any impairment of the value of individual investments. The

purchase or subscription cost, in the case of investments transferred, corresponds to the value estimated by independent experts in accordance with art. 2343 of the Italian Civil Code.

Any surplus in the cost of the acquisition over the Company's interest (booked at fair value as on the day of acquisition) in the investee company's shareholders' equity is recognised as goodwill. Goodwill is included in the carrying amount of the equity investment and subject to impairment reviews (and, if need be, written down). Any resulting impairment charges are not reversed if the circumstances that led to the impairment no longer exist.

The portion of an equity-investment impairment that exceeds the value of shareholders' equity is posted to provisions for liabilities and charges, despite the existence of receivables due and until the claim on such receivables is formally waived. The cost of liquidating equity investments is taken into account in the measurement of the investments themselves, regardless of any provisions posted in the financial statements of investee companies.

Equity investments in other companies, held as non-current financial assets and not for trading, are accounted for at fair value if determinable: in this case, fair value gains and losses are recognised directly in shareholders' equity until the investment is sold, when all the accumulated gains and losses are recognised in the Income Statement for the period.

Equity investments in other companies for which the fair value is unknown are accounted for at cost and written down in the event of an indentified impairment. Dividend income is recognised in the Income Statement when the right to receive payment is established and when deriving from distributions of profits subsequent to the acquisition of an equity investment. Should dividend income derive from the distribution of reserves formed prior to the acquisition of an investment, the amount received is accounted for as a reduction of the cost of the equity investment.

Treasury shares

The cost of purchasing treasury shares is accounted for as a reduction of shareholders' equity. The effects of any subsequent transactions involving the shares are also recognised directly in shareholders' equity.

Financial instruments

Financial assets and liabilities are recognised when ACEA S.p.A. becomes party to the contract terms applicable to the instrument.

Financial assets with regard to service concession arrangements

With reference to the application of IFRIC 12 to the public lighting service concession, ACEA adopted the 'Financial Asset Model' and hence proceeded to recognise a financial asset if the Company contractually had an unconditional right to receive cash.

Trade receivables and other assets

Trade receivables accruing on ordinary commercial terms are recognised at face value less estimated impairment charges to reflect the impairment of receivables.

The estimate of uncollectible amounts is made when the collection of the full amount is considered no longer likely.

Trade receivables relate to the overall invoiced amount which, at the date of these financial statements, was still uncollected, as well as to revenues for the period for which invoices will be issued at a later date.

Financial assets

Financial assets are recognised and derecognised at the trade date and initially measured at cost, including any directly attributable acquisition costs.

At each future reporting date, the financial assets that the Group has a positive intention and ability to hold to maturity (**held-to-maturity financial assets**) are recognised at amortised cost using the effective interest method, less any impairment charges applied to reflect impairments.

Financial assets other than those held to maturity are classified as held for trading or as available for sale, and are stated at fair value at the end of each period.

When financial assets are **held for trading**, gains and losses deriving from changes in fair value are recognised in the Income Statement for the period. In the case of financial assets that are **available for sale**, gains and losses deriving from changes in fair value are recognised directly in a separate item of shareholders' equity until they are sold or impaired. At this time, the total gains and losses previously recognised in equity are recycled through the Income Statement for the period. The total loss must equate the difference between the acquisition cost and current fair value.

The fair value of financial instruments traded in active markets is based on quoted market prices (bid prices) on conclusion of trading at the end of the reporting period. The fair value of investments that are not traded in an active market is determined on the basis of the quoted market price for a substantially similar instrument, or calculated on the basis of estimated future cash flows generated by the net assets underlying the investment.

Purchases and sales of financial assets, which imply delivery within a timescale generally defined by the regulations and practice of the market in which they are traded, are recognised at the trade date, which is the date the Group commits to either purchase or sell the asset.

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are initially stated at fair value.

After initial recognition, they are carried at amortised cost using the effective interest method.

At each end of reporting period, the Group assesses if there has been an impairment for a financial asset, or a group of financial assets. A financial asset or a group of financial assets is subject to impairment if, and only if, there is evidence of an impairment, as a consequence of one or more events that occurred after initial recognition, which had an impact on future estimated cash flows. An impairment can be evidenced by indicators such as financial difficulties, failure to meet obligations, non-payment of significant amounts, the probability that the debtor goes bankrupt or is subject to another form of financial reorganisation, and if objective data shows that there is a measurable decrease in future estimated cash flows.

Cash and cash equivalents

Cash and cash equivalents include cash at bank and in hand, demand deposits and highly liquid short-term investments, which are readily convertible into cash and are subject to an insignificant risk of change in value.

Financial liabilities

They are stated at amortised cost. Borrowing costs (transaction costs) and any issue premiums or discounts are recognised as direct adjustments to the nominal value of the borrowing. Net financial costs are consequently re-measured using the effective rate method.

Derivative financial instruments

Derivative financial instruments are initially recognised at cost and then re-measured to fair value at the end of the reporting period. They are designated as hedging instruments when the hedging relationship (i.e. relationship between the hedging instrument and the hedged item) is formally documented and the periodically verified effectiveness of the hedge is high.

Derivatives hedging against the risk of fair value variation, i.e. 'fair value hedges' are recognised at fair value and any gains or losses recognised in the Income Statement. Similarly, gains or losses resulting from the fair value measurement of the hedged asset or liability are also recognised in the Income Statement.

In case of derivatives hedging against the risk of cash-flow variation, i.e. 'cash flow hedges', the fair value variation for the portion qualified as effective is recognised in shareholders' equity, while the ineffective portion is recognised directly in the Income Statement.

Trade payables

Trade payables accruing on ordinary commercial terms are stated at face value.

Derecognition of financial instruments

Financial assets are derecognised when ACEA S.p.A. has lost all the related risks and the right to receive cash flows associated with the financial asset.

A financial liability (or portion of a financial liability) is removed from the Statement of Financial Position when, and only when, it is extinguished, i.e. when the obligation specified in the contract is fulfilled or cancelled or has expired.

If a previously issued debt instrument is repurchased, the debt is extinguished, even if the Group intends to resell it in the near future. The difference between the carrying amount and the amount paid is recognised in the Income Statement.

Provisions for liabilities and charges

Provisions for liabilities and charges are made when ACEA has a present (legal or implicit) obligation to be met as a result of a past event, whenever a possible outflow of resources to settle that obligation is likely and if the amount of the obligation can be reliably estimated.

Provisions are measured on the basis of the Management's best estimate of the expenditure required to settle that obligation at the end of the reporting period, and when the effect is significant.

Accounting standards, amendments, interpretations and improvements applied from 1 January 2014

The following documents, which amend the documents on international accounting standards previously issued by the IASB and endorsed by the European Union, came into force on 1 January 2014.

IFRS 10 – Consolidated Financial Statement

IFRS 12 – Disclosure of interests in Other Entities

The documents were issued on 12 May 2011 as part of the IASB project aimed at incorporating two consolidation criteria set forth in IAS 27 (more focused on control) and SIC 12 (more focused on risks and benefits) into a single standard, and therefore providing the most complete guidelines for establishing under what conditions a Special Purpose Entity (SPE) or an entity whose actual or potential majority of voting rights is not held should be consolidated or not.

In summary, a situation of control occurs when it can be demonstrated that the investor has the power to make decisions about the business of the company in which he has invested and when the investor is exposed to the variability of that company's returns, and therefore is able to use his power to influence its returns.

IFRS 11 – Joint Arrangements

The document was issued on 12 May 2011, and is intended to replace the current IAS 31. IFRS 11 is based on the following core principles:

- ✚ Classification of arrangements into just two types (joint operation and joint venture) instead of the three set forth in IAS 31
- ✚ Distinction between the two types of arrangement based on the substance of the arrangement
- ✚ Reporting of contractual rights and obligations resulting from the arrangement on the basis of the substance of the arrangement
- ✚ Assessment of the investment in a joint venture based on the equity method instead of the proportionate consolidation method, which is no longer permitted

The new standard sets forth that:

1. if the assets and liabilities are **not** contained in a special vehicle, the joint arrangement is a joint operation,
2. if the arrangement's assets and liabilities are contained in any vehicle (partnership, joint stock company, consortium, etc.) the joint arrangement may be either a joint operation or a joint venture.

In a nutshell, **a joint arrangement is a joint venture if:**

- the arrangement's assets and liabilities are contained in a vehicle whose legal form does not confer on the parties any rights to the assets and obligations arising from the liabilities contained in the vehicle,
- contractual agreements do not change the vehicle's legal form and
- the vehicle is able to operate independently from the parties.

The standards were endorsed and published in Official Journal of the European Union No. 360 on 29 December 2012. The companies have applied IFRS 10, IFRS 11, IFRS 12, the amended IAS 27 and the amended IAS 28, at the latest, since the first day of their first financial year commencing on or after 1 January 2014.

Although the accounting principles were endorsed at the end of 2012, throughout 2013 and in the early months of 2014 there were several issues concerning the application of the international accounting standards described above. These issues are principally due to the significant change in the method of accounting for joint ventures introduced with IFRS11. It should be noted that, in January, 2014, the IFRIC received numerous requests for clarifications on the application of IFRS11

in relation to which there are still some important issues concerning the classification of a joint arrangement into a joint operation or a joint venture as stated above.

For further information on ACEA's conducted reviews on the application of the above standards, kindly refer to the contents of the Consolidated Financial Statements 2013 [sic] and the paragraph "Effects deriving from the application of IFRS10 (Consolidated Financial Statements) and IFRS11 (Joint control agreements)".

Amendments to IFRS 10, IFRS 12 and IAS 27 "Investment entity"

Regulation (EU) No. 1174/2013 of the Commission of 20 November 2013, published in Official Journal L 312 on 21 November 2013, adopted Amendments to IFRS 10, IFRS 12 and IAS 27 "Investment entity" published by the IASB on 31 October 2012.

The document makes some amendments to IFRS 10 and therefore also to IFRS 12 and IAS 27 (2011) to grant a company managing and evaluating its investments at fair value (generally called "Investment entity") exemption from the consolidation obligations required by IFRS 10.

The rationale behind the exemption derives from the fact that, for the company to which it applies, reporting on the basis the fair value measurement of its investments is of greater significance than reporting based on the consolidation of assets and liabilities of those investments.

Companies were required to apply these amendments for their annual period commencing on or after 1 January 2014, with earlier application permitted.

Transition Guidance (amendments to IFRS 10, 11 and 12)

Regulation (EU) 313/2013 of the Commission of 4 April 2013, published in Official Journal L 95 on 5 April 2013, adopted the Transition Guidance (Amendments to IFRS 10, 11 and 12).

The aim of the amendments is to clarify the intent of the IASB on its first publication of the Transition Guidance with respect to IFRS 10. The amendments also include a further streamlining of the transition in IFRS 10, IFRS 11 and IFRS 12, limiting the obligation to provide adjusted comparative information to the previous comparison period. Furthermore, for information concerning non-consolidated structured entities, the amendments exclude the obligation of presenting comparative information for the years preceding the date on which IFRS 12 was applied for the first time.

The companies were required to apply the amendments, at the latest, on the first day of their first annual period commencing on or after 1 Jan. 2014.

Amendments to IFRS 7 "Financial instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities" and to IAS 32 "Financial instruments: Presentation - Offsetting Financial Assets and Financial Liabilities"

Regulation (EU) No. 1256/2012 of the Commission of 13 December 2012, published in Official Journal L 360 on 29 December 2012, adopted Amendments to IFRS 7 Financial instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities and to IAS 32 Financial instruments: Presentation - Offsetting Financial Assets and Financial Liabilities (published by the IASB on 16 December 2011).

The amendments to IFRS 7 aim to provide additional quantitative information to allow users to compare and reconcile information generated by the application of IFRS and that generated by the application of the US 'Generally Accepted Accounting Principles' (GAAP) in a better way.

Furthermore, the IASB amended IAS 32 in order to provide additional instructions to decrease inconsistencies in the practical application of the standard.

The companies have applied the above amendments to IFRS 7 and IAS 32 since the first day of their first annual period commencing on or after 1 Jan. 2013.

The further amendments to IAS 32 had to be applied at the latest on the date of the companies' first financial year commencing on or after 1 Jan. 2014.

This Regulation also cancels paragraph 13 of IFRS 7, which was by mistake not removed at the time of the adoption of the Amendments to IFRS 7 Financial instruments: Disclosures - Transfers of

Financial Assets by Regulation (EU) No. 1205/2011 of the Commission of 22 November 2011. The effective date of this provision was fixed retroactively at 1 July 2011 to ensure legal certainty for the issuers concerned.

Amendments to IAS 36 “Recoverable Amount Disclosures for Non-Financial Assets”

Regulation (EU) No. 1374/2013 of the Commission of 19 December 2013, published in Official Journal L 346 on 20 December 2013, adopted Amendments to IAS 36 “*Recoverable Amount Disclosures for Non-Financial Assets*”.

The amendments aim to clarify the information which must be provided on the recoverable amount of assets, when this value is based on fair value net of divestment costs, only for assets for which the value has been reduced.

The companies were required to apply the amendments, at the latest, on the first day of the first annual period commencing on or after 1 January 2014.

Amendments to IAS 39 “Financial instruments: Recognition and assessment – Novation of derivatives and continuation of hedge accounting”

Regulation (EU) No. 1375/2013 of the Commission of 19 December 2013, published in Official Journal L 346 on 20 December 2013, adopted Amendments to IAS 39 “*Financial instruments: Recognition and assessment – Novation of derivatives and continuation of hedge accounting*” published by the IASB on 27 June 2013.

The amendments concern the introduction of some exemptions to the hedge accounting requirements of IAS 39 if an existing derivative must be replaced with a new derivative which either directly or indirectly has a Central Counterparty (CCP) by law or regulation.

The document is inspired by the introduction of the European Market Infrastructure Regulation (EMIR) on over-the-counter (OTC) derivatives, which aims to implement central clearing for certain classes of OTC derivatives (as required by the G20 in September 2009).

The retrospective date for application amendments was fixed on the first day of the companies’ first annual period commencing on or after 1 January 2014, with earlier application permitted.

Accounting standards, amendments and interpretations to be applied after the end of the annual period and not adopted in advance

A) New accounting standards, amendments to accounting standards and interpretations adopted by the European Union

IFRIC 21 - Levies

Regulation (EU) No. 634/2014 of the Commission of 13 June 2014, published in Official Journal L 175 on 14 June 2014, adopted the interpretation IFRIC 21 - Levies.

The interpretation covers the accounting treatment for a liability arising from the payment of a levy if this liability falls in the scope of IAS 37, and for a liability arising from the payment of a levy whose timing and amount are uncertain.

IFRIC 21 has been applied to annual periods commencing on or after 17 June 2014.

B) New Accounting standards and IASB amendments to accounting standards introduced in the period under review

IFRS 14 - Regulatory Deferral Accounts

On 30 January 2014 the IASB published IFRS 14 - Regulatory Deferral Accounts, an interim standard for the 'Rate-regulated activities' project.

IFRS 14 allows entities having adopted the IFRS for the first time to continue recognising the amounts of rate regulation in accordance with previously adopted accounting standards. To improve comparability with the entities already applying IFRS that do not recognise said amounts, the standard requires that the effect of the rate regulation must be presented separately from other items.

The standard will apply from 1 January 2016, with earlier application permitted.

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

On 7 May 2014 IASB published the above *Amendments* whose purpose is to clarify the accounting treatment for an acquisition of interest in a joint operation representing a business. The amendment will be effective for annual periods commencing on or after 1 Jan. 2016.

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

On 13 May 2014, IASB published the above *Amendments* whose purpose is to clarify that a method of depreciation and amortisation based on revenues generated by an asset (i.e. revenue-based method) is not considered appropriate as it exclusively reflects the flow of revenues generated by that asset and not the pattern of consumption of the economic benefits embodied in the asset. The amendment will be effective for annual periods commencing on or after 1 Jan. 2016.

IFRS 15 Revenue from Contracts with Customers

On 29 May 2014 IASB and FASB jointly published – after more than a decade of study and consultation – new provisions on revenue accounting. From 2017 the new standard will replace IAS 18 (Revenues) and IAS 11 (Construction contracts).

The key steps for revenue accounting are stated to be as follows:

- to identify a contract, defined as a written or verbal agreement having commercial substance between two or more parties and creating rights and obligations with the customers that may be legally protected;
- to identify the (clearly identifiable) obligations contained in the contract;

- to determine the price of the transaction, i.e. the consideration that a company expects to receive from the transfer of goods or the provision of services to a customer, consistently with the techniques envisaged by the Standard and depending on the possible existence of financial components;
- to allocate the price to each performance obligation;
- to recognise a revenue when the obligation is settled, while considering that services could be rendered at a given moment in time but also during a given period of time.

The standard should imply no special discrepancies in the accounting of the most common transactions. Major differences in the timing of recognition and in quantitative determination should be found in medium to long term service contracts and agreements containing multiple obligations, in relation to which stakeholders had called the attention to the main criticalities of the current standards. The disclosure on revenues should be improved through a more extensive qualitative and quantitative disclosure that would allow stakeholders to gain a clear understanding of the relevant contents and elements for determining revenues.

The standard will apply from 1 Jan. 2017, with earlier application permitted.

IFRS 9 Financial Instruments

On 25 July 2014 IASB published IFRS 9 Financial Instruments including a part on the classification and measurement of financial instruments, an impairment model and hedge accounting.

IFRS 9 rewrites the accounting rules of IAS 39 with reference to the recognition and measurement of financial instruments, including hedges.

The standard classifies financial assets into the three following categories:

- financial assets measured at amortised cost;
- financial assets measured at fair value through profit and loss (FVTPL);
- financial assets measured at fair value through other comprehensive income (FVOCI).

With reference to this classification, the following provisions are also worth mentioning:

- non-trading equity instruments, which would normally fall into the FVTPL category, may be classified as FVOCI following an irrevocable decision of the reporting entity. In this case any fair value variations (including exchange rate differences) should be recognised in other comprehensive income (OCI) and should never be classified under profit/(loss) for the period;
- when financial assets classified as amortised cost or FVOCI result in an accounting mismatch, the reporting entity may irrevocably decide to use a fair value option and classify those financial asset as FVTPL;
- in respect of debt instruments classified as FVOCI, interest receivable, expected credit losses and exchange rate differences should be recognised in profit/(loss) for the period. The OCI, on the other hand, should absorb the effects arising from fair value measurement, which effects should be reclassified to profit/(loss) for the period only if the financial asset were to be derecognised.

As regards financial liabilities, the standard proposes the former classification of IAS 39 but also introduces an important change for financial liabilities classified in the FVTPL category as the fair value portion attributable to own credit risk shall be presented in OCI rather than profit/(loss) for the period as currently set forth in IAS 39. As a result, under IFRS 9, an entity that sees its own credit risk worsen has to reduce the value of its own liabilities measured at fair value, however the effect of that reduction attributable to its own credit risk will imply no positive effects in the profit/(loss) for the period but rather in the OCI.

IFRS 9 introduces a new impairment model based on expected losses. Irrespective of the existence or inexistence of a trigger event, an entity is required to immediately recognise future expected losses on its financial assets and continuously adjust its estimates, without overlooking the counterparty's credit risk variations, by making reference to past and presents facts and data as well as by giving future forecast a fair level of recognition. Estimates should be made of future losses expected in the next 12 months and, thereafter, of the overall losses for the entire life of the

credit. Losses expected in the next 12 months are the portion of losses that would be incurred if a counterparty's default occurred within 12 months of the reporting date and can be calculated by multiplying the maximum loss by the probability of occurrence of a default event.

Overall losses during the entire life of the financial asset result from the present value of average future losses multiplied by the probability that a default event occurs during the life of the financial asset.

IFRS 9 substantially assimilates hedge accounting to the risk management policies adopted by the companies, and focuses on the fact that, if a risk element can be identified and measured irrespective of the type of risk and/or item at risk, the instrument executed to hedge against that risk may be aligned with hedge-accounting subject to the limit that that risk may impact on the Income Statement or the other comprehensive income (OCI) items.

In addition, the standard allows for the additional use of in-house produced information as basis for hedge accounting without the need to give evidence of the observance of complex criteria and metrics exclusively created for accounting purposes. The main changes relate to the following:

- **effectiveness test:** the 80-125% threshold was replaced with an objective test measuring the ratio between hedged instrument and hedging instrument (e.g. if there is a loss on the former there should be a profit on the latter);
- **hedged elements:** not merely financial assets and liabilities but also each element or group of elements as long as the risk is separately identifiable and measurable;
- **hedging cost:** the time value of an option and any forward points or currency spread may be excluded from hedge accounting and immediately booked as hedging costs; as a result, all mark-to-market fluctuations may then be temporarily booked as other comprehensive income (OCI) components;
- **disclosure requirements:** more comprehensive descriptions are required with respect to hedged risks and used instruments, which supersedes the current disclosures based on a distinction between cash flow hedging and fair value hedging instruments as this terminology often causes confusion among investors whose interest is clearly more focused on risks and how risks are hedged than the accounting categories of hedging instruments.

The new standard will apply from **1 January 2018**. Earlier application is permitted provided that the IASB document is previously endorsed by the European Union.

Amendments to IAS 27: Equity Method in Separate Financial Statements

On 18 August 2014 IASB published the above amendments to IAS 27 in order to allow entities to apply the equity method to investment accounting in subsidiaries, joint ventures and associates in separate financial statements. Amendments to IAS 27 will be effective for annual periods commencing on or after 1 January 2016.

Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

On 11 September 2014 IASB published the above amendments to clarify the type of accounting treatment in the event of a loss of control in a subsidiary (governed by IFRS 10) and in the event of downstream transactions (governed by IAS 28) depending on whether or not a transaction involves a business, as defined by IFRS 3.

If the transaction involves a business, a gain should be entirely recognised in both cases (i.e. loss of control and downstream transactions). If the transaction does not involve a business, a gain should be recognised in both cases only with respect to the minority interest portion.

The above amendments will be effective from 1 Jan. 2016, with earlier application permitted.

Defined Benefit Plans: Employee Contributions (Amendments to IAS 19)

The amendments to IAS 19 Employee Benefits was required to ease, subject to certain conditions,

the accounting of defined benefit plans envisaging contributions from employees or third parties. In particular, the amendments to IAS 19 are instrumental in the recognition of employees' or third parties' contribution as a reduction of service costs in the period in which service is rendered, provided that the following conditions are met:

- contributions from employees or third parties are formally contemplated in the plan terms and conditions;
- contributions are correlated to the service rendered; and
- the amount of the contribution is independent of the number of years of service.

In all other cases, the recognition of those contributions will be more complex as they have to be attributed to the individual periods of the plan by the actuarial calculation of the related liability.

Amendments to IAS 19 will apply retroactively to accounts for annual periods commencing on or after 1 July 2014. Earlier application is permitted subject to the prior endorsement of the IASB document by the European Union.

Annual Improvements to IFRSs (2010-2012 Cycle)

By the document "Annual Improvements to IFRSs (2010-2012 Cycle)", IASB changed the following accounting standards by clarifying a few theretofore unclear aspects:

- IFRS 2 Share-based payments: on amending IFRS 2, IASB clarified that a performance condition involves meeting the following criteria:
 - a) the completion of a specific period of service; and
 - b) the achievement of the target by the conclusion of that period of service (if the target is determined after the period of service, that condition should be treated as a 'non-vesting condition').

In addition, IASB clarified that a performance objective must be based on a specific target of the entity (e.g. EBITDA, result for the period, total revenues, etc.) or on the price of shares in that entity. If the target is based on a stock market index, that target should be considered as a non-vesting condition since the index also includes the performance of instruments in other entities.

- IFRS 3 Business combinations: on amending IFRS 3, IASB clarified aspects related to the classification and measurement of contingent consideration. In particular, the following was clarified:
 - a) the classification of a contingent consideration as financial liability or as a shareholders' equity component is made in accordance with the provisions of IAS 32 Financial instruments: Presentation;
 - b) the subsequent recognition of a contingent consideration as asset or liability is made at fair value with the variations recognised in profit/(loss) for the period.
- IFRS 8 Operating segments: with amendments to IFRS 8, IASB:
 - a) introduced a new disclosure obligation, by requesting a short description of any aggregated operating segments and the economic indicators that were used for their aggregation; and
 - b. clarified that the reconciliation of assets, for segments to be described in the disclosure, with the total assets of the entity is only required if that information is regularly supplied to the chief operating decision maker ("CODM") of the entity.
- IFRS 13 Fair value measurement: on amending IFRS 13, IASB clarified that the amendments to IAS 39 made following the publication of IFRS 13 were not intended to exclude a possible measurement of short-term receivables and payables without considering a discount effect if deemed insignificant.
- IAS 16 Property, plant and equipment and IAS 38 Intangible assets: On amending IAS 16 and IAS 38, IASB clarified the terms for applying the revaluation method envisaged by the above standards. In particular, a method was clarified for adjusting historic cost and the related accumulated depreciation for those assets to bring carrying value into line with fair value.
- IAS 24 Disclosures about transactions with related parties: on amending IAS 24, IASB:

- a. extended the definition of “related party” to the entities providing services of managers with strategic responsibilities within the group. Normally those entities are named “management companies”;
- b. clarified that it suffices to state the overall amount of the cost charged by the management company without separately reporting the individual types of benefits paid by the management company to its employees.

All of the foregoing amendments shall apply retrospectively to the accounts of annual periods having commenced on or after 1 Jul. 2014. Earlier application is permitted provided that the IASB document has already been endorsed by the European Union.

Annual Improvements to IFRSs (2011-2013 Cycle)

By document “Annual Improvements to IFRSs (2011-2013 Cycle)”, IASB amended the following accounting standards with respect to a few unclear aspects:

- a) *IFRS 1 First adoption of International Financial Reporting Standards*: on amending IFRS 1, IASB clarified that a first-time adopter is allowed, but not required, to use the IASB’s issued documents yet to come into force in the first financial statements compiled in accordance with IFRS, if the earlier application of those documents is permitted.
- b) *IFRS 3 Business combinations*: on amending IFRS 3, IASB clarified that the provisions of this standard do not apply to the execution of all joint control agreements, including joint operations. That exclusion relates to financial statements drafted following a joint control agreement.
- c) *IFRS 13 Fair value measurement*: on amending IFRS 13, IASB clarified that the exception envisaged for measuring fair value on the net basis of calculation of an asset and liability portfolio is also applicable with reference to contracts falling within the scope of IAS 39 or IFRS 9, although those contracts do not meet the definition of financial asset or liability set forth in IAS 32 (e.g. contracts for the purchase or sale of non-financial assets involving a net cash settlement).
- d) *IAS 40 Investment property*: on amending IAS 40, IASB clarified the interrelation between this standard and the provisions of IFRS 3. In particular it clarified that:
 - a. an entity is required to assess whether it purchased an investment property under the terms of IAS 40; and
 - b. make a separate assessment based on IFRS 3 in order to assess whether the purchased investment property falls in the definition of “business combination”.

All of the foregoing amendments shall apply retrospectively to the accounts of annual periods having commenced on or after 1 July 2014. Earlier application is permitted provided that the IASB document has already been endorsed by the European Union.

Exposure Draft issued by IASB

On 25 March 2014 IASB published an Exposure Draft: ED 2014/1 “Disclosure Initiative (Proposed amendments to IAS 1)”.

The purpose of this document is to clarify a few doubts raised on disclosure obligations. In particular, the proposed amendments pertain to:

- materiality: it was clarified that useful information should not be concealed through its aggregation or disaggregation and that the remarks on materiality apply to major statements, notes and specific discloser obligations envisaged by IFRS standards;
- statement of financial position, profit and loss and other comprehensive income items: it is clarified that items to be reported in individual statements can be disaggregated and aggregated; guidance is given on subtotals to be added in statement layouts;
- notes: it is made clear that entities will have flexibility in determining the structure of notes and guidance is given on how to define a systematic order for the notes. In addition, a proposal is made to remove useless examples for the identification of the most significant accounting policies;

- presentation of items in the OCI statement deriving from investments measured in accordance with the equity method: the amounts listed in the OCI statement to account for equity investments made in associates and joint ventures with the equity method shall be presented separately or in aggregate in individual line items classified by whether or not those amounts will be reclassified (recycled) to profit and loss.

The deadline to submit comments on the Exposure Draft was 23 July 2014.

- ✚ On 30 January 2014 IASB published a Request for Information (RFI) for a review of the IFRS 3 Business Combinations, whose purpose was to collect information on the issues raised with respect to the application of the standard.

The review process was originally scheduled to begin in 2012 but it was only announced on 25 July 2013. Since that date, IASB has collected information to determine the scope of the review and identify the main issues raised by the application of IFRS 3.

The document lists a few questions and constitutes a public consultation document. After the deadline fixed to submit comments, IASB will examine the comments received together with the information collected via other consultation activities and with the results of surveys conducted on this theme. The final conclusions of IASB will be presented in a report and in a feedback statement which will also define the steps that IASB intends to follow after the revision.

The technical issues covered by the RFI relate to the following areas:

- definition of a business,
- fair value
- recognition of intangible assets to be made separately from goodwill and recognition of a negative goodwill,
- non-amortisation of goodwill and indefinite-life intangible assets,
- non-controlling interests,
- step acquisitions and loss of control,
- disclosure obligations, and
- other matters that the parties wish to cover.

The deadline to submit comments following the RFI was 30 May 2014.

- ✚ On 25 August 2014 IASB published an Exposure Draft: Recognition of Deferred Tax Assets for Unrealised Losses (Proposed amendments to IAS 12).

The purpose of the proposed amendments is to clarify how to account for deferred tax assets for debt instruments measured at fair value. The consultation ended on 18 December 2014.

- ✚ On 25 September 2014 IASB published an Exposure Draft: Measuring Quoted Investments in Subsidiaries, Joint Ventures and Associates at Fair Value (Proposed amendments to IFRS 10, IFRS 12, IAS 27, IAS 28 and IAS 36 and Illustrative Examples for IFRS 13).

The proposed amendments pertain to the measurement of investments in subsidiaries, joint ventures and associates assessed at fair value, when said investments are publicly traded in an active market.

The consultation ended on 16 January 2015.

- ✚ On 25 November 2014 IASB published an Exposure Draft: Classification and Measurement of Share-based Payment Transactions (Proposed amendments to IFRS 2). Consultation ended on 25 March 2015.

Income Statement

| Notes Ref. | INCOME STATEMENT | 31.12.2014 | Related Parties | 31.12.2013 | Related Parties | Increase/ (Decrease) |
|------------|---|---------------------|--------------------|---------------------|--------------------|----------------------|
| | | | | | | |
| 1 | Revenue from sales and services | 173,734,001 | 166,103,113 | 162,405,375 | 154,445,639 | 11,328,626 |
| 2 | Other revenue and proceeds | 12,650,287 | 6,112,526 | 14,496,358 | 6,285,540 | (1,846,071) |
| | Net revenue | 186,384,288 | 172,215,638 | 176,901,733 | 160,731,179 | 9,482,555 |
| | | | | | | |
| 3 | Staff costs | 54,895,464 | | 50,155,097 | | 4,740,367 |
| 4 | Cost of materials and overheads | 131,328,863 | 74,382,078 | 129,018,910 | 71,367,524 | 2,309,953 |
| | Operating costs | 186,224,327 | 74,382,078 | 179,174,007 | 71,367,524 | 7,050,319 |
| | | | | | | |
| | Gross operating profit | 159,962 | 97,833,560 | (2,272,274) | 89,363,655 | 2,432,235 |
| | | | | | | |
| 5 | Amortisation, depreciation, provisions and impairment charges | 30,916,616 | 0 | 29,597,788 | 0 | 1,318,829 |
| | | | | | | |
| | Operating profit/(loss) | (30,756,655) | 97,833,560 | (31,870,062) | 89,363,655 | 1,113,407 |
| | | | | | | |
| 6 | Financial income | 101,287,268 | 97,736,815 | 87,215,415 | 83,050,733 | 14,071,852 |
| 7 | Financial costs | 87,799,179 | 687,204 | 80,858,792 | 534,219 | 6,940,387 |
| | | | | | | |
| 8 | Profits on equity investments | 107,916,522 | 107,916,522 | 120,068,659 | 120,068,659 | (12,152,136) |
| 9 | Losses on equity investments | 954,146 | 954,146 | 1,446,012 | 1,446,012 | (491,866) |
| | | | | | | |
| | Profit/(loss) before tax | 89,693,811 | 301,845,548 | 93,109,209 | 290,502,815 | (3,415,398) |
| | | | | | | |
| 10 | Taxation, i.e. income taxes | 92,377 | (64,975,248) | (1,369,482) | (40,128,024) | 1,461,859 |
| | | | | | | |
| | Net profit/(loss) | 89,601,433 | 366,800,992 | 94,478,691 | 330,630,839 | (4,877,257) |

Amounts in euros

Statement of Comprehensive Income

| STATEMENT OF COMPREHENSIVE INCOME | 31.12.2014 | 31.12.2013 | Increase/ (Decrease) |
|---|-----------------|----------------|-------------------------|
| Net profit/loss | 89,601 | 94,479 | (4,877) |
| Profit/(Loss) from the redetermination of financial assets available for sale | 0 | 0 | 0 |
| Profit/(Loss) from the effective portion on hedging instruments | (18,579) | 16,429 | (35,008) |
| Actuarial Profit/(Loss) on defined benefit pension plans | (2,862) | 518 | (3,381) |
| Total Other Comprehensive Income (OCI) | (21,441) | 16,947 | (38,389) |
| Taxation | 5,896 | (4,661) | 10,557 |
| Total Comprehensive Income net of tax | (15,545) | 12,287 | (27,832) |
| Total Comprehensive Income net of tax | 74,056 | 106,766 | (32,709) |

Amounts in thousands of euros

Statement of Financial Position

| Notes Ref. | ASSETS | 31.12.2014 | Related Parties | 31.12.2013 | Related Parties | Increase / (Decrease) |
|-------------|---|----------------------|----------------------|----------------------|----------------------|-----------------------|
| 11 | Property, plant and equipment | 154,933,079 | 0 | 160,417,295 | 0 | (5,484,216) |
| 12 | Investment property | 2,818,984 | 0 | 2,871,845 | 0 | (52,861) |
| 13 | Other intangible assets | 14,246,458 | 0 | 10,395,798 | 0 | 3,850,660 |
| 14 | Equity investments in subsidiaries and associates | 1,730,150,528 | 0 | 1,706,474,116 | 0 | 23,676,412 |
| 15 | Other equity investments | 2,394,811 | 0 | 3,233,181 | 0 | (838,370) |
| 16 | Deferred tax assets | 43,495,908 | 0 | 35,991,879 | 0 | 7,504,030 |
| 17 | Financial assets | 1,970,999,608 | 1,931,615,090 | 1,749,406,315 | 1,704,143,077 | 221,593,293 |
| 18 | Other non-current assets | 507,094 | 0 | 714,109 | 0 | (207,014) |
| | NON-CURRENT ASSETS | 3,919,546,470 | 1,931,615,090 | 3,669,504,537 | 1,704,143,077 | 250,041,933 |
| 19.a | Contract work in progress | 270,461 | 0 | 270,461 | 0 | (0) |
| 19.b | Trade receivables | 38,419,888 | 4,543,062 | 42,951,510 | 4,418,713 | (4,531,622) |
| 19.c | Intragroup trade receivables | 42,161,380 | 42,161,380 | 52,723,559 | 52,723,559 | (10,562,179) |
| 19.d | Other current assets | 17,072,802 | 0 | 22,549,371 | 0 | (5,476,570) |
| 19.e | Current financial assets | 11,644,038 | 0 | 12,559,096 | 0 | (915,058) |
| 19.f | Intragroup current financial assets | 298,772,818 | 298,772,818 | 224,892,292 | 224,892,292 | 73,880,526 |
| 19.g | Current tax assets | 100,284,255 | 36,988,383 | 68,909,026 | 19,496,491 | 31,375,228 |
| 19.h | Cash and cash equivalents | 978,440,276 | 0 | 541,525,517 | 0 | 436,914,758 |
| 19 | CURRENT ASSETS | 1,487,065,917 | 382,465,643 | 966,380,833 | 301,531,055 | 520,685,084 |
| | TOTAL ASSETS | 5,406,612,386 | 2,314,080,733 | 4,635,885,370 | 2,005,674,132 | 770,727,017 |

Amounts in euros

| Notes Ref. | LIABILITIES | 31.12.2014 | Related Parties | 31.12.2013 | Related Parties | Increase / (Decrease) |
|-------------|--|----------------------|----------------------|----------------------|--------------------|-----------------------|
| | Shareholders' equity | | | | | |
| 20.a | Share capital | 1,098,898,884 | 0 | 1,098,898,884 | 0 | 0 |
| 20.b | Statutory reserve | 83,427,802 | 0 | 78,703,867 | 0 | 4,723,935 |
| 20.c | Reserve for treasury shares | 0 | 0 | 0 | 0 | 0 |
| 20.d | Other reserves | 62,368,706 | 0 | 78,699,132 | 0 | (16,330,426) |
| | Profit (loss) pertaining to previous years | 63,181,206 | 0 | 62,696,571 | 0 | 484,635 |
| | Profit (loss) for the period | 89,601,433 | 0 | 41,341,714 | 0 | 48,259,719 |
| 20 | Total shareholders' equity | 1,397,478,032 | 0 | 1,360,340,168 | 0 | 37,137,864 |
| 21 | Staff termination benefits and other defined benefit plans | 30,684,507 | 0 | 28,787,007 | 0 | 1,897,499 |
| 22 | Provision for liabilities and charges | 56,567,224 | 0 | 55,257,832 | 0 | 1,309,392 |
| 23 | Borrowings and financial liabilities | 2,730,840,300 | 0 | 2,035,736,323 | 0 | 695,103,977 |
| 24 | Other liabilities | 268,700 | 0 | 1,891,316 | 0 | (1,622,616) |
| 25 | Provisions for deferred tax liabilities | 9,817,940 | 0 | 9,239,042 | 0 | 578,898 |
| | NON-CURRENT LIABILITIES | 2,828,178,670 | 0 | 2,130,911,520 | 0 | 697,267,150 |
| 26.a | Borrowings | 929,848,821 | 905,635,027 | 911,716,141 | 551,217,038 | 18,132,680 |
| 26.b | Trade payables | 143,119,867 | 91,094,668 | 152,181,995 | 88,369,992 | (9,062,129) |
| 26.c | Tax payables | 88,090,648 | 25,415,223 | 55,384,016 | 37,309,934 | 32,706,632 |
| 26.d | Other current liabilities | 19,896,349 | 0 | 25,351,529 | 1,140,350 | (5,455,180) |
| 26 | CURRENT LIABILITIES | 1,180,955,685 | 1,022,144,919 | 1,144,633,682 | 678,037,314 | 36,322,003 |
| | TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | 5,406,612,386 | 1,022,144,919 | 4,635,885,370 | 678,037,314 | 770,727,017 |

Amounts in euros



Statement of Changes in Shareholders' Equity at 31 December 2013

| | Share capital | Legal reserve | Demerger reserve | Reserve for exchange differences | Reserve from valuation of financial instruments | Revenue reserves and actuarial profit/(loss) | Other reserves | Accumulated profit/(loss) | Profit/(loss) for the period | Total shareholders' equity |
|--|------------------|---------------|------------------|----------------------------------|---|--|----------------|---------------------------|------------------------------|----------------------------|
| Balances as at 1 January 2013 Restated | 1,098,899 | 74,351 | 102,567 | (7,894) | (19,426) | (5,843) | (2,993) | 43,754 | 42,425 | 1,325,841 |
| Appropriation of result for 2012: | | | | | | | | | | |
| <i>Distribution of dividends</i> | | | | | | | | (19,129) | | (19,129) |
| <i>Statutory reserve</i> | | 4,353 | | | | | | | (4,353) | 0 |
| <i>Retained earnings/Loss coverage</i> | | | | | | | | 38,072 | (38,072) | 0 |
| Other changes | | | | | | | | | | 0 |
| Comprehensive Profit/(Loss) recorded in the period: | | | | | | | | | | |
| Profit and losses booked directly to Shareholders' equity | | | | 27,436 | (15,525) | 376 | | | | 12,287 |
| Distribution of advance on dividends | | | | | | | | | (53,137) | (53,137) |
| Profit for the period | | | | | | | | | 94,479 | 94,479 |
| Total as at 31 December 2013 | 1,098,899 | 78,704 | 102,567 | 19,542 | (34,951) | (5,467) | (2,993) | 62,697 | 41,342 | 1,360,340 |

Amounts in thousands of euros



Statement of Changes in Shareholders' Equity at 31 December 2014

| | Share capital | Legal reserve | Demerger reserve | Reserve for exchange differences | Reserve from valuation of financial instruments | Revenue reserves and actuarial profit/(loss) | Other reserves | Accumulated profit/(loss) | Profit/(loss) for the period | Total shareholders' equity |
|--|------------------|---------------|------------------|----------------------------------|---|--|----------------|---------------------------|------------------------------|----------------------------|
| Balances as at 1 January 2014 | 1,098,899 | 78,704 | 102,567 | 19,542 | (34,951) | (5,467) | (2,993) | 62,697 | 41,342 | 1,360,340 |
| Appropriation of result for 2013: | | | | | | | | | | |
| Distribution of dividends | | | | | | | | | (36,133) | (36,133) |
| Statutory reserve | | 4,724 | | | | | | | (4,724) | 0 |
| Retained earnings/Loss coverage | | | | | | | | 485 | (485) | 0 |
| Other changes | | | | | | | (785) | | | (785) |
| Comprehensive Profit/(Loss) recorded in the period: | | | | | | | | | | |
| Profit and losses booked directly to Shareholders' equity | | | | 352 | (13,822) | (2,075) | | | | (15,545) |
| Distribution of advance on dividends | | | | | | | | | | 0 |
| Profit for the period | | | | | | | | | 89,601 | 89,601 |
| Total as at 31 December 2014 | 1,098,899 | 83,428 | 102,567 | 19,894 | (48,773) | (7,542) | (3,778) | 63,181 | 89,601 | 1,397,478 |

Amounts in thousands of euros

Statement of Cash Flows

| | 31.12.2014 | Related Parties | 31.12.2013 | Related Parties | Increase / (Decrease) |
|--|------------------|------------------|-----------------|-----------------|-----------------------|
| <i>Cash flow from operating activities</i> | | | | | |
| Profit before taxes | 89,694 | | 93,109 | | (3,415) |
| Amortisation | 15,236 | | 12,736 | | 2,501 |
| Revaluations/impairment charges | (101,256) | | (115,970) | | 14,714 |
| Increase/(decrease) in provisions for liabilities | 1,309 | | 2,851 | | (1,541) |
| Net increase/(decrease) in staff termination benefits | (946) | | (5,029) | | 4,083 |
| Net financial interest expense | (13,488) | | (6,357) | | (7,131) |
| Income taxes paid | (14,161) | | (45,078) | | 30,917 |
| Cash flow generated by operating activities before changes in working capital | (23,611) | 0 | (63,738) | 0 | 40,126 |
| Increase in current receivables | 11,370 | 10,438 | 23,667 | 24,662 | (12,297) |
| Increase/(decrease) in current payables | (9,062) | (2,725) | (16,331) | (6,088) | 7,269 |
| Increase/(decrease) in inventories | 0 | | 2,264 | | (2,264) |
| Change in working capital | 2,308 | 7,713 | 9,599 | 18,574 | (7,291) |
| Change in other assets/liabilities for the period | 7,132 | (18,632) | 41,479 | 10,897 | (34,347) |
| TOTAL CASH FLOW FROM OPERATING ACTIVITIES | (14,172) | (10,919) | (12,660) | 29,471 | (1,512) |
| <i>Cash flow from investing activities</i> | | | | | |
| Purchase/sale of property, plant and equipment, and intangible assets | (13,550) | | (10,883) | | (2,667) |
| Equity investments | (24,578) | | (4,587) | | (19,991) |
| Proceeds/payments deriving from other investments | (192,432) | (298,153) | (7,996) | (107,340) | (184,436) |
| Dividends received | 91,426 | 91,426 | 112,184 | 112,184 | (20,758) |
| Interest income received | 26,836 | 4,190 | 29,135 | 15,901 | (2,298) |
| TOTAL | (112,297) | (202,537) | 117,853 | 20,746 | (230,150) |
| <i>Cash flow from financing activities</i> | | | | | |
| Repayment of borrowings and long-term loans | (149,166) | | (357,194) | | 208,027 |
| Disbursement of borrowings/other medium/long-term loans | 799,223 | | 695,690 | | 103,533 |
| (Decrease)/increase in other short-term borrowings | 17,549 | (354,418) | (147,371) | 2,577 | 164,920 |
| Interest expenses paid | (68,088) | (687) | (60,091) | (534) | (7,997) |
| Dividends paid | (36,133) | (36,133) | (72,266) | (72,266) | 36,133 |
| TOTAL CASH FLOW | 563,384 | (391,238) | 58,767 | (70,224) | 504,617 |
| Changes in shareholders' equity after net profit | 0 | 0 | 0 | 0 | 0 |
| <i>Cash flows for the period</i> | 436,915 | (604,695) | 163,960 | (20,007) | 272,955 |
| <i>Net opening balance of cash and cash equivalents</i> | 541,526 | 0 | 377,565 | 0 | 163,960 |
| <i>Net closing balance of cash and cash equivalents</i> | 978,440 | (604,695) | 541,526 | (20,007) | 436,915 |

Amounts in thousands of euros

Notes to the Income Statement

Revenues

1. Revenue from sales and services – 173,734 thousand euros

“Revenue from sales and services” can be broken down as follows:

| € thousand | 31.12.2014 | 31.12.2013 | Increase/ (Decrease) |
|---|----------------|----------------|-------------------------|
| Revenue from services to customers | 67,770 | 61,241 | 6,529 |
| from Roma Capitale public lighting service | 60,139 | 53,282 | 6,858 |
| from Naples Municipal public lighting service | 7,572 | 7,776 | (203) |
| other revenues | 59 | 184 | (126) |
| Revenue from intragroup services | 105,964 | 101,164 | 4,800 |
| service contracts | 98,435 | 95,578 | 2,857 |
| other services | 7,529 | 5,586 | 1,943 |
| Revenue from Sales and Services | 173,734 | 162,405 | 11,329 |

The 6,529 thousand euros increase in *Revenue from services to customers* is mainly attributable to the public lighting service in the Rome Municipality as a consequence of **(i)** the recognition of design costs, work supervision and archaeological support to the extent of 10% in addition to the fee agreed for services provided in the periods 2011, 2012 and 2013 pursuant to the provisions of the service contract executed in 2011 (worth 3,551 thousand euros) and **(ii)** the increased projects for the design and construction of new plants during the period under review (worth 3,307 thousand euros).

Revenue from intragroup grew 4,800 thousand euros in total, of which 2,857 thousand euros for service-related activities of mainly an administrative, financial, legal and technical nature performed in the interest of the Group Companies. In this respect, it is worth noting that previous contracts - valid for the three years 2011 to 2013 - were based on the contractual fees at market prices and the service quantities actually provided. Since 1 January 2014, ACEA completed the following activities in the context of the three-year duration of contracts: **(i)** a review of the catalogue of offered services, **(ii)** alignment of fees to market prices, **(iii)** measures introduced to ensure the compliance of service contracts with regulatory requirements and with provisions of the applied MOGC (Organisation, Management and Control Model) and **(iv)** introduction of new SLAs (Service Level Agreements) designed to improve the offered service level in relation to a number of KPIs (Key Performance Indicators). The new tariff schedule substantially shows a reduction of total tariffs for almost all companies; as a result the growth of tariff revenues mainly derives from the recognition of equalisation amounts for the previous annual period (3,244 thousand euros).

2. Other revenue and proceeds – 12,650 thousand euros

This item was down 1,846 thousand euros compared to 31 December 2013 mainly as a result of the reduced recognition of non-recurring gains and reduced compensations for staff seconded mainly to Roma Capitale.

Below is a breakdown of the item.

| € thousand | 31.12.2014 | 31.12.2013 | Increase/ (Decrease) |
|---|---------------|---------------|-------------------------|
| Non-recurring gains and other revenues | 6,909 | 8,409 | (1,501) |
| Seconded staff | 2,166 | 2,572 | (406) |
| Recharged cost of governance bodies | 2,649 | 2,566 | 82 |
| Property income | 736 | 738 | (1) |
| Reimbursement for damages, penalties, compensations | 191 | 209 | (18) |
| Gains on asset disposals | 0 | 2 | (2) |
| TOTAL | 12,650 | 14,496 | (1,846) |

Costs

3. Staff costs –54,895 thousand euros

| € thousand | 31.12.2014 | 31.12.2013 | Increase/ (Decrease) |
|---|---------------|---------------|-------------------------|
| Staff costs including capitalised costs | 57,343 | 51,225 | 6,118 |
| Capitalised costs | (2,448) | (1,070) | (1,378) |
| Staff costs | 54,895 | 50,155 | 4,740 |

The change in staff costs vs. the previous annual period, worth 6,118 thousand euros in total, is attributable (to the extent of 4,987 thousand euros) to the effect generated in 2013 by the partial release of provisions set aside for the second round of the medium - long term Incentive Scheme and those set aside for Senior and Middle Managers' MBO and Bonuses, as the objectives assigned were only partially achieved.

With respect to the third round of the medium - long term Incentive Scheme, its value was down 607 thousand euros compared to 2013, as a consequence of the changed scope of consolidation.

In the light of the foregoing, staff costs increased 1,737 thousand euros in total.

Capitalised staff costs grew 1,378 thousand euros as 2014 was characterised by the start-up and implementation of IT system improvement and modernisation initiatives in the context of the ACEA 2.0 project.

The table below shows the average and final numbers of staff by category, compared with the corresponding period in the previous year.

| Classification | Average headcount for the period | | | End-of-period headcount | | |
|--------------------|----------------------------------|------------|-------------------------|-------------------------|------------|-------------------------|
| | 31.12.2014 | 31.12.2013 | Increase/ (Decrease) | 31.12.2014 | 31.12.2013 | Increase/ (Decrease) |
| Senior managers | 62 | 62 | 0 | 61 | 62 | (1) |
| Middle managers | 147 | 144 | 3 | 146 | 146 | 0 |
| White-collar staff | 437 | 450 | (14) | 430 | 436 | (6) |
| Blue-collar staff | 24 | 23 | 1 | 24 | 22 | 2 |
| TOTAL | 670 | 680 | (10) | 661 | 666 | (5) |

4. Costs of materials and overheads – 131,329 thousand euros

In comparison with 31 December 2013, the costs of materials and overheads increased 2,310 thousand euros (+ 1.8%) in total, in detail:

| € thousand | 31.12.2014 | 31.12.2013 | Increase/ (Decrease) |
|----------------------------|----------------|----------------|-------------------------|
| Materials | 1,081 | 867 | 214 |
| Services and contract work | 114,241 | 112,786 | 1,455 |
| Lease expense | 9,910 | 9,869 | 41 |
| Taxes and duties | 2,489 | 2,355 | 133 |
| General expenses | 3,609 | 3,142 | 467 |
| TOTAL | 131,329 | 129,019 | 2,310 |

The composition and changes in costs of materials and overheads by type for the two annual periods are compared below.

| € thousand | 31.12.2014 | 31.12.2013 | Increase/ (Decrease) |
|---|----------------|----------------|-------------------------|
| Materials | 1,081 | 867 | 214 |
| Services and contract work | 114,241 | 112,786 | 1,455 |
| Intragroup services | 39,480 | 35,592 | 3,888 |
| - Roma Capitale public lighting | 32,600 | 29,206 | 3,394 |
| - Naples municipal public lighting | 6,226 | 5,958 | 268 |
| Electricity and water consumption | 32,453 | 31,431 | 1,022 |
| - Roma Capitale public lighting electricity consumption | 29,354 | 28,210 | 1,144 |
| Administrative, tax, legal and IT advisory services | 8,798 | 11,526 | (2,728) |
| Works | 5,029 | 4,711 | 318 |
| Maintenance fees | 4,386 | 3,756 | 630 |
| Services for personnel | 3,998 | 4,157 | (159) |
| Surveillance services | 3,427 | 3,571 | (144) |
| Advertising and sponsorship costs | 3,030 | 3,688 | (658) |
| Cleaning, transport and portage | 3,051 | 3,328 | (277) |
| Seconded staff | 2,874 | 2,506 | 368 |
| Postal expenses | 2,214 | 2,185 | 29 |
| Bank fees | 1,720 | 1,854 | (134) |
| Corporate bodies | 1,013 | 1,754 | (741) |
| Telephone costs | 736 | 890 | (154) |
| Insurance costs | 535 | 558 | (23) |
| Travel and transfer expenses | 432 | 384 | 48 |
| 'Coordinated and continuous collaborations' (employer-coordinated, ongoing freelance work) | 328 | 407 | (78) |
| Technical and administrative services | 336 | 132 | 203 |
| Printing costs | 33 | 80 | (47) |
| Other costs | 368 | 274 | 93 |
| Lease expense | 9,910 | 9,869 | 41 |
| Lease payments | 7,536 | 7,966 | (429) |
| Other payments and rental costs | 2,373 | 1,903 | 470 |
| Taxes and duties | 2,489 | 2,355 | 133 |
| General expenses | 3,609 | 3,142 | 467 |
| Total costs of materials and overheads | 131,329 | 129,019 | 2,310 |

The increase worth 2,310 thousand euros in the cost of materials and overheads is attributable to increases and decreases in a number of subitems.

Increased costs were as follows:

- public lighting services in the Rome and Naples municipalities grew 3,662 thousand euros, following, in particular, the construction of new plants and the related electricity consumption (1,144 thousand euros),
- maintenance fees for IT infrastructure commissioned at the end of 2013 and during 2014 rose 630 thousand euros,
- routine maintenance on the plants of owned buildings were up 318 thousand euros,
- the cost of staff seconded to the Group companies grew 368 thousand euros,
- general expenses increased 467 thousand euros, with special reference to non-recurring losses ascribable to equalisation amounts for electricity consumption.

On the other hand, following the cost-containment policy introduced since 2013, the following costs of materials and overheads were down:

- administrative, tax, legal and IT advisory services (down 2,728 thousand euros),
- costs of corporate bodies (down 741 thousand euros), and
- advertising and sponsorship costs (down 658 thousand euros).

Pursuant to article 149-*duodecies* of the CONSOB Issuers' Regulations, fees accrued to the independent auditor Reconta Ernst & Young amounted to 648 thousand euros in aggregate, of which 269 thousand euros for audit services, 253 thousand euros for audit-related services and 126 thousand euros for non-audit services.

5. Amortisation, depreciation, provisions and impairment charges – 30,917 thousand euros

| € thousand | 31.12.2014 | 31.12.2013 | Increase/ (Decrease) |
|-------------------------------|---------------|---------------|-------------------------|
| Amortisation and depreciation | 15,236 | 12,736 | 2,501 |
| Impairment of receivables | 6,923 | 2,653 | 4,271 |
| Provisions for liabilities | 8,757 | 14,209 | (5,452) |
| TOTAL | 30,917 | 29,598 | 1,319 |

Amortisation/depreciation amounted to 15,236 thousand euros in total of which 6,942 thousand euros worth of intangible assets and 8,295 thousand euros worth of property, plant and equipment. The increase worth 2,501 thousand euros is mainly ascribable to the coming into operation of new technology improvement and development software.

Impairment of receivables amounted to 6,923 thousand euros in total and mainly relates to risks connected with the recoverability of amounts due from public counterparties.

Provisions for liabilities were 8,757 thousand in total. Below is a breakdown by type:

| € thousand | 31.12.2014 | 31.12.2013 | Increase/ (Decrease) |
|---|--------------|---------------|-------------------------|
| Early retirements and redundancies | 5,311 | 4,000 | 1,311 |
| Legal risks | 3,144 | 1,691 | 1,453 |
| Investees | 247 | 8,103 | (7,856) |
| Contributory risks and risks with public bodies | 56 | 416 | (360) |
| TOTAL PROVISIONS | 8,757 | 14,209 | (5,452) |

The 5,452 thousand euros fall in provisions mainly relates to the sums set aside in 2013 for the assessment of risks associated with the situation of a few investees, with particular reference to Marco Polo and Si(e)nergia.

By contrasts there was an increase in provisions to cover the cost of voluntary-redundancy and early-retirement procedures and possible expenses of legal disputes and disputes with suppliers.

6. Financial income - 101.288 thousand euros

| € thousand | 31.12.2014 | 31.12.2013 | Increase/(Decrease) |
|---|----------------|---------------|---------------------|
| Income from intragroup relations | 93,744 | 81,299 | 12,445 |
| Default interest due from Roma Capitale | 3,164 | 538 | 2,626 |
| Financial income from public lighting contracts | 1,369 | 626 | 743 |
| Recovery of discounting receivables | 1,077 | 1,181 | (103) |
| Default interest due from subsidiaries | 830 | 1,214 | (384) |
| Bank interest and income | 754 | 1,342 | (587) |
| Income from the Fair Value Hedge assessment | 349 | 821 | (473) |
| Other financial income | 1 | 196 | (194) |
| Total financial income | 101,288 | 87,216 | 14,072 |

The growth of financial income (+ 14,072 thousand euros) is mainly attributable to increased income from intragroup relations, i.e. income due from investees, with special reference to ACEA Energia and Laboratori.

An increase was also recorded in default interest due from Roma Capitale.

The above increase was counterbalanced by lower default interest due from a few subsidiaries and lower financial income from the Fair Value Hedge assessment of the derivative executed on a Bond of 600 million euros placed on the market in September 2013.

7. Financial costs – 87,799 thousand euros

| € thousand | 31.12.2014 | 31.12.2013 | Increase/(Decrease) |
|---|---------------|---------------|---------------------|
| Interest on bonds | 66,002 | 48,372 | 17,631 |
| Expenses/(Income) from interest rate swaps | 3,843 | 6,707 | 2,864 |
| Interest on medium/long-term borrowings | 12,245 | 10,614 | 1,632 |
| Interest on short-term borrowings | 3,734 | 11,069 | (7,335) |
| Other financial costs | 945 | 1,312 | (368) |
| Financial costs from public lighting contracts | 791 | 986 | (195) |
| Expenses from intragroup relations | 687 | 534 | 153 |
| Foreign exchange profit/(loss) | (525) | 1,020 | (1,545) |
| Interest paid on Equitalia and INPS instalment payments | 76 | 245 | (169) |
| Total financial costs | 87,799 | 80,859 | 6,940 |

The financial cost increase worth 6,940 thousand euros mainly derives from increased interest and costs net of income from interest rate swaps on bonds placed in the last quarter of 2013 and in 2014, partially set off by a net reduction in interest on medium/long-term and short-term borrowings worth 5,703 thousand euros following the reduced debt exposure in the short term.

The average cost of ACEA borrowings grew from 2.38% in 2013 to 2.86% in 2014.

8. Profits on Equity Investments – 107,917 thousand euros

These amounted to 107,917 thousand euros (- 12,152 thousand euros compared to 31 December 2013) and are detailed in the table below.

| € thousand | 31.12.2014 | 31.12.2013 | Increase/ (Decrease) |
|--|----------------|----------------|-------------------------|
| Dividend income | 104,025 | 118,477 | (14,452) |
| ACEA Ato2 | 58,835 | 68,170 | (9,335) |
| ACEA Distribuzione | 20,769 | 14,852 | 5,917 |
| Aquaser | 6,624 | 2,179 | 4,445 |
| LABORATORI | 4,822 | 5,790 | (968) |
| Agua Azul Bogotá | 3,457 | 896 | 2,560 |
| A.R.I.A. | 3,273 | 3,255 | 17 |
| Acque Blu Fiorentine | 3,074 | 2,875 | 199 |
| ACEA Illuminazione Pubblica | 1,299 | 0 | 1,299 |
| Sarnese Vesuviano | 660 | 0 | 660 |
| Agua de San Pedro | 441 | 112 | 329 |
| Consorcio Agua Azul | 431 | 315 | 116 |
| Umbria Distribuzione Gas | 48 | 63 | (14) |
| ACEA Dominicana | 292 | 0 | 292 |
| A.R.S.E. | 0 | 19,948 | (19,948) |
| Ingegnerie Toscane | 0 | 21 | (21) |
| Adjustment to the provision for liabilities with respect to the 'Marco Polo in liquidation' equity investment | 2,300 | 0 | 2,300 |
| Gain on the transfer of the public lighting business | 1,591 | 1,591 | 0 |
| TOTAL | 107,917 | 120,069 | (12,152) |

9. Losses on equity investments – 954 thousand euros

These losses are attributable to impairment charges introduced following the assessment of a few subsidiaries, with special reference to Centro Sviluppo Materiali, Wrc Plc and Ecomed.

10. Taxes – 92 thousand euros

An overall tax credit for the period worth 92 thousand euros was recorded (i.e. + 1,461 thousand euros compared to 31 December 2013).

In particular, the overall closing balance of taxes levied on the Company results from the tax treatment, prescribed by the applicable tax regulations, for dividend income, provisions for risks and the deductibility of interest payable by ACEA in the context of Group tax consolidation regime.

Income taxes for the period have a + 0.1% incidence on the result before tax.

The closing balance was calculated by the algebraic sum of the following subitems.

Current taxes

As at 31 December 2014, current taxes amounted to 65,608 thousand euros (36,919 thousand euros as at 31 December 2013) worth of consolidated IRAP (regional business tax) and consolidated IRES (corporate income tax) calculated on the sum of the taxable incomes and tax losses of the companies falling in the tax consolidation scope.

The effect of current IRES (63,894 thousand euros) is netted out against the income arising from the inclusion of the taxable incomes of companies falling within the tax consolidation scope. The effect is schematically shown in the table below, which reconciles theoretical and actual tax rates.

Deferred taxes

Net deferred tax assets reduced the tax balance by 1,229 thousand euros and were calculated by the algebraic sum of appropriations made (3,626 thousand euros) mainly to provisions for liabilities,

provisions for impairment of receivables and provisions for defined-benefit plans, and utilisations (2,397 thousand euros). Deferred tax liabilities increased the tax balance by 200 thousand euros and were calculated by the algebraic sum of utilisations (1,041 thousand euros) relating to the taxable portion of the collected dividends and provisions for the period (1,241 thousand euros).

Tax consolidation expense and income

The final positive balance worth 64,487 thousand euros results from the algebraic sum of the tax expense paid by the Parent Company to the companies included in the consolidation scope against the transfer of tax losses (6,328 thousand euros) and the tax income booked against the taxable incomes transferred to the tax consolidation scope (70,815 thousand euros).

In accordance with the Group's general tax consolidation rules, the value of a loss is determined by applying the current IRES rate to the total tax losses transferred.

The following table provides a reconciliation of the theoretical and effective tax rates.

| | 31.12.2014 | % | 31.12.2013 | % |
|--|---------------|-------------|----------------|---------------|
| Profit before tax from continuing operations | 89,694 | | 93,109 | |
| Expected taxes calculated at 27.5% on profit before tax | 24,666 | 27.5% | 25,605 | 27.5% |
| Permanent differences* | (26,744) | (29.8%) | (28,486) | (30.6%) |
| IRES (corporate income tax) for the period** | (2,078) | (2.3%) | (2,881) | (3.1%) |
| IRAP (regional business tax) for the period ** | 2,171 | 2.4% | 1,511 | 1.6% |
| Tax charge on income for the period for continuing operations | 92 | 0.1% | (1,369) | (1.5%) |

*Mainly inclusive of the non-taxed portion of dividends

**Inclusive of deferred taxation

Notes to the Statement of Financial Position - Assets

11. Property, plant and equipment – 154,933 thousand euros

| € thousand | 31.12.2014 | 31.12.2013 | Increase/ (Decrease) |
|--|----------------|----------------|-------------------------|
| Land and buildings | 137,541 | 139,713 | (2,172) |
| Plant and machinery | 3,002 | 2,682 | 320 |
| Industrial and commercial equipment | 1,029 | 1,562 | (533) |
| Other assets | 13,326 | 15,183 | (1,857) |
| Fixed assets in progress and prepayments | 35 | 1,278 | (1,243) |
| Total property, plant and equipment | 154,933 | 160,417 | (5,484) |

There was a reduction of 5,484 thousand euros compared to 31 December 2013.

The decrease relates to the net effect between overall investments for the period worth 3,643 thousand euros, disposals worth 878 thousand euros and depreciation for the period amounting to 8,234 thousand euros.

Investments for the period mainly included investments in non-routine maintenance in the head office premises and investments in the hardware required for IT network improvement and development.

The changes of the period are summed up in the table below.

| Property, plant and equipment | 31.12.2013 | | | CHANGES OF THE PERIOD | | | | 31.12.2014 | | |
|--|-----------------|------------------|---------------------|-----------------------|---------------|-------------------------------|----------------|----------------|--------------------------|---------------------|
| | Historical cost | Accumul. deprec. | Net carrying amount | Increases | Other changes | Disposals/ Discontinuation | Amortis. | Cost | Accumulated depreciation | Net carrying amount |
| Land and buildings | 154,477 | (14,764) | 139,713 | 682 | 510 | | (3,364) | 155,669 | (18,127) | 137,541 |
| Plant and machinery | 11,339 | (8,657) | 2,682 | 1,739 | 104 | (354) | (1,169) | 12,611 | (9,609) | 3,002 |
| Industrial and commercial equipment | 15,104 | (13,543) | 1,562 | 203 | | (500) | (219) | 13,182 | (12,153) | 1,029 |
| Other assets | 47,688 | (32,506) | 15,183 | 1,020 | 629 | (23) | (3,482) | 49,053 | (35,727) | 13,326 |
| Fixed assets in progress and prepayments | 1,278 | 0 | 1,278 | 0 | (1,243) | | 0 | 35 | 0 | 35 |
| Total property, plant and equipment | 229,886 | (69,469) | 160,417 | 3,643 | 0 | (878) | (8,234) | 230,549 | (75,616) | 154,933 |

12. Investment property – 2,819 thousand euros

Investment property amounted to 2,819 thousand euros, i.e. down 53 thousand euros as a result of depreciation for the period and primarily includes land and buildings that are not instrumental in production and are held for rental.

13. Intangible assets – 14,246 thousand euros

| € thousand | 31.12.2014 | 31.12.2013 | Increase/(Decrease) |
|---|---------------|---------------|---------------------|
| Industrial patents and intellectual property rights | 12,716 | 5,226 | 7,490 |
| Fixed assets in progress and prepayments | 1,530 | 5,105 | (3,574) |
| Others | 0 | 65 | (65) |
| Total intangible assets | 14,246 | 10,396 | 3,851 |

The changes in the period are summed up in the table below:

| | 31.12.2013 | Changes in the period | | | | 31.12.2014 |
|---|---------------------|-----------------------|---------------|---------------------------|----------------|---------------------|
| | Net carrying amount | Increases | Other changes | Revaluations/ Impairments | Amortisation | Net carrying amount |
| Intangible assets | | | | | | |
| Industrial patents and intellectual property rights | 5,226 | 8,978 | 5,161 | 227 | (6,877) | 12,716 |
| Other fixed assets | 65 | | | | (65) | 0 |
| Fixed assets in progress | 5,105 | 1,530 | (5,161) | 56 | 0 | 1,530 |
| Total intangible assets | 10,396 | 10,508 | 0 | 284 | (6,942) | 14,246 |

The closing balance grew 3,851 thousand euros from the previous annual period following the net effect of investments for the period worth 10,508 thousand euros and amortisation for the period worth 4,665 thousand euros.

Investments mainly included sums paid for the purchase and upgrade of software for the implementation of the ACEA 2.0 project as well as for corporate management and security activities.

14. Equity investments in subsidiaries and associates – 1,730,150 thousand euros

This item increased 23,676 thousand euros from 31 December 2013, in detail:

| € thousand | 31.12.2014 | 31.12.2013 | Increase/ (Decrease) |
|------------------------------------|------------------|------------------|----------------------|
| Equity investments in subsidiaries | 1,716,037 | 1,692,529 | 23,508 |
| Equity investments in associates | 14,114 | 13,945 | 169 |
| Total equity investments | 1,730,151 | 1,706,474 | 23,676 |

Equity investments in subsidiaries

They grew 23,508 thousand euros; the main transactions during the period are summed up below.

| Equity investments in subsidiaries | Historic cost | Reclassifications and other changes | Revaluations/ Impairments | Disposals | Net carrying amount |
|-------------------------------------|------------------|-------------------------------------|---------------------------|------------------|---------------------|
| Balances at 31 December 2013 | 2,717,525 | (12,319) | (62,583) | (950,094) | 1,692,529 |
| Changes in 2014: | | | | | |
| - changes in share capital | 17,592 | | 0 | 0 | 17,592 |
| - acquisitions/incorporations | 5,475 | 168 | 0 | 0 | 5,643 |
| - disposals/distributions | 0 | 0 | 0 | 0 | 0 |
| - reclassifications | 3 | (166) | 166 | 0 | 3 |
| - impairments | 0 | 0 | 270 | 0 | 270 |
| Total changes in 2014 | 23,070 | 2 | 436 | 0 | 23,508 |
| Balances at 31 December 2014 | 2,740,595 | (12,317) | (62,147) | (950,094) | 1,716,037 |

Changes in the annual period under review are as follows:

- a payment of 10,057 thousand euros for the capital increase of ACEA Ato5 approved in October 2014, which increased the interest held in the Company from 94.48% to 98.45% as ACEA subscribed to the theretofore unsubscribed shares of one of the minority shareholders;
- a payment for the acquisition from Monte dei Paschi di Siena of its shares in the capitals of Acque Blu Arno Basso (subscribed interest 6.81%), Acque Blu Fiorentina (subscribed interest 6.01%) and Ombrone (subscribed interest 14.94%) at a price of 1,368 thousand, 4,214 thousand and 1,953 thousand euros respectively, bringing the interest held at 31 December

2014 to 75.81% in Acque Blu Arno Basso, 75.01% in Acque Blu Fiorentina and 99.51% in Ombrone;

- the acquisition of the interests held by Aquaser in Solemme S.p.A. and Samace S.r.l., at a price of 1 euro and 5,465 thousand euros respectively. The purchase price of interest in Samace amounted to 6,250 thousand euros, the issue premium of 785 thousand euros was booked to a shareholders' equity reserve. In addition, the transaction cost of 168 thousand euros was capitalised into the equity interest value;
- the incorporation of the private limited liability company Parco della Mistica S.r.l. wholly controlled by ACEA, with a capital of 10 thousand euros, whose purpose is the development, construction, maintenance, operation, purchase and management of plants and networks for electricity transmission and dispatching, as well as the production, distribution and trading of energy generated from, *inter alia*, renewable energy sources;
- an adjustment to the current exchange rate of the value of interests held in foreign companies to the extent of 295 thousand euros;
- the impairment of the value of the equity interest held in Ecomed (25 thousand euros).

For the appraisal of the recoverable value of its equity investments, ACEA hired an independent expert to perform an impairment test on substantially all its direct and indirect subsidiaries.

The impairment procedure consisted in comparing the carrying amount of the equity investments with their economic value.

The retention of the value of an equity investment can be calculated by the difference between the recoverable amount – considered equal to the value in use or the fair value net of costs to sell, whichever is higher – and the carrying amount.

The value in use is the present value of expected cash flows that can be assumed will derive from the ongoing use of the equity investment assets as a whole. The fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties.

The impairment process 2014 involved estimating a **recoverable value** range for individual Cash Generating Units (CGUs) and equity investments **in terms of 'value in use'** seamlessly with the previous annual period, i.e. by discounting operating flows at a post-tax rate expressing the weighted average cost of capital (WACC).

The recoverable amount of the equity investments – expressed in terms of value in use – was estimated using a combination of the financial method, sensitivity analyses and simulation techniques (Monte Carlo simulation).

The application of the financial method to calculate the recoverable amount and the subsequent comparison with the relevant carrying amounts was instrumental in the estimation of post-tax WACC, operating flows (OCF), terminal value (TV) and, in particular, the growth rate used for the flow projection beyond the time horizon of the plan (g), net financial position (NFP) and the value of ancillary activities (AA).

Operating flows and terminal value were calculated through the 2015 Budget estimates and the updates of equity investment-plans associated with the industrial plan 2014 – 2018, limited to years from 2016 to 2018/2019; all documents used for the impairment tests were submitted to the attention of the Board of Directors of ACEA. The recoverable value of equity investments was calculated by the sum of the present value of cash flows of Impairment Plans and the present value of Terminal Value.

The table below shows the operating segments to which the investments booked in the financial statements of the Parent Company relate. For each operating segment, reference is made to the type of recoverable value considered, discount rates used and the time horizon of operating flows.

| Operating Segment | Recoverable Value | WACC | Terminal Value | Cash Flow Period |
|-----------------------------|---------------------|-------------|----------------------------------|-------------------|
| Networks Segment: | | | | |
| ACEA Distribuzione | value in use | 5.4% | two-stage | until 2019 |
| Water Segment | value in use | 5.9% | two-stage | until 2018 |
| Energy Segment: | | | | |
| ACEA Produzione | value in use | 6.5% | two-stage | until 2019 |
| ACEA Energia | value in use | 6.5% | perpetuity without growth | until 2019 |
| Environment Segment: | value in use | 6.3% | two-stage | until 2018 |

The Terminal Value was calculated:

- ✓ for ACEA Produzione, in two stages using a nil growth rate for both stages. The first stage concerned a standardised flow for the 2019-2029, whereas for the second stage the calculation related to the period after 2029
- ✓ for the Environment Segment, in two stages using a nil growth rate for both stages. The first stage concerned the period 2019, corresponding to the useful life of plants, whereas the second stage included the residual value corresponding to net invested capital at the end of useful life
- ✓ for ACEA Distribuzione, in two stages. The first stage concerned a standardised flow for the period 2019 to 2030, whereas the second stage related to the period after 2030 and considered, *inter alia*, the present value of the regulatory asset base (RAB) at the end of the concession. The growth rate used for both stages was 1%
- ✓ for the Water Segment, in two stages. The first stage concerned a standardised flow for the period 2019 to 2032 whereas the second stage related to the period after 2032 and considered, *inter alia*, the present value of the Residual Value in case of a takeover at the end of the concession. The growth rate used for both stages is 1.5%

The impairment test results confirmed that the value of the booked equity investments is recoverable.

Equity investments in associates

This item, equal to 14,114 thousand euros, grew as a result of the measurement at the current exchange rate of the equity investments held in companies abroad.

Changes occurred during the period under review are summed up below.

| Equity investments in associates | Historical Cost | Reclassifications | Revaluations/ Impairments | Disposals | Net Carrying Amount |
|-------------------------------------|-----------------|-------------------|---------------------------|----------------|---------------------|
| Balances at 31 December 2013 | 92,558 | 2,957 | (80,103) | (1,467) | 13,945 |
| Changes in 2014: | | | | | |
| - changes in share capital | 0 | 0 | 0 | 0 | 0 |
| - acquisitions/incorporations | 0 | 0 | 0 | 0 | 0 |
| - disposals | 0 | 0 | 0 | 0 | 0 |
| - impairments/revaluations | 0 | 0 | 169 | 0 | 169 |
| Total changes in 2014 | 0 | 0 | 169 | 0 | 169 |
| Balances at 31 December 2014 | 92,558 | 2,957 | (79,934) | (1,467) | 14,114 |

15. Other investments – 2,395 thousand euros

This item fell 828 thousand euros from the level of 31 December 2013 following the impairment charges applied to the booked values of equity investments in WRC Plc and Centro Sviluppo Materiali S.p.A.

In the latter respect, it is worth noting that the majority shareholder R.I.N.A. expressed its intention to cover the losses of the Company; however, the said equity investment was confirmed not to be strategic for the ACEA Group. The deadline for a possible exercise of the option was fixed at 30 September 2015.

“Other investments” relates to equity investments that do not qualify as interest in subsidiaries, associates or joint ventures.

16. Deferred tax assets – 43,496 thousand euros

This item grew 7,504 thousand euros vs. the level at 31 December 2013.

As for the recoverability of prepaid taxes, the valuation of deferred tax assets was made on the basis of ACEA’s industrial plans and, for the time horizon, considering a reasonable estimate of the time when the related difference is expected to reverse.

The following table shows both the composition of and the changes in deferred tax assets and liabilities for the period under review:

| € thousand | Changes in the period | | | | | 31.12.2014 |
|---|-----------------------|-------------------------|---------------|------------------------------|----------------------|---------------|
| | 31.12.2013 | IRES / IRAP utilisation | Other changes | Changes recognised in equity | IRES/IRAP provisions | |
| Prepaid taxes | | | | | | |
| Tax losses | 0 | 0 | | | 0 | 0 |
| Remuneration of BoD members | 0 | 0 | | | 0 | 0 |
| Provisions for liabilities and charges | 6,399 | (1,552) | | | 2,369 | 7,216 |
| Impairment of investments | 0 | 0 | | | 0 | 0 |
| Impairment of receivables | 4,685 | (152) | | | 893 | 5,426 |
| Amortisation and depreciation of intangible and tangible assets | 806 | 0 | | | 169 | 976 |
| Amortisation of goodwill | 0 | 0 | | | 0 | 0 |
| Defined-benefit and defined-contribution plans | 8,173 | (382) | | 787 | 195 | 8,773 |
| Others (IAS 39 and IFRIC12) | 16,174 | (311) | | 5,243 | 0 | 21,106 |
| Total | 36,237 | (2,397) | 0 | 6,030 | 3,626 | 43,496 |
| Deferred taxes | | | | | | |
| Deferred tax on dividends | 198 | (45) | | | 143 | 296 |
| Amortisation and depreciation of intangible and tangible assets | 586 | (576) | | 0 | 0 | 10 |
| Defined-benefit and defined-contribution plans | 390 | (47) | | 0 | 0 | 343 |
| Others (IAS39 and default interest) | 8,310 | (373) | 0 | 133 | 1,098 | 9,169 |
| Total | 9,484 | (1,041) | 0 | 133 | 1,241 | 9,818 |
| Net total | 26,753 | (1,356) | 0 | 5,896 | 2,385 | 33,678 |

17. Non-current financial assets – 1,971,000 thousand euros

These increased 221,593 thousand euros from the level of 1,749,406 thousand euros booked at 31 December 2013, in detail:

| € thousand | 31.12.2014 | 31.12.2013 | Increase/ (Decrease) |
|------------------------------------|------------------|------------------|-------------------------|
| Receivables due from Roma Capitale | 32,580 | 32,328 | 252 |
| Receivables due from subsidiaries | 1,897,210 | 1,671,815 | 225,395 |
| Receivables due from others | 41,210 | 45,263 | (4,053) |
| TOTAL | 1,971,000 | 1,749,406 | 221,593 |

Receivables due from Roma Capitale grew 252 thousand euros and related to contributions to be paid to ACEA for investments in the public lighting services for e.g. plant upgrading, energy savings, regulatory compliance and technological innovation, for an amount equal to tax amortisation after 2015, in compliance with the terms of the Supplementary Agreement to the service contract signed on 15 March 2011.

Receivables from subsidiaries increased by 225,395 thousand euros compared to 31 December 2013, in detail:

| € thousand | 31.12.2014 | 31.12.2013 | Increase/ (Decrease) |
|--|------------------|------------------|-------------------------|
| Receivables for borrowings taken out | | | |
| ACEA Produzione | 125 | 239 | (113) |
| Total | 125 | 239 | (113) |
| Loan receivables | | | |
| ACEA Ato5 | 52,719 | 52,719 | 0 |
| Total | 52,719 | 52,719 | 0 |
| Intercompany running account - investments line | | | |
| ACEA Ato2 | 765,506 | 667,469 | 98,037 |
| ACEA Distribuzione | 653,491 | 538,820 | 114,671 |
| ARIA | 240,086 | 231,485 | 8,601 |
| ACEA Produzione | 136,241 | 135,932 | 308 |
| ARSE | 40,218 | 39,648 | 570 |
| SAO | 3,120 | 3,013 | 107 |
| Ecoenergie | 1,374 | 1,374 | 0 |
| Acea8cento | 1,119 | 1,117 | 3 |
| Total | 1,841,155 | 1,618,858 | 222,298 |
| Other receivables | | | |
| Solemme | 3,084 | 0 | 3,084 |
| Samace | 126 | 0 | 126 |
| Total | 3,210 | 0 | 3,210 |
| Total non-current financial receivables due from subsidiaries | 1,897,210 | 1,671,815 | 225,395 |

The balance mainly relates to changes during the period in the credit lines taken out in favour of subsidiaries to meet investment requirements.

Following the acquisition by the subsidiary Aquaser of equity interests in the companies Solemme and Samace, non-recourse financial receivables from these two companies were also acquired. Receivables from Solemme have arisen from non-interest bearing loans granted, whereas receivables from Samace have accrued following the acquisition of interest in its capital by Aquaser

in July 2013.

The balance of **Receivables from others** (41,210 thousand euros) derives from the application of the financial asset model prescribed by IFRIC12 for service concession arrangements. The amount is the sum of investments in the service made until 31 December 2010.

18. Other non-current assets – 507 thousand euros

This item includes receivables on long-term deposits paid and was down 207 thousand euros from the level of the previous annual period.

19. Current assets - 1,487,066 thousand euros

These assets increased 520,685 thousand euros in total from 966,381 thousand euros as at 31 December 2013; below is a breakdown of the item.

19.a – Contract work in progress - 270 thousand euros

In comparison with the balance at 31 December 2013, no change occurred in this item representing construction works for public lighting plants performed pursuant to the service contract with Roma Capitale, which works were still to be completed at 31 December 2014.

19.b - Trade receivables – 38,420 thousand euros

Trade receivables, down 4,532 thousand euros from 42,952 thousand euros on 31 December 2013, are broken down as follows.

| € thousand | 31.12.2014 | 31.12.2013 | Increase/ (Decrease) |
|--|---------------|---------------|-------------------------|
| Receivables from other customers (non-users) | 17,865 | 22,396 | (4,532) |
| Disputed receivables | 20,555 | 20,555 | 0 |
| Total trade receivables | 38,420 | 42,952 | (4,532) |

Receivables from other customers

Receivables from non-user customers fell 4,532 thousand euros and are inclusive of provisions for the impairment of receivables worth 6,750 thousand euros.

This line item relates to amounts due from public and private parties for services rendered, with special reference to the Naples municipal public lighting service. During the period under review, 13,181 thousand euros worth of the Naples Municipality's exposure were collected.

| € thousand | 31.12.2014 | 31.12.2013 | Increase/ (Decrease) |
|--|---------------|---------------|-------------------------|
| Gross receivables from other customers | 24,615 | 29,041 | (4,426) |
| Provisions for the impairment of receivables | (6,750) | (6,645) | (105) |
| Total net trade receivables | 17,865 | 22,396 | (4,532) |

Disputed receivables

No year-on-year change was recorded.

This item includes receivables related to the ongoing dispute with the Vatican State. These receivables are offset by payables to Roma Capitale for the same amount; said payables will be liquid and due only after receiving the amount due from the Vatican State.

Provisions for the impairment of receivables

This item grew 105 thousand euros to 6,750 thousand euros from the level of the previous annual period as a result of further impairments made during the year.

Provisions for the impairment of receivables are based on analytical assessments, supplemented by assessments based on historical analyses of uncollected amounts due from customers, differentiated by default period, average collection terms, type of action undertaken to recover the amount due and status of the receivable concerned (ordinary, disputed, etc.).

19.c – Intragroup trade receivables – 42,161 thousand euros

There was an overall decrease of 10,562 thousand compared to the level of 52,724 thousand euros at 31 December 2013, as detailed below:

| € thousand | 31.12.2014 | 31.12.2013 | Increase/ (Decrease) |
|--|---------------|---------------|-------------------------|
| Receivables due from the controlling company Roma Capitale | 5,070 | 14,924 | (9,854) |
| Receivables due from subsidiaries | 33,567 | 33,547 | 20 |
| Receivables due from associates | 3,525 | 4,252 | (728) |
| Total intragroup trade receivables | 42,161 | 52,724 | (10,562) |

Receivables due from the controlling company Roma Capitale

These amounted to 5,070 thousand euros, i.e. down 9,854 thousand euros from the closing balance of 14,924 thousand euros as at 2013.

The following table presents an analysis of ACEA's debt and credit positions vis-à-vis Roma Capitale, including financial losses.

| Receivables due from Roma Capitale | 31.12.2014 | 31.12.2013 | Increase/ (Decrease) |
|--|---------------|---------------|-------------------------|
| Services to be billed | 4,056 | 9,203 | (5,147) |
| Billed services | 1,013 | 5,721 | (4,707) |
| Total trade receivables | 5,070 | 14,924 | (9,854) |
| Public lighting financial receivables | 62,389 | 50,121 | 12,268 |
| Receivables for issued public lighting bills | 49,713 | 37,475 | 12,238 |
| Receivables for public lighting bills to be issued | 12,676 | 12,645 | 30 |
| Total receivables due within one year (A) | 67,459 | 65,044 | 2,414 |

| Payables due to Roma Capitale | 31.12.2014 | 31.12.2013 | Increase/(Decrease) |
|---|------------|------------|---------------------|
| Trade payables | 7 | 5 | 2 |
| Total payables due within one year (B) | 7 | 5 | 2 |

| | | | |
|--|-----------------|-----------------|---------------|
| Total (A) - (B) | 67,452 | 65,039 | 2,412 |
| Other financial receivables/(payables) | 31,599 | 1,843 | 29,756 |
| of which: financial payables (dividends) | (980) | (30,485) | 29,504 |
| of which: medium/long-term receivables for public lighting | 32,580 | 32,328 | 252 |
| Other trade payables | (20,516) | (20,516) | 0 |
| of which: Vatican payables | (20,516) | (20,516) | 0 |
| Net balance | 78,535 | 46,367 | 32,168 |

Trade receivables mainly include the amount either billed or to be billed of the new works performed by ACEA pursuant to the contract in force until 31 December 2010. The balance for the period under review results from the collection of 1,700 thousand euros and a reclassification to medium to long term financial receivables worth 5,357 thousand euros following the arrangement reached in 2014 with the Technical Committee of Roma, which manages the Public Lighting Contract including its Supplemental Agreement in force since 1 January 2011.

With regard to financial receivables, an aggregate amount of 71,159 thousand euros was collected, of which 10,514 thousand euros worth of receivables accrued at the end of 2013. The remaining portion of 60,645 thousand euros applies to 2014 and, in particular, to the January – November period.

The balance of financial receivables for issued bills (49,713 thousand euros) relates to:

- 27,261 thousand euros worth of amounts accrued as at 31 December 2012,
- 20,471 thousand euros worth of amounts accrued as at 31 December 2013, and
- 1,981 thousand euros worth of billed default interest.

Financial receivables for bills to be issued (12,676 thousand euros) chiefly consist of the amount to be received for the month of December and the revaluation components accrued in 2014.

Financial payables, i.e. dividends only, were substantially netted out as a consequence of the settlement (by set-off) of the advance on the 2013 profit sharing approved by ACEA's Board of Directors in December 2013. In 2014, the dividend balance for 2013 worth 18,464 thousand euros were also settled (by set-off).

Receivables due from subsidiaries

The overall closing balance of 33,567 thousand euros was as a whole in line with the level at 31 December 2013 of 33,547 thousand euros. These receivables mainly relate to services rendered pursuant to service contracts as broken down below:

| € thousand | 31.12.2014 | 31.12.2013 | Increase/(Decrease) |
|--------------------|------------|------------|---------------------|
| ACEA Ato5 | 14,916 | 12,409 | 2,508 |
| ACEA Ato2 | 2,913 | 4,015 | (1,102) |
| ACEA Distribuzione | 2,901 | 4,175 | (1,275) |
| Gesesa | 2,422 | 2,081 | 340 |
| Umbra Acque | 1,968 | 1,448 | 520 |
| Ecogena | 1,298 | 632 | 666 |
| Crea Gestioni | 1,123 | 965 | 158 |
| ACEA Energia | 1,080 | 661 | 418 |
| Sarnese Vesuviano | 778 | 782 | (4) |
| Acea8cento | 617 | 267 | 350 |
| Kyklos | 595 | 439 | 156 |
| Laboratori | 427 | 196 | 230 |
| ACEA Servizi Acque | 382 | 381 | 1 |
| ARIA | 371 | 322 | 48 |
| ACEA Dominicana | 262 | 0 | 262 |
| Publiacqua | 243 | 383 | (140) |
| Acque | 173 | 274 | (101) |
| Aquaser | 127 | 176 | (49) |
| Ombrone | 123 | 36 | 88 |

| € thousand | 31.12.2014 | 31.12.2013 | Increase/(Decrease) |
|-----------------------------|---------------|---------------|---------------------|
| Acque Blu Fiorentine | 102 | 32 | 70 |
| ACEA Illuminazione Pubblica | 102 | 2,704 | (2,603) |
| GORI | 99 | 168 | (69) |
| Acque Blu Arno Basso | 91 | 17 | 74 |
| ACEA Produzione | 85 | 100 | (15) |
| Ingegnerie Toscane | 71 | 521 | (450) |
| Solemme | 59 | 36 | 23 |
| Agua Azul Bogotà Consortium | 42 | 174 | (132) |
| Others | 197 | 152 | 46 |
| TOTAL | 33,567 | 33,547 | 20 |

Receivables due from associates

The overall closing balance of 3,525 thousand euros was down 728 thousand euros compared to 31 December 2013, in detail:

| € thousand | 31.12.2014 | 31.12.2013 | Increase/(Decrease) |
|----------------------|--------------|--------------|---------------------|
| Marco Polo | 1,236 | 1,333 | (97) |
| Sogea | 677 | 1,050 | (373) |
| Sienergia | 639 | 639 | 0 |
| Agua de San Pedro | 568 | 864 | (296) |
| Acquedotto del Fiora | 326 | 301 | 25 |
| Umbriadue | 66 | 66 | 0 |
| Le Soluzioni | 4 | 1 | 3 |
| TOTAL | 3,525 | 4,252 | (728) |

Trade receivables due from customers and intragroup trade receivables (including those due from Roma Capitale), gross of the provision for the impairment of receivables, amounted to 91,706 thousand euros in aggregate, broken down below by ageing:

- Trade receivables due: 29,767 thousand euros
- Trade receivables past due: 61,939 thousand euros, of which:
 - within 180 days, 8,631 thousand euros,
 - 180 to 360 days, 7,059 thousand euros, and
 - beyond one year, 46,250 thousand euros.

19.d – Other current receivables and assets – 17,073 thousand euros

The closing balance fell 5,477 thousand euros as detailed below.

| € thousand | 31.12.2014 | 31.12.2013 | Increase/(Decrease) |
|---|---------------|---------------|---------------------|
| Receivables due from the assignee car park Autoparco | 10,250 | 10,250 | 0 |
| Receivables from the reintegration of the Marco Polo business for payables to employees | 2,116 | 2,116 | 0 |
| Accrued income and prepayments | 1,578 | 2,353 | (775) |
| Other receivables | 1,186 | 744 | 441 |
| Receivables due from Equitalia | 718 | 718 | 0 |
| Receivables due from social security institutions | 666 | 699 | (33) |
| Restricted receivables from the disposal of the PV business | 397 | 5,378 | (4,980) |
| Advances to suppliers and deposits with third parties | 162 | 165 | (2) |
| Receivables due from the Equalisation Fund | 0 | 127 | (127) |
| TOTAL | 17,073 | 22,549 | (5,477) |

In respect of **Restricted receivables from the disposal of the PV business**, the following is worth noting: for the transfer of the photovoltaic business to RTR Capital at the end of 2012, an escrow account was set up which corresponds to the value of a few plants that had to undergo formal audits by the transferor; following the successful outcomes of the audits conducted on the main plant, at the end of June, a part of the escrow account worth 4,980 thousand euros was released.

The item **Accrued income and prepayments** essentially records the aggregate value of lease contracts for the CEDET (Data Processing and Remote Control Centre), a real property complex located in Valleranello, and the amounts of insurance premiums and maintenance fees.

19.e - Current financial assets – 11,644 thousand euros

The closing balance at 31 December 2014, down 915 thousand euros from the level of 31 December 2013 is broken down below.

| € thousand | 31.12.2014 | 31.12.2013 | Increase/ (Decrease) |
|---|---------------|---------------|-------------------------|
| Receivables due from the assignee 'Area Laurentina' | 6,000 | 6,000 | 0 |
| Receivables from public lighting service management | 5,376 | 5,584 | (208) |
| Receivables due from ISPA and SEIN following the liquidation of ACEA ATO5 Servizi | 268 | 268 | 0 |
| Accrued income on fixed term deposits | 0 | 685 | (685) |
| Receivables due from the liquidation of Ameatad | 0 | 22 | (22) |
| TOTAL | 11,644 | 12,559 | (909) |

19.f Intragroup current financial assets – 298,773 thousand euros

The balance rose 73,881 thousand euros from the 31 December 2013 level of 224,892 thousand euros, as detailed below.

| € thousand | 31.12.2014 | 31.12.2013 | Increase/ (Decrease) |
|--|----------------|----------------|-------------------------|
| Receivables due from the controlling company Roma Capitale | 62,389 | 50,121 | 12,268 |
| Receivables due from subsidiaries | 232,849 | 171,770 | 61,079 |
| Receivables due from associates | 3,535 | 3,002 | 533 |
| TOTAL | 298,773 | 224,892 | 73,881 |

Receivables due from the controlling company Roma Capitale

The closing balance of 62,389 thousand euros (50,121 thousand euros as at 31 December 2013) relates to receivables due from Roma Capitale for the public lighting service contract as mentioned above in the section "Trade receivables due from Roma Capitale".

Receivables due from subsidiaries

The balance of 232,849 thousand euros (171,770 thousand euros as at 31 December 2013) is broken down below:

| € thousand | 31.12.2014 | 31.12.2013 | Increase/ (Decrease) |
|--|------------|------------|-------------------------|
| Receivables from cash-pooling transactions | 176,474 | 133,743 | 42,732 |
| Current accrued finance income on loans and cash pooling | 23,845 | 10,337 | 13,509 |

| € thousand | 31.12.2014 | 31.12.2013 | Increase/ (Decrease) |
|---|----------------|----------------|-------------------------|
| Loans to subsidiaries | 14,668 | 14,668 | 0 |
| Other receivables due from subsidiaries | 13,054 | 9,906 | 3,148 |
| Receivables for commissions on guarantees given | 4,694 | 19 | 4,676 |
| Short-term EIB loans to subsidiaries | 113 | 3,098 | (2,985) |
| TOTAL | 232,849 | 171,770 | 61,079 |

The change compared to the end of the previous year, equal to 61,079 thousand euro, mainly derives from the higher financial exposure of the Group Companies and the related accrued interest due from them.

Receivables due from associates

As at 31 December 2014, this item amounted to 3,535 thousand euros, i.e. up 533 thousand euros from the previous annual period (3,002 thousand euros at 31 December 2013).

19.g – Current tax assets – 100,284 thousand euros

The growth of 31,375 thousand euros vs. the previous year is broken down below:

| € thousand | 31.12.2014 | 31.12.2013 | Increase/ (Decrease) |
|--|----------------|---------------|-------------------------|
| VAT credits | 44,781 | 18,525 | 26,256 |
| IRES and IRAP credits claimed in 2013 | 15,194 | 15,194 | 0 |
| IRAP credits accrued on advances paid | 1,757 | 14,115 | (12,358) |
| Other tax credits | 1,564 | 1,579 | (14) |
| Total tax credits due from the Inland Revenue | 63,296 | 49,413 | 13,883 |
| Credits due from subsidiaries within the consolidation scope | 36,988 | 19,496 | 17,492 |
| Total tax credits | 100,284 | 68,909 | 31,375 |

VAT credits have arisen from the Group VAT settlement procedure, the amount is still unclaimed and will be utilised for monthly settlements in the course of 2015.

IRES and IRAP credits claimed from the Inland Revenue relate to reimbursements claimed by the Group Companies in 2013 (13,226 thousand euros) and 2009 (1,967 thousand euros).

19.h - Cash and cash equivalents – 978,440 thousand euros

This item amounted to 436,916 thousand euros (vs. 541,526 thousand euros at 31 December 2013) and constitutes the balance of bank and postal accounts opened with various banks and the Italian Post Office.

Notes to the Statement of Financial Position - Liabilities

20. Shareholders' equity – 1,397,478 thousand euros

| € thousand | 31.12.2014 | 31.12.2013 | Increase/ (Decrease) |
|--|------------------|------------------|-------------------------|
| Share capital | 1,098,899 | 1,098,899 | 0 |
| Statutory reserve | 83,428 | 78,704 | 4,724 |
| Reserve for treasury shares in portfolio | 0 | 0 | 0 |
| Other reserves | 62,369 | 78,699 | (16,330) |
| Retained earnings | 63,181 | 62,697 | 485 |
| Profit/(loss) for the period | 89,601 | 41,342 | 48,260 |
| TOTAL | 1,397,478 | 1,360,340 | 37,138 |

Shareholders' equity increased by 37,138 thousand euros compared to 31 December 2013. The change mainly relates to the profit for the year and the effects generated by the allocation of the result for 2013, as well as to changes in the cash flow hedge reserve.

Below is a breakdown of this item and related changes.

20.a - Share capital – 1,098,899 thousand euros

Share capital amounted to 1,098,899 thousand euros, represented by 212,964,900 shares with a value of 5.16 euros each, as per the Shareholders' Register and is currently subscribed to and paid in as follows:

- Municipality of Rome: 108,611,150 shares for a total par value of 560,434 thousand euros,
- Market: 103,936,757 shares for a total par value of 536,314 thousand euros,
- Treasury shares: 416,993 ordinary shares for a total par value of 2,151 thousand euros.

20.b – Statutory reserve – 83,428 thousand euros

This reserve reflects the allocation of 5% on net profit for previous annual periods, in accordance with article 2430 of the Italian Civil Code.

The balanced at 31 December 2014 showed an increase of 4,724 thousand euros compared to the previous year, following the allocation of the 2013 profit.

20.c – Reserve for treasury shares in portfolio – 0 thousand euros

At 31 December 2014, the reserve for treasury shares in portfolio amounted to 3,853 thousand euros.

Pursuant to art. 2428 of the Italian Civil Code, the treasury shares in portfolio consist of 416,993 shares with a par value of 5.16 euros each (a total of 2,152 thousand euros), representing 0.196% of share capital.

The value of this reserve offsets the value of the treasury shares accounted for as a reduction of shareholders' equity in compliance with IAS 32.

20.d – Other reserves – 62,369 thousand euros

The composition and changes of this item in the period are shown below:

| € thousand | 31.12.2014 | 31.12.2013 | Increase/ (Decrease) |
|---|---------------|---------------|-------------------------|
| Extraordinary reserve | 180 | 180 | 0 |
| Demerger reserve | 102.567 | 102.567 | 0 |
| Reserve for exchange differences | 19.894 | 19.542 | 352 |
| Reserve from the valuation of financial instruments | (48.773) | (34.951) | (13.822) |
| Revenue reserves and actuarial profit/(loss) | (7.542) | (5.467) | (2.075) |
| Other reserves | (3.959) | (3.173) | (785) |
| TOTAL | 62.369 | 78.699 | (16.330) |

The reserve for exchange differences, net of the relevant deferred tax, amounted to 19,894 thousand euros, i.e. up 352 thousand euro, and was set up on the ground the calculation at the exchange rate applicable at 31 December 2014 of the private placement in YEN executed in 2010. The cash flow hedge reserve, net of the relevant deferred tax, showed a negative balance of 48,773 thousand euros, against an equally negative balance of 34.951 thousand euros as at 31 December 2013. It is worth recalling that this reserve absorbs 3,333 thousand euros worth of the negative differential arising from the delta of conversion rates between the rate of the hedging agreement and the rate measured on the settlement date of the bond (3 March 2010). Among other changes occurred in the period under review, equity interest was acquired in Samace, which implied the booking of a premium of 785 thousand euros. The table below shows distributable and non-distributable reserves.

| 31 December 2014 - € thousand | | | | | |
|--|----------------|------------------------------|-------------------|--|----------------|
| Nature/Description | Amount | Potential utilisation | Available portion | Summary of utilisations made in the previous 3 years | |
| | | | | To cover losses | Other purposes |
| Capital reserves: | 0 | | | | |
| Revenue reserves from income statement: | | | | | |
| Statutory reserve | 83,428 | A, B | 83,428 | | |
| Premium on the acquisition of Umbra Acque | (3,173) | | (3,173) | | |
| Premium on the acquisition of SAMACE | (785) | | (785) | | |
| Available reserve for treasury shares | 0 | A, B, C | 0 | | |
| Reserve for treasury shares in portfolio | 3,853 | To guarantee treasury shares | 3,853 | | |
| Extraordinary reserve | 180 | A, B, C | 180 | | |
| Demerger reserve | 102,567 | A, B, C | 102,567 | 0 | 63,835 |
| Retained earnings | 0 | A, B, C | 0 | | |
| Revenue reserves from O.C.I.: | | | | | |
| Cash flow hedge reserve | (48,773) | | (48,773) | | |
| Reserve for exchange differences | 19,894 | | 19,894 | | |
| Revenue reserves and actuarial profit/(loss) | (7,542) | | (7,542) | | |
| TOTAL | 149,650 | | 149,650 | | |
| Non-distributable portion | | | 46,902 | | |
| Remaining distributable portion | | | 102,748 | | |
| *Key | | | | | |
| A = capital increase | | | | | |
| B = to cover losses | | | | | |
| C = to pay dividends | | | | | |

21. Staff termination benefits and other defined benefit plans – 30,685 thousand euros

This item grew 1,897 thousand euros from 28,787 thousand euros at 31 December 2013 and relates to termination and other benefits payable to employees on retirement or termination of employment. These obligations include defined benefit and defined contribution plans. The table below shows a breakdown of this item:

| € thousand | 31.12.2014 | 31.12.2013 | Increase/ (Decrease) |
|-------------------------------------|---------------|---------------|-------------------------|
| Termination benefits | | | |
| - Staff termination benefits | 9,695 | 9,463 | 232 |
| - Monthly bonuses | 1,518 | 1,274 | 244 |
| - Long-term incentive plans (LTIPs) | 2,016 | 1,595 | 421 |
| Total | 13,229 | 12,332 | 897 |
| Post-employment benefits | | | |
| - Tariff subsidies | 17,455 | 16,455 | 1,001 |
| TOTAL | 30,685 | 28,787 | 1,897 |

As for the calculation method used, with reference to post-employment benefits, the calculation is based on the "projected unit credit method", which measures the company's liability at the end of the reporting period as the average present value of future services duly prorated, on the basis the service performed by the employee at the time of calculation, to that that will have been rendered by the employee at the point in time when the service is paid for.

Changes in the period include **(i)** allocations for the period, **(ii)** resignations or retirements during the period, and **(iii)** the reduction of the rate used for the measurement of liabilities.

In particular, as regards the economic and financial scenario, a 1.49% discount rate was used for the calculation (compared to a rate of 3.17% used for the previous year).

As required by paragraph 78 of IAS19, the interest rate used to calculate the present value of the obligation is based on returns, at the end of the reporting period, on the securities of major companies listed on the same financial market as ACEA's, and on the return on bonds outstanding as on the same date and with a duration comparable to the residual duration of the analysed group of employees. In order to ensure consistency of calculation and comply with the provisions of IAS19, the same basis has been used for the various types of scheme.

The parameters used for the calculation are as follows:

| | December 2014 | December 2013 |
|---------------------------------|---------------|---------------|
| Discount rate | 1.49% | 3.17% |
| Rate of return growth (average) | 1.6% | 1.6% |
| Long-term inflation | 1.0% | 2.0% |

With reference to the calculation of Group Employee Benefits (staff termination benefits, monthly bonuses, tariff subsidies for current and retired employees) a sensitivity analysis was performed to determine the difference in liabilities due to flat positive and negative shifts in the rates curve (+0.5% shift / -0.5% shift). The results of this analysis are shown below.

| Scheme type | Discount rate | |
|-----------------------------------|--------------------|--------------------|
| | +0.5% | -0.5% |
| | Thousands of euros | Thousands of euros |
| Staff Termination Benefits | -593 | +645 |
| Tariff subsidies | -743 | +808 |
| Monthly bonuses | -91 | +99 |
| LTIPs | -20 | +20 |

Furthermore, a sensitivity analysis was performed in relation to the age of the group of employees by assuming a group of employees one year younger than the current ones.

| Scheme type | -1 year of age |
|----------------------------|--------------------|
| | Thousands of euros |
| Staff Termination Benefits | -71 |
| Tariff subsidies | +727 |
| Monthly bonuses | -79 |

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

22. Provisions for liabilities and charges – 56,567 thousand euros

The following table shows a breakdown of provisions and changes compared to the end of the previous year:

| Type of provision | 31.12.2013 | Utilisations | Reclas-sifications/ Releases | Allocations | 31.12.2014 |
|--|---------------|----------------|------------------------------|--------------|---------------|
| Investees | 45,652 | (97) | (2,300) | 246 | 43,501 |
| Legal risks | 5,036 | (1,214) | 0 | 2,575 | 6,397 |
| Contributory risks and risks with welfare and social security institutions | 3,301 | (9) | 0 | 56 | 3,348 |
| Early retirements and redundancies | 210 | (3,828) | 0 | 5,311 | 1,693 |
| Other liabilities and charges | 1,048 | 0 | 0 | 569 | 1,617 |
| Tax liabilities | 12 | 0 | 0 | | 12 |
| Total | 55,258 | (5,148) | (2,300) | 8,757 | 56,567 |

The main changes in the period were as follows:

- the provision set aside following the assessment of risks with subsidiaries, with special reference to Marco Polo was partially released to the extent of 2,300 thousand euros as a consequence of an assessment update made on the conclusion of its liquidation,
- the provision for legal risks was utilised to the extent of 1,214 thousand euros and a further amount of 2,575 thousand euros was appropriated to cover those risks;
- an appropriation worth 5,311 thousand euros was made to the provision for early retirements and redundancies, which was utilised to the extent of 3,828 thousand euros in total;
- a provision for charges was set aside to cover risks associated with the relationship with a supplier.

With reference to the provision for risks with welfare and social security institutions, it is worth recalling that ACEA's current employees are registered with both the INPDAP and the INPS occupational insurance funds. A number of contribution rates applied by the two funds differ considerably; these include those for family benefit payments (CUAF), for which INPDAP applies a rate of that is 3.72 percentage points above that applied by INPS.

Given the still uncompleted legislative process to pass legislation bringing the pension and social security contributions into line, ACEA decided that from November 2002 it would pay such contributions at the lower rate. The underlying legal basis is however unclear. With that in mind, INPS circular no. 103 of 16 June 2002 reiterated that, pending a clarification from the Ministry of Economy and Finance and the Ministry of Labour, with a still officially unchanged differential of 3.72 percentage points with respect to staff registered with the INPS occupational insurance fund,

the rate of 6.20% applied to staff registered with the INPDAP fund, reduced to 4.15% for 2011 was to be considered provisional.

The lack of legislative intervention, and the slow and unfavourable progress of the legal cases initiated encouraged ACEA to take action to settle the disputes by recognising the debt, and paying family benefit payments as requested by INPS since December 2012.

Finally, in December 2013, ACEA filed an irrevocable Discontinuance of Action for all pending cases.

The investees provision, 43,450 thousand euros in total, includes appropriations made in the previous years for risks with the subsidiaries ACEA Ato5 e GORI, worth 9,826 thousand euros and 22,127 thousand euros respectively, in relation to the well-known water-tariff issues and the persisting uncertainties characterising the operation of these companies.

23. Non-current borrowings and financial liabilities – 2,730,840 thousand euros

This item compares to an amount of 2,035,736 thousand euros at 31 December 2013, and is broken down below:

| € thousand | 31.12.2014 | 31.12.2013 | Increase/ (Decrease) |
|-----------------------------|------------------|------------------|-------------------------|
| Medium/long-term bonds | 1,909,117 | 1,290,759 | 618,358 |
| Medium/long-term borrowings | 821,723 | 744,977 | 76,746 |
| TOTAL | 2,730,840 | 2,035,736 | 695,104 |

The change compared with the closing balance of 695,104 thousand euros as at the end of the previous annual period mainly results from the issue, on 8 July 2014, of a 10-year bond loan worth 600 million euros, issued in relation to the Euro Medium-Term Notes (EMTN) programme and worth 1.5 billion euros (approved by the Board of Directors on 10 March 2014 and arranged by the three co-arrangers *Banca IMI*, *BNP Paribas* and *UniCredit Bank*), as well as from the effect caused by the repayment of the guaranteed loan with the EIB worth 100 million euros and the concurrent execution, on 23 December 2014, with the same institution, of a new loan worth 200 million euros, with maturity in June 2030, to finance investments in the Water Segment.

Medium/long-term bonds

This item includes:

- 599,223 thousand euros (including accrued interest and execution costs) worth of a 10-year fixed-rate bond loan issued by ACEA in July 2014 in relation to the EMTN programme having a value of 1.5 billion euros.

Bonds, with a minimum denomination of 100,000 euros each and maturing on 15 July 2024, pay a gross annual coupon of 2.625% and were placed at an issue price of 99.195. The gross effective yield at maturity is 2.718%, corresponding to a return of 128 basis points above the mid-swap rate at 10 years. Bonds are subject to English law. The repayment date was 15 July 2014. Interest accrued during the period amounted to 7,336 thousand euros.

- 602,177 thousand euros (including accrued interest) worth of a 5-year bond loan issued by ACEA in early September 2013, with maturity on 12 September 2018.

This payable, net of the positive fair value recognised under net finance costs in the income statement and worth 1,170 thousand euros, amounts to 601,007 thousand euros.

Bonds pay a gross annual coupon of 3.75% and were placed at an issue price of 99.754. The gross effective yield at maturity is therefore 3.805%, corresponding to a return of 230 basis points above the reference rate (mid-swap at 10 years). Bonds are subject to English law. The

settlement date was 12 September 2013. Interest accrued during the period amounted to 22,500 thousand euros,

- 515,788 thousand euros (including accrued interest) worth of a 10-year bond loan issued by ACEA in March 2010, maturing on 16 March 2020. Interest accrued during the period amounted to 22,500 thousand euros. Bonds have a minimum denomination of 50 thousand euros, pay a gross annual coupon of 4.5% and were placed at an issue price of 99.779. The gross effective yield at maturity is therefore 4.528% corresponding to a return of 120 basis points above the reference rate (mid-swap at 10 years). Bonds are subject to English law. The settlement date was 16 March 2010,
- 138,197 thousand euros worth of a private placement which, net of the fair value of the hedge, i.e. a negative 54,902 thousand euros, amounted to 193,099 thousand euros. The fair value was allocated to a specific equity reserve. The exchange rate difference - negative by 27,440 thousand euros as calculated at 31 December 2014 on the hedged instrument - was allocated to a translation reserve. The exchange rate at the end of 2014 was 145.23 euros compared to 144.72 euros at 31 December 2013. Interest accrued during the period amounted to 3,598 thousand euros. This private placement relates to a private bond loan for 20 billion Japanese Yen with a 15-year maturity term (2025). The private placement was entirely subscribed to by a single investor (AFLAC). Coupons are paid on a deferred half-yearly basis on 3 March and 3 September each year at a fixed rate in Yen of 2.5%. At the same time, a cross-currency transaction was executed to convert Yens to Euros and the applied yen rate to a fixed euro rate. The cross-currency agreement provides that the bank will pay ACEA, on a deferred half-yearly basis, 2.5% on 20 billion Japanese Yen, while ACEA will have to pay the bank for the coupons on a deferred quarterly basis at a fixed rate of 5.025%. The loan agreement and the hedge contract contain an option in favour of the investor and the agent bank respectively, connected to a rating trigger: the payable and its derivative instrument can be fully recalled if ACEA's rating falls below the investment-grade threshold or if the debt instrument loses its rating. At the end of the year, no conditions occurred to exercise the option.

Medium/long-term borrowings

The closing balance of 821,723 thousand euros was up 76,746 thousand euros from the previous year and represents the amount payable for the principal portions outstanding at 31 December 2014 and due beyond twelve months.

The increase is mainly ascribable to the net effect generated by the repayment of the 100 million loan taken out with the EIB in January 2012 and the concurrent execution of a new 200 million loan due in June 2030.

The main borrowings, whose aggregate value at 31 December 2014 inclusive of short-term portions, amounted to 845,936 thousand euros, are described below:

- an unsecured loan for a residual amount of 609 thousand euros, whose original amount was 25,143 thousand euros, intermediated by Banca di Roma; this loan will be repaid over fifteen years at a fixed 5.48% rate;
- a 200,000 thousand euros loan taken out on 25 August 2008 for the water services segment investment plan (ACEA Ato2) with a term of 15 years. At 31 December 2014, this loan amounted to 127,952 thousand euros.

The first tranche of 150,000 thousand euros was disbursed in August 2008; the rate of interest is 6-month Euribor plus a spread of 7.8 basis points.

In 2009, a second tranche was disbursed for 50,000 thousand euros with an interest rate equal to 6-month Euribor plus a spread of 0.646%, maturing on 15 June 2019;

- a 200,000 thousand euros loan taken out on 9 October 2008 and maturing in March 2016; the interest rate applied by the bank is 6-month Euribor plus a spread of 62.5 basis points; the loan is not subject to covenants but standard negative-pledge and acceleration-events clauses are contemplated in the agreement;

- a loan for an initial amount of 100,000 thousand euros taken out on 31 March 2008 and maturing on 21 December 2021; the bank applies a floating rate of interest, with repayments to be made every six months; the first instalment was paid on 30 June 2010; at 31 December 2013, the residual amount of this loan was 58,333 thousand euros. The interest rate risk associated with this loan was hedged via an interest rate swap with a view to converting the underlying loan from floating to fixed rate. The swap matches the underlying loan repayment schedule. In compliance with IAS 39, the Company tested the effectiveness of the hedging instrument in accordance with the hedge accounting method on the basis of the cash flow hedge model. The test revealed that the hedge is 99.82% effective, meaning that no portion taken to the income statement has evidenced the ineffectiveness of the instrument; the negative fair value of the hedging instrument (9,037 thousand euros) was booked to a specific equity reserve;
- a 100,000 thousand euros loan taken out with the EIB in 2009 to cover the requirements of the multiannual investment plan for the development and extension of the electricity distribution network over a four-year period. The applied rate of interest is 6-month Euribor plus a 0.665% spread with maturity in June 2018;
- a 200,000 thousand euros loan taken out with the EIB on 23 December 2014 to cover the requirement of the multiannual investment plan in the water segment. The applied rate of interest is 6-month Euribor plus a 0.45% spread with maturity in June 2030.

The following table shows a breakdown of borrowings by type of interest rate and term to maturity. The table also shows the short-term portion maturing on 31 December 2015, equal to 24,213 thousand euros.

| € thousand | TOTAL RESIDUAL DEBT | DUE ON 31.12.2015 | 31.12.2015 TO 31.12.2019 | AFTER 31.12.2019 |
|--|---------------------|-------------------|--------------------------|------------------|
| fixed rate | 609 | 297 | 312 | 0 |
| floating rate | 777,941 | 15,580 | 402,252 | 360,109 |
| floating to fixed rate | 67,386 | 8,335 | 46,551 | 12,500 |
| Total medium/long and short term borrowings | 845,936 | 24,213 | 449,115 | 372,609 |

Information on financial instruments is provided in the section "Additional disclosures on financial instruments and risk management policies".

24. Other non-current liabilities - 269 thousand euros

These relate to the deferment of the gain generated in 2005 by the transfer of the public lighting business to ACEA Distribuzione and the 1,623 thousand euros reduction of the relevant portion calculated on the basis of the term of the former service contract with Roma Capitale (ten years).

25. Provision for deferred taxes – 9,818 thousand euros

This item grew 579 thousand euros from the level at 31 December 2013. For a breakdown, kindly refer to the table under the section "Deferred tax assets" hereof.

26. Current liabilities – 1,180,956 thousand euros

This item grew 36,322 thousand euros and is broken down below.

| € thousand | 31.12.2014 | 31.12.2013 | Increase/ (Decrease) |
|---------------------------|------------------|------------------|-------------------------|
| Borrowings | 929,849 | 911,716 | 18,133 |
| Trade payables | 143,120 | 152,182 | (9,062) |
| Tax Payables | 88,091 | 55,384 | 32,707 |
| Other current liabilities | 19,896 | 25,352 | (5,455) |
| TOTAL | 1,180,956 | 1,144,634 | 36,322 |

26.a – Borrowings – 929,849 thousand euros

This item increased 18,133 thousand euros and is broken down below:

| € thousand | 31.12.2014 | 31.12.2013 | Increase/ (Decrease) |
|------------------------------------|----------------|----------------|-------------------------|
| Due to subsidiaries and associates | 904,655 | 520,732 | 383,922 |
| Short-term bonds | 0 | 306,285 | (306,285) |
| Bank loans | 24,213 | 28,240 | (4,027) |
| Due to Roma Capitale | 980 | 30,485 | (29,504) |
| Due to others | 1 | 25,974 | (25,973) |
| TOTAL | 929,849 | 911,716 | 18,133 |

Changes occurred in:

- amounts due to subsidiaries and associates, mainly relating to **(i)** the centralised treasury service, which grew 383.922 thousand euros as a result of the higher financial exposure in the period with the Group companies, **(ii)** the booking of aggregate amounts due to Aquaser for the acquisition of participating interests in the companies Samace and Solemme, and **(iii)** the reduction to zero of the amounts due to ACEA Ato5 to cover losses.

In further detail, a breakdown is given below by type of payables to subsidiaries:

| € thousand | 31.12.2014 | 31.12.2013 | Increase/ (Decrease) |
|--|----------------|----------------|-------------------------|
| Payables for cash pooling transactions | 889,538 | 516,255 | 373,282 |
| Other borrowings | 2,457 | 2,304 | 153 |
| Amounts due to ACEA Ato5 to cover losses | 0 | 2,173 | (2,173) |
| Amounts due to Aquaser for the purchase of participating interests in Samace e Solemme | 12,660 | 0 | 12,660 |
| TOTAL | 904,655 | 520,732 | 383,922 |

- short term bonds, as a result of the payment in July of the bond loan worth 300,000 thousand euros issued in 2004,
- amounts due to banks on loans as a result of the repayment of loans matured in June 2014, taken out with the EIB in 2008 and compensated for by the booking of interest on the other loans matured during the period,
- financial payables to Roma Capitale, down 29,504 thousand euros following the payment of the borrowing booked in December 2013 as an advance on dividends approved by the Board of Directors,
- financial payables to others, down 25,973 thousand euros following the payment of borrowings for the 2013 dividends payable to the market (25,985 thousand euros).

26.b - Trade payables – 143,120 thousand euros

This item fell 9,062 thousand euros compared to the previous annual period and is broken down below.

| € thousand | 31.12.2014 | 31.12.2013 | Increase/ (Decrease) |
|------------------------------------|----------------|----------------|-------------------------|
| Due to third-party suppliers | 54,614 | 66,465 | (11,851) |
| Due to Roma Capitale | 20,516 | 20,516 | 0 |
| Due to subsidiaries and associates | 67,990 | 65,201 | 2,789 |
| TOTAL | 143,120 | 152,182 | (9,062) |

Amounts due to third-party suppliers fell 11,851 thousand euros in total, in further detail:

| € thousand | 31.12.2014 | 31.12.2013 | Increase/ (Decrease) |
|----------------------|---------------|---------------|-------------------------|
| Bills received | 31,778 | 33,532 | (1,753) |
| Bills to be received | 22,835 | 32,933 | (10,098) |
| TOTAL | 54,614 | 66,465 | (11,851) |

In respect of trade payables for bills received (31,778 thousand euros), the portion due amounted to 3,616 thousand euros, the remaining amount will be due within the next twelve months.

Amounts due to subsidiaries and associates rose to the level of 2,789 thousand euros, broken down as follows:

| € thousand | 31.12.2014 | 31.12.2013 | Increase/ (Decrease) |
|-----------------------------|---------------|---------------|-------------------------|
| ACEA Illuminazione Pubblica | 55,164 | 47,671 | 7,493 |
| ACEA Energia | 7,263 | 8,325 | (1,061) |
| ACEA Distribuzione | 2,480 | 3,342 | (862) |
| Citelum ACEA Napoli | 1,395 | 4,033 | (2,638) |
| ACEA Ato2 | 498 | 132 | 366 |
| Marco Polo | 392 | 871 | (479) |
| ACEA Ato5 | 283 | 202 | 82 |
| Acea8cento | 248 | 88 | 160 |
| ABAB | 78 | 78 | 0 |
| ARIA | 76 | 288 | (212) |
| Others | 111 | 170 | (59) |
| TOTAL | 67,990 | 65,201 | 2,789 |

26.c - Tax payables – 88,091 thousand euros

Tax payables exhibited an increase of 32,707 thousand euros, broken down as follows.

| € thousand | 31.12.2014 | 31.12.2013 | Increase/ (Decrease) |
|---|---------------|---------------|-------------------------|
| IRES and IRAP | 31,468 | 0 | 31,468 |
| Deferred VAT | 29,398 | 14,524 | 14,874 |
| Withholding taxes | 1,780 | 1,763 | 17 |
| Immediate VAT | 0 | 1,751 | (1,751) |
| Other tax payables | 10 | 36 | (25) |
| Total tax payables due to the Inland Revenue | 62,656 | 18,074 | 44,582 |
| Due to subsidiaries within the consolidation scope | 25,435 | 37,310 | (11,875) |
| Total tax payables | 88,091 | 55,384 | 32,707 |

The increase in tax payables is attributable to higher IRES and IRAP settlements due in 2014.

26.d – Other current liabilities – 19,896 thousand euros

Other current liabilities were down 5,455 thousand from the level at 31 December 2013, in detail:

| € thousand | 31.12.2014 | 31.12.2013 | Increase/ (Decrease) |
|---|---------------|---------------|-------------------------|
| Amounts due to social security institutions | 3,295 | 3,246 | 49 |
| Other amounts due to subsidiaries and associates | 0 | 1,140 | (1,140) |
| Other payables | 16,601 | 20,965 | (4,364) |
| <i>amounts due to staff</i> | 9,016 | 9,140 | (124) |
| <i>collections from customers to be reconciled/returned</i> | 5,376 | 8,620 | (3,244) |
| <i>amounts due to various Municipalities</i> | 901 | 901 | 0 |
| <i>instalments due to INPS</i> | 0 | 826 | (826) |
| <i>insurance payables</i> | 592 | 706 | (113) |
| <i>instalments due to Equitalia</i> | 325 | 385 | (60) |
| <i>accrued liabilities and deferred income</i> | 195 | 269 | (74) |
| <i>other payables</i> | 195 | 119 | 77 |
| TOTAL | 19,896 | 25,352 | (5,455) |

For the sake of greater clarity, these financial statements do not report payables falling due after five years, other than those already mentioned under the item Borrowings.

Related party transactions

ACEA and Roma Capitale

Roma Capitale holds a controlling interest via its 51% holding in ACEA.

Transactions between ACEA and Roma Capitale include the provision of public lighting maintenance and upgrading services by ACEA to the Municipality.

With regard to public lighting, the Group provides public lighting services on an exclusive basis within the Rome area. As part of the thirty-year free concession granted by the Municipality of Rome in 1998, the economic terms of concessionary services are currently governed by a service contract signed by the parties, effective as of May 2005 until the concession expiry (31 December 2027), subject to the terms of the supplemental agreement (i.e. contract addendum) signed by ACEA and Roma Capitale on 15 March 2011.

The clauses of the supplemental agreement are summed up below:

- ✚ alignment of the term of the service contract with the expiry of the concession (2027) as the mere function of the service contract is to set forth terms and conditions for the concession previously granted by the concession contract;
- ✚ annual update of the electricity-consumption and maintenance components of the service fee;
- ✚ annual increase of the lump-sum payment commensurately with the installation of new luminaires.

Furthermore, the investments required for the service may be (i) requested and funded by the Municipality or (ii) financed by ACEA: in the former case, the services will be paid for on the basis of a price list agreed by the parties (and subject to a review every two years) with a consequent percentage decrease in the ordinary fee; in the latter case, the Municipality will not be bound to pay a surcharge; however, ACEA will be awarded all or part of the savings expected in both energy and economic terms according to pre-established methods.

It is also set forth that qualitative/quantitative parameters will be renegotiated in 2018.

Upon natural or anticipated expiry, ACEA will be awarded a compensation corresponding to the residual carrying amount, which will be paid by the Municipality or the incoming operator if this obligation is expressly set out in the call for tenders for the selection of the new operator.

Finally, the contract reports a list of events that provide a ground for early termination of the concession and/or termination of contract by mutual consent between the parties. Among these events, reference is made to newly arising requirements considered to be in the public interest, with the express inclusion of the requirement stated in article 23 *bis* of Decree-Law 112/2008, subsequently repealed following the referenda of 12 and 13 June 2011, which entitles ACEA to a compensation calculated by the discounted product of a defined percentage of the annual contractual amount multiplied by the number of years remaining until the concession expiry.

As the supplemental agreement exceeds the materiality thresholds fixed by the Company for transactions with related parties, it underwent scrutiny by the Board of Directors and was later approved in the Board meeting of 1 February 2011, with due account taken of a prior favourable opinion received from the Related Party Transactions (RPT) Committee.

The credit and debt positions of both parties are governed by individual contracts and related payment terms and conditions:

- a. under the public lighting service contract, payment shall be made within sixty days of receipt of invoice and, in case of a delayed payment, the legal interest rate will apply for the first sixty days, after which a default interest rate will apply as annually established by a special decree of the Ministry of Public Works in agreement with the Ministry of Economy and Finance,
- b. under all other service contracts, the payment term granted to Roma Capitale for its rendered services is sixty days of receipt of invoice; in the event of a delayed payment, the parties have agreed to apply the then current official Bank rate.

The total consideration accrued at 31 December 2014, calculated on the basis of luminaires installed as on 31 December 2013, amounted to 53,557 thousand euros.

Any new constructions and investments will increase the lump-sum payment commensurately with annual rates of accrual calculated according to the tax depreciation mechanism envisaged for plants falling under a specific construction or investment project and with a percentage reduction on the ordinary fee due from Roma Capitale, as defined in the pricing and technical project document.

A variable rate of interest applies for return on invested capital.

For further information on the scope of transactions between ACEA and Roma Capitale, kindly refer to the illustrations and comments on the amounts due to and from the controlling company Roma Capitale in note no. 19.c hereof.

Revenues and costs of the most significant transactions as at 31 December 2014 are summed up in the table below.

| € thousand | REVENUES | | COSTS | |
|----------------------------------|---------------|---------------|------------|------------|
| | 31.12.2014 | 31.12.2013 | 31.12.2014 | 31.12.2013 |
| Public lighting service contract | 53,557 | 53,203 | 0 | 0 |
| TOTAL | 53,557 | 53,203 | 0 | 0 |

ACEA and the Roma Capitale Group

ACEA has additional trade relations with Companies, Special-Purpose Municipal Companies or Agencies controlled by Roma Capitale.

The table below shows a few items associated with transactions with the above entities falling within the scope of the Roma Capitale Group.

| Roma Capitale Gruppo – Amounts in thousands of euros | Payables | Costs | Receivables | Revenue |
|--|--------------|--------------|--------------|------------|
| | 31.12.2014 | 31.12.2014 | 31.12.2014 | 31.12.2014 |
| AMA S.P.A. | 673 | 995 | 17 | 0 |
| ATAC S.P.A. | 0 | 0 | 4,093 | 0 |
| ROMA METROPOLITANE S.R.L. | 0 | 0 | 56 | 0 |
| FONDAZIONE CINEMA PER ROMA | 101 | 100 | 0 | 0 |
| FONDAZIONE MUSICA PER ROMA | 49 | 40 | 0 | 0 |
| INVESTIMENTI S.P.A. | 0 | 0 | 0 | 0 |
| RISORSE PER ROMA R.P.R. S.P.A. | 0 | 0 | 257 | 0 |
| ROMA MULTISERVIZI S.P.A. | 1,060 | 1,495 | 0 | 0 |
| ZETEMA PROGETTO CULTURA S.R.L. | 610 | 0 | 0 | 0 |
| Total | 2,492 | 2,630 | 4,406 | 0 |

ACEA and its subsidiaries

Financial relations

In fulfilling its function as an industrial holding company, ACEA S.p.A. defines strategic objectives and coordinates activities for both the Group and its subsidiaries.

At Group level, ACEA S.p.A. acts as a centralised treasurer on behalf of its major subsidiaries.

In the intervening time before the amendment of the applicable treasury contracts, which expired on 31 December 2013, intercompany treasury relations are managed as follows:

- set up of a medium/long-term credit line for a pre-established amount to cover funding needs generated by investments;

- This credit line (i) has a three-year term running from 1 January 2011, (ii) generates interest (updated on an annual basis) at a 3-year IRS rate plus spread aligned with that of a bond issued on the equity market with BBB rating, and (iii) is priced at an annual credit fee calculated on the credit limit;
- set up of a general purpose line for the companies' current funding requirements.
Credit line (i) has a three-year term running from 1 January 2011, (ii) generates interest payable at an yearly adjusted rate corresponding to 3-year IRS plus a spread aligned with that of a BBB rated bond issued on the capital market and a lending rate calculated as the arithmetic mean of intraday 3M Euribor rates for each calendar quarter less a 5 bp annual spread, and (iii) is priced at an annual credit fee calculated on the credit limit.
ACEA also acts as guarantor for the Group companies: in this regard the contract that governs the general-purpose line sets a limit for guarantees and separate costing for bank guarantees and corporate guarantees.

ACEA S.p.A. provides administrative, financial, legal, logistical, management and technical services to subsidiaries and associated companies in order to optimise the use of existing resources and know-how in an economically advantageous manner. These services are governed by the appropriate annual service contracts.

Previous contracts were valid for the three-year period 2011 to 2013 and were based on contractual amounts quoted at market prices and on the effectively provided quantities.

As for service contracts, since 1 January 2014, ACEA has completed the following activities in the context of the three-year duration of contracts: **(i)** a review of the catalogue of offered services, **(ii)** alignment of tariffs to market prices, **(iii)** measures introduced to ensure the compliance of service contracts with regulatory requirements and with the provisions of the applied MOGC (Organisation, Management and Control Model) and **(iv)** introduction of new SLAs (Service Level Agreements) designed to improve the offered service level in relation to a number of KPIs (Key Performance Indicators).

The new tariff schedule substantially shows a reduction of total tariffs for almost all companies.

It is also worth noting that, as part of the ACEA 2.0 project, specific addenda were introduced to the contracts governing the services rendered by ACEA to its key subsidiaries.

The contractual amount is equal to the cost incurred.

ACEA and the major companies of the Caltagirone Group

| Caltagirone Group – Amounts in thousands of euros | Payables | Costs | Receivables | Revenue |
|--|-------------------|-------------------|--------------------|-------------------|
| | 31.12.2014 | 31.12.2014 | 31.12.2014 | 31.12.2014 |
| PIEMME SPA - CONCESSIONARIA DI PUBBLICITA' SPA | 39 | 94 | 0 | 0 |
| METROPOLITANA DI NAPOLI SPA | 0 | 0 | 137 | 134 |
| Total | 39 | 94 | 137 | 134 |

ACEA and the major companies of the ONDEO Group

| ONDEO - Amounts in thousands of euros | Payables | Costs | Receivables | Revenue |
|--|-------------------|-------------------|--------------------|-------------------|
| | 31.12.2014 | 31.12.2014 | 31.12.2014 | 31.12.2014 |
| ONDEO ITALIA SPA | 57 | 108 | 0 | 0 |
| Total | 57 | 108 | 0 | 0 |

The tables below sums up the impact of relations with related parties on the Statement of Financial Position, the Income Statement and the Statement of Cash Flows.

Impact on the Statement of Financial Position

| Financial Position | 31.12.2014 | Of which, with related parties | % impact | 31.12.2013 | Of which, with related parties | % impact | Increase/ (Decrease) |
|-------------------------------------|------------|--------------------------------|----------|------------|--------------------------------|----------|----------------------|
| Financial assets | 1,971,000 | 1,928,415 | 97.8% | 1,749,406 | 1,704,143 | 97.4% | 221,593 |
| Trade receivables | 38,420 | 4,543 | 11.8% | 42,952 | 4,419 | 10.3% | (4,532) |
| Intragroup trade receivables | 42,161 | 42,161 | 100.0% | 52,724 | 52,724 | 100.0% | (10,562) |
| Intragroup current financial assets | 298,773 | 298,773 | 100.0% | 224,892 | 224,892 | 100.0% | 73,881 |
| Current tax assets | 100,284 | 36,988 | 36.9% | 68,909 | 19,496 | 28.3% | 31,375 |
| Financial payables | 929,849 | 905,635 | 97.4% | 911,716 | 551,217 | 60.5% | 18,133 |
| Trade payables | 143,120 | 91,095 | 63.6% | 152,182 | 88,370 | 58.1% | (9,062) |
| Tax Payables | 88,091 | 25,435 | 28.9% | 55,384 | 37,310 | 67.4% | 32,707 |

Impact on the Income Statement

| Income Statement | 31.12.2014 | Of which, with related parties | % impact | 31.12.2013 | Of which, with related parties | % impact | Increase/ (Decrease) |
|----------------------------------|------------|--------------------------------|----------|------------|--------------------------------|----------|----------------------|
| Revenue from sales and services | 173,734 | 166,103 | 95.6% | 162,405 | 154,446 | 95.1% | 11,329 |
| Other revenue and proceeds | 12,650 | 6,113 | 48.3% | 14,496 | 6,286 | 43.4% | (1,846) |
| Costs of materials and overheads | 131,329 | 74,382 | 56.6% | 129,019 | 71,368 | 55.3% | 2,310 |
| Financial income | 101,287 | 97,737 | 96.5% | 87,215 | 83,051 | 95.2% | 14,072 |
| Financial costs | 87,799 | 687 | 0.8% | 80,859 | 534 | 0.7% | 6,940 |
| Profits on equity investments | 107,917 | 107,917 | 100.0% | 120,069 | 120,069 | 100.0% | (12,152) |
| Losses on equity investments | 954 | 954 | 100.0% | 1,446 | 1,446 | 100.0% | (492) |

Impact on the Statement of Cash Flows

| Statement of Cash Flows | 31.12.2014 | Of which, with related parties | % impact | 31.12.2013 | Of which, with related parties | % impact |
|---|------------|--------------------------------|----------|------------|--------------------------------|----------|
| Cash flow from operations | (14,172) | (10,919) | 77.0% | (12,660) | 29,471 | (232.8%) |
| Cash flow from investment/disinvestment | (112,297) | (202,537) | 180.4% | 117,853 | 20,746 | 17.6% |
| Cash flow from financing (loans) | 563,384 | (391,238) | (69.4%) | 58,767 | (70,224) | (119.5%) |

List of related-party transactions

Related Party Transactions (RPTs) qualified as being of major significance irrespective of their amount and, consequently, examined by the RPT Procedure include:

The "LED Project", notified to the RPT Committee on 5 November 2014 pursuant to the disclosure requirement under paragraph 2.1 (Negotiation Phase) of the RPT Procedure. The transaction is qualified as being of major significance, although the declared values in question do not exceed the applicable materiality threshold, since the transaction falls in the broader scope of the public lighting service contract with Roma Capitale. As of the date hereof, the contractual draft, compiled in the form of a proposal for an "Implementing Measure" and duly revised and updated by ACEA, is being examined by Roma Capitale.

Update on major legal disputes

Tax issues

Tax audit on ACEA

On 17 September 2014 the Latium Regional Directorate of the Inland Revenue Office (*Agenzia delle Entrate – Direzione Regionale del Lazio*) initiated a general tax audit on ACEA (for IRES, IRAP and VAT taxes) in relation to tax year 2011, which ended on 23 December 2014 with the service of a record of findings (*processo verbale di constatazione*) containing a single complaint with respect to IRAP (Regional Business Tax) and, specifically, claiming a higher taxable income (207 thousand euros). On 19 January, the Company formalised its acceptance of the record of findings.

Other issues

E.ON. Produzione S.p.A. against ACEA, ACEA Ato2 and AceaElectrabel Produzione

E.ON. Produzione S.p.A. initiated this lawsuit, as successor to Enel of a number of concessions for the abstraction of public water for electricity production from the Peschiera spring, seeking an order against the jointly and severally liable defendants (ACEA, ACEA Ato2 and AceaElectrabel Produzione) to pay a water abstraction fee (or a compensation for damage for illegitimate abstraction) whose amount has remained frozen to the level agreed in the 1980s, to the extent of 48.8 million euros (plus the sums due for 2008 and later) or, in the alternative, the payment of the sum of 36.2 million euros.

Following the submission, with the competent Regional Court of Public Waters (TRAP), of an appraisal report by the court expert on the measurement of the abstracted quantities, and of the consequently reduced hydropower production, as well as of the amount of compensation due, the Deputy Presiding Judge adjourned the case to the hearing of 3 October 2013, on which occasion statements of case were filed on the partial payments of past due abstraction fees. In the 9 January 2014 hearing, the proceeding was adjourned for further consideration.

The calculation made in the expert's report shows that, the claimed amounts, supposing they were founded – which is unlikely, as the documents containing the compensation measurement parameters are still considered valid and effective – should be considerably reduced to substantially the level of the equalisation amounts already estimated by the Group.

On 3 May 2014, by ruling no. 14/14, the TRAP rejected E.ON's claim in its entirety, on the ground that the 1985 agreements were still effective, and considered the same claim recoverable only to the extent of the 'abstraction fee', whereas the sought measurement of equalisation amounts was judged unacceptable.

E.ON was ordered to pay legal expenses worth 32 thousand euros as well as the expert's fee and any additional sums required by law.

On 23 June 2014 E.ON filed an appeal before the High Court of Public Waters (TSAP) with a first hearing scheduled for 1 October 2014. After a number of referrals made pursuant to procedural rules, in the 14 January 2015 hearing, the case was adjourned to a hearing before a panel of judges scheduled for 10 May 2015 to decide, *inter alia*, on E.ON's filed request for a new expert's report.

ACEA/SASI Case

By ruling 6/10, the TRAP accepted a claim for damages for illegitimate water abstraction from the Verde river, filed by ACEA against Società Abruzzese per il Servizio Integrato S.p.A. (SASI) and awarded ACEA 9 million euros in damages, plus interest accrued from 14 June 2001 to 30 July 2013.

The ruling, which is not provisionally enforceable, was challenged by SASI before the TSAP, and ACEA filed a cross-appeal. By non-final ruling no. 117/13, dated 11/06/13, the TSAP upheld one of the grounds for the appeal, and listed again the case for trial ordering a court expert's appraisal of

the loss caused to ACEA in the period 2010 to 2013. The TSAP scheduled a hearing for 23 October 2013, which was then postponed to 27 November 2013. On the same date, an opinion was requested from the same expert used in the first-instance proceeding and the case was adjourned to 14 May 2014 for the filing of the expert's report. In his report the expert reduced the amount due by SASI to 6 million euros and, in the hearing of 28 January 2015, the TSAP rejected the opposing party's request for clarifications from the expert, and postponed the decision to a later hearing on 27 May 2015.

A.S.A. – ACEA Servizi Acqua – SMECO

By a writ served in autumn 2011, ACEA was summoned to appear in court for alleged damage caused to minority shareholders, as well as their respective shareholders and partners, by ACEA's implausible failure to comply with inexistent and groundless obligations supposedly contemplated in the Shareholders' Agreement of the subsidiary A.S.A. – ACEA Servizi Acqua. The claim value amounts to more than 10 million euros.

The judge upheld SMECO's claim and appointed a court expert to appraise any incurred costs, lost profit and the fee payable for the put option set forth in shareholders' agreements.

At the hearing of 11 February 2014 held to discuss the observations on the submitted expert's report, the Judge granted an additional time limit to the parties to file notes on the expert's report and summoned the expert to appear at the hearing of 20 March 2014 for clarifications.

Subsequently to the filing of notes, the Deputy Presiding Judge, on deciding on the subject matters that had remained undecided during the hearing of 20 March 2014, substantially accepted the arguments of the defence and of the ACEA expert, and referred the case to the hearing of 1 July 2014 in order to define, with due account taken of any further arguments to be presented by the parties and the ACEA expert, which documentation had to be acquired from ACEA Ato2 in order to supplement the contents of the court expert's report. At the hearing of 1 July 2014, the newly appointed judge took the requests for supplements to the report under advisement; however he subsequently rejected it by an out-of-court order. On 20 January 2015, the case was again taken under advisement.

Milano '90 Dispute

The case was initiated on the ground of the failed payment of the final instalment of 5 million euros due from Milano '90 on the purchase price for an area of the Rome municipality accessible from Via Laurentina 555. The purchase agreement was executed on 28 February 2007 with a subsequent addendum executed on 5 November 2008. By this addendum the parties agreed to increase the overall contract amount from 18 to 23 million euros, to concurrently remove the earn-out clause and to fix the payment deadline at 31 March 2009.

Given the purchaser's failure to pay, a procedure was initiated to recover the sums due by serving a notice of payment on Milano '90 and, subsequently, by filing an application for an order for payment, which was issued on 28 June 2012 in the form of a provisionally enforceable order.

The above order was served on the defaulter on 3 September 2012; on 23 November the court bailiff was entrusted with the enforcement of a writ of garnishment for the sums to be recovered.

Milano '90's defence to the order for payment was brought before the Tenth Chamber of the Rome Court. In the context of the latter proceeding, a sub-proceeding was also initiated pursuant to article 649 of the Italian Civil Procedure Code seeking to suspend the provisional enforcement of the order for payment; the petition for a suspension was upheld by the judge.

An enforcement proceeding initiated after the initiation of the provisional enforcement of the order for payment (now suspended) has also been suspended.

At the hearing of 13 March 2014, the judge decided to postpone his decision on a request for the admission of preliminary evidence.

With a decision dated 7 April 2014, the same judge decided that a technical enquiry was needed to assess the zoning status of the property, and further decided to accept the request for witness evidence from ACEA; he consequently adjourned the hearing to 18 December 2014 to hear the

witnesses and engage a court expert. The investigating judge also ordered ACEA to produce the documentation requested by the opposing party. The appointed expert was also entrusted with the task of appraising the zoning status of the area at the time of the purchase and the related buildable volumes. The case was then referred to a hearing scheduled for 22 October 2015 for the filing of the expert's report, which is currently being compiled.

Trifoglio dispute

In this complex litigation, ACEA appeared in court as plaintiff in one case and as defendant in another.

Plaintiff: the ground for this lawsuit is Trifoglio's breach of its obligation to pay the balance of a total contractual amount of 10.3 million euros for the purchase of the Autoparco property, which balance was due and payable on 22 December 2011.

Following this breach of contract, a warning notice was served on Trifoglio as a preliminary step for the execution of a deed of voluntary termination of the property-purchase agreement dated 22 December 2010, and the further filing of a lawsuit before the Rome Court pursuant to art 702 *bis* of the Italian Civil Procedure Code. The appearance hearing scheduled for 13 November 2012 was postponed to 30 April 2013 following Trifoglio's filing of a writ of summons for a third party (Consorzio Piano Assetto C9 Stazione Ostiense).

In the meantime, ATAC Patrimonio filed a claim for the termination of the purchase agreement of 22 December 2010 limited to the part for which it is responsible.

Following the change of the proceedings from summary to ordinary, the Court adjourned the case to 7 May 2014 for the admission of evidence and fixed a term, running from 14 January 2014, for the filing of the statements of case under art. 183 par. VI of the Civil Procedure Code.

Concurrently with the filing of the statements of case under art. 183 no. 1 of the Civil Procedure Code, a new defence team appeared in court on behalf of Trifoglio, who filed additional complaints for breach by ACEA on the ground of the argued impossibility by Trifoglio to complete the development of the area covered by the purchase agreement.

The case was then adjourned to a hearing scheduled for 14 October 2014 for it to be joined with another proceeding on the same subject matter initiated by ATAC Patrimonio and, if possible, with the further proceeding initiated by Trifoglio described below.

Defendant: a new proceeding brought to the Company's attention was initiated by Trifoglio on the same property-purchase agreement to obtain a declaration of invalidity of the agreement. In its writ of summons, Trifoglio requested the joinder of this lawsuit with the proceeding initiated by ACEA, and the admission of a new expert's opinion. The writ, served on both ACEA and ATAC Patrimonio, contains a claim for a compensation of approximately 20 million euros in damages.

In its statement of case filed pursuant to art. 183 no. 2 of the Civil Procedure Code, the opposing party requested the admission of an expert's opinion substantially on the possibility to proceed with the development of the area.

At the hearing of 27 May 2014, scheduled to discuss Trifoglio's summons, the case was referred back to the President of the Chamber that had previously ordered to refer it to the judge seized of the proceedings initiated by the ACEA, on the ground of possible joinder. As things stand, the opposing party's claims appear to be groundless.

The cases were joined before the judge seized with the case where ACEA appears as plaintiff and both proceedings were adjourned to the hearing of 7 April 2015 subject to the prior rewording or the requests made to the court expert, whose appraisal is currently in progress.

Kuadra dispute

In the context of the dispute initiated by Kuadra S.r.l. against the investee Marco Polo S.r.l. in liquidation for an alleged breach in relation to its participation in the temporary joint venture (ATI)

for the management of the CONSIP project, Kuadra S.r.l. also summoned the partners of Marco Polo (therefore ACEA, AMA and EUR) and Roma Capitale to appear in court.

The summons is founded on the opposing party's contention that Marco Polo is subject to the management and coordination of all direct and indirect partners.

ACEA maintains that, considering the generic nature of the arguments illustrated by Kuadra S.r.l., which claims the responsibility of the partners of Marco Polo S.r.l. in liquidation, the risk of an unfavourable judgement for the reasons argued in the summons is considered remote, while the indirect risk of being a partner of Marco Polo, has already been considered in the assessment of risks with the investee.

A final judgement was postponed to the hearing of 19 January 2016.

Dispute with the Rieti provincial government

The Rieti provincial government served on ACEA and ACEA Ato2 a writ of summons seeking a compensation for the losses (on various grounds) that it had allegedly incurred following the failed approval of the agreement on "inter-district interferences" (in the context of integrated water cycle management).

The other parties involved in the proceedings, together with ACEA and ACEA Ato2, are the Rome provincial government, the District Authority 'ATO2 Lazio Centrale Roma', Roma Capitale and the Latium regional government.

The value of the litigation is high, i.e. around 90 million euros as of today's date (vs. 25 million as on 31/12/2005 and 8 million annually for the subsequent period), but the justifying arguments, especially those against ACEA, are rather weak. Firstly, the competence of the court is questionable, i.e. an Ordinary Court instead of the Regional Court of Public Waters (TRAP); secondly, the liability to damages for a delay in the approval of the interference agreement, may not be attributable to ACEA as this behaviour does and may not depend on the same ACEA.

The hearing for the first appearance is scheduled for 21 April 2015, but the date may change depending on the judge who will be selected from the General Registry of Judges.

It is hereby informed that, after the end of the annual period under review, the former Chairman of the Board of ACEA filed an action before the Rome Civil Court, Labour Division, seeking a compensation for loss and damage.

Additional disclosures on financial instruments and risk management policies

Classes of financial instrument

The following table shows the breakdown of financial assets and liabilities required by IFRS 7 based on the categories defined by IAS 39.

| € thousand | Financial instruments held for trading at fair value | Loans and receivables | Available-for-sale financial instruments | Carrying amount | Notes |
|--|--|-----------------------|--|------------------|-------|
| Non-current assets | 0 | 1,928,640 | 2,395 | 1,931,035 | |
| Other equity investments | 0 | | 2,395 | 2,395 | 15 |
| Financial assets due from the controlling company, subsidiaries and associates | 0 | 1,928,415 | 0 | 1,928,415 | 17 |
| Financial assets due from third parties | 0 | 225 | 0 | 225 | 17 |
| Current assets | 0 | 1,366,017 | 0 | 1,366,017 | |
| Trade receivables due from customers | 0 | 38,420 | 0 | 38,420 | 19 |
| Intragroup trade receivables | 0 | 42,161 | 0 | 42,161 | 19 |
| Financial assets due from the controlling company, subsidiaries and associates | 0 | 295,352 | 0 | 295,352 | 19 |
| Financial assets due from third parties | 0 | 11,644 | 0 | 11,644 | 19 |
| Cash and cash equivalents | 0 | 978,440 | 0 | 978,440 | 19 |
| TOTAL FINANCIAL ASSETS | 0 | 3,294,657 | 2,395 | 3,297,052 | |

| € thousand | Financial instruments held for trading | Liabilities at fair value | Liabilities at amortised cost | Carrying amount | Notes |
|---|--|---------------------------|-------------------------------|------------------|-------|
| Non-current liabilities | 0 | 62,769 | 2,668,071 | 2,730,840 | |
| Bonds | 0 | | 1,855,385 | 1,855,385 | 23 |
| Bonds stated at FVH | | (1,170) | | (1,170) | |
| Bonds stated at CFH | | 54,902 | | 54,902 | |
| Bank borrowings (non-current portion) | 0 | | 812,686 | 812,686 | 23 |
| Bank borrowings (non-current portion) stated at CFH | | 9,037 | | 9,037 | |
| Current liabilities | 0 | | 1,072,969 | 1,072,969 | |
| Bank borrowings | 0 | | 0 | 0 | 26 |
| Bonds (current portion) | 0 | | 0 | 0 | 26 |
| Bank borrowings (current portion) | 0 | | 24,213 | 24,213 | 26 |
| Financial liabilities due to the controlling company, subsidiaries and associates | 0 | | 905,635 | 905,635 | 26 |
| Financial liabilities due to third parties | 0 | | 1 | 1 | 26 |
| Trade payables | 0 | | 54,614 | 54,614 | 26 |
| Trade payables due to the controlling company, subsidiaries and associates | 0 | | 88,506 | 88,506 | 26 |
| TOTAL FINANCIAL LIABILITIES | 0 | 62,769 | 3,741,040 | 3,803,809 | |

Fair value of financial assets and liabilities

The fair value of financial instruments that are not traded in an active market is determined using valuation models and techniques that make maximum use of market inputs or using the price supplied by a range of independent counterparties.

The fair value of medium/long-term financial assets and liabilities is calculated on the basis of the risk-free and the adjusted risk-free interest rate curves.

The fair value of trade receivables and payables falling due within twelve months is not calculated, as their carrying amount approximates to fair value.

In addition, fair value is not calculated when the fair value of financial assets and liabilities cannot be objectively determined.

Type of financial risks and related hedging policies

Foreign exchange risk

The Group is not particularly exposed to this type of risk, which is concentrated in the translation of the financial statements of overseas subsidiaries.

As regards the private placement worth 20 billion yens, the exchange risk is hedged by a cross currency contract described in the section on the interest rate risk.

Liquidity risk

ACEA's liquidity risk management policy is based on ensuring the availability of significant bank lines of credit. Such lines exceed the average requirement necessary to fund planned expenditure and enable the Group to minimise the risk of extraordinary outflows. In order to minimise liquidity risk, the ACEA Group has adopted a centralised treasury management system, which includes the most important Group companies, and provides financial assistance to the companies (subsidiaries and associates) not covered by a centralised finance contract.

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

The committed credit line is revolving with a contractual term of three years from the date of signing. The availability of these lines matures in 2015. The contracts entered into provide for the payment of a fee for non-use plus an up-front fee paid at the time the credit lines are opened.

On the amounts drawn down, ACEA pays an interest rate equal to the one, two, three or six month Euribor (depending on the period of use chosen beforehand), plus a spread which, in some cases, may vary in line with the rating assigned to the Parent Company. In some cases, there is also a utilisation fee linked to the amount disbursed.

At the end of the year, ACEA had no loans, term deposits and similar transactions.

Interest rate risk

The ACEA Group's approach to managing interest rate risk, which takes account of the structure of assets and the stability of the Group's cash flows, has essentially been targeted, up to now, at hedging borrowing costs and stabilising cash flows, in such a way as to safeguard margins and ensure the certainty of cash flows deriving from ordinary activities.

The Group's approach to managing interest rate risk is, therefore, prudent and the methods used tend to be static in nature.

A static (as opposed to dynamic) approach means adopting a type of interest rate risk management that does not require daily activity in the markets, but periodic analysis and control of positions based on specific needs. This type of management therefore involves daily activity in the markets, not for trading purposes but in order to hedge the identified exposure over the medium/long term.

ACEA has, up to now, opted to minimise interest rate risk by choosing a mix range of fixed and floating rate funding instruments.

As commonly known, fixed rate funding protects a borrower from cash flow risk in that it stabilises actual financial outflows, whilst heightening exposure to fair value risk in terms of changes in the market value of the debt.

An analysis of the consolidated debt position shows that the risk ACEA is exposed to is mainly in the form of fair value risk, composed as at 31 December 2014 of hedged fixed rate borrowings (around 64.32%). With reference to the current portfolio make-up, ACEA is partly exposed to the risk of fluctuation in future cash flows and, by contrast, to a greater extent to the risk of changes in fair value.

ACEA is consistent with its decisions regarding interest rate risk management that essentially aims to both control and manage this risk and optimise borrowing costs, taking account of stakeholder interests and the nature of the Group's activities, and based on the prudence principle and best market practices. The objectives of these guidelines are as follows:

- to identify, from time to time, the optimum mix of fixed and floating rate debt,
- to pursue a potential optimisation of borrowing costs within the risk limits established by governance bodies and in accordance with the specific nature of the business,
- to manage derivatives transactions solely for hedging purposes, should ACEA decide to use them, in respect of the decisions of the Board of Directors and, therefore, the approved strategies and taking into account (in advance) the impact on the Income Statement and Statement of Financial Position of said transactions, giving preference to instruments that qualify for hedge accounting (typically cash flow hedges and, under given conditions, fair value hedges).

It should be noted that ACEA:

- swapped the 100 million euros loan obtained on 27 December 2007 at a fixed rate. The swap, a plain vanilla IRS, was stipulated on 24 April 2008, effective as of 31 March 2008 (date of drawdown of the underlying loan) and expires on 21 December 2021,
- completed a cross currency transaction to transform to euro – through a plain vanilla DCS swap – the currency of the private placement (yen) and the yen rate applied to a fixed euro rate through a plain vanilla IRS swap,
- swapped 300 million euros of the 5-year 600 million euros fixed rate bond placed on the market in September 2013, at a floating rate.

All the derivative instruments taken out by ACEA and listed above are non-speculative and the fair values of the same are respectively

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

The fair value of medium/long-term debt is calculated on the basis of the risk-free and the risk-adjusted interest rate curves.

| Bank Loans: | Amortised cost | RISK-FREE FV | Increase/ (Decrease) | RISK ADJUSTED FV | Increase/ (Decrease) |
|------------------------|----------------|----------------|-------------------------|---------------------|-------------------------|
| | (A) | (B) | (A) - (B) | (C) | (A) - (C) |
| Bonds | 1,909,117 | 2,131,297 | (222,180) | 2,113,943 | (204,826) |
| fixed rate | 609 | 646 | (36) | 646 | (36) |
| floating rate | 777,941 | 801,554 | (23,613) | 802,504 | (24,563) |
| floating to fixed rate | 67,386 | 59,821 | 7,565 | 59,820 | 7,566 |
| Total | 845,936 | 862,021 | (16,084) | 862,970 | (17,033) |

This analysis was also performed by a risk-adjusted rate curve, i.e. a curve adjusted to ACEA's risk level and area of activity. In particular, the curve was populated with fixed rate bonds denominated in EUR issued by national public service companies and with composite rating within a range of BBB+ to BBB-.

Sensitivity analysis has been carried out on medium/long-term financial liabilities using stress testing, thus applying a constant spread over the term structure of the riskless interest rate curve.

In so doing, impacts on Fair Value and on the performance of future cash flows can be measured with reference to individual instruments constituting both the analysed and the overall portfolio.

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

| Constant spread applied | Changes in Present Value (€ m) |
|-------------------------|--------------------------------|
| -1.50% | (207.3) |
| -1.00% | (135.2) |
| -0.50% | (66.2) |
| -0.25% | (32.7) |
| 0.00% | 0.0 |
| 0.25% | 32.1 |
| 0.50% | 63.5 |
| 1.00% | 124.4 |
| 1.50% | 182.8 |

As regards the type of hedges for which the fair value is calculated and with reference to the hierarchies required by the IASB, given they are composite instruments, they are categorised as level 2 in the fair value hierarchy.

Commitments and contingencies

These amounted to 1,243,667 thousand euros, representing an increase of 18,539 thousand euros compared to a value of 1,225,128 thousand euros at 31 December 2013.

The balance includes:

Liens and sureties issued and received

A net positive balance of 291,806 thousand euros was reported between liens and sureties issued (342,775 thousand euros) and those received (50,969 thousand euros).

There was an increase of 4,102 thousand euros compared to the end of last year.

This increase can mainly be attributed to the signing on 24 September 2014 with B.B.V.A. of a contract securing Roma Natura in the interest of ACEA Distribuzione for 1,500 thousand euros, the release of the guarantee towards Italgas in the interest of ACEA Energia for 2,606 thousand euros and the concurrent execution of a new guarantee for 3,713 thousand euros.

Letters of patronage issued and received

A net positive balance of 703,220 thousand euros is the result of letters of patronage issued, totalling 703,423 thousand euros and letters of patronage received, amounting to 203 thousand euros.

There was an increase of 14,937 thousand euros in the period.

The main changes are as follows:

- reduction of the back-to-back guarantee to Cassa Depositi e Prestiti for the 24.673 thousand euros loan granted to ACEA Distribuzione, which decreases from 402,049 thousand euros in 2013 to 377,736 thousand euros,
- issue of corporate guarantees in favour of Terna, in the interest of ACEA Energia, worth 41,090 thousand euros.

Third-party assets held under concession

Such assets amounted to 86,077 thousand euros and did not undergo significant changes with respect to 31 December 2013. They relate to public lighting assets.



Annexes to the Notes

Annex 1: Net Financial Position

Annex 2: Statement of changes in equity investments at 31 December 2014

Annex 3: Non-recurring material transactions pursuant to CONSOB Resolution No. 15519 of 27 July 2006

Annex 4: Positions or transactions deriving from unusual and/or exceptional transactions

Annex 5: Segment information (IFRS 8)

Annex 1 – Net Financial Position at 31.12.2014

| Net Financial Position € thousand | 31.12.2014 | Related parties | 31.12.2013 | Related parties | Increase/ (Decrease) |
|--|------------------|------------------|------------------|------------------|-------------------------|
| Non-current financial assets | 225 | 0 | 225 | 0 | 0 |
| Intragroup non-current financial assets | 1,928,415 | 1,928,415 | 1,704,143 | 1,704,143 | 224,272 |
| Non-current borrowings and financial liabilities | (2,677,108) | 0 | (1,990,862) | 0 | (686,246) |
| Financial assets/(liabilities) deriving from measurement of derivative instruments | (53,732) | 0 | (44,874) | 0 | (8,858) |
| Net medium/long-term Net Financial Position | (802,201) | 1,928,415 | (331,369) | 1,704,143 | (470,832) |
| Cash and cash equivalents and securities | 978,440 | 0 | 541,526 | 0 | 436,915 |
| Short-term bank borrowings | 0 | 0 | 0 | 0 | (0) |
| Current financial assets/(liabilities) | (12,570) | 0 | (347,940) | 0 | 335,370 |
| Intragroup current financial assets/(liabilities) | (610,283) | (610,283) | (329,000) | (329,000) | (281,283) |
| Short-term Net Financial Position | 355,587 | (610,283) | (135,415) | (329,000) | 491,002 |
| Total Net Financial Position | (446,613) | 1,318,132 | (466,783) | 1,375,143 | 20,170 |


Annex 2 – Statement of changes in equity investments at 31 December 2014

| € thousand | CHANGES IN 2014 | | | | | | 31.12.2014 |
|--|------------------|--------------|-----------|-----------|-------------------------|--------------------|------------------|
| | 31.12.2013 | Acquisitions | Disposals | Reclass. | Increases/ Decreases | Impair./ Losses | |
| Subsidiaries | | | | | | | |
| ACEA Distribuzione S.p.A. | 324,295 | 0 | 0 | 0 | 0 | 0 | 324,295 |
| ACEA Ato2 S.p.A. | 585,442 | 0 | 0 | 0 | 0 | 0 | 585,442 |
| Acea8cento S.p.A. | 120 | 0 | 0 | 0 | 0 | 0 | 120 |
| Consorcio Agua Azul | 4,914 | 0 | 0 | 0 | 306 | 0 | 5,219 |
| Laboratori S.p.A. | 4,024 | 0 | 0 | 0 | 0 | 0 | 4,024 |
| Ecomed S.r.l. | 22 | 0 | 0 | 0 | 3 | (25) | 0 |
| ACEA Energia Holding S.p.A. | 277,044 | 0 | 0 | (277,044) | 0 | 0 | 0 |
| ACEA Energia S.p.A. | 0 | 0 | 0 | 277,044 | 0 | 0 | 277,044 |
| ACEA Ato5 S.p.A. | 3,877 | 0 | 0 | 0 | 10,057 | 0 | 13,934 |
| Aguazul Bogotà SA | 766 | 0 | 0 | 0 | 0 | (60) | 706 |
| Consorcio ACEA Tradexco | 43 | 0 | 0 | 0 | 0 | 0 | 43 |
| ACEA Dominicana SA | 510 | 0 | 0 | 0 | 49 | 0 | 559 |
| Acque Blu Arno Basso S.p.A. | 13,132 | 0 | 0 | 0 | 1,368 | 0 | 14,500 |
| Ombrone S.p.A. | 17,430 | 0 | 0 | 0 | 1,953 | 0 | 19,383 |
| Luce Napoli S.c.a.r.l. in Liquidation | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| ARSE S.p.A. | 354,295 | 0 | 0 | 0 | 0 | 0 | 354,295 |
| Acque Blu Fiorentine S.p.A. | 39,697 | 0 | 0 | 0 | 4,214 | 0 | 43,911 |
| ARIA S.r.l. | 22,136 | 0 | 0 | 0 | 0 | 0 | 22,136 |
| Umbra Acque S.p.A. | 6,851 | 0 | 0 | 0 | 0 | 0 | 6,851 |
| Aquaser S.r.l. | 9,948 | 0 | 0 | 0 | 0 | 0 | 9,948 |
| Hydreco S.c.a.r.l. in Liquidation | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Crea S.p.A. in Liquidation | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Crea Gestioni S.r.l. | 6,127 | 0 | 0 | 0 | 0 | 0 | 6,127 |
| ACEAGori Servizi S.c.a.r.l. | 1,659 | 0 | 0 | 0 | 0 | 0 | 1,659 |
| Solemme | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Samace | 0 | 5,634 | 0 | 0 | 0 | 0 | 5,634 |
| Parco della Mistica | 0 | 10 | 0 | 0 | 0 | 0 | 10 |
| Sarnese Vesuviano S.r.l. | 163 | 0 | 0 | 0 | 0 | 0 | 163 |
| ACEA Illuminazione Pubblica S.p.A. | 19,977 | 0 | 0 | 0 | 0 | 0 | 19,977 |
| ACEA Servizi Acque S.r.l. in Liquidation | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Ingegnerie Toscane S.r.l. | 58 | 0 | 0 | 0 | 0 | 0 | 58 |
| TOTAL SUBSIDIARIES | 1,692,529 | 5,643 | 0 | 0 | 17,950 | (85) | 1,716,037 |



| € thousand | CHANGES IN 2014 | | | | | | |
|--|-----------------|--------------|-----------|----------|-------------------------|--------------------|---------------|
| | 31.12.2013 | Acquisitions | Disposals | Reclass. | Increases/ Decreases | Impair./ Losses | 31.12.2014 |
| Associates | | | | | | | |
| Aguas De San Pedro SA | 1,774 | 0 | 0 | 0 | 169 | 0 | 1,943 |
| Umbria Distribuzione Gas S.p.A. | 318 | 0 | 0 | 0 | 0 | 0 | 318 |
| Marco Polo S.p.A. In Liquidation | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Intesa Aretina S.r.l. | 11,505 | 0 | 0 | 0 | 0 | 0 | 11,505 |
| Citelum Napoli Pubblica Illuminazione S.c.a.r.l. | 306 | 0 | 0 | 0 | 0 | 0 | 306 |
| Sienergia S.p.A. in liquidation | 42 | 0 | 0 | 0 | 0 | 0 | 42 |
| TOTAL ASSOCIATES | 13,945 | 0 | 0 | 0 | 169 | 0 | 14,114 |

| € thousand | CHANGES IN 2014 | | | | | | |
|--|-----------------|--------------|-----------|----------|-------------------------|--------------------|--------------|
| | 31.12.2013 | Acquisitions | Disposals | Reclass. | Increases/ Decreases | Impair./ Losses | 31.12.2014 |
| Other companies | | | | | | | |
| Polo Tecnologico Industriale Romano S.p.A. | 2,395 | 0 | 0 | 0 | 0 | 0 | 2,395 |
| WRC PLC | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Centro Sviluppo Materiali S.p.A. | 838 | 0 | 0 | 0 | 0 | (838) | 0 |
| Orione | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| TOTAL OTHER COMPANIES | 3,233 | 0 | 0 | 0 | 0 | (838) | 2,395 |



Annex 3 – Non-recurring material transactions pursuant to CONSOB Resolution no. 15519 of 27 July 2006

It should be noted that there were no significant non-recurring transactions carried out in the period.



Annex 4 - Positions or transactions deriving from unusual and/or exceptional transactions

Pursuant to the CONSOB Communication of 28 July 2006, we hereby declared that during 2014 ACEA S.p.A. did not enter into any exceptional and/or unusual transactions as defined by the above Communication.



Annex 5 - Segment information (IFRS 8)

| € thousand | Public Lighting | Corporate | TOTAL CONTINUING OPERATIONS | DISCONTINUED OPERATIONS | TOTAL |
|--|-----------------|---------------|-----------------------------|-------------------------|------------------|
| Investments | 0 | 14,151 | 14,151 | 0 | 14,151 |
| Segment assets | | | | | |
| Tangible assets | 0 | 157,752 | 157,752 | 0 | 157,752 |
| Intangible assets | 0 | 14,246 | 14,246 | 0 | 14,246 |
| Financial assets | 0 | 1,732,545 | 1,732,545 | 0 | 1,732,545 |
| Other non-current commercial assets | 0 | 44,003 | 44,003 | 0 | 44,003 |
| Other non-current financial assets | 73,565 | 1,897,435 | 1,971,000 | 0 | 1,971,000 |
| Raw materials | 270 | 0 | 270 | 0 | 270 |
| Trade receivables | 13,302 | 25,118 | 38,420 | 0 | 38,420 |
| Trade receivables from the controlling company | 4,479 | 591 | 5,070 | 0 | 5,070 |
| Receivables from subsidiaries/associates | 0 | 37,092 | 37,092 | 0 | 37,092 |
| Other current commercial assets | | | | | 117,357 |
| Other current financial assets | 68,281 | 242,136 | 310,417 | 0 | 310,417 |
| Bank deposits | | | | | 978,440 |
| Total assets | | | | | 5,406,612 |



Annex 5 - Segment information (IFRS 8)

| € thousand | Public Lighting | Corporate | TOTAL CONTINUING OPERATIONS | DISCONTINUED OPERATIONS | TOTAL |
|---|-----------------|-----------|-----------------------------|-------------------------|------------------|
| Segment liabilities | | | | | |
| Trade payables | 978 | 53,636 | 54,614 | 0 | 54,614 |
| Payables due to the controlling company | 0 | 20,516 | 20,516 | 0 | 20,516 |
| Trade payables due to subsidiaries/associates | 64,269 | 3,721 | 67,990 | 0 | 67,990 |
| Other current commercial liabilities | | | | | 107,987 |
| Other current financial liabilities | | | | | 929,849 |
| Defined-benefit plans | 0 | 30,685 | 30,685 | 0 | 30,685 |
| Other provisions | 0 | 56,567 | 56,567 | 0 | 56,567 |
| Deferred tax provisions | | | | | 9,818 |
| Other non-current commercial liabilities | | | | | 269 |
| Other non-current financial liabilities | | | | | 2,730,840 |
| Shareholders' equity | | | | | 1,397,478 |
| | | | | | |
| Total liabilities | | | | | 5,406,612 |

Annex 5 - Segment information (IFRS 8)

| € thousand | Public Lighting | Corporate | TOTAL CONTINUING OPERATIONS | DISCONTINUED OPERATIONS | TOTAL |
|---|-----------------|--------------|-----------------------------|-------------------------|---------------|
| Third party revenues | 63,582 | 16,838 | 80,420 | 0 | 80,420 |
| Inter-segment sales | 0 | 105,964 | 105,964 | 0 | 105,964 |
| Staff costs | 0 | (54,895) | (54,895) | 0 | (54,895) |
| Cost of materials and overheads | (69,542) | (61,787) | (131,329) | 0 | (131,329) |
| Gross Operating Profit | (5,960) | 6,120 | 160 | 0 | 160 |
| Amortisation, depreciation and provisions for the impairment of receivables | | (30,917) | (30,917) | 0 | (30,917) |
| Asset impairments/reversals | 0 | 0 | 0 | 0 | 0 |
| Operating profit/(loss) | (5,960) | (24,797) | (30,757) | 0 | (30,757) |
| Finance (costs)/income | | | | | 13,488 |
| Profit/(loss) on investments | | | | | 106,962 |
| Net profit/(loss) from discontinued operations | | | | | 0 |
| Profit/(loss) before tax | | | | | 89,694 |
| Taxation | | | | | (92) |
| Net profit/(loss) | | | | | 89,601 |