Interim Report on Operations
of the ACEA Group
at 31 March 2014

CONTENTS

ACEA Organisational Model

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

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

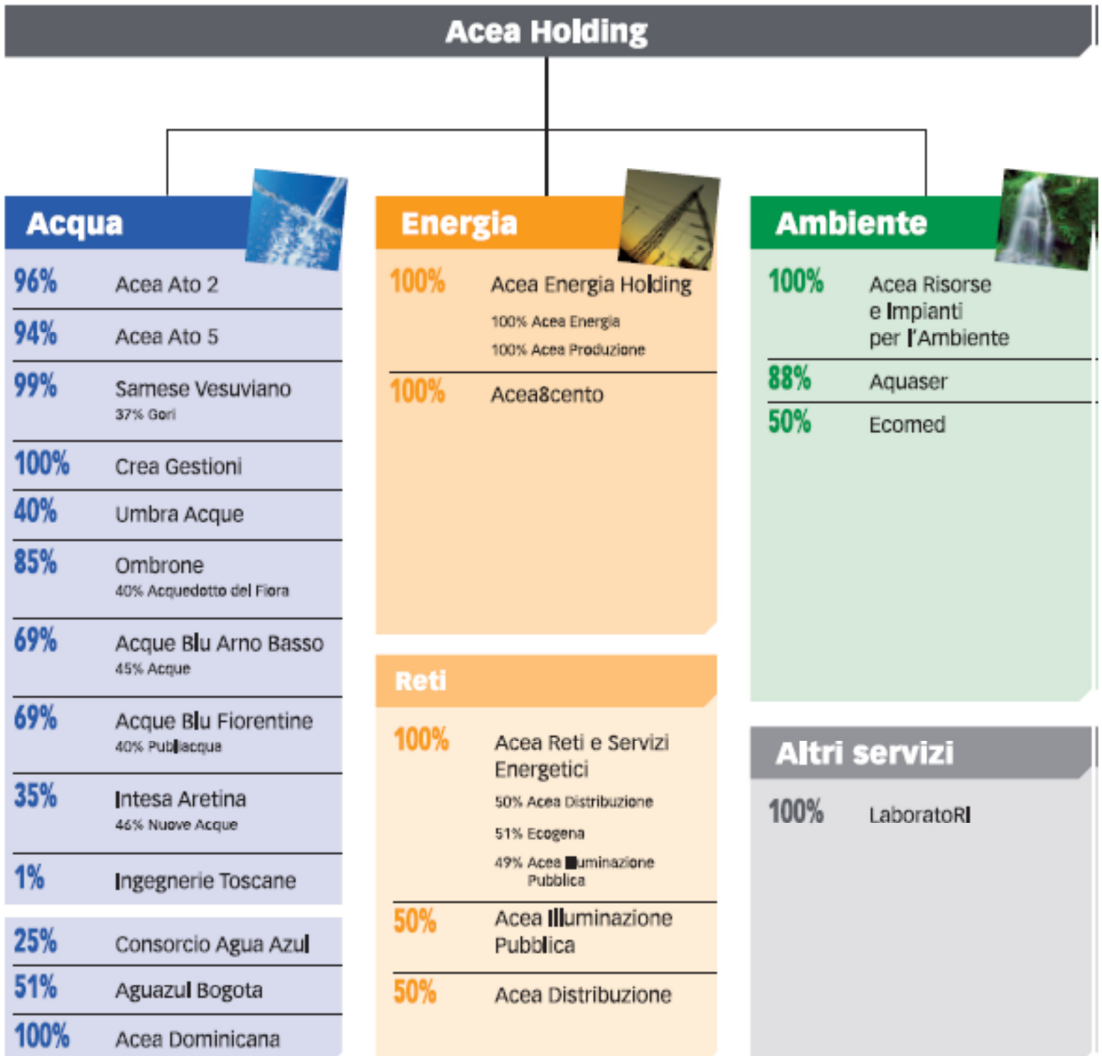
Environment segment
The ACEA Group is a major Italian operator in the urban management of environmental services. It runs waste-to-energy plants and composting plants to recover waste and turn the same into compost. In particular, the Group develops investments in the *waste to energy* business, and organic waste management, in accordance with the strategic goal of the Group aimed at producing energy from waste and protecting the environment.

Energy segment
The ACEA Group is a major operator in Italy in the sale of electricity and offers innovative and flexible solutions for the supply of electricity and natural gas. Acea operates in all market segments, offering its services to families and major companies alike. Finally, the Group operates in the energy generation sector, running hydroelectric and thermoelectric plants in Lazio, Umbria and Abruzzo.

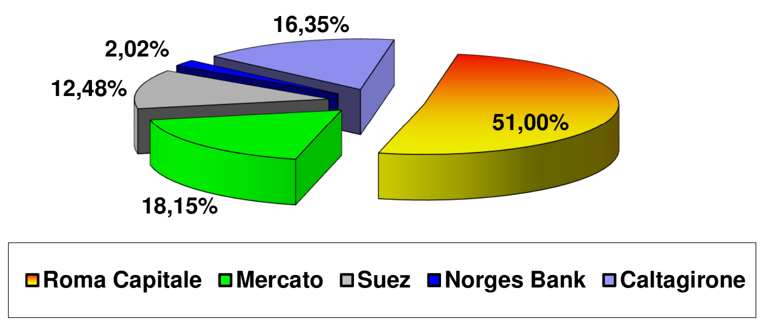
Water Segment
The ACEA Group is the biggest Italian operator in the water sector supplying water to 8.6 million people. The Group manages the integrated water service in Rome and Frosinone and in the respective provinces, as well as in other parts of Lazio, in Tuscany, Umbria and Campania. The Company completes the quality of the services offered with the sustainable management of water resources and respect of the environment. The Group has developed *know how* at the forefront in the design, construction and management of integrated water systems: from the source to the aqueducts, from distribution to the sewer network, and treatment. Laboratory services are of particular importance.

Networks Segment
The ACEA Group is a major operator in Italy with over 11 TWh of electricity distributed in Rome, where the Group manages the distribution network providing services for 2.7 million people. The Group also manages the public and artistic lighting of the capital, applying solutions that strive to become more and more efficient with a lower environmental impact every year. The ACEA Group is committed to energy efficiency projects and the development of new technologies, such as *smart grids* and electric mobility, through particularly innovative pilot projects.

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



The share capital of ACEA S.p.A. at 31 March 2014 is broken down as follows:



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

Corporate bodies

Board of Directors [1]

Giancarlo Cremonesi	Chairman
Paolo Gallo	Chief Executive Officer
Francesco Caltagirone	Director
Diane D'Arras	Director
Paolo Di Benedetto	Director
Giovanni Giani	Director
Antonella Illuminati	Director
Maurizio Leo	Director
Andrea Peruzy	Director

General Manager

Paolo Gallo

Board of Statutory Auditors [1]

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

Executive Responsible for Financial Reporting [2]

Franco Balsamo

[1] appointed by the Shareholders' Meeting of 15 April 2013

[2] appointed by the Board of Directors on 31 July 2013 effective as of 5 August 2013

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

From 1 January 2014 it is obligatory to adopt new international accounting standards for financial reporting.
In particular, these standards are IFRS10 (Consolidated Financial Statements) and IFRS11 (Joint control agreements)
As described in greater detail in the Consolidated Financial Statements, in order to verify whether the new concept of control will mean changes in the consolidation method used by some Companies, the Group analysed corporate deeds and documents (by-laws, shareholders' agreements, contracts, …).
As well as this *on the paper* analysis, the effective and concrete dynamics of corporate governance were analysed, also taking into account the shareholders' identity, the aim of their respective equity investments and the contribution of each party to the development of business.
This analysis involved several investments in the Acea Group with particular reference to the investments in the water companies in Tuscany, Umbria and Campania that under the existing provisions of the by-laws or shareholders' agreements on ownership structure and *governance* are consolidated using the proportionate method.
Despite the fact that ACEA represents the Industrial Partner in the Companies in question, and through the Chief Executive Officer with partial designation rights, has ample administrative powers over all operating segments, the result of the analysis confirmed the investments in the Water companies in Tuscany, Umbria and Campania are conventionally considered within the scope of application of IFRS 11 so, from 1 January 2014, the only consolidation method allowed is the equity method.
The list of the legal entities affected by said change are shown in the following table

Operating segment	Company	Consolidation method until 31/12/2013	Consolidation method as of 01/01/2014
Environment	Ecomed	Proportionate	Equity method
Energy	Umbria Energy	Proportionate	Line-by-line
	Elga Sud	Proportionate	Line-by-line
	Voghera Energia Vendita S.p.A. in liquidation	Proportionate	Equity method
Water	Consorcio Agua Azul	Proportionate	Equity method
	Acque and subsidiaries	Proportionate	Equity method
	Publiacqua and subsidiaries	Proportionate	Equity method
	Umbra Acque	Proportionate	Equity method
	Acquedotto del Fiora	Proportionate	Equity method
	GORI	Proportionate	Equity method
	Intesa Aretina and Nuove Acque	Proportionate	Equity method
Networks	Ecogena	Proportionate	Note [3]

[3] The Company Ecogena is consolidated in full from 1 January 2014 by effect of the changes to the corporate structure. For more information, refer to paragraph "Basis of consolidation".

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

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

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

The following tables show the changes in the consolidated schemes of the Statement of Financial Position at 31 December 2013 and the Income Statement at 31 March 2013.

Condensed income statement (€ millions)	31/03/2013	Effects IFRS10 and IFRS11	31/03/2013 *Restated*
Consolidated net revenue	888.2	(65.2)	823.1
Consolidated operating costs	710.6	(39.1)	671.5
Income/(Costs) from equity investments of a non-financial nature	**0.0**	**5.4**	**5.4**
Net income/(costs) from *commodity* risk management	0.0	0.0	0.0
EBITDA	**177.7**	**(20.7)**	**157.0**
Amortisation, depreciation, impairment charges and provisions	82.9	(15.2)	67.7
EBIT	**94.8**	**(5.4)**	**89.3**
Finance income/(costs)	(25.0)	1.8	(23.2)
Income/(Costs) from equity investments	1.4	0.0	1.4
Profit/(loss) before tax	**71.1**	**(3.6)**	**67.5**
Taxation	32.2	(3.7)	28.6
Net profit (loss)	**38.9**	**0.0**	**38.9**
Profit/(loss) attributable to minority interests	2.1	0.0	2.1
Net profit/(loss) attributable to the Group	**36.8**	**(0.0)**	**36.8**

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

Condensed Statement of Financial Position (€ millions)	31/12/2013	Effects IFRS10 and IFRS11	31/12/2013 *Restated*
Property, plant and equipment and intangible assets	3,973.4	(578.3)	3,395.1
Goodwill	149.0	0.6	149.6
Equity investments	14.7	200.6	215.3
Other non-current assets	461.5	(69.0)	392.5
Non-current assets	**4,598.5**	**(446.0)**	**4,152.5**

Condensed Statement of Financial Position (€ millions)	31/12/2013	Effects IFRS10 and IFRS11	31/12/2013 *Restated*
Inventories	37.3	(3.6)	33.8
Trade receivables	1,500.7	(154.1)	1,346.6
Cash and cash equivalents	589.5	(26.4)	563.1
Other current assets	354.6	(32.9)	321.7
Current assets	**2,482.1**	**(217.0)**	**2,265.1**
Assets held for sale	6.7	0.0	6.7
Total assets	**7,087.4**	**(663.1)**	**6,424.3**
Group Shareholders' Equity	1,322.6	0.0	1,322.6
Non-controlling interests	82.8	1.4	84.2
Equity method	**1,405.4**	**1.4**	**1,406.8**
Staff termination benefits and other defined benefit plans	117.4	(10.5)	106.9
Borrowings and financial liabilities	2,507.6	(146.7)	2,360.9
Provision for liabilities and charges	262.5	(56.5)	206.1
Other non-current liabilities	456.2	(201.7)	254.5
Non-current liabilities	**3,343.8**	**(415.4)**	**2,928.4**
Trade payables	1,306.9	(99.3)	1,207.6
Borrowings	698.1	(98.2)	599.9
Other current liabilities	331.8	(51.5)	208.3
Current liabilities	**2,336.8**	**(249.0)**	**2,087.8**
Liabilities directly associated with assets held for sale	**1.3**	**0.0**	**1.3**
Total Liabilities and Shareholders' Equity	**7,087.4**	**(663.1)-**	**6,424.3**

Summary of Results

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

Economic Data (million euros)	31/03/2014	31/03/2013 *restated*	Increase/ (Decrease) absolute	% Increase/ (Decrease)
Consolidated net revenue	780.1	823.1	(43.0)	(5.2%)
Consolidated operating costs	619.8	671.5	(51.6)	(7.7%)
Income/(Costs) from equity investments of a non-financial nature	5.8	5.4	0.4	7.0%
- of which: EBITDA	29.1	26.1	3.0	11.6%
- of which: Amortisation, depreciation, impairment charges and provisions	(17.2)	(15.1)	(2.1)	13.8%
- of which: Financing activities	(2.3)	(1.7)	(0.5)	30.5%
- of which: (Profit)/ loss on investments	0.0	0.0	0.0	100.0%
- of which: Taxation	(3.8)	(3.8)	(0.0)	0.7%
Net income/(costs) from *commodity* risk management	(0.0)	0.0	(0.0)	(382.7%)
EBITDA	**166.0**	**157.0**	**9.0**	**5.7%**
EBIT	**99.9**	**89.3**	**10.6**	**11.9%**
Net profit/(loss)	**46.7**	**38.9**	**7.8**	**20.1%**
Profit/(loss) attributable to minority interests	2.2	2.1	0.2	7.5%
Net profit/(loss) attributable to the Group	**44.5**	**36.8**	**7.7**	**20.8%**

EBITDA per Operating Segment (million euros)	31/03/2014	31/03/2013 *restated*	Increase/ (Decrease) absolute	% Increase/ (Decrease)
ENVIRONMENT	**14.2**	**11.2**	**3.0**	**26.7%**
ENERGY	**24.7**	**22.3**	**2.4**	**10.7%**
Production	11.5	10.9	0.6	5.8%
Energy Management	0.0	0.4	(0.4)	(100.0%)
Sales	13.1	11.0	2.1	19.5%
WATER:	**67.8**	**61.1**	**6.7**	**10.9%**
Overseas	0.5	1.6	(1.1)	(68.7%)
Lazio - Campania	60.5	52.4	8.1	15.4%
Tuscany - Umbria	5.0	5.7	(0.7)	(13.1%)
Engineering	1.8	1.4	0.4	26.4%
NETWORKS	**62.2**	**58.5**	**3.6**	**6.2%**
ACEA (Corporate)	**(2.8)**	**3.9**	**(6.7)**	**(171.5%)**
Total EBITDA	**166.0**	**157.0**	**9.0**	**5.7%**

Consolidated balance sheet data (million euros)	31/03/2014	31/12/2013 *restated*	Increase/ (Decrease) absolute	31/03/2013 *restated*	Increase/ (Decrease) absolute
Net Invested Capital	**3,770.5**	**3,655.5**	**115.1**	**3,759.3**	**11.2**
Net Debt	**(2,323.9)**	**(2,248.6)**	**(75.3)**	**(2,405.3)**	**81.3**
Consolidated Shareholders' Equity	**(1,446.6)**	**(1,406.8)**	**(39.8)**	**(1,354.0)**	**(92.6)**

Net Debt per Operating Segment (million euros)	31/03/2014	31/12/2013 *restated*	Increase/ (Decrease) absolute	31/03/2013 *restated*	Increase/ (Decrease) absolute
ENVIRONMENT	**182.9**	**184.6**	**(1.7)**	**195.4**	**(12.5)**
ENERGY	**373.9**	**302.6**	**71.2**	**387.5**	**(13.6)**
Production	136.6	140.7	(4.1)	159.7	(23.1)
Energy Management	0.0	(33.2)	33.2	(54.9)	54.9
Sales	237.3	195.2	42.1	282.8	(45.5)
WATER	**626.1**	**610.8**	**15.3**	**561.8**	**64.3**
Overseas	(5.7)	(9.6)	3.9	(7.5)	1.8
Lazio - Campania	631.0	617.7	13.3	566.8	64.2
Tuscany - Umbria	(4.4)	(0.2)	(4.1)	(0.6)	(3.8)
Engineering	5.2	2.9	2.3	3.0	2.2
NETWORKS	**662.2**	**683.5**	**(21.4)**	**735.8**	**(73.6)**
ACEA (includes also public lighting)	**478.8**	**467.0**	**11.9**	**524.8**	**(46.0)**
Total	**2,323.9**	**2,248.6**	**75.3**	**2,405.3**	**(81.3)**

Investments per Operating Segment (million euros)	31/03/2014	31/03/2013 *restated*	Increase/ (Decrease) absolute
ENVIRONMENT	**2.0**	**2.5**	**(0.5)**
ENERGY	**3.5**	**2.1**	**1.4**
Production	0.7	1.1	(0.4)
Energy Management	0.0	0.0	0.0
Sales	2.8	1.0	1.8
WATER	**32.5**	**32.7**	**(0.2)**
Overseas	0.0	0.0	(0.0)
Lazio - Campania	32.5	32.7	(0.2)
Tuscany - Umbria	0.0	0.0	0.0
Engineering	0.0	0.0	0.0
NETWORKS	**26.1**	**23.8**	**2.3**
ACEA (Corporate)	**2.3**	**2.1**	**0.2**
Total	**66.4**	**63.3**	**3.0**

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

Economic Data (million euros)	31/03/2014 *adjusted*	31/03/2013	Increase/ (Decrease) absolute	% Increase/ (Decrease)
EBITDA	**189.0**	**177.7**	**11.3**	**6.4%**
EBIT	**105.8**	**94.8**	**11.1**	**11.7%**
Net profit/(loss)	**46.7**	**38.9**	**7.8**	**20.1%**

Economic Data (million euros)	31/03/2014	*adjusted*	31/03/2014 *adjusted*	31/03/2013	Increase/ (Decrease) absolute	% Increase/ (Decrease)
EBITDA	**166.0**	**23.0**	**189.0**	**177.7**	**11.3**	**6.4%**
- Amortisation, depreciation, impairment charges and provisions	66.1	17.1	83.2	82.9	0.3	0.3%
EBIT	**99.9**	**5.9**	**105.8**	**94.8**	**11.1**	**11.7%**
- Financing activities	(25.4)	(2.3)	(27.7)	(25.0)	(2.7)	10.6%
- (Costs)/Income from investments	2.8	0.0	2.8	1.4	1.4	101.1%
Profit/(loss) before tax	**77.3**	**3.6**	**81.0**	**71.1**	**9.8**	**13.8%**
- Taxation	30.6	3.7	34.3	32.2	2.0	6.3%
Net profit/(loss)	**46.7**	**(0.0)**	**46.7**	**38.9**	**7.8**	**20.1%**
Profit/(loss) attributable to minority interests	2.2	(0.0)	2.2	2.1	0.1	7.2%
Net profit/(loss) attributable to the Group	**44.5**	**0.0**	**44.5**	**36.8**	**7.7**	**20.8%**

Consolidated balance sheet data (million euros)	31/03/2014 *adjusted*	31/03/2013	Increase/ (Decrease) absolute	% Increase/ (Decrease)
Investments	**80.7**	**77.7**	**3.0**	**3.9%**
Net Debt	**(2,561.3)**	**(2,638.9)**	**77.6**	**2.9%**

Consolidated balance sheet data (million euros)	31/03/2014 *adjusted*	31/12/2013	Increase/ (Decrease) absolute	% Increase/ (Decrease)
Net Debt	**(2,561.3)**	**(2,468.2)**	**(93.1)**	**(1.10%)**

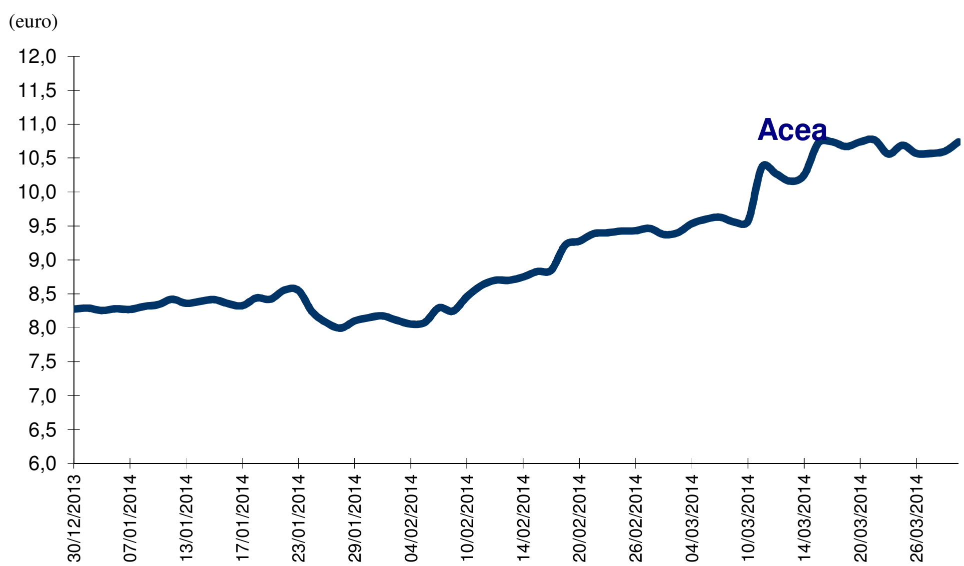
Reference context

Performance of the equity markets and the ACEA share

In the first quarter of this year, the Italian Stock exchange (Borsa Italiana) obtained the best performance of international listed prices, with the FTSE Mib increasing by 14.4%.

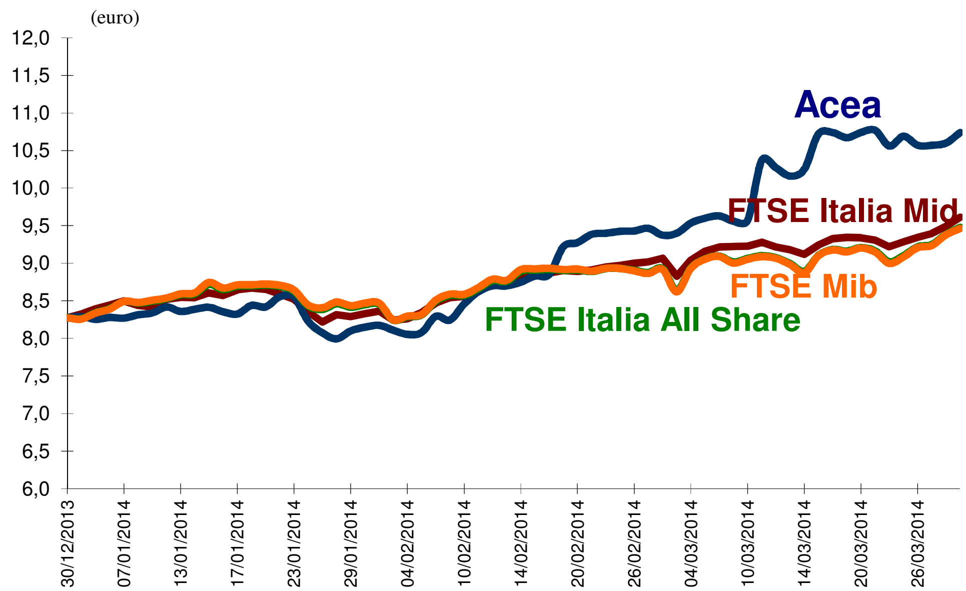
ITALIAN STOCK EXCHANGE
The changes in the principal indexes are shown below: **FTSE MIB +14.4%, FTSE Italia All Share +14.6% and FTSE Italia Mid Cap +16.2%.**

PERFORMANCE OF THE ACEA SHARE IN THE PERIOD OF REFERENCE
In the first quarter of 2014, the ACEA share "out-performed" the market in general with a gain of 29.8% compared to a FTSE Italia Mid Cap gain of 16.2%.
ACEA's share price stood at 10.74 euros at 31 March 2014 (capitalisation: 2,287.2 million euros). In the first quarter of 2014 a high of 10.77 euros was recorded on 21 March with a low of 7.995 euros recorded on 28 January.
During the period, average daily traded volumes amounted to 139,663, higher than those of the first quarter of 2013 (87,794).



(Source: Bloomberg)

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



(graph normalized for Acea values – Source: Bloomberg)

	% increase/decrease 31/03/2014 (compared to 31/12/2013)
Acea	**+29.8%**
FTSE Italia All Share	+14.6%
FTSE Mib	+14.4%
FTSE Italia Mid Cap	+16.2%

(Source: Bloomberg)

Around 35 reports/notes were published on ACEA's share in the first quarter of 2014.

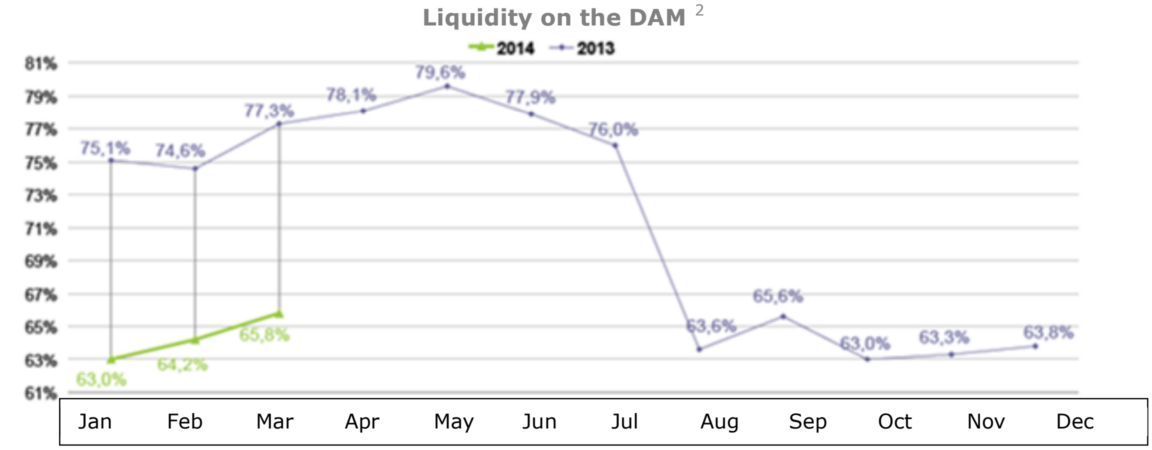
Energy market

Electricity demand in Italy in the first quarter of 2014 (78,141 GWh) decreased by 3.7% compared to the same period in the previous year. In non-calendar terms the decrease was -3.5%. 82.9% of electricity requirements were covered by national production and the remaining 17.1% by imports from abroad (balance of imports +10.8% compared to March 2013). 53.4% of the same electricity requirements were covered by thermoelectric production, 16.6% by hydroelectric production, and 12.9% by geothermal production and other renewable sources.

In this context, net national production in the first quarter (65,485 GWh) decreased by 5.9% compared to the same period in 2013. Except for wind power (-7.6%) and thermoelectric power (-15.3%), there was an increase in all Italian production on the previous year, in particular: PV (+16.3%), hydroelectric (+33.7%) and geothermal production (+5.2%).

GWh	31/03/2014	31/03/2013	increase/decrease % 2014/2013
Net Production			
- Hydroelectric	**12,989**	**9,714**	**33.7%**
- Thermoelectric	**42,413**	**50,047**	**(15.3%)**
- Geothermal	**1,339**	**1,273**	**5.2%**
- Wind power	**4,680**	**5,065**	**(7.6%)**
- PV Power	**4,064**	**3,493**	**16.3%**
Total Net Production	**65,485**	**69,592**	**(5.9%)**
Imports	**13,667**	**12,458**	**9.7%**
Exports	**275**	**373**	**(26.3%)**
Balance of Imports	**13,392**	**12,085**	**10.8%**
Pumping systems consumption	**736**	**511**	**44.0%**
Electricity Demand	**78,141**	**81,166**	**(3.7%)**

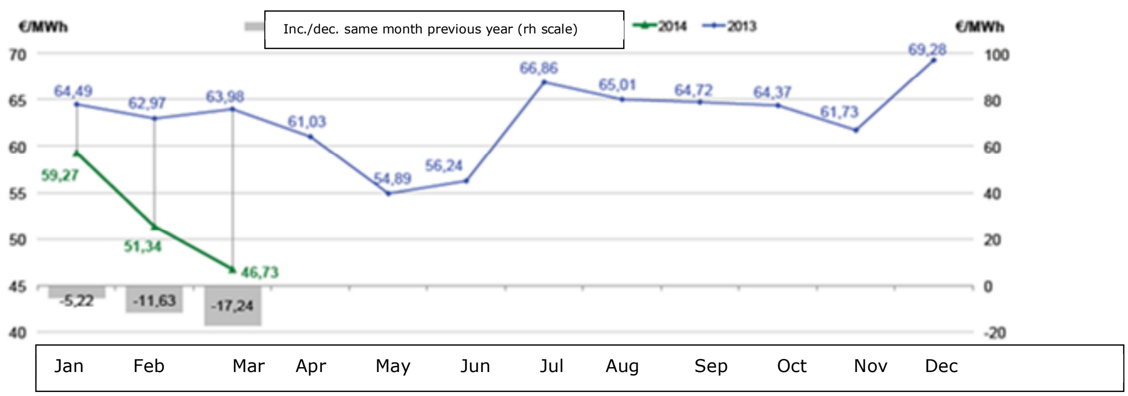
Liquidity on the DAM [2]



The National Single Price (PUN) continued to drop to its lowest levels since June 2004, reaching 46.73 €/MWh. An analysis by time bands shows an annual decrease of 16.35 €/MWh (-22.4%) at peak times and 17.70 €/MWh (-29.8%) off-peak, with prices respectively standing at 56.71 €/MWh and 41.61 €/MWh.

The average sale prices dropped in a downtrend and in the short-term to reach historical lows in all areas except the North. The lowest sale price is 38.63 €/MWh in the South, with the highest in Sicily (66.10 €/MWh). Sales prices vary in other areas from 44.93 €/MWh in central/southern Italy to 47.00 €/MWh in northern Italy.

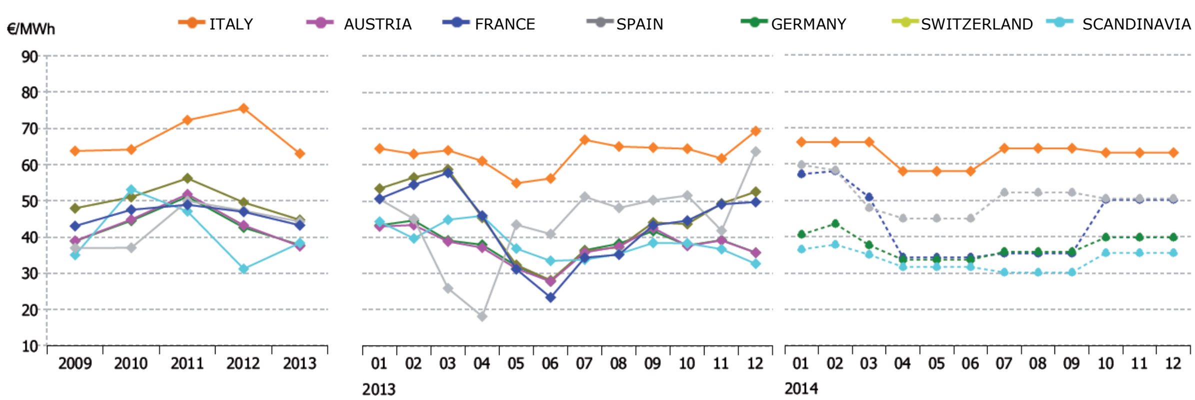
National Single Price (PUN) [4]



The downtrend on the European Power Exchanges continued with prices dropping considerably in relation to the trend, in particular in the French-German area prices dropped to the lowest since last summer (35.58 €/MWh in France and 31.05 €/MWh in Germany). Italian figures also contribute to the marked downtrend, reaching the lowest price since the opening of the market (46.73 €/MWh, - 9% on the short-term).

Regarding the volumes traded on the spot markets, the Scandinavian stock exchange at 32 TWh is one of the most active, while the Italian and Spanish stock exchanges show a reduction in volumes (respectively - 19% and - 13%); although trading in Italy was the highest since July 2013 (16 TWh), this is still lower than the average for the month of March since the market opened.

Price on the European Power Exchanges (arithmetic mean €/MWh) [2]

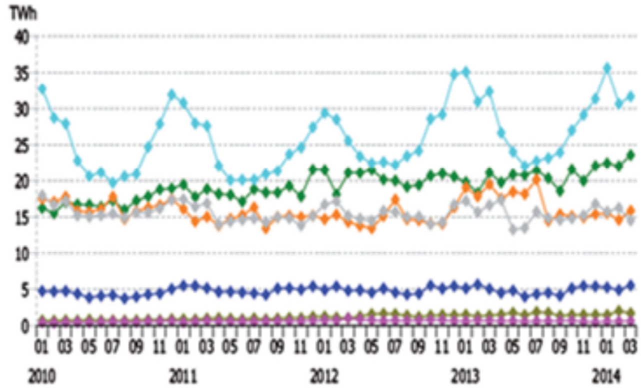


IPEX: Italian Power Exchange; **EPEX**: European Power Energy Exchange, the German Power Exchange; **EPEX**: the French Power Exchange; **OMIE**: Compañía Operadora del Mercado Español de Electricidad, the Spanish Power Exchange; **NordPool**: the Scandinavian Power Exchange (Norway, Sweden, Denmark, Finland).

[4] Source: Energy Market Operator (GME) - March 2014, GME Newsletter

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

Volume (TWh)			
Area	Mar 14	Var M-1 (%)	Var M-12 (%)
ITALY	15,9	+8 %	-19 %
FRANCE	5,6	+13 %	+9 %
GERMANY	23,7	+7 %	+12 %
SPAIN	14,6	-11 %	-13 %
SCANDINAVIA	31,8	+3 %	-2 %
AUSTRIA	0,7	+3 %	-7 %
SWITZERLAND	1,7	-16 %	+20 %



As for natural gas in Italy, the slump in overall gas consumption continues; also in March overall natural gas demand dropped on an annual basis by 23.7%, influenced by the reduction in consumption in the thermoelectric sector (- 32.6%) and lower residential consumption (- 24.9%), reaching 6,026 million m3. On the supply side, national production, at 588 million m3, was down a net - 8.5%, with a reduction also in natural gas imports, at 4,452 million m3, (- 17.2%).

The natural gas listing at the Billing Point dropped to 24,13 €/MWh (- 15.6% on an annual basis). In the month of March, on the markets managed by the Energy Market Operator (GME) a total of 4.6 million MWh were traded (7.2% of the overall natural gas demand), all of which on the Balancing Energy Platform at a price of 23.99 €/MWh in line with natural gas listings at the Billing Point.

Regulations and tariffs

Compared to the Consolidated Financial Statements at 31 December 2013, to which we refer for further details, the main changes in the reporting period are shown below.

Incentive schemes for the production of energy from renewable sources

Evolution of CIP 6/92 agreement regulations
In implementation of Italian Legislative Decree 69/2013, on 31 January 2014, the Ministry of Economic Development issued new procedures for determining the avoided cost of fuel component referred to in measure CIP 6/92, establishing the value of the adjustment of the avoided cost of fuel component for 2013 and the advance payment for the first quarter of 2014.
With this new Decree, the Minister confirmed the extension of the so-called "pre-chosen initiatives" for the Avoided Cost of Fuel updating criterion based on the "evolution of conversion efficiency", defined by art. 30, par. 15, of Italian Law No. 99 - 23 July 2009, and by reference to the "specific consumption value" parameter in Italian Ministerial Decree 20 November 2012; ARIA S.r.l., having signed a CIP 6/92 Agreement, proposed additional grounds for the Avoided Cost of Fuel appeal, stating that the profiles were illegitimate.

Restructuring of the incentives for the production of energy from renewable sources - Italian Law No. 9 - 21 February 2014 "Conversion of Law Decree No. 145 - 23 December 2013"
By effect of the provisions in question, in order to reduce annual charges affecting electricity prices and tariffs, and at the same time maximize production in the medium/long-term of existing plants, plant operators benefiting from incentives (such as green certificates, all-inclusive prices or premium tariffs) must choose between two different alternatives:

a) continue to benefit from the incentive system for the remaining applicable period.
In this case, it will not be possible to benefit from any further incentive instruments, including dedicated withdrawal and on-site exchange affecting energy prices or tariffs for any kind of intervention on the same site in the following ten years starting from the end of when the operator had a right to the incentives.
b) opt for the restructuring of the applicable incentive, for the valorisation of the entire useful life of the plant. In this case, the operator will benefit from an incentive reduced by a specific percentage for each type of plant, which must be defined by ministerial decree, to be approved within 60 days from when Law Decree No.145/2013 in the comments came into force.

The above reduction is applied in a differential way, so it is important to consider:

- ✓ the type of renewable source;
- ✓ the residual period of incentives;
- ✓ the institution providing the incentives;
- ✓ the induced costs of the incentives restructuring operation, including a suitably supplemented premium for plants in which, for the period after that in which the operator has the right to apply the incentives, no incentives other than on-site exchange and dedicated withdrawal are envisaged for interventions on the same site.

The restructured incentive will be provided for a renewed incentive period equal to the residual incentive period on the date Italian Legislative Decree 145/2013 came into force, plus 7 years.
The above ministerial decree identifies the residual incentive period within which the penalties described above sub a) will not be applied.
To protect current investments, said residual period cannot expire before 31 December 2014.
To apply for the restructuring described in letter b) - and maintain the right to new incentives, after expiry of current incentives, without waiting for the above ten-year period - a specific request must

be sent to the national grid operator within 90 days from the date the Ministerial Decree (soon to be issued) comes into force.
Following the publication of the above ministerial decree, the options to adopt for the Group plants affected by the provisions in question should be suitably assessed; also in reference to expected long-term scenarios.
Only plants with incentives in accordance with CIP 6/92 and new plants with incentives in accordance with Italian Ministerial Decree 6 July 2012 (except those in a transitional regime as established by the last decree) are excluded from the application of this new provision.

Green Certificates
As for 2014, AEEGSI Resolution No. 20/2014/R/EFR, established the average annual value of the price for the transfer of electricity recorded in 2013 as 65.54 €/MWh.
In January the national grid operator issued an update on the application procedure for the issue of green certificates for the owners of WTE qualified plants in accordance with Ministerial Decree 18 December 2008 for production from 2013 to 2015 (the date on which the green certificate incentive scheme ends) also in application of the provisions of above-mentioned Ministerial Decree of 06 July 2012.
This also clarified that, with the implementation of article 20, paragraph 2, of Ministerial Decree 6 July 2012, Green certificates will no longer be issued on the basis of estimates guaranteeing expected production or on the basis of guarantees, except for certain types of plants such as those using the biodegradable fraction of waste, for which the operators cannot use monthly issues.

The evolution of Environmental Legislation
Transposition of EU Directive 2010/75 on industrial emissions: changes and new provisions introduced in Chapter II of Italian Legislative Decree No. 152/06 and subsequent amendments of Italian Legislative Decree No. 46/2014.
Legislative Decree No. 46 - 4 March 2014 *"Implementation of EU Directive 2010/75 on industrial emissions (Integrated Pollution Prevention and Control)",* introduces significant changes and amendments to Italian Legislative Decree No. 152 - 3 April 2006 in particular concerning authorization procedures, sanctioning control and profiles, for activities with a high pollution potential that come within the scope of EC Directive 2008/1 also known as the "IPPC Directive" and the following EU Directive 2010/75.
The most significant changes are to Part II of the above-mentioned Legislative Decree 152/2006 mainly concerning:

- the introduction of the definition of "Installation" instead of "Plant" which implicates a different way of applying Integrated Environmental Authorisation regulations;

- the introduction of the obligation to define Integrated Environmental Authorisation conditions (including limit emission values set by the same) on the basis of the best available technology;

- if the plant isn't subject to Integrated Environmental Authorisation, the new integrated authorization must refer to the requirements in the authorisations replaced and, on issue provide for the procedures for restoring the environmental indexes of the site subject to investigation on termination of the industrial activity; the introduction of the possibility of referring to Integrated Environmental Authorisation to regulate cleaning and making the area safe also goes for those parts of the installation the Operator does not intend to use within the period of validity of the same Integrated Environmental Authorisation;
- introduction of the obligation to present a reference report with information on the quality of the soil and water tables with the application for Integrated Environmental Authorisation;

- introduction of the obligation to include the control of water tables and soil in the Integrated Environmental Authorisation;

- changes to the validity of the Integrated Environmental Authorisation and the procedure for reviewing the same (10 years without certification, 12 years with ISO 14001 certification, 16 years with EMAS certification).

Particular attention must be paid to the reformulation of Annex VIII in Part II of Italian Legislative Decree No. 152/2006, which specifies new activities subject to Integrated Environmental Authorisation.

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

The scope of the new provisions in relation to the Group's activities is currently being evaluated along with the consequent fulfilments.

The SISTRI waste traceability control system

Law No. 15 - 27 February 2014 was finally converted into Law Decree No. 150 - 30 December 2013, the so-called "Milleproroghe" (the annual decree extending the life of various government measures), confirming the current operational scope of Sistri, with specific reference as far as Group activities go, to special hazardous waste.

In particular, art. 10 of the above decree includes an extension up to 31 December 2014 of the period within which operators must observe the "dual system", in other words both the requirements of Sistri and those of the registers and forms must be met.

From 1 January 2015 the penalties in articles 260-bis and 260 – ter of Italian Legislative Decree 152/2006 pursuant to Sistri will apply.

AEEGSI water services activities

Resolution No. 643/2013/R/idr

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

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

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

The resolution also establishes the procedure for defining tariffs, introducing a system for reducing the regulatory risk, acknowledging that the operator can file a claim with the Authority for the tariff update in the case of default by the Local Authorities.

Decision No. 5/2014 – DSID - Quality data collection

With Decision No. 5/2014 – DSID "*Definition of the procedures for collecting data to study the efficiency of the integrated water service and the relevant regulation of quality*", AEEGSI began collecting data on the regulation of quality, the level of coverage and the efficiency of the water service in Italy with particular focus on the metering service. The data requested, which must be supplied to the AEEGSI by the Area Authorities by 12 May 2014, concerns the allocation of the service, investments and arrearage, electricity, aqueduct services, water treatment and sewerage, as well as the quality of the service (Service charter, accessibility and continuity of the service, management of contractual relations, availability of alternative procedures for the settlement of disputes).

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

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

a) List of the Area Authorities with a positive figure for the portion of the tariff to be returned to end users:
   - Ato 2 - Central Lazio - Rome;
   - Ato Tuscany

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

DC0 171/2014/R/Idr - Consultation paper on Uniform Agreement

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

Notwithstanding the need to develop the legislative criteria of reference for all the uniform agreement schemes, some contractual content will be drawn up in a different way for the different schemes in consideration of the specific aspects of the various types of awarding and the selected areas of the competent subjects.

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

Lombardy Regional Administrative Court sentences on the appeals of the "ACQUA BENE COMUNE", "FEDERCONSUMATORI - ITALIAN CONSUMERS AND USERS FEDERATION" and CODACONS Associations

Section two of the Lombardy Regional Administrative Court, in sentences Nos. 779/2014 and 780/2014, passed on 26 March of this year, quashed the appeals presented by the above associations against AEEGSI Resolution No. 585/2012/R/idr (and all related, consequential, previous and related deeds) which in December 2012 introduced the Transitional Method (MTI) for calculating Integrated Water Service tariffs. Note that also ACEA Ato2 ("Codacons appeal") and Publiacqua ("ABC" proceedings) filed their appearance in the above appeals.

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

According to the panel of judges of the Regional Administrative Court, "*the so-called full cost recovery principle is specifically based not only on Italian law but also on EEC legislation*". Therefore it follows that "*even after the above-mentioned abrogative referendum, the integrated water service must be qualified as a service of economic interest characterised, as far a tariff profiles go, by the need to cover all costs*". The Regional Administrative Court in fact explains that the AEEGSI, "*when exercising its regulatory powers, assigned to the same in general by Italian law No. 481/1995, decided on a "financial cost*" option for the invested capital "*referring also to the investment of its own capital (in cost-opportunity terms)…. which is conform to general practice in the field of economics*". After all, an investment in durables by the same implies a business risk equal to that deriving from the investment of capital on loan therefore giving the Operator the right to include the relevant cost in the tariff.

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

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

Lombardy Regional Administrative Court sentences on the appeals lodged by some Operators (in particular, an analysis of the sentences concerning Acqualatina, Umbra Acque, Gesesa, Acquedotto del Fiora and GORI)

The above sentences were passed by the Panel of Judges of the Regional Administrative Court from 4 to 23 April 2014 and partly uphold the appeals lodged by the Operators against Resolution No. 585/2012 (and 88/2013 - Operators' transitional method "ex Cipe"), Resolutions Nos. 73/2013 and 459/2013 amending Resolution No. 585/2012 and the AEEGSI Transitional Tariff Method calculation tool.

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

- **retrospective validity of the provisions issued by Area Authorities and operators and their effect on prior contractual relations**: The Regional Administrative Court confirmed AEEGSI's legitimate right to alter current agreements, rejecting the grounds of the appeal. "The principles of legal certainty and legitimate confidence …. cannot however be invoked to prevent, within the scope of providing a long-term public service, new rules and regulations from ever being applied". Moreover, Management Agreements often specify that tariffs can be revised on the basis of new legislative provisions.
- the objections of the petitioning parties were upheld, concerning the **non-observance of the "*full cost recovery principle*"** for:
  - the non-recognition of **tax costs** in relation to the **FoNi** (the Regional Administrative Court on the other hand considers AEEGSI's decision not to recognise **tax costs** on the FoNi portion to be correct, as the same is fed by the tariff and therefore, the operator bears no financial costs for the constitution of the same);
  - the non-recognition of **IRAP** regional business tax as a cost which cannot be reduced;
  - failure to cover **financial costs** in the case of the unavailability of **adjustment** sums from the date the right matured to the actual collection date and **only partial recovery of inflation**.
- the Regional Administrative Court also upheld the grounds for appeal concerning **arrearage** and the possible recognition in the tariff of uncollectible receivables as costs, as a part was vice versa recognised for this purpose in 2014-2015 for the Water Tariff Method (MTI)
- for the Regional Administrative Court there are no grounds for upholding the objections on the method used to calculate the **net working capital**, from which revenues and costs from water activities other than the integrated water service are excluded.
- the challenged insufficiency of the valorisation (to guarantee covering costs) of the **parameters Kd, ERP, BETA and CS/CnS** was not however upheld as these choices are made not only at the technical discretion of AEEGSI, over which the Panel of Judges has no jurisdiction, but they were also not considered to be plainly unreasonable.
- the illogical nature of the provision in Resolution No. 459 of 2013 is confirmed, as this provision substantially **gives the Area Authority the right to decide whether to apply mechanisms for the recognition of the costs necessary to guarantee the economic and financial equilibrium of the operators**. In fact, if the new provisions are dictated by the need to guarantee full coverage of costs, then the Area Authority must also apply the same.
- the objections that AEEGSI has no powers to regulate the so-called **white water** sector, were upheld as the regulatory power applies only to the integrated water service. The AEEGSI only has competence for the Integrated Water Service and as a consequence a provision that used "other water activities" performed by the operator to calculate the Integrated Water Service tariff, would as a consequence be illegitimate. "The attribution, by Resolution No. 585/2012, of regulatory power for other water activities to the AEEGSI, without any legal basis, **violates the principle of the legality of the administrative action**".
- the challenge of the so-called **calculation tool** which, as such, does not alone constitute an impugnable act, was not upheld. It was however acknowledged that its construction does substantially violate the provisions of Resolution No. 585/2012 as provisions for "liabilities and charges" are not included in the calculation of the net invested capital. The petitioning parties may if necessary challenge the application *contra legem* of the same resolution, for the profile of interest.

As various objections were upheld, the above-mentioned AEEGSI resolutions and the measures for approval of the tariffs by the competent bodies are void as they are illegitimate as a consequence, within the limits in which the grounds of the appeals were upheld.

AEEGSI electricity activities

Resolution No. 13/2014/R/efr – Energy efficiency tariff contribution for electricity distributors

Resolution No. 13/2014/R/efr of 23 January 2014 defined the criteria for the quantification of the tariff contribution to cover the costs borne by electricity and gas distributors concerning EEB - Energy Efficiency Bonds from the compulsory year 2013, which started 1 June 2013 and will end this coming 31 May. The mechanism introduces elements allowing for EEB average market prices, avoiding recognition of expenses borne by distributors on submitting an expense account.

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

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

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

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

With Decision No. 6/2014 - DIUC of 17 March 2014 the AEEGSI made the mechanisms of advance payments every two months for the equalisation of revenues for the distribution of electricity and the costs of transmission optional for 2014.

The Authority in fact, with Decision No. 4/2014 – DIUC of 15 July 2013 introduced mechanisms of advance payments and adjustments for the payment of said equalisation, so said mechanism (inclusive of the changes made by the decision in 2014):

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

Decision No. 136/2014/R/eel – Tariff of reference for the sale of electricity

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

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

Resolution No. 154/2014/R/eel – 2014 tariff of reference for the distribution of electricity

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

Resolution No. 169/2014/R/eel – Equalisation of 2015 network losses

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

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

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

Trend of operating segments

Economic results by segment

The results by segment are shown on the basis of the approach used by the management to monitor Group performance in the reporting periods compared in observance of IFRS 8 accounting standards. Note that the results of the "Other" segment include those deriving from ACEA corporate activities as well as intersectorial adjustments.

31/03/ 2014	Environment	Energy					Water				
Million euros		Energy Generation	Sales	Energy Management	Elisioni intra segment	Segment Total	Italian Water Services	Overseas	Engineering	Elisioni intra segment	Segment Total
Revenues	32	20	535	0	(11)	544	152	2	7	(7)	154
Costs	18	8	522	0	(11)	519	87	2	5	(7)	87
Gross operating profit	**14**	**12**	**13**	**0**	**0**	**25**	**65**	**0**	**2**	**0**	**68**
Depreciation and accumulated impairment charges	7	4	11	0	0	16	19	0	0	0	19
Operating profit/(loss)	**8**	**7**	**2**	**0**	0	**9**	**46**	**0**	**2**	**0**	**49**
Investments	**2**	**3**	**1**	**0**	0	**4**	**32**	**0**	**0**	**0**	**32**

31/03/2014	Networks					Other		Consolidated Total
Million euros	Distribution	Public Lighting	PV power	Elisioni intra segment	Segment Total	Corporate	Consolidation adjustments	
Revenues	128	17	1	(1)	146	27	(117)	786
Costs	69	15	1	(1)	83	30	(117)	620
Gross operating profit	**60**	**2**	**1**	**0**	**62**	**(3)**	**0**	**166**
Depreciation and accumulated impairment charges	20	0	0	0	21	4	0	66
Operating profit/(loss)	**46**	**1**	**1**	**0**	**42**	**(7)**	**0**	**100**
Investments	**26**	**0**	**0**	**0**	**26**	**2**	**0**	**66**

31/03/2013 *restated*	Environment	Energy					Water				
Million euros		Energy Generation	Sales	Energy Management	Elisioni intra segment	Segment Total	Italian Water Services	Overseas	Engineering	Elisioni intra segment	Segment Total
Revenues	28	18	576	232	(223)	603	143	3	6	(5)	147
Costs	17	7	565	232	(223)	580	85	2	4	(5)	86
Gross operating profit	**11**	**11**	**11**	**0**	**0**	**23**	**58**	**2**	**1**	**0**	**61**
Depreciation and accumulated impairment charges	6	3	10	0	0	13	22	0	0	0	22
Operating profit/(loss)	**5**	**8**	**1**	**0**	0	**10**	**36**	**1**	**1**	**0**	**39**
Investments	**3**	**1**	**1**	**0**	0	**2**	**33**	**0**	**0**	**0**	**33**

31/03/2013 *restated*	Networks					Other		Consolidated Total
Million euros	Distribution	Public Lighting	PV power	Elisioni intra segment	Segment Total	Corporate	Consolidation adjustments	
Revenues	113	16	1	0	130	27	(106)	829
Costs	56	16	0	0	71	23	(106)	671
Gross operating profit	**57**	**0**	**1**	**0**	**59**	**4**	**0**	**157**
Depreciation and accumulated impairment charges	22	0	0	0	22	4	0	68
Operating profit/(loss)	**35**	**0**	**1**	**0**	**36**	**0**	**0**	**89**
Investments	**24**	**0**	**0**	**0**	**24**	**2**	**0**	**63**

Note that, from 1 January 2014, Ecogena was allocated under the Energy – Generation Segment, while until 31 December 2013 the Company was part of the Networks Segment. Note that Ecogena is consolidated, from 2014, on the basis of the line-by-line method due to the changes to the corporate structure.
The revenue in the above table include the condensed result of equity investments (of a non-financial nature) consolidated using the equity method.

Environment Operating Segment

Operating figures, equity and financial results for the period

Operating figures	U.M.	31/03/2014	31/03/2013	2014-2013	%
WTE conferment	kTon	85	71	14	19.7%
RDF production plant conferment	kTon	0	10	(10)	(100.0%)
Electrical Energy transferred	GWh	63	59	4	6.8%
Waste coming into Orvieto plants	kTon	23	28	(5)	(17.9%)
Waste Recovered/Disposed of	kTon	91	76	15	19.7%

Equity and financial results (millions of euros)	31/03/2014	31/03/2013 *restated*	2014-2013	%
Revenues	32	28	4	14.2%
Costs	18	17	1	5.9%
Gross operating profit	14	11	3	26.7%
Operating profit/(loss)	8	5	3	57.0%
Average number of staff	214	192	22	11.5%
Investments	2	3	(1)	(20.7%)

(millions of euros)	31/03/2014	31/12/2013 *restated*	Increase/ (Decrease)	%	31/03/2013 *restated*	Increase/ (Decrease)	%
Net debts	183	185	(2)	(1.0%)	195	(12)	(6.2%)

This Segment closed the first quarter of 2014 with EBITDA at 14.2 million euros, an increase of 3 million euros on the same period last year This increase essentially derives from an increase in the industrial margin for all plants managed by ARIA (+ 2 million euros) and Aquaser (+ 0.7 million euros).

The average number of staff at 31 March 2014 was 214, 22 more than the same period of 2013, mainly due to the effect of the SAMACE consolidation following the takeover of the company in the month of July with an increase of 11 employees.

Segment investments stand at 2.0 million euros, down by 0.5 million euros on the previous reporting period.

Acea borrowings amounted to 182.9 million euros, down 1.7 million euros on the end of the 2013 when the total was 184.6 million euros. This decrease is attributed to the combined effect of higher borrowings for ARIA (+ 2.1 million euros), lower liquidity for SAO (- 2.0 million euros) and higher liquidity for Aquaser (+ 5.5 million euros).

Operating review

ARIA

ARIA's activities were concentrated on the direct management of assets of the subsidiaries Terni En.A., E.A.L.L., Enercombustibili and Ergo En.A., incorporated during the 2011 financial year. Furthermore, activities were conducted to coordinate and provide services for the subsidiary S.A.O. and Ecoenergie, placed in liquidation in 2012. Finally the meeting held on 16 October 2013 passed a resolution to place Arkesia, a company in which the group held a 33% equity investment, in liquidation.

The company was involved in marketing electrical energy with Acea Energia, which performs market operator activities, to which it transfers volumes of energy produced by the two new lines of the San Vittore plant over and above that withdrawn by the national grid operator under the CIP 6/92 regime.

Terni waste-to-energy plant (UL1)

The Terni waste-to-energy plant produces electricity from renewable sources, and specifically in a pulper paper mill waste-to-energy plant.
In the first quarter there was a marked improvement in the number of operating hours also in consideration of the continuing malfunction of the turbo generator which conditioned operations for the whole of 2013.
With reference to the national grid operator's inspections carried out by RSE starting last December, the technical analysis of the characterization plan drawn up by the company and the method used to determine the biodegradable fraction of the waste subject to incentives was concluded with the publishing of the results on 2013 operations.
With reference to the provisioning of the pulper used in the waste-to-energy process, ARIA drew up a number of contracts to guarantee supplying the plant's needs for the whole of 2014.

Paliano RDF production plant (UL2)

The Paliano RDF production plant possesses a single authorisation for the production of RDF, expiring on 30 June 2018.
As is known, in June 2013 part of the plant was destroyed by a major fire, and the facility was subsequently seized by the judicial authorities for evidentiary purposes. The technical inspections for evidentiary purposes ordered by the Frosinone Public Prosecutor's Office ended with an inspection on 28 November 2013 and in February 2014 the fire was considered to be a case of arson perpetrated by third parties.
In relation to the above, without prejudice to further investigation requirements of the Prosecutor's Office, the company began preliminary controls to start removing the debris left by the fire and restore the site to put the plant back into service and implement a plan of action for the complete replacement and reconstruction of the RDF production plant.
Therefore, at the date of today, it is still impossible to estimate the extent of the damage to the plant and property, although the RDF plant will certainly not go back into production in 2014. The insurance settlement will be calculated on the basis of the cost of reconstructing the new plant which, on the basis of the contractual clauses, will be reduced by 20% as the fire is considered to be a case of arson perpetrated by third parties.

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

The San Vittore waste-to-energy plant in Lazio produces electricity from renewable sources, particularly RDF. In the reporting period, lines 2 and 3 of the plant guaranteed regular service, both in terms of the electricity produced and in terms of RDF used for energy recovery.
With reference to the preliminary enquiry for the renewal of Integrated Environmental Authorisation for the San Vittore del Lazio plant, on 24 January 2014 another session of the Services' Conference was held for consultations on the state of the proceedings with opinions expressed by various Bodies involved, each for their own competence, on the authorisation procedure in question.
With reference to the Incentive Scheme applied to electricity transferred by the plant, as is known, a CIP 6/92 Agreement is being drawn up for lines 2 and 3 of the plant. As part of these relations, GSE S.p.A. completed the preliminary controls which began in 2013, confirming the correct management and application of the provisions of the agreement by the Operator.

SAO

The company owns the waste dump located in the municipality of Orvieto and manages municipal and special waste.
In the reporting period SAO collaborated with Umbria ATI4 to revise and update the Economic-Financial Plan for the Orvieto plants. This Plan was approved by ATI4 in Resolutions Nos. 2 and 3 on 21/01/2014; said resolutions also contain the new tariffs and various biomass transfer components in force from 1 January 2014.
In March 2014 the company notified the competent local authorities that, in accordance with the authorisations issued, it had called a public tender for the Orvieto waste treatment plant *revamping* contract and, as a consequence, in observance of the area plans and the above authorisations, waste transfer to this plant will stop on 30 April 2014. The company also stated that, from 1 May 2014 non-separated solid urban waste will be treated in an alternative way for subsequent placement in landfill.
In April experimentation started on a new waste cultivation system, authorised in December 2013 by the Provincial Authority of Terni, using alternative/substitute technical materials instead of clay and the contract for the front capping of berm No. 8 of the dump was awarded for the readaption of the front of the finished part of the dump.

Aquaser Group

Aquaser

Aquaser was set up to manage ancillary services associated with the integrated water cycle, recovering and disposing of sludge from biological treatment and waste produced from water treatment, treating effluent and liquid waste and providing the services connected thereto.
It currently transports and recovers treatment sludge for most of the water companies in the ACEA Group.
The sludge is recovered through delivery to composting plants, mostly third party, and by spreading sludge on farmland according to largely third party authorisation.
In the reporting period the company continued to consolidate its position on the market.

KYKLOS

Kyklos operates in the waste treatment sector. It produces and markets mixed compost conditioners; in particular it operates in the areas of Nettuno Ferriere in Aprilia on the basis of a Single Authorisation for special non-hazardous waste treatment and recycling plants obtained from the Province of Latina with a maximum capacity of 66,000 tonnes/year.
On 8 June 2010, the authorisation procedure was started for the adjustment of the current plant and the enlargement of its capacity up to 120,000 tonnes/year through the construction of a biogas plant with recovery of electricity and heat energy.
Note that the Provincial Authorities of Latina, on 28 March 2013, issued a single authorisation for a substantial variation in the waste treatment and recovery plant and for the production of energy. The authorised intervention to bring the compostable waste treatment capacity up to 120,000 t/year is to guarantee organic waste recovery requirements are met, in particular considering the current waste emergency at a regional level, avoiding dumping, and consolidating the leading role of Kyklos in the territory of reference.
As a result of the appeal for cancellation filed by the Municipality of Nettuno, subject to effective suspension of the above authorisation and the appeal filed by Kyklos for the cancellation of some parts of the same authorisation, on 25 February 2014 the Company presented a request for suspension of the term for the start of work (within twelve months of issue) until the Latina Regional Administrative Court passes sentence on the above. The request was approved by the Latina Provincial Authority on April 2014.

SOLEMME

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

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

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

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

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

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

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

On 11 April 2014 the Grosseto Provincial Authority extended the plant operating authorisation until 14 April 2015.

ISA

Isa operates in the logistics and transportation sector and was held to be of strategic importance to reach market consolidation objectives. In fact, the Company was bought up to strengthen group organisation and provide group services in a more independent way, not only transportation but also services relating to other activities associated with and complementary to the farmland spreading of sludge, the maintenance of the drying beds and automatic discharge services, which have led in fact to a significant increase in business activities.

Note that the company currently has its own fleet for haulage activities.

SAMACE

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

It operates in the waste recovery sector, producing and selling compost conditioners. The Company operates in Sabaudia with a Single Authorisation for special non-hazardous waste treatment and recycling plants obtained from the Province of Latina.

Energy Operating Segment

Operating figures, equity and financial results for the period

Operating figures	U.M.	31/03/2014	31/03/2013	2014-2013	%
Energy Produced	GWh	158	145	13	9.0%
Electrical Energy sold - Free	GWh	1,992	2,398	(406)	(16.9%)
Electrical Energy sold - Protected	GWh	854	901	(47)	(5.2%)
Electrical Energy - No. Customer of Free Market (P.O.D.)	N/000	275	318	(43)	(13.5%)
Electrical Energy - No. Customer of Protected Market (P.O.D.)	N/000	1,052	1,077	(25)	(2.3%)
Gas Sold	Msm^3	53	46	7	14.3%
Gas No. Customers on Free Market	N/000	118	103	15	14.1%

Equity and financial results (millions of euros)	31/03/2014	31/03/2013 *restated*	2014-2013	%
Revenues	544	603	(59)	(9.8%)
Costs	519	580	(62)	(10.6%)
Gross operating profit	25	23	2	10.3%
Operating profit/(loss)	9	10	(1)	(5.9%)
Average number of staff	534	533	1	0.2%
Investments	4	2	2	100.0%

(millions of euros)	31/03/2014	31/12/2013 *restated*	Increase/ (Decrease)	%	31/03/2013 *restated*	Increase/ (Decrease)	%
Net debt	374	303	(71)	23.4%	388	(14)	(3.6%)

As described above, from 1 January 2014, Ecogena was allocated under the Energy Segment which closes the 1st quarter of 2014 with an EBITDA equal to 24.7 million euros, an increase of 2.4 million euros compared to the same period last year.
This increase is common to all the industrial sectors of the Segment, in particular:

- Acea Produzione generation increased by 0.6 million euros as a consequence of the highest margin since the first quarter of 2013, due to an increase in green certificate revenue accrued after *repowering* the Salisano and Orte plants (+ 0.9 million euros);
- the sales sector closed the first quarter with an EBITDA equal to 13.1 million euros compared to 11.4 million euros for the same period in 2012; this increase derives from the higher energy margin (+ 1.6 million euros), with a marked reduction in the cost of materials and services, mainly for Acea Energia. Umbria Energy also contributes to the positive result with 0.3 million euros. The total energy margin at 31 March 2014 is equal to 30.3 million euros, with the gas market margin equal to 4.0 million euros; at 31 March 2013 the total margin amounted to 28.7 million euros with an increase of 1.6 million euros mainly due to the trend of sales prices.

In terms of staff, as at 31 March 2014 the average number of employees was 534, 1 more than the same period last year.

Segment investments stand at 3.5 million euros (of which 2 million borne by Ecogena), an increase of 1.4 million euros.

Net debt at the end of the first quarter in 2014 increased by 71.2 million euros to 373.9 million euros, compared to the figure at the end of 2013. This increase can be attributed to the combined effect of **(i)** an increase in the sales sector (- 70.3 million euros) essentially due to a drop in payments received recorded in the period, **(ii)** a decrease in the production sector (- 4.1 million euros) which can mainly be attributed to higher volumes billed in the period and **(iii)** recognition in the Energy Segment of the Ecogena debt equal to 6.6 million euros which in the first quarter of 2013 was consolidated using the equity method.

Operating review

Energy Management

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

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

In the first quarter of 2014, Acea Energia purchased 2,484 Gwh of electricity from the market, of which 1,880 Gwh through bilateral agreements and 604 Gwh through the Power Exchange, and sold 213 Gwh back to the market, of which 145 Gwh through bilateral agreements and 68 Gwh through the Power Exchange.

Electricity production

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

Through its directly owned plants, in the first quarter of 2014 the company achieved a production volume of 158.1 GWh of which **(i)** 151.4 GWh from hydroelectric plants, **(ii)** 0.6 GWh from mini hydro plants and **(iii)** 6.1 GWh from thermoelectric production.
In the district heating segment, through the Tor di Valle plant's cogeneration unit, Acea Produzione supplied 2,645 end users located in the Torrino Sud, and Mostacciano districts (located in the southern part of Rome) with 46.3 GWh.

The hydroelectric segment recorded production of 152 GWh benefiting from the contribution of the run-of-river Salisano drinking water plant, in line with the ten-year historic average (+0.5%). Production at the Castel Madama, Mandela and Orte run-of-river plants was significantly higher (+ 27.8%) than the ten-year average due to an increase in the level of water input for plants on the Tiber basin (Aniene and Nera rivers).
An increase in production was recorded compared to the ten-year average by the S. Angelo plant (+30.4%) with 68.6 GWh. The average quarterly water inputs of the Aventino river (8.2 m3/s) and

Sangro river (21.9 m3/s), were respectively + 43% and + 11% compared to the average in the three previous years 2011/2013. The weather trend was particularly rainy and this meant a significant water input from the rivers with an average power output of 31.8 MW.

The company's thermoelectric production stood at 6.1 GWh as at 31 March 2014.
The negative production trend for the combined cycle of the Tor di Valle plant is confirmed, for which planning and engineering to modernize the plant began in 2013.

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

Electricity and gas sales

As for the sales market, the refocusing of **Acea Energia's** sales strategy continued in the period with a more capillary and attentive selection of customers with a plan in two parts. The first tends to favour contracting small customers (residential and microbusiness) while the second consists of maintaining the current joint ventures when deep-rooted in the territory if they can guarantee adequate profitability.
Investment management continued in the period for **Umbria Energy** and **Elga Sud** operating respectively in Umbria and Puglia, in line with the above.
The liquidation of **Voghera Energia Vendite,** the joint venture between ASM Voghera and Acea Energia, is still underway. The Customs Office proceeded with the nullification by internal review for 2009, 2010, 2011 and 2012, of the notice of payment and application of penalties amounting to approximately 10 million euros plus the penalties notified in February 2014; for 2008 the company paid 124 thousand euros in taxes, penalties and interest.

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

- In terms of distribution tariffs, compulsory distribution tariffs - updated quarterly in accordance with Annex A of the Authority's Transport Code - have been applied to end users on the protected categories market and are valid for all of 2014.
- With regard to connection fees and flat rate charges the parameters used were those defined by the Authority in Resolution 348/2007, Annex B (the Connection Code) and are valid for all of 2014.

The energy and the corresponding economic items Acea Energia purchases to meet the requirements of the protected categories service are determined on the basis of the ACEA Distribuzione energy report.

During the period, the sale of electricity on the Protected Categories market was equal to 854 GWh, a reduction of 5.2% compared to March 2013. The number of withdrawal points totalled 1,052,269 (1,076,653 at 31 March 2013): this reduction derives from fierce competition on the Rome market by the main competitors which the company responds to through the constant marketing of its services to maintain its customer portfolio.
Sale of electricity on the Free Market amounted to 1,868 GWh for Acea Energia and 124 GWh for the retail Joint Venture, for a total 1,992 GWh, a decrease of around 17% on 31 March 2013.
In addition, Acea Energia sold 52.6 million standard cubic metres of gas to final customers and wholesalers. There are 117,572 customers.

Concerning the penalty proceedings that were implemented on 8 November 2012 against Acea Energia with Resolution No. 462/2012/S/eel, as a result of the dispute in 2013 with the Company, AEEGSI Resolution No. 540/2013/S/eel on 28 November 2013 declared the commitment proposal presented on 25 October 2013 to be admissible and approved the same for publication. On 19 February 2014, the AEEGSI published comments, presented after the deadline, by

Federconsumatori the Italian consumers and users federation, to which Acea Energia replied in March 2014 confirming its position specified in published commitments.
With Resolution No. 174/2014/S/eel of 17 April 2014, the AEEGSI approved the commitments proposed by Acea Energia making them obligatory, closing the proceedings opened against the same in Resolution No. 462/2012/S/eel. To sum up:

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

Cogeneration

In the period, the operating management also focused on two key areas: the technical and economic monitoring of operating plants and new projects under construction.
Ecogena proceeded with the construction of a new trigeneration plant for the EUR "Europarco" complex; construction work continues on the trigeneration plant that will provide energy services for the new "Cinecittà World" theme park in Castel Romano. Finally, building work continued in the areas dedicated to the construction of the new "Laurentino" shopping centre, in the Laurentina/Tor Pagnotta district of Rome.

Water Operating Segment

Operating figures, equity and financial results for the period

Operating figures*	U.M.	31/03/2014	31/03/2013	2014-2013	%
Water Volumes	Mm^3	139	142	(3)	(1.5%)
Electrical Energy Consumed	GWh	132	131	1	0.6%
Sludge Disposed of	kTon	53	49	4	9.3%

* Acea Group values

Equity and financial results (millions of euros)	31/03/2014	31/03/2013 *restated*	2014-2013	%
Revenues	149	141	8	5.4%
Costs	87	86	1	1.2%
Income/(Costs) from equity investments of a non-financial nature	6	6	0	0.0%
Gross operating profit	68	61	7	10.6%
Operating profit/(loss)	49	39	10	25.5%
Average number of staff	2,416	2,430	(16)	(0.6%)
Investments	32	33	(1)	(0.8%)

(millions of euros)	31/03/2014	31/12/2013 *restated*	Increase/ (Decrease)	%	31/03/2013 *restated*	Increase/ (Decrease)	%
Net debt	626	611	15	2.5%	562	64	10.2%

The Segment's EBITDA at 31 March 2014 totalled 67.8 million euros, up 6.6 million euros on 2013. This increase is mainly influenced by the recognition of higher revenue following the application of the new Water Tariff Method (MTI) passed by AEEGSI in Resolution No. 643/2013. Above all, ACEA Ato2 (+ 5.7 million euros) and ACEA Ato5 (+ 0.9 million euros) contributed to the increase.
The EBITDA of the Companies operating abroad (- 1.1 million euros) decreased due to the transfer at the end of 2012 of the Aguazul Bogotà management contract. Finally, the engineering companies improved their result (+ 0.4 million euros).

Staff costs, net of capitalised costs amounted to 21.3 million euros, in line with the first quarter of 2013.
The average number of staff at 31 March 2014 dropped by 14 to 2,416.

Borrowings in the Segment at 31 March 2014 amounted to 626.1 million euros, up 15.3 million euros on the end of 2013 when the total was 610.8 million euros.
This increase was mainly generated by ACEA Ato2 (+ 11.1 million euros) and is affected by the working capital trend.

Segment investments amounted to 32.5 million euros, substantially in line with those of the 1st quarter of 2013 (32.7 million euros).

Operating review

Lazio - Campania area

ACEA Ato2

The Integrated Water Service in ATO 2 Central Lazio - Rome started on 1 January 2003. The ATO gradually took over services from the Municipalities and on 31 March 2014, 73 of the total 112 services in the ATO are currently run by the Municipalities as at 31 December 2013.

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

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

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

The sewerage service comprises a sewer network of about 6,062 km (including approximately 4,072 km of network serving the municipality of Rome) and more than 300 km of trunk lines, without counting the connections to the sewage system.

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

In the first quarter of 2014, the main waste water treatment plants handled 148 million cubic metres, an increase of around 11% compared with the same period of the previous year. Sludge, sand and grating production for all managed plants in the reporting period was equal to 42 thousand tonnes, an increase of around 8% on the first quarter of 2013.

At 31 March 2014, the Company managed a total of 524 sewage pumping stations, including 177 in the municipality of Rome, and a total of 171 waste water treatment plants, including 34 in the municipality of Rome.

There are no major new elements to report with reference to the problems concerning seizure of water treatment plants (a total of 9 at 31 March 2014) and untreated waste discharges (a total of 5). Refer to the 2013 Report on operations for more information.

As for the tariff, the 2012 and 2013 tariff proposals were as is known, approved by the Mayors' Conference and Ato2 Central Lazio - Rome on 4 March 2014 and, on 27 March 2014 the AEEGSI with Resolution No. 141/2014/R/idr approved the tariff multiplier values for 2012 equal to 1.025, and 2013 equal to 1.053 as proposed by the Mayors' Conference. With reference to the period of reference for the Transitional Tariff Method and to make the best of the adjustments for 2014 and 2015, the AEEGSI also concluded the procedure for verifying the economic-financial plan, reserving the right to make further in-depth assessments on the dimensioning of the "New Investments Fund" (FoNI), in relation to recognition of planned operating costs (Op) and in coherence with the Revenue Restriction (VRG) of the Operator. The AEEGSI will use the results of said in-depth assessments in 2014 and 2015 tariff calculations.

With reference to the 2014 – 2015 tariff update and the correlated economic – financial planning, after the time set by Resolution No. 643/2013/R/idr (31 March 2014) for the Area Authority to approve the tariff proposals expired, on 28 April 2014 the Company submitted a request for an update to the Local Authority and the AEEGSI using the procedure introduced by the above-mentioned resolution.

On the same date the Extraordinary Commissioner of the Province of Rome called a meeting of the Mayors' Conference for 9 May 2014.

Revenue for the first quarter of 2014, calculated on the basis of tariff proposals subject to the update request, amount to a total of 119.6 million euros.

ACEA Ato5

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

The management of the integrated water service in the territory of ATO 5 Lazio-Frosinone involves a total of 85 municipalities (management still must be surveyed for the municipalities of Atina, Paliano and Cassino Centro Urbano as regards water services only) for a total population of around 480,000 inhabitants, about 460,000 inhabitants supplied and a number of end users equal to around 188,487. No new acquisitions were formalised in 2013.

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

Despite the abundance of available water guaranteed by the sources, problems in the distribution network infrastructure required constant intervention by unit personnel to guarantee water distribution to all of the 85 municipalities managed, shutting down the supply to Municipalities when absolutely necessary and also installing some motor-driven valves and hydraulic valves to automate the manoeuvres.

The sewerage-purification system comprises a network of sewers and trunk lines connected to waste water treatment terminals. The company manages 197 sewage pumping plants and 112 biological waste water treatment plants, as well as 16 Imhoff tanks and 3 percolating filters.

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

With reference to the tariff for 2012 and 2013, approved by the Mayors' Conference on 5 March 2014, please refer to the paragraph *Service Concession Arrangements* in the 2013 Consolidated Financial Statements.

With reference to the 2014 – 2015 tariff update and the other correlated economic – financial plan, the Company submitted a request to the Area Authority and AEEGSI on 29 April 2014. The tariff multiplier in the request is equal to 1.669 for 2014 and 1.660 for 2015.

Revenue in the first quarter of 2014 amounts to a total of 15.4 million euros.

GORI

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

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

As for the tariffs, the Extraordinary Commissioner of the Sarnese Vesuviano Area Authority in Resolutions No. 26 and No. 27 of 31/03/2014 revised the Economic-Financial Plan transmitting it to the AEEGSI with the Plan of Action and set the Guaranteed revenue Restriction Limits and the tariff multipliers for 2014 and 2015.

The Guaranteed revenue restriction limits and the tariff multipliers allow for the hypothesis that there will be a change in the system due to the transfer of regional works, in accordance with Campania Regional Authority Resolution No. 172/2013 of 03/06/2013.

GORI considered the method of transferring the works specified in Resolution No.172/2013 to be prejudicial, appealing against the same before the Campania – Naples Regional Administrative Court which suspended the effects of the same until the hearing on 12 March 2014, for which the parties lodged a joint petition for adjournment, in this way obtaining a further suspension of the effects until 17 December 2014, when the hearing will be held.

In consideration of the above, to determine the tariffs for 2014-2015, the possible hypothesis has been put forward that the transfer of regional works will produce effects only from December 2014, meaning higher costs for just one month in 2014.
The revenue for the first quarter of 2014, calculated on the basis of Extraordinary Commissioner's figures, amount to a total 40 million euros (Group share 14.8 million euros).

As for the 40 million euros bridge loan that matured 30 June 2011, in April 2014 a contract was signed converting the bridge loan into a multi-year loan with maturity 31 December 2021.

Tuscany - Umbria Area

Acque

The management agreement, which came into force on 1 January 2002 with a twenty-year duration, was signed on 28 December 2001. In accordance with said agreement, the Operator took over the ATO 2 exclusive integrated water service, comprising all public water collection, abstraction and distribution services for civil use, sewage systems and the treatment of waste water. The Area includes 57 municipalities. In return for award of the concession, Acque pays a fee to all the municipalities, including accumulated liabilities incurred under previous concessions awarded.

With reference to the 2014 and 2015 tariff proposal approval process, on 3 April 2014 the Territorial Conference of the Lower Valdarno ATO2 approved the guaranteed Revenue restriction limits and the theta for 2014 and 2015.
Compared to the previous year the theta is equal to 6.5% for both 2014 and 2015. In order to maintain the tariff increase to this level, the tariff recovery of the 2012 adjustments repayment component was postponed to 2016.
On 24 April 2014 the company sent the tariff update request in accordance with Resolution No. 643/2013/R/idr and the methods required by AEEGSI. On the same date the Meeting of the Tuscany Water Authority approved the tariff proposal as formulated by the Territorial Conference.
The data and evaluations in the update request presented by the company differ from the calculations approved by the Meeting of the Tuscany Water Authority on the formula used to calculate the tariff multiplier as Acque holds the formulation adopted by the Tuscany Water Authority to be incorrect, failing to respect the principle of *full cost recovery*.
In brief, the company's tariff proposal differs to that approved by the Tuscany Water Authority in the amount of the portion of 2012 adjustments postponed to 2016 and in the final analysis in the total guarantees tariff revenues.
No resolution has been passed by the Tuscany Water Authority to date on the adjustments that matured in 2011.

Revenue in the first quarter of 2014 amounts to a total of 30.7 million euros (Group share 13.8 million euros).

As is known, in October 2006, Acque signed a contract with a pool of banks which provides for a total loan of 255.0 million euros to cover the financial needs of the investment plan from 2005 to 2021 estimated at around 670.0 million euros. The actual drawdown at 31 March 2014 was 218.0 million euros.

Publiacqua

The management agreement, which came into force on 1 January 2002 with a twenty-year duration, was signed on 20 December 2001. In accordance with said agreement, the Operator took over the exclusive integrated water service of ATO 3, comprising all public water collection, abstraction and distribution services for civil use, sewage systems and the treatment of waste

water. The Area includes 49 municipalities, of which 6 managed via agreements inherited from the previous operator, Fiorentinagas. In return for awarding the concession, the Operator pays a fee to all the Municipalities, including accumulated liabilities incurred prior to award of the related contracts.
In June 2006, ACEA - via the vehicle Acque Blu Fiorentine S.p.A. – completed its acquisition - of an interest in the company.

With reference to the 2014 and 2015 tariff proposal approval process, on 18 April Territorial Conference No. 3 Middle Valdarno of the Tuscan Water Authority approved the new tariff development and the Economic-Financial Plan for 2014-2021, approved also by the Meeting of the Tuscany Water Authority on 24 April 2014. Compared to the previous year the theta is equal to 3.4% for 2014 and 6.4% for 2015.
Revenues for the first quarter of 2014 were calculated on the basis of Tuscany Water Authority tariff calculations, amounting to a total 51.4 million euros (Group share 20.5 million euros).
The Tuscan Water Authority, in a letter dated 27 September 2013, implemented the 4th tariff review relevant to costs, announcing it wished to apply it to the years 2010-2011, excluding 2012 therefore, the year in which the Transitional Tariff Method came into force. The review process should be concluded by this summer.

In terms of financing sources, on 29 November 2012, the company took out a new bridge loan with a duration of 18 months minus one day, until 23 May 2014 for a total of 75 million euros, of which a total of 60 million euros was disbursed on the subscription date.

Acquedotto del Fiora

Based on the agreement signed on 28 December 2001, Acquedotto del Fiora is to supply integrated water services on an exclusive basis in ATO 6, consisting of public services covering the collection, abstraction and distribution of water for civil use, sewerage and waste water treatment.
The concession term is twenty-five years from 1 January 2002.
In August 2004, ACEA – via the vehicle Ombrone SpA – completed its acquisition of an interest in the Company.

With reference to the 2014 and 2015 tariff proposal approval process, on 8 April the Territorial Conference No. 6 Ombrone of the Tuscan Water Authority approved the new tariff development and the Economic-Financial Plan for 2014-2021, approved also by the Meeting of the Tuscany Water Authority on 24 April 2014. Compared to the previous year the theta is equal to 6.5% for both 2014 and 2015.
Revenue in the first quarter of 2014 amounts to a total of 22.2 million euros (Group share 8.9 million euros).

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

Umbra Acque

On 26 November 2007 ACEA was definitively awarded the tender called by the Area Authority of Perugia ATO 1 for selection of the minority private business partner of Umbra Acque S.p.A. A stake in the company (40% of the shares) was acquired on 1 January 2008.
During the period, the company exercised its activities in all 38 Municipalities constituting ATOs 1 and 2.

With reference to the tariff applied for users in the reporting period, pending the update for 2014 and 2015, note that this is the update in Single Assembly Resolution No. 4 of 30 April 2013 of ATI No.1 and No.2 concerning the "AEEGSI 2012 and 2013 new temporary tariff system".

The best estimate for revenue in the first quarter of 2014 amounts to a total of 15 million euros (Group share 6 million euros).

Networks operating segment

Operating figures, equity and financial results for the period

Operating figures	U.M.	31/03/2014	31/03/2013	2014-2013	%
Electrical Energy distributed	GWh	2,600	2,730	(130)	4.8%
Energy produced by photovoltaic plants	GWh	2	3	(1)	(33.3%)
Energy Efficiency Certificates sold/cancelled	Nr.	0	3,006	(3,006)	(100.0%)
No. Customers	N/000	1,622	1,623	(1)	0.0%
Km of Network	Km	29,521	29,314	207	0.7%

Equity and financial results (millions of euros)	31/03/2014	31/03/2013	2014-2013	%
Revenues	146	130	16	12.2%
Costs	83	71	12	17.2%
Gross operating profit	62	59	4	6.1%
Operating profit/(loss)	42	36	6	15.1%
Average number of staff	1,381	1,431	(50)	(3.5%)
Investments	26	24	2	9.5%

(millions of euros)	31/03/2014	31/12/2013	Increase/ (Decrease)	%	31/03/2013	Increase/ (Decrease)	%
Net debt	662	683	(21)	(3.1%)	736	(74)	(10.0%)

EBITDA at 31 March 2014 was 61.6 million euros, an increase of 3.0 million euros, compared to the same period in the previous year.
This increase is due to higher margins in the Public Lighting sector, which closed the year with an EBITDA of 2.0 million euros (at 31 March 2013 it was a negative 1.0 million euros).

In terms of staff, as of 31 March 2014 the average number of employees was 1,381, 50 less than the same period of the previous year; this is mainly attributable to ACEA Distribuzione.

Segment investments stand at 26.1 million euros, an increase of 2.3 million euros. This increase is mainly attributable to ACEA Distribuzione due to an increase in expansion activities and upgrading of the High and Medium - Low Voltage Networks and primary substations.

Net debt at the end of the first quarter of 2014 decreased to 662.2 million euros, a decrease of 21.4 million euro compared to 2013; this change is mainly attributable to ACEA Distribuzione and is the direct consequence of the improvements in the billing process which contained working capital growth.

Operating review

Electricity distribution

Energy report

As shown in the following table, as at 31 March 2014 ACEA Distribuzione injected 2,780.94 GWh into the network with a 4.71% drop on the same period of the previous year.

GWh	31/03/2014	31/03/2013	% Increase/ (Decrease)
Source A.U.	828.1	878.7	(5.8%)
Imports	106.4	106.4	(0.0%)
Market subject to additional safeguards	**934.5**	**985.1**	**(5.1%)**
Free market	**1,845.9**	**1,932.7**	**(4.5%)**
Underlying distributors	**0.5**	**0.6**	**(16.7)%**
General total	**2,780.9**	**2,918.4**	**(4.7%)**

Transport service tariffs

2014 represents the third year of application of the new tariff structure defined by the Italian Authority for Electricity, Gas and Water (AEEGSI) for the 2012-2015 regulatory period.
The regulatory provisions are divided into Three Consolidated Regulations, and for the distribution service the AEEGSI confirmed unbundling of the tariff applied to end customers (the compulsory tariff) from the reference tariff to determine the permitted restriction on revenue for each company (the reference tariff).
The main new element introduced since the previous regulatory period (2008-2011) is the reference tariff of the distribution service for business, which replaces the previous mechanism for calculating permitted revenue, based on the national average tariff integrated with general equalisations on HV, HV/MV and LV distribution and specific corporate equalisation.
For the fourth regulatory period the new tariff recognises the following for each company:

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

AEEGSI Resolution No. 607/2013/R/eel of 19 December 2013 set the rate of return on net invested capital (*wacc*) for 2014 at 6.4%.
In terms of operating costs, the new company-based tariff covers the specific costs by means of a national average cost adjustment coefficient, calculated by the AEEG on the basis of actual company costs recorded in separate annual accounts and recognised in the specific corporate equalisation for 2010, and on scale variables in reference to 2010.
These costs, when calculating the company-based tariff for 2014, according to the definitions of Resolution No. 607/2013, are supplemented by flat rate connection contributions acknowledged throughout Italy, and will be considered as other grants and no longer deducted from operating costs.

Furthermore, the flat rate connection contributions of each company are deducted directly from the invested capital considering them as equal to MV/LV assets with an acknowledged regulatory useful life of 30 years.
With Resolution No. 607/2013 of 19 December 2013, the AEEGSI updated the tariffs for electricity transmission, distribution and metering services and the economic conditions for the provision of connection services for the year 2014 and with Resolution No. 154/2014 on 3 April, published the company-based tariff for 2014.
For ACEA Distribuzione the tariff of reference for 2014 for the electricity distribution service increased compared to the same tariff in 2013, although the increase was less than that of the major electricity distributors.
The Italian tariff of reference for marketing the electricity distribution service for 2014 however, decreased compared to the same tariff in 2013.
Updating of the distribution reference tariff after the first year will be individual and based on financial increases reported by the companies on the RAB databases. The updating criterion envisages that:

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

Introduction of the company tariff simplifies the equalisation system as the new tariff encompasses part of general and specific corporate equalisations.
The AEEG confirms the mechanism - already introduced in the third regulatory cycle - of a higher return on certain investment categories, expanding the cases concerned and, in addition to *smart grid* projects, envisages a higher return on renewal and upgrading of the MV networks in historical centres.
The tariff covering sales costs is based on standard national costs, differentiated according to provision of the sales service subject to additional safeguards in integrated format or as a separate distribution service. The AEEG envisages the introduction of a binomial tariff (capacity and consumption) for HV customers, and changes to the cost tariff structure for the transmission service to Terna (CTR), also introducing a binomial price. The review of the two tariffs has led to the introduction of a new equalisation mechanism.
The general equalisation mechanisms for distribution costs and revenue for the new regulatory cycle are:

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

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

In the new Transport Code, the AEEGSI envisaged a mechanism for recognising an advance, every two months, of equalisation balances relating to the equalisation of distribution service revenue and transmission costs.
With Decision No. 6/2014 - DIUC of 17 March 2014 the AEEGSI made the mechanisms of advance payments every two months for the equalisation of revenues for the distribution of electricity and the costs of transmission, optional for 2014. ACEA Distribuzione decided to adhere to the mechanism of advance equalisation payments for 2014 and sent ACEA Distribuzione's 2-monthly advance payments for 2014 and the deadlines for the settlement of said advance payments in a letter the CCSE dated 21 February 2014.

The Metering Code (TIME) governs tariffs for the metering service, divided into meter installation and maintenance, taking meter readings, and confirming and recording readings. The Consolidated Code envisages transfer to Terna of the meter reading, confirmation and recording service for interconnection points between distribution company networks and the national grid. This change will become operative through later regulatory provisions, and therefore at present the distribution company is still responsible for the entire metering service.
The price structure remains unchanged from the previous cycle except for the introduction of a tariff component to cover the residual non-depreciated value of the electromechanical meters replaced prior to the end of their useful lives with electronic meters, or MIS (RES), to be billed to LV end users.
With resolution 607/2013, the portion of parameters relative to revenue equalisation for the metering service regarding the year 2014 was updated.
The tariffs covering the metering service are updated, as for the distribution service, by *price cap* mechanisms for the part to cover operating costs (with a productivity recovery target of 7.1%) and by the deflator, change in invested capital and rate of change in volumes for the part to cover invested capital and amortisation. The rate of return on metering capital is equivalent to that of the distribution service.

On 19 December 2013, the AEEG published Resolution No. 607/2013 indicating the methods for calculating an optional *flat rate* equalisation of revenues from connection contributions for 2013. In order to adhere to the revenue supplement mechanism, each distributor presented a specific application to AEEGSI within the final deadline 31 March 2014. Acea Distribuzione sent a request for adhesion to said mechanism on 12 March 2014. The AEEGSI has not extended said mechanism to 2014.

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

Energy efficiency objectives

AEEG Decision No. DIUC 9/2013 indicates the data on the quantity of electricity and natural gas distributed in Italy by subjects obliged to meet such requirements in 2012. This data is essential to determine the portion of energy efficiency objectives each single distributor must meet for 2014, reaching at least 50% by 31 May 2015.
ACEA Distribuzione's objective for 2014 is 174,316 Energy Efficiency Certificates and the estimate of the same for 2015 and 2016, defined on the basis of a criterion of the 2-year average energy distributed in the two previous years, is equal to respectively 199,154 and 244,502 Energy Efficiency Certificates.
As for the 2013 objectives – equal to 140,938 Energy Efficiency Certificates – ACEA Distribuzione already holds the quantitative of certificates to cancel by 31 May 2014.

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

AEEG supervision

In consideration of the urgent interventions in Provision No. 300/2013/R/eel, on 08 July 2013 AEEG opened penalty proceedings against ACEA Distribuzione to verify metering aggregation violations.
This derives from the fact that the Company had not fulfilled metering aggregation requirements, essential for determining the physical and economic items of the dispatching service.
There is objective evidence of the breach in the form of discrepancy, in terms of the threshold allowed by regulations, between the electricity metered and that invoiced for transport to the utilities of dispatching users (vendors) operating in the Rome area in 2011 and 2012.
ACEA Distribuzione, in accordance with resolution 243/2012/E/com, on 17 August of this year presented commitments for the pursuit of the interests protected by the provisions which are assumed to have been violated.
In particular, these commitments mainly consist in remedying financial costs acknowledged by the system to the above dispatching users, to prevent the socialization of a cost which would otherwise be payable by the end users.
The same commitments provide for a way to make up for prejudicial behaviour - represented by the discrepancy between metering figures and invoiced amounts for 2011 and 2012 charges – by the month of October 2013, and the objective proof of the system – with reference to the 2013 charges – for the final settlement of the process problems that caused said discrepancies.
At this time, for 2011 and 2012, there is still some residual discrepancy while for 2013, we will only have conclusive evidence after all charges have been invoiced.

AEEG Resolution No. 512/2013/S/eel, which refers to VIS 60/11, applies a penalty against the Company for violation in the recording of outages. This violation concerns the obligation, introduced by the TIQE, to keep a specific list of all calls received reporting faults, even if there is no outage (article 13, paragraph 2, letter c). The penalty is equal to 517 thousand euros.
ACEA Distribuzione filed an appeal before the Regional Administrative Court.

Finally, on 20 February 2014 AEEGSI Resolution No. 62/2014/S/eel opening proceedings to apply penalty and prescriptive procedures against the Company for violations concerning putting low voltage electricity meters into service and reading the same. With this resolution, the AEEGSI opened an enquiry into the violation of art. 8 bis, in Annex A of Resolution No. 292/06 setting a term of 150 days for the duration of the enquiry.
On 14 April 2014, ACEA Distribuzione presented a request for access to deeds and decided to participate in the enquiry, presenting a written memorandum by 6 May (within the deadline of 60 days from notification of the procedure opening the enquiry on 7 March).

Public Lighting

On 15 March 2011 ACEA and Roma Capitale agreed on an adjustment to the Public Lighting Service Contract.
The key points of the renegotiation are:

- extension of the contract to 2027, in line with the Concession, and therefore lengthening the residual duration from 4 years 5 months to 17 years,
- review of the contractual parameters, aligning them with those of the CONSIP technical draft for the "Servizio Luce 2" tender,
- the certainty of the power to directly perform activities associated with network expansion,

- recognition on expiry of the contract, natural or otherwise, of the non-amortised value of investments made by ACEA,
- sterilisation of the "price risk" of electricity to power the public lighting system,
- the inclusion of an indemnity in favour of ACEA in the event of early termination of the contract by Roma Capitale, calculated on the basis of margins discounted over the number of years to expiry (i.e. to 31 December 2027).

In the first quarter of 2014, 18 lighting points were installed for Roma Capitale and 49 for third party customers.
From 1 May 2013 public lighting is managed by Acea Illuminazione Pubblica which, through a spin-off, took over the ACEA Distribuzione business unit.

Photovoltaic power, energy saving and cogeneration

PV power

Following the transfer of the PV business unit in December 2012, ARSE owns plants with a total power capacity of just under 13 MWp.

On 23 December 2013 Law Decree No. 145 ("Destination Italy") was passed, and in accordance with art. 1, paragraph 2 starting from 1 January 2014, the Minimum Guaranteed Prices defined by AEEGSI to apply the dedicated withdrawal service indicated in Resolution No. 280/07, for each plant are equal to the hourly zonal price in the case in which the energy withdrawn is produced by plants benefitting from electricity tariff incentives.

Energy saving

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

Corporate

Equity and financial results for the period

Equity and financial results (millions of euros)	31/03/2014	31/03/2013	2014-2013	%
Revenues	27	27	0	0.0%
Costs	30	23	7	28.0%
Gross operating profit	(3)	4	(7)	(171.6%)
Operating profit/(loss)	(7)	0	(7)	n.a.
Average number of staff	670	681	(11)	(1.7%)
Investments	2	2	0	0.0%

(millions of euros)	31/03/2014	31/12/2013	Increase/ (Decrease)	%	31/03/2013	Increase/ (Decrease)	%
Net debt	479	467	12	2.6%	525	(46)	(8.8%)

ACEA closes the 1st quarter of 2014 with a negative EBITDA of 2.8 million euros, a deterioration compared to 1 March 2013 of 6.7 million euros essentially due to the effect **(i)** of an increase in external costs equal to 1.2 million euros and **(ii)** an increase in staff costs equal to 5.2 million euros. The 1st quarter of 2013 however did benefit from the partial release of 4.9 million euros in provisions set aside for the second round of the medium - long term Incentive Scheme and those set aside for senior and middle managers' MBO, as the objectives assigned were only partially achieved. As a consequence, the real increase in staff costs amounts to 0.3 million euros.

The average number of staff at 31 March 2014 was 670, slightly less than the same period in the previous year (was 680).

Investments amounted to 2.3 million euros, substantially in line with those of the same period in 2013 (was 2.1 million).

Net debt for the period amounted to 478.9 million euros at the end of the reporting period, up 11.9 million euros compared to the end of 2013, as a result of **(i)** the financial settlement of service agreements and amounts due from subsidiaries under cash pooling agreements, **(ii)** the deterioration resulting from foreign currency valuations and the *fair value* measurement of financial instruments (+ 5.4 million euros), as well as **(iii)** liquidity needs arising from investments for the year and changes in working capital, including the payment of trade payables.

ACEA S.p.A. business activities

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

Within the Group, ACEA S.p.A. acts as a centralised treasurer for the major subsidiaries.
Intercompany relations are arranged as follows:

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

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

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

ACEA S.p.A. also provides administrative, financial, legal, logistic, management and technical services to subsidiaries and associates in order to optimise the use of existing resources and *know-how* in an economically advantageous manner. These services are governed by specific annual service agreements: those in force began from 1 January 2011, have a three-year term with automatic renewal option and an annual fee based on contractual prices and the volumes actually provided.

The contracts that expired at the end of 2013, are being redefined.

Basis of presentation and consolidation

General information

The Interim Report on Operations at 31 March 2014 was approved by the Board of Directors' resolution on 8 May 2014.

Compliance with IAS/IFRS

This Interim Report on Operations has been prepared in compliance with international accounting standards in force on the reporting date, approved by the International Accounting Standards Board (IASB) and adopted by the European Union. The standards consist of the International Financial Reporting Standards (IFRS) and the interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and the Standing Interpretations Committee (SIC), collectively referred to as the "IFRS". In preparing these interim financial statements, in compliance with IAS 34 on interim financial reporting, the same standards were adopted as for the preparation of the Consolidated Financial Statements at 31 December 2013, to which reference should be made for a more complete understanding of these statements. This Interim Report on Operations was drawn up in the format envisaged in IAS 34.

Basis of presentation

The Interim Report on Operations consists of the Consolidated Statement of Financial Position, Consolidated Income Statement and Consolidated Statement of Comprehensive Income, the Consolidated Statement of Cash Flows and changes in Consolidated Equity, accompanied by the notes to the consolidated financial statements prepared according to IAS 34.
The income statement is classified on the basis of the nature of expenses, the statement of financial position is based on the liquidity method by dividing between current and non-current items, whilst the statement of cash flows is presented using the indirect method.

The Interim Report on Operations is drawn up in euro; the figures in the income statement and statement of financial position were rounded off to the nearest thousand euros while those in the notes were rounded off to the nearest million euros.

Accounting standards and measurement criteria

The accounting standards and measurement criteria adopted in the presentation of the Interim Report on Operations are those used in preparation of the Consolidated Financial Statements as at 31 December 2013, to which reference should be made for a description of the most significant elements.
International accounting standards IFRS10 (Consolidated Financial Statements), IFRS11 (Joint control agreements) and IFRS12 (Investments in Other Companies) as well as the consequent changes to IAS27 (Separate financial statements) and IAS28 (Investments in associates and joint ventures) apply from 1 January 2014.
These new standards change the consolidation method for consolidated equity investments on the basis of the proportional method up to 31 December 2013. In particular, the analyses confirmed that the investments in the water companies in Tuscany, Umbria and Campania fall within the scope of IFRS11 according to which, from 1 January 2014, the only permitted consolidation method is the equity method. Despite this, ACEA is the Industrial Partner of the companies in question with extensive management powers over current operations in all segments of activity, through the Chief Executive Officer with partial rights of designation.

Accordingly, the condensed results from consolidation according to the equity method of such investments shall be included in the Group's EBITDA **under item No. 6 Income/(Costs) from equity investments of a non-financial nature**, as no events occurred leading to a change in the provisions of the By-laws or the shareholders' agreements in place or in the management activity carried out by the industrial partner.

Alternative performance indicators

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

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

Use of estimates

In application of the IFRS, preparation of the Interim Report on Operations required management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the balance sheet date. The actual amounts may differ from such estimates. Estimates are used for the recognition of provisions for credit risk, obsolescent inventories, impairment charges incurred on assets, employee benefits, *fair value* of derivatives, taxes and other provisions. The original estimates and assumptions are periodically reviewed and the impact of any change is recognised in the income statement.
In addition, it should be noted that certain estimation processes, particularly the more complex such as the calculation of any impairment of non-current assets, are generally performed in full only when drafting the annual financial statements, unless there are signs of impairment that call for immediate impairment testing.

Lastly, note that the estimates made in this report could differ from those performed in the following quarters of this year.

Taxes for the period are the sum of current and deferred taxes and calculations are based on expected tax rates for the current year.

Effects of the seasonality of transactions

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

Changes to comparative data

As a consequence of the compulsory adoption from 1 January 2014 of international accounting standards IFRS10 and IFRS11, which have retrospective effect, the statement of financial position items of the Consolidated Financial Statements at 31 December 2013 and the income statement items of the Interim Report on Operations at 31 March 2013 were restated and represented for merely comparative purposes.

The Interim Report on Operations is not subject to auditing.

Consolidation policies and procedures

Consolidation policies

Subsidiaries

The basis of consolidation includes the Parent Company ACEA S.p.A., and the companies over which it directly or indirectly exercises control via a majority of the voting rights.
Subsidiaries are consolidated from the date on which control is effectively transferred to the Group and are deconsolidated from the date on which control is transferred out of the Group. Where there is loss of control of a consolidated company, the consolidated financial statements include the results for the part of the reporting period in which the ACEA Group had control.

Joint ventures

A *joint venture* is a contractual arrangement in which the Group and other parties jointly undertake a business activity, i.e. the contractually agreed sharing of control whereby the strategic, financial and operating policy decisions can only be adopted with unanimous consent of the parties sharing control. The consolidated financial statements include the Group's share of the income and expenses of jointly controlled entities, accounted for using the equity method.

Associates

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

Consolidation procedures

General procedure

The financial statements of the Group's subsidiaries, associates and *Joint ventures* are prepared for the same accounting period and using the same accounting standards as those adopted by the Parent Company. Consolidation adjustments are made to align any dissimilar accounting policies applied.

All Intragroup balances and transactions, including any unrealised profits on Intragroup transactions, are eliminated in full. Unrealised losses are eliminated unless costs cannot be subsequently recovered.

The carrying amount of investments in subsidiaries is eliminated against the corresponding share of the shareholders' equity of each subsidiary, including any adjustments to reflect *fair values* at the acquisition date. Any difference must be treated as goodwill and recognised as such pursuant to IFRS 3.

The minority interest in the net assets of consolidated subsidiaries is shown separately from shareholders' equity attributable to the Group. This interest is calculated on the basis of the percentage interest held in the *fair value* of assets and liabilities recognised at the original date of acquisition and in any changes in shareholders' equity after that date. Losses attributable to the minority interest in excess of their portion of shareholders' equity are subsequently attributed to shareholders' equity attributable to the Group, unless the minority has a binding obligation and is able to invest further in the company to cover the losses.

Business combinations

Acquisitions of subsidiaries are accounted for under the acquisition method. The cost of the acquisition is determined as the sum of the fair value, at the date of exchange, of the assets given, the liabilities incurred or acquired, and the financial instruments issued by the Group in exchange for control of the acquired company.

The identifiable assets, liabilities and contingent liabilities of the acquired company that meet the conditions for recognition under IFRS 3 are accounted for at fair value at the date of acquisition, with the exception of non-current assets (or disposal groups), which are classified as held for sale under IFRS 5 and accounted for at fair value less costs to sell.

If the business combination is recognised in several phases, the purchaser has to recalculate the fair value of the investment previously held (in case of equity method valuation) or the group of net assets attributable to the subsidiary (in case of consolidation according to the proportional method) and recognise any resulting profit or loss in the income statement.

The purchaser has to recognise any contingent consideration at the fair value, at the date of acquisition. The change in fair value of the contingent consideration classified as asset or liability will be recognized according to the provisions included in IAS 39, in the income statement or in other comprehensive income. If the contingent consideration is classified in equity, its value should not be remeasured until its extinction will be booked against equity.

Goodwill arising on acquisition is recognised as an asset and initially valued at cost, represented by the excess of the cost of the acquisition over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities acquired. This goodwill is not amortised, but is tested for impairment. If, on the other hand, the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities exceeds the cost of the acquisition, the relevant amounts are re-determined. If the Group's interest in the resulting fair value of the identifiable assets, liabilities and contingent liabilities still exceeds the cost of the acquisition, the difference is immediately recognised in the income statement.

For every business combination, the purchaser must value any minority stake in the acquired entity at fair value or in proportion to the share of the minority interest in net identifiable assets of the acquired entity.

Consolidation procedure for assets and liabilities held for sale (IFRS5)

Non-current assets and liabilities are classified as held for sale, in accordance with the provisions of IFRS 5.

Consolidation of foreign operations

All the assets and liabilities of foreign operations denominated in a currency other than the euro are translated using the exchange rates at the end of the reporting period.

Revenue and costs are translated using average exchange rates for the period. Any translation differences are recognised in a separate component of Shareholders' equity until the investment is sold.

On initial application of IFRS, accumulated translation differences deriving from the consolidation of foreign operations were reduced to zero. The reserve accounted for in the consolidated financial statements only includes gains or losses generated from 1 January 2004.

Foreign currency transactions are initially recognised at the spot rate on the date of the transaction. Foreign currency assets and liabilities are translated at the exchange rate at the end of the reporting period. Translation differences and those arising on disposal of the foreign operation are recognised under financial management in the income statement.

Basis of consolidation

The Consolidated Financial Statements of the ACEA Group include the financial statements of the Parent Company ACEA and those of its Italian and foreign subsidiaries in which it has a direct or direct holding of the majority of exercisable voting rights at ordinary shareholders' meetings, and therefore the power to govern financial and operating decisions and thereby achieve the related benefits. Entities that the Parent Company jointly controls with other parties are accounted for using the equity method.
The Group's basis of consolidation is divided into areas:

A) Changes in basis of consolidation

There were changes in the basis of consolidation as at 31 March 2014

- in relation to that of the Interim Report on Operations as at 31 March 2013 as a result of the acquisition by Aquaser in July 2013 of 100% of SAMACE S.r.l. a company operating in the waste recovery sector, producing and selling compost conditioners.
- in relation to the Interim Report on Operations as at 31 March 2013 and the 2013 Consolidated Financial Statements as a result of the increase in the investment in Ecogena which resulted in the exclusive control over the company and, accordingly, the consolidation thereof.

B) Unconsolidated investments

During application of the above methods of consolidation and of the equity method, Tirana Acque S.c.a.r.l. in liquidation, which is accounted for at cost, was excluded. It was possible to resort to this applied simplification by taking into account the fact that this investee is inoperative and insignificant based on qualitative and quantitative factors.

Consolidated Income Statement

	31/03/2014	31/03/2013 *restated*	Increase/ (Decrease)	% Increase/ (Decrease)
Revenue from sales and services	749,084	812,134	**(63,050)**	(7.8%)
Other revenue and proceeds	30,968	10,942	20,026	183.0%
Consolidated net revenue	**780,051**	**823,076**	**(43,024)**	**(5.2%)**
Staff costs	63,373	57,173	6,200	10.8%
Costs of materials and overheads	556,454	614,303	(57,849)	(9.4%)
Consolidated operating costs	**619,828**	**671,476**	**(51,648)**	**(7.7%)**
Net income/(costs) from commodity risk management	(14)	5	(19)	(382.7%)
Income/(Costs) from equity investments of a non-financial nature	5,787	5,410	377	7.0%
Gross Operating Profit	**165,997**	**157,015**	**8,982**	**5.7%**
Amortisation, depreciation, provisions	66,095	67,699	(1,604)	(2.4%)
Operating profit/(loss)	**99,901**	**89,316**	**10,586**	**11.9%**
Financial income	5,821	5,584	237	4.2%
Financial costs	(31,220)	(28,815)	(2,405)	8.3%
(Costs)/Income from Equity Investments	2,828	1,407	1,421	101.0%
Profit/(loss) before tax	**77,329**	**67,492**	**9,838**	**14.6%**
Taxation	30,594	28,568	2,026	7.1%
Net profit/(loss) from continuing operations	**46,735**	**38,924**	**7,811**	**20.1%**
Net profit/(loss) from discontinued operations	0	0	0	0.0%
Net profit/(loss)	**46,735**	**38,924**	**7,811**	**20.1%**
Profit/(loss) attributable to non-controlling interests	*2,250*	*2,094*	156	*7.5%*
Net profit/(loss) attributable to the Group	**44,485**	**36,830**	**7,655**	**20.8%**
Earnings (loss) per share (in euros)				
Basic	0.2089	0.1729	0.0359	
Diluted	0.2089	0.1729	0.0359	

Amounts in €/thousand

Consolidated Statement of Comprehensive Income

	31/03/2014	31/03/2013 *restated*	Increase/ (Decrease)
Net profit/(loss)	**46,735**	**38,924**	**7,811**
Profit/(Loss) from translation of financial statements expressed in a foreign currency	332	327	5
Profit/(Loss) from remeasurement of financial assets available for sale	0	0	0
Profit/(Loss) from the effective portion of hedging instruments	(10,350)	1,019	(11,369)
Actuarial Profit/(Loss) on defined benefit pension plans	683	(342)	1,025
Taxation	2,631	(1,874)	4,505
Total other comprehensive income, net of Tax	(6,704)	(870)	(5,834)
Total comprehensive income net of tax	**40,031**	**38,054**	**1,977**
Total comprehensive income (loss) net of tax attributable to:			
Non-controlling interests	2,734	2,715	19
Group	37,297	35,339	1,958

Amounts in €/thousand

Consolidated Statement of Financial Position

ASSETS	31/03/2014	31/12/2013 *restated*	Increase/ (Decrease)	01 January 2013 *restated*
Property, plant and equipment	2,023,291	2,006,192	17,099	2,012,319
Investment property	2,857	2,872	(15)	2,933
Goodwill	149,566	149,608	(42)	147,719
Concessions	1,334,241	1,317,286	16,955	1,243,267
Other intangible fixed assets	71,524	68,790	2,734	64,603
Equity investments in subsidiaries and associates	217,115	211,952	5,163	184,347
Other equity investments	3,321	3,321	0	4,763
Deferred tax assets	309,515	308,969	546	326,374
Financial assets	34,103	34,788	(685)	32,283
Other assets	46,722	48,770	(2,047)	53,861
NON-CURRENT ASSETS	**4,192,254**	**4,152,547**	**39,707**	**4,072,468**
Inventories	37,263	33,754	3,509	39,126
Trade receivables	1,423,705	1,346,556	77,149	1,302,308
Other current assets	98,470	111,410	(12,940)	121,152
Current tax assets	99,898	91,984	7,914	67,191
Current financial assets	108,488	118,302	(9,814)	152,832
Cash and cash equivalents	398,781	563,066	(164,286)	405,510
CURRENT ASSETS	**2,166,604**	**2,265,072**	**(98,467)**	**2,088,118**
Non-current assets held for sale	**6,722**	**6,722**	**0**	**6,722**
TOTALE ASSETS	**6,365,580**	**6,424,340**	**(58,760)**	**6,167,308**

Amounts in €/thousand

LIABILITIES	31/03/2014	31/12/2013 *restated*	Increase/ (Decrease)	01 January 2013 *restated*
Shareholders' equity				
share capital	1,098,899	1,098,899	0	1,098.899
statutory reserve	166,396	167,353	(957)	162,190
other reserves	(485,461)	(468,673)	(16,788)	(445,730)
retained earnings/ (losses)	535,611	383,115	152,497	423,518
profit (loss) for the year	44,485	141,940	(97,454)	
Total Group shareholders' equity	**1,359,930**	**1,322,633**	**37,297**	**1,238,877**
Non-controlling interests	86,672	84,195	2,477	78,471
Total shareholders' equity	**1,446,602**	**1,406,828**	**39,774**	**1,317,349**
Staff termination benefits and other defined benefit plans	106,065	106,910	(844)	118,329
Provision for liabilities and charges	193,935	206,058	(12,123)	216,098
Borrowings and financial liabilities	2,358,406	2,360,907	(2,501)	2,032,609
Other liabilities	169,732	161,549	8,183	157,131
Provision for deferred taxes	94,077	92,964	1,112	84,257
NON-CURRENT LIABILITIES	**2,922,215**	**2,928,389**	**(6,174)**	**2,608,424**
Trade payables	1,183,096	1,207,601	(24,505)	1,130,381
Other current liabilities	249,851	239,082	10,768	230,160
Borrowings	502,875	599,869	(96,994)	822,741
Tax Payables	59,598	41,228	18,370	56,908
CURRENT LIABILITIES	**1,995,419**	**2,087,779**	**(92,360)**	**2,240,192**
Liabilities directly associated with assets held for sale	**1,344**	**1,344**	**0**	**1,344**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**6,365,580**	**6,424,340**	**(58,760)**	**6,167,308**

Amounts in €/thousand

Consolidated Statement of Cash Flows

	31/03/2014	31/03/2013 *restated*	Increase/ (Decrease)
Cash flow from operating activities			
Profit before tax from continuing operations	77,329	67,492	9,838
Profit before tax from discontinued operations	0	0	0
Depreciation/amortisation	47,691	45,418	2,273
Revaluations/impairment charges	7,402	5,986	1,416
Increase/(decrease) in provisions for liabilities	(12,123)	1,802	(13,925)
Net increase/(decrease) in staff termination benefits	(1,009)	(5,422)	4,414
Gains on disposals	0	0	0
Net financial interest expense	25,400	23,231	2,169
Income taxes paid	0	(4,644)	4,644
Cash flow generated by operating activities before changes in working capital	**144,690**	**133,862**	**10,827**
Increase in current receivables	(91,567)	(117,034)	25,467
Increase/(decrease) in current payables	(27,613)	(43,722)	16,109
Increase/(decrease) in inventories	(3,509)	342	(3,852)
Change in working capital	*(122,690)*	*(160,414)*	*37,724*
Change in other assets/liabilities during the period	10,022	(27,738)	37,759
TOTAL CASH FLOW FROM OPERATING ACTIVITIES	**32,022**	**(54,289)**	**86,311**
Cash flow from investment activities			
Purchase/sale of property, plant and equipment	(39,746)	(23,366)	(16,380)
Purchase/sale of intangible fixed assets	(36,948)	(44,063)	7,115
Equity investments	6,004	1,553	4,450
Purchase/sale of investments in subsidiaries	(2,220)	0	(2,220)
Proceeds/payments deriving from other financial investments	11,445	(13,895)	25,339
Dividends received	0	0	0
Interest income received	12,288	6,600	5,688
TOTAL	**(49,177)**	**(73,170)**	**23,993**
Cash flow from financing activities			
Non-controlling interests in subsidiaries' capital increase	0	0	0
Repayment of borrowings and long-term loans	(34,264)	(19,664)	(14,601)
Disbursement of borrowings/other medium/long-term loans	0	0	0
Decrease/increase in other short-term borrowings	(97,679)	(73,723)	(23,955)
Interest expenses paid	(13,411)	(20,753)	7,342
Dividends paid	(1,777)	(880)	(897)
TOTAL CASH FLOW	**(147,130)**	**(115,020)**	**(32,110)**
Net opening balance of cash and cash equivalents	*0*	*0*	*0*
Cash flows for the period	**(164,286)**	**(242,479)**	**78,193**
Net opening balance of cash and cash equivalents	**563,066**	**321,022**	**242,044**
Net closing balance of cash and cash equivalents	**398,780**	**163,032**	**235,749**

Amounts in €/thousand

Consolidated Statement of Changes in Shareholders' Equity

€ thousand	Share capital	Statutory reserve	Other reserves	Profit for the period	Total	Non-controlling interests	Total shareholders' equity
Balances as at 01 January 2013 *restated*	**1,098,899**	**165,087**	**(71,845)**	**46,735**	**1,238,877**	**77,184**	**1,316,060**
Restatement IFRS11	0	(2,897)	2,897	0	0	1,288	1,288
Balances as at 01 January 2013 *restated*	**1,098,899**	**162,190**	**(68,948)**	**46,735**	**1,238,877**	**78,472**	**1,317,348**
Net profit (loss)	0	0	0	141,940	141,940	11,444	153,384
Other comprehensive income (losses)	0	0	0	13,360	13,360	158	13,518
Total comprehensive income (loss)	*0*	*0*	*0*	*155,300*	*155,300*	*11,602*	*166,902*
Allocation of 2012 net profit	0	5,607	41,128	(46,735)	0	0	0
Distribution of dividends	0	0	(72,266)	0	(72,266)	(5,168)	(77,434)
Change in basis of consolidation	0	(444)	1,167	0	722	(711)	11
Balances as at 31 December 2013 *restated*	**1,098,899**	**167,353**	**(98,920)**	**155,300**	**1,322,633**	**84,195**	**1,406,827**

€ thousand	Share capital	Statutory reserve	Other reserves	Profit for the period	Total	Non-controlling interests	Total shareholders' equity
Balances as at 01 January 2014 *restated*	**1,098,899**	**167,353**	**(98,920)**	**155,300**	**1,322,633**	**84,195**	**1,406,827**
Net profit (loss)	0	0	0	44,485	44,485	2,250	46,735
Other comprehensive income (losses)	0	0	0	(7,189)	(7,189)	485	(6,704)
Total comprehensive income (loss)	***0***	***0***	***0***	***37,297***	***37,297***	***2,734***	***40,031***
Allocation of 2013 net profit	0	(957)	156,257	(155,300)	0	0	0
Distribution of dividends	0	0	0	0	0	(1,777)	(1,777)
Change in basis of consolidation	0	0	0	0	0	1,519	1,519
Balances as at 31 March 2014	**1,098,899**	**166,396**	**57,338**	**37,297**	**1,359,930**	**86,671**	**1,446,601**

Notes to the Consolidated Income Statement

The following is a comment to the performance of the period; data as at 31 March 2014 are compared with those for the same period of the previous year appropriately "restated" as fully described in the section "Effects from adoption of IFRS10 (Consolidated Financial Statements) and IFRS11 (Joint control arrangements)" in this document.

Notes Ref.		31/03/2014	31/03/2013 *restated*	Increase/ (Decrease)	% Increase/ (Decrease)
1	Revenue from sales and services	749.1	812,1	(63.0)	7.8%
2	Other revenue and proceeds	31.0	10.9	20.0	183.0%
	Consolidated net revenue	**780.1**	**823.1**	**(43.0)**	**(5.2%)**
3	Staff costs	63.4	57.2	6.2	10.8%
4	Costs of materials and overheads	556.5	614.3	(57.8)	(9.4%)
	Consolidated operating costs	**619.8**	**671.5**	**(51.6)**	**(7.7%)**
5	**Net income/(costs) from commodity risk management**	**0.0**	**0.0**	**0.0**	**0.0%**
6	Income/(Costs) from equity investments of a non-financial nature	5.8	5.4	0.4	7.4%
	Gross Operating Profit	**166.0**	**157.0**	**9.0**	**5.7%**
7	Amortisation, depreciation, provisions and impairment charges	67.1	67.7	(0.6)	(0.9%)
	Operating profit/(loss)	**98.9**	**89.3**	**9.6**	**10.7%**
8	Financial income	5.8	5.6	0.2	4.2%
9	Financial costs	(31.2)	(28.8)	(2.4)	8.3%
10	(Costs)/Income from Equity Investments	2.8	1.4	1.4	101.0%
	Profit/(loss) before tax	**76.3**	**67.5**	**8.8**	**13.1%**
11	Taxation	30.3	28.6	1.8	6.1%
	Net profit/(loss) from continuing operations	**46.0**	**38.9**	**7.2**	**18.2%**
	Net profit/(loss) from discontinued operations	0.0	0.0	0.0	0.0%
	Net profit/(loss)	**46.0**	**38.9**	**7.2**	**18.2%**
	Profit/(loss) attributable to non-controlling interests	*2.2*	*2.1*	0.2	*7.5%*
	Net profit/(loss) attributable to the Group	**43.8**	**36.8**	**6.9**	**18.8%**
12	Earnings (loss) per share (in euros)				
	Basic	0.2089	0.1729	0.0359	
	Diluted	0.2089	0.1729	0.0359	

Consolidated net revenue

As at 31 March 2014 these amounted to 780.1 million euros (823.1 million euros at 31 March 2013), recording a decrease of 43.0 million euros (-5.2%) over the previous year, and are broken down as follows.

€ thousand	31/03/2014	31/03/2013 *restated*	Increase/ (Decrease)	% Increase/ (Decrease)
Revenue from sales and services	749.1	812.1	(63.0)	(7.8%)
Other revenue and proceeds	31.0	10.9	20.0	183.0%
Consolidated net revenue	**780.1**	**823.1**	**(43.0)**	**(5.2%)**

1. Revenue from sales and services - *749.1 million euros*

This item reported an overall decrease of 63.0 million euros (-7.8%) compared to 31 March 2013, which closed with a total of 812.1 million euros.

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

€ millions	31/03/2014	31/03/2013 *restated*	Increase/ (Decrease)	% Increase/ (Decrease)
Revenue from electricity sales and services	535.5	607.4	(71.9)	(11.8%)
Revenue from gas sales	27.8	27.9	(0.1)	(0.4%)
Revenue from the sale of certificates and rights	4.8	4.3	0.5	11.8%
Revenue from the Integrated Water Service	138.6	131.0	7.6	5.8%
Revenue from Overseas Water Services	1.8	2.9	(1.2)	(40.2%)
Revenue from biomass transfer and landfill management	10.6	8.7	1.9	21.8%
Revenue from services to customers	23.7	23.1	0.6	2.7%
Connection fees	6.4	6.8	(0.4)	(6.6%)
Revenue from sales and services	**749.1**	**812.1**	**(63.0)**	**(7.8%)**

Revenue from electricity sales and services

Revenue from electricity sales and services amounted to 535.5 million euros and, excluding intercompany eliminations, essentially included the following items:

€ millions	31/03/2014	31/03/2013 *restated*	Increase/ (Decrease)	% Increase/ (Decrease)
Electricity sales	474.3	548.0	(73.7)	(13.4%)
Transport and metering of energy	44.3	43.1	1.2	2.8%
Energy sales from WTE	11.3	11.6	(0.3)	(2.6%)
Electricity and heat generation	4.8	4.5	0.3	6.7%
Cogeneration	0.7	0.0	0.7	100.0%
Energy from photovoltaic plants	0.1	0.2	(0.1)	(50.0%)
Revenue from electricity sales and services	**535.5**	**607.4**	**(71.9)**	**(11.8%)**

The major changes refer to:

- ✓ A 73.7 million euros reduction in revenue from the sale of electrical energy as a result of lower quantities sold and changes in prices. The sale of electricity by Acea Energia on the protected categories market was equal to 854 GWh. The number of withdrawal points in 2014 totalled 1,052,269 (1,076,653 at 31 March 2013). The decrease is linked to the opening up of the market following completion of the liberalisation process. The sale of electricity on the free market amounted to 1,992 GWh, recording a 16.9% decrease compared to the same period of the previous year;

- ✓ An increase of 1.3 million euros in revenue from transport and metering of energy, due to the updating by the AEEGSI of the single tariff and the equalisation items for 2014 as well as the combined effect of the decrease in energy fed into the network and an increase in relations.

Revenue from gas sales

Revenue from gas sales amounted to 27.8 million euros, substantially in line with the same period of 2013 (27.9 million euros). While prices decreased, sales were up 6.6 million smc (52.6 million smc compared to 46 million smc in the same period of 2013) and delivery points also increased (117,572 in 2014 against 102,936 at 31 March 2013).

Revenue from the sale of certificates and rights

Revenue from the sale of certificates and rights amounted to 4.8 million euros, up 0.6 million euros compared to the same period of the previous year. This item refers to the revenue from Acea Produzione green certificates in relation to energy produced at the Salisano plant and the Orte plant.

Revenue from the Integrated Water Service

As mentioned in the paragraph to which reference is made for more detailed explanations, Revenue from the Integrated Water Service is almost exclusively generated by the companies managing the service in Lazio and to a lesser extent those in Campania.
These revenues amounted to 138.6 million euros, up 7.6 million euros (+5.8%) compared with the previous year (131.0 million euros).
Details of the breakdown by company are given below.

€ millions	**31/03/2014**	**31/03/2013 *restated***	**Increase/ (Decrease)**	**Increase/ (Decrease) %**
ACEA Ato2	121.7	115.5	6.2	5.4%
ACEA Ato5	14.4	13.5	0.9	6.7%
Gesesa	1.6	1.4	0.2	14.3%
Crea Gestioni	0.9	0.6	0.3	50.0%
Revenue from the Integrated Water Service	**138.6**	**131.0**	**7.6**	**5.8%**

Revenues for the period represent the best estimate of the tariffs that are currently being defined by the respective Area Authorities. In particular, Acea Ato 2 revenues were estimated on the basis of the request for update filed on 28 April 2014.

Revenue from Overseas Water Services

Revenue from Overseas Water Services amounted to 1.8 million euros, down 1.2 million euros compared to 31 March 2013 (2.9 million euros).
The change was mainly due to the lower activities carried out by Aguazul Bogotá.

Revenue from biomass transfer and landfill management

Revenue from biomass transfer and landfill management amounted to 10.6 million euros, up 1.9 million euros compared to the same period of the previous year (8.7 million euros).

The breakdown by company is provided below:

€ millions	31/03/2014	31/03/2013 *restated*	Increase/ (Decrease)
A.R.I.A.	5.7	4.2	1.5
SAO	2.4	2.5	(0.1)
Kyklos	1.4	1.1	0.3
Aquaser	0.9	0.9	0.0
Samace	0.2	0	0.2
Solemme	0.1	0.1	0.0
Innovation and environmental sustainability	0.1	0	0.1
Revenue from biomass transfer and landfill management	**10.6**	**8.7**	**1.9**

The change is influenced by the increase in quantities and prices.

Revenue from services to customers

Revenue from services to customers amounted to 23.7 million euros (23.1 million euros at 31 March 2013) recording an increase of 0.6 million euros.
This item consists of:

€ millions	31/03/2014	31/03/2013 *restated*	Increase/ (Decrease)	Increase/ (Decrease) %
Public Lighting - Rome	15.0	15.0	0.0	0.0%
Revenue from services requested by third parties	3.1	2.8	0.3	8.3%
Public Lighting - Naples	1.9	1.6	0.3	18.0%
GIP revenue	1.8	1.9	(0.1)	(4.4%)
Intercompany services	1.6	1.5	0.1	8.0%
PV power	0.2	0.1	0.1	83.0%
Revenue from services to customers	**23.7**	**23.1**	**0.6**	**2.6%**

Connection fees

Connection fees amounted to 6.4 million euros recording a decrease of 0.4 million euros. These fees are broken down as follows:

- free and protected markets: 5.3 million euros (- 0.4 million euros),
- water market: 1.1 million euros (1.1 million euros as at 31 March 2013).

2. Other revenue and proceeds - 31.0 million euros

This item increased by 20.0 million euros (+183.0%) compared to 31 March 2013, which closed with a total of 11.0 million euros.
The change was mainly due to the following effects:

(i) recognition of 19.3 million euros, of which 10.9 million euros refer to the estimated tariff contribution due to ACEA Distribuzione in relation to its meeting the 2013 obligation and 8.4 million refer to the release of the provision for risks and charges allocated in 2013 to cover the costs for purchasing the certificates, which were incurred during the period to meet the aforementioned regulatory energy efficiency requirement;

(ii) the increase in non-recurring gains for 1.2 million euros, mainly from costs for which provisions had been allocated in previous years but not incurred and revenue pertaining to previous years, as well as from energy related items;

(iii) 1.0 million euros increase in the contribution granted by the Italian State to supplement income deriving from the services supplied to the Vatican State. The change is due to the different treatment of the grant in determining the restriction on the Guaranteed Income (VRG) of Acea Ato2.

A breakdown of this item, compared to 31 March 2013, is provided in the table below.

€ millions	31/03/2014	31/03/2013 *restated*	Increase/ (Decrease)
Contributions from Entities for Energy Efficiency Certificates	19.3	0.0	19.3
Other revenues	3.5	3.6	(0.1)
Non recurring gains	2.9	1.7	1.2
Reimbursement for damages, penalties and charge-backs	1.3	2.4	(1.1)
Government grant (Prime Ministerial Decree of 23/04/04)	1.0	0.0	1.0
Feed-in-tariff	0.8	0.8	0.0
Income from end users	0.6	0.4	0.2
Property income	0.4	0.4	0.0
Seconded staff	0.3	0.7	(0.4)
IFRIC 12 margin	0.2	0.3	(0.1)
Recharged cost for company officers	0.3	0.3	0.0
Other	0.4	0.4	0.0
Other revenue and proceeds	**31.0**	**11.0**	**20.0**

Consolidated operating costs

As at 31 March 2014 these amounted to 619.8 euros (671.5 thousand euros at 31 March 2013), recording a decrease of 51.7 million euros (-7.7%) over the previous year.
The breakdown is as follows:

€ millions	31/03/2014	31/03/2013 *restated*	Increase/ (Decrease)	% Increase/ (Decrease)
Staff costs	63.4	57.2	6.2	10.8%
Costs of materials and overheads	556.4	614.3	(57.8)	(9.4%)
Consolidated operating costs	**619.8**	**671.5**	**(51.6)**	**(7.7%)**

3. Staff costs - 63.4 million euros

€ millions	31/03/2014	31/03/2013 *restated*	Increase/ (Decrease)	% Increase/ (Decrease)
Staff costs including capitalised costs	78.2	76.7	1.5	2.0%
Release of provision allocated in 2012 for MBO and Bonuses	0.0	(6.2)	6.2	100%
Total	**78.2**	**70.5**	**7.7**	**10.9%**
Capitalised costs	(14.8)	(13.4)	(1.4)	10.4%
Staff costs	**63.4**	**57.2**	**6.2**	**10.8%**

The increase in staff costs, inclusive of capitalised costs, amounted to 7.7 million euros and was influenced by the partial release in the first quarter of 2013 of provisions allocated for MBO and

Bonuses to be paid to Executives and Middle Managers as the objectives were only been partially achieved.
The change was also affected by the wage increase resulting from contract renewals in 2013.

With regard to capitalised costs, they posted an increase of 1.4 million euros, essentially attributable to the water companies.

The following tables show the average number of staff by operating sector compared to same period of the previous year. The figure for the end of the first quarter of 2014 is also shown.

	Average number of employees		
	31/03/2014	31/03/2013 *restated*	Δ
Environment	214	192	22
Energy	534	533	1
Water	2,416	2,430	(15)
Lazio-Campania	*1,831*	*1,875*	*(45)*
Overseas	*423*	*399*	*24*
Engineering and services	*162*	*156*	*6*
Networks	1,381	1,431	(50)
Parent Company	670	681	(11)
TOTAL	**5,215**	**5,268**	**(53)**

	End-of-period number of employees		
	31/03/2014	31/03/2013 *restated*	Δ
Environment	217	195	22
Energy	531	549	(18)
Water	2,413	2,428	(14)
Lazio-Campania	*1,789*	*1,873*	*(84)*
Overseas	*420*	*399*	*22*
Engineering and services	*204*	*156*	*48*
Networks	1,381	1,404	(23)
Parent Company	672	681	(9)
TOTAL	**5,214**	**5,257**	**(42)**

4. Cost of materials and overheads- 556.5 million euros

This item reported a total decrease of 57.8 million euros (- 9.4%) (614.3 million euros at 31 March 2013).

€ millions	31/03/2014	31/03/2013 *restated*	Increase/ (Decrease)	% Increase/ (Decrease)
Electricity, gas and fuel	468.0	525.1	(57.1)	(10.9%)
Materials	5.7	7.2	(1.5)	(20.7%)
Services	58.8	57.7	1.1	1.9%
Concession fees	10.6	10.1	0.5	5.3%
Cost of leased assets	6.2	6.3	(0.1)	(2.3%)
Other operating costs	7.1	7.9	(0.8)	(9.9%)
Costs of materials and overheads	**556.5**	**614.3**	**(57.8)**	**(9.4%)**

Electricity, gas and fuel costs

€ millions	31/03/2014	31/03/2013 *restated*	Increase/ (Decrease)
Purchase and transport of electricity	440.7	510.1	(69.3)
White certificates	13.7	0.0	13.7
Other costs	6.8	6.5	0.4
Gas	6.8	8.5	(1.8)
Electricity, gas and fuel costs	**468.0**	**525.1**	**(57.1)**

The change was mainly due to: **i)** lower costs relating to the procurement of electricity for the protected and free market and the related transportation costs (-69.3 million euros) due to the combined effect of the lower amount of electricity distributed and sold and the different price/quantity mix in the various months and time brackets; **ii)** the recognition of the cost for the purchase of white certificates by Acea Distribuzione in order to meet its obligations for 2013.

Materials

The cost of materials amounted to 5.7 million euros and represents the cost of materials used during the period net of capital expenditures, as shown in the table below.

€ millions	31/03/2014	31/03/2013 *restated*	Increase/ (Decrease)
Purchase of materials	12.6	13.4	(0.8)
Change in inventories	(1.9)	(0.4)	(1.5)
Change in inventories	**10.7**	**13.0**	**(2.3)**
Capitalised costs	(4.9)	(5.8)	0.9
Materials	**5.7**	**7.2**	**(1.5)**

Capitalised costs posted a decrease of 0.9 million euros mainly attributable to ACEA Distribuzione (- 0.4 million euros euros) and Acea Ato 2 (- 0.5 million euros).
The costs for materials incurred by the operating segments are detailed below.

€ millions	31/03/2014	31/03/2013 *restated*	Increase/ (Decrease)
Environment	1.2	1.3	(0.1)
Energy	0.0	0.2	(0.2)
Water	2.9	3.3	(0.4)
Networks	1.4	2.4	(1.0)
Parent Company	0.1	0.1	0.0
Total	**5.7**	**7.2**	**(1.5)**

Services and contract work

This item amounted to 58.8 million euros, substantially in line with the first quarter of 2013 (57.7 million euros). The breakdown was as follows:

€ millions	31/03/2014	31/03/2013 *Restated*	Increase/ (Decrease)
Contract work	12.6	11.9	0.7
Technical and administrative services (including consulting and freelance work)	9.9	9.2	0.7
Disposal and transport of sludge, slag, ash and waste	7.4	8.5	(1.1)
Other services	6.1	5.0	1.1
Insurance costs	4.1	3.8	0.3
Payroll services	3.5	3.4	0.1
Electricity, water and gas consumption	2.5	3.5	(1.0)

Internal use of electricity	2.0	1.9	0.0
Intragroup services	1.9	1.6	0.3
Telephone and data transmission costs	1.5	1.8	(0.3)
Postal expenses	1.4	1.3	0.2
Advertising and sponsorship costs	1.1	1.1	0.1
Cleaning, transport and porterage	1.1	1.2	(0.1)
Corporate bodies	1.1	1.3	(0.1)
Meter readings	0.8	0.3	0.5
Maintenance fees	0.7	1.0	(0.3)
Bank charges	0.4	0.5	(0.1)
Seconded staff	0.3	0.2	0.1
Travel and accommodation expenses	0.3	0.2	0.1
Printing costs	0.0	0.0	0.0
Services and contract work	**58.8**	**57.7**	**1.1**

Concession fees

Concession fees totalled 10.6 million euros (10.1 million euros as at 31 March 2013) and referred to companies that manage Area Authorities under concession in Lazio and Campania.
The following table shows a breakdown by Company, compared to the previous year.

€ millions	31/03/2014	31/03/2013 *restated*	Increase/ (Decrease)
ACEA Ato2	8.8	8.2	(0.6)
ACEA Ato5	1.8	1.7	0.1
Gesesa	0.1	0.1	0.0
Concession fees	**10.6**	**10.1**	**0.5**

Cost of leased assets

This item amounted to 6.2 million euros, substantially in line with the first quarter of 2013.
The following table illustrates the changes by operating segment:

€ millions	31/03/2014	31/03/2013 *restated*	Increase/ (Decrease)
Environment	0.4	0.5	(0.1)
Energy	1.3	1.0	0.3
Water	1.1	1.1	0.0
Networks	1.1	1.3	(0.2)
Parent Company	2.3	2.4	(0.1)
Cost of leased assets	**6.2**	**6.3**	**(0.1)**

This item includes lease payments of 2.9 million euros and charges relating to other fees and rentals for 3.3 million euros.

Other operating costs

Other operating costs amounted to 7.1 million euros as at 31 Mach 2014, recording a decrease of 0.8 million euros.
The table below provides details of this item by type:

€ millions	31/03/2014	31/03/2013 *Restated*	Increase/ (Decrease)	% Increase/ (Decrease)
Taxes and duties	2.8	2.8	(0.1)	(2.9%)
Non recurring losses	2.6	2.1	0.5	24.0%
General and administrative expenses	0.7	1.8	(1.1)	(59.6%)
Contributions paid and membership fees	0.7	0.6	0.0	7.2%
Damages and outlays for legal disputes	0.3	0.5	(0.2)	(46.6%)

€ millions	31/03/2014	31/03/2013 *Restated*	Increase/ (Decrease)	% Increase/ (Decrease)
Losses on asset disposals	0.1	0.0	0.0	833.3%
Total other operating costs	**7.1**	**7.9**	**(0.8)**	**(9.9%)**

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

At 31 March 2014 the change in the *Fair Value* measurement of financial contracts was approximately 0 million euros.
The portfolio of financial instruments under *Hedge Accounting* was the predominant component of the overall portfolio.

All information useful in describing the transactions performed, aggregated by hedged index or providing the measurement of the hedge portfolio with an indication of the type of accounting applied is provided below.

Swaps	Purpose	Purchases/Sales	Fair Value in € thousand	Amount recognised in shareholders' equity	Amount recognised in income statement
ITRemix	Hedge power portfolio	electricity purchase/sale	0.0	0.0	0.0
GRP911	Hedge power portfolio	electricity purchase/sale	0.5	0.5	0.0
GRP913	Hedge power portfolio	electricity purchase/sale	0.0	0.0	0.0
ITEC	Hedge power portfolio	electricity purchase/sale	0.0	0.0	0.0
ITEC 12	Hedge power portfolio	electricity purchase/sale	0.3	0.3	0.0
PUN	Hedge power portfolio	electricity purchase/sale	(7.2)	(7.2)	0.0
IPE_BRENT	Hedge power portfolio	electricity purchase/sale	0.0	0.0	0.0
EEX	Hedge power portfolio	electricity purchase/sale	(0.9)	(0.9)	0.0
CONSIP	Hedge power portfolio	electricity purchase/sale	0.0	0.0	0.0
AC_PFOR	Hedge power portfolio	gas purchase/sale	(0.1)	(0.1)	0.0
			(7.3)	**(7.3)**	**0.0**

For further details please refer to the section *"Additional disclosures on financial instruments and risk management policies"* in the 2013 Consolidated Financial Statements.
Please note that the assessment of counterparty risk carried out in accordance with IFRS 13 does not affect the effectiveness test carried out on the instruments measured under *Hedge Accounting* rules.

6. Income/(Costs) from equity investments of a non-financial nature - 5.8 million euros

As described in the section "Effects from adoption of IFRS10 (Consolidated Financial Statements) and IFRS11 (joint control arrangements)" in this document, this item is the consolidated result according to the *equity method* that is included among the components of the consolidated EBITDA. The breakdown of this item is detailed below:

€ millions	31/03/2014	31/03/2013 *restated*	Increase/ (Decrease)
GROSS OPERATING PROFIT	29.1	26.1	3.0
Amortisation, depreciation, impairment charges and provisions	(17.2)	(15.1)	2.1
Financing activities	(2.3)	(1.7)	0.6
Taxation	(3.8)	(3.8)	0.0
Total	**5.8**	**5.4**	**0.4**

The companies' valuation is detailed below:

€ millions	31/03/2014	31/03/2013 *restated*	Increase/ (Decrease)
Publiacqua	2.6	1.6	1.0
Acque Group	1.1	1.8	(0.7)
Acquedotto del Fiora	0.7	2.3	(1.6)
Umbra Acque	0.5	0.5	(0.1)
Gori	0.3	(0.7)	1.0
Nuove Acque and Intesa Aretina	0.2	0.1	0.1
Agua Azul	0.2	0.2	0.0
Voghera Energia Vendita S.p.A. in liquidation	0.1	(0.1)	0.2
Ingegnerie Toscane	0.1	0.1	0.0
Ecomed in liquidation	0.0	(0.4)	0.4
Total	**5.8**	**5.4**	**0.4**

7. Amortisation, depreciation, provisions and impairment charges - 66.1 million euros

This item decreased 1.6 million euros compared to the same period of the previous year (67.7 million euros).
The breakdown is as follows:

€ millions	31/03/2014	31/03/2013 *restated*	Increase/ (Decrease)	Increase/ (Decrease) %
Amortisation and depreciation	47.7	45.4	2.3	5.0%
Provision for impairment of receivables	16.0	12.8	3.2	25.1%
Provision for liabilities and charges	2.4	9.5	(7.1)	(74.8%)
TOTAL	**66.1**	**67.7**	**(1.6)**	**(2.4%)**

Amortisation and depreciation

€ millions	31/03/2014	31/03/2013 *restated*	Increase/ (Decrease)
Depreciation of tangible assets	29.4	27.6	1.8
Amortisation of intangible assets	18.3	17.6	0.7
Impairment charges	0.0	0.3	(0.3)
Amortisation and depreciation	**47.7**	**45.4**	**2.3**

The decrease in depreciation and amortisation resulted from the combined effects listed below:

- higher depreciation of 0.7 million euros in ACEA Distribuzione;
- higher depreciation of 1.1 million euros in Acea Produzione due to the reduction in the useful life of the Tor di Valle plant as a result of a technical-engineering analysis of the entire production site which led to a reassessment of the useful lives of certain components.

Impairment charges and losses on receivables

This item amounted to 16 million euros, up 3.2 million euros, as a result of opposing factors: on the one hand, the increase of 4.6 million euros in the companies of the Energy segment and, on the other, the reduction in all the other segments, with specific reference to the Water segment (-1.0 million euros).

The breakdown by operating segment is provided below:

€ millions	31/03/2014	31/03/2013 *restated*	Increase/ (Decrease)	% Increase/ (Decrease)
Environment	0.0	0.0	0.0	0.0%
Energy	9.9	6.3	3.6	57.1%
Water	4.7	5.8	(1.1)	(18.9%)
Networks	0.8	0.7	0.1	14.3%
Parent Company	0.6	0.0	0.6	100.0%
Impairment charges and losses on receivables	**16.0**	**12.8**	**3.2**	**25.1%**

Provisions

At 31 March 2014 provisions amounted to 2.4 million euros; their breakdown by type is as follows:

€ millions	31/03/2014	31/03/2013 *restated*	Increase/ (Decrease)
Legal	0.1	0.7	(0.6)
Tax	0.1	0.0	0.1
Regulatory risks	0.3	0.0	0.3
Contributory risks	0.2	0.8	(0.6)
Early retirements and redundancies	0.5	6.8	(6.3)
Total	**1.2**	**8.4**	**(7.2)**
IFRIC 12 restoration charges	1.2	1.1	0.1
Provisions	**2.4**	**9.5**	**(7.1)**

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

€ millions	31/03/2014	31/03/2013 *restated*	Increase/ (Decrease)	% Increase/ (Decrease)
Environment	0.5	0.0	0.5	100.0%
Energy	0.4	1.5	(1.1)	(73.3%)
Water	0.5	3.9	(3.4)	(87.2%)
Networks	0.3	3.0	(2.7)	(90.0%)
Parent Company	0.7	1.1	(0.4)	(36.4%)
Provisions	**2.4**	**9.5**	**(7.1)**	**(74.8%)**

The significant decrease was mainly due to provisions allocated during the first quarter of 2013 to cope with the costs of early retirement and staff redundancy procedures.

8. Financial income - 5.8 million euros

€ millions	31/03/2014	31/03/2013 *restated*	Increase/ (Decrease)
Interest on trade receivables	4.2	4.5	(0.3)
Interest on loans and receivables	0.6	0.0	0.6
Bank interest income	0.6	0.2	0.4
Other income	0.4	0.9	(0.5)
Financial income	**5.8**	**5.6**	**0.2**

9. Financial cost- 31.2 million euros

€ millions	31/03/2014	31/03/2013 *restated*	Increase/ (Decrease)
Interest on bonds	15.9	10.1	5.8
Interest on medium/long-term borrowings	7.6	6.7	0.9
Factoring fees	3.4	4.2	(0.8)
Interest on short-term borrowings	1.1	3.7	(2.6)
Costs (Income) on interest rate swaps	1.0	2.0	(1.0)
Default interest and interest on deferred payments	0.9	0.5	0.4
Interest cost net of actuarial gains and losses	0.8	1.0	(0.2)
Interest on payments by installment	0.2	0.4	(0.2)
Other financial charges	0.3	0.3	0.0
Financial costs	**31.2**	**28.8**	**2.4**

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

- interest on bonds was up 5.8 million euros compared to 31 March 2013 as a result of the new Bond placed on the market at the beginning of September 2013;
- financial cost on medium and long term borrowings increased by 0.9 million euros reflecting changes in interest rates and repayment plans;
- short-term borrowing costs decreased by 2.6 million euros as a result of the substantial elimination of short-term debt following the placement of the bond issue of 600 million euros;
- factoring fees decreased 0.8 million euros for the cumulative effect of a reduction in the rate applied and a reduction in the amount of factored receivables.

The average overall *"All in"* cost of the ACEA Group's debt at 31 March 2014 stood at 3.42% against 3.46% in the same period of 2013.

10. Income and costs from Equity Investments - 2.8 million euros

€ millions	31/03/2014	31/03/2013 *restated*	Increase/ (Decrease)
Income from investments in associates	2.9	1.7	1.2
(Costs) from investments in associates	(0.1)	(0.3)	(0.2)
(Costs)/Income from investments	**2.8**	**1.4**	**(1.4)**

Income from investments mainly refer to the valuation at equity of Agua de San Pedro for 0.2 million euros, GEAL for 0.3 thousand euros and Sogea for 0.14 thousand euros. The item also includes the result (2.3 million euros) of the valuation at equity of the investee Marco Polo.

Losses on equity investments refer to the consolidation of certain Group companies according to the equity method (mainly Sinergia Group for 0.1 million euros).

11. Taxation for the period - 30.6 million euros

The tax charge for the period amounted to 30.6 million euros against 28.6 million euros in the first quarter of the previous year, and is essentially composed as follows:

- ✓ Current taxes: 26.9 million euros (30.7 million euros as at 31 March 2013),
- ✓ Net deferred/(prepaid) taxes: 3.7 million euros (-2.1 million euros as at 31 March 2013).

The overall increase in the period, amounting to 2.0 million euros, was mainly due to the increase in pre-tax profit; it should be noted that as of 1 January 2014, the corporate income tax (IRES) surcharge is equal to 6.5% as against 10.5 % applicable to the tax year 2013.

The table below shows the breakdown of taxes for the period and the correlated percentage weight calculated on consolidated pre-tax profit

€ millions	31/03/2014	%	31/03/2013 *restated*	%
Profit/(loss) before tax	**77.3**		**67.5**	
Theoretical tax charge at 27.5% on pre-tax profit (A)	21.3	27.5%	18.6	27.5%
Net deferred taxation (B)	2.0	2.5%	(3.9)	(5.7%)
Permanent differences (C)	(2.1)	(2.7%)	4.3	6.4%
IRES (corporate income tax) for the period (D) = (A) + (B) + (C)	**21.2**	**27.4%**	**19.0**	**28.2%**
Tax Assets (E)	1.7	2.2%	1.7	2.5%
IRAP (F)	7.7	10.0%	7.9	11.7%
Total taxes recognised in Income statement (G) = (D) + (E) + (F)	**30.6**	**39.6%**	**28.6**	**42.4%**
Of which tax differences on intercompany transactions between companies subject and not subject to Corporate Income Tax (IRES) surcharge	**2.8**	**3.6%**	**5.8**	**8.5%**

The tax rate for the period was 39.6% (42.4% the restated tax rate for the first quarter of 2013).

12. Earnings per share

€ thousand	31/03/2014	31/03/2013 *restated*	Increase/ (Decrease)
Net profit attributable to the Group (€/000)	44,485	36,830	7,655
Net profit attributable to ordinary equity holders of the Group (€/000) (A)	44,485	36,830	7,655
Weighted average number of ordinary shares outstanding for the purpose of determining earnings per share			
- basic (B)	212,964,900	212,964,900	0
- diluted (C)	212,964,900	212,964,900	0
Earnings per share (€)			
- basic (A/B)	0.2089	0.1729	0.0359
- diluted (A/C)	0.2089	0.1729	0.0359

Notes to the Consolidated Statement of Financial Position

Notes Ref.	ACEA GROUP STATEMENT OF FINANCIAL POSITION (in millions of euros)	31/03/2014 (a)	31/12/2013 *restated* (b)	Increase/ (Decrease)	% Increase/ (Decrease)	31/03/2013 *restated* (c)	Increase/ (Decrease)	% Increase/ (Decrease)
	NON-CURRENT ASSETS AND LIABILITIES	**3,603.7**	**3,559.7**	**44.1**	**1.2%**	**3,502.7**	**101.0**	**2.9%**
13	Property, plant and equipment and intangible assets	3,588,2	3,551.5	36.7	1.0%	3,499.7	88.5	2.5%
14	Equity investments	220.4	215.3	5.2	2.4%	194.5	25.9	13.3%
15	Other non-current assets	356.2	357.7	(1.5)	(0.4%)	382.7	(26.4)	(6.9%)
16	Staff termination benefits and other defined benefit plans	(106.1)	(106.9)	0.8	(0.8%)	(113.9)	7.9	(6.9%)
17	Provisions for liabilities and charges	(191.2)	(203.4)	12.1	(6.0%)	(217.9)	26.6	(12.2%)
18	Other non-current liabilities	(263.8)	(254.5)	(9.3)	3.7%	(242.4)	(21.4)	8.8%
	NET WORKING CAPITAL	**166.8**	**95.8**	**71.0**	**74.1%**	**256.6**	**(89.8)**	**(35.0%)**
19	Current receivables	1,423.7	1,346.6	77.1	5.7%	1,406.4	17.3	1.2%
20	Inventories	37.3	33.8	3.5	10.4%	38.8	(1.5)	(3.9%)
21	Other current assets	198.4	203.4	(5.0)	(2.5%)	194.7	3.7	1.9%
22	Current payables	(1,183.1)	(1,207.6)	24.5	(2.0%)	(1,086.7)	(96.4)	8.9%
23	Other current liabilities	(309.4)	(280.3)	(29.1)	10.4%	(296.7)	(12.7)	4.3%
	INVESTED CAPITAL	**3,770.5**	**3,655.5**	**115.1**	**3.1%**	**3,759.3**	**11.2**	**0.3%**
24	**NET DEBT**	**(2,323.9)**	**(2,248.6)**	**(75.3)**	**3.3%**	**(2,405.3)**	**81.3**	**(3.4%)**
	Medium/long-term loans and receivables	34.1	34.8	(0.7)	(2.0%)	31.8	2.3	7.2%
	Medium/long-term borrowings	(2,358.4)	(2,360.9)	2.5	(0.1%)	(2,017.0)	(341.4)	16.9%
	Short-term loans and receivables	105.8	115.6	(9.8)	(8.5%)	167.2	(61.4)	(36.7%)
	Cash and cash equivalents	398.8	563.1	(164.3)	(29.2%)	163.0	235.7	144.6%
	Short-term borrowings	(504.2)	(601.2)	97.0	(16.1%)	(750.4)	246.1	(32.8%)
25	**Total shareholders' equity**	**(1,446.6)**	**(1,406.8)**	**(39.8)**	**2.8%**	**(1,354.0)**	**(92.6)**	**6.8%**
	FUNDING	**(3,770.5)**	**(3,655.5)**	**(115.1)**	**3.1%**	**(3,759.3)**	**(11.2)**	**0.3%**

The above statement of financial position has been reclassified to show the components of invested capital and the corresponding funding.
In particular, the net carrying amounts of non-current assets and net working capital, consisting of current receivables, other receivables, inventories, current payables and the short-term portion of long-term borrowings have been added together.
The figure obtained for invested capital is then compared with the corresponding amounts for shareholders' equity and net debt, thereby showing the weight of funding.

In the first quarter of 2014, the ACEA Group's statement of financial position showed an increase in invested capital of 115.1 million euros (+3.1%) compared to the restated figure at 31 December 2013. This is the result of the increase in net fixed assets (44.1 million euros) and in net working capital (71.0 million euros).

Non-current assets and liabilities - *3,603.7 million euros*

Compared to 31 December 2013, this item showed an overall increase of 44.1 million euros (+ 1.2%); a breakdown of the item is show below.

13. Property, plant and equipment/intangible assets - *3,588.2 million euros*

This item increased by 36.7 million euros (+1.0%) compared to the end of the previous year.
The change reflects capital expenditures carried out in the first quarter of 2014 amounting to 66.4 million euros and amortisation, depreciation and impairments amounting to 47.7 million euros; in

addition, due to the line-by-line consolidation of Ecogena, following the acquisition of an additional stake in the capital of this Company, fixed assets increased by 13.7 million euros as a result of the change in the consolidation basis. The remaining part is due to the recognition of additional green certificates during the period, corresponding to 7.2 million euros.

The table below shows the level of Capex made in the first quarter of 2013 by Operating Segment, compared to those for the same period of FY2013.

€ millions	31/03/2014	31/03/2013 *restated*	Increase/ (Decrease)
ENVIRONMENT	**2.0**	**2.5**	**(0.5)**
ENERGY	**3.5**	**2.1**	**1.4**
Production	*2.7*	*1.1*	*1.6*
Energy Management	*0.0*	*0.0*	*0.0*
Sales	*0.8*	*1.0*	*(0.2)*
WATER:	**32.5**	**32.7**	**(0.2)**
Overseas	*0.0*	*0.0*	*0.0*
Lazio - Campania	*32.5*	*32.7*	*(0.2)*
Tuscany - Umbria	*0.0*	*0.0*	*0.0*
Engineering	*0.0*	*0.0*	*0.0*
NETWORKS	**26.1**	**23.8**	**2.3**
Corporate	**2.3**	**2.1**	**0.2**
Total Capital Expenditures	**66.4**	**63.3**	**3.0**

Capex in the **Environment Segment** was down (- 0.5 million euros), with particular reference to ARIA.

The **Energy segment** recorded a growth of 1.4 million euros attributable to the net effect of the reduction in Capex by Acea Produzione (- 0.4 million euros) offset by Capex by Ecogena (2.0 million euros), which was consolidated on a line-by-line basis from 1 January 2014.

Compared to the first quarter of 2013, Capex in the **Water Segment** was down 0.2 million euros.

Capex for the **Networks Segment** recorded an increase (+ 2.3 million euros), as a result of the expansion of the HV network and the renovation of the LV and MV network.

The **Parent Company** increased the level of Capex by 0.2 million euros compared to the first quarter of 2013.

14. ***Equity investments*** *- 220.4 million euros*

Compared to 31 December 2013, equity investments increased 5.2 million euros primarily reflecting the valuation of companies consolidated using the equity method as from 1 January 2014, following the application of IFRS 11.
The increase was also affected by the evaluation of the company Marco Polo (+ 2.3 million euros) for which a successful outcome of the liquidation procedure is expected.

15. ***Other non-current assets -*** *356.2 million euros*

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

€ millions	31/03/2014	31/12/2013 *Restated*	Increase/ (Decrease)
Deferred tax assets	309.5	309.0	0.5
Receivables from others	45.3	46.9	(1.6)
Accrued income and deferred charges	1.4	1.8	(0.4)
Total non-current assets	**356.2**	**357.7**	**(1.5)**

This item recorded a decrease of 1.5 million euros (- 0.4%) compared to 31 December 2013.
Deferred tax assets grew compared to the previous year by 0.5 million euros.
Other receivables amounted to 45.3 million euros (- 1.6 million euros) and represent the total capital spending incurred up to 31 December 2010 as part of the public lighting service agreement: these receivables were recognised following the application of IFRIC 12 using the financial asset model.
Prepayments and accrued income decreased by 0.4 million euros and mainly refer to insurance premiums paid in advance, lease payments, maintenance fees and rent on public land.

16. *Staff termination benefits and other defined-benefit plans - 106.1 million euros*

The provision at the end of the first quarter of 2014 was broadly in line with that at the end of the previous year, recording a net reduction of 0.8 million euros, mainly due to:

- - 1.0 million euros relating to staff termination benefits,
- + 1.0 million euros relating to the Pegaso Fund,
- - 0.8 million euros relating to tariff subsidies, monthly bonuses and long-term incentive plans.

The change mainly reflects the allocation for the period and employees leaving the company during the period.

17. *Provisions for liabilities and charges - 191.2 million euros*

The provision for liabilities and charges recorded a decrease of 12.1 million euros largely due to provisions for the period (2.4 million euros) net of uses and other changes (totalling 14.5 million euros) with reference to allocations made in previous years to cover redundancies, disputes and litigation, concession fees and tender-related risks.
The following table provides a breakdown by type of the provision for liabilities and charges.

Type of provision	31/12/2013 *Restated*	Provisions	Utilisations	31/03/2014
Legal	17.7	0.1	(0.8)	17.0
Tax	2.7	0.1	(0.1)	2.7
Regulatory risks	65.8	0.3	(4.2)	61.9
Investees	9.3	0.0	(0.2)	9.1
Contributory risks	6.6	0.2	(0.1)	6.7
Early retirements and redundancies	2.0	0.5	(0.8)	1.7
Post mortem	26.4	0.0	0.0	26.4
Concession fees	0.0	0.0	0.0	0.0
Other liabilities and charges	21.8	0.0	(7.7)	14.1
TOTAL	**152.3**	**1.2**	**(13.7)**	**139.8**
Provisions for restoration charges	38.6	1.2	0.0	39.7
Contractual commitments	12.5	0.0	(0.8)	11.7
TOTAL PROVISION	**203.4**	**2.4**	**(14.5)**	**191.2**

The main changes refer to:

- the provision for legal disputes decreasing by 0.7 million euros, as a result of the disputes settled in the financial year,

- the provision for regulatory risks decreasing by 3.9 million euros, mainly due to the settlement on 3 April 2014, under Resolution No. 163/2014/R/idr, of the liability concerning repayment of the 2011 return on invested capital due by ACEA Ato2 to its users,
- the provision set aside to deal with the charges arising from the voluntary redundancy and early retirement procedure decreasing by 0.3 million euros compared to 31 December 2013,
- the provision set aside in 2013 in relation to the estimated burden arising from the purchase and/or production of energy efficiency certificates to meet the objective assigned to ACEA Distribuzione that was fully utilized (8.4 million euros) as a result of the purchase of a number of certificates sufficient to fulfil the obligation,
- the provision for restoration costs increasing by 1.2 million euros, as a result of allocations in the first quarter of 2014 related to the costs required to keep the water service infrastructure in good condition,

18. *Other non-current liabilities - 263.8 million euros*

This item recorded an increase of 9.3 million euros (+ 3.7%) compared to 31 December 2013. This item consists of:

€ millions	31/03/2014	31/12/2013 *Restated*	Increase/ (Decrease)
Advances from end users and customers	95.9	91.4	4.4
Capital grants	16.6	16.8	(0.2)
Water connection fees	25.2	25.3	(0.2)
Provision for deferred taxes	94.1	93.0	1.1
Accrued liabilities and deferred income	32.1	28.0	4.1
TOTAL	**263.8**	**254.5**	**9.3**

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

Capital grants and those for **Water connection** showed a net overall decrease of 0.4 million euros.

Accrued liabilities and deferred income amounting to 32.1 million euros, mainly refer to grants received, recognised in the income statement by an amount equal to the depreciation generated by the associated capital investment. In particular, this item includes the contribution received by ACEA Distribuzione for the replacement of electromechanical meters with electronic meters (AEEG Resolution No. 292/06).

Net working capital - *166.8 million euros*

This item increased by 71.0 million euros compared to the end of the previous financial year; its breakdown is as follows.

€ millions	31/03/2014	31/12/2013 *Restated*	Increase/ (Decrease)	31/03/2013 *Restated*	Increase/ (Decrease)
Current receivables	**1,423.7**	**1,346.6**	**77.1**	**1,406.4**	**17.3**
- due from end users/customers	*1,299.7*	*1,244.4*	*55.3*	*1,275.0*	*24.7*
- due to Roma Capitale	*92.4*	*69.6*	*22.8*	*98.5*	*(6.1)*
Inventories	**37.3**	**33.8**	**3.5**	**38.8**	**(1.5)**
Other current assets	**198.4**	**203.4**	**(5.0)**	**194.7**	**3.7**
Current payables	**(1,183.1)**	**(1,207.6)**	**24.5**	**(1,086.7)**	**(96.4)**
- due to Suppliers	*(1,086.1)*	*(1,114.1)*	*28.0*	*(1,008.7)*	*(77.4)*

€ millions	31/03/2014	31/12/2013 *Restated*	Increase/ (Decrease)	31/03/2013 *Restated*	Increase/ (Decrease)
- due to Roma Capitale	*(93.9)*	*(85.6)*	*(8.2)*	*(65.9)*	*(28.0)*
Other current liabilities	**(309.4)**	**(280.3)**	**(29.1)**	**(296.7)**	**(12.7)**
Total	**166.8**	**95.8**	**71.0**	**256.6**	**(89.8)**

19. Current receivables - *1,423.7 million euros*

The breakdown is shown in the following table:

€ millions	31/03/2014	31/12/2013 *Restated*	Increase/ (Decrease)	31/03/2013 *Restated*	Increase/ (Decrease)
Trade receivables	1,299.7	1,244.4	55.3	1,275.0	24.7
Amounts due from Roma Capitale	92.4	69.6	22.8	98.5	(6.1)
Amounts due from subsidiaries and associates	31.6	32.5	(0.9)	32.9	(1.3)
Total trade receivables	**1,423.7**	**1,346.6**	**77.1**	**1,406.4**	**17.3**

Receivables from end users and customers

Compared to the first quarter of 2013 and the end of the previous year this item grew by 24.7 million euros and 55.3 million euros respectively. The table below shows the changes by Operating Segment compared to the same period of the prior year and to the end of 2013.

€ millions	31/03/2014			31/03/2013 *Restated*			Increase/(Decrease)		
	End users (a)	Customers (b)	Total	End users (c)	Customers (d)	Total	End users (a) - (c)	Customers (b) - (d)	Total
Environment segment	0.0	33.6	33.6	0.0	46.6	46.6	0.0	(13.0)	(13.0)
Energy segment	582.5	72.5	655.0	552.7	106.0	658.7	29.8	(33.5)	(3.7)
Water Segment	449.3	33.1	482.4	381.4	42.6	423.9	67.9	(9.5)	58.5
Networks Segment	37.4	48.9	86.3	51.9	47.3	99.2	(14.5)	1.6	(12.9)
ACEA	0.0	42.4	42.4	0.0	46.7	46.7	0.0	(4.2)	(4.2)
Total	**1,069.3**	**230.4**	**1,299.7**	**986.0**	**289.0**	**1,275.0**	**83.3**	**(58.6)**	**24.7**

€ millions	31/03/2014			31/12/2013 *Restated*			Increase/(Decrease)		
	End users (a)	Customers (b)	Total	End users (c)	Custome rs (d)	Total	End users (a) - (c)	Customers (b) - (d)	Total
Environment segment	0.0	33.6	33.6	0.0	27.6	27.6	0.0	5.9	5.9
Energy segment	582.5	72.5	655.0	570.2	57.3	627.5	12.4	15.2	27.5
Water Segment	449.3	33.1	482.4	417.5	38.7	456.2	31.8	(5.6)	26.2
Networks Segment	37.4	48.9	86.3	39.9	49.2	89.1	(2.5)	(0.4)	(2.9)
ACEA	0.0	42.4	42.4	0.0	44.0	44.0	0.0	(1.5)	(1.5)
Total	**1,069.3**	**230.4**	**1,299.7**	**1,027.6**	**216.8**	**1,244.4**	**41.7**	**13.6**	**55.3**

In the first quarter, sales transactions without recourse were carried out for a total amount of 324.0 million euros; a breakdown of these transactions by Operating Segment is provided below.

€ millions	31/03/2014	Public Administration
Energy segment	147.3	5.6
Water Segment	55.2	7.2
Networks Segment	121.4	46.5
Total	**324.0**	**59.3**

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

- the Environment Segment increased its total receivables by 5.9 million euros mainly attributable to the companies ARIA and SAO,
- the Energy segment recorded an increase in receivables from both users and customers totalling 27.5 million euros compared to the figure recorded at 31 December 2013, of which 12.9 million euros attributable to Acea Energia and 7.6 million euros to Acea Produzione; the overall change was also influenced by Ecogena (+ 5.9 million euros) due to its consolidation using the line-by-line method as from 1 January 2014,
- In the Water Segment total receivables increased by 26.2 million euros. The change is essentially attributable to the effect from the increase in receivables for bills to be issued as a result of application of the MTT (transitional tariff method) and the MTI (water tariff method).
- In the Networks Segment total receivables decreased 2.9 million euros; the change was attributable to the net effect of the reduction recorded by ARSE of 11.9 million euros, partially offset by the increase in receivables in ACEA Distribuzione of 8.4 million euros and in ACEA Illuminazione of 0.6 million euros,
- the Parent Company recorded a reduction of 1.5 million euros, mainly due to the relationship with the municipality of Naples, in which the management of public lighting service is provided as ATI (Temporary Grouping of Companies). Receivables at 31 March 2014 totalled 44 million euros, including disputed receivables for 20.5 million euros concerning the well-known dispute with the State of Vatican City.

Receivables from the Parent Company Roma Capitale

Trade receivables due from Roma Capitale totalled 92.4 million euros at 31 March 2014 (69.6 million euros at 31 December 2013).

The total amount of receivables (including short-term and medium/long term financial receivables resulting from the public lighting contract) was 193.9 million euros compared to 154.0 million euros at the end of the previous year.

The following table presents an analysis of the ACEA Group's relations with Roma Capitale regarding both receivables and payables, including those of a financial nature.

Amounts due from Roma Capitale	31/03/2014	31/12/2013	Increase/ (Decrease)
Utility receivables	67.2	42.5	24.7
Contract work	16.4	19.3	(2.8)
Services	2.4	1.4	1.0
Other receivables	0.3	0.3	0.0
Total services billed	**86.4**	**63.5**	**22.9**
Grants receivable	2.4	2.4	0.0
Surcharges receivable	0.0	0.0	0.0
Total services requested	**88.8**	**65.9**	**22.9**
Total services to be billed	**6.6**	**7.1**	**(0.6)**
Advances	0.0	0.8	(0.8)
Total trade receivables	**95.3**	**73.8**	**21.5**
Public lighting loans and receivables	69.0	50.1	18.9
Total receivables due within one year (A)	**164.3**	**123.9**	**40.4**

Amounts due to Roma Capitale	31/03/2014	31/12/2013	Increase/ (Decrease)
Electricity surtax payable	(14.9)	(14.8)	(0.2)
Concession fees payable	(54.2)	(48.9)	(5.3)

Amounts due to Roma Capitale	31/03/2014	31/12/2013	Increase/ (Decrease)
Total trade payables	**(69.2)**	**(63.7)**	**(5.5)**
Total payables due within one year (B)	**(69.2)**	**(63.7)**	**(5.5)**
Total (A) - (B)	**95.2**	**60.2**	**34.9**
Other financial receivables/payables	**3.9**	**(0.7)**	**4.6**
of which: Financial liabilities (including dividends)	(28.4)	(33.0)	4.6
of which: medium/long-term loans and receivables for public lighting	32.3	32.3	0.0
Other trade receivables/(payables)	**(7.1)**	**(5.5)**	**(1.6)**
Net balance	**91.9**	**54.0**	**37.9**

During the reporting period there was a significant increase in trade receivables billed with particular reference to receivables from water and electricity users, respectively, of 14.4 million euros and 10.4 million euros.
There was also an increase in financial receivables with regard to the contract for public lighting service, amounting to 18.9 million euros and resulting from billing of fees accrued up to 28 February 2014 in addition to the interest accrued on public lighting fees as at 31 December 2013.
In addition, the payables linked to the concession fee for the integrated water services accrued in the period increased by 5.3 million euros.
Dividends payable decreased 4.6 million euros due to offsetting with a portion of trade receivables due from Group companies.

As well as the payables in the above table, there are also those for the water treatment and sewerage fees deriving from the services provided to the Vatican State which cannot be calculated as receivables for Roma Capitale as the Vatican payables have still not been paid.

With reference to Group relations with Roma Capitale related parties, the Group receivables due from AMA and ATAC are included in trade receivables.

Receivables from associates

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

Receivables from subsidiaries

These receivables amounted to 24.2 million euros (25.2 million euros at 31 December 2013) recording a decrease of 1.0 million euros. They relate to receivables from companies consolidated using the equity method as a result of the application of IFRS 11.

20. Inventories - *37.3 million euros*

This item increased by 3.5 million euros compared to 31 December 2013. The changes by operating segment are shown in the following table:

€ millions	31/03/2014	31/12/2013 *Restated*	Increase/ (Decrease)
Environment segment	3.5	3.5	(0.0)
Energy segment	1.9	1.8	0.1
Water Segment	9.8	9.9	(0.1)
Networks Segment	21.8	18.3	3.5
ACEA	0.3	0.3	0.0
Total	**37.3**	**33.8**	**3.5**

The change in the Networks Segment was due for 1.8 million euros to energy efficiency certificates owned by ARSE.

21. Other current assets - *198.4 million euros*

There was an overall decrease of 5.0 million euros, equal to 2.5% compared to the previous year, as follows:

€ millions	31/03/2014	31/12/2013 *Restated*	Increase/ (Decrease)
Receivables from others	80.7	101.2	(20.5)
Accrued income and prepayments	17.7	10.1	7.6
Tax receivables	99.9	92.0	7.9
Receivables from commodity derivatives	0.0	0.0	0.0
Total other receivables and current assets	**198.4**	**203.4**	**(5.0)**

Other receivables totalled 80.7 million euros, down 20.5 million euros as shown in the following table with the composition and changes occurred compared to the previous year:

€ millions	31/03/2014	31/12/2013 *Restated*	Increase/ (Decrease)
Receivables due from Authority for Tariff adjustments	17.9	17.9	0.0
Receivables from Equalisation Fund for Tariff Contribution from meeting the targets	11.3	0.4	10.9
Receivables due from Trifoglio property company	10.3	10.3	0.0
Security deposits	7.9	4.1	3.7
Receivables due from Equalisation Fund for energy equalisation	7.7	41.1	(33.4)
Receivables due from INPS welfare contributions in accordance with article 41, paragraph 2, letter A of Act 488/1999	6.9	7.1	(0.2)
Regional grants due	4.3	4.3	0.0
Receivables from Equitalia	4.3	4.1	0.2
Receivables due from social security institutions	3.7	3.7	0.0
Receivable due from single transfers	2.6	2.7	(0.0)
Suppliers' advances	1.9	2.2	(0.3)
Other receivables due from Equalisation Fund	0.7	1.2	(0.6)
Other minor receivables	1.3	2.2	(0.9)
Total	**80.7**	**101.2**	**(20.5)**

The decrease of 20.5 million euros compared to 2013 was mainly attributable to the following factors:

- +10.9 million euros recognised by ACEA Distribuzione for receivables due from the Equalisation Fund for the tariff contribution accrued on efficiency certificates related to the energy savings targets assigned for 2013,
- - 33.4 million euros recorded by ACEA Distribuzione relating to the sale of receivables arising from the general equalisation for 2010 and 2013.

Accrued income and prepayments amounted to 17.7 million euros (10.1 million euros at 31 December 2013) and refer mainly to rent on public land, lease payments and insurance.

Tax receivables, amounted to 99.9 million euros (+ 7.9 million euros) and mainly include VAT credits for 47.1 million euros and IRES and IRAP tax credits for 51.9 million euros.

22. Current payables - *1,183.1 million euros*

€ millions	31/03/2014	31/12/2013 *Restated*	Increase/ (Decrease)	31/03/2013 *Restated*	Increase/ (Decrease)
Amounts due to third-party suppliers	1,086.1	1,114.1	(28.0)	1,008.7	77.4
Due to the Parent Company Roma Capitale	93.9	85.6	8.2	65.9	28.0
Due to subsidiaries and associates	3.2	7.9	(4.7)	12.1	(8.9)
TOTAL	**1,183.1**	**1,207.6**	**(24.5)**	**1,086.7**	**96.4**

Amounts due to third-party suppliers

Trade payables amounted to 1,086.1 million euros (1,114.1 million euros at 31 December 2013). The following table provides the breakdown by operating segment:

€ millions	31/03/2014	31/12/2013 *Restated*	Increase/ (Decrease)
Environment segment	30.0	33.4	(3.4)
Energy segment	460.3	488.9	(28.5)
Water Segment	209.0	210.6	(1.6)
Networks Segment	320.6	314.7	5.8
ACEA	66.2	66.5	(0.3)
Total	**1,086.1**	**1,114.1**	**(28.0)**

There was a reduction in all business segments, except for the Networks segments that posted an overall increase of 5.8 million euros.

Amounts due to Parent Company Roma Capitale

These amounted to 93.9 million euros and the 8.2 million euros increase was essentially due to the concession fee for the integrated water services accrued for the first quarter of 2014.

Amounts due to subsidiaries and associates

The balance of 3.2 million euros was 4.7 million euros less than that at 31 December 2013 and mainly refers to payables recognised for the management of the public lighting service provided by the associate Citelum Napoli Pubblica Illuminazione in the Municipality of Naples.

23. Other current liabilities - *309.4 million euros*

These posted an increase of 29.1 million euros (or 10.4%). The following table shows the main items making up the balance and the change compared to 31 December 2013.

€ millions	31/03/2014	31/12/2013 *Restated*	Increase/ (Decrease)
Other current liabilities	230.7	217.1	13.6
Tax Payables	59.6	41.2	18.4
Social security contributions	9.5	17.5	(8.0)
Liabilities deriving from Fair Value evaluation of commodities	7.4	0.5	6.9
Amounts due to end users for tariff restrictions	1.2	1.2	0.0
Accrued liabilities and deferred income	1.2	2.8	(1.6)
TOTAL	**309.4**	**280.3**	**29.1**

Other **current liabilities** amounted to 230.7 million euros, with an overall increase of 13.6 million euros compared to 31 December 2013, when they amounted to 217.1 million euros. The following table shows the composition and changes compared to the previous year:

€ millions	31/03/2014	31/12/2013 *Restated*	Increase/ (Decrease)
Payables to municipalities for concession fees	49.8	48.6	1.2
Amounts due to staff	45.1	37.4	7.7
Payables for collections subject to verification	44.9	41.9	3.0
Payables to Equalisation Fund	35.8	31.8	4.0
Other payables due to Municipalities	13.2	14.5	(1.4)
Welfare contribution payables	12.8	12.0	0.8
Payables due to Equitalia	12.8	12.8	(0.0)
Payables to INPS, due in instalments	5.4	7.4	(2.0)
other payables	3.7	6.8	(3.1)
Amounts due to end users for refund of Tariff Component as per referendum outcome	3.2	0.0	3.2
Payables for environmental premium Art. 10 of ATI4 agreement of 13/08/2007	1.5	1.3	0.2
Payables for purchase of surface rights	1.3	1.3	0.0
Insurance payables	0.7	0.7	0.0
Payables for staff termination benefits from single transfers	0.5	0.5	0.0
Other payables	**230.7**	**217.1**	**13.6**

The increase in amounts due to staff of 7.7 million euros reflected the accrual for the period of additional entitlements.
This item includes 3.2 million euros, recognised in the provision for liabilities and charges at the end of 2013, concerning payables to end users for the refund of the integrated water service tariff component related to the return on capital, which was repealed by the public referendum of 12 -13 June 2011, with reference to the period 21 July 2011 - 31 December 2011, in accordance with Resolution No. 163/2014/R/idr. of 3 April 2014.

Tax payables amounted to 59.6 million euros (41.2 million euros at 31 December 2013) and included IRES and IRAP tax payable for the period of 8.2 million euros and VAT of 32.2 million euros. The remainder included 19.2 million euros for additional municipal and provincial tax payables.

Social security and welfare payables amounted to 9.5 million euros (17.5 million euros at December 2013); their breakdown by Operating Segment was as follows:

€ millions	31/03/2014	31/12/2013 *Restated*	Increase/ (Decrease)
Environment segment	0.4	0.6	(0.2)
Energy segment	0.9	1.8	(0.9)
Water Segment	3.8	6.0	(2.2)
Networks Segment	2.8	5.9	(3.1)
ACEA	1.6	3.2	(1.6)
Total	**9.5**	**17.5**	**(8.0)**

Payables from commodity derivatives include the Fair Value of a number of financial contracts entered into by Acea Energia Holding. At 31 March 2014 this value was 7.4 million euros.

Payables to end users for tariff restrictions amounted to 1.2 million euros at 31 March 2014 and have not changed since the end of last year.

Accrued liabilities and deferred income amounted to 1.2 million euros, with a reduction of 1.6 million euros from the previous year.

24. Net debt - *(2,323.9) million euros*

Group debt at 31 March 2014 recorded an overall increase of 75.3 million euros, up to 2,323.9 million euros from 2,248.6 million euros at the end of 2013.
The following table provides the breakdown of the items concerned:

€ millions	31/03/2014	31/12/2013 *Restated*	Increase/ (Decrease)	31/03/2013 *Restated*	Increase/ (Decrease)
Non-current financial assets/(liabilities)	1.8	2.5	(0.7)	1.4	0.4
Non-current financial assets/(liabilities) - intragroup	32.3	32.3	0.0	30.4	1.9
Non-current borrowings and financial liabilities	(2,358.4)	(2,360.9)	2.5	(2,017.0)	(341.4)
Net medium/long-term debt	**(2,324.3)**	**(2,326.1)**	**1.8**	**(1,985.1)**	**(339.2)**
Cash and cash equivalents and securities	398.8	563.1	(164.3)	163.0	235.7
Short-term bank borrowings	(383.1)	(371.3)	(11.8)	(636.8)	253.6
Current financial assets/(liabilities)	(68.3)	(139.6)	71.3	(42.5)	(25.9)
Current financial assets/(liabilities) intragroup	53.1	25.3	27.7	96.1	(43.0)
Net short-term debt	**0.4**	**77.5**	**(77.1)**	**(420.1)**	**(420.5)**
Total net debt	**(2,323.9)**	**(2,248.6)**	**(75.3)**	**(2,405.3)**	**81.4**

Net medium - long term debt - *(2,324.3) million euros*

With regard to this component it should be noted that:

- non-current financial assets/(liabilities) recorded a balance of 1.8 million euros, down by 0.7 million euros compared to 31 December 2013 (2.5 million euros),
- Intragroup financial assets/(liabilities) stood at 32.3 million euros and include financial receivables from Roma Capitale for upgrading works completed to adapt systems to safety and regulatory standards and new constructions as envisaged in the *addendum* to the Public Lighting contract. This receivable refers to the long-term portion due following application of the financial asset model as envisaged in IFRIC 12 on Service Concession Agreements and was in line with the figure at 31 December 2013.
- non-current payables and financial liabilities totalled 2,358.4 million euros, down by 2.5 million euros from 31 December 2013 and can be broken down as follows:

€ millions	31/03/2014	31/12/2013 *Restated*	Increase/ (Decrease)
Bonds	1,279.9	1,290.8	(10.8)
Medium/long-term borrowings	1,078.5	1,070.1	8.3
Total	**2,358.4**	**2,360.9**	**(2.5)**

Bonds - *1,279.9 million euros*

The change compared to the end of the previous year, mainly derives from the payment of accrued interest on bonds issued by ACEA on 16 March 2010. This item includes:

- 601.7 million euros (including accrued interest and *Fair value* of the hedge) related to the bond issued by ACEA in September 2013, with 5 year maturity and expiring on 12 September 2018. The *Fair Value* of hedging derivatives on this debt was positive and equal to 0.9 million euros. Interest accrued during the period amounted to 5.5 million euros,

- 498.4 million euros (including accrued interest and *Fair value* of the hedge) related to the bond issued by ACEA in March 2010, with 10 year maturity and expiring on 16 March 2020. Interest accrued during the period amounted to 5.5 million euros,
- 179.8 million euros (including accrued interest and *Fair value* of the hedge) relating to the *Private Placement*. The *Fair Value* of the hedging instrument was a negative 39.0 million euros and was allocated to a specific equity reserve. The exchange rate difference - positive by 24.7 million euros - calculated at 31 March 2014 on the hedged instrument, was allocated to a translation reserve. The exchange rate at the end of the first quarter of 2014 was 142.42 euros compared to 144.72 euros at 31 December 2013. Interest accrued during the period amounted to 0.9 million euros.

Medium/long term borrowings (including short-term portions) - *1,136.0 million euros*

At 31 March 2014 they recorded an overall increase of 15.4 million euros, compared to 1,120.5 million euros in 2013, reflecting the accrual of interest for the period.

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

Bank Loans:	Total Residual Debt	Due by 31.03.2015	Falling due between 31.03.2015 and 31.03.2019	Due after 31.03.2019
fixed rate	349.3	27.2	82.4	239.7
floating rate	644.0	15.1	370.9	258.0
floating rate to fixed rate	142.8	15.3	60.0	67.5
Total	**1,136.0**	**57.5**	**513.3**	**565.2**

The following table provides a breakdown of the *Fair Value* of hedging derivatives in ACEA compared with the figures from the previous year.

€ millions	31/03/2014	31/12/2013 *restated*	Increase/ (Decrease)
ACEA	(9.1)	(8.7)	(0.4)
Total	**(9.1)**	**(8.7)**	**(0.4)**

As regards the medium/long-term financing and bond loan conditions, please refer to the 2013 Consolidated Financial Statements.

Net short-term debt - *0.4 million euros*

The short-term component was a positive 0.4 million euros. Compared to the end of 2013 there was an overall deterioration of 77.1 million euros, mainly due to the reduction in cash and cash equivalents (- 164.3 million euros) and short-term bank borrowings (- 11.8 million euros), partially mitigated by current financial assets and liabilities with third parties and intra-group (+ 98.9 million euros).

Cash and cash equivalents amounted to 398.8 million euros and decreased by 164.3 million euros, mainly due to the change recorded in the period by the Parent Company. The following table provides the breakdown by operating segment:

€ millions	31/03/2014	31/12/2013 *Restated*	Increase/ (Decrease)
Environment segment	2.3	2.3	(0.0)
Energy segment	1.7	1.1	0.6
Water Segment	15.9	18.1	(2.1)

€ millions	31/03/2014	31/12/2013 *Restated*	Increase/ (Decrease)
ACEA	378.8	541.5	(162.7)
Total	**398.8**	**563.1**	**(164.3)**

Short-term bank borrowings totalled 383.1 million euros, broken down as follows:

€ millions	31/03/2014	31/12/2013 *restated*	Increase/ (Decrease)
Short-term bonds	309.9	306.3	3.6
Short-term bank credit lines	15.7	14.6	1.1
Bank mortgage loans - short term portion	57.5	50.4	7.1
Total	**383.1**	**371.3**	**11.8**

The breakdown by Operating Segment is provided below:

€ millions	31/03/2014	31/12/2013 *Restated*	Increase/ (Decrease)
Environment segment	3.5	4.0	(0.5)
Energy segment	8.8	7.7	1.1
Water Segment	5.8	5.4	0.4
Networks Segment	25.5	19.8	5.7
ACEA	339.5	334.4	5.0
Total	**383.1**	**371.3**	**11.8**

The change in the period (+ 11.8 million euros) mainly reflects the growth in debt of the Parent Company (+ 5.0 million euros) and the Networks Segment (+ 5.7 million euros), mainly due to interest accrued for the period.

At the end of the first quarter of 2014 the Parent Company had *uncommitted* and *committed* credit lines totalling 699 million euros and 450 million euros respectively, neither of which is used. No guarantees were issued to obtain these credit lines.
The *committed* credit is *revolving* with a contractual term of three years from the date of signing. Regarding the availability of these lines (i) 150 million euros shall mature in 2014, and (ii) the remaining 300 million euros shall mature 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.

Current financial assets and liabilities reported a balance at 31 March 2014 that increases debt by 68.3 million euros (139.6 million euros at 31 December 2013).
The breakdown by Operating Segment and changes occurred during the first quarter are provided below:

€ millions	31/03/2014	31/12/2013 *restated*	Increase/ (Decrease)
Environment segment	(3.3)	(3.3)	0.0
Energy segment	(59.9)	(78.0)	18.1
Water Segment	(4.2)	(22.2)	18.0
Networks Segment	(11.0)	(20.1)	9.1
ACEA	10.1	(15.9)	26.0
Total	**(68.3)**	**(139.6)**	**71.2**

The reduction of outstanding debt by 71.2 million euros reflects the reduced exposure to the factoring companies for receivables sold by the Energy, Water and Networks companies (45.2

million euros) and the payment of the interim dividend for 2013, approved on 18 December 2013 by the Board of Directors of ACEA (26.0 million euros), payable to the market.

Intragroup current financial assets and liabilities reduced borrowings by 53.1 million euros and mainly include the net exposure to Roma Capitale (40.6 million euros).
The overall change of +27.7 million euros, derives primarily from the increase in financial receivables (+18.9 million euros) arising from the service agreement for the management of public lighting in the Rome area, and the decrease in the residual payable related to the 2013 interim dividend, recognised in accordance with resolution of the Board of Directors on 18 December 2013. This reduction, amounting to 4.6 million euros, resulted from offsetting with the Group's trade receivables from Roma Capitale at the end of March 2014.

25. Shareholders' equity - *1,446.6 million euros*

The changes occurred during the period, amounting to 39.8 million euros, are detailed in the table below.
The change, net of profit for the period amounting to 46.7 million euros, was essentially due to changes in the *cash flow hedge* reserve *related to financial instruments* for -2.5 million euros (net of taxation), in the reserve for the fair value measurement of derivative contracts of ACEA Energia Holding for -5.0 million euros and the change in actuarial gains and losses amounting to + 0.5 million euros. The change was also affected by the dividend distribution of 1.8 million euros. The remaining difference reflects the change in the scope of consolidation, with particular reference to the line-by-line consolidation of the Company Ecogena as of 1 January 2014.

Significant events during the period

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

On 18 February 2014 Moody's reported that it had changed Acea SpA's outlook from "Negative" to "Stable" confirming a "Baa2" rating.
The rating review followed the modification of the *outlook* on the sovereign debt of the Government of the Republic of Italy, on the basis of a decision recently taken by Moody's.
The change in the *outlook* is also due to: **(i)** the Company's results in the second half of 2013 in terms of improvements to the financial structure and liquidity profile, as well as the issue on 5 September 2013 of a 600.0 million euros bond; **(ii)** the positive evolution of the water regulatory framework.

Bond issue program

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

Acea S.p.A.: Shareholders' Meeting called for 5 June 2014

On 24 March 2014, the Board of Directors of ACEA, in accordance with the provisions of Law and the Articles of Association, convened the Shareholders' Meeting for 5 June 2014 to approve the financial statements and pass resolutions on the number, composition and remuneration of the Board of Directors.

Significant events after the end of the reporting period

No significant events occurred after 1 April until the date of approval of the Interim Report on Operations at 31 March 2014.

Operating and financial outlook

The ACEA Group's results for the first quarter of 2014 are in line with forecasts.

In the **environment sector**, the overall positioning of ARIA, the owner, either directly or through its subsidiary SAO, of important plant infrastructures intended for the generation of electric power from the recovery of waste, makes it possible to positively assess the short and medium-term business outlook. This is also in consideration of the development of the energy recovery plant infrastructures which the Group intends to perform at the San Vittore waste-to-energy plant where the interventions already authorised by the Lazio Regional Authority will be implemented. The waste disposal situation of the Lazio Regional territory remains in fact critical, made particularly evident by the establishment, pursuant the provisions of art. 1, paragraphs 358 and 359 of Law 228/2012, of an administration under a government-appointed Commissioner, introduced by decree of the Ministry of Environment and Protection of the Sea on 3 January 2013, concerning the critical situation in the management of municipal waste in the Province of Rome.

In the **electricity generation** sector structural work will be started to repair the Castel Madama power station (settling of the feeder tunnels) and current industrial projects will continue with particular reference to the extension of the district heating network; this project will last at last 3 years and will be serving the Torrino-Mezzocammino south district in Rome. Furthermore, in order to increase the production efficiency of the Tor di Valle plants, the planning, design and management of the authorisation procedure for modernization of the site will be completed and the implementation stage will commence.

In the **water segment**, the primary goal will be to resolve tariff-related issues, which still characterise some areas of the ATOs, as well as the implementation of the necessary steps to contain working capital. The companies in the area are currently involved in defining the tariff proposals for 2014 - 2015 with the various Area Authorities.

As regards the **networks sector,** AEEG Resolution No. 157/2012 of 26 April that approved ACEA Distribuzione reference tariff eliminated the uncertainty arising from the provisional tariff, albeit some uncertainty remains, associated with the still undefined equalisation items related to the third regulatory period. To these regulatory uncertainties, one should add the difficulties in the operating environment that affect the ability to comply with technical and managerial standards. The main actions to be taken, in fact, shall continue to focus on capital expenditure, processes and organization.

In the **electrical energy trade** market, there will be all the more focus on the careful selection of customers, with particular reference to solvency, continuing to grow in terms of commercial expansion in the *mass market* with the aim of acquiring domestic and *small business* customers.
A goal vendors continue to pursue is to implement all the necessary measures aimed at constantly improving the billing and sales process in order to contain working capital growth and help curb the Group's debt.

As in previous years, the ACEA Group is continuing to streamline business processes and to pursue operating efficiency and strong cost containment with the aim of counteracting the effects of the crisis.

The ACEA Group's financial structure is solid for years to come, as the entire debt is characterised by long-term maturities with an average lifespan of about 7 years. 62% of debt is fixed rate in order to ensure protection against any increases in interest rates as well as any financial or credit volatility.

As of today, ACEA has *committed* and *uncommitted* credit lines totalling approximately 1.15 billion euros, of which 300 million euros shall mature after 2014.

The long-term ratings assigned to ACEA by the main international rating agencies are as follows:

- Standard & Poor's: "BBB-";
- Fitch's 'BBB+'
- Moody's "Baa2".

Statement by the Executive responsible for financial reporting in accordance with the provisions of Article 154-bis, paragraph 2, of Legislative Decree 58/1998

Pursuant to article 154-bis, paragraph 2 of the Consolidated Law on Finance, the Executive responsible for financial reporting, Mr. Franco Balsamo, hereby states that the accounting information contained in this Interim Report on Operations at 31 March 2014 corresponds to the accounting documents, books and records.

Annex 1: List of consolidated companies

Name	Registered Office	Share capital (in euros)	% interest	Group's consolidated interest	Method of Consolidation
ACEA Distribuzione S.p.A.	P.le Ostiense, 2 - Roma	345,000,000	100.00%	100.00%	Line-by-line
ACEA Ato2 S.p.A.	P.le Ostiense, 2 - Roma	362,834,320	96.46%	100.00%	Line-by-line
Acea Reti e Servizi Energetici S.p.A.	P.le Ostiense, 2 - Roma	300,120,000	100.00%	100.00%	Line-by-line
Acque Blu Arno Basso S.p.A.	P.le Ostiense, 2 - Roma	8,000,000	69.00%	100.00%	Line-by-line
Acque Blu Fiorentine S.p.A.	P.le Ostiense, 2 - Roma	15,153,400	69.00%	100.00%	Line-by-line
Ombrone S.p.A.	P.le Ostiense, 2 - Roma	6,500,000	84.57%	100.00%	Line-by-line
LaboratoRI S.p.A.	Via Vitorchiano – Roma	2,444,000	100.00%	100.00%	Line-by-line
ACEA Ato5 S.p.A.	Viale Roma -Frosinone	120,000	94.48%	100.00%	Line-by-line
Sarnese Vesuviano S.r.l.	P.le Ostiense, 2 - Roma	100,000	99.16%	100.00%	Line-by-line
CREA S.p.A. (in liquidation)	P.le Ostiense, 2 - Roma	2,678,958	100.00%	100.00%	Line-by-line
Crea Gestioni S.r.l.	P.le Ostiense, 2 - Roma	100,000	100.00%	100.00%	Line-by-line
Gesesa S.p.A.	Z.I. Pezzapiana - Benevento	520,632	59.52%	100.00%	Line-by-line
Lunigiana S.p.A. (in liquidation)	Via Nazionale 173/A – Aulla (MS)	750,000	95.79%	100.00%	Line-by-line
Aguaazul Bogotà S.A. Esp	Bogotà- Colombia	1,482,921	51.00%	100.00%	Line-by-line
Acea Dominicana	Santo Domingo	644,937	100.00%	100.00%	Line-by-line
ARIA S.r.l.	Via g. Bruno 7- Terni	2,224,992	100.00%	100.00%	Line-by-line
S.A.O. S.r.l.	Loc. Pian del Vantaggio 35/b - Orvieto	7,524,400	100.00%	100.00%	Line-by-line
Ecoenergie S.r.l. (in liquidation)	Via San Francesco d'Assisi 15 C - Paliano (FR)	10,000	90.00%	100.00%	Line-by-line
Aquaser S.r.l.	Via dei Lecceti, 16 – Volterra (PI)	9,050,000	88.29%	100.00%	Line-by-line
Kyklos S.r.L	Via Ferriere – Nettuno n. km 15 Aprilia (LT)	500,000	51.00%	100.00%	Line-by-line
Solemme S.p.A.	Località Carboni in Monterotondo Marittimo (GR)	761,400	100.00%	100.00%	Line-by-line
S.A.M.A.C.E. S.r.l.	Via Lungo Sisto, 60 Sabaudia (LT)	38,480	100.00%	100.00%	Line-by-line
Acea8cento S.p.A.	P.le Ostiense, 2 - Roma	120,000	100.00%	100.00%	Line-by-line
Acea Gori Servizi Scarl	Via ex Aeroporto s.n.c. località Area "Consorzio Sole" - Pomigliano d'Arco	1,000,000	69.82%	100.00%	Line-by-line
Acea Illuminazione Pubblica S.p.A.	P.le Ostiense, 2 - Roma	1,120,000	100.00%	100.00%	Line-by-line
Acea Produzione S.p.A.	P.le Ostiense, 2 - Roma	5,000,000	100.00%	100.00%	Line-by-line
Acea Energia S.p.A.	P.le Ostiense, 2 - Roma	10,000,000	100.00%	100.00%	Line-by-line
Acea Servizi Acqua S.r.l. (in liquidation)	P.le Ostiense, 2 - Roma	10,000	70.00%	100.00%	Line-by-line
Innovazione Sostenibilità Ambientale S.r.l.	Via Ravano K.m. 2,400 - Pontecorvo (FR)	91,800	51.00%	100.00%	Line-by-line
Umbria Energy S.p.A.	Via B. Capponi, 100- Terni	1,000,000	50.00%	100.00%	Line-by-line
Elga Sud S.p.A.	Via Montegrappa, 6 – Trani	250,000	49.00%	100.00%	Line-by-line
Ecogena S.p.A.	P.le Ostiense, 2 - Roma	6,000,000	67.33%	100.00%	Line-by-line

Companies accounted for using the equity method as from 1 January 2014 in accordance IFRS11

Name	Registered Office	Share capital (in euros)	% interest	Group's consolidated interest	Method of Consolidation
Acque S.p.A.	Via Garigliano,1- Empoli	9.953.116	45,00%	45,00%	Equity method
Acque Industriali S.r.l.	Via Garigliano,1- Empoli	100.000	100,00%	45,00%	Equity method
Acque Servizi S.r.l.	Via Garigliano,1- Empoli	400.000	100,00%	45,00%[4]	Equity method
Consorcio Agua Azul	Los Pinos 399 – 27 Lima - Perù	17.379.190	25,50%	25,50%	Equity method
Voghera Energia Vendita S.p.A. (in liquidazione)	Largo Toscanini, 5 – Voghera (PV)	250.000	50,00%	50,00%[5]	Equity method
Ecomed S.r.l.	P.le Ostiense, 2 - Roma	50.094	50,00%	50%	Equity method
Publiacqua S.p.A.	Via Villamagna 90/c - Firenze	150.280.057	40,00%	40,00%	Equity method
GORI S.p.A.	Via Trentola,211 – Ercolano	44.999.971	37,05%	37,05%	Equity method
Umbra Acque S.p.A.	Via G. Benucci,162 (PG)	15.549.889	40,00%	40,00%	Equity method
Intesa Aretina Scarl.	Via B.Crespi,57 - Milano	18.112.000	35,00%	35,00%	Equity method

Name	Registered Office	Share capital (in euros)	% interest	Group's consolidated interest	Method of Consolidation
Nuove Acque S.p.A.	Loc.Cuculo - Arezzo	34.450.389	46,16%	16,16%	Equity method
Ingegnerie Toscane S.r.l.	Via Bellatalla,1-Firenze	100.000	43,01%	43,01%	Equity method
Acquedotto del Fiora S.p.A.	Via Mameli,10 Grosseto	1.730.520	40,00%	40,00%	Equity method

The following companies are also consolidated using the equity method:

Name	Registered Office	Share capital (in euros)	% interest
SI(E)NERGIA S.p.A.	Via Fratelli Cairoli 24 Perugia	132,000	42.08%
Cesap Vendita Gas S.r.l.	Via del Teatro, 9 Bastia Umbra (PG)	80,000	42.08%
Azga Nord S.p.A. (in liquidazione)	P.zza Repubblica – Pontremoli (Massa Carrara)	217,500	49.00%
Geal S.p.A.	Viale Leporini, 1348 - LUCCA	1,450,000	28.80%
Sogea S.p.A.	Via Mercatanti, 8 - RIETI	260,000	49.00%
Aguas de San Pedro SA	Las Palmas, 3 - San Pedro (Honduras)	6,162,657	31.00%
Umbriadue Servizi Idrici scarl	Strada Sabbione ona ind. A72 - TERNI	100,000	34.00%
Coema	P.le Ostiense, 2 - Roma	10,000	33.50%
Amea S.p.A.	Via San Francesco d'Assisi 15 C - Frosinone	1,689,000	33.00%
Arkesia S.p.A. (in liquidazione)	Via –Garibaldi 7/e- Paliano (FR)	170,827	33.00%
Citelum Napoli Pubblica Illuminazione scarl	Via Monteverdi, 11 Milano	90,000	32.18%
Eur power S.r.l.	Largo Virgilio Testa, 23 - Roma	4,100,000	25.00%
Le Soluzioni	Via Garigliano,1 - Empoli	250,678	30.50%
Sinergetica Srl	Via Fratelli Cairoli, 24 - Perugia	10,000	21.46%
Sinergetica Gubbio Srl	Via Fratelli Cairoli, 24 - Perugia	15,000	21.46%
Sinergetica Project Srl	Via Fratelli Cairoli, 24 - Perugia	40,000	21.46%
Sienergas Distribuzione S.r.l.	Via Fratelli Cairoli, 24 - Perugia	20,000	42.08%
Marco Polo Srl (in liquidazione)	Via Marco Polo, 31 - Roma	10,000	33.00%

Annex 2: Segment reporting

Please note the following for a better understanding of the breakdown provided:

- generation, *energy management* and sales refer to the Energy Segment which, from an organizational standpoint, is responsible for the companies Acea Energia, Umbria Energy, Voghera Energia Vendite in liquidation, Elga Sud, Acea Produzione, Acea8cento and Ecogena,
- distribution, public lighting (Rome and Naples) and PV systems refer to the Networks segment which, from an organisational standpoint, is responsible for ACEA Distribuzione, ARSE and Acea Illuminazione Pubblica,
- analysis and research services refer to the Engineering and Services Department, which, from an organizational standpoint, is responsible for Laboratori,
- Overseas Water Services refer to the Water segment which, from an organizational standpoint, is also responsible for the water companies operating abroad,
- Italian Water Services refer to the Water segment which, from an organizational standpoint, is responsible for the water companies operating in Lazio, Campania, Tuscany and Umbria, and for AceaGori Servizi,
- environment refers to the Operating Segment of the same name which, from an organisational standpoint, is responsible for the Companies in the A.R.I.A. Group and the Aquaser Group.

Please note that the total revenue shown in the following table differs from the consolidated net revenue recognised in the consolidated income statement due to the inclusion of fair value income deriving from commodity risk management.

The statements of financial position as at 31 March 2014 and 31 December 2013 and the income statements as at 31 March 2014 and 31 March 2013 are shown below.

Statement of Financial Position -*Restated* 2013

	Generation	Distribution	Sales	Energy Management	Public Lighting	Italian water services	Overseas	Engineering	Corporate	Environment	PV power	Total	Consolidation adjustments	Group total
Investments	5,230	102,510	5,987	177	289	129,266	211	485	11,874	12,137	435	268,601	0	268,601
Operating Segments														
Property, plant and equipment	162,398	1,373,538	360	1,507	459	14,074	977	2,156	166,508	255,532	29,992	2,007,500	1,554	2,009,054
Intangible Assets	8,274	31,244	93,518	(383)	2,073	1,727,767	4	87	10,494	(11,202)	0	1,861,876	(326,181)	1,535,694
Non-current financial assets measured at equity		0	0									2,189,346	(1,977,394)	211,952
Non current financial assets														3,321
Other non-current trading assets														357,738
Other non-current financial assets														34,788
Inventories	1,830	11,944	0	0	6,451	9,689	183	0	0	3,448	209	33,754	0	33,754
Trade receivables from third parties	3,898	163,238	623,757	64,459	18,305	453,579	2,182	19,279	26,603	46,890	35,215	1,457,404	(213,034)	1,244,371
Trade receivables from Parent Company	6,057	1,151	43,023	0	61,824	28,354	0	21	771	307	0	141,509	(71,859)	69,650
Trade receivables from subsidiaries and associates	0	0	16,036	69,665	0	8,957	77	0	37,575	109	0	132,419	(99,883)	32,536
Other current trading assets														203,393
Other current financial assets														118,302
Cash and cash equivalents														563,066
Non-current assets held for sale											6,722	6,722		6,722
Total Assets														**6,424,340**

Amounts in €/thousand

Statement of Financial Position -*Restated* 2013

	Generation	Distribution	Sales	Energy Management	Public Lighting	Italian water services	Overseas	Engineering	Corporate	Environment	PV power	Total	Consolidation adjustments	Group total
Segment liabilities														
Trade payables to third parties	5,409	305,823	381,412	201,284	11,915	292,091	1,148	3,015	64,773	37,792	5,296	1,309,958	(195,894)	1,114,064
Trade payables to Parent Company	1,655	5,646	84,288	67	2,704	69,953	0	198	20,521	881	1	185,915	(100,300)	85,615
Trade payables to subsidiaries and associates	0	33	0	16,923	60,441	1,441	491	0	4,260	17	24	83,631	(75,710)	7,921
Other current trading liabilities														280,310
Other current financial liabilities														599,869
Staff termination benefits and other defined-benefit plans	2,259	34,545	3,937	298	2,719	28,651	200	2,839	28,787	2,688	0	106,922	(12)	106,910
Other provisions	3,254	14,754	9,726	44	337	89,144	304	2,262	31,593	30,499	2,695	184,611	21,448	206,058
Provision for deferred taxes														92,964
Other non-current trading liabilities														161,549
Other non-current financial liabilities														2,360,907
Liabilities directly associated with assets held for sale											1,344	1,344		1,344
Shareholders' equity														1,406,828
Total liabilities and shareholders' equity														**6,424,340**

Amounts in €/thousand

Income Statement as at 31 March 2013 - Restated

	Generation	Distribution	Sales	Energy Management	Public Lighting	Italian water services	Overseas	Engineering	Corporate	Environment	PV power	Total	Consolidation adjustments	Total Consolidated
Third party revenues	17,427	53,337	115,222	171,529	16,057	135,923	3,248	75	28,495	1,191	2,443	544,946	(196,120)	348,826
Inter-segment sales	89	59,629	460,725	60,440	0	1,102	0	5,529	24	0	24,724	612,262	(137,991)	474,271
Staff costs	1,351	15,379	4,864	294	2,637	21,465	849	2,369	2,355	0	9,260	60,825	(3,652)	57,173
Energy purchase	2,344	19,512	539,696	230,444	14	22	0	0	1,033	106	0	793,171	(268,119)	525,052
Sundry materials and overheads	2,935	20,660	20,268	844	12,931	63,148	1,019	1,787	13,556	382	14,063	151,594	(62,327)	89,267
Income/(Costs) from equity investments of a non-financial nature	6		(112)			5,717	172		(373)			5,410		5,410
EBITDA	10,892	57,416	11,005	386	476	58,108	1,551	1,447	11,201	702	3,844	157,028	(13)	157,015
Depreciation/amortisation	2,807	22,430	9,574	305	0	22,045	90	241	6,375	0	3,832	67,699	0	67,699
EBIT	8,085	34,986	1,431	82	476	36,062	1,462	1,207	4,826	702	12	89,329	(13)	89,316
Finance (costs)/income												0		(23,231)
(Costs)/Income from investments			610		61	848	174	205			(492)	1,407	0	1,407
Profit/(loss) before tax														67,492
Taxation														28,568
Profit/(loss) from discontinued operations														
Net profit (loss)														**38,924**

Amounts in €/thousand

Statement of financial position as at 31 March 2014

	Generation	Distribution	Sales	Public Lighting	Italian water services	Overseas	Engineering	Corporate	Environment	PV power	Total	Consolidation adjustments	Group total
Investments	2,700	26,000	800	0	32,450	0	0	2,300	2,000	100	66,350	0	66,350
Operating Segments													
Property, plant and equipment	175,076	1,382,214	1,857	449	14,926	948	2,075	165,529	252,002	29,507	2,024,583	1,554	2,026,137
Intangible Assets	11,652	30,324	129,716	1,655	1,744,944	48	86	10,897	(10,638)	0	1,918,685	(363,343)	1,555,341
Non-current financial assets measured at equity		0	0								2,046,368	(1,829,253)	217,115
Non current financial assets													3,321
Other non-current trading assets													356,237
Other non-current financial assets													34,103
Inventories	1,890	15,696	0	6,195	9,665	121	0	0	3,469	227	37,263	0	37,263
Trade receivables from third parties	17,548	169,019	713,528	17,338	480,950	1,943	22,991	26,416	49,310	22,734	1,521,778	(222,092)	1,299,685
Trade receivables from Parent Company	319	2,526	47,373	62,256	41,664	0	22	771	336	0	155,268	(62,848)	92,419
Trade receivables from subsidiaries and associates	0	0	17,723	0	9,358	15	0	37,469	188	0	64,752	(33,151)	31,600
Other current trading assets													198,368
Other current financial assets													108,488
Cash and cash equivalents													398,781
Non-current assets held for sale										6,722	6,722		6,722
Total Assets													**6,365,580**

Amounts in €/thousand

Statement of financial position as at 31 March 2014

	Generation	Distribution	Sales	Public Lighting	Italian water services	Overseas	Engineering	Corporate	Environment	PV power	Total	Consolidation adjustments	Group total
Segment liabilities													
Trade payables to third parties	13,319	312,816	541,505	13,053	297,930	878	3,048	64,823	34,920	4,736	1,287,030	(200,955)	1,086,074
Trade payables to Parent Company	8,640	6,575	16,332	411	76,949	0	188	20,526	955	55	130,633	(36,771)	93,862
Trade payables to subsidiaries and associates	0	33	9,177	57,032	946	51	0	6,181	44	24	73,488	(70,329)	3,160
Other current trading liabilities													309,448
Other current financial liabilities													502,875
Staff termination benefits and other defined-benefit plans	2,342	34,380	4,257	2,737	28,515	183	2,826	28,065	2,774	0	106,078	(12)	106,065
Other provisions	3,578	6,587	9,530	340	84,912	208	2,277	31,678	30,650	2,743	172,503	21,432	193,935
Provision for deferred taxes													94,077
Other non-current trading liabilities													169,732
Other non-current financial liabilities													2,358,406
Liabilities directly associated with assets held for sale										1,344	1,344		1,344
Shareholders' equity													1,446,602
Total liabilities and shareholders' equity													**6,365,580**

Amounts in €/thousand

Income Statement as at 31 March 2014

	Generation	Distribution	Sales	Public Lighting	Italian water services	Overseas	Engineering	Corporate	Environment	PV power	Total	Consolidation adjustments	Total Consolidated
Third party revenues	19,777	73,547	242,211	16,941	144,948	1,803	950	31,072	1,148	2,280	534,676	(24,575)	510,101
Inter-segment sales	15	54,858	292,640	0	1,731	0	6,071	1,071	19	24,822	381,228	(111,246)	269,983
Staff costs	1,483	16,433	5,406	1,989	22,394	693	2,599	2,699	88	14,468	68,253	(4,879)	63,373
Energy purchase	2,457	33,371	497,485	0	23	0	0	828	0	23	534,187	(66,197)	467,990
Sundry materials and overheads	4,333	18,885	18,901	13,143	64,296	836	2,594	14,425	439	15,361	153,213	(64,702)	88,511
Income/(Costs) from equity investments of a non-financial nature			91		5,486	211		0			5,787	0	5,787
EBITDA	11,518	59,716	13,151	1,809	65,452	485	1,829	14,190	640	(2,751)	166,039	(42)	165,997
Depreciation/amortisation	4,162	20,087	11,383	440	19,003	31	134	6,612	0	4,242	66,095	0	66,095
EBIT	7,356	39,629	1,767	1,369	46,448	454	1,695	7,578	640	(6,993)	99,944	(42)	99,901
Finance (costs)/income													(25,400)
(Costs)/Income from investments		(100)	10		406	220				2,291	2,828		2,828
Profit/(loss) before tax													77,329
Taxation													30,594
Net profit (loss)													**46,735**

Amounts in €/thousand