Financial Statements of ACEA S.p.A.

Consolidated Financial Statements ACEA Group

for the year **2012**

2012

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Acea S.p.A.

Registered office
Piazzale Ostiense 2 – 00154 Rome

Share capital
1,098,898,884 euros, fully paid-up

Tax code, VAT number and Rome Companies' Register no.
05394801004

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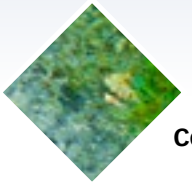

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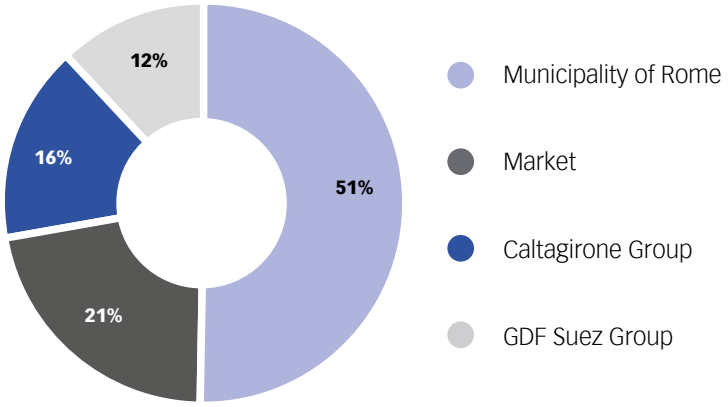
Report on operations

The ACEA Group

The share capital of ACEA S.p.A. at 31 December 2012 is broken down as follows:



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

Alla medesima data la struttura del Gruppo risulta composta dalle seguenti principali società.

ACEA HOLDING

WATER

96%	Acea Ato 2
94%	Acea Ato 5
99%	Sarnese Vesuviano 37% Gori
100%	Crea Gestioni
40%	Umbra Acque
55%	Acque Blu
55%	Acea Gori Servizi
85%	Ombrone 40% Acquedotto del Fiora
69%	Acque Blu Arno Basso 45% Acque
69%	Acque Blu Fiorentine 40% Publiacqua
35%	Intesa Aretina 46% Nuove Acque
1%	Ingegnerie Toscane

25%	Consorcio Agua Azul
51%	Aguazul Bogotà
100%	Acea Dominicana

ENERGY

100%	Acea Energia Holding 100% Acea Produzione 100% Acea Energia
100%	Acea8cento

NETWORKS

100%	Acea Reti e Servizi Energetici 50% Acea Distribuzione 51% Ecogena
100%	Acea Illuminazione Pubbllica
50%	Acea Distribuzione

ENVIRONMENT

100%	Acea Risorse e Impianti per l'Ambiente
84%	Aquaser
50%	Ecomed
50%	Apice

OTHER SERVICES

100%	LaboratoRI

Corporate bodies

BOARD OF DIRECTORS	
Giancarlo Cremonesi	Chairman
Marco Staderini	Chief Executive Officer
Paolo Giorgio Bassi	Director
Francesco Caltagirone	Director
Jean Louis Chaussade	Director
Giovanni Giani *	Director
Paolo Di Benedetto	Director
Luigi Pelaggi	Director
Andrea Peruzy	Director
Andrea Peruzy	Director

* *appointed by the Shareholders' Meeting of 4 May 2012 (previously co-opted at the Board of Directors Meeting of 29 November 2011)*

GENERAL MANAGER

Paolo Gallo

BOARD OF STATUTORY AUDITORS [1]	
Enrico Laghi	Chairman
Corrado Gatti	Statutory auditor
Alberto Romano	Statutory auditor
Gianluca Marini	Alternate auditor
Leonardo Quagliata	Alternate auditor

INDEPENDENT AUDITORS

Reconta Ernst & Young S.p.A.

EXECUTIVE RESPONSIBLE FOR FINANCIAL REPORTING

Iolanda Papalini *

** appointed by the Board of Directors Meeting of 3 September 2012*

The Chairman

Letter to shareholders

In a global scenario characterised by a lasting phase of economic and financial uncertainty, Acea continues to be a reliable business.

The growth in turnover and the net improvement in gross operating profit accompanied by a solid Group asset structure demonstrate the validity of the strategy adopted by the company, which has been able to react well to an unfavourable macroeconomic environment and a still uncertain regulatory scenario.

The 2012 results confirm the high levels of profitability and positive industrial performance of all business areas, in line with the Acea Group strategy and with the targets disclosed to the market.

In the Water area, revenue increased mainly due to tariff adjustments recognised under the previous method, even though the segment margin is affected by higher costs for the purchase of electricity due to the water emergency in the summer of 2012.

The operating margin increased in the Environment area mainly due to waste disposal and electricity production, thanks to the start-up of two new lines at the San Vittore del Lazio waste-to-energy plant, in April and July 2011, respectively.

In the Energy area, please recall that the repowering works at the Salisano and Orte hydroelectric power stations have been completed, and works to extend the district heating network in a residential district of Rome continue. Plant repowering will facilitate an increase in the contribution of renewable sources to electricity generation and will also guarantee that green certificates will be obtained.

In terms of electricity sales, Acea confirms its steadfast commitment to the management and development of the customer portfolio in an evolving market context which requires particular focus on service quality.

In the Networks area, as forecast in the 2012-2016 Business Plan, Acea sold the Apollo company, operating in the photovoltaic sector, to RTR Capital through its subsidiary ARSE on 28 December 2012. After that sale, the assets remaining in ARSE's portfolio have a total capacity of roughly 13 MWp, which will be disposed of in the future.

Investments remained at very significant levels throughout 2012. In fact, Acea made over 513 million euros in investments to strategically maintain market competitiveness and service quality. Of these, over 223.4 million euros (roughly 44% of the total) will guarantee the expected tariff development. Particular effort will be dedicated to Electricity distribution and

the Renewable Energy area (20%), both PV power and cogeneration, to ensure improvements in service quality and continuity. The allocation of 7% investments made to the Environment Area makes a significant contribution to environmental sustainability. In this area, the Group intends to increase and develop its waste-to-energy capacity and expand its capacity in the disposal of biological sludge, in biomass and special waste treatment. Approximately 5% of investments were made in the Energy sector with the revamping of hydroelectric power plants, while 110 million euros was invested to purchase the historical company offices at Piazzale Ostiense.

Investments will continue at the same pace in the coming years as well, as forecast in the new 2012-2016 Business Plan approved by the Board of Directors on 20 March 2012.

In 2012 the Company maintained high levels of profitability thanks to the contribution of all business areas and excellent cash flow management, thereby achieving the efficiency improvement targets considered in the Budget, consolidating domestic leadership in the Water segment and growing due to the contribution of the PV and Environment sectors. As a result of the above, advances on dividends for 2012 equal to 0.21 euro per share were already distributed in December, and the balance of 0.09 euro per share will be distributed in May of this year.

The financial statements for the year in question closed with consolidated revenue of 3,612.7 million euros and gross profit (EBITDA) of 695.2 million euros, up compared to last year. Group operating profit (EBIT) totals 302.1 million euros.

Consolidated net profit stands at 77.4 million euros after allocations to third parties.

Before concluding, I wish to highlight that the Board of Directors and the Board of Statutory Auditors will be reappointed halfway through April 2013. Both have worked in the spirit of mutual cooperation in the areas for which they are responsible, and have set as their primary objective business consolidation and development.

I would like to personally thank all Group employees and associates for the work they do each day, at all levels, with commendable teamwork and professionalism.

Giancarlo Cremonesi

Group operating review

Networks Industrial Area

Electricity demand in Italy in 2012 decreased by 2.8% compared to the previous year. Peak demand on the Italian electricity network stood at 54,113 MW, recorded on 10 July 2012, at 12.00. The figure was around 2,361 MW lower (-4.18%) than the peak recorded in the previous year, equal to 56,474 MW, recorded on 13 July 2011, at 12.00.

Domestic production met 86.8% of Italy's electricity requirements, whilst the remaining 13.2% was covered by imports. As regards the contributions to total production, 62.2% came from thermoelectric plants, 13.3% from hydroelectric sources and, lastly, 11.3% from geothermal and wind/PV sources.

	1 January – 31 December 2012	1 January – 31 December 2011	% change 2012/2011
Net production			
– hydroelectric	43,322	47,202	–8,2
– thermoelectric	204,796	218,485	–6,3
– geothermal	5,238	5,315	–1,4
– wind power	13,119	9,775	34,2
– photovoltaic	18,323	10,668	71,8
Total net production	284,798	291,446	–2,3
Import	45,369	47,520	–4,5
Export	2,281	1,787	27,6
Balance of imports	**43,088**	**45,733**	**–5,8**
Consumption for pumping systems	2,627	2,539	3,5
Electricity demand	**325,259**	**334,640**	**–2,8**

Electricity demand = Net production + Balance of imports – Consumption for pumping systems

REGULATORY FRAMEWORK

9 February 2012 – Resolution 36/2012/E/com: Amendment of Annex A to AEEG resolution no. 11/07 of 18 January 2007, aimed at the introduction of measures applicable in the case of breach of functional and accounting unbundling obligations.

On the basis of consulting document 26/11, AEEG introduced penalties against distribution companies that do not send the required notifications set forth in the unbundling regulation within the terms and according to the procedures established (using the electronic system). Specifically, AEEG suspended disbursements from the Electricity sector equalisation fund (CCSE) until satisfaction of the obligations, with regard to the notifications concerning:

- functional unbundling (set of obligations, report on the measures adopted in fulfilment of the set of obligations, annual and long-term infrastructural development plan);
- accounting unbundling (separate annual accounts).

The provision specifies that the suspension does not apply to CCSE disbursements for which the distribution company merely acts as an intermediary of amounts intended for end customers (e.g. electricity bonus).

March 1 2012 – Resolution 65/2012/R/eel: Streamlining and standardisation of the content and operating methods of flows of information between electricity distributors and sellers concerning withdrawal point metering data.

Following consulting document 36/11, AEEG:

- introduced amendments to the regulation on the topic of metering data availability;
- defined the detailed information contained in flows of information from distributors to sellers, providing withdrawal point metering data.

Resolution 3/2012 then defined the formats of the aforementioned flows of information, as well as the timing for their entry into force, and differentiated them so as to mitigate the impact on the information systems of operators (the first flows, regarding the metering data of scheduled withdrawal points, are planned to begin on 1 February 2013). This resolution also supplemented the provision of resolution 65/2012/R/eel by introducing an indication of whether the metering data passed the distributor's validation process. That information is provided alongside the metering data attributes already required ("actual" data or "estimated" data).

Likewise, resolution 65/2012/R/eel authorised the Infrastructures Department to initiate the activity of defining the incentive regulation criteria in order to provide users (sellers and end customers) with validated metering data as promptly as possible.

8 March 2012 – Resolution 79/2012/R/com: Approval of the Integrated Information System (IIS) regulation.

AEEG approved the Integrated Information System (IIS) regulation.

Furthermore, the timing for accrediting parties identified as System Users has been defined, on the basis of which distribution companies must forward accreditation requests to the Sole Buyer between 1 July and 31 August 2012.

In line with what has already been outlined in consulting document 35/11, the regulation indicates that the IIS Operator is assigned the following roles:

- Agent of official IIS data, if it is responsible for the data sent in the information flows;
- Certifier of official data, if the IIS Operator will be responsible for the security and integrity of information entered and exchanged by the system with its Users;
- Agent for centralised communications, in the event in which the data involved in the information flows channelled through the IIS, will not be the object of the RCU (Official Central Register) of the IIS.

8 March 2012 – Resolution 84/2012/R/eel: Urgent interventions concerning electricity production plants, particularly regarding distributed generation, to ensure the security of the national electricity system.

AEEG intervened in the technical regulation on distributed generation in order to mitigate the impacts on the secure management of the electricity system caused by the significant growth in production from unprogrammable renewable sources.

In particular, with regard to the production plants connected to medium and low voltage networks, it set forth the obligation, by approving amendments made to some annexes to the Terna Network Code, to install specific devices or implement new technical operating rules,

thereby assigning to distribution companies the task of informing producers about the provisions introduced and supervising compliance with those provisions by conducting inspections, paying them 200 euros for each inspection conducted.

5 April 2012 - Resolution 131/2012/R/com: Further provisions for the alignment of the master record data of withdrawal and redelivery points in the availability of the different operators.

L'AEEG ha introdotto modifiche alla procedura di primo allineamento delle anagrafiche tra distributori e venditori definita dalla delibera ARG/com 146/11, in modo da recepire le osservazioni espresse dagli operatori in merito alle criticità applicative del precedente provvedimento. In particolare:

The AEEG has introduced changes to the initial records alignment procedure between distributors and vendors defined in Resolution ARG/com 146/11 in order to integrate comments expressed by operators on the critical points emerging from application of the previous provisions. In particular:

- the use of advanced communications tools is envisaged, compulsory for distributors with over 100,000 withdrawal/redelivery points at 31 December 2011, without prejudice to the option of in any event making additional tools (certified e-mail) available to vendors;
- the procedure timing has been changed and with more details provided, envisaging:
  - a due date to which records subject to alignment refer (13 July 2012);
  - a deadline for the submission of data by vendors (27 July 2012), extendable by one working week for vendors that have over 100,000 points with the same distributor and agree with the distributor on the submission of batch data;
  - a deadline for alignment tasks completed by distribution companies (14 September 2012).

On publication of Resolution 2/2012 the operating instructions were defined for records alignment information flows, which added further detail to the regulations by envisaging:

- flow differentiation between the additional safeguards service and the free market;
- data updating by distributors in compliance with defined prevalence rules;
- outcome messages sent to the vendor by the distributor regarding checking and alignment tasks;
- subsequent alignment of data regarding points on which a service request is in progress.

The previous resolution 72/2012/R/com of last 1 March, instead, confirmed the precise flow of alignment with which sellers are required to notify distributors of changes detected in some of the data associated with end customers (identification data of the withdrawal point, compulsory tariff of the distribution service and relative tax rate to be applied). That notification must take place within four working days of the effective date of the change or the date on which the sellers become aware of it, according to the information exchange formats defined in resolution ARG/com 146/11, and shall result in the incorporation into the distributor's records of the changes reported.

5 April 2012 - Resolution 132/2012/R/com: Provisions on population of the Official Central Register of the Integrated Information System.

AEEG has assigned distributors the task of populating the Official Central Register (OCR) of the Integrated Information System (IIS) with effect from completion of the accreditation stage (31 August 2012) and by 31 December 2012.

The population and subsequent updating of the data will be performed as follows:

- according to technical specifications published by the Sole Buyer;
- monthly;
- based on datasets sent pursuant to art. 36.2 of the TIS (Integrated Code). The initial dataset will be differentiated between end customers on the free market and customers subject to additional safeguards, for the latter envisaging population of the OCR at a later date.

19 April 2012 - Resolution 153/2012/R/com: Adoption of preventive and restoration measures in cases of unrequested contracts and activation of electrical energy and/or natural gas supply.

The AEEG has introduced a regulation to combat the phenomenon of signing contracts and activating supplies through unfair commercial practices (i.e. unrequested contracts and activations).

The defined measures, effective from 1 June 2012, re-

gard customers eligible for additional safeguards.
For the distribution companies, the provisions envisage:

- management of the restoration procedures by accepting claims for cancellation of contract in the case of an "unrequested contract" by the unlawful vendor and subsequent requests to switch from the previous vendor (authorised to retain the POD);
- monitoring through the AEEG with reference to the number of claims for cancellation of contract in "unrequested contract" cases, in accordance with methods to be defined by the AEEG in a later resolution.

The vendors' adoption of restoration procedures is on a voluntary basis and must be made official through notice issued to the AEEG.

26 April 2012 - Resolution 157/2012/R/eel: Approval of the reference tariffs for the electrical energy distribution service and other provisions on tariffs for electrical energy transmission, distribution and metering services.

The AEEG has published the values of the reference distribution service tariffs for 2012 relating to distribution companies for which available data allowed their calculation (among these Acea Distribuzione). The published reference tariffs are not yet final, and could be subject to recalculation after the distributors have checked the data used by AEEG in the calculation.
In fact, in resolution 3/2012 AEEG indicated that information shall be provided relating to the stratification of financial increases (land, HV distribution lines, HV/MV transformation stations which began operating until 31 December 2007), so as to allow distribution companies to verify the calculation of such reference tariffs.
Among the additional provisions defined by the AEEG in this resolution are:

- elimination of the regulatory provision which, in reference to interconnection points between distributors, envisaged the application of prices for the distributor based on a monthly reading of the net withdrawal of active energy;
- publication of the equalisation data of metering service revenue from LV customers, providing a breakdown by customer type of the metering equipment costs;
- postponement to 30 April 2013 of the deadline by which the AEEG will define the operating methods for managing the equalisation mechanisms.

3 May 2012 - Resolution 175/2012/R/eel: Review of conventional percentage factors for electricity loss applied to electrical energy input to the LV and MV networks by distributed generation plants.

Further to the proposal contained in consulting document 13/2012/R/eel, the AEEG has defined the values of the standard loss coefficients to be applied to electricity input to LV and MV networks, i.e. 5.1% and 2.4% respectively.
In defining these values, lower than the coefficients applied to energy drawn from the aforementioned networks, the AEEG has taken into account the losses avoided by distributed generation on the LV and MV networks.
These values are valid for the period 1 July 2012-31 December 2013 and will be subject to review by 30 September 2013, effective from 1 January 2014, if following annual monitoring of the extent of flow reversals there is a significant increase in the phenomenon.

18 May 2012 - Resolution 188/2012/R/com: Approval of the regulations on handling complaints submitted by operators against a transmission, transport, storage, liquefied natural gas or distribution manager (art. 44, paragraphs 1 and 2, Legislative Decree no. 93 of 1 June 2011).

Further to consulting document 58/2012/E/com, AEEG has approved the regulations on handling complaints filed against a network manager concerning:

- complaints from entities other than end users and prosumers where the manager is accused of infringing obligations imposed in implementing EU directives on domestic power markets;
- complaints referring to disputes arising between renewable source energy producers and network managers in relation to provision of the production plant connection service (this replaces the regulations previously defined in Resolution ARG/elt/123/08).

In particular, it is envisaged that before contacting the AEEG the claimant submits a complaint to the network manager, which must provide a justified response within 45 days of the date or receipt or of the receipt advice for the complaint.

18 May 2012 - Resolution 195/2012/R/eel: Approval of the simplified regulations for operation of the indemnity system and related monitoring.

By this provision the AEEG:

- approved amendments to the Regulation governing operation of the Indemnity System, in force since 1 November 2012 and valid until the Integrated Information System becomes fully operative. In particular, the Regulation defines the operating procedures regarding additional functions that must be managed by the distribution companies;
- specified certain aspects regarding the timing of deferred billing of the Cmor fee by distribution companies to vendors (to be applied 6 months after the Single Buyer has identified and informs distributors of the Cmor fee payable by an end customer).

24 May 2012 - Resolution 213/2012/R/eel: Amendments to the provisions of Annex A to AEEG Resolution ARG/elt/107/09 of 30 July 2009 (the Consolidated Settlement Code - TIS) in reference to the economic settlement of load profiling adjustments, calculation of economic items relating to metering data adjustments and aggregation offering incentives.

The AEEG has ordered integration of the notice regarding annual adjustment of energy report figures, requiring distributors to also provide Terna with data on the electrical energy subject to transport billing in relation to the timed supply from withdrawal points subject to additional safeguards.

This data will be used by Terna to calculate the service parameters that determine the amount payable by Terna to distributors for provision of the metering aggregation service.

14 June 2012 – Resolution 243/2012/E/com: Adoption of the new regulation governing penalty proceedings and procedural methods for assessing commitments.

In defining the new regulation governing penalty proceedings, AEEG introduced rules relating to the presentation of commitments by operators against which a penalty proceeding has been initiated.

The commitments submitted by the party subject to the penalty proceeding, assessed as admissible by AEEG and subsequently published on its website so third parties can send comments, become compulsory for the proposing party once approved by AEEG, and shall result in the closure of the proceeding with no investigation of the alleged infringement.

Furthermore, a simplified procedure was established only for cases in which AEEG is able, already during the initiation proceeding, to determine the amount of the penalty that could be applied; in those situations, the party subject to the measure has the right to terminate the penalty proceeding by paying an amount equal to one-third of the value of the penalty determined in the initiation resolution.

21 June 2012 – Resolution 260/2012/E/com: Establishment of the Energy customer settlement service and approval of the regulation for initial implementation.

In implementation of the provisions of Legislative Decree 93/11 (transposition of the Third Energy Package), AEEG established the Energy Customer Settlement Service at the Sole Buyer, and defined a temporary regulation.

In particular, it has been established that all customers entitled to additional safeguards - either directly or through a consumers' or trade association - will be able to access the service in the event of disputes with a seller or distributor.

The end customer may submit a request to initiate the settlement procedure only after sending the complaint to the operator, if the operator responded and that response is deemed unsatisfactory or, in any case, at least 50 calendar days after sending the aforementioned complaint.

The regulation introduced sets forth:

- that the service will begin on 1 April 2013, with an initial trial period of one year;
- that settlement will take place electronically, using web instruments;
- that the service will be free of charge, indicating that the methods for covering the costs incurred by the Sole Buyer shall be defined in subsequent procedures.

With resolution 9/DCOU/2012, AEEG also established a work group aimed at launching the service.

5 July 2012 – Resolution 280/2012/E/com: Launch of procedure for implementing provisions concerning electricity distribution network development plans.

AEEG launched a procedure aimed at adopting standardised structures and formats for the preparation of development plans by distribution companies, in order to increase control instruments during the distribution network development planning phase and to prepare reporting on investments for the purpose of tariff benefits.

As part of the procedure, AEEG intends to analyse the criteria for identifying investment requirements, assessing investment priorities and assessing the costs and benefits of each planned investment, as well as the procedures for coordinating with Terna S.p.A. and other distribution companies and the methods for presenting and formatting development plans.

19 July 2012 – Resolution 294/2012/R/eel: Urgent provisions concerning the regulation of temporary connections to MV and LV electricity distribution networks.

AEEG made the following changes to the regulation in force on the topic of temporary MV and LV connections, effective immediately:

- suspension of the obligation of metering consumption, and therefore of installing meters, for temporary supplies with kWh measured on a lump-sum basis. That measure was already preannounced with resolution 38/2012/R/eel of last 9 February, with which AEEG established that consumption would be calculated on a lump-sum basis for temporary connections for residential use, even in cases in which the meter was installed, although at that time it confirmed the obligation of metering withdrawals; the extension to temporary connections for residential use of the subsidy established until 31 December 2012 for travelling shows concerning the application of the fixed contribution for suspension and restoration of supply due to non-payment pursuant to Table 8, letter a), of the TIC and the fixed fee to cover administrative costs pursuant to Table 2 of the TIC;
- increase from 30 kW to 40 kW of the required available power limit below which recourse to the criterion of relative expense is avoided in the determination of connection fees;
- introduction of specific quality indicators for temporary connections (TIQE);
- application of the rapid estimate by the seller for energization, increasing or decreasing the power of existing temporary connections, for powers available before and after activation or a change within 40 kW.

26 July 2012 – Resolution 311/2012/R/eel: Determination of electricity distribution service continuity trend levels in areas subject to special incentives and areas subject to deceleration of incentives.

The starting and target levels have been determined for the years 2012-2015 for each area (in high, medium and low concentration) of the distribution companies to which the regulation incentivising the duration and number of outages without advance warning is applied.

With reference to ACEA Distribuzione, the starting level of outages for LV users:

- is above the target duration levels defined for 2012 in all areas;
- is below the target number levels defined for 2012 in all areas.

AEEG also identified the areas - with a 2012 starting level one and a half times above the target level to be reached by 2015 - for which there shall be an extra remuneration if the target level set forth for 2015 is met.

For ACEA Distribuzione, that special incentive regards the annual duration of outages per BV user:

- in high concentration, where the starting level is 41.28 minutes (compared to a target level of 25 minutes);
- in low concentration, where the starting level is 95.47 minutes (compared to a target level of 60 minutes in 2015).

2 August 2012 – Resolution 336/2012/R/eel: Amendments to Annex A of resolution Arg/elt 198/11 of 29 December 2011, concerning automatic reimbursements to users for extended outages and LV supplies.

With regard to service quality, AEEG changed the TIQE, and established:

- the application of Standard CEI 8-6 concerning supply voltages in LV distribution networks;
- the exclusion of the automatic reimbursement for so-called extended outages for LV users, also applicable to outages caused by orders given for inspections relating to the user's plant or the user.

2 August 2012 – Resolution 338/2012/R/eel: Determination of the amount of the equalisation of the marketing costs for electricity distribution, incurred for LV customers for the year 2009.

AEEG disclosed the amount of the equalisation of the marketing costs for electricity distribution, incurred for LV customers for the year 2009.

For Acea Distribuzione, that amount is zero. AEEG specified that it had not recognised to the company the costs linked to the "Shared technical remote control, maintenance and technical services operating function", attributed to the sector "commercial transactions instrumental to the provision of the distribution service and activities aimed at the creation of energy balances on the distribution networks".

2 August 2012 – Resolution 339/2012/R/eel: Urgent provisions concerning the service for metering electricity produced and input to networks and additions to AEEG resolution no. 88/07 and annex B to resolution ARG/elt 199/11 (TIME).

With regard to production plants which began operating after 27 August 2012, AEEG introduced some changes concerning the responsibility for the service of metering energy input and produced, and established that:

- distributors are responsible for installing and maintaining meters for all LV production plants and for MV and HV production plants with nominal power of up to 20 kW;
- distributors are always responsible for the meter reading and validation service, and metering devices installed by production plant owners (when they are responsible for installation) must be compatible with the distributors' remote control systems.

Furthermore, by 30 November of each year, the distributors are required to publish and send to the Authority the fee planned for the subsequent year for cases in which the producer - although responsible for installation and maintenance - decides to rely on the distributor for the aforementioned activities.

2 August 2012 – Resolution 350/2012/R/eel: Application methods of the compensation regime for the electricity supply costs incurred by domestic customers with serious health conditions.

AEEG introduced changes to the electricity bonus regulation for customers with serious health conditions pursuant to the Interministerial Decree of 28 December 2007, in application of Ministry of Health decree of 13 January 2011. In short:

- Annex A to resolution ARG/elt 117/08 shall be replaced beginning on 1 January 2013;
- a new compensation mechanism is introduced, which identifies 3 groups of average annual consumption associated with each life-saving device and differentiated on the basis of the power used (more or less than 3 kW);
- before disbursing the bonus, the distributor is still required to check compliance with the conditions for compensation eligibility, with reference to all information available, so that it is aligned with that of the seller;
- the obligation for distribution companies to publicise the AEEG provisions, also on their websites, is confirmed.

20 September 2012 – Resolution 367/2012/R/efr: Assessment of the fulfilment of specific updated energy-saving objectives for liable distributors in 2011 and provisions to the Electricity Sector Equalisation Fund regarding the payment of the tariff contribution.

AEEG determined the size of the tariff contribution to be paid to distribution companies for fulfilment of the primary energy-saving objective set for 2011.

With reference to Acea Distribuzione, an amount of 13,462,003 euros was recognised.

27 September 2012 – Resolution 394/2012/E/rht: Reorganisation of provisions concerning monitoring precise compliance with the prohibition against transfer of the surtax, pursuant to article 81, paragraph 18, of Decree Law no. 112 of 25 June 2008, converted with amendments into Law no. 133 of 6 August 2008.

AEEG reorganised the provisions concerning monitoring compliance with the prohibition against transferring the IRES surtax. The regulation in question - which also applies to distribution companies - replaces the previous provisions on this topic (resolutions VIS 109/08 and VIS 133/09).

Specifically with regard to the AEEG's measure, please note:

- the change in the legislative reference for access to the simplified regime, which makes it possible to communicate the value of revenues and of energy distributed on a half-yearly basis by sending one annual notice (within 45 days of the statutory deadline for approval of the annual financial statements). The reference is now the provision regarding turnover thresholds issued by the Antitrust Authority in implementation of art. 16 of Law 287/90. The Antitrust Authority updated that turnover threshold for the year 2011 in its provision of 12 September 2012, setting it at 474 million euros;
- the possibility for operators and interested parties to submit comments and proposals within 60 days of the publication date of the provision in question, in order to improve and supplement regulations on this topic.

15 November 2012 – Resolution 475/2012/E/com: Additions and amendments to AEEG resolution 260/2012/E/com of 21 June 2012 regarding the energy customer settlement service for the purpose of establishing a list of operators participating in settlement procedures.

Based on a proposal made during the work group launched in July 2012, AEEG has established that a list of operators that voluntarily participate in out-of-court dispute settlement procedures will be provided on its website (by 1 April 2013).

The list will be divided into two separate sections, for sellers and distributors, and participating operators will be able to indicate the settlement procedures offered to end customers, including those based on the so-called joint model.

Voluntary participation requires each operator to participate for at least as long as the total period expected for the trial initiation of the settlement service established by AEEG (the duration of which has been set at 6 months) and in any case for no less than two years. In a subsequent resolution, AEEG shall define the methods for operators to communicate participation in the list, as well as for publishing and updating it.

29 November 2012 – Resolution 500/2012/R/eel: Determination of bonuses and penalties relative to continuity recovery amounts of electricity distribution services for 2011.

AEEG calculated the amounts relating to application of the incentive regulation for distribution service continuity for 2011.

As regards Acea Distribuzione, the incentive came to 5,490,337 euros. That amount is the result of the incentive earned (7,390,758 euros), minus the penalty (1,900,421 euros).

20 December 2012 – Resolution 548/2012/E/com: Approval of the new Regulation of the energy consumer Protection Office for processing complaints and amendment to the Regulation governing methods for covering Consumer Protection Office costs.

Effective 1 January 2013, AEEG approved the new Consumer Protection Office Regulation relating to complaints processing, and established that:

- the deadline for the provider to respond to a request for information by the Consumer Protection Office is 20 working days, without a reminder being sent if a response is not received;
- the Consumer Protection Office sends quarterly reports to AEEG, used to monitor the quality of providers' responses, and calculates the following indicators:
  1. the punctuality of responses (PR): for each provider, equal to the ratio between the number of responses received (complete and not provisional) by the Consumer Protection Office by the established deadline, and the number of requests sent by that Office;
  2. no response (AR): equal to the ratio between the

number of information requests for which no response was received and the number of information requests sent;

- the Office can forward the information request even in the event of irregular complaints, provided the identifying information of the withdrawal point and of the associated customer are noted, and provided at least one of the following conditions is satisfied:
  - suspension of electricity supply;
  - failure to disburse the social bonus requested by the customer who fulfils all requirements set forth by regulations;
  - the customer has already sent a written complaint without waiting for the deadlines for response from the provider and the Office recognises the danger of serious and irreparable damage for the customer.

20 December 2012 – Resolution 551/2012/R/eel: Amendments to the integrated code of the quality of electricity distribution and metering services.

With the amendments introduced to the TIQE, AEEG partially implemented the proposals set forth in consulting document 452/2012/R/eel concerning:

- value of the incentive for reducing the number of MV users considered "not well served" (article 42 of the TIQE): amendments were not made to the current incentive regulation on the reduction of "not well served" users, and the current mechanism, which envisages verifying the reduction target and possibly disbursing the bonus during each year of the regulatory period, remains unchanged;
- checking the supply voltage at the user's request (articles 94 and 95 of the TIQE): the proposal to avoid checking the supply voltage at the user's request was confirmed, if the distribution company already knows that the value of the supply voltage on the requesting user's supply line is not within the limits governed by article 62 of the TIQE (reference to standard CEI 8-6). In particular, with respect to the management of such cases, AEEG established that:
  - in the notice to be sent to the user after the request is made, it is sufficient to only indicate non-compliance with the normal voltage value pursuant to standard CEI 8-6;
  - the standard timing for restoring the normal supply voltage value should begin from the date on which the user requests verification.
- addition to the second-level outage causes (article 7 and table 3 of the TIQE).

The amendments relating to the execution of supply voltage verifications and the registration of outage causes have been in force since 21 December 2012.

20 December 2012 – Resolution 559/2012/R/eel: Review of conventional percentage loss factors applied to electrical energy drawn from the LV and MV networks and provisions concerning the equalisation of network losses.

The main change set forth in resolution 559/2012/R/eel regards the reduction to 4% of the loss coefficient of energy withdrawn at MV withdrawal points, beginning on 1 January 2013. AEEG decided to reduce that coefficient by a lesser extent than what was proposed during the consultation, partially accepting the comments made by operators concerning the need to take commercial losses on MV networks into consideration as well.

In order to protect the economic-financial balance of distributors with actual loss levels higher than standard losses, the loss differential equalisation mechanism was changed temporarily, for 2012, and a calculation algorithm was defined based on which:

- less efficient distributors will pay CCSE half of the equalisation balance that they would have had to pay;
- the more efficient distributors, on the other hand, will receive a contribution equal to the lesser of their actual equalisation balance and a weighted value, linked to the balances achieved by the mechanism at a national level.

AEEG's goal is to ensure a method for equalisation between distribution companies which is consistent with the actual operation of the networks and with the effective results achieved by operators in managing losses, by determining loss coefficients of the energy withdrawn by distribution company.

20 December 2012 – Resolution 565/2012/R/eel: Update of the tariffs and economic terms for the supply of the connection service for 2013 and other provisions relating to the supply of electricity transmission, distribution and measurement services.

By means of this measure, besides updating the tariffs for the supply of electricity transmission, distribution and measurement services for 2013, as well as the economic terms for the supply of the connection service, AEEG established:

- the continued maintenance in 2013 of the monomial structure of CTR and TRAS fees, and only updated the value of the energy component and set the value of the power quota at zero;
- more regulatory systematization of the electricity metering service, supplementing the TIME with some provisions regarding meter planning, meter reading obligations as well as the provision of data, until this point included in the TIV;
- the postponement of implementation of the process of giving Terna responsibility for the metering service along the National Grid perimeter, extending to 30 June 2013 the operator's deadline for handing over the national distribution grid, representing all interconnection points along the National Grid perimeter;
- adjustment (downwards) of the 2012 value of the portions of elements MIS1(INS), MIS3(INS) and 1(mis), pursuant to table 6 of the TIME, needed to calculate revenues relative to the installation and maintenance of electronic meters in metering equalisation;
- the extension to 31 December 2013 of the subsidy provided for temporary connections for travelling shows and the related domestic uses, regarding the application of the fixed contribution for suspension and restoration of supply due to non-payment and the fixed fee to cover administrative costs, to replace the lump-sum fees.

20 December 2012 – Resolution 570/2012/R/efr: Integrated code of the methods and technical-economic terms for the supply of the on-site exchange service: conditions for 2013.

The new regulation for the supply of the on-site exchange service shall be applied to all production plants, including those that are already operating, beginning in 2013. Therefore, AEEG repealed the previous resolution ARG/elt 74/08, which shall remain valid only to enable the national grid operator (GSE) to calculate the adjustment for the year 2012 to be disbursed to users of on-site exchange.

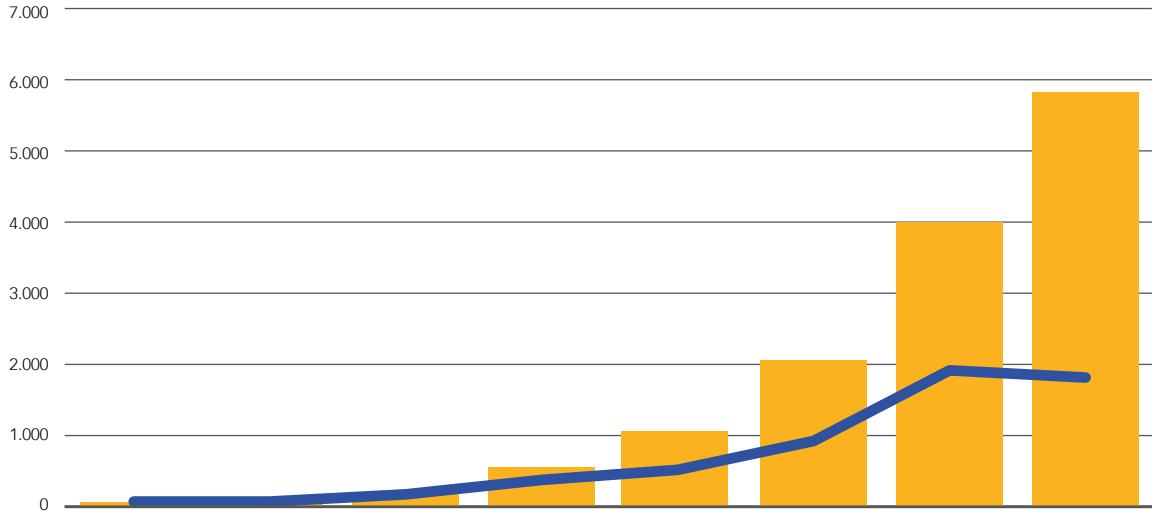
The main changes made to the regulation on the topic regard:

- the amendment of the methods for calculating contributions in favour of on-site exchange users;
- the introduction of additional information obligations for distribution companies (notification of the tariff type of the withdrawal point in addition to the metering data of the energy input and withdrawn);
- the introduction of penalties for distribution companies if they delay in communicating tariff type information and metering data, to be paid to the Fund by specific deadlines.

ELECTRICITY TRANSMISSION

In 2012, the total electricity injected into ACEA Distribuzione's network (from the National Transmission Grid, from generating plants directly connected to the ACEA Distribuzione network and from ENEL Distribuzione's interconnected network) recorded a decrease of 0.07% compared to the amount of energy injected during the same period of the previous year[1]. Peak demand on the Acea Distribuzione network in 2012 stood at 2,276 MW, and was recorded at 2.00 p.m. on 11 July 2012. This is down approximately 86 MW, or -3.63%, on the peak of 2,361 MW recorded in 2011, at 1.00 pm on 13 July 2011. The year 2012 saw a confirmation of the high rate of insignificant plants[2] installed (5,775 in 2012 compared to 3,971 in 2011, up 45%). As a result, installed nominal power increased by 32% since last year (129.6 MW in 2012 compared to 98.32 MW in 2011).

N. ATTIVAZIONI ANNUALI



	2005	2006	2007	2008	2009	2010	2011	2012
Impianti attivi	62	84	184	544	1.059	2.043	3.971	5.775
Attivazioni	25	22	100	360	515	984	1.928	1.807

Electricity demand recorded on Acea Distribuzione's network in 2012 was affected by weather conditions (milder in the spring and autumn and more extreme in the summer and winter), and a higher number of working days (one more working day, taking into account that 2012 was a leap year).

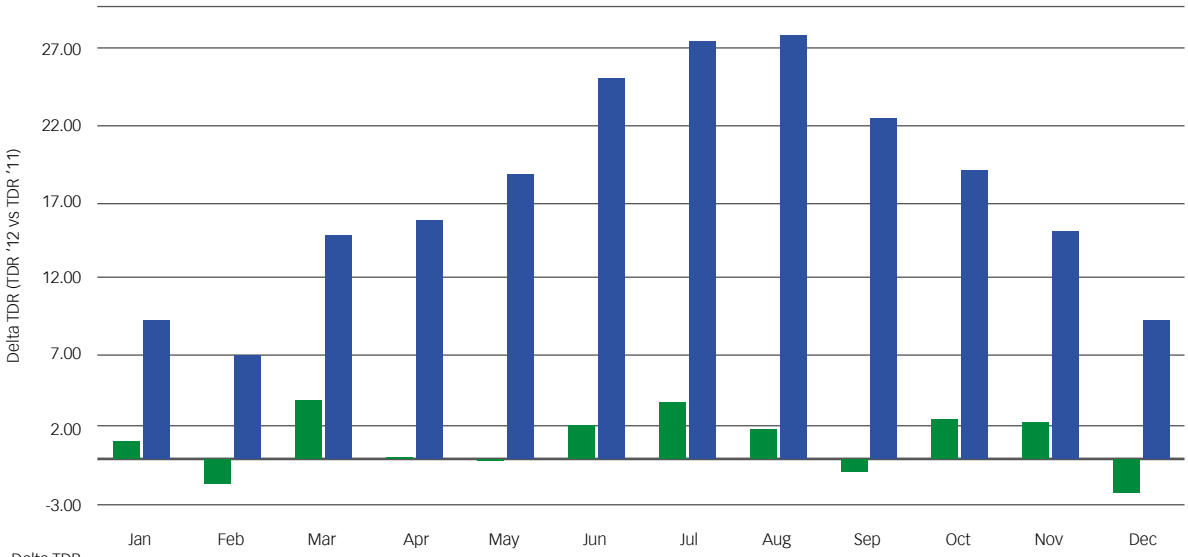
In particular, electricity demand increased by 7.70% and 7.43% in February and July, respectively, as a result of colder and hotter temperatures. On the other hand, electricity demand decreased by 5.69% and 8.72% in March and September, respectively, as a result of mild weather conditions (two fewer working days also contributed to the reduction in September).

The graph below shows the trend in the reference temperature[3] recorded in 2012 and the average monthly difference of said parameter calculated in the corresponding months of 2012 and 2011.

1 *Data provided at the end of 2011.*

2 *An insignificant plant is one with a total power of less than 10 MVA.*

3 *The reference temperature (TDR) is defined as the weighted average of the daily temperature highs and lows which better reflects the effect of the weather on electricity demand. The reference temperature trend shown in this report was drawn up on the basis of updates to historical series' carried out following the drafting at the end of the half in 2010.*



	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Delta TDR (TDR '12 vs TDR '11)	1.12	-1.61	3.92	0.11	-0.17	2.15	3.72	1.93	-0.69	2.77	2.47	-2.26
TDR 2012	9.24	6.98	14.79	15.71	18.80	25.22	27.53	27.94	22.54	19.11	15.11	9.04

The following table shows the monthly percentage variations of electricity injected into ACEA Distribuzione's network, which were calculated on the basis of the volumes recorded in 2012 and 2011, as recorded by the related metering system (raw series) and as resulting from the calculations[4] made in order to counterbalance the effects of said weather conditions and the different calendar days (purified series):

MONTHLY PERCENTAGE VARIATIONS – "RAW" SERIES, "PURIFIED" SERIES

2012 Vs. 2011	January	February	March	April	May	June	July	August	September	October	November	December	Total
"RAW" SERIES	1.18%	7.70%	-5.69%	-3.40%	-2.91%	1.36%	7.43%	6.54%	-8.72%	-0.42%	-4.36%	-0.08%	-0.07%
"PURIFIED" SERIES	3.21%	2.94%	0.28%	-3.02%	-3.02%	-5.04%	-2.79%	0.92%	-6.43%	-4.12%	-3.01%	-4.46%	-2.06%

The following table shows the monthly sequence of electricity injected into ACEA Distribuzione's network during 2012, together with the same series for 2011:

ENERGY INPUT TO THE ACEA NETWORK [GWH]

	January	February	March	April	May	June	July	August	September	October	November	December	Total
2012	1,045.81	1,016.98	947.50	856.84	916.69	1,021.76	1,156.69	1,061.32	948.60	951.60	921.53	1,017.96	11,863.28
2011	1,033.65	944.31	1,004.66	887.02	944.15	1,008.09	1,076.67	996.16	1,039.26	955.63	963.55	1,018.78	11,871.93

4 *Energy figures which discount the impact of the weather and the calendar were calculated by using de-climatisation, de-calendarisation and de-seasonalisation parameters updated after the close of the half in 2011.*

These electricity amounts were intended to cover the needs of the utilities supplied by the above-mentioned network, i.e. the customers of the free and protected markets and of the market subject to additional safeguards, as well as the so-called underlying distributors, which are represented by the electricity company of the municipality of Saracinesco. There are also sales and injections of energy between the ACEA Distribuzione's network and ENEL Distribuzione's networks at some LV, MV and HV interconnection points.

With regard to FY 2012 and as compared to 2011, the following table illustrates the above-mentioned aspects, with further specification of the contribution given by Acquirente Unico S.p.A. and by the import supply:

	Market subject to additional safeguards		Free market	Underlying distributors	Total
	AU Source GWh	Other Sources GWh	GWh	GWh	GWh
2012	3,326.90	433.56	8100.28	2.54	11,863.28
2011	3,513.95	432.38	7922.74	2.86	11,871.93

With regard to imported supply, as from 1 January 2002 ACEA Distribuzione signed an agreement with the Vatican State (that was renewed on 5 August 2011) in force from 1 January 2012 to 31 December 2022, for the optimised management of imported electricity assigned to it (established by Terna, in accordance with the indications provided by the Italian Authority for Electricity and Gas, based on the Decree issued by the Ministry for Productive Activities - now the Ministry of Economic Development - that sets out the assignment of transmission capacity shares to the interconnection with foreign countries for the Vatican State and the Republic of San Marino).

TRANSPORT SERVICE TARIFFS

2012 represents the first year of application of the new tariff structure defined by the Italian Authority for Electricity and Gas (AEEG) for the 2012-2015 regulatory period. The regulatory provisions are divided into three consolidated regulations: The "AEEG Consolidated Code on electricity distribution and transmission services (TIT)", Annex A to Resolution ARG/elt/199/11, the "AEEG Consolidated Code on the electricity metering service (TIME)", Annex B to Resolution ARG/elt/199/11, and the "AEEG Consolidated Code on economic terms for provision of the connection service (TIC)", Annex C to Resolution ARG/elt/199/11 published on 29 December 2011.
For the distribution service the AEEG confirmed unbundling of the tariff applied to end customers (the compulsory tariff) from the reference tariff for determination of the restriction on revenue permitted to each company (the reference tariff).
The main new element introduced since the previous regulatory period (2008-2011) is the reference tariff for 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 first year of the fourth regulatory period the new tariff recognises the following to 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 as at 2010 for the HV sector and for HV-MV transformation.

The rate of return on net invested capital (WACC) is envisaged at 7.6% for the distribution service on investments made up to 31 December 2011 and at 8.6% on investments made thereafter. The 1% increase is associated with the AEEG objective of offsetting the time lag

between implementing the investment and tariff coverage of the cost (the regulatory lag). In relation to the extraordinary economic and financial scenario, the AEEG has introduced a WACC review mechanism mid-way through the regulatory period, based on updating of the parameter relating to the rate on risk-free assets.

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 the separate annual accounts and recognised in the specific corporate equalisation of 2010 and based on scale variables in reference to 2010.

Another new element introduced from the fourth regulatory cycle concerns the tariff broken down by withdrawal point (except for the public lighting-related tariff), unlike in the previous cycle when the reference distribution tariff was broken down not only by withdrawal point, but also by consumption and capacity. This decision is justified by the need to stabilise distribution revenue through a variable less subject to fluctuations in energy demand.

By Resolution 157/2012 of 26 April the AEEG approved the reference tariff for Acea Distribuzione, which nevertheless is still of a provisional nature: in fact, final approval is linked to completion of the asset certification process which requires AEEG Offices to send accurate layering reports of infrastructures becoming operative after 31 December 2007 and used to calculate the reference tariffs, in order that distributors can verify that the figures match accounting records. The resolution envisages that any recalculation of the tariff must be in good time for calculation of the 2012 equalisation amounts and in any event by the deadline envisaged in the TIT for setting the reference tariffs for 2013 (March 2013).

In July 2012, AEEG disclosed the layering of financial increases relative to land, HV distribution lines and HV/MV transformation stations which began operating until 31 December 2007, used to calculate the 2012 reference tariffs. ACEA Distribuzione detected some inconsistencies and, as set forth in resolution 157/2012, it submitted the proper petition for the purpose of adjusting/supplementing the data.

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 the general and the 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 has eliminated the equalisation for sales activities and has envisaged the zeroing out of productivity recoverable on sales costs. The coverage of investments made is directly guaranteed through equalisation of sales up to 2011, and indirectly and with a two-year time lag for investments made from 2012 onwards.

With regard to the transmission tariff, 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), introducing a binomial price also. 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;

The equalisation of distribution service revenue aims to equalise the yield deriving from comparison of revenue billed to end users through the compulsory tariff and permitted distributor revenue calculated using the company reference tariff.

The equalisation of revenue from supplying electrical energy to domestic customers aims to equalise the yield deriving from comparison of the compulsory tariffs billed to domestic customers and the revenue valued in the reference tariff.

The equalisation of transmission costs aims to make the transmission service cost recognised to Terna (CTR) as pass-through for the distributor in relation to that paid by end customers via the compulsory transmission tariff (TRAS).

The equalisation of the difference between actual and standard losses, governed by the Consolidated Regulations on Sales (TIV), Resolution 156/07, allows equalisation of the difference between actual losses recorded on the distribution network and the standard losses defined by the AEEG.

In this respect, by Resolution 196/11 the AEEG envisaged lowering of the standard losses on MV and LV networks and the temporary review of MV/LV standard losses resulting from transformation to HV/EHV, with the aim of further study in 2012 to define new equalisation calculation methods that take into account the area diversification of operators. Resolution 175/2012/r/eel lengthened the time required for the consultation process, deferring further review of the standard loss factors applicable to electrical energy drawn from MV and LV networks to instructions to be issued by 30 September 2013.

With resolution 559/2012, AEEG adopted a mechanism for the equalisation of the difference between actual and standard losses between distribution companies, to be applied temporarily in 2012 and the review of the standard loss factor in the MV sector beginning in 2013.

For 2012 only, pending a later review of the method for covering costs related to in-house use of electrical energy, the regulation on equalisation of electrical energy purchased for in-house transmission and distribution use continues to apply. The regulation governing load profiling requires electricity for customers subject to additional safeguards to be quantified on a residual basis, and to also include electricity consumed for distribution and transmission purposes. The Authority also confirmed, without changes, the calculation method for equalisation of the purchase cost of electrical energy for distribution companies and absorbed by in-house transmission and distribution use in accordance with the Retail Service Code.

In the new Transport Code the Authority envisaged a mechanism for recognising an advance, every two months, of equalisation balances relating to the equalisation of distribution service revenue and transmission costs. Resolution 157/2012 extended the AEEG deadline for finalising the equalisation mechanism operating methods with the CCSE from 30 April 2012 to 30 April 2013.

At the end of 2012, part of the receivables due from CCSE relative to the equalisation of distribution revenues for the year 2012 was transferred to Unicredit Factoring.

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. The Metering Code envisages the option of a lump-sum advance of the yield deriving from this tariff integration.
Acea Distribuzione requested, and obtained at the end of May, the lump-sum advance of the yield deriving from the MIS (RES) tariff integration.

The AEEG confirmed the criterion for calculating metering service tariffs on the basis of national costs, and therefore also retained the metering equalisation for the fourth regulatory cycle. The equalisation mechanism aims to guarantee that returns on investments in meters and electronic meter reading systems is attributed to the distribution companies that have actually made such investments, in accordance with deadlines given for replacement of the meter stock.
With resolution 565/2012, the portion of parameters relative to revenue equalisation for the metering service regarding the year 2012 was corrected.

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.

The "AEEG Consolidated Code on economic terms for provision of the connection service (TIC)", Annex C to Resolution 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.

SERVICE QUALITY

From 1 January 2012 and until 31 December 2015 (fourth regulatory period) the technical quality of the electrical energy distribution service is governed by Resolution 198/11.
Resolution 198/11 retains governance of the four different regulation types already in place in the third regulatory cycle (2008-2011), i.e.:

- Regulation of prolonged or extended outages;
- Individual standards regarding the number of outages for MV customers;
- Regulation of the total duration of long outages without advance warning;
- Regulation of the average number of long and short outages without advance warning.

The more important elements introduced by the new regulations refer to the regulation of individual standards for the number of outages for MV customers. Basically, Resolution 198/11 includes short outages among the calculation of disruptions, in addition to the long outages envisaged thus far. The specific continuity levels to be observed have increased but, again with respect to the previous regulatory period, envisage caps on the higher penalties and assessment indicators for the more challenging individual penalties. These increases are to be implemented in two steps: a first step already for the period 2012-13, and a second, more aggressive step for 2014-15.
In parallel, an incentive mechanism has been introduced to reduce the worst served MV customers (a worst served customer being an MV customer who in one year has had most standard-level outages).

Regarding real continuity recoveries, i.e. regulation of the cumulative duration and average number of outages, a "preferential" form of regulation has been established for concentrations with a departure level (the two-year period 2010-11) more than 1.5 times higher than the target duration. For these areas an additional continuity recovery is envisaged if the annual indicator for 2015 is lower than the target level and "higher" excess bands are applied for all four years of the fourth regulatory period.

Note also that the restriction of a maximum required improvement of 6% on regulation of the number of outages per LV customer has been eliminated.

With regard to activities in 2012 note that the 2011 reporting exercise was concluded by the deadline established by the Authority (31 March 2012) in accordance with previous sector regulations, i.e. Resolution 333/07. Reporting for 2012 shall take place by 31 March 2013.

Energy services

In the energy services sector, the activities of the company ARSE, which has been operational since 1 April 2005, focus on three main lines of action: energy saving, photovoltaic power and cogeneration.

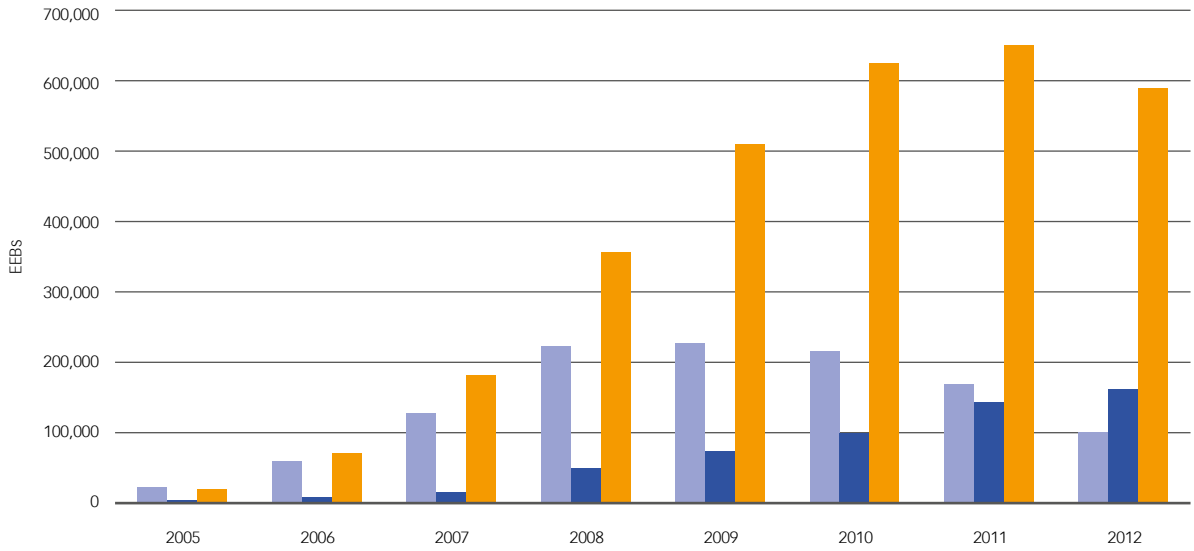
ENERGY SAVING

In 2012, there was a significant boost in the definition of regulations regarding the Italian energy efficiency sector. We are referring to the much anticipated Ministry of Economic Development decree for the extension of the white certificates system, referred to in the consulting documents on the SEN (National Energy Strategy); the introduction of the "Thermal account" with the decree of 28 December 2012, which defines the new incentive system for the production of thermal energy from renewable sources and small-scale energy efficiency improvements; and the new European directive on energy efficiency.

In terms of the National Energy Strategy proposed by the government and currently in the consultation phase, energy efficiency is the top priority of the new PEN. In particular, savings of 20 Mtep for primary energy and 15 Mtep for final energy is planned by 2020. This result is expected to be achieved by applying incentives as reported in the table, which shows the large contribution linked to white certificates (one-third of the 15 Mtep of savings planned by 2020).

With this year, the first application cycle of this incentive system comes to an end, with Acea Distribuzione as one of the few companies subject to obligations which was compliant for the entire period subject to the decree, also generating a surplus of bonds sold with bilateral agreements to other companies (figure 1 and table 2).

FIG. 1 – PERFORMANCE OF TYPE I AND II EEBS (ENERGY EFFICIENCY BONDS), RESULTING FROM THE INITIATIVES REPORTED



	2005	2006	2007	2008	2009	2010	2011	2012
EEBs produced	22,733	58,988	127,148	223,074	226,859	215,185	169,811	101,798
EEBs per Acea D. objective	3,897	7,850	15,596	49,131	73,335	99,149	143,702	163,776
EEBs exceeding cumulated totals	18,836	69,974	181,526	355,469	508,993	625,029	651,138	589,160

TABLE 2 – PERFORMANCE OF TYPE III EEBS (ENERGY EFFICIENCY BONDS), RESULTING FROM THE INITIATIVES REPORTED

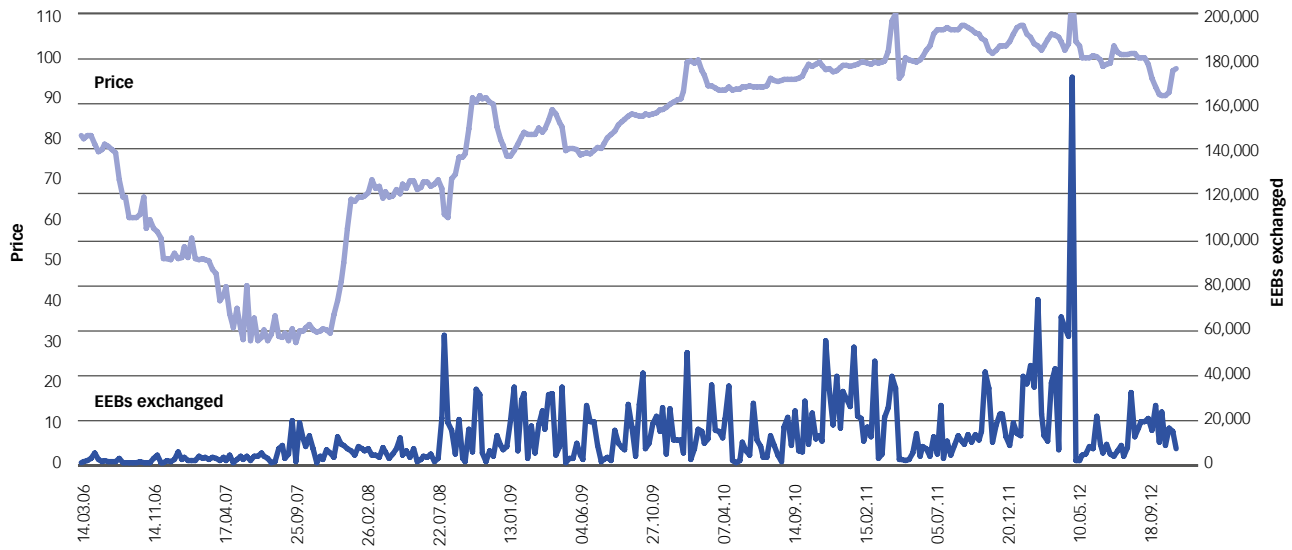
Year	2008	2009	2010	2011	2012	TOT
Type III EEBs (1)	9,293	5,695	5,695	5,117	2,674	28,474

(1) 2008 figures are cumulated with previous years' bonds

The company is currently preparing the new energy efficiency strategy, also in light of the new regulation, in order to replicate this positive performance in the coming years.

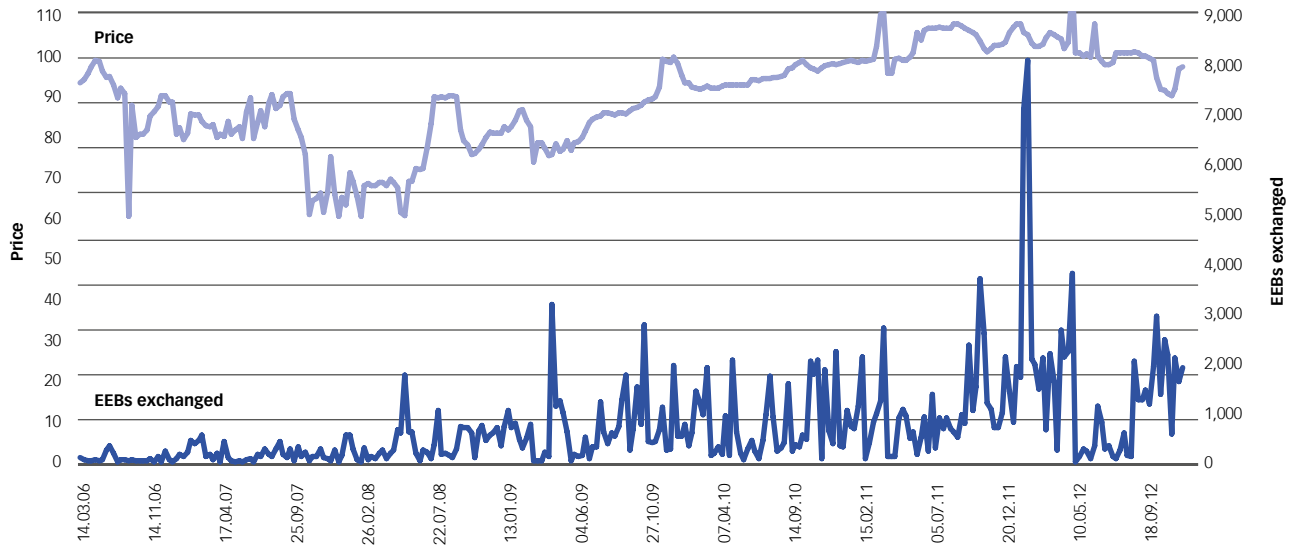
The cited insufficiency of EEBs on the market is also confirmed by the market performance during the year. In fact, the exchange price of EEBs on the platform managed by the GME (Electricity Market Operator) greatly exceeded the tariff reimbursement set forth.

FIG. 3A – AVERAGE PRICE TREND OF EEBS - TYPE I



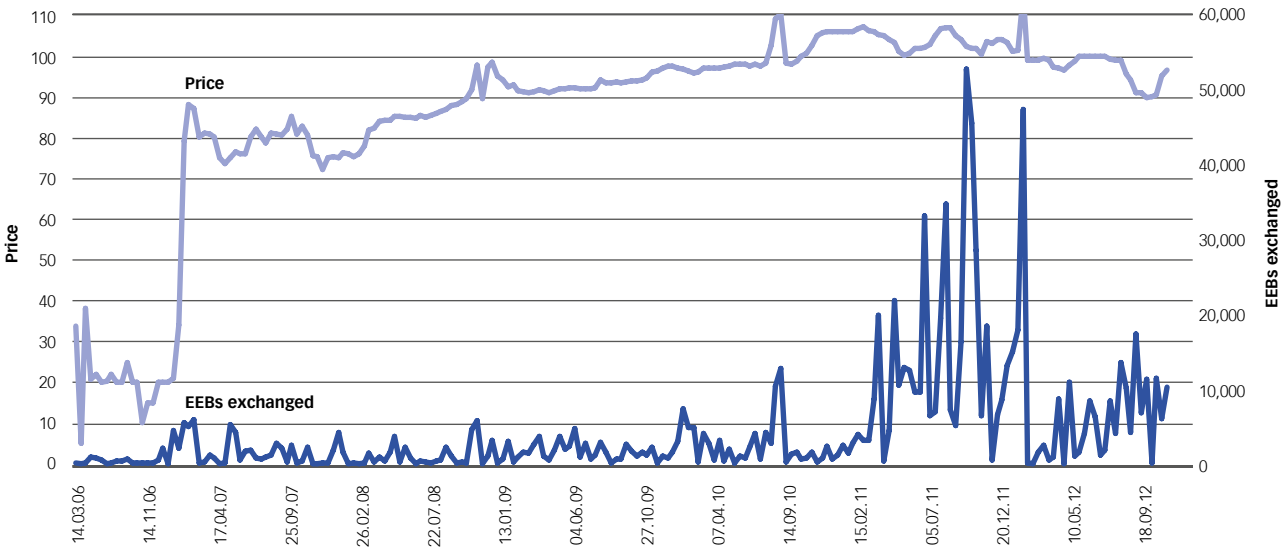
TOTAL TYPE I BONDS EXCHANGED ON THE MARKET	**3,755,013**
WEIGHTED AVERAGE PRICE, WITH EXCHANGES	**90.76**

FIG. 3B - AVERAGE PRICE TREND OF EEBS - TYPE II



TOTAL TYPE II BONDS EXCHANGED ON THE MARKET	**2,062,326**
WEIGHTED AVERAGE PRICE, WITH EXCHANGES	**94.96**

FIG. 3C - AVERAGE PRICE TREND OF EEBS - TYPE III



TOTAL TYPE III BONDS EXCHANGED ON THE MARKET	**904,500**
WEIGHTED AVERAGE PRICE, WITH EXCHANGES	**98.81**

Table 4 shows both the annual trend of exchanges in the stock market, which demonstrates the continuing increase in the exchange of bonds, and the increasing trend in the average EEB price, correlated with scarce availability on the market (the average price has been higher than the tariff reimbursement set by AEEG for the last two years).

TAB. 4 - EEBS EXCHANGED ON THE GME MARKET

	EEBs exchanged				EEBs medium price (€)		
year	**I**	**II**	**III**	**Total**	**I**	**II**	**III**
2006	22,664	11,564	76	34,304	67.3	90.3	33.8
2007	167,502	58,639	10	226,151	38.5	84.0	5.0
2008	377,059	114,194	29,761	521,014	68.5	71.7	34.1
2009	640,124	285,843	49,311	975,278	80.7	80.6	80.0
2010	580,688	322,970	76,077	979,735	93.1	93.1	92.8
2011	734,140	415,767	129,466	1,279,373	100.9	101.1	101.4
2012	1,189,201	792,003	591,885	2,573,089	101.0	100.9	100.6
EEBs Total	**3,711,378**	**2,000,980**	**876,586**	**6,588,944**			

PV POWER

The "Energy Account" incentive system, introduced in Italy by Ministerial Decree of 28 July 2005 (First Energy Account) is changed once again with Ministerial Decree of 5 July 2012 (Fifth Energy Account), which redefines the methods for providing incentives for the production of PV power.

The incentive methods set forth in the Fifth Energy Account will come into force in August 2012.

The decree sets forth that the Fifth Energy Account shall cease to apply 30 calendar days after reaching an indicative cumulative cost of incentives of 6.7 billion euros per year (including costs allocated for plants whose position in the relevant Registries does not exceed the applicable cost limit).

There are also two separate mechanisms for accessing the incentives, based on the type of installation and the nominal power of the plant:

- direct access;
- access through the Register.

In the first case, the following categories of plants can directly access the incentive tariffs ("direct access"):

a) photovoltaic plants with power of up to 50 kW on buildings with modules installed to replace roofs, from which all asbestos lumber and asbestos has been completely removed;
b) photovoltaic plants with power of no more than 12 kW, including plants installed following renovation, as well as upgrading which leads to an increase in the plant's power by no more than 12 kW;
c) building integrated photovoltaics (BIPV) with innovative characteristics, until reaching an indicative cumulative cost of the incentives of 50 million euros;
d) concentrated photovoltaics (CPV), until reaching an indicative cumulative cost of the incentives of 50 million euros;
e) photovoltaic plants installed by Public Administrations by conducting public tenders, until reaching an indicative cumulative cost of the incentives of 50 million euros;
f) photovoltaic plants with power of more than 12 kW and up to 20 kW, including plants installed following renovation, as well as upgrading which leads to an increase in the plant's power by more than 12 kW and up to 20 kW, which require a 20% tariff reduction compared to the tariff applied to the same plants recorded in the Register.

All plants that do not fall within the categories listed above may access the incentives by being registered in an eligible position in the dedicated electronic Registers kept by the national grid operator ("access through the Register"), each of which is characterised by its own cost limit, identified in the Decree.

Announcements for registration in the Registries are published by the national grid operator every six months beginning from the closing date of the first Register, and registration applications must be submitted within the next 60 days.

These regulatory changes have substantially increased the uncertainty surrounding the effective acquisition of the incentive tariffs and their value; as a result, the company deemed it appropriate to significantly decrease its commitment to the development of new initiatives. In light of these strategic decisions, the company initiated procedures to dispose of a significant portion of the photovoltaic plants, which were then transferred to Apollo S.r.l., which was then sold to RTR Capital S.r.l.

Therefore, at the end of the year Arse's overall activities in the photovoltaic sector are as illustrated in tables 5a, 5b and 5c. These tables show that the total power of the plants remaining in Arse's portfolio is just over 13 MWp (table 5a), since over 32.5 MWp was sold to the company Apollo S.r.l. (table 5c).

TAB. 5A - ARSE'S PV PLANT STRUCTURE (KWP)

GENERAL TOTAL	**100%**	**13,403**
Plants connected in 2008	19%	2,498
Plants connected in 2009	25%	3,397
Plants connected in 2010	19%	2,521
Plants connected in 2011	37%	4,987
By geographical area	**100%**	**13,403**
BA	22%	2,970
FR	3%	374
LE	18%	2,434
RM	53%	7,110
TR	4%	515
By region	**100%**	**13,403**
Lazio	53%	7,110
Puglia	43%	5,778
Umbria	4%	515

While with the plant at Fiera di Rimini, the company constructed turnkey plants with almost 30 (table 5b).

TAB. 5B - "'TURNKEY" PLANTS BUILT BY ARSE (KWP)

GENERAL TOTAL	**100%**	**29,987**
Plants connected in 2008	1%	422
Plants connected in 2009	1%	58
Plants connected in 2010	8%	2,487
Plants connected in 2011	76%	22,688
Plants connected in 2012	14%	4,332
By geographical area	**100%**	**29,987**
Abruzzo – AQ	3%	767
Calabria – CS	48%	14,486
Marche – MC	3%	727
Tuscany - PO	3%	994
Lazio - RM	28%	8,262
Umbria - TR	1%	419
Emilia Romagna – RN	14%	4,332

TAB. 5C - PLANTS TRANSFERRED TO APOLLO, SOLD TO RTR CAPITAL (KWP)

GENERAL TOTAL	**100.0%**	**32,543**
Plants connected in 2009	17.0%	5,468
Plants connected in 2010	33.0%	10,831
Plants connected in 2011	50.0%	16,244
By geographical area	**100.0%**	**32,543**
Campania	1.7%	553
Lazio	39.5%	12,863
Puglia	58.8%	19,128

All the plants connected are operating normally and production is in line with forecasts.
In the second part of the year, the national grid operator and the Province of Frosinone reported a slight non-conformity between the plant constructed in the municipality of Villa Latina (one of the plants which is part of the assets sold) and the single authorisation issued during the services conference; as a result of that inconsistency, the authorisation permit is currently being reviewed.

COGENERATION

As regards the Cogeneration sector, the joint venture between ACEA S.p.A. and ASTRIM S.p.A. was established in September 2007, aimed at the marketing and creation of energy cogeneration plants, called Ecogena.

51% of the share capital of Ecogena is held by ACEA Reti e Servizi Energetici S.p.A. and the remaining amount, due to the transfer of ASTRIM's portion, by Società Energia Alternativa, in which Astrim S.p.A., Vigest S.r.l., and the Jacorossi e Parnasi Group have a holding.

Company activities continued in line with the schedule. In this scenario, activities continued for the construction of the cogeneration plant for the Europarco Complex, for which the tender procedure has been completed, providing Energia Alternativa with the opportunity to exercise the right to last call, as set forth in the joint venture agreement between ACEA Reti e Servizi Energetici S.p.A. and Energia Alternativa.
Furthermore, the client also continued building works in the areas dedicated to the construction of the new "Laurentino" shopping centre for which the company will have to fulfil the obligations under the plant construction and energy service supply agreement.
The 15-year building and energy service supply agreement was entered into with Cinecittà Parchi S.p.A., to be executed at the Cinecittà World theme park currently being built in Castel Romano (RM).
From the regulatory standpoint, positive effects were caused by Legislative Decree 28/2011 - Implementation of directive 2009/28/EC on the promotion of energy from renewable sources - which extends the current comprehensive incentive tariff system for plants with power of less than 1 MWe, as well as the Roman Council's approval of Resolution 7 of 14 February 2011, which amends art. 48 of the Municipal Building Regulation (known as "New Resolution 48").
And finally, also of note is the issue to EUR Power of a building permit for the "Adenauer" cogeneration plant, while a services conference is currently working to define the concession of land to build the "Europa" plant.

PUBLIC LIGHTING

Public Lighting service management activities were carried out as part of the new Service Contract, defined with Roman Council Resolution no. 130 of 22 December 2010, then stipulated on 15 March 2011.

The programmes focused on a series of operating guidelines, the majority of which were realised and included in the Lighting Plan.
The main programmes are as follows:

- network modernisation: in 2012, 86 lighting points were modernised, representing the completion of a project on via G.F. Malipiero which began in 2011 and for which the delivery of new LED covers for green areas and some smaller interventions complementary to the 8.4 kV network decommissioning plan were pending;
- remote control of Public Lighting Plants: in 2012 the phase of installing new remote control units continued for the public lighting systems. In total, 75 remote control modules have been installed on the control boxes of new systems since January 2012, also using LED technology;
- decommissioning of the 8.4 kV network: the programme involving activation of LV power supply, with gradual phasing out of the 8.4 kV supply network, has continued in 2012. 60 new supplies were activated. This made it possible to eliminate 3 public lighting centres (PRIMA PORTA, S. BASILIO and BALDUINA) and 176 MV stations supplied by the MV network dedicated to public lighting;
- plant repairs: involves the inspection, extraordinary maintenance and possible renovation to class II of lighting points managed on behalf of Roma Capitale;
- plant maintenance: maintenance activities primarily took the form of planned, emergency and extraordinary maintenance;

- artistic maintenance: in 2012, maintenance was carried out on the plants of Villa Gordiani, lungotevere Oberdan in some green areas such as the S. Giovanni parks on Via Carlo Felice, Bergamin park, via Lemonia park and other massive works, involving a total of 2,159 lighting points. In addition, modernisation of the artistic lighting systems has been completed, including works on the Church of San Giovanni at Porta Latina, the Monument to the Fallen of Nassirya, Ponte Sisto, external projectors at the Colosseum, Porta Pinciana, the Castel S. Angelo viaduct, Piazza del Quirinale and Piazza Trilussa, for a total of 422 lighting points, whilst LED technology was used to modernise the lighting of the Quirinale Fountain.
  Extraordinary maintenance on various historically and archaeologically important sites was also ensured;
- new works: a total of 1,084 lighting points were constructed for Roma Capitale, with requests coming in mainly from Department SIMU, the Department of Suburb Upgrading Policies and other departments, including orders to create Area Plans;
- districts: 7 new agreements with districts were stipulated and include maintenance contracts subject to the condition precedent that the related works must be completed.

Digital Meters

As regards the "**Digital Meters**" project, in 2012, roughly 22,100 meters and 59 concentrator cabinets were installed.
In addition, system maintenance and fine-tuning was completed to make it easier to reach and read meters.

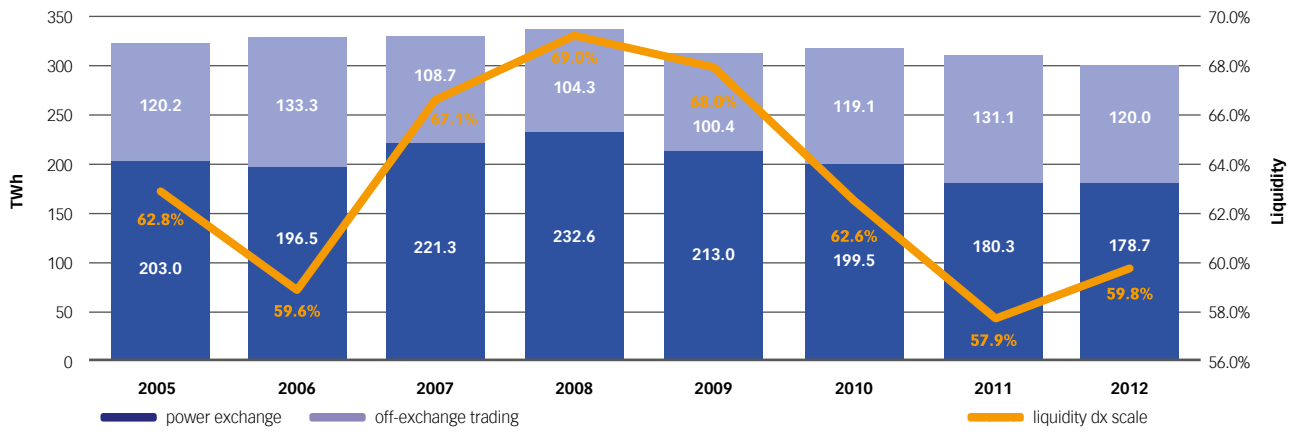
Energy Industrial Area

REFERENCE CONTEXT

Energy Market

In 2012, the continuing economic crisis strongly impacted electricity demand, expanding the gap between demand and supply which, inversely, continued its expanding trend. The electrical energy traded on the day-ahead market decreased considerably once again (-4.4%), after the reduction of 2011 (-2.2%), dropping down to levels below those of 2004, the year in which the Power Exchange opened. Imports from abroad are also down, and have reached historical lows. On the other hand, sales from renewable energy plants are decisively up (+24.1%), driven by new photovoltaic and wind power plants. The notable decrease in over the counter exchanges (-8.7%) caused a reversal in the market liquidity trend, which began to grow once again after three years, reaching 59.8%. Despite low electricity demand and the general downward trend of prices on the main European exchanges, the energy purchase price on the Italian Power Exchange increased by 4.5% (although this increase is more limited than +12.6% in 2011), arriving at 75.48 Euro/MWh, a level which is in any event lower than the figure from 2008 (86.99 Euro/MWh), the last year before the economic crisis. Sale prices in the two island zones are still significantly higher than in the continental zones, with a spread between Sicily and the South (the highest and lowest prices in the ranking for the last four years) which is stable at around 25 Euro/MWh. Finally, the growth in volumes on the electricity forward market was definitively consolidated in 2012, and the 2013 annual base load closed the trading period at 70.30 Euro/MWh.

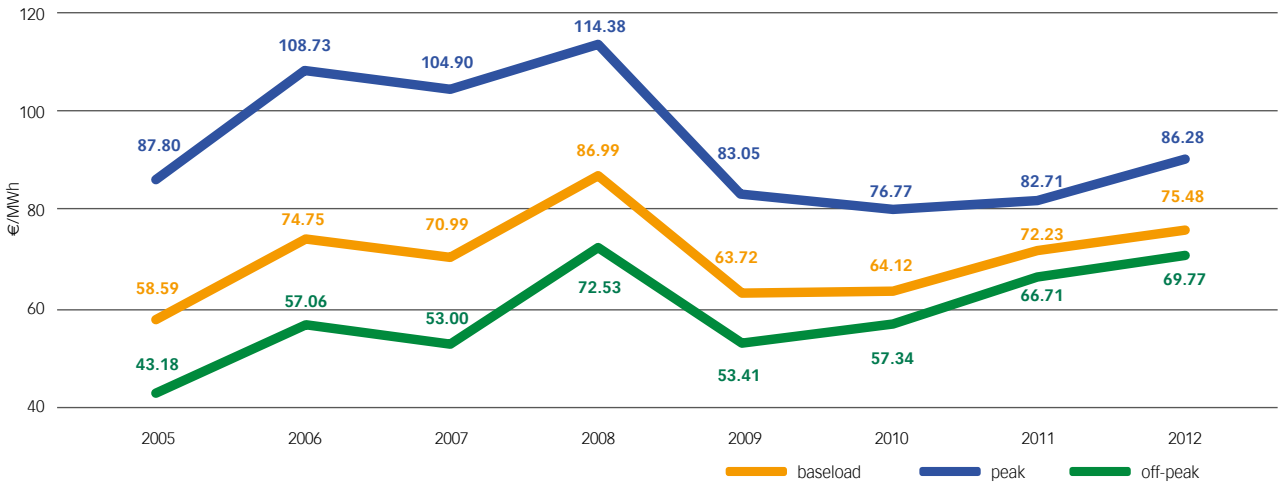
LIQUIDITY ON THE DAM



Source: GME.

As regards the **Italian electricity exchange**, the average purchase price for electricity (PUN) stood at 75.48 Euro/MWh, an increase of 3.25 Euro/MWh over last year. An analysis by time bands shows an increase of 3.57 Euro/MWh at peak times (+4.3%) and of 3.07 Euro/MWh off-peak (+4.6%), with prices respectively standing at 86.28 Euro/MWh and 69.77 Euro/MWh. The peak price/baseload ratio confirmed a continuously decreasing trend, updating the all-time low to 1.14 (previously 1.50 in 2005).

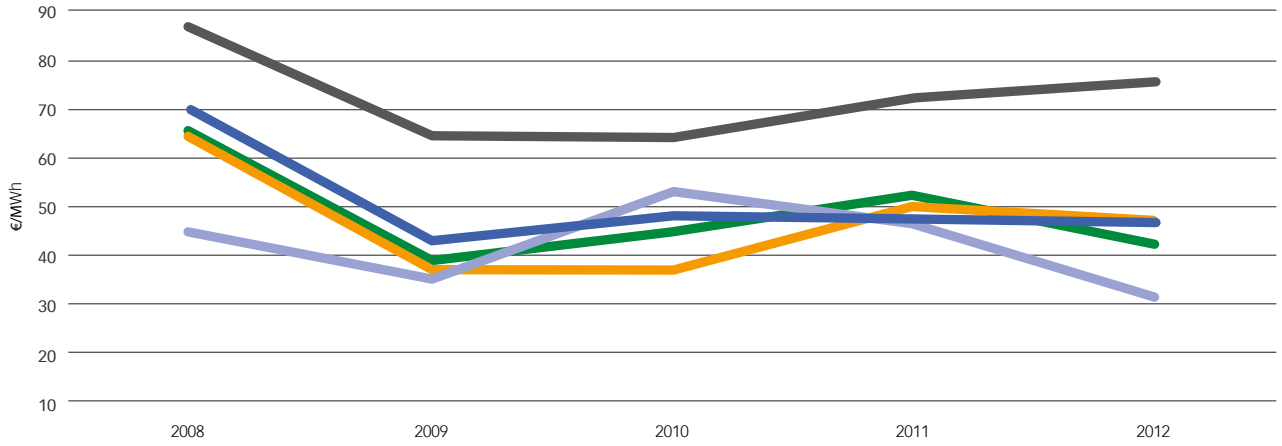
NATIONAL STANDARD PRICE



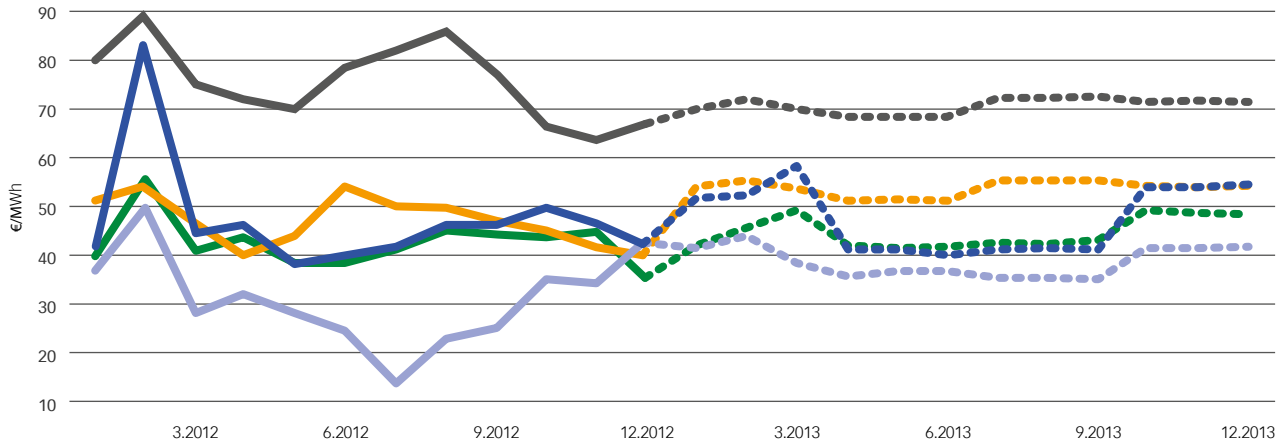
Source: GME.

The increases recorded in fuel prices in euro do not seem to have significant impacts on the main electricity markets, which are generally down compared to 2011, despite the peak in February due to the exceptional cold front that crossed the continent. The decrease involves all lists, with prices aligned at around 42/49 Euro/MWh in central Europe and in S.p.A.in (-4/-17%) and equal to 31.20 Euro/MWh in the Scandinavian region, where the greater decrease (-33.7%) made the value the lowest of the 2008-2012 period. The Italian price avoided the general trend in this case as well, and rose to 75.48 Euro/MWh due to a slight recovery (+4.5%) entirely concentrated within the first eight months of 2012. In fact, an analysis during the year shows two strongly conflicting trends on our national market: the moderate upward push observed until August was countered, and its effects were partially offset, by the decisive inversion of the trend in September-December. The latter trend seems to reflect both the clear situation of system overcapacity, caused by the lasting stagnation of demand and the consolidation of the renewable component of the supply, as well as the simultaneous decrease in the internal price of gas, the reference fuel in Italian energy generation. On the other hand, countering the trend of the 2012 results, for the year to come the markets are forecasting generalised moderate growth in electricity prices, with a markedly seasonal nature for France and Germany, with the only exception of Italy, where the price is expected to decrease and remain essentially stable over the months at around 70 Euro/MWh.

PRICE ON THE EUROPEAN POWER EXCHANGES (ARITHMETIC MEAN EURO/MWH)



Source: GME.



Source: Electricity Market Operator – Monthly trading report – December 2012.

- *PEX: the Italian Power Exchange;*
- *EEX: European Energy Exchange, the German Power Exchange;*
- *PowerNext: the French Power Exchange;*
- *OMEL: Compañía Operadora del Mercado ES.p.A.ñol de Electricidad, the S.p.A.nish Power Exchange;*
- *NordPool: the Scandinavian Power Exchange (Norway, Sweden, Denmark, Finland)*

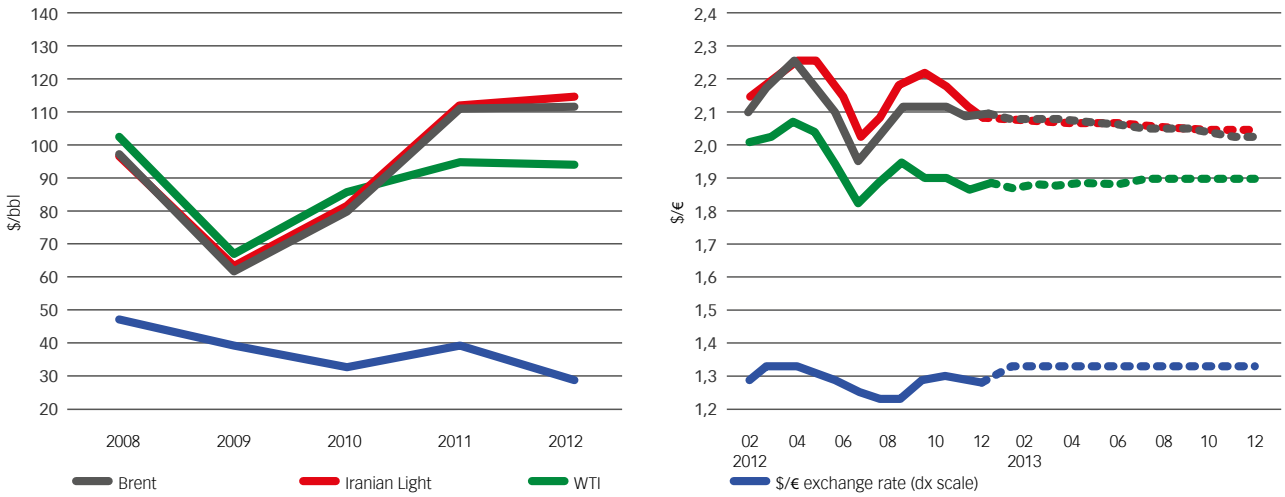
Gas Market

In Italy, 2012 closes with natural gas consumption undergoing the second consecutive reduction, down to 74,372 million m3 (787.1 TWh), a decrease of 4.2% compared to 2011. Consumption in the thermoelectric sector, which decreased to 24,418 million m3, is clearly down (-12.2%). Changes in consumption are more moderate in the industrial sector, which stood at 13,379 million m3 (-1.5%) and in the civil sector, at 33,889 million m3 (+0.5%). Exports, reaching 2,686 million m3, increased by 6.6%. 9,328 million m3 was injected into storage systems (+4.0%). On the supply side, national production, at 8,277 million m3, was up 2.8%, while natural gas imports, at 67,596 million m3, were down by 4.1%. The drop in gas purchases from abroad involved all entry points, except for Gela (+175.9%), which was blocked from the end of March to halfway through October 2011 due to the civil war in Libya. 7,827 million m3 was supplied from storage systems (-3.0%).

In terms of the European energy markets, after two years of sudden growth, in 2012 oil listings remained in line with the values of 2011, also confirming the decoupling of the continental and US reference prices, which emerged in 2011.

In particular, the Brent stood at around 112 $/barrel, with a fluctuating trend during the year that brought prices to their annual high of 125 $/barrel in March, before a rapid drop to around 95 $/barrel in June and a subsequent recovery which culminated in August at around 113 $/barrel, the value around which listings remained during the last four months of the year.

DATED BRENT PRICE TREND



Source: GME.

In this context, there was a consistent loss in the power of the euro compared to the US dollar: in fact, we must go back to 2006 to find a EUR/USD exchange rate which is lower than the value observed in 2012, equal to 1.29 /$ (-7.6%). The depreciation favours a decisive upward revision of fuel prices converted into euro, resulting in an exacerbation in the annual changes in oil and oil products (+8/13%) and a limitation of the, in any case significant, reduction in coal (-17.9%).

REGULATORY FRAMEWORK

Law no. 35 of 4 April 2012 - conversion into law of the "Simplification and Development" Decree Law no. 5 of 9 February 2012

Art. 58 of Law no. 35 of 4 April 2012, converting the "Simplification and Development" Decree Law, amends art. 45 of Legislative Decree no. 93/11 (called the "Third energy package"), regarding the regulation used by AEEG to govern penalty proceedings. First of all, it is established that that regulation shall also govern cases in which the Authority can adopt simplified procedures for applying administrative fines after making an agreement with the company involved in a penalty proceeding.

Furthermore, in particularly urgent cases, AEEG is authorised to adopt precautionary measures, even before the enquiry concerning a market operator begins.

Containment of credit risk for the retail electricity market and setting up of an indemnity system: Resolution ARG/elt 219/10 - updates

The Indemnity System entered into operation in 2011. This involves an initial transitory phase while waiting for said system to be incorporated in the Integrated Information System (IIS) for the management of relations between market operators. Sellers in the free market and the market subject to additional safeguards registered with the Indemnity System can, through the aforementioned registration, request indemnity to partially cover arrears left by customers that changed supplier, through the request to the system for application of the Cmor component (called outgoing sellers). The distributor shall apply that component to sellers that have acquired delinquent customers (called incoming sellers), which in turn reverse this component to the customers acquired. In addition, solely sellers registered in the Indemnity System will have access to information flows regarding requests for the Cmor component that will be applied to them, as incoming sellers, by distributors and requested by other outgoing sellers registered in the system.

However, some sales operators have reported potential critical issues to AEEG in relation to the incoming vendor due, on one hand, to the risk of non-payment of the Cmor fee by the end customer and on the other hand, to an increase in litigation and the management of end customer claims. Following these reports, the Regulator launched a procedure to adopt measures regarding the completion of the regulation in order to minimise potential criticalities in the Indemnity System for incoming vendors.

In 2012, when the procedure was complete, resolutions 99/2012/R/eel and 195/2012/R/eel were issued, which amended and supplemented Annex B of resolution ARG/elt 191/10.

In detail, the resolutions established:

- the introduction of specific solutions to protect the incoming vendor, both by postponing the deadline by which the distribution company bills the Cmor fee, and by introducing new procedures which in some situations provide the possibility for the incoming vendor to request the suspension or cancellation of the Cmor fee charge in its regard;
- the launch of specific monitoring of the phenomenon of situations of non-payment of the Cmor fee by end customers, for that purpose providing for a specific flow of quarterly communications for sending monthly data and limiting the data collected by incoming vendors to information that is not available to the IS Manager.

Implementation of art. 24 of Legislative Decree no. 28 of 3 March 2011, concerning incentives for energy production by renewable energy source plants other than photovoltaics: Decree of 6 July 2012

With the decree in question, the Ministry introduces new incentives for renewable sources that will come into effect beginning next year. Amongst the sources considered are hydroelectric power plants with nominal power of up to 50 kW, biomass-fuelled plants with power of up to 200 kW and biogas-fuelled plants with power of up to 100 kW, as well as wind, hydroelectric and biomass power plants installed by public administrations with recourse to public tender procedures, with power of up to double the amounts indicated above. The Decree sets forth that parties which request access to the incentive mechanisms must pay the national grid operator (GSE) a contribution for preliminary enquiry expenses. The contribution includes a fixed amount of 100 euros, plus a variable portion on the basis of the plant's power. The national grid operator subsequently published a note providing some instructions on the "communication of the date of entry into operation" of plants and concerning the request for recognition of the

Renewable Energy Source Plant qualification.
In particular, for plants which began operating before 24 August 2012, those terms are extended to September 2012 and February 2013, respectively. Finally with its Notice of 27 August 2012, it again specified that the date of entry into operation corresponds to the date on which the plant begins functioning in parallel with the electricity system subsequent to the completion of works (new construction, total or partial renovation, upgrading, reactivation). Completion of works refers to the installation of all machinery and electromechanical devices and the completion of civil works related to the plant in compliance with the authorisation, particularly with regard to the power and overall configuration of the plant, including the metering and network connection devices. The Responsible Entities that send notification of the entry into operation of the plant before 24 August 2012, in accordance with the methods set forth before publication of the Application Procedures of Ministerial Decree of 6 July 2012, are not required to send a new notice, upon verification of compliance with the specifications of the previous point.

Resolution 79/2012/R/com "Approval of the Integrated Information System (IIS) regulation"
The measure approves the Integrated Information System (IIS) regulation. Furthermore, the Regulator identifies the parties which must obtain accreditation: Terna, the distribution companies, diS.p.A.tching users and primary utility providers.
The accreditation of users for the IIS shall take place with the following timing:

- from 01/07 to 31/08 2012, accreditation begins for all distributors;
- by 31 December 2012, the accreditation of Terna, DiS.p.A.tching Users and Primary Utility Providers will be completed.

Law no. 134 of August 2012 - conversion into law, with amendments, of Decree-Law no. 83 of 22 June 2012, setting out urgent measures for the growth of the Country. Updates concerning concessions for large-scale abstraction of water for hydroelectric use
Article no. 37 of Law no. 134 of 2012, converting the "growth decree law" of June 2012, introduces significant amendments to the timing and criteria for awarding tenders for hydroelectric concessions, affecting article no. 12 of Legislative Decree 79/99 (Bersani Decree).
The measure establishes:

- the assignment for payment of those concessions shall be put up for tender five years before their expiry for a period of from twenty to a maximum of thirty years, in relation to the extent of the investments deemed necessary, with regard to a series of interventions (improvement and environmental rehabilitation of the drainage basin, territorial compensation measures, etc.), with particular importance placed on the economic bid to obtain the use of water resources and the increase in energy generated or installed power;
- since compliance with the timing set forth above is considered impossible for concessions already expired at the date of entry into force of Law no. 134/12 and for those expiring by 31 December 2017, the tenders shall be called within two years of entry into force of the implementing decree (not yet issued) and the new concession shall begin from the end of the fifth year subsequent to the original expiry and in any event not beyond 31 December 2017;
- the same decree establishes the criteria and parameters for defining the concession duration based on the extent of investments as well as, having consulted with AEEG, the technical and economic parameters for determining the fee and amount due to the outgoing operator, and it also establishes the percentage of the winning bidder's economic bid to be allocated towards reducing electricity costs to the benefit of the general population of end customers.

The aforementioned art. 37 of Law no. 134/12 also establishes that, to ensure operational continuity, the call for tenders must provide for the transfer from the outgoing operator to the new operator of ownership of the business unit relative to concession management, including all relative legal relations.
Therefore, the outgoing operator shall be due a pre-established amount agreed upon between it and the awarding administration before the bid phase, which shall be published in the call for tenders. The methods for determining that fee are also explained, and are based on the market value (value for new construction decreased by ordinary depreciation) for tangible assets other than those pursuant to article 25.1 of Royal De-

cree no. 1775/1933 (i.e. other than collection, regulation, penstock and drainage channel works). The amount due for the assets pursuant to article 25.1, mentioned above, is based on the revalued historical cost method, calculated net of public grants, also revalued, received by the operator to carry out those works, decreased by ordinary depreciation. If an agreement is not reached, three independent qualified third parties, one of which is appointed by the president of the Court of public waters responsible for that jurisdiction, shall be appointed for that purpose.

Finally, to ensure standardised governance of hydroelectric generation activities throughout the country and equal treatment to economic operators, a Ministry of Economic Development decree established the general criteria to be applied by the regions in determining the maximum values of hydroelectric concession fees according to criteria of economic efficiency and fairness.

Resolution 195/2012/R/eel "Approval of the simplified regulations for operation of the indemnity system and related monitoring"

The measure approves the simplified regulations for operation of the indemnity system pursuant to resolution ARG/elt 191/09, as amended in order to incorporate the new procedures set forth in the event of non-payment of the CMOR fee by end customers. More specifically:

- it changes the criteria for identifying the date beginning from which the CMOR fee shall be applied by the distribution company, making the period begin from the first day of the month in which the Operator communicates acceptance of the indemnity request, facilitating the unambiguous identification of that date by all indemnity system participants involved and the resulting possibility to eliminate the Operator's notification of the aforementioned date to the incoming vendor;
- it specifies the starting date of the period for application of the CMOR fee by the distribution company;
- it changes the timing of the procedure for cancellation or suspension of the indemnity request by the incoming vendor in order to extend the deadline for submission of the relative requests by two working days;
- it introduces the obligation to revoke the request for cancellation or suspension by the incoming vendor if, subsequent to that vendor's request, the customer pays the CMOR relative to the previously cancelled indemnity request;
- it incorporates the simplification of indemnity system monitoring, proposed by the majority of operators, for that purpose providing for a specific flow of quarterly communications for sending monthly data and limiting the data collected by incoming vendors to information that is not available to the IS Manager.

Review of mechanisms for credit risk containment and recognition to primary utility providers of costs linked to delinquency: resolution 583/2012/R/eel

With resolution 364/2012/R/eel, the Authority launched a procedure aimed at reviewing the current mechanisms for containing credit risk and recognising costs related to non-payment of invoices by end customers to primary utility providers, partially in order to take into consideration the different impact that this phenomenon has throughout the country.

Subsequently, after two consultations and a request for data from primary utility providers, AEEG published resolution 583/2012/R/eel. The most significant updates are:

- the value of the guarantee deposit already set forth in paragraph 12.1 of the TIV, as well as the manner for charging it, shall remain unchanged;
- the level of the RCV component for the remuneration of primary utility providers has been revised, although there shall continue to be a single price paid at the national level by customers subject to additional safeguards. That component, which would continue to be differentiated based on the various types of end customers subject to additional safeguards, would be further distinguished into two different geographical areas (centre-north and centre-south), taking into account the unpaid ratio level (rate of receivables past due by over 24 months) surveyed at the most efficient primary utility providers;
- the level of the PCV fee applied to non-domestic end customers has been revised from 49.70 euros to 69.6154 euros per withdrawal point per year;
- for the year 2012, an offsetting mechanism has been established which makes it possible to apply the RCV component defined in accordance with this measure;
- the level of the DISPBT component applied to end

customers entitled to additional safeguards has been revised;
- the level of costs relating to delinquency, used to define the RCV component, shall be updated annually, with a definition of the special information obligations of the separate companies;
- the interest rate due by the primary utility provider in the event of delay in the settlement of amounts with the Equalisation Fund, is equal to the Euribor rate + 3.5 points beginning on the first day after the due date.

The provisions shall come into effect on 1 January 2013.

Changes in the upstream regulation

Decisions concerning essential plants and requests submitted by diS.p.A.tching users for application of the reintegration of costs regime: resolutions no. 400/2012/R/eel and no. 582/2012/R/eel

Resolution 400/2012/R/eel established that each diS.p.A.tching user which owns essential plants can submit a proposal to the Authority for alternative fee structures (pursuant to art. 65 of resolution no. 111/06) with respect to those indicated by Terna, accompanied by analyses which highlight the greater benefit that those different structures would bring in terms of decreasing the overall expense for the procurement of diS.p.A.tching resources by Terna.

In the subsequent resolution 582/2012/R/eel, the Authority accepted the aforementioned proposal submitted by Acea Energia Holding for the Montemartini plant, and approved the application of the cost reintegration regime for the year 2013 (regime governed pursuant to art. 65 of resolution no. 111/06) since it is an essential unit for the security of the electricity system. However, the Authority did not accept the request to calculate the reintegration fee for the years 2012 and 2013 according to the methodology set forth in resolution ARG/elt 161/10, which is more economically advantageous, so that fee shall continue to be defined on the basis of the calculation methodology applied prior to resolution ARG/elt 161/10. That refusal is justified by the fact that the Montemartini plant was admitted to the cost reintegration regime before 2010 (the year of entry into force of resolution ARG/elt 161/10), so replacing the methodology would cause distortions on the evolution of the remuneration of the unit in question, if the appropriate measures are not taken to neutralise the impact of the differences in the criteria applied on the fee amount.

Changes in the downstream regulation

Flows of information between electricity distributors and sellers concerning withdrawal point metering data: resolution 65/2012/R/eel

In resolution 65/2012/R/eel, AEEG defined the standards and operating methods of flows of information between electricity distributors and sellers with respect to the metering data of scheduled and unscheduled withdrawal points (including the metering data necessary for switching), and also identified a technologically adequate solution for data exchange within the context of the IIS, in implementation of the provisions pursuant to art. 22 of Decree Law no. 1 of 24 January 2012, converted with Law no. 27 of 24 March 2012 (in addition to the information on withdrawal points and the identifying information of end customers, the IIS shall also manage the relative electricity and gas consumption measurement data). The resolution changes the TIV, the Consolidated Regulations on electricity sales to customers subject to additional safeguards and protected categories, establishing the following obligations for distributors:
- measures concerning meter planning, to report data useful for the purpose of diS.p.A.tching, and concerning the collection of those data by distributors;
- redefinition of rules for data communication (including adjusted data) to transmission users, indicating methods and timing, as well as possible provisions if information is not available;
- reformulation of instructions relating to the communication of historical metering data and data needed to begin the supply after switching.

Afterwards, the Authority included those provisions in the TIME, the Consolidated Code on the electricity metering service, and took them out of the TIV.

In a subsequent decision, AEEG defined the details of the formats of flows of information and the timing for the

gradual entry into force of resolution 65/2012/R/eel (beginning on 1 February 2013 and by 1 April 2013).
Finally, AEEG shall issue an additional measure defining the criteria of the incentive regulation for distributors, to enable the timely provision of validated metering data to sellers.

Adoption of preventive and restoration measures concerning unrequested electrical energy and/or natural gas supply contracts: resolution 153/2012/R/com

In 2011, AEEG started a procedure to reduce the number of unrequested activations, i.e. all cases where end customers are fraudulently, or unwittingly, persuaded to transfer from one provider to another or transfer from the service subject to additional safeguards to the free market. In recent years, that phenomenon has undergone a strong acceleration which has caused an increase in the mistrust of free market end users and the companies which operate in that market, generating significant damage to the entire system.
That survey, during which consultations took place, was completed in April 2012 with the publication of resolution 153/2012/R/com. AEEG adopted measures aimed, on one hand, at preventing the phenomenon of unrequested contracts and activations and, on the other, at providing end customers and sales companies with tools beyond the ordinary procedures that can be activated within the civil justice system (or through the Consumption Code), which are suitable for restoring, as much as possible, the situation prior to the unrequested activation.
The resolution, in force since 1 June 2012 and applicable to electricity service customers subject to additional safeguards and vulnerable gas service customers, confirms what was already illustrated during the consultations:

- strengthening of the requirements of the Code of Commercial Conduct in order to ensure the correct identification of the sales agent;
- specific procedure for managing complaints relative to unrequested contracts/activations, with an active role played by the Consumer Protection Office;
- restoration procedure aimed at returning the end customer to a situation as similar as possible to the situation prior to the unrequested activation, setting the rules concerning the economic terms that shall be applied to the customer during the transition phase;
- activity of monitoring the phenomenon of unrequested contracts on the basis of information regarding complaints made by end customers, provided by the distribution companies, the Consumer protection office and the sales companies;
- creation of a black list which lists sales companies which were found to be unrequested by customers;
- the right of sales companies to adopt their own self-regulation protocols that fulfil the minimum requirements established by AEEG as an additional preventive measure, which identify the company department (other than and separate from the sales department) responsible for controlling and monitoring implementation of the protocol.

Launch of penalty proceedings to investigate violations concerning billing and general quality standards in the sale of electricity: resolution 462/2012/S/eel

The Authority launched penalty proceedings against Acea Energia S.p.A. concerning the following charges: failure to comply with billing frequency in the markets subject to additional safeguards and the free market; failure to comply with rules on billing actual consumption for the market subject to additional safeguards; failure to comply with rules relating to automatic reading for the market subject to additional safeguards; failure to comply with general commercial quality standards in the second half of 2011 and first half of 2012 in the area of responses to written requests for information and written requests for billing adjustments.
Acea Energia S.p.A. presented commitments useful for the most effective pursuit of the interests protected by the provisions which are assumed to have been violated, and it is waiting for the Authority's decision, since the commitments, if accepted, shall result in the closure of the proceedings without applying the penalty.

OPERATING REVIEW

Energy Management

As a result of the new ownership structure after winding-up of the joint venture, Acea Energia Holding was identified as the legal entity for the Energy segment, responsible for performing Energy Management, this being necessary to Group operations, particularly with regard to the sales company (Acea Energia S.p.A.) and the production company (Acea Produzione S.p.A.).

In particular, Acea Energia Holding S.p.A.'s objective is the purchase and sale - in whatever form - of electricity, heat, methane gas and other fuels and energy carriers for the national and international markets.
In particular, the company, provided that at least 80% of its average turnover comes from supplies of the above-mentioned goods to companies subject to a dominant influence from ACEA on the basis of proprietary relations, a financial holding or internal regulations, may act directly as the contractor, pursuant to art. 218 of Legislative Decree no. 163 of 12 April 2006, in respect of the relative supply contracts from the aforementioned companies which are also the contracting entities as defined by art. 3, paragraph 29 of the above Legislative Decree.
To this end, the company makes provision for the direct or indirect stipulation of diS.p.A.tching, transportation and storage contracts with operators of the national transport network and institutional market operators, all in the name and/or on behalf of subsidiaries and/or associates in accordance with art. 2359 of the Italian Civil Code and/or third parties.
Furthermore, the company operates in favour of its subsidiaries in particular (Acea Energia S.p.A. and Acea Produzione S.p.A.), by carrying out the following main activities:

- the sale of electrical energy produced by the Tor di Valle and Montemartini thermoelectric plants and by the S. Angelo hydroelectric plant;
- the negotiation of contracts for the procurement of fuels for generating plants;
- procurement of natural gas and electricity for companies selling to end customers;
- the marketing of environmental bonds (green certificates, emission rights and certificates for production from renewable sources) Acea Energia S.p.A. and Acea Produzione S.p.A.;
- the management and optimisation of its electricity portfolio and management of the risk profile of companies in the Energy Area;
- the optimisation of the energy production of Acea Produzione S.p.A. plants.

The company also liaises with the Energy Market Operator (GME) and with TERNA. In relation to institutional entity Terna, the company is the input DiS.p.A.tch User on behalf of Acea Produzione.

In the course of 2012, the company sold approximately 11 TWh of which approximately 10 TWh to the subsidiary Acea Energia, approximately 0.5 TWh to Group companies and approximately 1 TWh to other wholesalers. Approximately 9 TWh of energy was procured mainly by purchasing on the market from Italian operators. The rest of the energy was acquired at spot prices on the day-ahead market.

Electricity production

The Acea Produzione production system today 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 Abruzzo), two "mini hydro" plants in Cecchina and Madonna del Rosario, two thermoelectric plants - Montemartini and Tor di Valle (the latter fitted with a combined cycle module for steam turbine extraction and an open-cycle turbogas module providing cogeneration for the district heating service in the Torrino Sud, Mostacciano and Torrino-Mezzocammino districts of Rome).

The **hydroelectric segment** recorded production of 354.7 GWh, benefiting from the main contribution of the run-of-river Salisano drinking water plant which re-started operations at the end of 2011, in line with the ten-year historic average (+1.5%). Production at the Castel Madama, Mandela and Orte run-of-river plants was significantly lower (-13.7%) than the ten-year average due to a decrease in the level of water input for plants on the Tiber basin (Aniene and Nera rivers).
Lastly, a further decrease in production was recorded

compared to the ten-year average by the S. Angelo plant (-28.4%), with 107.6 GWh.

The company's **thermoelectric production** stood at 12.1 GWh as at 31 December 2012.
2012 saw a continuation of the negative trend in production for the combined cycle of the Tor di Valle plant, no longer suitable for sustaining the market impact due to the efficiency gap with respect to modern latest generation combined cycles which is accentuated by market prices which show a decrease. In addition, particularly low market prices have also affected cogeneration, which recorded a further drop in production compared to the past. Due to the restriction placed on the TG3 units of the cogeneration section on maximum NOx emissions, it was therefore necessary to use auxiliary boilers to produce heat for district heating.
2012 was the fifth year of operation of the Montemartini plant as a generating unit that is 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. The plant's TG1, TG2 and TG3 units were subject to diS.p.A.tching orders from Terna, except for short periods of maintenance and black start-up testing. Plant production was therefore limited exclusively to diS.p.A.tching orders from Terna, as well as production functional in the testing activities. The economic result was, however, guaranteed by the reintegration of costs recognised by the Italian Authority for Electricity and Gas.
The management strategy as regards the availability of CO_2 emission securities to cover the risk of volatility of the price on the Emission Trading market, implemented with the sale of total available accumulated securities and the repurchase of items corresponding solely to quantities of energy actually sold as part of the contracts stipulated, represented an additional element of growth in the total economic result due to a balance of CO_2 quotas sold in 2012 of roughly 200,000 tonnes.

Electricity sales

In 2012, Acea Energia maintained partnerships with local partners, which enabled those local partners to benefit from the size and reputation of Acea Energia, also in terms of sourcing capacity. In turn, Acea Energia is able to leverage local expertise and know how. Moreover, thanks to these agreements, free market customers may take advantage of the services of a supplier able to offer complete, tailor-made and profitable solutions.

In 2012, the **sale of electricity on the market subject to additional safeguards** came to 3,418 GWh, a reduction of 6.6% compared to 2011. The number of withdrawal points totalled 1,088,701 (1,147,771 as at 31 December 2011). The decrease is linked to the opening up of the market following completion of the liberalisation process.

The **sale of electricity and gas on the free market** came to 9,058 GWh for Acea Energia and 940 GWh for the retail joint ventures, for a total amount of 9,998 GWh, a decrease of 22.6% over 2011, and concerned 236,652 customers as at 31 December 2012 (218,105 as at 31 December 2011).
In 2012, the number of users switching from the regulated to the free market amounted to 87,745, representing an annual volume of roughly 300 GWh, of which around 51% of users acquired by other wholesalers, whilst the remaining 49% stayed with Acea Energia. In addition, the company sold 86.0 million standard cubic metres of gas to final customers and wholesalers.

REFERENCE CONTEXT

Abrogative referendums of 12 and 13 June 2011

Following the referenda carried out on 12 and 13 June 2011, article 23-bis of Law Decree 112/2008, converted to Law 133/2008 as amended and supplemented by article 15, paragraph 1 of Law Decree 135/2009, converted to Law 166/2009, regarding economically significant local public services, as well as article 154, paragraph 1 of Legislative Decree 152/2006 (Environmental Code), the part which referred to "the adequacy of the return on invested capital" amongst the criteria for determining the water tariff, was repealed. Furthermore, the approved referendum petitions require the abolition of Italian Presidential Decree 168 of 7 December 2010, including the regulation implementing the provisions of article 23-bis, while leaving the current temporary provisions of article 170 of Legislative Decree 152/2006 (not subject to referendum) unchanged, which involve the application of the Standardised Method pursuant to Ministerial Decree of 1 August 1996 until the adoption of a new tariff method.
In general the effects of the abrogative referenda, which in accordance with Law 352/1970 are declared by the President of the Italian Republic by his own decree of 20 July 2011, do not result in any restoration of the standards repealed by the regulatory provisions successfully passed by the referendum (rulings of the Constitutional Court 24/2011, 31/2000 and 40/1997) and effective ex nunc according to the provisions of article 75 of the Constitution.
Given the aforementioned circumstances, it must be considered that the lack of a transitional regime for prior concessions awarded pursuant to article 23-bis, also removed the series of reasons for their termination, with particular reference to in-house management, management assigned directly to mixed companies in which selection by tender did not consider both the quality of the partner and the attribution of operating tasks, as well as direct assignments as of 1 October 2003 to listed companies or their subsidiaries.
The interim effect of the phenomena described above was the removal from Italian law of the limits on in-house rights which led to a stricter governance than EU rulings on such issues, to leave room for the regulations and principles consolidated at European level (EU Treaty and Court of Justice case law).
Lastly, it must be noted that in the assessment of the effects of the abrogative referenda, the amendment to relevant regulations as a result of Law Decree 70/2011, converted with amendments to Law no. 106 of 12 July 2011, must be taken into consideration. This established the National agency for water regulation and supervision, redefining responsibilities and methods for determining integrated water service tariffs. In fact, based on the aforementioned regulation, the Agency - the functions of which as explained below were transferred to the AEEG in the interim - has to define the cost components to determine the water tariff and prepare the resulting tariff method, also taking into consideration "in compliance with the principles set forth by EC regulations, the financial cost of the service supply and the related environmental and resource costs, in order to fully realise the principle of cost recovery and the principle 'who pollutes pays'". Under Italian Law 214/2011 the Agency was disbanded and the regulatory and control duties over water services were transferred to the AEEG (see below).

Elimination of the Area Authorities

Law no. 42 of 26 March 2010 - "Urgent interventions concerning local authorities and regions" – includes article 186-bis in the 2010 Finance Act (Law no. 191/2009). This sets out that, after one year from the entry into force of this law (i.e. as of 1 January 2011), the Area Authorities for the management of water resources and the urban waste integrated management referred to in articles 148 and 201 of Legislative Decree no. 152/2006, are eliminated. At the same time, Regions can award, by way of law, the functions that were exercised by the Authorities, in compliance with the principles of subsidiarity, diversification and adequacy.
On 26 February 2011, Law 10/2011 was published (which converted Law Decree no. 225 of 29 December 2010, the so–called "mille proroghe"), extending the terms set out in legislation and the urgent interventions concerning tax issues and support to companies and households. Article 1, paragraph 1 establishes the extension to 31 March 2011 of the deadline for disbandment of the Area Authority. Paragraph 2 of the same article sets out the possibility to envisage – by means of one or more decrees of the President of the Council of Ministers, in ac-

cordance with the Ministry of Economy and Finance - a further extension of the above-mentioned terms until 31 December 2011. By decree of the President of the Council of Ministers on 25 March 2011, the deadline of 31 March 2011 was extended until 31 December 2011. The subsequent "Decreto Mille proroghe" (Law Decree no. 216 of 29 December 2011), makes provision for the deferment of the expiry of the Area Authorities handling the integrated water service and integrated waste management from 31 December 2011 to 31 December 2012, based on the necessary guarantee of continuity in the provision of local public services and guarantee of an "additional transitory period, for the transfer of functions from the Area Authorities to new operators identified by the Regions, and for the adoption of the relevant proper coordination initiatives".

Note that despite postponement of this deadline by one year from the end of 2011, the Tuscany Regional Government issued laws on this issue, arranging the global reorganisation of the integrated water service, starting with the reassignment of functions and powers now held by the Area Authorities. In fact, Regional Law no. 69 of 28/12/2011 established the Tuscany Water Authority which assumed all functions and responsibilities previously held by the Area Authorities and, as at 1 January 2012, which took on all income and expense generating legal relations of the eliminated authorities (art. 52). The AIT organisation will include a central structure at regional level and 6 branch structures (areas pursuant to art. 13) which faithfully reproduce the area distribution of the 6 Area Authorities. On expiry of the concession agreements existing at the date of entry into force of the regional law, the water service will be assigned to a single operator. In the service assignment documents the Water Authority will indicate the timing and methods for reimbursement to the outgoing operator for any investments not yet amortised.
Art. 50 of the same law states that the bodies of the Authority are to be established by 30 June 2012 and that, with effect from 1 January 2012 and until actual start-up of the Authority bodies, the functions of such bodies will be performed by six commissioners identified as the chairmen of the Boards of Directors of the disbanded Authorities in office at 31 December 2011, each of which operating in reference to their respective area and making use of the technical support of the directors of the disbanded Authorities as at 31 December 2011. The steps toward constitution of the new Regional Authority have commenced: the general meetings for the six areas have been held and the Authority's bodies were established in July, and the Director was also appointed.

AEEG activities on water services

The Authority began its activities in the water services sector at the start of 2012 by setting up a working party to perform a reconnaissance exercise on the position of the sector, to map the sector's operators and stakeholders and to propose potential organisation charts for performing the new duties assigned to it.

In terms of the activities carried out by the Authority in 2012, please note the following:

- by resolution no. 74/2012/R/idr of 1 March 2012 the Authority launched procedures for adoption of the tariff measures and for the start of water service data and information collection activities,
- with consulting document no. 204/2012/R/idr of 22 May 2012, the Authority launched a public consultation for the adoption of water service tariff measures and, within the context of that public consultation process, a series of seminars were organised to illustrate the content of that document and collect comments and observations from all interested parties,
- with consulting document no. 290/2012/R/idr of 12 July 2012, the authority launched an additional, more specific public consultation concerning a temporary tariff method to be applied from 1 January 2012 to 31 December 2013. The Authority decided to formulate a temporary tariff method proposal essentially as a result of the current level of heterogeneity in the tariff regulations applied throughout the country and the resulting need to analyse in more detail the various contexts and points of departure as well as the opportunity for a gradual intervention pending the more complete formulation of a fully applied tariff model,
- with resolution no. 347/2012/R/idr, subsequently supplemented and amended by resolutions no. 412/2012/R/idr and 485/2012/R/idr, integrated water service operators were given some obligations to

send significant data in order to define tariffs for the years 2012 and 2013,
- with resolution no. 585/2012/R/idr of 28 December 2012, the Authority approved the temporary tariff method (MTT) for determining tariffs in the years 2012 and 2013,
- with resolution no. 586/2012/R/idr of 28 December 2012, the Authority approved the first directive for tranS.p.A.rency in integrated water service billing documents, establishing the obligation for operators to provide users with the service charter and information on the quality of water supplied on their websites by 30 June 2013, and to provide an online Glossary with the main terms used in the Integrated water service by 1 January 2014,
- with resolution no. 587/2012/E/idr of 28 December 2012, the Authority launched an enquiry concerning some possible irregularities which emerged during the preliminary enquiries aimed at defining the temporary tariff method, in order to identify any behaviour which is not compliant with regulations in force or is damaging to user rights as regards the following aspects (i) operator compliance with the prohibition against billing the waste water treatment service to customers not connected to the sewerage network as well as implementation of Ministerial Decree of 30/09/2009 and (ii) the inclusion of local equalisation items in bills. The procedure must be completed within 180 days.

In the first few months of 2013, the Authority also issued the following documents:
- resolution no. 73/2013/R/idr of 21 February 2013 concerning the approval of guidelines for verifying the update of the area plan's economic-financial plan, for the purpose of the tariff proposal for the years 2012 and 2013, which must be prepared by Area Authorities by 31 March 2013 (article 6, resolution no. 585/2012),
- resolution no. 86/2013/R/idr del 28 February 2013 governing the integrated water service guarantee deposit,
- resolution no. 87/2013/R/idr of 28 February 2013 for the launch of a procedure to adopt provisions concerning the definition of obligatory contractual conditions for the management of delinquent end users of the integrated water service. The resolution sets the deadline for completing the procedure at 180 days from its publication, and also establishes, inter alia, that pending the adoption of the provisions, operators cannot suspend the supply of particular user categories,
- resolution no. 88/2013/R/idr of 28 February 2013 regarding the approval of the Temporary Tariff Method for ex-CIPE (MTC) management for the determination of tariffs for the years 2012 and 2013. The resolution also approves some amendments and supplements to resolution 585/2012 (MTT),
- consulting document 82/2013/R/com published on 1 March 2013 relating to the initial guidelines concerning accounting unbundling obligations for water service providers and concerning the revision and simplification of accounting unbundling provisions pursuant to resolution no. 11/2007. The deadline for sending comments is 30 April 2013.

The **key principles** of resolution 585/2012 concerning the tariff method are summarised below:
- the temporary method identifies the methodology to be used at the national level to determine tariffs for the years 2012 and 2013, anticipating the general outline of the definitive methodology expected to apply beginning in 2014, and regards all services managed excluding those that currently adopt the CIPE tariff method,
- the resolution identifies the role of Area Authorities for the purpose of determining the tariff, defining activities, methodologies and timing,
- a procedure for gradually shifting from the criteria of the standardised method (MNT) to those of the temporary method (MTT) is introduced, along with some specific mechanisms to guarantee the maintenance of operator cash flows and current financial stability,
- to protect end users (and operators) from the impact, for the two years in question, the obligation is introduced for a specific enquiry to be conducted on the validity of information provided and the correct application of the new criteria, in cases of tariff fluctuations above the limits set forth in the MNT,
- the new methodology sets forth that a tariff breakdown by operator/tariff area analogous to the pre-existing breakdown shall be maintained during the transitory phase,

- the new methodology reconciles the results of the referenda with European and domestic regulations on compliance with the principles - confirmed by the Constitutional Court - of full cost recovery and "who pollutes pays",
- the return on invested capital is cancelled and instead the cost of the financial resource is recognised in observance of the aforementioned principle of full cost coverage,
- in order to avoid inefficient or opportunistic behaviour, the cost of the financial resource is not recognised based on the submission of documented expenses, but rather through standard references (finance and tax costs). The post-tax finance cost for investments is equal to 4.4%, plus IRES assessed on a lump-sum basis and IRAP assessed on the basis of 2011 actual data,
- the revenue guarantee principle is established (confirmed), along with the requirement to adjust any differences between revenues ensured by the tariff breakdowns applied to end users and those recognised in the updated revenue restriction (net of the contribution of "other revenues"),
- the temporary method is based on ex-post regulation criteria in place of the ex-ante regulation of the MNT (which in any event required ex-post verification during periodic tariff reviews); therefore, the tariff is calculated with reference to accounting data for the year n-2 (regulatory time lag) and the tariff adjustments are recognised in the year n+2,
- the temporary method establishes the regulatory useful life for each category of fixed assets for the purpose of calculating depreciation and amortisation expense, as well as the principle that assets - of the operator and of third parties - are recognised in terms of the revalued historical production cost,
- the MTT contains a detailed definition of the activities of the integrated water service and other water services and establishes that revenues generated by other water services must contribute towards covering eligible costs. In order to ensure that those important activities are carried out, profit sharing has been introduced for other water services, with the recognition of a lump-sum margin to the operator,
- in compliance with the cost coverage principle, the new method updates operating and capital costs based on actual inflation in place of the planned inflation used in the MNT,
- in the assessment of the operator's net invested capital, an lump-sum amount has been introduced to compensate net working capital,
- IRAP is considered to be an operating cost which can be made more efficient, subject to the gradually implemented mechanism,
- a tariff component defined New Investments Fund (FoNI) has been introduced, which represents an advance to finance new investments subject to a restriction in terms of intended use. It is up to the Area Authority to decide whether and to what extent that tariff component should be included in the tariff.

With regard to the **area of application**, resolution 585/2012 establishes that the MTT applies to services that were compliant with Law 36/94 and Legislative Decree 152/2006 as at 31 July 2012 and those which, although not compliant, applied the standardised method or another tariff method other than the CIPE at that same date. Some of the services excluded from the tariff update are those which had not adopted the Service Charter on the aforementioned date as well as services which, in violation of applicable regulations, billed domestic users on the basis of minimum consumption commitment.

The Authority defines the following **cost components of the service, to be recognised in the tariff:**

(i) costs of fixed assets, understood as the sum of finance costs, tax costs and investment repayment instalments (amortisation),
(ii) management costs which can be reduced, understood as operating costs arising in the context of service management, upon which the operator may act to increase efficiency,
(iii) management costs which cannot be reduced, understood as external operating costs, the determination of which does not depend upon management decisions in the period considered (electricity cost, wholesale supply cost, loans and fees recognised to local bodies, Authority operating costs, other cost components),
(iv) any advance component to finance new investments.

The tariff components described above, recognised for

the years 2012 and 2013, derive from a process of gradual convergence, over four years, of operating costs which can be reduced and capital costs according to the plan towards costs based on the tariff method.

The Authority also establishes the inclusion in the tariff restriction of tariff adjustment items relating to years prior to 2011 provided they are approved by the applicable parties by 30 April 2012; resolution 585/2012 establishes the suspension of adjustments for 2011 pending the response from the Council of State to the request for an opinion sent by the Authority on 23 October 2012, to which any definition of calculation procedures and methods relative to the return to users of the return on invested capital component for the 21 July - 31 December 2011 period is also subject, following the proclamation of the results of the popular referendum.
The request for opinion put forward by the Authority regards the legitimacy to act in relation to issues regarding periods prior to the transfer of sector regulatory functions. In response to the query, the Council of State issued on opinion on 25 January 2013, establishing (i) the responsibility of the Authority in the period of 21.7.2011/31.12.2011, based on the assignment to that party of the functions formerly under the responsibility of the now defunct National agency for water regulation and supervision (art. 21, paragraph 19 of Law Decree 201/11) and (ii) the conflict of the criterion "of the adequacy of the return on invested capital" (so-called 7%), contained in Ministerial Decree 96, with the regulatory framework resulting from the referendum.
Therefore, the Council of State ordered the Authority to take the opinion into consideration when adopting new tariff measures, without prejudice to compliance with the overall and articulated national and European regulatory framework, which requires cost coverage to be ensured.
On 31 January 2013, the Authority approved resolution no. 38/2013/R/idr with which it launches a procedure to determine:

a) the criteria based on which Area Authorities will have to identify, without prejudice to the full cost recovery principle, the amounts unduly paid by each user for return on invested capital in the period 21 July 2011 - 31 December 2011, to be returned to the user,
b) procedures and tools to concretely ensure that the aforementioned amounts are returned to end users,
c) the methods that the Authority will use to verify and approve Area Authority decisions,

It also confers broad powers upon the Person responsible for the proceeding - the Head of the Special Tariffs and Water Service Quality Office - to obtain all information and elements for assessment needed to complete the proceeding, and, for the parties that may be called to participate, provides for the application of penalties in the event of refusal, omission or delay, without justified cause, in providing the information requested, or in the event of the transmission of false information or documents.
It is also sets forth that all parties concerned - with particular reference to associations representing consumers and users, operator trade associations, Area Authorities, the Regions and other public bodies concerned, as well as other collective and widespread stakeholders involved in this proceeding - may submit documents, briefs and observations within 30 (thirty) days of publication of this resolution.
The proceeding duration has been set at 120 days, beginning on the publication date.
The Group has estimated that the cost of the return resulting from the 2011 referendum outcome is 7.9 million euros.

With respect to the **procedural provisions**:

- by 31 March 2013, the Area Authorities shall update or prepare, if not yet drawn up, the financial and economic plan for each area plan on the basis of the new methodology. Changes made during the update of the economic-financial plan which cause an increase in the difference between plan costs, as identified prior to the update, and costs calculated pursuant to Annex A of resolution 585/2012, net of costs which cannot be reduced, are deemed void,
- if not updated by 31 March 2013, the contractual clauses and deeds governing relations between operators and the applicable authorities which are incompatible with the resolution shall be void,
- the tariff shall be set forth by the Area Authorities and transmitted to AEEG and the operators by 31 March 2013. Within the three subsequent months, the Authority shall approve the tariffs pursuant to article 154, paragraph 4, Legislative Decree 152/206,

possibly also determining the tariffs on the basis of information available, with a view to user protection, if the Area Authorities do not send them by the established deadline,

- beginning on 1 January 2013, operators are required to apply to users **(i)** until the Area Authorities determine the tariffs, the tariff applied in 2012 with no change or the 2013 tariff if determined by the Area Authorities prior to the approval of resolution 585/2012 provided the operators have not changed the tariff breakdown, **(ii)** subsequent to determination by the Area Authorities and until approval by AEEG, the 2012 tariffs multiplied by a factor (theta2013) determined by the Area Authority, **(iii)** following the Authority's approval of the tariffs, the 2012 tariffs multiplied by the theta2013 approved by the Authority,
- the difference between tariff revenues determined by the application of the temporary tariffs pursuant to points (i) and (ii) and those calculated on the basis of point (iii) shall be subject to adjustment subsequent to AEEG's approval,
- by 30 June 2013, operators are required to provide the Authority with the data useful for determining the revenue restriction update (volumes, pass-through costs, changes in the basis of consolidation, etc.). The adjustment, adjusted for inflation, shall be recognised in the tariff in the year n+2.

Please note that the main Group Companies submitted an appeal to the Lombardy Regional Administrative Court against the Italian Authority for Electricity and Gas for the cancellation of resolution 582/2012.

MANAGEMENT OF WATER SERVICES IN LAZIO AND CAMPANIA

ACEA Ato2 S.p.A.

Since 2007 the acquisition of contracts with the municipalities involved has slowed. This has been caused by local authorities' natural political alternation and internal difficulties within the authorities themselves. Moreover, based on assessments carried out, certain municipalities still have problems relating to the state of treatment plants and lack of authorisation for waste disposal.
No other Integrated Water Service management was acquired in 2012.

Drinking water

ACEA Ato2 S.p.A. provides the full range of drinking water distribution services including collection and abstraction, as well as retail and wholesale distribution.

Water is abstracted from sources on the basis of long-term concessions.
Ten water sources – including five sources (Peschiera, Capore, Acqua Marcia, Acquoria and Salone), 4 well fields (Pantano Borghese, Finocchio, Torre Angela and Torre S.p.A.ccata) and the Lake Bracciano Aqueduct – supply approximately 3,000,000 people 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.
In addition, ACEA Ato2 S.p.A. manages the Simbrivio aqueduct, which supplies water to 54 municipalities and 3 consortia, the Laurentino aqueduct (formerly CASMEZ Lazio Regional Authority), which supplies the municipalities of Pomezia, Ardea and the Campoleone area in the municipality of Lanuvio, the Doganella aqueduct, serving 8 municipalities in the Castelli Romani area, and the distribution of water in 73 municipalities in addition to Rome.

During the snowfalls of February 2012, in line with the snow and ice emergency plan 2011-2012, adopted by ACEA Ato2 S.p.A. in the entire territory handled, the company implemented all possible initiatives to limit

problems for users and restart operations of the plants affected by power blackouts.
Critical situations occurred mainly during the snowfall of 3-6 February of this year due to power blackouts at local wells and sewage pumping stations, which in some cases lasted for many days, and principally regarded the vast area supplied by the Simbrivio and Doganella aqueducts.

2012 was also characterised by exceptional drought at the national level. In particular, in the territory of the municipality of Rome, there was 12% less rainfall than the annual averages of 2000-2011. The three summer months of 2012 were particularly dry, with 78% less rainfall than the average of the summers of 2000-2011. At the same time, summer 2012 was very hot, with maximum temperatures in the area managed by ACEA Ato2 S.p.A. an average of 2.2°C higher than the averages recorded in the summer months of 2008-2011.
Therefore, the combination of less water availability, heat and high consumption caused water crisis situations in summer 2012 in numerous municipalities falling within the territory of the Province and temporary drops in pressure, particularly on the higher floors of buildings, also in some limited areas of the city of Rome. The water deficit situation was contained through focused management of water resources.
To face the emergency underway in numerous municipalities managed, beginning in June ACEA Ato2 S.p.A. deployed a supply service using tanker trucks which made it possible to limit problems for residents. That service was also incentivised with emergency credit facilities. The tanker trucks, depending on the crisis situations that occurred, were dedicated to refilling municipal tanks and/or supplying private users and/or supplying water to the public.
The water shortage made it necessary to rely on emergency supply sources, first and foremost Lake Bracciano. Furthermore, another of the main actions carried out in 2012 to face the water crisis in the areas supplied by the Simbrivio Aqueduct was the emergency entry into operation of the new Arcinazzo reservoir and the new Pertuso booster, which made it possible to transport higher volumes in the aqueduct. In June 2012, the Monte Palombino booster also began operating, making it possible to improve the water supply in the municipality of Fonte Nuova by the pumping the waters of Peschiera Sinistro.

With regard to the exception provisions on water quality, the Decree of the President of the Lazio Region T0258 of 29 July 2011 for arsenic and Presidential Decree T0076 of 11 March 2011 for fluorine, made provision for the return within the limits set by Legislative Decree no. 31/01 by 31/12/2012. In 2012 the company continued carrying out the work set out in the restoration plans.
The works conducted to date have made it possible to return to within the limits set by Legislative Decree 31/01 for the majority of the population initially affected by the exceptions, which went from just over 150,000 residents to approximately 5,000 residents at the end of December 2012, for which an alternative supply was in any case activated through mobile tanks and small fountains equipped for on-site treatment. The works set forth in the restoration plans are now complete except for two activities still underway due to the extended timing for obtaining legal authorisations to execute the works.
Simultaneously, an information campaign was targeted at the population, in agreement with the municipal administrations, ASL (Local Health Authorities) and STO. As regards the vanadium, ACEA Ato2 S.p.A. completed works for the restoration and, in any case, in December 2011, the Ministry of Health changed the value of the vanadium parameter from 80 micrograms/litre to 140 micrograms/litre.

Sewerage and waste water treatment
The sewerage service comprises a sewage network of about 6,126 km (including approximately 4,160 km of network serving the municipality of Rome) and more than 300 km of collectors.
ACEA Ato2 S.p.A. manages the waste water treatment system and pumping stations that serve the network and sewage collectors. Some of them are quite large, with a throughput of more than 10 cubic metres/sec, and in some cases they also provide flood protection.
In 2012 the main waste water treatment plants handled around 509 million cubic metres, a decrease of around 14.9% compared with the previous year. This decrease was caused by the low level of rainfall recorded in 2012 compared to last year.

Sludge, sand and grating production for all managed plants was equal to 146,163 tonnes, down approximately 3.1% compared to the previous year.
At the end of December 2012, ACEA Ato2 S.p.A. managed a total of 513 sewage pumping stations, including 174 in the municipality of Rome, and a total of 175 waste water treatment plants, including 35 in the municipality of Rome.

Research and development
In cooperation with LaboratoRI S.p.A., research and development activities continued, in terms of the analysis of distribution networks and research of leaks according to the district metering approach set out in Ministerial Decree 99/97, which was performed mainly in the municipalities of Monterotondo, Riano, Fiano Romano, Cerveteri, Subiaco, Formello, Mentana, Velletri and Santa Severa in the municipality of Santa Marinella.

Tariff
Details on the resolutions made by the Mayors' Conference in April 2012 and the impacts of AEEG resolution 585/2012 are provided in the section "Service concession arrangements".

ACEA Ato5 S.p.A.

The company manages the integrated water services in ATO 5 Southern Lazio-Frosinone, as set out in Lazio Regional Law no. 6 of 22 January 1996, under an agreement entered into with the Area Authority. The company is also responsible for all other related, resulting or associated activities.

The management of the integrated water service in the territory of ATO 5 Lazio-Frosinone involves a total of 87 municipalities (management still remains to 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 188,214.
The drinking water system comprises supply and distribution plants and networks that use 6 main sources from which 6 aqueduct systems originate (Northern supply, Southern supply); minor plants serve certain local systems.
The coverage of this service amounts to about 97%.
The sewerage-purification system comprises a network of collectors and sewerage trunk lines connected to terminal treatment plants of urban waste waters.
Following the recognition and the associated assessment of the users connected to the sewerage system (as a result of Ruling no. 335/2008), it was noted that the coverage of this service is equal to approximately 67.5% with respect to water users.

Again this year, management of the water and sewer networks and treatment and lifting plants was affected by the operator's inability - due to continued inertia of the awarding Authority which has still not reviewed the Area Plan - to schedule and implement any plan of action to solve the strong critical points relating to the plants for the water service and the considerable infrastructural gaps for the sewerage service.
In light of the above, the networks continue to be in an extremely poor state of repair, forcing the operator to carry out continuous, large-scale extraordinary maintenance works.
Water treatment plants are subject to targeted systematic upgrading and/or adjustment into line with applicable legislation.
Activities involving the routine collection, transportation and final disposal of solid and/or liquid waste on the sites involved the final disposal of waste of a total volume of roughly 18,991 tonnes, an increase of 72% over the previous year (around 11,000 tonnes in 2011).

As concerns the enquiries and inspections to obtain waste disposal authorisations for treatment plants, updates were completed during the previous year to the technical documentation relating to the water treatment plants managed by the company.

In terms of drinking water quality monitoring, as at 31 December 2012 – pursuant to Legislative Decree no. 31/2001 – quality controls (routine and inspection) were performed on the drinking water sources, tanks and networks.
In 2012, a total of 1,960 samples were taken from water destined for human consumption.

As regards the search for water leaks, activities continued to be focused on areas rendered especially critical in view of adverse weather conditions which involved a drop in sources.

Details on the activities carried out in 2012 by the Commissioner for deeds and the impacts of AEEG resolution 585/2012 are provided in the section "Service concession arrangements".

GORI S.p.A.

GORI provides integrated water services in 76 municipalities in the provinces of Naples and Salerno, on the basis of a thirty-year agreement signed on 30 September 2002 by the company and the Sarnese Vesuviano Area Authority. The perimeter managed has remained unchanged compared to the previous year, since the process of acquiring management is, by now, complete. In fact, there are 76 municipalities managed, and that is, all of those falling within ATO no. 3 of the Campania Region.
With regard to the tariffs issue, on 27 October 2012, the General Meeting of the Area Authority approved the tariffs for 2012 and the corrective measures to be implemented to ensure the economic and financial stability of the service with reference to 2003-2011, to the extent determined in the preliminary report of 8 October 2012 prepared by that same Authority's Planning Department. Following the aforementioned measure, the revenues recorded until 2008 were confirmed on the basis of those expected in the area plan, products of the real average tariff set forth for the various years and the water volumes actually supplied. For the years 2009, 2010 and 2011, the Authority conducted a precise analysis of the data transmitted by the Operator to verify the eligibility of the individual cost items for inclusion in the tariff, taking into consideration the criteria laid out by AEEG. The aforementioned enquiry resulted in the recognition of higher adjustments to be recovered totalling approximately 13 million euros.
Please also note that within the scope of the aforementioned preliminary enquiry, in compliance with the criteria adopted by AEEG, the I.I.S. loan instalments were reclassified from the item "Intangible assets" and considered to be operating costs for the purpose of determining the 2012 tariff and the adjustments for the years 2009-2011.
On the topic of tariffs, at its meeting of 27/10 the General Meeting of the Sarnese Vesuviano Area Authority issued resolution no. 5 which set the tariff system for the year 2012, by concluding the process of convergence of all municipalities included within ATO no. 3 in Campania within a single tariff area, and updated the basic tariff to the extent of Tb = 1.2600 /m3, without prejudice to the tariff breakdown approved with resolution no. 9 of 10 July 2009, as amended by resolution no. 5 of 2 August 2011.
The Resolution referred to above also set the value of total costs recognised in the tariff for the year 2012; in particular, for 2012 it established a value of 127 million euros for total tariff costs and therefore for guaranteed revenues.
Please note that for 2012, the company estimated revenues applying the provision contained in AEEG Resolution no. 585 of 28 December 2012 and revenues from the tariff were estimated at 127 million euros.

Details on the impacts of AEEG resolution 585/2012 are provided in the section "Service concession arrangements".

MANAGEMENT OF WATER SERVICES IN TUSCANY AND UMBRIA

ACQUE S.p.A.

The management agreement, which entered into force on 1 January 2002 with a twenty-year duration, was signed on 28 December 2001. In accordance with that agreement, the Management Body took over the exclusive integrated water service of ATO 2, comprising all the public water collection, abstraction and distribution services for civil use, sewage systems and the treatment of urban waste water. The Area includes 57 municipalities. The company pays a concession fee to all the municipalities, including the past liabilities incurred by previous management bodies, in exchange for taking over the service.
Based on the provisions of the concession, on 22 December 2008, the General Meeting of the Area Authority approved the tariff review for the years 2005-2007, in which checks were performed on the actual volume of investments carried out, operating costs, revenues

generated, the amounts billed and the technical and organisational standards achieved. Based on the results of these checks, the adjustment was calculated (positive for the operator) for lost revenues for 2005-2007, given more than 0.5% lower than those forecast in the Area Plan.
Penalties were also applied during the revision, as provided for in the Agreement, for the failure to achieve certain technical and organisational standards.
During the second tariff review, the new Investment Plan was defined, later described in detail in the new three-year operating plan for 2008-2010 approved by the Authority in March 2009.

Details on the impacts of AEEG resolution 585/2012 are provided in the section "Service concession arrangements".

PUBLIACQUA S.p.A.

The management agreement, which entered into force on 1 January 2002 with a twenty-year duration, was signed on 20 December 2001. In accordance with that agreement, the Management Body took over the exclusive integrated water service of ATO 3, comprising all the public water collection, abstraction and distribution services for civil use, sewage systems and the treatment of urban waste water. The Area includes 49 municipalities, of which 6 managed via agreements inherited from the previous operator, Fiorentinagas. In return for award of 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 a stake in the company.
Please note that, on 17 December 2010, the general meeting of the Area Authority approved the 2010-2021 tariff development.

In January, the general management for protection of the area and water resources, concluded the preliminary check on the proper drafting of the ordinary review of the Area Plan of ATO 3 Medio Valdarno, publishing it on Conviri's website.
Certain provisions were made in the decision; the main ones in terms of the impact on the company's economic-financial capacity are as follows:

- amendment to the calculation method for the real average tariff, excluding profit sharing, i.e. the system for distributing operating economies achieved in the three years prior to the review between operator and user,
- exclusion from the tariff calculation of the component of the return on invested capital relating to fixed assets in progress with subsequent damage on the actual coverage of costs connected with the realisation of the works,
- modification of the term within which the operator has the right to update actual revenues within a maximum of three years,
- elimination of the recognition of losses on receivables up to a maximum of 2% per annum which determine a deviation between the forecast and actual collection,
- elimination of extraordinary contingent assets and liabilities from the cost calculation,
- modification of the system for the calculation of the compensation due to the operator at the end of the assignment, therefore a matter which does not fall within the scope of the evaluation of the Plan as it involved in the composition of the average tariff, excluding the monetary revaluation of non-amortised capital,
- exclusion from the tariff calculation of components of amortisation and remuneration of connections carried out in the 2005-2007 period and not covered by grants.

Lastly, it should be noted that said preliminary enquiry concluded with the disapproval of the fees to municipalities which are not linked to the actual coverage of instalments of previous mortgages taken out for water works
The rulings, many of which were subject to Conviri verification in other area plans without similar reprehension, concern issues that are not defined in sector regulations but which form part of the parties' powers to reach agreements. Against this decree Publiacqua filed a self-protection claim and on 2 April 2012 filed an appeal for cancellation of the report on findings.
By Decree no. 3265/TRI/Di/viri the Ministry reopened the investigation on new elements for assessment submitted by the Tuscany Water Authority by notice no.

1061/2012. In particular, the investigation was reopened on issues concerning assets in progress, impairment of receivables and the recognition of concession fees to the Municipalities. Publiacqua submitted a claim to the Ministry to reopen proceedings on the full series of provisions applied, also in the light of AEEG resolution 585/2012 which appears to recognise the legitimacy of the points challenged by the Ministry.
The Ministry then decided to combine the two proceedings and, acknowledging the provisions of art. 21, paragraph 19 of Legislative Decree 201/2011, to transfer the proceeding for the review of the provisions to AEEG which, by resolution of 15 November 2012, initiated the preliminary enquiry to complete the verification of the Ato 3 Medio Valdarno area plan, for which dedicated supplementary briefs were prepared.

Details on the impacts of AEEG resolution 585/2012 are provided in the section "Service concession arrangements".

ACQUEDOTTO DEL FIORA S.p.A.

A concession agreement was signed on 28 December 2001, assigning the company to provide 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 a stake in the company.
In December 2011 the Area Authority approved the new Tariff Review for 2008-2010 and the review of the 2011-2026 Area Plan and Investment Plan, in line with the principles of sustainability and medium/long-term economic and financial balance. In this context and as invited some time ago by the company, the Area Authority took the opportunity to reduce remaining discrepancies between the operator planning (Economic-Financial Plan for project financing) and regulator planning (the Authority's Economic-Financial Plan).
The volumes of water sold, included by the Authority in the new Area Plan are, therefore, in line with Acquedotto del Fiora expectations.
According to the provisions of the Decree of the Commissioner for the Tuscany Water Authority Conference, District 6 Ombrone no. 1 of 05/01/2012, the average tariff applicable by Acquedotto del Fiora for 2012 is 2.106 euros per cubic metre, including planned inflation and net of the rebates to eligible end users of part of the water treatment charge pursuant to art. 7, Ministerial Decree 30/09/2009.

Details on the impacts of AEEG resolution 585/2012 are provided in the section "Service concession arrangements".

CREA GROUP

In ATO1 Toscana Nord, the ACEA Group is present through its wholly owned subsidiary CREA S.p.A., in liquidation, which holds shares in **GEAL** (manager of integrated water services for the city of Lucca alone), **AZGA Nord** and **Lunigiana Acque** (both in liquidation).

GEAL S.p.A. manages integrated water services in the municipal territory of Lucca.
In 2011, on conclusion of a long dispute with the Area Authority and also following the repeal of art. 23-bis of Italian Law Decree 112/2008, GEAL fully consolidated its operations in the Municipality of Lucca, under the current regulatory framework guaranteeing operational continuity until the natural expiry on 31 December 2025 of the concession agreement.
Therefore in a context of new and more tranquil relations with the Area Authority following the end of the dispute, on 29 December 2011 GEAL signed a Memorandum of Understanding with the Authority and the Municipality of Lucca awarding the water service which transferred planning power to the Area Authority (in any event to be exercised jointly with the Municipality of Lucca) and control of operations in the municipality of Lucca, with the introduction for GEAL of the tariff method based on the Decree of the Ministry of Public Works of 01.08.1996 (called the Standardised Tariff Method - MTN), replacing that no longer applicable by law (art. 10, paragraph 28 of Law Decree 70/2011, converted to Law 106/2011) based on resolutions of the Interdepartmental Committee for Economic Planning (CIPE), so that the company is guaranteed the conditions for

growth and development.
On 30 April 2012, in implementation of the content of the Memorandum of 29 December 2011, the Tuscany Water Authority Conference no. 1 "Toscana Nord" (formerly AATO 1) issued Decree of the Commissioner no. 18, approving the municipality of Lucca's area plan containing the integrated water service tariff determined according to the criteria pursuant to the aforementioned Decree of the Ministry of Public Works of 01.08.1996, and Decree of the Commissioner no. 16 of 30 April 2012, approving the 2012 - 2014 Investments Operating Plan, for a total amount of 25.6 million euros. Although formally approved on 30 April 2012, the new tariff was applied to users beginning on 1 August 2012 after obtaining the favourable opinion - through the institution of silence/assent - of the Ministry of the Environment regarding the Area Plan prepared by the Tuscany Water Authority.
On 31 October 2012, the company sent the Tuscan Water Authority and AEEG statements with data and information concerning integrated water services.
This information forms the basis for calculating the water tariff for the years 2012 and 2013 on the basis of the Temporary Tariff Method (MTT) approved by AEEG with its resolution 585/2012/R/IDR of 28.12.2012.
As it currently stands, the applicable Area Authority is checking the data acquired from the company and making the relative calculations in compliance with the MTT to prepare a proposal for the new tariff for the years 2012 and 2013 by 31.03.2013, which must be definitively approved by AEEG.
The draft of the new concession agreement was prepared with the municipality of Lucca to ensure its consistency with the provisions of the Memorandum of 29.12.2011, and it must be approved by the Authority's decision-making bodies presumably within the first four months of 2013.
Furthermore, on 27.02.2012, all appeals concerning the issue of the so-called "tax moratorium" were combined and discussed at the Florence Regional Tax Commission, which accepted the claims of the Tax Authorities, although limited to the principal component and not interest, therefore deeming the Office's calculation of those amounts erroneous, as claimed by GEAL.
The Tax Authorities filed an appeal before the Supreme Court.
Without prejudice to the dispute under way, the company has settled all of its obligations with the Tax Authorities with regard to this issue.

Please recall that although **AZGA Nord S.p.A.** was placed in liquidation in December 2010, the liquidators were authorised to continue operations while waiting for the competent Authority to assign a new party to manage integrated water services in the municipality of Pontremoli. Following the entry into force of Regional Law no. 69/2011, the Authority of ATO no. 1 "Toscana Nord" intends to proceed with directly assigning the service to GAIA S.p.A., in-house operator of integrated water services for a large part of the Area since 1 January 2005. This transaction has not yet been completed due to the opposition of the municipality of Pontremoli.

Lunigiana S.p.A. was placed into liquidation in July 2011. Despite being in liquidation, management continued in order to ensure continuity in the provision of an essential public service, while awaiting the assignment of the integrated water service to a new operator.
This assignment was transferred to GAIA S.p.A. following resolution no. 17 of 6 December 2011 of the General Meeting of the Area Authority and will take effect on 1 April 2012. Therefore, Lunigiana Acque's management will cease definitively on 31 March 2012. Relations between GAIA and Lunigiana Acque have been governed by a business unit lease agreement signed on 30 March 2012, which envisaged its definitive transfer by 30 September 2012, a transfer which has not yet taken place due to the Tuscan Water Authority's failure to complete the enquiry process regarding the non-amortised assets of Lunigiana Acque to be transferred for payment to the new operator and to be recognised in the tariff to the latter. On this point, GAIA submitted requests to extend the term for signing the business unit transfer agreement pending the completion of the Authority's preliminary enquiry process, the first on 1 October 2012 and most recently, since the enquiry had still not been completed, on 21 December 2012. In particular, the last request asked to postpone signing the agreement to the end of February 2013, without prejudice to additional extensions.

UMBRA ACQUE S.p.A.

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.

In 2012, the company exercised its activities in all 38 Municipalities constituting ATO 1 and 2.

By means of General Meeting decision dated 21/02/2011, the Area Authority approved 2011 tariffs, by establishing a 1.25% increase, plus the planned inflation rate of 1.5%. Therefore, the overall increase is 2.75%.

The current Area Plan was approved by the General Meeting of Representatives in 2004, though substantially retaining the format of the previous plan approved in 2002. In 2008 Umbra Acque underlined the need to carry out a total review of the current Plan, in consideration of both the new national (Legislative Decree 152/2006 as amended) and regional regulations (Regional Plan for water protection in Umbria, Sewage Directive, Regional Plan for Umbria aqueducts and Regional Law no. 25/09 "Rules for the protection and safeguarding of water resources") – according to which the programme of works included in the existing Area Plan will be adjusted to achieve the pre-defined objectives concerning water quality and aquifer protection – and in the light of the increase in several cost items (in particular, electricity consumption costs) that prevent achievement of the economic-financial balance as set out in the Standardised Method. During 2011 these additional costs increased further due to both new cost items not included in the current Plan and the increase in tariffs for the services used by the company.

In April 2012 the Authority completed its controls on the tariff period 2003-2007, recognising an adjustment in favour of the company for approximately 7 million euros. The right to receive such amounts, already recognised to the financial statements in previous years, is therefore formally confirmed by the Mayors' Conference.

Environment Industrial Area

A.R.I.A.

In 2012, A.R.I.A. S.p.A.'s activities were concentrated on the direct management of assets contributed by the subsidiaries Terni En.A. S.p.A., E.A.L.L. S.r.l., Enercombustibili S.r.l. and Ergo En.A. S.r.l., incorporated during the 2011 financial year. Furthermore, activities were conducted to coordinate and provide services in favour of the subsidiary S.A.O. S.r.l. and Ecoenergie, placed in liquidation in 2012.

At the end of April 2012 the final CIP 6/92 Agreement was signed governing the withdrawal of energy for the two new lines of the San Vittore waste-to-energy plant. Note also that during the period the company was involved in electrical energy marketing with the Group company Acea Energia Holding, which performs market operator activities, in relation to the 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

The waste-to-energy plant operates in electricity production from renewable sources, and specifically the paper mill pulp waste to energy sector.

Due to the plant revamping works which began in 2010, the waste-to-energy project was suspended for the majority of the year. The photovoltaic plant installed at the site, however, was operating regularly and in 2012 it generated 398,066.40 kWh of electricity.

Plant revamping works, already commenced on October 2010, stopped as a result of the company's withdrawal, pursuant to Legislative Decree no. 490 of 8 August 1994 and Presidential Decree no. 252 of 3 June 1998, from the tender contract stipulated with the economic operator that was the winning bidder in the initial selection procedure. They were completed during the year and on 21 December 2012, the plant began operating in parallel with the electricity system, in compliance with the deadline pursuant to art. 24 of Legislative Decree no. 28 of 3 March 2011 for access to the incentive scheme set forth for plants which begin operating before 31 December 2012.

During the year, scheduled maintenance work performed directly by plant personnel also continued. Activities aimed at obtaining a new AIA (Integrated Environmental Authorisation) for the extension of authorised fuels were suspended based on the guidelines issued by the applicable Integrated Area Authority, which decided, unlike what was established in the initial formulations of its plan, to no longer use the Terni waste-to-energy plant for Combustible Dry Waste.

Paliano RDF production plant

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

This authorisation certainly represents a significant asset, especially if we consider the difficulties connected with locating, realising and authorising activities in the environmental sector, and in particular in the waste treatment sector and the lack of plants, compared to actual needs, made evident by the Administration established by the Central Government introduced with decree of the Ministry of the Environment and Protection of the Sea of 3 January 2013.

After executing updating works linked to the safety of the infrastructures serving the plant and renovating the fire safety system, completed in the first quarter of 2012, the activities recommenced previously in reduced form in the second half of 2011 resumed as usual beginning from the second quarter of 2012.

The technical details of the activities performed are shown below:

		Year 2012	Year 2011
Dry waste	tonnes	713	0
Dry waste from AMA	tonnes	16,172	3,285
COREPLA incoming special	tonnes	7,065	0
Other incoming special waste	tonnes	2,742	0
TOTALS	**tonnes**	**26,692**	**3,285**

San Vittore del Lazio waste-to-energy plant

The San Vittore del Lazio waste-to-energy plant operates in electricity production from renewable sources, and specifically from RDF.

As noted, 2011 saw the completion of the revamping project through the implementation of lines 2 and 3 of the plant, while works commenced for the complete renovation of line 1, whose activities ended in March 2011.

Therefore, Line 2, which started up in April 2011, as well as Line 3, which began operating in July 2011, were both operational in 2012.

The main operational data are shown below. The comparison with the same period of last year must necessarily take into account the circumstance that two lines were operating simultaneously in 2012, unlike in 2011 during which operations began only in April 2011 for Line 2 and in July 2011 for Line 3.

	measurement unit	**2012**				**2011**
		LN 1	**LN 2**	**LN 3**	**TOT**	
Directly operational hours in parallel	h	0	8,060	7,703	**15,763**	11,072
Electricity generated	MWh	0	111,134	107,104	**218,238**	149,423
Electricity sold	MWh	0	95,845	92,808	**188,653**	128,288
RDF delivered by SAF	tonnes	0	40,979	37,562	**78,541**	70,941
RDF delivered by OTHERS	tonnes	0	59,921	58,109	**118,030**	86,279
RDF produced by the Paliano plant	tonnes	0	10,640	10,747	**21,387**	2,347

An examination of the operating figures highlights a significant increase in the quantity of RDF delivered by third parties, in addition to the quantity delivered by SAF S.p.A., and the increase in the potential productivity (MWh sold/parallel hours) of line 2 (plus 11 MWh/h), compared to that obtained previously by line 1 (8 MWh/h).

These figures allow the performance of the new plant to be viewed in a positive light.

Please recall that during the last quarter of 2011, an authorisation request was presented targeted at environmental upgrading for the architectural-functional redevelopment of the site as a whole, and the completion of civil works strictly related to the plant. At the same time, a request to renew the Integrated Environmental Authorisation, due to expire on 27/07/2012, was also submitted. The enquiry is still in progress.

In 2012, a communication was submitted pursuant to art. 29 nonies of Legislative Decree 152/2006, concerning some non-substantial changes consisting of the representation of the effective operational capacity of the plant with respect to forecast data. That proceeding closed with the Lazio Region's issue of a Decision acknowledging the non-substantial change with the expectation of an increase of approximately 19,000 tonnes/year in the quantities that can be recovered at the plant.

SAO

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

The following events took place in 2012:

- in compliance with the resolution of the SAO Board of Directors in March 2012, the disposal of the street cleaning services business unit, considered no longer strategic to the company's development plans, was completed with effect from 1 May 2012;
- in April 2012, the company successfully passed an audit regarding confirmation of environmental certification UNI EN ISO 14001:2004 and the EMAS certification, as well as the safety certification OHSAS 18001:2007;
- to carry out the revamping of the Orvieto plant in compliance with authorisations issued by the competent Authorities, from 3 March 2012 the treatment to recover the organic and green fraction from

separate waste collection was performed by duly approved third party plants, and from 2 April 2012 the regular transfer of non-separated solid urban waste was guaranteed by means of an alternative treatment. On 4 June 2012, the company confirmed its intention to the Provincial Government of Terni to postpone the revamping works on the Orvieto waste treatment plant to the second half of 2013, with start-up of the new plant in January 2014. The postponement became necessary as a result of persisting uncertainties in that period regarding the planning at ATO level and renewable sources incentives. That postponement made it necessary to carry out a number of extraordinary maintenance works, strictly necessary to restore the existing treatment plant to working order. Those works were completed on 16 July 2012. On the same day, the existing plant began operating normally once again, and therefore the alternative treatment of solid urban waste and treatment at third party plants to recover the organic and green fraction from separate waste collection ended. In a notice of 20 September 2012, the Waste Management, Emissions and Integrated Environmental Authorisation service of the Province of Terni asked SAO to confirm the timing for carrying out the revamping work on the waste treatment plant, which the company had reported to that Authority on 4 June 2012. On 28 September 2012, in a note dated 12 October 2012, SAO confirmed to the Province that the revamping works at the Orvieto waste treatment plant will begin in July 2013, with the launch of commissioning and start-up activities in January 2014, without prejudice to unforeseen events or force majeure, so that the new plant can be phased in by the end of August 2014;

- in July, the works to complete the 9th step of the operating waste dump were completed and passed inspection. Those works constitute the first activity set forth in the project for the "REVAMPING OF THE WASTE TREATMENT PLANT AND EXPANSION OF THE NON-HAZARDOUS WASTE DUMP", approved by the Province of Terni in Integrated Environmental Authorisation of 11 August 2011;
- on 21 August, a request was submitted to the municipality of Orvieto for the declaration of urban planning compatibility relative to the screening procedure for the realisation of a clay pit at the SAO plants in Orvieto, pursuant to art. 21 of Umbria regional regulation no. 3/2005 for the satisfaction of extraordinary requirements for the management of the operating waste dump. On 20 September 2012, the municipality of Orvieto requested an opinion from the competent offices of the Umbria Region in relation to the application submitted by SAO. On 19 December 2012, the same municipality, acknowledging the opinion issued by the Regional offices, issued a warning that a refusal would be issued, in which it expressed a negative opinion in relation to that application. On 28 December 2012, the company responded to the prewarning of refusal noted above by making its own observations so its application could be reviewed. The company is currently awaiting the decisions of the municipality of Orvieto;
- with resolution of 2 August 2012, the General Meeting of the ATI adopted the Area Plan for integrated urban waste management. The Plan proposal was then sent to the boards of the municipalities included within the ATI to obtain their opinion, and it was published in the Umbria Region Official Gazette of 2 October 2012 so that comments and contributions could be sent by interested parties within 60 days of publication. On 26 November 2012, SAO sent the ATI its comments concerning the plan adopted. Please recall that in April 2012, ATI 4 asked SAO and ASM Terni to once again review the Economic-Financial Plan of the respective projects on the basis of different waste flows and a different plant setup. In particular, as regards SAO's activities, ATI4 requested a review of the Economic-Financial Plan considering the transfer to and disposal at the Orvieto waste dump of all combustible dry waste deriving from the selection of mixed solid urban waste, to replace Special Waste. The company completed the review of the Economic-Financial Plan with the support of the competent Parent Company structures and submitted said documentation to ATI4 on 11 July 2012. With its note of 13 July 2012, ATI4 asked SAO to incorporate some percentage decreases relative to the amount of works into the aforementioned Economic-Financial Plan. This occurred as a result of ATI 4's verification of the consistency of the prices applied and contained in that Economic-Financial Plan, beginning from an

analysis of the average decreases applied in Umbria. On 16 July 2012, SAO sent the ATI that additional revision and, with the support of the competent Parent Company structures, verified the profitability of the works set forth in the projects authorised by the applicable Authorities with the additional amendments requested by ATI4. The waste transfer tariffs relative to the last revision of the Economic-Financial Plan are reported in the Area Plan adopted by the General Meeting of ATI4 mentioned above. On 17 October, ATI4 of Umbria asked SAO and ASM Terni to prepare and send an additional update to the Economic-Financial Plans relative to their own plants, in order to include the additional costs set forth in paragraph 2, art. 40 of Regional Law no. 11/2009, the amounts of which are specified in the recently published Area Plan adopted by the General Meeting of ATI4. The company prepared the additional requested update and sent the same documentation to the ATI on 11 December 2012, while cautioning the same Authority to complete the tariff revision procedure launched in September 2011 with the direct application of the new tariffs beginning in January 2013. Following the adoption of the Area Plan, communications began between the operators of urban waste treatment and disposal plants and ATI4, in order to prepare the contractual documentation relative to waste management;

- on 23 August 2012, at the headquarters of the province of Terni, the first meeting of the services conference regarding upgrading the plant for the utilisation of biogas energy produced by the Orvieto waste dump was held. An application to obtain a single authorisation pursuant to art. 12 paragraph 3 of Legislative Decree no. 387 of 29/12/2003 as amended and supplemented was submitted to the competent Authorities by I.C.Q. Holding S.p.A. of Rome which, it should be recalled, is the current owner, holder of the authorisation and operator of that energy recovery plant for which upgrading is requested. Another meeting of the services conference was held on 8 October 2012 regarding the issue of the single authorisation to upgrade the plant for the utilisation of biogas energy produced by the Orvieto waste dump. During that meeting, a preliminary favourable opinion was expressed with the right to order the closure of the conference with a definitively favourable opinion, without calling another session, if the procedural opinions/authorisations yet to be issued are also favourable. On 31 October 2012, the province of Terni issued the authorisation measure to ICQ, which conducted the upgrading works, and with ENEL completed the connection to the national electricity grid on 28 December 2012. ICQ is currently carrying out works to update the biogas collection network at the level of dump land treatment;
- on 3 September 2012, extraordinary maintenance works commenced on the closed and converted waste dump located in the aforementioned plant complex. The works are currently underway.
- on 16 January 2013, with Resolution no. 2, the Umbria Region ATI no. 4 General Meeting approved the Area Plan for the Integrated urban waste management service, pursuant to Regional Law no. 11/2009. For more information, please see the section "Significant Events after the balance sheet date".

Finally, the company legal format was transformed to a limited partnership.

The quantities of waste input and treated at the Orvieto plants in 2012 is reported below, as compared to 2011.

	measurement unit	Year 2012	Year 2011
Solid Waste ATO 4	tonnes	7,295	6,638
Solid Waste extra ATO 4	tonnes	32,845	22,942
Solid Urban Waste Orvieto	tonnes	9,504	9,863
Solid Urban Waste Orvietano Area	tonnes	9,822	9,926
Solid Urban Waste Amerino Area	tonnes	5,374	5,702
Solid Urban Waste Ternano Area	tonnes	17,564	1,190
Terni org. waste from selec. plants	tonnes	16,052	23,730
Org. waste from sorted collection	tonnes	11,169	7,868
Sludge	tonnes	7,705	6,420
FSC (dry waste) from sel. plant Terni	tonnes	21,785	33,604
ASM Terni pieces	tonnes	899	1,842
Bulky solid urban waste	tonnes	2,917	4,068
TOTALS	**tonnes**	**142,931**	**133,793**

The figures above show that quantities transferred totalled roughly 9 thousand tonnes more than the final value in 2011.

AQUASER

The company was set up in order to manage ancillary services associated with the integrated water cycle, carrying out the recovery and disposal of sludge from biological treatment and waste produced from water treatment, treating effluent and liquid waste and providing the services connected thereto.

In particular, it currently carries out the service of transporting and recovering treatment sludge for the company ASA S.p.A, entrusted with integrated water services in ATO5 Toscana Costa, Acquedotto del Fiora S.p.A. entrusted with integrated water services in ATO6 Ombrone, ACEA Ato2 S.p.A. entrusted with integrated water services in ATO2 Lazio, ACEA Ato5 S.p.A. entrusted with integrated water services in ATO5 Lazio, UMBRA ACQUE S.p.A. entrusted with integrated water services in ATO Umbria no. 1 and SOGEA S.p.A. entrusted with integrated water services in some municipalities in the province of Rieti.

The recovery is mainly carried out by spreading sludge in farming based on clearances, mostly from third parties, and the delivery to composting plants, also mainly owned by third parties.

With the acquisition of the companies Solemme S.p.A. and Kyklos S.r.l., taking place in the previous years, the company started a positioning process on the reference market, by acquiring own plants enabling it to carry out a part of the recycling process itself, and to reduce movements in prices for waste treatment, which are highly volatile and subject to speculation.

The location of the plants is also extremely important from a strategic viewpoint, with one in Lazio, which processes the sludge transferred under the contract with ATO2 and ATO5, and one in Tuscany near Grosseto, which processes the sludge transferred under the contracts with FIORA and ASA. This has resulted in a reduction of transport costs.

Plant ownership strengthens the role of AQUASER as a qualified operator in its own sphere of reference, with a goal of ever increasing freedom from reliance on plants it does not own, with a view to increasing the level of service already provided continuously to its own clients/partners.

Over the previous years, the company has obtained three authorisations for the recycling of sludge in the agricultural sector. Direct ownership of the authorisations for the recycling of sludge in the agricultural sector makes the company more independent from third-party suppliers. Activities are currently underway to obtain additional authorisations for the recovery of sludge in the agricultural sector.

Operations in 2012 confirm the consolidation of the

company both in terms of turnover and management yield.
The entry of ISA S.r.l., a company which provides logistics and transportation activities, represents a strategic element of fundamental importance within the group of AQUASER subsidiaries and closely complements the activities performed by the company, a completion of the missing link in the production chain managed by AQUASER and the development of tools acquired through the acquisition of the ACEA RIETI business unit, which took place in previous years.

In 2011, the Board of Directors approved the company's business plan, which identifies two paths of development that the company intends to pursue:

- consolidation of the perimeter currently managed and expansion of the service to other ACEA group companies that manage the integrated water service;
- strengthening of owned plants and development of new initiatives in the regions of interest.

As regards the first area, procedures are being defined to transform AQUASER into a joint company of the ACEA Group's integrated water management companies, by having them invest in the company's share capital. As regards the second point, initiatives to expand the KYKLOS and SOLEMME plants and due diligence activities to purchase plants in the Lazio and Tuscany regions are being implemented. In particular, the due diligence activities for SAMACE were completed in respect of the Lazio region.
The operation is expected to be completed in the first few months of 2013.

KYKLOS

The company operates in the waste treatment sector. It produces and markets moulds, soil conditioners and organic fertilisers and carries out its activities 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.
The purchase by Aquaser has opened direct access to the market for sludge produced by integrated water services in the ACEA Group to the Company; in addition it enabled the creation of positive synergies related to the experience of Aquaser in the Solemme subsidiary, which owns a similar plant. Special attention was and will be given to the development of the synergy resulting from the professional competence and experience of the long-standing shareholders with the potential offered by the ACEA Group.
During the period in question, the company has reinforced its role as a reference plant for the recovery of organic waste in the Provinces of Rome and Latina. In order to strengthen the leadership acquired, on 8 June 2010, the clearance process 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.
On 23 June 2011, on request of the company, the province of Latina issued the authorisation in accordance with art. 208 for the implementation of some substantial variations (closure of the maturation facility, covering of the existing bio-filter, construction of the waste treatment plant, installation of the screening plant with deplastification) necessary for streamlining the management process. The changes are proof of the company's focus and desire to reduce the environmental impact of its activities to a minimum, by optimising the high quality and management standards already ensured. The relative activities have been almost fully completed, and are expected to be finished in the first few months of 2013.
Business conducted in 2012 and the partnership activities, also with support from the parent company AQUASER, with the University of Tuscia allowed the company to further develop and consolidate its new focus in the management of organic waste, organising the production process with optimisation of the fertiliser produced using an innovative approach from the product side rather than the waste side.

SOLEMME

The company operates in the waste recycling sector through the composting of organic waste, in particular sludge from civil waste water treatment.
The purchase by Aquaser during the course of the previous year has opened direct access to the market for sludge produced by integrated water service operators in the ACEA Group to the Company, with special reference to the Tuscany Region. In addition it enables

the creation of positive synergies related to the experience built up by Aquaser in the Kyklos subsidiary, which owns a similar plant.
The company is currently operating in a situation of strong local opposition mainly aimed at blocking both the development of the company and the construction of the new plant to recover energy from sludge, but also at fighting against the management of the current composting plant and its upgrading by adding a biogas plant which would make it possible to increase the quantity of sludge treated, with a significant increase in revenues and a resulting limitation of losses.
Precisely in this context the issue raised regarding the administrative penalty inflicted by the Ministry for Agricultural and Forestry Policy in previous years should also be included, in relation to the use of a compost conditioner mixed with a sludge percentage higher than 35% p/p in the production mix.
Pending the definition of that penalty, challenged by the company in terms of both form and substance due to the production process authorised by the resolution of the Province of Grosseto based on which the plant operates, resulted, by own determination, in the reduction of transfers of biological treatment sludge to Solemme beginning at the end of March 2010, in fact cancelling the only plant in the Province authorised to treat sludge, with inevitable repercussions on the company's economic and financial stability in its first year of regular operations and an increase in sludge treatment costs for the water service operator.

The company has started to transfer new types of waste and has moved to clarify the interpretation of fertiliser production methods at all institutional sites, in order to recommence full production as soon as possible.
In any case, in October 2010 the delivery of biological treatment sludge recommenced in respect of the initial mix percentages with reference to the weight/weight as sampled, leading, however, to a substantial decrease in the volumes of sludge transferable to the plant with respect to the volume set out in the authorisation which also concerned 2012.
The new business plan sets forth the expansion of the current composting plant, which, when operational, has an input capacity of 26,100 tonnes of compostable waste and whose potential is not completely exploitable as of today, in addition to the existing anaerobic treatment plant and the expansion of treatment potential, guaranteeing the management of 15,000 tonnes of organic waste, 25,000 tonnes of biological treatment sludge, 15,000 tonnes of agroindustrial sludge and 15,000 tonnes of green waste, for a total of 70,000 tonnes per year. It is currently expected to begin operating beginning in 2015. A capacity of approximately 0.5 MW of electricity production is also expected at the new plant.
The procedure commenced in August 2010 for the authorisation of the upgrade of the current plant, with an increase in treatment potential to 70,000 tonnes per year and insertion of a biogas plant section with the production of electricity and heat energy. On 31/12/2010, by means of Resolution no. 4044 the Province of Grosseto extended the plant operating authorisation until 7/01/2012.
On 1 June, with resolution 113, the Grosseto Provincial Council excluded the initiative proposed by Solemme Spa from the Environmental Impact Assessment in accordance with art. 49 of Tuscany Regional Law 10/2010; therefore, the procedural process for the issue of the new plant's construction and operating authorisation was re-initiated.
Individual citizens, associations and the Municipality of Monterotondo Marittimo submitted an appeal to the Regional Administrative Court of Tuscany against the provision of exclusion from the Environmental Impact Assessment procedure of 1 June 2011, relating to plant upgrading, notified to the company on 3 and 4 October respectively.
On 14/02/2012, the final services conference of the Provincial Government of Grosseto approved the construction and operations of the plant with a capacity of 70,000 tonnes per year, subject to the implementation of town planning procedures. In fact, the positive conclusion of the services conference for SOLEMME made it possible to carry out the proposed essential plant upgrading, in order to ensure the business continuity of the company, even though SOLEMME is first required to actually conclude procedures relating to approval of the implementation plan.
In this sense, however, the company already started the authorisation procedure in August 2011, as part of authorisation activities pursuant to art. 208 of Legislative

Decree no. 152 of 3 April 2006 - Environmental regulations governing plant upgrading as a whole.
In addition, Municipal Administration, which had suspended the review of the implementation plan, re-commenced its own procedure on request of SOLEMME, which had requested the immediate recommencement of the procedure, highlighting the illegitimate suspension.
On 4 December 2012, with resolution no. 3379 the Environmental Service of the Province of Grosseto granted, pursuant to art. 208 of Legislative Decree no. 152/2006 as amended and supplemented, Solemme Spa the authorisation for the substantial variation to upgrade and include an anaerobic digester in the composting and bio-fertilizer production plant, in order to streamline the production process.
On 7 January 2013, with resolution no. 45 the Provincial Government of Grosseto decided to extend Solemme S.p.a.'s authorisation to operate the composting and bio-fertilizer production plant to 14 April 2014.
In light of the above, plant upgrading activities are expected to start in the first few months of 2014.

ISA

The Company operates in the services sector and, in particular, in transportation and devising solutions relating to civil and industrial works, including through the use of computerised networks and systems, for global service activities.
The combination of experience matured by the company and the needs of its new shareholder Aquaser S.r.l., which aimed to strengthen its organisation to more independently provide its own services, not only transport but also services relating to other activities associated with and complementary to farmland spreading of sludge, maintenance of the drying beds and automatic discharge services, have led to a significant increase in business activities performed.
With regard to investments, note that the Company currently has its own transport fleet to carry out haulage activities.
In 2012 the Company acquired further vehicles, equipment and truck bodies for sludge transport, which caused an increase in its assets, reinforcing the company's specialisation in the management and logistics sector.

Economic and financial review

Alternative performance indicators

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

1. gross operating profit is used by the ACEA Group as an indicator of operating performance and is calculated by adding "Amortisation, depreciation, provisions and impairment charges" to the operating result;
2. net debt indicates the state of the ACEA Group's financial structure and is obtained by adding non-current borrowings and financial liabilities, less non-current financial assets (loans and receivables and securities other than investments), to current borrowings and other current liabilities, less current financial assets and 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 net debt.

Latest news on industrial area trends

The operations and financial position by Industrial Area as at 31 December 2012 are commented on without considering the effects of the fine that AGCM issued to ACEA.

Note that the economic data for the first quarter of 2011 included figures achieved from 1 January until closing of the companies following winding-up of the joint venture between ACEA and GDF Suez: for this reason details are provided below of the changes required to render the 2011 EBITDA pro forma so as to facilitate comparison. Specifically, EBITDA of companies sold was eliminated and that of companies acquired are included on the basis of the current percentage interest.

The income statement data relative to 2012 include those relative to the photovoltaic activities sold at the end of December.

Note also that in the statement of financial position by segment, the borrowings of ACEA include cash flows relating to public lighting.

€ millions	31.12.2012	31.12.2011	INCREASE/ (DECREASE)
Consolidated EBITDA	**703.6**	**655.8**	**47.8**
Change in consolidation:			
ENERGY:	**0.0**	**(0.3)**	**0.3**
Production	0.0	2.7	(2.7)
Trading (jv)	0.0	(6.6)	6.6
Sales	0.0	3.6	(3.6)
ENGINEERING	**0.0**	**(0.2)**	**0.2**
Total change in consolidation	**0.0**	**(0.5)**	**0.5**
Pro-forma EBITDA from changes in basis of consolidation	**703.6**	**655.3**	**48.3**

CHANGE IN EBITDA ON A LIKE-FOR-LIKE BASIS

€ millions	31.12.2012	31.12.2011	INCREASE/ (DECREASE)
ENERGY NETWORKS	**260.7**	**269.6**	**(9.0)**
ENERGY	61.0	61.1	(0.1)
Production	31.4	18.3	13.1
Trading(JV)/Energy management	(10.0)	(2.1)	(7.9)
Sales	39.6	44.9	(5.3)
ENGINEERING	**10.4**	**7.7**	**2.7**
WATER:	**338.6**	**315.8**	**22.9**
Overseas	10.2	8.7	1.5
Lazio - Campania	257.6	226.6	31.0
Tuscany - Umbria	70.9	80.5	(9.6)
ENVIRONMENT	**49.3**	**31.7**	**17.6**
ACEA (Corporate)	**(16.5)**	**(30.6)**	**14.2**
Total EBITDA on a like-for-like basis	**703.6**	**655.3**	**48.3**

Net debt (€ millions)	31.12.2012	31.12.2011	INCREASE/ (DECREASE)
ENERGY NETWORKS	**(728.1)**	**(853.8)**	**125.8**
ENERGY	**(332.6)**	**(229.6)**	**(103.0)**
Production	(162.8)	(149.2)	(13.7)
Energy Management/AEH	59.7	34.0	25.7
Sales	(229.5)	(114.4)	(115.0)
ENGINEERING	**(3.0)**	**(7.4)**	**4.4**
WATER:	**(735.7)**	**(626.7)**	**(109.0)**
Overseas	6.6	1.7	4.9
Lazio - Campania	(531.4)	(436.8)	(94.7)
Tuscany - Umbria	(210.9)	(191.6)	(19.3)
ENVIRONMENT	**(188.9)**	**(218.7)**	**29.8**
ACEA	**(507.2)**	**(389.5)**	**(117.6)**
Total	**(2,495.5)**	**(2,325.8)**	**(169.6)**

Investments (€ millions)	31.12.2012	31.12.2011	INCREASE/ (DECREASE)
ENERGY NETWORKS	**101.9**	**129.0**	**(27.1)**
ENERGY	**27.1**	**22.5**	**4.6**
Production	19.3	11.2	8.1
Energy Management/AEH	0.5	0.0	0.5
Sales	7.3	11.3	(4.0)
ENGINEERING	**1.0**	**0.4**	**0.6**
WATER:	**223.4**	**230.0**	**(6.6)**
Overseas	0.3	0.2	0.1
Lazio - Campania	152.1	161.1	(9.0)
Tuscany - Umbria	71.1	68.7	2.3
ENVIRONMENT	**37.5**	**20.6**	**16.9**
ACEA	**122.3**	**10.5**	**111.8**
Total	**513.2**	**413.0**	**100.3**

Networks Industrial Area

EBITDA in 2012 reached 260.7 million euros, down 9 million euros compared to 2011, mainly due to the decrease recorded by ACEA Distribuzione (-6.9 million euros) from the reduction in the energy margin from distribution and metering activities (-4.5 million euros). This margin is estimated in accordance with AEEG Resolution ARG/elt/199/11 in reference to the fourth regulatory period 2012-2015. There was a 4 million euro decrease in ARSE's gross operating profit, chiefly due to less activities carried out in the construction of photovoltaic plants, partially offset by EEB sales activities.
Public lighting in the municipality of Rome recorded EBITDA of 0.8 million euros, up compared to the end of 2011, due to the activities carried out within the context of the Lighting Plan commissioned by Roma Capitale to ACEA beginning in the third quarter of 2011.

In terms of staff, as of the end of the year the average number of employees was 1,433, 83 less than the same period of the previous year, entirely attributable to ACEA Distribuzione.

At the end of the period, net debt totals 728.1 million euros, down by 125.8 million euros compared to the end of 2011, mainly as a result of the cash flows generated by the sale of the PV business unit (+103 million euros), as well as due to the following opposing macrophenomena: on one hand, **(i)** the payment of higher taxes during the year, equal to 30 million euros, **(ii)** the payment of dividends totalling 42.9 million euros (32 million euros from ACEA Distribuzione and 10.9 million euros from ARSE) and **(iii)** higher payments made to Acea Energia for the transport service (+13 million euros), and on the other hand **(iv)** actions to contain current assets and liabilities for a total of 113 million euros (of which 69 million euros in higher collections received from customers and wholesalers during the period).

Area investments stand at 101.9 million euros, down by 27.1 million euros: the change is mainly attributable to ARSE for 23.7 million euros in reference to the PV production plants. ACEA Distribuzione and Ecogena investments decreased by 2.1 million euros and 1.3 million euros.

Energy Industrial Area

The Area closed 2012 with an EBITDA level of 61 million euros, essentially in line with last year (61.1 million euros). On a like-for-like basis, there was a drop in the gross operating profit of 0.1 million euros deriving from the combined effect of the following phenomena:

- the generation business, performed by Acea Produzione, recorded a 13.1 million euro increase mainly following the recognition of green certificates revenue matured as a result of repowering of the Salisano and Orte plants,
- the sales segment, including Energy Management, reduced EBITDA by a total of 13.2 million euros, due mainly to the lower energy margin recorded during the year by the Sales Companies (3.8 million euros), the negative closing result of energy management (7.7 million euros) and the fair value measurement of portfolio hedges resulting in a negative impact of around 0.2 million euros. Contributing to the deterioration in EBITDA for the period was the higher cost of materials and overheads recorded by Acea8cento, in part associated with outsourcing for a total of 1.5 million euros.

The consolidation differences - amounting to -0.3 million euros - relate to the EBITDA from generation activities of Tirreno Power and the AceaElectrabel Produzione Group (2.7 million euros) and the negative 3 million euros recorded by AceaElectrabel Trading.

In terms of staff, as of December the average number of employees was 519, 30 more than at 31 December 2011.

Net debt for the period amounts to 332.6 million euros and is up by 103 million euros compared to the end of 2011. The increase was seen in all business areas, particularly sales (for a total of +89.3 million euros), essentially due to the effect of the increase in the net working capital of Acea Energia, as well as due to payments made to ACEA Distribuzione for the electricity transmission service for free market and protected customers.

Acea Produzione also contributed to the increase (+13.7 million euros) following payment of the repowering investments in the Salisano and Orte plants.

Segment investments amounted to 27.1 million euros, up 4.6 million euros, most of which attributable to Acea Produzione.

Water Industrial Area (including therein the Engineering and Services Department)

The Area's EBITDA totalled 349 million euros, an increase of 25.6 million euros compared to last year. The increase is broken down as follows:

- Engineering and Services +2.7 million euros
- Management of water services in Lazio and Campania +31 million euros
- Management of water services in Tuscany and Umbria -9.6 million euros
- Management of overseas water services +1.5 million euros.

Revenues increased by 84.2 million euros, mainly as a result of the different methods for determining integrated water service revenues measured on the basis of AEEG resolution 585/2012 (Temporary Tariff Method valid for 2012 and 2013) as well as due to the recognition of higher tariff adjustments (40.4 million euros) - deriving from the spread between guaranteed and actual revenues for the years 2006 2011 - as resolved by the Mayors' Conference on 17 April 2012.
In fact, the Companies operating in Lazio - Campania recorded revenue growth of 81.3 million euros (ACEA Ato2 +68.9 million euros and ACEA Ato5 +9.6 million euros), partially offset by a decrease in revenue (4.5 million euros) for the companies operating in Tuscany and Umbria. The increase is caused by the overseas companies for 2.1 million euros and engineering companies for 5.7 million euros.

Operating costs increased by a total of 57.4 million euros: the change is essentially attributable to ACEA Ato2 (+40.4 million euros) resulting from the higher costs recognised for the purchase of electrical energy (+13.4 million euros), due to the effect of the continuously increasing average unit price, which went from 136.3 Euro/MWh to 166.3 Euro/MWh (+9.6 million euros), and higher volumes consumed (from 290.1 GWh in 2011 to 319 GWh in 2012) with an impact of 3.9 million euros, as well as costs incurred in the period following seizure of some treatment plants (8.4 million euros). Also contributing to the change were **(i)** ACEA Ato5 which recorded an increase in service costs, particularly for electricity consumption, of 5.9 million euros, **(ii)** GORI for 7.5 million euros, as a result of the redetermination of concession costs based on the Area Authority Resolution and **(iii)** Publiacqua for 2.1 million euros. All of the water companies suffered the consequences of the summer drought during the period under observation.

The average workforce in the segment was 4,349 staff, 33 lower than at the end of 2011.

Segment investments amounted to 223.4 million euros, down 6.6 million euros compared to the corresponding period of the previous year. The change is broken down as follows:

- Management of water services in Lazio and Campania -9.0 million euros
- Management of water services in Tuscany and Umbria +2.3 million euros
- Management of overseas water services +0.1 million euros
- Engineering and Services +0.6 million euros.

Borrowings in the segment at the end of the year amounted to 738.7 million euros, up 104.6 million euros on the end of the previous year when the total was 634.1 million euros. The increase is broken down as follows:

- Management of water services in Lazio and Campania +94.7 million euros
- Management of water services in Tuscany and Umbria +19.3 million euros
- Management of Overseas Water Services -4.9 million euros
- Engineering and Services -4.4 million euros

The main increase is attributable to ACEA Ato2 for 91.4 million euros as a result of the funding needs generated by the payment of 2011 dividends (48.4 million euros) and payments to suppliers. Also note the increase in borrowings of the Acque Group companies (+11.6 million euros).

Environment Industrial Area

This segment closed the year in question with EBITDA of 49.3 million euros, a marked increase on the end of 2011 by a total of 17.6 million euros due mainly to the increase in the operating margin of the San Vittore plant (+14.6 million euros) following start-up of the new lines in April and July 2011. Also contributing to the period result were SAO (+1 million euros) which recorded a higher operating margin mainly attributable to a decrease in operating costs incurred for maintenance and disposals, and the Aquaser Group (+0.7 million euros) also as a result of the contribution from ISA, acquired in April 2011.

The average number of staff in the period was 199, increasing by 2 mainly due to the expansion of the workforce caused by the acquisition of ISA.

Area investments stood at 37.5 million euros, up by 16.9 million euros compared to the same period of last year, mainly as a result of the revamping works underway on the Terni waste-to-energy plant and the first line of the San Vittore plant.

Borrowings for the segment amounted to 188.9 million euros, down 29.8 million euros from the end of 2011 (when they totalled 218.7 million euros), largely due to receivables collected by ARIA from the national grid operator after signing the final CIP 6/92 Agreement governing the withdrawal of energy from the two new lines of the San Vittore del Lazio waste-to-energy plant.
Note the improvement in borrowings recorded by SAO (-6.7 million euros) due to higher collections received during the period, with particular reference to those received from ASM Terni.
The Aquaser Group records growth of 0.9 million euros in borrowings.

Acea Corporate

ACEA closed the period in question with an EBITDA level that was negative by 16.5 million euros compared to -30.6 million euros at 31 December 2011. The 14.2 million euro improvement is the result of the combined effect of **(i)** increased revenue from service agreements (7.4 million euros), **(ii)** lower costs for consulting and communications (3 million euros) as a result of the cost containment policy adopted in 2012, **(iii)** the decrease in lease instalments (4.8 million euros) following purchase of the registered office on 23 January 2012, **(iv)** the decrease in operating costs linked to Facility Management activities provided by Marco Polo in 2011 (-6.6 million euros), offset by the increase in costs for IMU tax (+1 million euros) and **(v)** the increase in staff costs (+8.1 million euros) compared 31 December 2011, mainly attributable to the reinstatement of employees of the business unit rented to Marco Polo (+6.6 million euros), the agreement of which expired on 31 December 2011, and the effect of the increase in the workforce.

The average number of staff was 679, 127 higher than as at 31 December 2011, due as previously described to the centralisation of corporate departments also in reference to business activities previously conducted by Marco Polo.

Net debt for the period (including the stock relating to public lighting) amounts to 507.2 million euros and is up by 117.6 million euros compared to the end of the previous year (389.5 million euros).
The increase was essentially due to the disbursement for the purchase of the registered office (100 million euros) as well as changes in the fair value of financial instruments (23.7 million euros).
The change is also the result of: the payment to GDF Suez Energia Italia on 3 August 2012 for the supply of electricity (44 million euros), the recognition of the advance payables on 2012 dividends (44.6 million euros, including 21.9 million euros relative to Roma Capitale and offset with trade receivables of ACEA Ato2), the payment of the 8.3 million euro penalty imposed by AGCM, all partially mitigated by the collection of 2011 dividends, which totalled approximately 128 million euros.

Investments for the period totalled 122.3 million euros, up 111.8 million euros on 31 December 2011 mainly as a result of purchase of the registered office in Rome.

ACEA Group economic results

Amounts in millions of euros	31.12.2012	31.12.2011	INCREASE/ (DECREASE)	INCREASE/ (DECREASE) %
Revenue from sales and services	3,526.3	3,464.7	61.5	1.8%
Other revenues and proceeds	86.5	73.3	13.2	18.0%
Consolidated net revenue	**3,612.7**	**3,538.0**	**74.7**	**2.1%**
Staff costs	282.0	280.6	1.5	0.5%
Costs of materials and overheads	2,635.3	2,599.9	35.3	1.4%
Consolidated operating costs	**2,917.3**	**2,880.5**	**36.8**	**1.3%**
Net income/(costs) from commodity risk management	**(0.2)**	**(1.7)**	**1.4**	**-86.0%**
Gross Operating Profit	**695.2**	**655.8**	**39.4**	**6.0%**
Amortisation, depreciation, provisions and impairment charges	401.4	433.3	(31.9)	-7.4%
Operating profit/(loss)	**293.8**	**222.6**	**71.2**	**32.0%**
Finance (costs)/income	(120.6)	(120.6)	0.0	0.0%
Profit/(loss) on investments	0.9	57.1	(56.3)	-98.5%
Profit/(loss) before tax	**174.1**	**159.1**	**15.0**	**9.4%**
Taxation	88.8	65.6	23.2	35.4%
Net profit/(loss)	**85.3**	**93.5**	**(8.2)**	**-8.8%**
Net profit/(loss) from discontinued operations	0.0	0.0	0.0	0.0%
Net profit/(loss) from continuing operations	**85.3**	**93.5**	**(8.2)**	**-8.8%**
Profit/(loss) attributable to minority interests	7.9	7.6	0.4	4.7%
Net profit/(loss) attributable to the Group	**77.4**	**86.0**	**(8.6)**	**-10.0%**

The income statement shown above is provided gross of IFRS 5 reclassifications, i.e. including the economic data of the PV business unit sold and the Companies of the joint venture, sold last year.

CONSOLIDATED NET REVENUE

Total revenue for the period amounts to 3,612.7 million euros (3,538.0 million euros at 31 December 2011), representing an increase of 74.7 million euros (+2.1%) over the same period in the previous year.

Revenue from sales and services amounted to 3,526.3 million euros and can be broken down as follows:

	31.12.2012	31.12.2011	Absolute increase/ (Decrease)	Increase/ (decrease) %
Electricity sales and services revenues	2,417.6	2,306.0	111.6	4.8%
Gas sales revenues	53.4	134.5	(81.1)	-60.3%
Revenues from the sale of certificates and rights	37.4	19.7	17.7	90.0%
Revenues from integrated water services	792.8	717.5	75.4	10.5%
Overseas Water Services	37.4	35.9	1.5	4.2%
Revenues from biomass transfer and waste management	32.1	28.9	3.2	10.9%
Revenues from services to customers	128.6	185.9	(57.3)	-30.8%
Connection contributions	26.9	36.3	(9.5)	-26.1%
Revenue from sales and services	**3,526.3**	**3,464.7**	**61.5**	**1.8%**

A brief description is provided below of the more significant changes in this item compared to the end of 2011.

Revenue from electricity sales and services recorded a total increase of 111.6 million euros, of which 26.9 million euros due to the change in the basis of consolidation following winding-up of the joint venture with GDF Suez Energia Italia on 31 March 2011. In particular, the effect of companies sold generated a negative difference of 153.6 million euros, offset by the effect of full consolidation of Acea Produzione and Acea Energia which, with its subsidiaries and the effect of higher consolidation netting, generate a positive overall change of 180.5 million euros. On a like-for-like basis, the remaining 84.7 million euros are associated with opposing factors:

- the overall growth of 53.8 million euros in revenues from the generation and sales activity. Please note that sales to the free market recorded a 2,880 GWh reduction in volumes (-22%) due to the consistent decrease in the Elga Sud and Voghera Energia Vendita portfolios, as well as the downsize in the portfolio of Acea Energia, which decided to decrease the volumes sold to the Public Administration and industrial customers. The average sale prices of ACEA Energia are higher than in 2011. With respect to the protected market, there was a 7% decrease in volumes accompanied by an increase in average revenues, also due to AEEG resolution 583/2012, which contains an upward revision of the level of the RCV component for the remuneration of primary utility providers,
- higher income from the sale of energy to the national grid operator generated by ARIA-owned plants, in reference to the two new lines of the San Vittore plant (19 million euros);
- higher revenue achieved by ARSE and Ecogena for the sale of electrical energy produced by photovoltaic and cogeneration plants (0.2 million euros).

Gas sales revenue recorded a decrease compared to 31 December 2011 of 81.1 million euros, mainly due to the change in the basis of consolidation (87.1 million euros) following the exit of AceaElectrabel Trading. On a like-for-like basis the Acea Energia Group recorded an increase of 6 million euros, reaching 53.4 million euros at 31 December 2012 compared to 47.4 million euros at 31 December 2011, largely attributable to the higher average sale prices which offset the decrease in volumes sold (-10%).

Revenue from the sale of certificates and rights recorded an increase of 17.7 million euros to reach 37.4 million euros at the end of the year. The positive change was achieved through the sale of energy efficiency bonds, obtained by implementing energy savings projects, for 23.6 million euros (+6.5 million euros). Contributing to the change was the recognition of Acea Produzione revenue from green certificates (+10.4 million euros) in relation to energy produced at the Salisano and Orte plants which began operating in 2012 after the repowering of those plants.
The total of such income recognised at 31 December of the previous year by companies sold amounted to 0.9 million euros.

Revenue from the Integrated Water Service amounted to 792.8 million euros, up 10.5% (75.4 million euros) on the figure of 717.5 million euros recorded at 31 December 2011.
The Companies operating in the Lazio and Campania regions report total revenues of 617 million euros (+78 million euros), whilst the Tuscany and Umbria Companies ended the year with revenues of 175.9 million euros (-2.6 million euros).
The change in that item is mainly as a result of the different methods for determining integrated water service revenues measured on the basis of AEEG resolution 585/2012 (Temporary Tariff Method valid for 2012 and 2013) as well as the recognition of higher tariff adjustments (40.4 million euros) - deriving from the spread between guaranteed and actual revenues for the years 2006 - 2011 - as resolved by the Mayors' Conference on 17 April 2012.
Please note that the quantification of the restriction on guaranteed revenues (VRG) of the operators to which the MTT applies represents the best estimate, calculated on the basis of elements available to date, generated by the interpretation of the new rules also borne out by the calculation models provided by AEEG on its website.
Those estimates should be confirmed in the tariff proposals that the Area Authorities must complete by 31 March 2013 and AEEG must validate by 30 June 2013.
The water companies did not include the amount of the

FNI (New Investments Fund) component, which is estimated at roughly 15 million euros for the Group, within the period's revenues, since on the basis of the provisions of resolution 585/2012, that component must be expressly recognised by the Area Authority which establishes if and to what extent that form of advance should be included in the tariff.
Finally, it should be noted that for ACEA Ato5, that revenue item includes the amount of 10.8 million euros, which represents the estimate of the difference between the maximum growth set forth in article 7.1 of the aforementioned resolution - that of the Standardised Method plus planned inflation rates (6.5%) - and the amount of the VRG determined as indicated above. Article 7.1 provides that that spread should be subject to a dedicated AEEG enquiry, in order to "...ascertain, with the involvement of the Area Authorities, the data provided, the correct application of the temporary tariff method and the efficiency of the metering service...". The same article also sets forth that the surplus compared to the maximum growth shall be recovered as an adjustment component in 2014.

Revenue from services to customers decreased compared to 31 December 2011 by a total of 57.3 million euros, to 128.6 million euros at the end of 2012 (from 185.9 million euros). The more important changes were recorded in revenue from the sale of PV panels (-46.1 million euros, currently at 13.2 million euros), revenue from intragroup services (5.7 million euros, down 7 million euros) and revenue from public lighting activities in the Municipality of Rome (totalling 64.6 million euros, -6.7 million euros) and in the Municipality of Naples (7.6 million euros, +1 million euros).
This item also includes revenue from services to third parties (29.5 million euros, up 0.8 million euros) and income from cemetery lighting systems (7.7 million euros, up 0.4 million euros).

Connection fees recorded a decrease of 9.5 million euros, down to 26.9 million euros at 31 December 2012 from the 36.3 million euros for the end of 2011, and were achieved on the free and protected energy markets (20.9 million euros, -8.8 million euros) and the water market (5.9 million euros, -0.7 million euros).

Other revenue and proceeds amounted to 86.5 million euros, up on 31 December 2011 by a total of 13.2 million euros, equal to 18% (from 73.3 million euros) and breaks down as shown below:

€ millions	31.12.2012	31.12.2011	Increase/ (Decrease)	Increase/ (Decrease)
Property income	2.5	2.6	(0.0)	-0.9%
Income from end users	0.9	1.0	(0.2)	-15.3%
Gains on disposals	2.1	0.1	1.9	19.0%
Heating systems	0.0	0.5	(0.5)	-99.7%
Coverage of costs for tariff subsidies for employees	0.7	1.7	(1.0)	-58.8%
Contingent assets and other revenues	33.5	22.7	10.8	47.7%
Reimbursement for damages, penalties and fines	6.1	5.4	0.7	12.4%
Service continuity bonuses	5.5	5.3	0.2	0.0%
Electricity and water use accessory revenues	0.0	0.1	(0.1)	-72.2%
Government grant (Decree of the President of the Council of Ministers of 23/04/04)	1.9	4.2	(2.3)	-54.2%
Regional grants	6.5	6.7	(0.2)	-3.0%
Energy Account	20.9	17.8	3.0	17.0%
Seconded staff	3.1	1.9	1.2	63.4%
Recharged cost of governance bodies	0.9	0.8	0.1	7.7%
IFRIC 12 margin	1.9	2.4	(0.5)	-20.7%
Other revenues and proceeds	**86.5**	**73.3**	**13.2**	**18.0%**

The change was mainly due to:

- the increase of 10.8 million euros in contingent assets and other revenue, mainly due to the recognition of the non-realisation of costs provisions in previous years and revenue due from previous years, together with energy items. That item includes the recognition obtained by ARSE from the national grid operator as an incentive associated with energy production from renewable sources (10.8 million euros) and the reimbursement of contributions deriving from connection of the Pomezia plant (1 million euros).
- higher energy account revenue for 3 million euros,
- the recognition of the gain generated by the disposal of the PV business unit, for 1.9 million euros.

CONSOLIDATED OPERATING COSTS

Operating costs totalled 2,917.3 million euros at the end of the year, up 36.8 million euros (+1.3%) compared to those incurred in the same period last year, which amounted to 2,880.5 million euros.
The breakdown is as follows:

€ millions	31.12.2012	31.12.2011	Absolute increase/ (Decrease)	Increase/ (decrease) %
Staff costs	**282.0**	**280.6**	**1.5**	**0.5%**
Costs of materials and overheads	**2,635.3**	**2,599.9**	**35.3**	**1.4%**
Energy, gas and fuel	2,084.2	2,034.1	50.1	2.5%
Materials	62.4	104.0	(41.6)	-40.0%
Services	333.1	331.6	1.5	0.5%
Concession fees	74.0	61.0	13.1	21.4%
Lease expense	30.0	33.3	(3.4)	-10.1%
Other operating costs	51.6	36.0	15.6	43.2%
Consolidated operating costs	**2,917.3**	**2,880.5**	**36.8**	**1.3%**

With regard to **staff costs** note the 0.5% increase, equal to 1.5 million euros, deriving from the effect caused by the increase recorded at Corporate level (+5.8 million euros), partly offset by the decrease in costs incurred by the business areas. In particular:

- the Networks segment recorded a decrease of 3.5 million euros, attributable to ACEA Distribuzione;
- the Energy segment, affected by the change in the basis of consolidation for 0.1 million euros, decreased its staff costs by a total of 1.8 million euros;
- the Water segment contributed to reducing the period performance by 1.1 million euros, mainly attributable to the companies operating in Lazio and Campania;
- the Environment segment recorded 8 million euros, down 0.6 million euros,
- Corporate recorded overall growth of 8.5 million euros, and totalled 55.6 million euros.

In addition to the increase in average per capita costs following renewal of the employment contracts and remuneration policies, and the effect of the changes in average workforce, staff costs were considerably affected by the reinstatement at Corporate level from 1 January 2012 of staff returning from the business unit rented to Marco Polo following expiry of the rental agreement. The cost relating to this phenomenon was approximately 6.6 million euros.
The voluntary redundancy procedures implemented by the main Group companies make it possible to benefit from a decrease in that cost component.

The Group's average number of staff was 7,179, basically in line with last year.

The **cost of materials and overheads** at the end of the reporting period reached 2,635.3 million euros (+1.4%, equal to 35.3 million euros) and includes:

a) energy, gas and fuel costs of 2,084.2 million euros, up 50.1 million euros on the figure at 31 December 2011 (which was 2,034.1 million euros), with breakdown as follows:

€ millions	31/12/2012	31/12/2011	Increase/ (Decrease)
Electrical energy procurement	2,027.2	1,846.3	181.0
Gas purchase for production and resale	40.1	171.3	(131.1)
Green certificates and CO_2 rights	0.0	4.2	(4.1)
White certificates	12.2	4.3	7.9
Other expenses	4.6	8.2	(3.5)
Total	**2,084.2**	**2,034.1**	**50.1**

This increase is caused by the change in the basis of consolidation (-45 million euros): the change on a like-for-like basis would be 95.1 million euros.

b) materials which at 31 December 2012 amounted to 62.4 million euros, decreased by 41.6 million euros (40%), mainly as a result of the use of ARSE-owned PV panels (-41.3 million euros) and the funding needs associated with the "Piano Luce" (Lighting Plan) commissioned by Roma Capitale to the Parent Company ACEA (-3.1 million euros), partially offset by the increase in costs for the purchase of materials, recorded in all industrial areas, particularly with regard to ACEA Ato2 (+3.3 million euros).

c) services and contract work totalled 333.1 million euros, and compared to the previous year they changed by 1.5 million euros. They were affected by the change in the basis of consolidation which stood at a total of -8.4 million euros. The main changes during the year relate to:

- **(i)** the increase in costs incurred for sludge, waste, ash and refuse disposal and transport, and cleaning and porterage, for a total of 13 million euros. That change was mainly due to higher costs incurred by ACEA Ato2 during the period due to the seizure of some treatment plants (8.4 million euros),
- **(ii)** lower intragroup costs during the year, largely due to the elimination of services provided by Marco Polo in reference to facility management services supplied until 31 December 2011 (12 million euros),
- **(iii)** the decrease in costs for contract work (-4.9 million euros). That change is basically due to the 6.4 million euro decrease recorded by ACEA Distribuzione due to the reduction in costs for maintenance works in the public lighting division and for distribution services requested, partially offset by the increase in costs incurred by the companies operating in the Water area (1.2 million euros) and by the Parent Company (+0.6 million euros),
- **(iv)** the 2.6 million euro increase in costs for electricity, water and gas consumption, due to the 6 million euro increase recorded by the water companies operating in Tuscany and Umbria, particularly Umbra Acque, partially offset by a lower contribution (1.2 million euros) to the consolidated result by that type of cost of the water companies operating in Lazio and the parent company (-1.2 million euros, also due to the change in the percentage of consolidation of Acea Energia,
- **(v)** the increase in costs for insurance expenses (2.2 million euros),
- **(vi)** internal use of electricity of +2.2 million euros, attributable to ACEA Ato2.

d) concession fees amounted to 74 million euros, up by 13.1 million euros mainly attributable to ACEA Ato2 (+3.1 million euros) and GORI (+8 million euros) as a result of decisions made by the Authority's General Meeting of 27 October 2012. Further details are provided in the section "Operating review".

e) lease expense totalled 30 million euros, down 3.4 million euros on the figure at 31 December 2011 (33.3 million euros) mainly as a result of elimination of the lease payment on the registered office in Rome following its purchase on 23 January 2012.

f) other operating costs equal 51.6 million euros and increase by 15.6 million euros over 31 December 2011. The change during the period mainly includes:
(i) 8.3 million euros for the fine due to the Antitrust

Authority, imposed on ACEA and Suez Environnement with measure no. 17623 of 22 November 2007, concerning irregularities committed during tenders for the awarding of water services in Tuscany, carried out in 2001 - 2004, **(ii)** 4.7 million euros due to the increase in taxes and duties caused by higher IMU tax payments due, **(iii)** the remaining portion is related to costs from previous years and adjustments of previously recognised revenues, particularly relative to ACEA Ato2 (+1.9 million euros) and the Energy area (+4.6 million euros).

Net income/(costs) from management of commodity risk

This item recorded net costs of 0.2 million euros referring to the fair value of financial contracts signed during the year by Acea Energia and Acea Energia Holding, which took over the Energy Management role in the ACEA Group's Energy segment.

Amortisation, depreciation, provisions and impairment charges

These totalled 401.4 million euros compared to the 433.3 million euros recognised to the 2011 Consolidated Financial Statements (-31.9 million euros), broken down as follows:

- **Depreciation of property, plant and equipment and amortisation of intangible assets** amounted to 263.4 million euros, down 1.3 million euros on the figure at 31 December last year. The change in the basis of consolidation amounted to -3.5 million euros, of which -8.7 million euros referring to companies sold and +5.2 million euros to the change in the percentage consolidation of Acea Energia Holding and its subsidiaries. Please note that amortisation and depreciation in the Energy Area was also affected by Law 134/2012, which introduces significant amendments to the timing and criteria for awarding tenders for hydroelectric concessions, affecting article no. 12 of Legislative Decree 79/99 (Bersani Decree). As a result of that change, beginning in 2012 hydroelectric plants shall be depreciated on the basis of the technical residual useful life, since that law requires payment of an indemnity in favour of the outgoing operator. That change leads to an approximately 3 million euro decrease in amortisation and depreciation for Acea Produzione. The breakdown of this item by industrial area is as follows:

€ millions	31.12.2012	31.12.2011	Absolute increase/ (Decrease)	Increase/ (decrease) %
Networks	112.9	105.1	7.7	7.4%
Energy	19.6	28.6	(9.0)	-31.6%
Water	91.9	89.9	1.9	2.2%
Environment	26.4	29.0	(2.5)	-8.8%
Parent Company	12.6	12.0	0.6	4.6%
Depreciation of property, plant and equipment and amortisation of intangible assets	**263.4**	**264.7**	**(1.3)**	**-0.5%**

- **impairment charges and losses on receivables** total 83.5 million euros as at 31 December 2012, up 28.5 million euros as a result of the following opposing factors: **(i)** the 15.6 million euro increase for the Energy area companies, of which 2.9 million euros is due to the change in the basis of consolidation, **(ii)** the 8.6 million euro increase recorded by the water companies, particularly ACEA Ato2 (+8.8 million euros) and **(iii)** higher impairment charges carried out by Corporate, for 3.7 million euros. Please note that that item is influenced by the outcome of the settlement signed in December with the Extraordinary Commissioner of the Roma Capitale Administration established by the Central Government, for a total of 14 million euros,
- **provisions** allocated by the Group at 31 December 2012 totalled 54.5 million euros compared to 113.5 million euros recognised at the end of last year. The breakdown of this item by type is as follows:

Nature of the provision	31.12.2012	31.12.2011	Increase/ (Decrease)
Legal reserve	13.3	9.3	3.9
Tax reserve	3.2	0.8	2.4
Regulatory risks	10.4	52.4	(42.0)
Investee	7.0	0.0	7.0
Contribution risks	6.1	8.0	(1.9)
Redundancy and retirement	0.2	27.5	(27.3)
Contracts and supplies	2.7	2.1	0.6
Insurance excesses	0.9	1.1	(0.2)
Other liabilities and charges	1.0	0.6	0.3
TOTAL	**44.6**	**101.8**	**(57.2)**
Restoration charges - IFRIC12	9.9	11.7	(1.8)
TOTAL PROVISIONS	**54.5**	**113.5**	**(59.0)**

The main changes versus the comparison period regard the recognition in 2011 of risks **(i)** deriving from non-recognition of the tariffs and related adjustments by ACEA Ato5 and to the assessment of risks associated with the difficult financial position of GORI (for a total of 49 million euros) and **(ii)** provisions against the early retirement and voluntary redundancy procedures launched the previous year.

Provisions for the year include the estimate (7.9 million euros) of charges from the return of the portion of return on invested capital for the year 2011.

On 25 January 2013, the Council of State issued the opinion requested by AEEG concerning the effects of the June 2011 abrogative referendum, specifying that the component remunerating investments recognised to operators should not include the "return on invested capital" already beginning from 21 July 2011, and that that requirement must be taken into consideration already when determining the Temporary Method. To cover that risk, the company allocated a dedicated Provision for charges calculated on the basis of the instructions provided by AEEG during the consultation phase in the second half of 2012.

On 31 January 2013, AEEG approved resolution no. 38/2013/R/idr with which it launches a procedure to determine:

- the criteria based on which Area Authorities will have to identify, without prejudice to the full cost recovery principle, the amounts unduly paid by each user for return on invested capital in the period 21 July 2011 - 31 December 2011, to be returned to the user,
- procedures and tools to ensure that the aforementioned amounts are actually returned to end users,
- the methods that the Authority will use to verify and approve the Area Authority decisions,

The proceeding duration has been set at 120 days, beginning on the publication date.

Finance income/(costs)

Net finance costs of 120.6 million euros are basically in line with last year (-0.02%). The change includes growth in net costs relative to borrowings (+12.3 million euros, equal to 16.1%) and a reduction in costs relating to other financial receivables and payables (-12.3 million euros). With regard to the finance costs from borrowing, there was an increase in those accrued in the medium-long term (+9.3 million euros) essentially due to the funding needs generated by the purchase of the registered office, which resulted in the drawdown of the second tranche of a loan taken out by the Parent Company (100 million euros) and, in the short-term, as a result of an increase in average annual bank borrowings, partially offset by a slight decrease in very short-term rates. As regards other net finance costs, the decrease is mainly related to the discounting in 2011 of public lighting receivables (-13.1 million euros) following the signing of the supplemental contract between ACEA and Roma Capitale, which aligned the expiry of the service agreement with that of the concession (2027).

The detailed breakdown of this item is as follows:

€ millions	31.12.2012	31.12.2011	Increase/ (Decrease)
Finance Costs/ (Income) related to debt (A)	**88.5**	**76.2**	**12.3**
Costs (Income) on interest rate swaps	6.8	6.9	(0.0)
Interest on bond loans	42.3	42.2	0.1
Interest on medium/long-term borrowings	43.1	39.3	3.8
Interest on short-term borrowings	18.0	8.8	9.3
Finance costs/income on forward transactions	0.0	0.2	(0.2)
Interest on amounts due from customers	(19.3)	(14.8)	(4.5)
Interest on loans and receivables	(1.9)	(5.1)	3.2
Bank interest income	(0.6)	(1.2)	0.6
Other finance (costs)/income (B)	**32.0**	**44.3**	**(12.3)**
Interest payable to end users	0.9	1.1	(0.2)
Default and deferred interest	5.5	3.4	2.1
Interest cost net of actuarial gains and losses	4.4	5.0	(0.7)
Factoring fees	25.3	23.6	1.6
Interest on other receivables	(2.8)	(0.6)	(2.2)
Other costs/(income)	0.8	0.6	0.1
Costs/(income) from discounting receivables	(1.9)	11.2	(13.1)
Net finance costs (A) +(B)	**120.6**	**120.6**	**(0.0)**

Income/(Costs) from investments

Net income from investments amounted to 0.9 million euros, compared to 57.1 million euros as at 31 December 2011 and refer to the measurement of consolidated companies at equity. At the end of the year the capital gains from the winding-up of the joint venture with GDF Suez Energia Italia and the positive result of the fair value measurement of the Group's interest in Acea Energia (a total of 55.3 million euros) had been allocated to this item.

Taxation for the year amounted to 88.8 million euros, with a 51% impact, compared to a 41.2% impact at 31 December 2011. The overall increase in taxes recorded for the year, equal to 23.2 million euros, is the result of the combined effect of the increase in profit before tax and the substantial cancellation of the positive effect of deferred taxation.

The change compared to last year is mostly due to the recognition of gains in 2011 from the winding up of the joint venture between ACEA and GSEI, essentially exempt from taxation. That phenomenon positively affected the 2011 tax rate by roughly 7 percentage points. The change is also due to the deferred taxation affected by actions to limit the Group's receivables, with particular reference to cancellations of receivables carried out during the year as well as the definitive closure of relations with the Roma Capitale Administration established by the Central Government. This resulted in greater use of deferred tax assets, by around 10 million euros, compared to last year.

Group financial position and cash flows

STATEMENT OF FINANCIAL POSITION	31.12.2012 (a)	31.12.2011 (b)	Increase/ (Decrease) (a) - (b)	Increase/ (Decrease) %
NET WORKING CAPITAL	**112.2**	**89.3**	**22.9**	**25.7%**
Current receivables	1,477.2	1,510.0	(32.8)	-2.2%
- due from end users/customers	*1,346.8*	*1,304.7*	*42.2*	*3.2%*
- due from the municipality of Rome	*94.3*	*160.1*	*(65.7)*	*-41.1%*
Inventories	42.0	66.1	(24.1)	-36.5%
Other current assets	221.3	246.6	(25.3)	-10.2%
Current payables	(1,267.2)	(1,344.8)	77.6	-5.8%
- due to Suppliers	*(1,193.1)*	*(1,185.0)*	*(8.1)*	*0.7%*
- due to the municipality of Rome	*(60.7)*	*(132.8)*	*72.1*	*-54.3%*
Other current liabilities	(361.2)	(388.7)	27.5	-7.1%
NON-CURRENT ASSETS AND LIABILITIES	**3,715.7**	**3,548.0**	**167.7**	**4.7%**
Property, plant equipment and intangible assets	4,031.5	3,844.6	186.9	4.9%
Investments	21.1	19.5	1.7	8.5%
Other non-current assets	416.6	416.8	(0.2)	0.0%
Staff termination benefits and other defined-benefit plans	(105.3)	(104.8)	(0.5)	0.5%
Provisions for liabilities and charges	(272.4)	(250.9)	(21.5)	8.6%
Other non-current liabilities	(375.9)	(377.2)	1.4	-0.4%
INVESTED CAPITAL	**3,827.9**	**3,637.3**	**190.6**	**5.2%**
NET DEBT	**(2,495.5)**	**(2,325.8)**	**(169.6)**	**7.3%**
Medium/long-term loans and receivables	33.0	19.9	13.0	65.3%
Medium/long-term borrowings	(2,211.6)	(2,298.9)	87.3	-3.8%
Short-term loans and receivables	152.2	172.8	(20.5)	-11.9%
Cash and cash equivalents	423.7	321.0	102.7	32.0%
Short-term borrowings	(892.8)	(540.6)	(352.1)	65.1%
SHAREHOLDERS' EQUITY	**(1,332.4)**	**(1,311.5)**	**(21.0)**	**1.6%**
COVERAGE	**(3,827.9)**	**(3,637.3)**	**(190.6)**	**5.2%**

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

As mentioned previously, the financial position and cash flow are affected by the deconsolidation of the photovoltaic business unit at the end of 2012.

The ACEA Group's statement of financial position reports an increase in invested capital of 190.6 million euros compared to 31 December 2011 (+5.2%). This is the result of the increase in net working capital (22.9 million euros), and net fixed assets (167.7 million euros).

NON-CURRENT ASSETS AND LIABILITIES - *3,715.7 MILLION EUROS*

The balance of **non-current assets and liabilities** amounted to 3,715.7 million euros (+167.7 million euros compared to 31 December 2011, equal to 4.7%).

Property, plant and equipment and intangible assets amounted to 4,031.5 million euros, and

increased by 186.9 million euros over the end of the previous year.
That item is significantly influenced by the completion of the purchase of the Piazzale Ostiense registered office and the adjoining garage, in January 2012. The purchase price amounted to 110 million euros. ACEA also made investments to improve specific plants in the office building, as well as in hardware and software required for upgrading projects and for enhancement of the IT network and application systems.
Total investments for the period amount to 513.2 million euros, while depreciation and amortisation expense totals 263.4 million euros. The table below shows the level of investments made at 31 December 2012 by Industrial Area and Company, compared to those made in 2011.

Industrial Area	Company	31.12.2012	31.12.2011	Increase/ (Decrease)
Networks	ACEA Distribuzione	99.1	101.2	(2.1)
	ARSE	2.6	26.3	(23.7)
	Ecogena	0.2	1.5	(1.3)
	Total Networks Area	**101.9**	**129.0**	**(27.1)**
Energy	Acea Produzione	19.3	11.2	8.1
	Acea Energia Holding	0.5	1.6	(1.1)
	Acea Energia S.p.A.	7.3	9.6	(2.3)
	Acea800	0.0	0.1	(0.1)
	Total Energy Area	**27.1**	**22.5**	**4.6**
Environment	ARIA	30.9	16.1	14.7
	SAO	3.7	2.4	1.3
	Aquaser	0.1	0.6	(0.5)
	Kyklos	1.7	0.9	0.8
	Solemme	0.7	0.3	0.4
	I.S.A.	0.4	0.3	0.1
	A.p.i.c.e.	0.0	0.0	0.0
	Total Environment Area	**37.5**	**20.6**	**16.9**
Water	Acea Ato2	139.4	149.1	(9.7)
	Acea Ato5	6.6	5.7	0.9
	GORI	3.8	5.5	(1.6)
	minor entities	2.3	0.8	1.5
	Total water services - Lazio/Campania	**152.1**	**161.1**	**(9.0)**
	Acque	24.9	25.7	(0.8)
	Publiacqua	24.4	26.1	(1.7)
	Ingegnerie Toscane	3.1	0.0	3.1
	Umbra Acque	4.1	4.7	(0.6)
	Nuove Acque	1.8	2.1	(0.3)
	Acquedotto del Fiora	12.8	9.2	3.6
	minor entities	0.0	0.9	(0.9)
	Total water services – Tuscany/Umbria	**71.1**	**68.7**	**2.3**
	Overseas Water Services	0.3	0.2	0.1
	Total Water Area	**223.4**	**230.0**	**(6.6)**
Engineering and Services	Laboratori	1.0	0.4	0.6
	Total	**1.0**	**0.4**	**0.6**
Corporate	ACEA	122.3	10.5	111.8
	Total	**122.3**	**10.5**	**111.8**
ACEA GROUP TOTAL		**513.2**	**413.0**	**100.3**

The increase was caused in higher investments of the Corporate Area (+111.8 million euros), the Environment Area (+16.9 million euros) and the Energy Area (+4.6 million euros), partly offset by the decrease in all Industrial Areas (total decrease of 33.7 million euros). For Corporate, the increase is mainly due to the purchase of the registered office; in the Environment Area, the higher investments are related to the revamping underway on the Terni waste-to-energy plant and on the first line of the San Vittore del Lazio plant; in the Energy Area, the increase in investments mainly refers to ACEA Produzione, for the repowering of the Salisano and Orte hydroelectric power stations.

The Networks Area accounts for most of the lower investments, specifically ARSE due to the completion of the owned plants. The Water Area also had lower investments (-6 million euros) due to the combined effect of higher investments of the companies operating in Tuscany and Umbria (totalling 2.3 million euros) and lower investments of the companies operating in Lazio and Campania (totalling 9 million euros).

The following also contribute to the change:

(i) the recognition in Rights on infrastructure of 20.8 million euros relative to future obligations assumed by ACEA Ato2, consisting of works financed by grants from 2012 to 2017, against the non-application of penalties regarding application of the MALL parameter decided by the Mayors' Conference at its 17 April 2012 session and due for the years until 2012.

Against the recognition of the 20.8 million euro concession right, the Group allocated a provision for charges of an equal amount, which was used in 2012 to cover investments made. The concession right is amortised for the residual duration of the concession and, therefore, in 2012 a portion of amortisation of roughly 1 million euros was recorded,

(ii) the recognition in the item Property, plant and equipment of 11 million euros for the updating of costs for post-closure operations at the SAO waste dump as a result of its expansion,

(iii) the reduction in intangible assets posted by GORI (-15.1 million euros) relative to long-term costs where the costs relative to the loan instalments to be repaid to the municipalities were allocated; that reduction was caused by decisions made by the Authority's General Meeting on 27 October 2012,

(iv) the recognition of the amount of green certificates accrued by the Salisano and Orte hydroelectric power stations, totalling 12.1 million euros,

(v) the change in the basis of consolidation caused by the disposal of the PV business unit in December, for 99 million euros,

(vi) the recognition, among Non-current assets held for sale, of the amount of 6.7 million euros, which represents the fair value of the repurchase commitment, if certain contractual conditions are not satisfied, as a result of the possible exercise of the put option granted to the buyer of the PV business unit.

Investments amount to 21.1 million euros, up 1.7 million euros essentially as a result of the Eur Power share capital increase resolved by Ecogena for 0.8 million euros and the measurements of investments in associates using the equity method (0.9 million euros).

The balance of **other non-current assets** (equalling 416.6 million euros) is mainly made up of deferred tax assets (358.2 million euros), long-term receivables of 49.3 million euros deriving from the Public Lighting service contract, which represents the overall investments carried out until 31 December 2010 linked to the same service, from applying IFRIC 12 with the financial method, and accrued income and prepayments (6.9 million euros), mainly referring to white certificate production activities and concession fees paid in advance.

The balance of this item is essentially in line with the end of the previous year (-0.2 million euros compared with the end of 2011).

Staff termination benefits and other defined-benefit plans amounting to 105.3 million euros recorded an increase of 0.5 million euros compared to the end of the previous year, as a result of the net effect of:

- -0.9 million euros relating to staff termination benefits,
- +0.5 million euros relating to monthly bonuses,
- -0.3 million euros relating to tariff subsidies,
- +1.3 million relating to the medium/long term Incentive Scheme.

The performance of the first two items was considerably influenced by both the period's provision of 15.7 million euros and by the outlay during the period resulting from the implementation of ACEA, Ato2 and ACEA Distribuzione voluntary redundancy procedures and the reinstatement of employees returning from the business unit that was rented to Marco Polo (1.9 million euros).
With respect to the choice of the discounting rate, with regard to the current highly volatile situation in the financial markets and the guidance of the Italian National Order of Actuaries, the rate applied has been identified in line with IAS 19 and with the same methodology as was used for previous valuations, referring to the government bonds market (Italian government bonds expiring in beyond ten years).
Therefore, a measurement rate of 4.25% was applied (compared to last year's rate of 4.60%).

The **provision for liabilities and charges** contributed 272.4 million euros to net invested capital, increasing by 21.5 million euros compared to the previous year, mainly due to provisions for the period (54.5 million euros), net of uses (totalling 53.2 million euros) of sums set aside in previous years to cover mobility, disputes and litigation and tender risks.
The main changes refer to:

- the provision allocated for GORI relative to allocations made in prior years against unassessed loan instalments to be paid back to municipalities (-11.8 million euros). That cancellation is the result of decisions made by the Area Authority's General Meeting on 27 October 2012. Please see the section "Operating Review" for more information,
- the provision allocated for charges deriving from the redundancy and retirement plan which decreased by 12 million euros as a result of amounts used, mainly by ACEA Ato2, ACEA Distribuzione and the Parent Company,
- the provision for investee liabilities (+7.1 million euros), essentially resulting from allocations made during the year against the precarious situations faced by Marco Polo and Voghera Vendita Energia,
- 4.9 million euros use of the provision allocated last year against risks relating to differences between the guaranteed tariff and that applied by GORI,
- the provision to cover contributions-related problems recorded a net decrease of 15.3 million euros as a result of divisions into instalments completed during the year of the payables due to Equitalia for INPS and directly to INPS,
- the provision allocated for repairs costs amounting to 9.9 million euros relates to the charges necessary to keep the infrastructure used for the water service in good condition.

The change in that item was also affected by the recognition of the amount of obligations of ACEA Ato2 (20.8 million euros) and SAO (11 million euros) with regard to which more information is provided in the comments to Property, plant and equipment and intangible assets.
The following table provides a breakdown of the provision for liabilities and charges by nature.

Type of provision	31.12.2012	31.12.2011	Increase/ (Decrease)
Legal reserve	32.9	27.4	5.5
Tax reserve	4.5	2.4	2.1
Regulatory risks	83.6	79.2	4.4
Investee	10.0	2.8	7.1
Contribution risks	11.2	26.5	(15.3)
Redundancy and retirement	0.7	12.6	(12.0)
Post closure	26.4	15.4	11.0
Concession fees	0.0	11.8	(11.8)
Other liabilities and charges	21.5	18.3	3.2
TOTAL	**190.6**	**196.4**	**(5.7)**
Provisions for restoration charges	64.4	54.5	9.9
Provisions for commitments under management agreements	17.4	0.0	17.4
TOTAL PROVISION	**272.4**	**250.9**	**21.5**

For more information, refer to paragraph "Update on major disputes and litigation" in the Consolidated Financial Statements 2012.

Other non-current liabilities contribute 375.9 million euros to the reduction in net invested capital and, compared to 31 December 2011, decreased by 1.4 million euros. This item consists of:

- provision for deferred taxes of 97.2 million euros (-1.6 million euros),
- advances of 114.2 million euros (-15.8 million euros): this item includes the amount of guarantee deposits and consumption advance subject to adjustment by water service companies. Advances for works carried out on behalf of Arse were also allocated here. After completing the installation of photovoltaic plants on behalf of third parties, the amount of 19.8 million euros was reduced to zero,
- grants related to assets of 66.8 million euros (same as in 2011),
- water area connection fees totalling 60.3 million euros (+5.3 million euros),
- long-term deferred income of 37.4 million euros (+10.7 million euros). The increase of 10.7 million euros is mainly attributable to ACEA Distribuzione's recognition of the deferred income on the grant obtained to replace electromechanical meters with electronic meters pursuant to Resolution 292/06. Based on current regulations the company requested advance payment of this amount net of a 1 million euro discount allocated to finance costs.

NET WORKING CAPITAL- *112.2 MILLION EUROS*

This increased by 22.9 million euros compared with 31 December 2011. The increase is associated with the combined effect of the decrease in current receivables for 32.8 million euros, other current assets for 25.3 million euros and inventories for 24.1 million euros and on the other hand, the decrease in current payables for 77.6 million euros and other current liabilities for 27.5 million euros.

As regards the breakdown of receivables, please note the increase in users and customers of 42.2 million euros, equal to 3.2%, and the significant reduction in trade receivables from the municipality of Rome of 65.7 million euros (41.1%).

With reference to the 42.2 million euro increase in **receivables due from end users and customers**, the details by Area are provided below.

€ millions	31.12.2012			31.12.2011			Increase/ (Decrease)		
	End users	Customers	Total	End users	Customers	Total	End users	Customers	Total
Networks	41.3	48.7	90.0	27.9	73.3	101.3	13.4	(24.6)	(11.2)
Energy	495.1	88.2	583.2	551.7	61.2	612.9	(56.6)	26.9	(29.7)
Water	535.7	48.1	583.8	439.2	52.2	491.4	96.4	(4.0)	92.4
Environment	0.0	43.8	43.8	0.0	60.3	60.3	0.0	(16.4)	(16.4)
Parent Company	0.0	45.9	45.9	0.0	38.9	38.9	0.0	7.0	7.0
Total	**1,072.1**	**274.7**	**1,346.8**	**1,018.8**	**285.9**	**1,304.7**	**53.3**	**(11.1)**	**42.2**

- companies in the **Energy Networks segment** decreased the receivables by a total of 11.2 million euros. ARSE contributes 26.7 million euros to the decrease, while ACEA Distribuzione's receivables rose by 15.0 million euros. Non-recourse factoring operations were completed during the year for a total of 184.8 million euros, and receivables deemed uncollectible amounting to 0.3 million euros were written off;
- with regard to the **Energy Area**, please note that there was a 29.7 million euro decrease compared to 31 December 2011. Acea Energia contributed to the decrease for a total of 40.1 million euros, while Acea Energia Holding increased receivables by 18.4 million euros, relating to receivables for invoices issued and to be issued to third parties or other institutional operators.

  In 2012, Acea Energia carried out the non-recourse factoring of receivables for a total of 708.7 million euros (of which 188.9 million euros relative to amounts due from the Public Administration), and wrote off uncollectible receivables, which are fully covered by the Provision for the impairment of receivables, for 47.8 million euros.
- the companies of the **Water Area** grew in total by 92.4 million euros, basically because of ACEA Ato5 (+43.4 million euros), ACEA Ato2 (+48.3 million euros) and GORI (+9.5 million euros); and because of a total decrease of 9.4 million euros relating to the Tuscan and Umbrian companies. The year's performance was affected by the recognition of the spread relative to prior tariff adjustments recognised to ACEA Ato2 during the tariff review, net of the portion relative to 2012: receivables amount to a total of 29.6 million euros. The increase is also influenced by the methods for determining revenues based on resolution 585/2012.

  In the January – December period, ACEA Ato2 carried out the non-recourse factoring of receivables for a total of 244.4 million euros (of which 45.8 million euros relative to amounts due from the Public Administration) and wrote off receivables totalling 8.9 million euros.
- the **Environment Area** companies contribute a total of 16.4 million euros to the decrease in Group receivables; that change is essentially influenced by ARIA (-9.8 million euros) - which subsequent to signing the CIP6 Agreement collected all receivables posted at the end of last year - and by SAO (-5.9 million euros) for the regularisation of relations with ASM Terni.
- the **Parent Company** contributed 7 million euros to the increase in amounts due from customers. The increase largely regards **(i)** the activities carried out during the period for the public lighting service in the municipality of Naples (+9.3 million euros) and **(ii)** the two transactions for the acquisition of receivables due to Acea Energia by ATAC, totalling 7.3 million euros, completed in March and September, of which 3.3 million euros has already been collected.

Note that during the year ACEA uncollectible receivables for a total of 17.4 million euros were fully written down.
Finally, in December, as part of the survey of relations with Roma Capitale and subsidiaries, 5.3 million euros and 5.4 million euros were collected from AMA and ATAC, respectively.

As regards **amounts due from and to Roma Capitale** (including financial items) net receivables of 126.9 million euros due to the Group from Roma Capitale were recorded, which stood at 144.0 million euros at the end of the previous year.
The following table presents an analysis of the ACEA Group's relations with Roma Capitale regarding both receivables and payables, including those of a financial nature.

Amounts due from Roma Capitale	31/12/2012 A)	31/12/2011 B)	Increase/ (Decrease) A) - B)
Utility receivables	53.1	70.1	(17.0)
Contract work	17.6	44.4	(26.8)
Receivables for services	6.6	9.1	(2.6)
Other receivables	0.1	0.9	(0.7)
Total services billed	**77.4**	**124.5**	**(47.1)**
Grants due	2.4	14.1	(11.7)
Surcharges	0.0	0.0	0.0
Total services requested	**79.8**	**138.6**	**(58.8)**
Total services to be billed	**13.9**	**17.4**	**(3.5)**
Advances	2.1	2.1	0.0
Total trade receivables	**95.8**	**158.1**	**(62.3)**
Financial receivables for the public lighting service	63.3	114.7	(51.4)
Total receivables due within one year (A)	**159.1**	**272.8**	**(113.6)**

Amounts due to Roma Capitale	31/12/2012	31/12/2011	Increase/ (Decrease)
Sewerage and water treatment payables: collectible	0.0	(32.7)	32.7
Electricity surtax	(14.5)	(52.8)	38.2
Charges for rental of company offices	0.0	(0.0)	0.0
Concession fees payable	(23.9)	(24.1)	0.2
Total trade payables	**(38.5)**	**(109.6)**	**71.1**
Total payables due within one year (B)	**(38.5)**	**(109.6)**	**71.1**
Total (A) - (B)	**120.7**	**163.2**	**(42.5)**
Other financial loans and receivables/(borrowings)	**30.0**	**2.0**	**28.0**
including: Financial liabilities (including dividends)	*(0.9)*	*(16.0)*	*15.1*
including: medium/long-term loans and receivables for public lighting	*30.9*	*18.0*	*12.9*
Other trade receivables/(payables)	**(23.8)**	**(21.3)**	**(2.5)**
including: disputed payables - Vatican City water treatment and sewerage	*(20.5)*	*(20.5)*	*0.0*
Net balance	**126.9**	**144.0**	**(17.0)**

2012 was characterised by extraordinary activities aimed at surveying entries in order to, *inter alia*, achieve a relevant amount of collections.
As regards ordinary operations, note that in 2012 a total of 174.9 million euros in receivables was collected and payables of 104.9 million euros were settled through administrative offsets.
The table below provides details on the receivables and payables settled in 2012.

Type of receivable/payable	€ millions
Utility receivables	78.8
Public lighting contract	84.1
Contract work and services	12.1
Total receivables	**174.9**
Concession fees payable	(25.1)
Electricity surtax	(42.4)
Dividends	(37.4)
Total payables	**(104.9)**
Net balance	**70,000**

In January 2013, Roma Capitale also paid 9.4 million euros to Acea Energia and 1.2 million euros to ACEA, for a total of 10.6 million euros.

With regard to the Administration established by the Central Government, in December ACEA signed a settlement deed, with the favourable opinion of the Related Parties Committee, which led to the collection of 25 million euros in 2012. Group receivables and payables subject to the aforementioned deed amount to 81.6 million euros and 36.5 million euros respectively, and are shown in the table below.

€ millions	Receivables due from the Administration established by the Central Government	Payables due to the Administration established by the Central Government	Net balance
Acea	46.2	12.1	34.1
Acea Ato2	26.1	24.3	1.8
Acea Distribuzione	1.2	0.1	1.0
Acea Energia	8.1	0.0	8.1
Totals	**81.6**	**36.5**	**45.1**

That agreement resulted in a total loss of 14.3 million euros.

For more details on the formation and change in the position towards Roma Capitale, please see note no. 22 of the notes to the Statement of Financial Position of the Consolidated Financial Statements 2012.

Inventories, totalling 42.0 million euros, decreased by 24.1 million euros mainly due to the reduction in PV activities, which are carried out by ARSE, with reference to the construction of owned plants and construction under EPC agreements for third parties. There was on the other hand an increase due to the recognition of works in progress related to the installation of Public Lighting plants, carried out by ACEA, which is currently being completed under the service agreement with Roma Capitale.

Other current assets, amounting to 221.3 million euros, decreased by 25.3 million euros and are composed as follows (i) 85.6 million euros for current tax assets (+28.5 million euros) (ii) 124.1 million euros for other receivables (-55.3 million euros), (iii) 8.8 million for accrued income and prepayments (-0.6 million euros) and 2.9 million euros for receivables deriving from the fair value measurement of commodities.

- **Current tax assets** increased essentially due to

IRES relating to the tax consolidation of ACEA, which closes 2012 with a credit position, as well as the recognition of the IRES refund (15.6 million euros) due with regard to the deduction of IRAP for the years 2006 - 2011.

- **Other receivables** changed substantially compared to the end of the previous year, mainly due to the reclassification of part of ACEA Ato5's receivables, 26.5 million euros of which were reallocated following publication of document F129 by the Commissioner for deeds on 21 June 2012, as well as the 21.7 million euro advance paid by ACEA Distribuzione to the national grid operator for the A3 component for the month of August 2011. Finally, it should be noted that at the end of last year ACEA had deposited an advance of 11.0 million euros for the purchase of the registered office.

Please see note 22 of the Consolidated Financial Statements for the analysis of the **other receivables** item.

In relation to **current payables**, standing at 1,267.2 million euros, the decrease of 77.6 million euros reflects:

- the 8.1 million euro increase in **trade payables**, which amount to 1,193.1 million euros at the end of 2012, due to the opposing factors which involved both an increase in payables in the Networks Area (+63.5 million euros regarding ACEA Distribuzione and -34.8 million euros regarding ARSE), the Water Area (+19.6 million euros) and the Environment Area (+19.7 million euros) as well as a significant decrease in the Energy Area (-59.3 million euros),
- the decrease in **amounts due to Roma Capitale** (72.1 million euros); for more information, please see what has already been commented on above.

Other current liabilities stood at 361.2 million euros at the end of the year, which is a decrease of 27.5 million euros since the end of the previous year (7.1%).

NET DEBT - *(2,495.5) MILLION EUROS*

Net debt was a negative 2,495.5 million euros as at 31 December 2012, marking an increase of 169.6 million euros compared to 31 December 2011.
The breakdown is shown in the following table:

CONSOLIDATED NET DEBT	31.12.2012	31.12.2011	Increase/ (Decrease)
Non-current financial assets/(liabilities)	2.1	1.9	0.2
Intercompany non-current financial assets/(liabilities)	30.9	18.0	12.9
Non-current borrowings and financial liabilities	(2,211.6)	(2,298.9)	87.3
Medium/long-term borrowings	**(2,178.6)**	**(2,279.0)**	**100.3**
Cash and cash equivalents and securities	423.8	321.1	102.7
Short-term bank borrowing	(753.9)	(448.9)	(305.0)
Current financial assets/(liabilities)	(56.9)	(26.8)	(30.1)
Intercompany current financial assets/(liabilities)	70.1	107.7	(37.6)
Net short-term debt	**(316.8)**	**(46.9)**	**(270.0)**
Total net debt	**(2,495.5)**	**(2,325.8)**	**(169.6)**

The increase in net debt is the result of funding needs deriving from management of working capital, as well as investments, particularly those made by ACEA to purchase the registered office (100 million euros) and by all industrial areas.

The individual components break down as follows.

Medium/long-term borrowings are composed of:

- non-current financial assets/(liabilities) amounting to 2.1 million euros, essentially in line with the figure recorded in the comparison period (1.9 million euros in 2011),
- intercompany financial assets / (liabilities) of 30.9 million euros, and include financial receivables due from Roma Capitale relating to plant upgrades in terms of safety and legislation and new constructions as set out in the addendum to the Public Lighting contract. This receivable refers to the long-term portion due following application of the financial method as envisaged in IFRIC 12 on Service Concession Agreements and increased by 12.9 million euros compared to 31 December 2011,
- non-current payables and financial liabilities, which total 2,211.6 million euros and can be broken down as shown in the table below.

€ millions	31.12.2012	31.12.2011	Increase/ (Decrease)
Bonds	1,011.1	988.7	22.5
Medium/long–term loans	1,200.5	1,310.3	(109.8)
Total	**2,211.6**	**2,298.9**	**(87.3)**

This reduction was caused by the drawdown of the second tranche of the loan taken out from the EIB in 2009 for the purchase of the registered office, in the amount of 100 million euros, and the reclassification of a 200 million euro loan, falling due on 4 August 2013, to "short-term borrowings". The drawdown of the second tranche of the EIB loan, completed on 23 January 2013, refers to the loan that was granted by the bank in two tranches of equal amounts. The characteristics of the first tranche are those of a loan granted directly to ACEA without security in the form of a bank guarantee (Direct Loan). The second tranche also has the characteristics of a direct loan to ACEA, but with a back-to-back guarantee from a leading bank acceptable to the EIB (Guaranteed Loan). Repayment of the principal will be in equal half-yearly amounts from 15 December 2015 until 15 December 2026.
The amount of the fair value of hedging derivatives for long-term borrowings is negative by 41.3 million euros, while it was a positive 11.1 million euros as at 31 December 2011.

The breakdown of non-current financial liabilities is shown below, including fair values of hedging derivatives, by Industrial Area.

Industrial Area	31.12.2012	31.12.2011	Increase/ (Decrease)
ACEA	1,684.8	1,784.4	(99.6)
Networks	343.1	363.7	(20.7)
Water	179.1	144.5	34.6
Environment	4.6	6.3	(1.6)
TOTAL	**2,211.6**	**2,298.9**	**(87.3)**

BONDS

Bonds equal 1,011.1 million euros and include the instruments already existing at the end of the previous accounting year, in particular:

- 306.0 million euros refer to the bond loan issued by ACEA in 2004, with interest of 14.6 million euros accrued in the period,
- 515.0 million euros (including the accrual of accrued interest due) due to the bond loan issued by ACEA in March 2010 with a 10-year duration and maturity term on 16 March 2020. It should be noted that the interest accrued is 22.5 million euros,
- 176.5 million euros relating to the Private Placement which, net of the fair value of the hedging instrument, a negative 10.8 million euros, amounts to 187.3 million euros. As at 31 December 2012, this fair value was allocated to a specific shareholders' equity reserve. The exchange rate difference, a negative 10.9 million euros, of the hedged instrument calculated at 31 December 2012 was therefore allocated to an exchange provision. The exchange rate as at 31 December 2012 stood at 100.13, whilst it stood at 100.22 as at 31 December 2011. It should be noted that the interest accrued is 2.4 million.
- 2.8 million euros regarding the issue of the bond loan issued by Consorcio Agua Azul.

MEDIUM/LONG–TERM LOANS (INCLUDING SHORT-TERM PORTIONS)

This item amounts to 1,465.9 million euros, whilst at 31 December 2011 it amounted to 1,384.6 million euros.
The following table shows medium/long–term and short-term borrowings by term to maturity and type of interest rate.

Bank Loans	Total residual debt	Due by 31.12.2013	Falling due between 31.12.2013 and 31.12.2017	Due after 31.12.2017
fixed rate	372.4	24.5	86.3	261.6
floating rate	822.8	232.4	392.9	197.5
floating rate to fixed rate	270.7	8.6	66.0	196.1
Total	**1,465.9**	**265.5**	**542.2**	**655.2**

As at 31 December 2012, the **short-term debt** was negative, and contributed to the increase of 316.8 million euros in net debt. With respect to 31 December 2011, a decrease of 270 million euros was recorded, caused by:

- an increase of 102.7 million euros in cash and cash equivalents,
- growth in short-term bank debt of 305 million euros due to the increase registered by ACEA (135.6 million euros), which stipulated new lines of bank credit, and by Publiacqua due to the reclassification of the loan falling due on 23 May 2014 (24 million euros) from long to short-term,
- the 30.1 million euro increase in the balance of current financial liabilities caused by: (i) the recognition of payables from the Parent Company's resolution on the advance on dividends for 2012, intended for the market (+21.8 million euros) and (ii) 37.1 million euros in higher payables due to factors, partially mitigated by the growth in current financial assets, including (iii) receivables from securitisation transactions (+23 million euros) and (iv) receivables generated by the sale of the PV business unit (10.5 million euros), 8 million euros of which has been collected by the end of January 2013,
- the 37.6 million euro decrease in intercompany current financial assets, mainly as a result of the reduction in ACEA loans and receivables from Roma Capitale for the management of public lighting (-51.4 million euros).

Other Information

ACEA S.p.A activities

ACEA S.p.A., in its role of industrial holding, defines the strategic objectives at Group and subsidiary level and coordinates their activities.

Within the Group, ACEA S.p.A acts as a centralised treasurer for the largest subsidiaries.
Intercompany relations are conducted on the basis of:

- the setting up of a medium/long-term credit line for a pre-established amount to cover requirements generated by investments;
- the credit facility (i) has a three-year term from 1 January 2011, (ii) generates interest, updated annually, at the 3-year IRS rate plus a spread aligned with that of a bond issued on the equity market with a BBB rating and (iii) envisages annual fees calculated on the ceiling;
- the establishing of a general purpose credit facility to cover the company's current needs.

The credit line (i) has a three-year term from 1 January 2011, (ii) generates interest expense, updated annually, at the 3-year IRS rate plus a spread aligned with that of a bond issued on the equity market with a BBB rating and a rate calculated on the arithmetic mean of intraday 3M Euribor rates for each calendar quarter less a 5 bp annual spread and (iii) envisages annual fees calculated on the ceiling.
It should be pointed out that ACEA S.p.A. also acts as guarantor for Group companies: in this regard, the contract that regulates the general purpose credit line establishes a ceiling for guarantees and a cost split between bank guarantees and company guarantees.

ACEA SpA also provides administrative, financial, legal, logistics, management and technical services to subsidiaries and associated companies in order to optimise the use of the company's existing resources and know-how in an economically advantageous manner. These services are regulated by the necessary service contracts: those in force are effective from 1 January 2011, have a term of three years with the possibility of automatic renewal and the annual payment is based on contractual prices and the quantities actually supplied.

Performance of the international stock markets and of the ACEA share

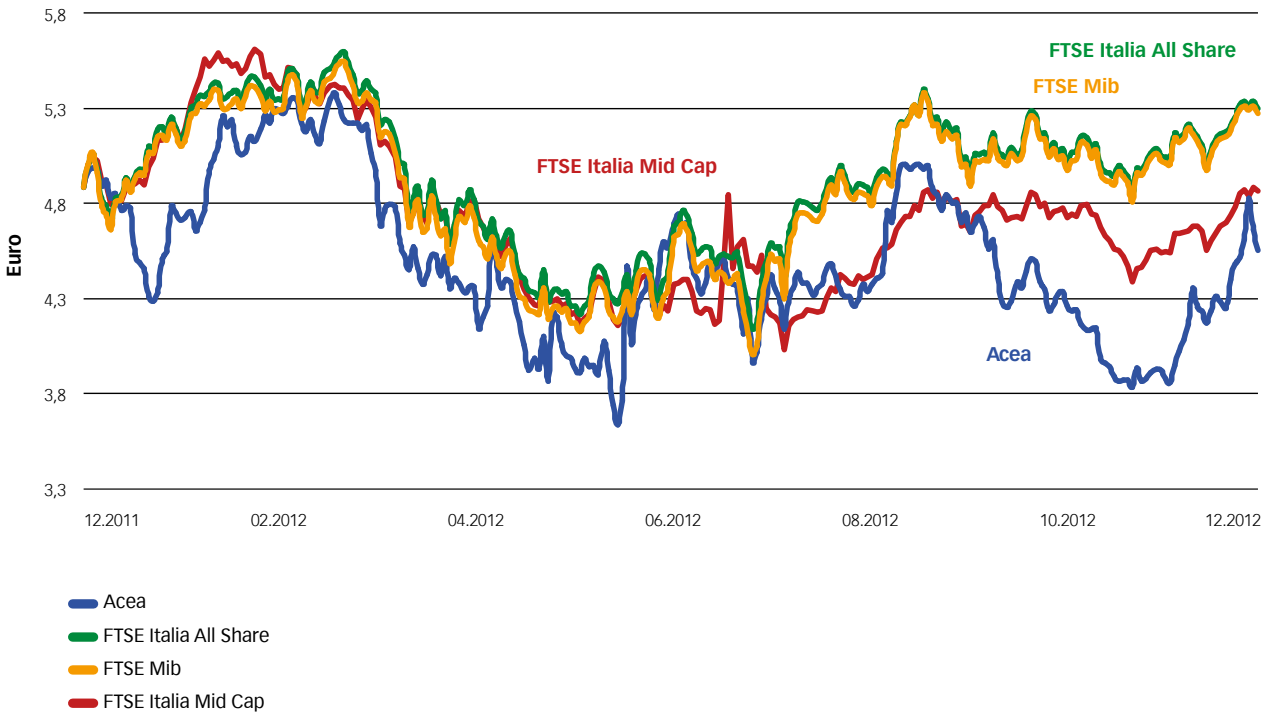
In the first few months of 2012, uncertainty concerning the timing and methods for exiting the Eurozone crisis and worry about the default of peripheral countries and a breakup of the Euro area negatively influenced the international stock and financial markets. Only after 26 July, following the reassurances of Mario Draghi, President of the ECB, who announced his willingness to undertake any action to defend the single currency, did world markets undergo an important recovery.

The changes recorded by the principal Italian Stock Market indexes in 2012 are shown below: FTSE Italia All Share +8.4%, FTSE MIB +7.8% and FTSE Italia Mid Cap -0.4%.

Acea's share price stood at 4.554 euros in the last trading session of 2012 (capitalisation: 969.8 million euros), down by 6.83% compared to 31/12/11. In 2012 a high of 5.385 euros was recorded on 15 March with a low of 3.640 euros recorded on 13 June.
During the year subject to analysis, average daily traded volumes amounted to 126,078, a considerable decrease compared to 2011 (251,780).

Source: Bloomberg

The normalised graph of ACEA's share performance is shown below, compared with Stock Market indexes.



	% change at 31/12/2012 (compared to 31/12/11)
Acea	-6.83%
FTSE Italia All Share	+8.36%
FTSE Mib	+7.84%
FTSE Italia Mid Cap	-0.43%

Source: Bloomberg

Around 110 reports/notes were published on Acea's share in 2012.

Significant events in 2012

Purchase of the Site

On 23 January 2012, the purchase of the Piazzale Ostiense site was completed, taking advantage of the opportunity presented by the disposal carried out by Beni Stabili, by exercising the right of first offer set out in the lease. The purchase price amounted to 110 million euros.

Approval of the ACEA Group's 2012 - 2016 Business Plan

On 22 February 2012, ACEA S.p.A.'s Board of Directors approved the Group's Business Plan for the 2012-2016 period.

The 2012-2016 Strategic-Business Plan realised through the definition of solid and realistic objectives which generate an increase in value for shareholders. The business plan describes the strategic guidelines and pre-established objectives for the next five-year period: increased workforce in all operating segments, focusing particularly on regulated activities that currently generate around 80% of consolidated EBITDA; a strong commitment to operating and organisational efficiency and improved service quality; consolidation of the Group as an efficient entity serving the area, with a strong focus on sustainability and the enhancement of expansion options.

ACEA's corporate strategy, through adequate strategic planning focused on optimising resources and forecasting and managing future industry changes, has channelled the Group's development through the following main strategic guidelines:

- implementation of projects already launched in the Environment segment and development of new initiatives focusing particularly on the Lazio Region in order to overcome the imminent waste emergency;
- focus on energy efficiency to reduce energy consumption and develop new technologies (smart grids, accumulators, etc.);
- potential partnerships with the party awarded the gas distribution service in Rome;
- strengthening of customer relations with customer satisfaction & loyalty tools to improve the service offered, also assessing partnerships with specialist operators with a view to selective outsourcing;
- strengthening of the leadership position in the Italian water sector and operating excellence in electricity distribution activities;
- retail sales coverage through agreements and/or assessment of opportunities becoming available upstream of the energy sector on the Italian market.

ACEA Ato5 2012 tariff determination

On 8 March 2012, following an affirmative response contained in corporate order dated 13 February 2012, the Commissioner for deeds signed a decree on the "Determination of the integrated water service tariff applicable for 2012 in ATO 5 Southern Lazio – Frosinone" which the company was informed of on 9 March 2012.

The Commissioner for deeds has reconstructed the trend in the tariff curve from 2003 to 2012 to current values, applying the cumulative inflation factor for each year of operations to the real average tariff values envisaged in the original Area Plan. Consequently, the real average tariff calculated for 2012 was identified by the Commissioner, in accordance with the original Area Plan, as 1.359 euros per cubic metre with the aim of rapidly addressing a situation of economic and financial imbalance in the service, due to failure to update the tariff in line with the inflation rate and with the provisions of the Area Plan and the Concession Agreement.

Agreement with Italgas

On 22 March 2012, Acea and Italgas signed an agreement aimed, inter alia, at analysing the possibility of jointly conducting some activities relative to natural gas distribution in the municipal territory of Rome.

The agreement also sets forth that Acea is entitled to ask Italgas to purchase a stake of between 5% and 25% of a newly established company to which the Italgas business unit for gas distribution in the municipality of Rome would be contributed, in line with applicable competition regulations and subject to obtaining the required authorisations.

The relative price shall be determined taking into account, inter alia, how much Italgas paid to the municipality of Rome for the awarding of the tender for the gas distribution service in the municipal territory of Rome.

ARIA - CIP6/92 incentives

On 16 April ARIA and the national grid operator signed the agreement regulating the withdrawal of energy on the second and third lines of the San Vittore plant in Lazio.
The agreement entered into force on 20 April 2011 and expires on 19 April 2019.

Approval of ATO2 tariff

On 17 April 2012 the Mayors' Conference approved the new average tariff for 2012-2032 with particular reference to:

1. the non-recognition of the 7% return on invested capital for investments included in the tariff after the outcome of the referenda with recognition only of the portion of amortisation: in this respect the amount envisaged in the tariff review resolution was set at 440 million euros,
2. MALL parameter: it was decided that the total penalties calculated by applying the parameter to operating costs should be allocated to investments in the elimination of non-compliant sewage disposal and to adapt the treatment plants to current regulations: these investments were calculated as a total of 21 million euros and will be the sole liability of the Operator, with no recognition in the integrated water service tariff,
3. Tariff adjustments: the adjustments recognised at 31 December 2011 were covered by the resolution.

For further details, please refer to the section on the performance of this Area.

Antitrust Authority investigation of the acquisition of Publiacqua

On 24 September 2012, the Council of State, to which an appeal had been submitted by the Antitrust Authority (AGCM) against the Regional Administrative Court decision which had cancelled the AGCM measure requiring ACEA (and Suez Environnement) to pay a penalty of 8.3 million euros (and 3 million euros), handed down its ruling.
The Council of State cancelled the ruling of the Regional Administrative Court, to which ACEA had appealed, and rejected the cross-appeal filed by ACEA.
ACEA paid the 8.3 million euro fine in November 2012.

2012 Tariff measures - GORI

On 27 October 2012, the Area Authority's General Meeting approved the proposals made by that Authority's Board of Directors on 12 October. The decisions made concern:

- the new tariff system for 2012 which envisages an annual revenue level of 127.3 million euros (Group portion 47.2 million euros),
- the procedure for determining tariff adjustments recorded by GORI with reference to the years 2003-2011; that procedure resulted in (i) the recognition of receivables for tariff adjustments, until 2008, to the extent corresponding to what was already posted to the relative financial statements (a total of 75.4 million euros, with a Group portion of 27.9 million euros) and (ii) the recognition, for 2009, 2010 and 2011 of 73.5 million euros (Group portion: 27.2 million euros), taking into consideration the Regional Administrative Court's cancellation of the 2011 tariff approved by the Area Authority's General Meeting on 2 August 2011. Therefore, the Area Authority's General Meeting verified tariff adjustments for the 2003-2011 period totalling 148.9 million euros (Group portion: 55.2 million euros), 13.1 million euros (Group portion: 4.9 million euros) higher than the amount reported up to and including 31 December 2011,

- the approval of the draft agreement with the Campania Region, aimed at normalising relations relative to the wholesale water supply and waste water collection and treatment services provided through regionally managed plants. The aforementioned draft agreement is currently awaiting approval, and some of its formal and substantial aspects could be changed compared to what was approved by the aforementioned Area Authority General Meeting.

Rating

On **7 March 2012**, Fitch indicated that it had reduced ACEA's long-term rating from "A" to "A-", with a negative outlook.
That change is due to, inter alia, the following factors: the current regulatory uncertainty in the water sector; the new "business profile" of the Energy Area, less balanced between energy production and sales; the uncertainty linked to the future dividends policy and Italy's downgrade. As regards the Environment Area, in which ACEA expects significant developments, the agency highlighted the still unstable regulatory framework. The negative outlook reflects Fitch's expectations with respect to a generally particularly difficult economic scenario.

On **16 March 2012,** Standard & Poor's indicated that it had reduced ACEA's long-term rating from "A-" to "BBB+". According to the agency, the rating adjustment is basically due to adverse market conditions and the resulting higher future difficulties in collecting receivables - especially those due from the Public Administration - which could cause an increase in the Company's working capital and net debt.
The negative outlook is confirmed, in consideration of: (i) a possible further revision of the rating linked to the possible downgrade of Roma Capitale and a possible negative evolution of water sector regulations; (ii) the expectation that the debt level will remain high due to potential unfavourable trends in working capital within a particularly difficult macroeconomic environment.
The agency in any event judges the Company's business profile as "solid" and the financial structure as "adequate".

On **16 July 2012**, Moody's indicated that it had reduced ACEA's long-term rating from "Baa1" to "Baa2". The rating adjustment follows the downgrade of Italy's sovereign debt rating by the same agency.

On **30 October 2012**, Moody's confirmed ACEA's long-term rating of "Baa2", with a negative outlook. With that decision, the agency concludes the rating revision process which began on 16 July.
According to Moody's, the rating confirmation reflects the Company's commitment and efforts to strengthen the financial structure and improve working capital by: enacting measures aimed at overcoming difficulties and collecting receivables - especially those due from the Public Administration - within a particularly difficult macroeconomic environment; solving problems generated by implementing the new information system in the Energy area.

On **31 October 2012**, Standard & Poor's indicated that it had reduced ACEA's long-term rating from "BBB+" to "BBB-", with a negative outlook.
According to the agency, the rating revision mainly reflects the level of indebtedness and the increase in working capital, partially resulting from the current difficulties in collecting receivables, within a particularly complex economic and financial context.

Resolution no. 462/2012/S/EEL of 8 November 2012

With the resolution indicated above, AEEG launched penalty proceedings with regard to Acea Energia to investigate violations concerning billing and general quality standards in the sale of electricity. The investigation's duration was set at 120 days from the date of communication of the measure.

Resolution no. 484/2012/R/IDR of 15 November 2012

With the aforementioned resolution, AEEG launched an enquiry to complete the verification of the ATO3 Medio-Valdarno Area Plan, in order to check that it was properly prepared.

Advance on 2012 dividend

As at 20 December 2012, ACEA SpA's Board of Directors resolved the distribution of an advance on the ordinary 2012 dividend of 0.21 euro per share.
This decision regarding the advance on the 2012 dividend was taken on the basis of the accounting situation of the Acea Group as at 30 September 2012 in light of the business outlook for the year in progress.
On 20 December 2012, Independent Auditors Reconta Ernst & Young issued a judgment as set forth by article 2433-bis of the Italian Civil Code.

Resolution no. 585/2012/r/idr of 28 December 2012: regulation of water services: approval of the temporary tariff method (MTT) for determining tariffs in the years 2012 and 2013

The resolution defines the content of the temporary tariff method, identifying its criteria defined at the national level to determine tariffs for the years 2012 and 2013.
The proposed methodology, anticipating the general outline of the definitive methodology expected to apply beginning in 2014, regards all operations excluding those that currently adopt the CIPE tariff method and the services in the autonomous provinces of Trento and Bolzano and in the autonomous region of Valle d'Aosta.
Some of the main updates in the new temporary methodology are:

- the maintenance of the current **tariff breakdown** by operator/tariff area;
- the precise identification of the **role of Area Authorities** for the purpose of determining the tariff;
- compliance with the referendum results and resulting elimination of the "return on capital" but the **recognition of the "cost of financial resources"**;
- introduction of a **recognition to cover delays in the recognition of investments (regulatory time lag), quantified as +1%** for investments made beginning in 2012 and included in tariffs in the year n+2;
- introduction for the two applicable years of a **limit to changes in tariffs**, to protect end users from the impact;
- abandonment of the reference to planned inflation and the updating of operating and capital costs in relation to **actual inflation**;
- introduction of a lump-sum amount to compensate **net working capital.**

Disposal of Apollo S.r.l.

On 28 December 2012, Acea Reti e Servizi Energetici S.p.A. (ARSE), an energy service company wholly owned by Acea S.p.A. which operates in the sector of renewable energy offering the market sustainable energy solutions with a focus on energy savings and efficiency, signed an agreement with RTR Capital S.r.l. (Terra Firma subsidiary) concerning the disposal of Apollo Srl, active in the PV sector, whose asset portfolio includes plants with a total of 32.544 MW of installed power, after a competitive procurement procedure which initially involved the interest of thirty sector operators.
The disposal price was 102.5 million euros, for an average price of over 3 million euros per MW.

Significant events after the balance sheet date

SAO - Approval of the Area Plan for the integrated urban waste management service

With Resolution no. 2 of 16 January 2013, the General Meeting of Umbria Region ATI no. 4 approved the Annual Plan for the integrated urban waste management service, pursuant to Regional Law no. 11/2009. That plan was published on the court notice board of ATI4 on 30 January 2013; with Resolution no. 1 of 16 January 2013, the same general meeting approved the new plant access tariffs. The company checked the impacts of the approved Plan and deemed it essentially compatible with the forecasts it developed; at the same time, dialogue continued between plant operators, set forth in the aforementioned Planning, with the intention of finalising the contractual agreements concerning the management of urban and special waste generated by their treatment. At that time, the ATI was requested to incorporate a necessary update to the timing for the execution and entry into operation of the waste treatment plant revamping project, in consideration of the fact that the regulatory framework was stabilised only after approval of the Area Plan and plant access tariff.

Also in January, the company notified the ATI of the breakdown of tariffs applicable as from 1 January 2013 as a result of the ATI's approval of the Area Plan and the connected Economic-Financial Plan, as well as the plant access tariffs. In order to favour the gradual adaptation to the new tariffs by municipalities, the ATI asked the Company to formulate a technical-economic proposal for tariff application for the year 2013, in order to take into due consideration the previously approved transfer of a quantity of special waste, equal to 7,000 tonnes/year, coming from the area of the same ATI, as well as additional transfers of special waste to be included, only for the year 2013, in Area Planning.

Update to the By-Laws

On 24 January 2013, the Acea S.p.A. Board of Directors approved an update to the By-Laws in compliance with the provisions of Law no. 120 of 12 July 2011 concerning the balance between genders in the composition of the Board of Directors and the Board of Statutory Auditors. The compulsory amendments provided for by the Law were therefore made with respect to articles 15 and 22 of the Company's By-Laws.

Resolution no. 38/2013/R/idr of 31 January 2013

On 31 January, AEEG approved a measure for the definition of criteria to calculate the amounts to be returned to water end users, relative to the return on invested capital and paid in the period after the Referendum of 12-13 June 2011 (from 21 July to 31 December 2011).

The Document follows the opinion that the Authority had requested from the Council of State, on the exact time of the initiation of its powers in terms of water tariffs. That opinion noted that the tariffs applied from 21 July 2011 to 31 December 2011, not covered by the temporary tariff method, are not consistent with the results of the referendum referred to above.

To identify the portion of the tariff to be returned to end users, AEEG intends to follow the criteria already used to define the Temporary Tariff Method, which covers 2012-2013 and incorporates the effects of the abrogative referendum. Such criteria have also been confirmed by on opinion of the Council of State, according to which compliance with the full cost recovery principle must in any case be ensured during the rebate activity.

In particular, the Authority shall establish the criteria based on which the Area Authorities will have to identify the amounts corresponding to the return on invested capital and it shall define the methods and operating instruments which can ensure that the amounts due are actually returned.

Risks and uncertainties

Information on the main risks and uncertainties to which the Group is exposed, including the disclosures required by Legislative Decree no. 195/2007, which has amended paragraph 5 of Article 154-bis (Executive Responsible for Financial Reporting) of Legislative Decree no. 58 of 24 February 1998, taking account of the CONSOB consultation document of 7 July 2008, is provided in this document and in the Management Reports as at 31 December 2012 of the individual ACEA Group companies.
Moreover, further information on foreign exchange risk, market risk, liquidity risk and interest rate risk is provided in the section *"Additional disclosures on financial instruments and risk management policies"* in the notes to the consolidated financial statements for the year ended 31 December 2012, to which reference should be made for more information.

At the date of preparation of this management report, we do not expect the Acea Group to be exposed to further risks and uncertainties that may have a significant impact on its results of operations or financial position, other than those mentioned in this document.
Further details on this issue are provided in the sections "*Service concession arrangements"* and *"Update on major disputes and litigation"* of this report.

Regulatory risks

ACEA S.p.A., through the Regulatory Department, monitors regulatory developments. This involves providing support both with regard to the preparation of comments and observations on Consultation Documents, in line with the interests of Group companies, and the consistent application of regulations in corporate procedures and within the electricity and gas businesses.
Management of regulatory risk takes the following form:

- Management of relations of a technical and institutional nature;
- Technical and regulatory support in respect of activities subject to regulation and control;
- Regulatory compliance reporting and monitoring.

Technical-institutional relations are targeted at ensuring the completeness, clarity and consistency of information within the Group. In particular, these are broken down into:

- Management of relations with the Regulatory Authorities on issues associated with sector regulations and their application by the Group, based on guidelines dictated by top management and based on needs submitted to top management by each company, with support from the relevant offices and departments of the companies concerned;
- Management of relations with Trade Associations and companies in the sector;
- Standard representation of Group positions in the management of relations with Regulatory Authorities regarding the technical, economic and legal regulations for the sector;
- Obtaining assessments and opinions from the companies concerned in relation to technical and economic implications, and the strategic, economic, financial and legal impact of application of the sector regulations.

Technical-legislative support is targeted at ensuring the monitoring of the following processes:

- Monitoring of technical regulatory activities of the Regulatory Authorities with ongoing technical analysis of documents issued by such authorities, also involving the preparation of opinions, responses or proposed amendments in support of decisions reached with the companies;
- Examination and planning of initiatives in relation to resolutions and legal provisions with an impact on electrical energy and gas operations;
- Participation in working parties set up by the Regulator or Trade Associations with a view to preparing and disseminating agreed positions on individual measures or action of a technical-legal nature with a direct impact on areas of interest to the Group;
- Coordination of the positions stated by the companies on each measure with an impact on operations, with a view to agreeing upon a standardised position expressed externally.

Monitoring and reporting activities are structured into a process of constant internal updating on legislative changes, through the preparation of specific reports to be directed to the parties involved and updating of the agenda of legislative expiries.

During the third regulatory period for the energy Networks market, the Italian Authority for Electricity and Gas introduced various new regulations governing tariffs, which continue to give rise to a number of uncertainties resulting from AEEG's failure to define some equalisation items.
This may represent a risk for the Company's economic result, and could require further specific analyses that, in most cases, have already been launched together with the Authority's technical departments.

There is still a degree of uncertainty regarding the mechanism for determining costs incurred in the development of electronic metering systems and the marketing of transport services.
With regard to the equalisation of the costs incurred for electronic metering systems (equalisation of metering), the limited reliability of projections of the economic impact are linked to the weight assigned, in the related analytical formulation, to the creation of specific system parameters, exclusively developed by the Authority and, therefore, not retroactively available to individual operators. The information gap was not filled with either the review of the mechanism for the determination of metering equalisation for the years 2010 and 2011 contained in resolution no. 166/11, given that AEEG did not set out the national variables and parameters which are fundamental for economic forecasts or with the new provisions set forth in resolution 199/2011.
The uncertainty over the equalisation amount of the transport marketing costs persists in 2010 and 2011, despite being mitigated by the publication of resolution ARG/elt/227/10 which set out the criteria to be adopted for the determination of the aforementioned equalisation. In fact, since the Italian Authority for Electricity and Gas has still not collected the data for the years 2010 and 2011, a risk still exists over equalisation amounts deriving from the possibility that commercial costs are not fully recognised by the Italian Authority for Electricity and Gas in accordance with evaluations that are currently not foreseeable.

The new reference tariff by company, published on 26 April 2012 with resolution 157/2012, is still temporary and any corrections shall be published at the end of the asset certification process, which should be completed by March 2013. Uncertainty over the metering equalisation amount also persists for the fourth cycle, linked to the lack of availability of fundamental national variables and parameters for economic forecasts.
Resolution no. 196/11 of 29 December 2011 made provision for the review, starting in 2012, of conventional percentage factors of electricity losses on the networks with the obligation of third-party connection, assessed by AEEG on the basis of a technical study drafted by the Polytechnic of Milan. Applying the resolution caused a decrease in standard losses on high voltage networks. Resolution 175/2012/r/eel on the "review of conventional percentage factors for electricity loss applied to electrical energy input to the LV and MV networks by distributed generation plants" lengthened the time required for the consultation process, deferring further review of the standard loss factors applicable to electrical energy drawn from MV and LV networks to instructions to be issued by 30 September 2013. With resolution 559/2012, AEEG adopted a mechanism for the equalisation of the difference between actual and standard losses between distribution companies, to be applied temporarily in 2012 and the revision of the standard loss factor in the MV sector beginning in 2013, as well as the definition, following a joint technical study between distribution companies and AEEG, of a technical loss coefficient by company. This collection of provisions could generate economic and technical risks for the current structure of equalisation of surplus losses.

WATER TARIFF

Details are provided in the sections *"Service concession arrangements"* and *"Update on major disputes and litigation"* of the Consolidated Financial Statements.

Legislative risks

CONSTITUTIONAL COURT SENTENCE 335/2008

Details are provided in the section *"Service concession arrangements"* of the Consolidated Financial Statements.

DECREE LAW "STABILISATION"

Details are provided in the section *"Service concession arrangements"* of the Consolidated Financial Statements.

ABROGATIVE REFERENDUMS OF 12 AND 13 JUNE 2011

Details are provided in the section *"Service concession arrangements"* of the Consolidated Financial Statements.

ELIMINATION OF THE NATIONAL AGENCY FOR WATER REGULATION AND MONITORING AND OF CO.N.VI.RI (NATIONAL COMMISSION FOR MONITORING WATER RESOURCES)

Details are provided in the section *"Service concession arrangements"* of the Consolidated Financial Statements.

ELIMINATION OF THE AREA AUTHORITIES

Details are provided in the section *"Service concession arrangements"* of the Consolidated Financial Statements.

Strategic risks

INCOMPLETENESS OF THE ACQUISITION PROCESS OF THE MUNICIPALITIES INCLUDED IN ATO 2

The 2002 Concession Agreement set out the award of the Integrated Water services for 111 municipalities (which later became 112) to ACEA Ato2 S.p.A., with the aim of completing the acquisition process in the three years following the signing of the Agreement. However, the problems that emerged during the years led to a partial acquisition of the municipalities. Today, ACEA Ato2 S.p.A. delivers services to 76 municipalities.

In particular, since 2007 the acquisition of contracts with the municipalities involved has slowed. This has been mainly caused by local authorities, natural political alternation and internal difficulties within the authorities themselves. Moreover, based on the assessments carried out, certain municipalities still have problems relating to the state of treatment plants and lack of authorisation for waste disposal.

This led to the need for subordinating the assignment of municipalities to the actual compliance of plants with the existing environmental regulations.

In this way, on the one hand the impact of other litigation risks for ACEA Ato2 S.p.A. is limited, and on the other, there could be an increased incompleteness risk concerning the acquisition process, with a significant impact on the corporate strategic requirements.

INCOMPLETENESS OF THE ACQUISITION PROCESS OF THE MUNICIPALITIES INCLUDED IN ATO5

The 2003 Concession Agreement set out the award of the Integrated Water services for 85 municipalities (in addition to two other municipalities located outside the Area) to ACEA Ato5 S.p.A., by immediately completing the acquisition process and establishing a safeguarding period for some of them. To date, three municipalities are awaiting completion of the said process: Atina, Cassino Centro and Paliano, as a result of problems that have occurred over the years.

More specifically, failure to acquire the plants of Atina and Cassino Centro was due to the policies adopted by Municipal Authorities, in clear contrast to the original forecasts of the area plans submitted in the tender and, more generally, the provisions of the reference legislative framework. With regard to the Paliano plants – for which the failed acquisition was initially due to alleged extensions of safeguarding periods – the activities related to transfer of the Integrated Water Services were commenced on conclusion of assessments of the locations and works to be transferred (November 2009). The activities connected with the commercial, administrative, logistics and HR sector are still to be completed.

ECONOMIC CONSEQUENCES OF NON-COMPLIANT LANDFILLS: SHUTDOWNS, EFFICIENCY, MANAGEMENT COSTS, MAINTENANCE COSTS

The Galli Law aims at constantly improving Integrated Water Services, through both a quality service for users and compliance with current legislation. For this reason, if, during acquisition, the operator acquires plants that are subsequently classified as non-compliant, said operator has to make them compliant with technical, management and regulatory provisions for their intended operation. However, the operator has dealt several times with this problem, with operating (shutdowns, malfunctions) and economic consequences (increase in management and maintenance costs), as in the case of the seizure of the treatment plants in Castelnuovo di Porto. In order to limit the consequences of said risk factor, controls have been adopted concerning the mapping of non-compliant plants, in order to plan any restoration work, as well as studies for network controlling and monitoring of parameters at the plant entry point. In any case, based on the weight that should be given to this issue and the costly operational hitches in the case of shutdowns, the impact of this risk factor is considered high.

Photovoltaic risks

Photovoltaic activities highlight two types of risk:

- the uncertainty of actual acquisition of the incentive tariffs and their assessment for "large" plants subject to the registration procedure;
- the inability to calculate authorisation times, especially the timing of connection to the electricity network of the plants constructed, which introduces a further element of uncertainty in economic assessments, also for plants not subject to registration, particularly in consideration of the strong downward monthly trend in the value of grants envisaged for the next few years.

Operational risks

With regard to the **Energy** Area, the main operational risks linked to the activities of the Group subsidiaries (Acea Energia S.p.A. and Acea Produzione S.p.A.) may regard material damage (damage to assets, the shortcomings of suppliers, negligence), damage due to lost output, human resources and damage deriving from external systems and events.
To mitigate these operational risks, the companies have, since they began operating, took out a series of insurance policies with leading insurance companies covering Property Damage, Business Interruption and Third Party Liability. Particular attention has been devoted by the companies to the training of their employees, as well as the definition of internal organisational procedures and the drafting of specific job descriptions.

The main risks falling under the **Networks** Area can be classified as follows:

- risks relating to the effectiveness of the investments in replacement/renewal of grids, as regards expected effects on the improvement of service continuity indicators;
- risks relating to quality, reliability and duration of the works carried out;
- risks relating to the ability to meet the terms for obtaining prescribed authorisations, regarding both the construction and start-up of plants (pursuant to Re-

gional Law 42/90 and related regulations) and the carrying out of works (authorisations of municipalities and other similar authorisations), according to the need to develop and enhance the plants in light of growing demand.

The risk relating to the effectiveness of investments arises basically from the increasingly stringent regulation of service continuity of the Italian Authority for Electricity and Gas outlined in the previous sections (the new regulations published recently by the Authority, following a consultation process, confirm said Authority's intention to continue with the process of improvement already started in previous cycles). To tackle this risk, Acea Distribuzione S.p.A. has strengthened the tools for analysing the functioning of the networks in order to make increasingly better use of investments (e.g. ORBT project) and applied new technologies (automation of medium voltage network, smart grid, etc.).

As far as the risk linked to work quality (letter b) is concerned, Acea Distribuzione implemented operational, technical and quality control systems, including the creation of the Works Inspection Unit, which forms part of the Quality and Safety department. The results of the inspections, which are processed electronically and analysed statistically, give rise to rankings (reputational indicators) with a vendor rating system, developed in collaboration with the University of Tor Vergata (Rome). This system ranks contractors according to their reputations, scored on the basis of their ability to meet the quality and safety standards for contract work.

Furthermore, this system makes it possible to apply penalties to contractors if services which are not compliant with the contract or applicable regulations are detected. In serious default cases the principal may also suspend the contractor's activities. In 2012, as a result of 935 inspections made in said period, 8 companies, covering 23 sites (compared to 33 in 2011), had their activities suspended due to non-compliance with safety measures.

During the year, additional general improvement was recorded in the reputational indicator of companies operating on behalf of Acea Distribuzione, up from 91.47% recorded in December 2011 to 91.65%.

A similar project was launched in relation to the services assigned to the external professionals involved in works planning and execution activities.

The risk relating to the ability to meet the terms arises from the number of entities which have to be addressed in the authorisation procedures and from the enormous uncertainties linked to the response times by these entities; the risk lies in the possibility of denials and/or in the technical conditions set by the above entities (such as the construction of underground rather than aboveground plants, with a subsequent increase in plant and operating costs). It should also be noted that lengthy proceedings result in higher operating costs, are difficult to deal with for operating structures (drafting and presentation of in-depth project examinations, environmental assessments, etc.) and require participation in service conferences and technical meetings at the competent offices. During these conferences and meetings, as noted, the Company participates both to provide clarifications on the project documents and to adapt them to the requirements of the Authorities called to issue the authorisation. However, a substantial risk remains, linked to the non-obtainment of authorisations, with the result being the inability to carry out activities on the network and therefore, greater risk linked to the technical performances of the service (the procedure for the construction of the new Parco dei Medici primary station as well as the procedure for redevelopment of the high voltage network in the Southern and Northern areas of Roma Capitale, as set forth in the specific Memorandum of Understanding, the update of which was signed by Acea Distribuzione, Terna and the municipality of Rome on 17/03/2010, are currently experiencing difficulties). Lengthy response times from certain administrative bodies consulted (which extend well beyond the technical times necessary) represents a particularly critical element. However, the proceedings referred to are continuously monitored by the Operational Planning Department, in order to manage emerging critical issues (for example administrative actions implemented by the Company to challenge the undue seizure of the work site for the construction of the new Malagrotta HV station, or the planning of updates/changes to HV network modernisation projects in the Southern area).

As regards **Environment** Area companies, the Terni and San Vittore del Lazio plants are involved in optimisation and revamping projects which present the risks typical of the realisation of complex industrial infrastructures. Said

risks present the real possibility of delays in construction or imperfections in the execution of works commissioned, as regards the revamping activities underway.
Said risk has been mitigated by the implementation of the proper organisation of works management and monitoring aimed at controlling the times and quality of the work carried out.
By contrast, as regards the operational phase, any interruption to the waste-to-energy activities carried out at the Terni and San Vittore plants or to the waste treatment activities of SAO S.r.l., based on the fact that they are linked to the production of electricity under the CIP 6/92 regime and to the provision of public services, could have negative repercussions.
Any impact would be reflected in both the companies' economic results and in terms of their commitments to public and private waste management customers. In this context, an unscheduled plant shutdown puts the companies' ability to achieve their business objectives at real risk.
The waste-to-energy plants, as well as, to a lesser extent, the waste treatment plants, are highly complex from a technical point of view, requiring the companies to employ qualified personnel and organisational structures with a high level of know-how. The need to maintain the plants' technical performance levels and to prevent personnel with specific expertise (who are difficult to recruit) leaving the companies represent real risks.
The companies in this area have mitigated these risks by implementing specific maintenance and management programmes and protocols, drawn up partly on the basis of their experience in managing the plants involved.
Moreover, the plants and the related activities are designed to handle certain types of waste. The failure of incoming material to meet the necessary specifications could lead to tangible operational problems, such as to compromise the operational continuity of the plants and give rise to risks of a legal nature.

For this reason, specific procedures have been adopted for monitoring and controlling incoming materials via spot checks and the analysis of samples pursuant to the legislation in force.

Litigation risks

For more information, refer to paragraph *"Update on major disputes and litigation"* in the Notes to the Consolidated Financial Statements 2012.

Tax issues

For more information, refer to paragraph *"Update on major disputes and litigation"* in the Notes to the Consolidated Financial Statements 2012.

Operating (and financial) outlook

The Acea Group's results for 2012 are in line with forecasts.

With respect to **network** management, 2012 presents some elements of uncertainty linked on one hand to the temporary nature of the company-based tariff, although mitigated following the publication of AEEG resolution 157/2012 of 26 April, which in fact approved the reference tariff of ACEA Distribuzione and, on the other hand, the difficulties in the operating environment in maintaining technical and management indicator levels. The main actions to be taken will continue to regard investments, processes and organisation, as in the recent past.
As set forth in the Group's 2012 - 2016 Business Plan, on 28 December 2012, the PV business unit, previously owned by ARSE, was sold. The transaction regarded the disposal of Apollo S.r.l., operating in the PV sector, whose asset portfolio includes plants located in Puglia, Lazio and Campania, with total installed power of 32.544 MW. The sale price of the company sold was 102.5 million euros which, taking into account the amount of net working capital as shown in the Apollo S.r.l. forecast balance sheet as at 31 December 2012, gave rise to cash flows of 101,294 thousand euros, of which 7,027 thousand euros for equity and 94,267 thousand euros for the repayment of the loan granted by ACEA to Apollo S.r.l.

In the **electricity generation** sector, the repowering works at the Salisano and Orte hydroelectric power stations were completed, and works to extend the district heating network continued. That project will last for at least three years, and will make it possible to extend the service to the entire district of Mezzocammino in the southern area of Rome. Plant repowering will facilitate an increase in the current portion of electricity generated from renewable sources, and will also guarantee the production of green certificates.

Regarding the **retail electricity market**, the Company's efforts will be increasingly focused on customer management and developing the portfolio in response to changes in the market which, with the expansion of liberalisation to residential customers as well, require operators to provide a higher level of service to that type of customer.
The objective in the coming months will be to continue putting in place actions aimed at counteracting the effects of the crisis, from consolidation of the market share, to the careful management and containment of working capital, as well as management of the 2012/2013 sales portfolio with a view to ensuring customer loyalty, with the intent of consolidating current market shares. In the coming months, actions to normalise and stabilise administrative and commercial relations with customers will continue.

In the **water services** sector, the Group has basically completed the acquisition of the remaining services, affirming itself as the top national player. Resolving tariff-related problems, which still characterise some areas of the country, will be the top-priority objective in the next few months, in addition to implementation of the necessary steps to contain working capital. The 2012 water services results are obviously affected by the tariff updates introduced by AEEG with resolution no. 585 of 28 December 2012, governing the temporary tariff method (MTT) for determining tariffs in the years 2012 and 2013. The companies are engaged until the end of March 2013 in sharing the tariff proposals with their respective Area Authorities, which must be validated by AEEG by the end of the first half of the year.
In the coming months, they will also be working on understanding the definitive rules for the formation of revenues which will apply when the definitive tariff method comes into effect.

In the **environment sector,** the overall positioning of ARIA, the owner, either directly or through its subsidiary S.A.O., 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 true even in consideration of the shortage of plant infrastructures for waste recycling and disposal in the Lazio Region in relation to effective needs, made particularly evident by the administration established by the central government introduced, based on the provisions of art. 1, paragraphs 358 and 359 of Law 228/2012, with the aforementioned decree of the Ministry of the Environment and Protection of the Sea of 3

January 2013, concerning the serious critical situation in urban waste management in the Province of Rome. As regards Kyklos and Solemme, the goal over the coming months is to continue to consolidate the activities carried out, ensuring plants become fully operational. In the case of Kyklos, the goal is to double treatment capacity.

As in previous years, the ACEA Group is continuing to streamline business processes and operating efficiency with the aim of counteracting the effects of the crisis, and at the end of 2012 it was positioned in line with Business Plan forecasts.

The financial structure of the ACEA Group is solid for the upcoming years, as the entire debt is positioned on the long term, with an average life of about 10 years, covering 100% of fixed assets until at least 2013. 56% of the debt is at a fixed rate in order to guarantee protection against the mentioned increase in interest rates and any financial or loan fluctuations.

As of today, ACEA has committed and uncommitted credit lines totalling approximately 1.7 billion euros, of which 500 million euros will fall due after 2013.

The long-term ratings assigned to ACEA by the main international rating agencies are as follows:
- Standard & Poor's: "BBB-";
- Fitch "A-"
- Moody's "Baa2".

Resolutions on profit for the year and distribution to shareholders

Dear Shareholders,

in inviting you to approve the financial statements, we propose that the profit of 87,060,204.99 euros for the year ended as at 31 December 2012 be allocated as follows:

- 4,353,010.25 euros to the legal reserve, equal to 5%,
- 44,722,629.00 euros to shareholders, corresponding to a unit dividend of 0.21 euro, to cover the advance on the dividend paid on 3 January 2013, with prior detachment date of coupon no. 12 on 27 December 2012,
- 19,166,841.00 to the shareholders, corresponding to a unit dividend of 0.09, for the balance of the 2012 dividend.
- 18,817,724.74 carried forward

The dividend for the balance, coupon no. 13, equal to 0.09 euro per share, shall be paid beginning on 23 May 2013 with a detachment date of 20 May and a record date of 22 May.
At the date of approval of the financial statements, treasury shares total 416,993.

Acea S.p.A.
The Board of Directors

max

Financial Statements of ACEA S.p.A.

for the year ended 31 December 2012

Income Statement of ACEA S.p.A. for the year ended 31 December 2012

Notes Ref.	INCOME STATEMENT	31.12.2012	31.12.2011	Increase/ (Decrease)
1	Revenue from sales and services	167,903	163,764	4,139
2	Other revenues and proceeds	11,397	8,868	2,530
	Net revenue	**179,301**	**172,632**	**6,669**
3	Staff costs	55,742	47,648	8,095
4	Costs of materials and overheads	147,509	159,140	(11,631)
	Operating costs	**203,252**	**206,788**	**(3,537)**
	Gross Operating Profit	**(23,951)**	**(34,156)**	**10,205**
5	Amortisation, depreciation, provisions and impairment charges	34,271	76,512	(42,241)
	Operating profit/(loss)	**(58,222)**	**(110,669)**	**52,447**
6	Finance (costs)/income	14,702	5,580	9,123
	Ordinary finance (costs)/income	14,702	5,580	9,123
	Exceptional finance (costs)/income	0	0	(0)
7	Profit/(loss) on investments	126,438	200,175	(73,736)
	Profit/(loss) before tax	**82,919**	**95,086**	**(12,167)**
8	Taxation	(4,141)	(13,550)	9,409
	Net profit/(loss) from continuing operations	**87,060**	**108,636**	**(21,576)**
	Net profit/(loss) from discontinued operations	0	0	0
	NET PROFIT/(LOSS) FOR THE PERIOD	**87,060**	**108,636**	**(21,576)**

Statement of Comprehensive Income of ACEA S.p.A. for the year ended 31 December 2012

STATEMENT OF COMPREHENSIVE INCOME	31.12.2012	31.12.2011	Increase/ (Decrease)
Net profit/(loss) for the period	**87,060**	**108,636**	**(21,576)**
Profit/(Loss) From the Redetermination of Financial Assets Available for Sale	0	0	0
Profit/(Loss) From the Effective Portion on Hedging Instruments	(23,685)	(12,048)	(11,637)
Actuarial Profit/(Loss) on Defined Benefit Pension Plans	0	0	0
Taxation	6,513	(956)	7,469
TOTAL CONSOLIDATED OPERATING PROFITS NET OF TAX	**69,889**	**95,633**	**(25,744)**

Statement of Financial Position of ACEA S.p.A. for the year ended 31 December 2012

Notes Ref.	ASSETS	31.12.2012	31.12.2011	Increase/ (Decrease)
9	Property, plant and equipment	163,847	52,434	111,413
10	Investment property	2,933	2,993	(61)
11	Intangible assets	8,758	10,399	(1,640)
12	Investments in subsidiaries and associates	1,701,863	1,726,110	(24,247)
13	Other investments	4,704	4,673	30
14	Deferred tax assets	33,252	36,283	(3,031)
15	Financial assets	1,563,440	1,380,229	183,211
16	Other non-current assets	720	724	(4)
	Non-current assets held for sale	0	0	0
	NON-CURRENT ASSETS	**3,479,516**	**3,213,844**	**265,672**
17.a	Inventories	2,534	0	2,534
17.b	Trade receivables	44,883	37,672	7,211
17.c	Intercompany trade receivables	77,112	100,861	(23,749)
17.d	Other current assets	27,461	28,005	(543)
17.e	Current financial assets	36,062	27,289	8,773
17.f	Intercompany current financial assets	307,736	248,529	59,207
17.g	Current tax assets	57,507	35,407	22,100
17.h	Cash and cash equivalents	377,565	284,223	93,343
	Current assets held for sale	0	0	0
17	**CURRENT ASSETS**	**930,860**	**761,985**	**168,876**
	TOTAL ASSETS	**4,410,376**	**3,975,829**	**434,547**

Statement of Financial Position of ACEA S.p.A. for the year ended 31 December 2012

Notes Ref.	LIABILITIES	31.12.2012	31.12.2011	Increase/ (Decrease)
	Shareholders' equity			
	Share capital	1,098,899	1,098,899	0
	Legal reserve	74,351	68,919	5,432
	Reserve for treasury shares	0	0	0
	Other reserves	72,255	89,427	(17,172)
	Profit (loss) pertaining to previous years	43,754	63	43,691
	Profit (loss) for the period	42,425	49,123	(6,698)
18	**Total shareholders' equity**	**1,331,684**	**1,306,430**	**25,254**
19	Staff termination benefits and other defined benefit plans	25,302	23,551	1,751
20	Provision for liabilities and charges	52,407	70,680	(18,272)
21	Borrowings and financial liabilities	1,684,767	1,784,429	(99,662)
22	Other liabilities	3,514	5,269	(1,755)
23	Provisions for deferred tax liabilities	3,173	12,873	(9,700)
	Non-current liabilities held for sale	0	0	0
	NON-CURRENT LIABILITIES	**1,769,164**	**1,896,803**	**(127,639)**
24.a	Borrowings	1,057,876	491,955	565,921
24.b	Trade payables	168,513	196,066	(27,553)
24.c	Tax payables	54,203	55,925	(1,723)
24.d	Other current liabilities	28,937	28,650	287
	Current liabilities held for sale	0	0	0
24	**CURRENT LIABILITIES**	**1,309,529**	**772,596**	**536,933**
	TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**4,410,376**	**3,975,829**	**434,547**

Statement of Cash Flows of ACEA S.p.A. for the year ended 31 December 2012

	31.12.2012	31.12.2011	Increase/ (Decrease)
Cash flow from operating activities			
Profit before tax from continuing operations	82,919	95,086	(12,167)
Amortisation/depreciation	12,565	11,921	644
Revaluations/impairment charges	(118,648)	(78,602)	(40,046)
Movement in provisions for liabilities	(18,237)	45,250	(63,488)
Net movement in staff termination benefits	585	(1,185)	1,770
Net financial interest expense	14,702	(5,580)	20,282
Income taxes paid	(19,036)	(53,190)	34,154
Cash generated by operations before movements in working capital	**(45,150)**	**13,700**	**(58,850)**
Increase in current receivables	8,747	(26,381)	35,128
Increase/decrease in current liabilities	(27,553)	35,061	(62,614)
Increase/(decrease) in inventories	(2,534)	0	(2,534)
Movement in working capital	***(21,340)***	***8,680***	***(30,020)***
Changes in other assets/liabilities during the period	**(8,220)**	**40,324**	**(48,544)**
TOTAL CASH FLOW FROM OPERATING ACTIVITIES	**(74,709)**	**62,704**	**(137,413)**
Cash flow from investing activities			
Purchase/sale of property, plant and equipment and intangible assets	(122,277)	(10,370)	(111,907)
Investments	(1,625)	811	(2,435)
Proceeds/payments deriving from other investments	(172,840)	(216,729)	43,889
Dividends received	123,452	112,976	10,476
Interest income received	26,429	(22,813)	49,241
TOTAL	**(146,861)**	**(136,125)**	**(10,736)**
Cash flow from financing activities			
Repayment of mortgages and long-term borrowings	(226,063)	(31,169)	(194,894)
Provision of mortgages/other medium/long-term borrowings	100,000	0	100,000
Decrease/increase in other short-term borrowings	548,745	353,352	195,393
Interest expenses paid	(63,139)	(60,782)	(2,358)
Dividends paid	(44,635)	(155,160)	110,525
TOTAL CASH FLOW	**314,907**	**106,241**	**208,666**
Changes in shareholders' equity after net profit	**0**	**0**	**0**
Cash flows for the year	***93,337***	***32,820***	***60,517***
Cash and cash equivalents at beginning of period	***284,227***	***251,407***	***32,820***
Cash and cash equivalents at end of period	***377,565***	***284,227***	***93,337***

Statement of changes in shareholders' equity of ACEA S.p.A. for the year ended 31 December 2012

	Share capital	Legal reserve	Demerger reserve
Balances as at 1 January 2012	**1,098,899**	**68,919**	**102,567**
Appropriation of result for 2011:			
Distribution of dividends			
Legal reserve		*5,432*	
Retaining earnings/Loss coverage			
Other movements			
Total profit (loss) recorded in the period:			
Profit and losses booked directly to Shareholders' equity			
Distribution of advance on 2012 dividends			
Profit for the year			
TOTAL AS AT 31 DECEMBER 2012	**1,098,899**	**74,351**	**102,567**

Reserve for exchange differences	Reserve from valuation of financial instruments	Other reserves	Accumulated profit/(loss)	Profit/(loss) for the period	Total shareholders' equity
(24,975)	**14,827**	**(2,993)**	**63**	**49,123**	**1,306,430**
					0
				(5,432)	*0*
			43,691	*(43,691)*	*0*
					0
17,081	*(34,252)*				*(17,172)*
				(44,635)	*(44,635)*
				87,060	*87,060*
(7,894)	**(19,426)**	**(2,993)**	**43,754**	**42,425**	**1,331,684**

Notes

Form and structure of the financial statements for the year ended 31 December 2012

GENERAL INFORMATION

ACEA S.p.A's financial statements for the year ended 31 December 2012 were approved by the Board of Directors' resolution on 8 March 2013. ACEA S.p.A., is an Italian company whose shares are traded on the Milan stock exchange.

COMPLIANCE WITH IAS/IFRS

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

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

BASIS OF PRESENTATION

The financial statements for the year ended 31 December 2012 consist of the statement of financial position, income statement, statement of comprehensive income, statement of cash flows and statement of changes in shareholders' equity, all of which have been prepared under IAS 1. They also include notes prepared under the IAS/IFRS currently in effect.

The income statement is classified on the basis of the nature of expenses, whilst the statement of cash flows is presented using the indirect method.

The financial statements for the year ended 31 December 2012 have been prepared in euros and all amounts have been rounded off to the nearest thousand euros, unless otherwise indicated.

USE OF ESTIMATES

In application of IFRS, preparation of the financial statements for the year ended 31 December 2012 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 in order to make provisions for credit risk, obsolescent inventories, asset write-downs, employee benefits, taxes and other provisions. The original estimates and assumptions are periodically reviewed and the impact of any change is recognised in the income statement.

Accounting standards and policies

The most significant accounting standards and policies are described below.

NON-CURRENT ASSETS HELD FOR SALE

Non-current assets (and assets included in disposal groups) classified as held for sale are accounted for at the lower of their previous carrying amount and their market value less sale costs.

Non-current assets (and assets included in disposal groups) are classified as held for sale when their carrying amount is expected to be recovered through a sale transaction rather than through their continued use. This condition is only met when the sale is highly probable, the asset (or asset included in a disposal group) is available for immediate sale in its present condition and management is committed to the sale, which is expected to take place within twelve months of the classification of this item.

CONVERSION OF FOREIGN FINANCIAL STATEMENT ITEMS

Acea S.p.A. and its European subsidiaries have adopted the euro () as their functional and presentation currency. Foreign currency transactions are initially recognised at the spot rate on the date of the transaction. Foreign currency monetary assets and liabilities are translated into the functional currency at the exchange rate at the end of the reporting period. Exchange differences are recognised in the income statement, with the exception of diffe-

rences deriving from foreign currency loans taken out in order to hedge a net investment in a foreign entity. Such exchange differences are taken directly to shareholders' equity until disposal of the net investment, at which time any differences are recognised as income or expenses in the income statement. The tax effect and tax credits attributable to exchange differences deriving from this type of loan are also taken directly to shareholders' equity. Foreign currency non-monetary items accounted for at historical cost are translated at the exchange rate on the date the transaction was initially recorded. Non-monetary items accounted for at fair value are translated at the exchange rate at the date the value was determined. The functional currency used by the Group's Latin American companies is the US dollar. At the balance sheet date the assets and liabilities of these companies are translated into ACEA S.p.A.'s presentation currency at closing rates, whilst income and expenses are translated at average rates for the period or at the rates ruling at the date of the related transactions. Exchange differences, resulting from the use of different rates to translate income and expenses as opposed to assets and liabilities, are taken directly to shareholders' equity and recognised as a separate component of equity. On disposal of a foreign economic activity, the cumulative exchange differences deferred in a separate component of shareholders' equity are recognised in the income statement.

REVENUE RECOGNITION

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

Sale of goods

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

Rendering of services

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

Finance income

Interest income is recognised on a time proportion basis that takes account of the effective yield on the asset (the rate of interest required to discount the stream of future cash receipts expected over the life of the asset to equate to the initial carrying amount of the asset). Interest is accounted for as an increase in the value of the financial assets recorded in the accounts.

Dividend income

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

GRANTS

Grants related to plant investments received from both public and private entities are accounted for at fair value when there is reasonable assurance that they will be received and that the conditions attaching to them will be complied with.
Grants related to specific plants whose value is recorded under plant, property and equipment are recognised as non-current liabilities and progressively recognised in the income statement on a straight-line basis over the useful life of the asset to which they refer.
Grants related to income (disbursed in order to provide an enterprise with immediate financial aid or as compensation for expenses and losses incurred in a previous period) are recognised in the income statement in full once the conditions for recognition have been complied with.

CONSTRUCTION CONTRACTS

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

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

BORROWING COSTS

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

All other borrowing costs are recognised as an expense in the period in which they are incurred.

EMPLOYEE BENEFITS

Post-employment employee benefits in the form of defined benefit plans (such as staff termination benefits, bonuses, tariff subsidies) or other long-term benefits are recognised in the period the related right accrues: Such funds and benefits are not financed.

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

Actuarial gains and losses are recognised as income or expense if the net cumulative unrecognised actuarial gains and losses for each plan at the end of the previous reporting period exceeded the greater of 10% of the present value of the defined benefit obligation or 10% of the fair value of any plan assets at that date (the so-called corridor method). Such gains and losses are recognised on the basis of the expected average remaining working lives of the employees participating in the plan.

SHARE-BASED PAYMENT TRANSACTIONS (STOCK OPTIONS)

The Group is required to recognise the goods or services received in a share-based payment transaction at the date the goods or services are consumed. The Group is required to recognise a corresponding increase in shareholders' equity if the goods or services are received on the basis of a share-based payment transaction settled by the issuance of equity, or as a liability if the goods or services are acquired on the basis of a share-based payment transaction settled by the issuance of cash.

ACEA S.p.A. has opted to apply IFRS 2 on a prospective basis from 1 January 2005.

With effect from 2000, Acea S.p.A. introduced annual stock option plans, with the aim of equipping the Company with a means of boosting management incentives and loyalty.

LEASES

Leases are classified as finance leases when the terms of the contract substantially transfer all the risks and benefits of ownership of an asset to the lessee. All other leases are operating leases.

The Company as lessor

Assets held under a finance lease are presented as receivables at an amount equal to ACEA S.p.A.'s net investment in the leased asset. Finance income is recognised on the basis of a pattern reflecting a constant periodic rate of return on ACEA S.p.A.'s residual net investment.

Lease income from operating leases is recognised on a straight-line basis over the lease term. Initial direct costs incurred in respect of negotiating and securing the operating lease are added to the carrying amount of the leased assets and recognised on a straight-line basis over the lease term.

The Company as lessee

Assets held under a finance lease are recognised as assets belonging to ACEA S.p.A. and accounted for at amounts equal to fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The underlying liability to the lessor is included in the Statement of Financial Position as an obligation to pay future lease payments. Lease payments

are apportioned between the capital element and the interest element, in such a way as to produce a constant periodic rate of interest on the remaining balance of the liability.

Finance costs, whether certain or estimated, are recognised on an accruals basis unless they are directly attributable to the acquisition, construction or production of an asset, which justifies their capitalisation.

Lease payments under operating leases are recognised as an expense in the income statement on a straight-line basis over the lease term. The benefits received or to be received as an incentive for entering into operating leases are also recognised on a straight-line basis over the lease term.

TAXATION

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

Current taxes are based on the taxable profit (tax loss) for the period. Taxable profit (tax loss) differs from the accounting profit or loss as it excludes positive and negative components that will be taxable or deductible in other periods and also excludes items that will never be taxable or deductible. Current tax liabilities are calculated using the tax rates enacted or substantively enacted at the end of the reporting period, and taking account of tax instruments permitted by tax legislation (the domestic tax consolidation regime, tax transparency).

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

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

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

PROPERTY, PLANT AND EQUIPMENT

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

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

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

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

DESCRIPTION	ECONOMIC/TECHNICAL RATE	
	Min	Max
Plant and machinery used in operations	1.25%	6.67%
Other plant and machinery	4%	
Industrial and commercial equipment used in operations	2.5%	6.67%
Other industrial and commercial equipment	6.67%	
Other assets used in operations	12.50%	
Other assets	6.67%	19%
Motor vehicles used in operations	8.33%	
Other motor vehicles	16.67%	

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

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

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

INVESTMENT PROPERTY

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

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

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

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

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

INTANGIBLE ASSETS

Intangible assets acquired separately or deriving from a business combination

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

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

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

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

Research and development costs

Research and development costs are recognised as an expense during the period in which they are incurred. Development costs incurred in relation to a specific project are capitalised when there is reasonable assurance that they will be recovered in future periods. After initial recognition, such costs are carried at cost, which may be reduced by any accumulated amortisation or accumulated impairment charges.

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

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

Brands and patents

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

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

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

IMPAIRMENT OF ASSETS

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

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

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

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

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

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

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

INVESTMENTS

Investments in subsidiaries and associates are recognised in the Statement of Financial Position at cost, after taking account of any impairment of the value of individual investments. The purchase or subscription cost, in the case of investments transferred, corresponds to the value estimated by independent experts in accordance with art. 2343 of the Italian Civil Code.

Any excess of the cost of the acquisition over the Company's interest in the fair value of the investee company's shareholders' equity at the date of the acquisition is recognised as goodwill. Goodwill is included in the carrying amount of the investment and subject to impairment reviews. Any resulting impairment charges are not reversed if the circumstances that led to the impairment no longer exist.

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

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

Investments in other companies for which the fair value is not known are accounted for at cost and written down in the event of anything other than a temporary impairment. Dividend income is recognised in the income statement when the right to receive payment is established

and when deriving from distributions of profits subsequent to acquisition of the investment. Should dividend income derive from the distribution of reserves formed prior to acquisition of the investment, the amount received is accounted for as a reduction of the cost of the investment.

TREASURY SHARES

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

INVENTORIES

Inventories are valued at the lower of cost and net realisable value. The cost comprises all materials and, where applicable, direct labour, production overheads and all other costs incurred in bringing the inventories to their present location and condition. The cost is calculated using the weighted average cost formula. The net realisable value is the estimated selling price less the estimated costs of completion and the estimated costs necessary in order to make the sale.

Impairment charges incurred on inventories, given their nature, are either recognised in the form of specific provisions, consisting of a reduction in assets, or, on an item by item basis, as an expense in the income statement in the period the impairment charge occurs.

FINANCIAL INSTRUMENTS

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

TRADE RECEIVABLES AND OTHER ASSETS

Trade receivables, which have normal commercial terms, are recognised at face value less estimated provisions for the impairment of receivables.

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

Trade receivables refer to the invoiced amount which, at the date of these financial statements, is still to be collected, as well as the receivables for revenues for the period relating to invoices that will be issued later.

FINANCIAL ASSETS

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

At each future balance sheet date, the financial assets ACEA S.p.A. has a positive intention and ability to hold to maturity (**held-to-maturity financial assets**) are recognised at amortised cost using the effective interest method, less any impairment charges applied to reflect impairments. Financial assets other than those held to maturity are classified as held for trading or as available for sale, and are stated at fair value at the end of each period.

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

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

Purchases and sales of financial assets, which imply delivery within a timescale generally defined by the regulations and practice of the market in which the exchange takes place, are recognised at the trade date, which is the date ACEA S.p.A. commits to either purchase or sell the asset.

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

After initial recognition, they are carried at amortised cost using the effective interest method. The amortised cost of a financial asset means the amount recognised initially, less principal repayments and plus or minus

accumulated amortisation using the effective interest method of the difference between the initial amount and the maturity amount, after any reductions. The effective interest method is a method of calculating the amortised cost of a financial asset (or group of financial assets) and allocating the interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts over the expected life, or contractual term if shorter, of the financial instrument to the net carrying amount of the financial asset.

In the case of financial assets stated at amortised cost, the income statement and the statement of financial position are adjusted to take account of the difference between the payment or receipt calculated on the basis of the effective interest rate and the coupon interest to be collected/paid, recognised on the basis of the nominal rate of the instrument.

CASH AND CASH EQUIVALENTS

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

FINANCIAL LIABILITIES

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

DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments are initially recognised at cost and then re-measured to fair value at subsequent end of the reporting periods. They are designated as hedging instruments when the hedging relationship is formally documented at its inception and the periodically verified effectiveness of the hedge is expected to be high.

Fair value hedges are recognised at fair value and any gains or losses recognised in the income statement. Any gains or losses resulting from the fair value measurement of the hedged asset or liability are similarly recognised in the income statement.

In the case of cash flow hedges, the portion of any fair value gains or losses on the hedging instrument that is determined to be an effective hedge is recognised in shareholders' equity, whilst the ineffective portion is recognised directly in the income statement.

If the hedged contract commitment or forecast transaction results in recognition of an asset or a liability, the gains and losses on the instrument previously recognised directly in shareholders' equity are transferred from equity and included in the initial measurement of the cost or carrying amount of the asset or liability.

In the case of cash flow hedges that do not result in recognition of an asset or a liability, the amounts recognised directly in shareholders' equity are included in the income statement in the same period in which the hedged contract commitment or forecast transaction is ultimately recognised in the income statement.

In the case of fair value hedges, the hedged item is adjusted for changes in fair value attributable to the hedged risk and the resulting gain or loss recognised in the income statement. Gains and losses deriving from measurement of the derivative instrument are also recognised in the income statement.

Changes in the fair value of derivative instruments that do not qualify for hedge accounting are recognised in the income statement for the period in which they occur, with the exception of derivative instruments whose fair value is not reasonably determinable.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or when the instrument no longer meets hedge accounting criteria. At this time, accumulated gains and losses on the hedging instrument recognised directly

in shareholders' equity are retained in equity until the forecast transaction effectively occurs. If the forecast transaction is no longer expected to occur, the accumulated gains and losses recognised directly in shareholders' equity are immediately taken to the income statement for the period.

TRADE PAYABLES

Trade payables, which have normal commercial terms, are stated at face value.

DERECOGNITION OF FINANCIAL INSTRUMENTS

Financial assets are derecognised when ACEA S.p.A. has transferred all the related risks and the right to receive cash flows from the investments.

A financial liability (or portion of a financial liability) is derecognised when, and only when, it is extinguished, i.e. when the obligation specified in the contract is either fulfilled, cancelled or expires.

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

PROVISIONS FOR LIABILITIES AND CHARGES

Provisions for liabilities and charges are made when ACEA S.p.A. has a present (legal or implicit) obligation to meet as a result of a past event, should it be probable that an outflow of resources be required to settle the obligation and the related amount have been reliably estimated.

Provisions are measured on the basis of management's best estimate of the expenditure required to settle the present obligation at the balance sheet date, and are discounted when the effect is significant.

Accounting standards, amendments, interpretations and improvements applied from 1 January 2012

The following documents, already issued by the IASB and endorsed by the European Union as amendments to the international accounting standards entered into force from 1 January 2012:

CHANGE TO IFRS 7 - DISCLOSURES - TRANSFER OF FINANCIAL ASSETS

The amendments made to IFRS 7 intend to provide greater transparency in relation to risks connected with transactions in which, in respect of the transfers of financial assets, the transferor retains some level of exposure to the risks associated with the financial assets transferred (a situation generally defined as "continuing involvement", translated with the term *"coinvolgimento residuo"* in the Italian version of the regulations for the approval of international accounting standards). Additional information is also required in the event of transfers of financial assets at particular times (e.g. near the end of the year).

The amendments to IFRS 7 specify that the disclosure requirements apply to total or partial transfers of financial assets in cases in which the entity:

- transfers all contractual rights to receive cash flows from a financial assets;
- retains all contractual rights to receive cash flows from a financial assets, but assumes a contractual obligation to pay said cash flows to another beneficiary.

The amendments to the standard were approved and must be applied from 1 January 2012.

Accounting standards, amendments and interpretations applicable after the end of year and not adopted in advance

The following amendments and principles were endorsed during the period:

AMENDMENTS TO IAS 1: PRESENTATIONS OF ITEMS OF OTHER COMPREHENSIVE INCOME

On 16 June 2011, the IASB issued the document "Presentations of Items of Other Comprehensive Income (amendments to IAS 1)", the result of joint work carried out with the FASB, which provides a guide on the presentation and classification of items contained in the Statement of Other Comprehensive Income ("OCI").

The standard does not modify the possibility of presenting all revenue and cost items recorded in one financial year in a single statement of comprehensive income, or in two statements: one statement which shows profit (loss) components for the year (separate income statement) and a second statement which starts with profits (losses) for the year and shows the items of the Statement of Other Comprehensive Income.

The standard requires the grouping together of items of the Statement of Other Comprehensive Income into two categories, depending on whether they can be reclassified or not, in the income statement in a future period.

The amendments to the standard were endorsed and published in Official Journal of the European Union no. 146 of 6 June 2012. They must be retrospectively applied to financial statements in years beginning 1 July 2012 or thereafter.

AMENDMENTS TO IAS 19: "EMPLOYEE BENEFITS"

On 16 June 2011, the IASB issued an amended version of IAS 19 "Employee Benefits".

Said document modifies the accounting of defined benefit plans and termination benefits.

In the first place, it eliminated the possibility of using the "corridor method" for recording actuarial profits and losses. In particular, all actuarial profits and losses must be recorded in the Statement of Other Comprehensive Income ("OCI"), with no other option available, in order to show the complete net balance of the plan surplus/deficit in the Statement of Financial Position. During the transition in line with the requirements of the amended standard, an entity that currently uses the "corridor method" may have to record a higher liability/lower asset in the Statement of Financial Position (with a matching entry in the Statement of Other Comprehensive Income and, therefore, Equity). When fully applied, said amendment will generate higher volatility in the Statement of Financial Position and in the Statement of Other Comprehensive Income, but the income statement will no longer be affected by the amortisation of actuarial profits/losses.

Secondly, provision is made for a new approach to the presentation and accounting of changes in the following components of defined benefit obligations and plan assets in the income statement and the Statement of Other Comprehensive Income:

- Service costs are charged to the income statement: they include costs for services provided in the year, effects generated by past service costs and curtailments (both now recorded immediately in the year they occur) and profits/losses generated by settlement of the plan (in particular, generated by payments not in keeping with the terms of the plan, for example, early termination of the plan);
- Net interests which are recorded in the income statement;
- Remeasurement which are booked to the Statement of Other Comprehensive Income: these include, among other things, actuarial profits/losses on plan liabilities. Remeasurements are never reclassified to the income statement, but can be transferred to shareholders' equity (e.g. among profit reserves).

Thirdly, the new standard requires additional disclosures, to be provided in the notes.

The amendments to the standard were endorsed and published in Official Journal of the European Union no. 146 of 6 June 2012. They must be applied to financial statements in years beginning 1 January 2013 or thereafter and early adoption is permitted. Retrospective application is required with certain exceptions and comparative sensitivity analysis for financial years starting before 1 January 2014.

IFRS 10 – CONSOLIDATED FINANCIAL STATEMENTS
IFRS 12 – DISCLOSURE OF INTERESTS IN OTHER ENTITIES

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

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

IFRS 11 – JOINT ARRANGEMENTS

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

- Classification of arrangements in only two manners (joint operation and joint venture) instead of the three set forth in IAS 31;
- Distinction between the two types of arrangement based on their content;
- Reporting of contractual rights and obligations resulting from the arrangement on the basis of its content;
- Assessment of the investment in a joint venture based on the shareholders' equity method instead of the proportionate method, which is no longer permitted.

The new standard sets forth that:

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

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

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

The principles were endorsed and published in the Official Journal of the European Union no. 360 of 29 December 2012. The companies shall begin applying IFRS 10, IFRS 11, IFRS 12, the amended IAS 27 and the amended IAS 28, at the latest, on the first day of the first financial year beginning on or after 1 January 2014.

AMENDMENTS TO IFRS 1 "FIRST-TIME ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS - SEVERE HYPERINFLATION AND REMOVAL OF FIXED DATES FOR FIRST-TIME ADOPTERS" AND TO IAS 12 "INCOME TAXES - DEFERRED TAX: RECOVERY OF UNDERLYING ASSETS", ADOPTION OF IFRS 13 "FAIR VALUE MEASUREMENT"

With Regulation (EU) 1255/2012 of the Commission of 11 December 2012, published in Official Journal L 360 of 29 December 2012, the amendments to IFRS 1 "First-time adoption of International Financial Reporting Standards - Severe hyperinflation and Removal of Fixed Dates for First-time Adopters" and to IAS 12 "Income taxes - Deferred tax: recovery of underlying assets" were adopted. IFRS 13 Fair value measurement, published by the IASB on 12 May 2011, was also adopted.

The objective of the amendments to IFRS 1 is to introduce a new exception to the scope of application of IFRS 1: entities that were subject to severe hyperinflation are authorised to use fair value to replace the cost of assets and liabilities in their first statement of financial position drawn up in compliance with IFRS.

Furthermore, those amendments also replace the references to fixed dates in IFRS 1 with references to the transition date.

As regards IAS 12, which defines the accounting of income taxes, the objective of the amendments is to introduce an exception to the measurement principle into the principle itself in the form of a rebuttable presumption based on which the carrying amount of the investment property measured based on the fair value model would be recovered through sale, and an entity

would be required to apply the tax rate applicable to the sale of the underlying asset.
Companies are required to apply the aforementioned amendments at the latest from the beginning of the first annual period starting after the date the regulation comes into effect (third day subsequent to publication in the Official Journal of the European Union) or subsequently.
IFRS 13 establishes a single IFRS framework for fair value measurements and provides a complete guide on how to measure the fair value of financial and non-financial assets and liabilities. IFRS 13 applies when another IFRS requires or allows fair value measurements or requires additional information on fair value measurements.
The companies shall begin applying IFRS 13, at the latest, on the first day of the first financial year beginning on or after 1 January 2013.

AMENDMENTS TO IFRS 7 "FINANCIAL INSTRUMENTS: DISCLOSURES - OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES" AND TO IAS 32 "FINANCIAL INSTRUMENTS: PRESENTATION - OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES"

Regulation (EU) 1256/2012 of the Commission of 13 December 2012 was published in Official Journal L 360 of 29 December 2012, and adopts the Amendments to IFRS 7 "Financial instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities" and to IAS 32 "Financial instruments: Presentation - Offsetting Financial Assets and Financial Liabilities" (published by the IASB on 16 December 2011).
The amendments to IFRS 7 aim to require additional quantitative information to allow users to better compare and reconcile information generated by the application of IFRS and that generated by the application of US Generally Accepted Accounting Principles (GAAP).
Furthermore, the IASB amended IAS 32 in order to provide additional instructions to decrease inconsistencies in the practical application of the principle.
The companies shall begin applying the aforementioned amendments to IFRS 7 and IAS 32 on the first day of their first financial year which begins on or after 1 January 2013.
The additional amendments to IAS 32 shall apply, at the latest, on the first day of their first financial year which begins on or after 1 January 2014.
This Regulation also cancels paragraph 13 of IFRS 7, which should have taken place when the Amendments to IFRS 7 Financial instruments: Disclosures - Transfers of Financial Assets were adopted with Regulation (EU) no. 1205/2011 of the Commission of 22 November 2011. The provision in question must be applied beginning on 1 July 2011 in order to be effective. It must be applied retroactively to ensure legal certainty for the issuers concerned.

EXPOSURE DRAFTS ISSUED BY THE IASB

EXPOSURE DRAFT 2012/2 "IMPROVEMENTS TO IFRS: 2011-2013 CYCLE"

On 20 November 2012 the IASB published Exposure Draft 2012/2 "Improvements to IFRS: 2011-2013 Cycle". The amendments proposed in the document should be applied in financial statements for years beginning on or after 1 January 2014.
The Exposure Draft proposes amendments to the following principles:

- IFRS 1 "First-time Adoption of International Financial Reporting Standards";
- IFRS 3 "Business Combinations";
- IFRS 13 "Fair Value Measurement";
- IAS 40 "Investment Properties".

IFRS 1 "First-time Adoption of International Financial Reporting Standards".
It is clarified that, as an alternative to applying a Principle currently in force on the date of the first IAS/IFRS financial statements, the first-time adopter can opt for early application of the revised version of the same Principle (intended to replace the Principle in force).
This option is permitted when the new principle allows for early application. Furthermore, the same version of the principle must be applied for all periods presented in the first IAS/IFRS financial statements.

IFRS 3 "BUSINESS COMBINATIONS"

The proposed amendment has the purpose of: i) clarifying that the exclusion from the scope of application of IFRS 3 set forth in paragraph 2 a) includes joint arrangements pursuant to IFRS 11; ii) specifying that the exclusion from the scope of application refers exclusively to the financial statements of the joint operation or joint venture and not to accounting by those participating in the joint arrangement.

IFRS 13 "FAIR VALUE MEASUREMENT"

In its current form, IFRS 13:52 (portfolio exception) limits the possibility of measuring fair value on the basis of net value to financial assets and financial liabilities included within the scope of application of IAS 39.

The proposed amendment clarifies that the possibility for fair value measurements to be made on a net basis also refers to contracts within the scope of IAS 39 (or IFRS 9) regardless of whether they satisfy the definition of financial assets and financial liabilities provided by IAS 32, such as commodity purchase and sale agreements that can be settled in cash for their net value.

IAS 40 "INVESTMENT PROPERTIES"

The proposed amendment clarifies that IFRS 3 and IAS 40 are not mutually exclusive and in order to determine if the purchase of investment property falls within the area of application of IFRS 3, reference must be made to the specific instructions provided by IFRS 3. Instead, to determine whether the purchase in question falls within the area of application of IAS 40, reference must be made to the specific instructions set forth in IAS 40.

Comments to the Exposure Draft must be received by 18 February 2013.

EXPOSURE DRAFT 2012/3 "EQUITY METHOD: SHARE OF OTHER NET ASSET CHANGES (PROPOSED AMENDMENTS TO IAS 28)"

On 22 November 2012, the IASB published Exposure Draft 2012/3 "Equity Method: Share of Other Net Asset Changes (Proposed amendments to IAS 28)".

The aspects addressed in the document are described below:

Application of the equity method in the case of other changes in the shareholders' equity of the investee.

The proposed amendment to IAS 28 (2011) specifies that changes in the shareholders' equity of an investee measured at equity, unlike those recognised in the income statement or in the statement of comprehensive income or generated by distributions of reserves received, must be accounted for, for the applicable portion, in the investee's shareholders' equity.

Comments to the Exposure Draft must be received by 22 March 2013.

EXPOSURE DRAFT 2012/4 "CLARIFICATION AND MEASUREMENT: LIMITED AMENDMENTS TO IFRS 9 (PROPOSED AMENDMENTS TO IFRS 9 (2010))"

On 28 November 2012, the IASB published Exposure Draft 2012/4 "Clarification and Measurement: Limited Amendments to IFRS 9 (Proposed amendments to IFRS 9 (2010)".

At present, the Group is analysing the standards and interpretations indicated and assessing whether their adoption will have a significant effect on the financial statements.

Notes to the Income Statement

NET REVENUES – *179,301 THOUSAND EUROS*

1. REVENUE FROM SALES AND SERVICES - *167,903 THOUSAND EUROS*

Revenue from sales and services breaks down as follows:

- *revenues from the provision of services* to subsidiaries and associates totalling 95,055 thousand euros, an increase of 9,582 thousand euros compared to last year (85,473 thousand euros): this change is attributable to the review of amounts due for administrative, financial, legal and technical services that the Parent Company provides to Group companies, particularly to ACEA Distribuzione (+6,261 thousand euros) and ACEA Ato2 (+555 thousand euros). That review is mainly made up of the adjustment component relative to 2011, determined based on the actual volumes provided,
- *revenues from services and work carried out for third parties* totalled 72,848 thousand euros: this type of revenue includes income from the management and construction of public lighting systems for the Municipalities of Rome and Naples. The decrease of 5,443 thousand euros is the mainly result of the following contrasting factors: (i) the increase of 1,006 thousand euros in revenues from the implementation of the tender contract for the management of the public lighting service in the Municipality of Naples and (ii) the decrease of 6,715 thousand euros deriving from the public lighting service revenues in the Municipality of Rome. For this last service, please note that the change was caused by opposing factors: on one hand, the increase in the lump-sum payment (+5,332 thousand euros), and on the other hand a drop in revenues, including changes in work in progress (2,534 thousand euros), resulting from the design and construction of new plants, energy upgrading works, and the technological and legislative adjustments to plants (-12,047 thousand euros).

2. OTHER REVENUE AND PROCEEDS – *11,397 THOUSAND EUROS*

This item increased by 2,530 thousand euros compared to 31 December 2011 (when it totalled 8,868 thousand euros).

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

	31.12.2012	31.12.2011	Increase/(Decrease)
Property income	1,736	1,723	12
Gains on asset disposals	0	0	0
Other revenues and contingent assets	3,574	2,237	1,337
Reimbursement for damages, penalties, compensation	163	68	95
Recharged cost of governance bodies	2,242	2,513	(271)
Seconded staff	3,683	2,326	1,357
TOTAL	**11,397**	**8,868**	**2,530**

The change compared to 31 December 2011 was principally due to:

- higher revenues for seconded staff (+1,357 thousand euros). This relates to recovery of the costs of ACEA personnel seconded to other Group companies;
- the 1,337 thousand euro increase in other revenues. Specifically, the item mainly includes **(i)** revenues generated by the recognition of servicing fees set forth in the securitisation agreement for the receivables of Acea Energia, ACEA Ato2 and ACEA Distribuzione (1,451 thousand euros), **(ii)** the compensation to Acea8cento of costs incurred by ACEA, beginning in 2012, for the lease of the company registered office (487 thousand euros) as a result of the reintegration of the business unit leased to Marco Polo until 31 December 2011 **(iii)** revenues recorded in August generated by the loan granted to the For.Te. Fund to execute the Staff training plan (384 thousand euros) and **(iv)** ordinary contingent assets (881 thousand euros).

OPERATING COSTS – *203,252 THOUSAND EUROS*

3. STAFF COSTS – *55,742 THOUSAND EUROS*

Staff costs amount to 55,742 thousand euros at the end of 2012, representing an increase of 8,095 thousand euros compared to the previous year.

The table below shows the breakdown of staff costs.

	31.12.2012	31.12.2011	Increase/ (Decrease)
Net wages and salaries	38,987	33,394	5,594
Capitalised costs	0	(61)	61
Total	**38,987**	**33,333**	**5,654**
Social security contributions	**12,677**	**10,850**	**1,827**
STAFF TERMINATION BENEFITS	**2,807**	**2,243**	**564**
Other expenses	**1,271**	**1,221**	**50**
including the medium/long–term incentive plan (2010-2012)	*1,197*	*1,159*	*38*
TOTAL	**55,742**	**47,648**	**8,095**

The change of 8,095 thousand euros compared to the previous year is the result of:

- the increase in the average per capita cost as a result of the renewal of employment contracts and salary policies;
- the trend in the average number of staff (686 average units as at 31 December 2012 compared to 552 last year);
- the reintegration of employees from the business unit rented to Marco Polo, the contract on which expired on 31 December 2011: the change relating to the reintegration of the aforementioned business unit was approximately 6.6 million euros;
- the centralisation of certain departments initially allocated to the individual operating companies, which led to an increase in the ACEA workforce.

The following table shows the average number of staff by category, compared with the corresponding period in the previous year.

The final amount as at 31 December 2012 is shown below compared to the end of 2011.

	Average number of employees			Final number of employees		
Classification	**31/12/2012**	**31/12/2011**	**Increase/ (Decrease)**	**31/12/2012**	**31/12/2011**	**Increase/ (Decrease)**
Senior managers	64	70	-6	63	64	**-1**
Middle managers	144	108	36	143	116	27
White-collar staff	456	364	92	454	370	84
Blue-collar staff	24	10	14	23	10	**13**
TOTAL	**686**	**552**	**134**	**683**	**560**	**123**

4. COSTS OF MATERIALS AND OVERHEADS – *147,509 THOUSAND EUROS*

Costs of materials and overheads totalled 147,509 thousand euros (-11,631 thousand euros from the end of the previous year).

More specifically, they break down as follows:

	31.12.2012	31.12.2011	Increase/ (Decrease)
Materials	3,132	7,127	(3,995)
Services	116,182	132,245	(16,063)
Contract work	5,732	1,574	4,158
Lease expense	7,892	13,237	(5,346)
Taxes and duties	3,213	1,052	2,161
General expenses	11,359	3,905	7,454
TOTAL	**147,509**	**159,140**	**(11,631)**

4.1 Materials costs

The costs of materials came to 3,132 thousand euros, a decrease of 3,995 thousand euros as a result of the lower requirements generated by activities set out in the "Lighting Plan" project, commissioned by Roma Capitale as part of the public lighting service contract.

4.2 Services

This item amounts to 116,182 thousand euros, a decrease of 16,063 thousand euros compared to 31 December 2011, which closed with a total of 132,245 thousand euros.

The change owes to contrasting elements. On one hand there was an increase: **(i)** in electricity and water consumption during the year (+5,606 thousand euros) with particular reference to the public lighting service in the Roman area (+4,529 thousand euros), **(ii)** in costs for surveillance and cleaning, transport and porterage services, which were previously included in the fee paid to Marco Polo (+3,485 thousand euros), **(iii)** in compensations paid by subsidiaries for the cost of staff seconded to the parent company (+1,130 thousand euros), **(iv)** in costs for ordinary maintenance fees for IT improvement projects which began operating at the end of last year (+442 thousand euros), **(v)** in banking and postal expenses incurred during the year (+970 thousand euros).

On the other hand, there was a decrease in costs for services relative to: **(i)** public lighting activities in Rome and Naples (a total of 11,779 thousand euros), **(ii)** the elimination of costs relative to facility management services provided by Marco Polo as a result of the reintegration of the business unit previously rented to that company until 1 January 2012 (-13,200 thousand euros), **(iii)** advertising and sponsorship costs (-807 thousand euros) and **(iv)** costs for freelance and professional work and coordinated and continuous collaborations (-2,224 thousand euros) as a result of the implementation of the cost containment policy. Please note that the balance from 2011 included both costs incurred for support for participation in the bid for the public works contract for gas management in the municipality of Rome and costs for consulting required to prepare the 2011 - 2013 Business Plan.

The breakdown of service costs is as follows:

	31.12.2012	31.12.2011	Increase/ (Decrease)
Intercompany services	41,494		
- of which Public Lighting services - municipality of Rome	*35,343*	*46,486*	*(11,144)*
- of which Public Lighting services - municipality of Naples	*5,648*	*6,283*	*(635)*
- of which service contract with Marco Polo	*0*	*13,200*	*(13,200)*
Electricity and water consumption	29,766	24,159	5,606
- of which electricity consumption of Public Lighting service	*26,193*	*21,664*	*4,529*
Professional freelance work	13,918	16,156	(2,238)
Seconded staff	4,425	3,295	1,130
Advertising and sponsorship costs	3,996	4,804	(807)
Maintenance fees	3,816	3,374	442
Services to personnel	3,796	2,889	908
Cleaning, transport and porterage expenses	2,826	27	2,800
Surveillance services	2,540	1,855	685
Bank fees	2,147	1,858	289
Postal expenses	2,115	1,434	680
Corporate bodies	1,815	1,873	(58)
Telephone costs	911	1,154	(243)
Coordinated and continuous collaborations	819	805	14
Other expenses	549	559	(10)
Insurance expenses	527	293	234
Travel and transfer expenses	433	383	50
Technical and administrative services	188	90	98
Printing costs	99	129	(30)
TOTAL COSTS FOR SERVICES	**116,182**	**132,245**	**(16,063)**

The following table shows a breakdown of the type of services provided by Group companies:

	Description	31.12.2012	31.12.2011	Increase/ (Decrease)
ACEA Distribuzione	Cost of the public lighting contract in the municipality of Rome	35,343	46,490	(11,148)
Acea Energia	Electricity consumption	28,371	23,364	5,007
Citelum Napoli Pubblica Illuminazione	Cost of public lighting service in the municipality of Naples	5,365	4,968	397
ACEA Ato2	Water consumption	950	728	222
Acea8cento	Sundry services	300	269	31
Alfano e Graded	Cost of managing public lighting service in the municipality of Naples	198	1,270	(1,072)
ARIA	Sundry services	89	62	27
Luce Napoli	Cost of managing public lighting service in the municipality of Naples	85	45	39
Acquedotto del Fiora	Sundry services	5	0	5
Marco Polo	Service contract	0	13,200	(13,200)
ACEA Energia Holding	Service contract	0	762	(762)
GORI	Sundry services	0	39	(39)
TOTAL		**70,705**	**91,198**	**(20,493)**

In addition, pursuant to article 149-duodecies of the CONSOB Issuers' Regulations, the fees accruing to the Independent Auditors, Reconta Ernst & Young, totalled 201 thousand euros, of which 146 thousand euros for the auditing of ACEA's accounts and 70 thousand euros for other audit-related services.

4.3 Contract work

This item totalled 5,732 thousand euros, up 4,158 thousand euros compared to 31 December 2011 (1,574 thousand euros), and refers to plant maintenance costs incurred mainly for facility management activities previously provided by Marco Polo (4,070 thousand euros, up 3,103 thousand euros), also incurred in relation to the management agreement for the public lighting service in the municipality of Naples (1,662 thousand euros, up 1,055 thousand euros compared to 2011).

4.4 Lease expense

This expense amounted to 7,892 thousand euros (13,237 thousand euros at 31 December 2011) and mainly includes: **(i)** lease fees totalling 6,338 thousand euros and **(ii)** other hiring and leases of 1,553 thousand euros, mainly relating to the rental of cars totalling 1,081 thousand euros and office machines, for 471 thousand euros.

The change compared to the end of the previous year (-5,346 thousand euros) is mainly the result of the cancelling out of the lease payment on the registered office following its purchase in January 2012 and the different method for chargeback of branch-off costs.

4.5 Other operating costs

This item amounted to 14,572 thousand euros and increased by 9,615 thousand euros (4,957 thousand euros at 31 December 2011).

The item in question includes **taxes and duties** of 3,213 thousand euros, including the IMU tax for 1,133 thousand euros, waste tax for 826 thousand euros and registration taxes for 1,039 thousand euros relating to the stipulation of new committed lines of credit and **general expenses** for 11,359 thousand euros. General expenses include the following costs: **(i)** contributions paid to industry organisations (610 thousand euros) and to CONSOB (204 thousand euros), **(ii)** payments to charity (302 thousand euros), **(iii)** other trade association charges (328 thousand euros) and **(iv)** the purchase of periodicals and publications (457 thousand euros).

That item also includes 8,300 thousand euros from the fine due to the Antitrust Authority, applied to ACEA with measure no. 17623 of 22 November 2007, concerning irregularities committed during tenders for the awarding of water services in Tuscany, carried out in 2001 - 2004. In fact, on 24 September 2012 the Council of State handed down its ruling which cancels the Regional Administrative Court's decision in favour of ACEA and the payment was made on 16 November.

5. AMORTISATION, DEPRECIATION, PROVISIONS AND IMPAIRMENT CHARGES – *34,271 THOUSAND EUROS*

Amortisation/depreciation and impairment charges amount to 34,271 thousand euros, marking a decrease of 42,241 thousand euros compared to 2011 (76,512 thousand euros). The breakdown is as follows:

	31.12.2012	31.12.2011	Increase/ (Decrease)
Amortisation and depreciation of intangible and tangible assets	12,565	11,921	644
Provisions for impairment of receivables	7,791	4,232	3,558
Provisions for liabilities	13,915	60,359	(46,443)
TOTAL	**34,271**	**76,512**	**(42,241)**

Amortisation/depreciation amounted to 12,565 thousand euros, of which 6,219 thousand euros intangible assets and 6,346 thousand euros property, plant and equipment. The increase in amortisation and depreciation (644 thousand euros) is due to the purchase of the registered office at Piazzale Ostiense in January 2012.

Impairment of receivables amounted to 7,791 thousand euros in the year, and relates to the risks connected with the recoverability of the amounts due from some Group companies and public counterparties, including therein Roma Capitale and the municipality of Naples.

Provisions for liabilities amounted to 13,915 thousand euros (60,359 thousand euros at 31 December 2011) and refer to the following:

- 5,666 thousand euros for legal liabilities and potential disputes with suppliers;
- 6,713 thousand euros for allocations made against the assessment of risks connected with the situation of some subsidiaries, particularly Marco Polo (2,000 thousand euros), Ecoenergie (1,909 thousand euros) placed in liquidation in 2012, CREA (1,327 thousand euros) and Acea8cento (1,284 thousand euros) in relation to economic performance during the year;
- 1,536 thousand euros relating to staff, above all liabili-

ties regarding contributions.

The change was caused by allocations made in the previous year which were essentially relative to: **(i)** 53,926 thousand euros for the assessment of risks relating to the precarious financial situation of ACEA Ato5 (9,826 thousand euros) and GORI (44,100 thousand euros) caused by uncertainty associated with the risk that tariffs will not be recognised, **(ii)** 3,874 thousand euros for the costs that must be incurred for voluntary redundancy and retirements.

6. NET FINANCE INCOME/(COSTS) – *14,702 THOUSAND EUROS*

Net finance income/(costs) amounts to 14,702 thousand euros, marking an increase of 9,123 thousand euros on the previous year, when net income totalled 5,580 thousand euros.

The breakdown is as follows:

OPERATING FINANCIAL MANAGEMENT	31.12.2012	31.12.2011	Increase/ (Decrease)
Finance Income/ (Costs) related to debt (A)	**13,769**	**15,953**	**(2,184)**
Interest on intercompany running accounts	76,906	66,346	10,560
Fees on intercompany investment line ceilings	12,161	10,024	2,137
Fees on intercompany sureties	4,356	3,149	1,207
Default interest towards the municipality of Rome	1,513	3,484	(1,972)
Interest on intercompany loans and receivables	468	1,549	(1,082)
Bank interest income	304	847	(543)
Income/(Expenses) on interest rate swaps	(6,293)	(6,406)	113
Interest on short-term borrowings	(15,093)	(5,367)	(9,726)
Interest on medium/long-term borrowings	(18,222)	(15,492)	(2,730)
Interest on bond loans	(42,330)	(42,181)	(149)
Other finance income/(costs) (B)	**933**	**(10,374)**	**11,307**
Costs from discounting of public lighting loans and receivables	1,338	(9,346)	10,684
Interest on other receivables	729	202	528
Other income and (costs)	593	(348)	941
Foreign exchange profit/(loss)	116	460	(344)
Factoring fees	(152)	(117)	(36)
Interest on Equitalia instalment payments	(237)	(43)	(194)
Default and deferred interest	(546)	(205)	(341)
Interest costs less actuarial gains	(907)	(976)	68
TOTAL FINANCE (COSTS)/INCOME	**14,702**	**5,580**	**9,123**

The change compared to last year was essentially caused by the effect generated by the recognition of costs in 2011 deriving from the discounting of receivables for Public Lighting (9,346 thousand euros) after signing of the additional agreement by ACEA and Roma Capitale, which aligned the expiry date of the service agreement to that of the concession agreement (2027). As previously mentioned, this additional agreement involved application of the IFRIC 12 pure financial method in place of the mixed method (intangible and financial) applied until 31 December 2010. Beginning in 2012 (1,338 thousand euros) and until the end of the concession, those costs shall be recovered in progressively decreasing amounts.

The difference this year is also due to:

- the 12,822 thousand euro increase in net income from the centralised treasury service and receivables for loans granted to subsidiaries and associates;

- the increase of 12,605 thousand euros in interest accrued in the short and medium/long-term on bank borrowings. This increase is due to the funding needs generated by the purchase of the registered office, which resulted in the drawdown of the second tranche of the loan for 100 million euros and, more generally, an increase in average borrowings over the year.

The breakdown of finance income and costs relative to borrowings is shown below:

- interest income from cash pooling transactions with some subsidiaries (76,906 thousand euros);
- credit facility fees due from Group companies on the ceilings of investment lines, set forth in the centralised treasury contract, calculated on the basis of requirements correlated to investments envisaged in the Business Plans (12,161 thousand euros);
- income envisaged in the treasury contract and deriving from the recharging of costs incurred by ACEA for sureties requested and given to subsidiaries (4,356 thousand euros);
- default interest towards the municipality of Rome (1,513 thousand euros) and the municipality of Naples (729 thousand euros) resulting from delays in the payment of invoices issued;
- interest income on loans granted to subsidiaries not managed by cash pooling relations (468 thousand euros);
- interest expense on bond loans totalling 42,330 thousand euros (+149 thousand euros compared to 2011) mainly regarding interest on the BONDs issued in March 2010;
- interest expense accrued on medium/long-term loans totalling 18,222 thousand euros (+2,730 thousand euros compared to 2011);
- interest expense on short-term borrowings totalling 15,093 thousand euros (+9,726 thousand euros compared to 2011), which is affected by the increase in short-term financial exposure compared to last year;
- net charges on interest swaps of 6,293 thousand euros relating to swaps on the AFLAC Bond (3,599 thousand euros) and on the loan with Cassa Depositi e Prestiti (2,694 thousand euros).

The average rate of interest paid by ACEA on its total medium/long-term borrowings as at 31 December 2012 is 3.376%, compared with 3.40% as at 31 December 2011. This indicator was calculated on the basis of the contractual conditions obtained during negotiation of each loan in the overall portfolio, taking account of all cash flows generated by the various instruments in the portfolio, and the overall outstanding debt (in nominal terms) and the interest rate payable at the valuation date.

The weighted average rate of interest payable on the Parent Company's short-term borrowings is 2.430%, compared with 3.518% of the previous year.

7. PROFIT/(LOSS) ON INVESTMENTS – *126,438 THOUSAND EUROS*

These presented a positive balance of 126,438 thousand euros (against 200,175 thousand euros at 31 December 2011), as summarised in the following table.

	31.12.2012	31.12.2011	Increase/ (Decrease)
Losses on investments	**3,868**	**6,419**	**(2,551)**
Impairments of investments	3,868	6,419	(2,551)
Profits on investments	**130,307**	**206,594**	**(76,287)**
Dividend income	128,715	117,340	11,375
ACEA Ato2	*46,655*	*56,875*	*(10,220)*
Acea Energia Holding	*28,996*	*0*	*28,996*
ARSE	*27,010*	*28,211*	*(1,201)*
ACEA Distribuzione	*16,060*	*22,546*	*(6,486)*
LABORATORI	*3,990*	*3,577*	*414*
Acque Blu Fiorentine	*2,865*	*2,426*	*439*
Acque Blu Arno Basso	*1,159*	*1,225*	*(66)*
Consorcio Agua Azul	*852*	*504*	*348*
Acea Dominicana	*238*	*398*	*(160)*
Crea Gestioni	*220*	*0*	*220*
Sarnese Vesuviano	*187*	*447*	*(260)*
ARIA	*107*	*0*	*107*
Acea Gori Servizi	*105*	*0*	*105*
Agua de San Pedro	*103*	*0*	*103*
Umbria Distribuzione Gas	*72*	*0*	*72*
Intesa Aretina	*48*	*97*	*(48)*
Ingegnerie Toscane	*48*	*0*	*48*
Umbra Acque	*0*	*622*	*(622)*
Agua Azul Bogotà	*0*	*412*	*(412)*
Gain on the sale of investments	0	87,662	(87,662)
Gain on the transfer of the public lighting business	1,591	1,591	0
TOTAL	**126,438**	**200,175**	**(73,736)**

The change is basically due to the recognition in 2011 of gains generated by the winding-up of the joint venture between GDF Suez Energia Italia and ACEA for 87,662 thousand euros, net of higher dividends resolved on by the subsidiaries and associates during approval of their respective financial statements.

Costs include:

- impairment of the investment in Crea Gestioni (1,902 thousand euros),
- losses from the recapitalisation of Acea8cento (1,113 thousand euros),
- losses from the disposal of Dyna Green (370 thousand euros),
- the impairment of the investment in Marco Polo (294 thousand euros),
- the update of the purchase price (149 thousand euros) by 40.59% of the share capital of Acea Energia Holding posted in 2011, as a result of the definitive determination of the equalisation of the transaction terminating the joint venture with GDF Suez Energia Italia.

8. TAXES – *(4,141 THOUSAND EUROS)*

Income taxes equalled 4,141 thousand euros at the end of 2012, compared to 13,550 thousand euros in 2011.
Total tax is the algebraic sum of the following components.

Current taxes

As at 31 December 2012, current taxes amounted to 50,892 thousand euros (56,461 thousand euros as at 31 December 2011) for IRAP and consolidated IRES (corporate income tax) expense, representing the sum of the taxable income and tax losses reported by companies included in the tax consolidation arrangement.

Deferred taxes

Deferred tax assets of 9 thousand euros represent the algebraic sum of provisions (4,746 thousand euros) made primarily with regard to provisions for liabilities and provisions for impairment of receivables and provisions for defined-benefit plans, and uses (4,755 thousand euros). Deferred tax liabilities totalling 165 thousand euros represent the algebraic sum of uses (662 thousand euros) relating to the taxable portion of the dividends collected and provisions for the period (497 thousand euros).

Tax expense and income

These amounted to 54,878 thousand euros and represent the balance of tax expense due from the Parent Company to companies included in the tax consolidation in return for the transfer of tax losses (11,155 thousand euros) and tax income represented by taxable income transferred to the tax consolidation (66,032 thousand euros).
In accordance with the Group's general tax consolidation rules, the value of the loss is determined by applying the current IRES rate at the time to the total tax losses transferred.
The following table provides a reconciliation of the theoretical and effective tax charges.

		%		%
Profit before tax from continuing operations	82,919		95,086	
Expected tax charge at 27.5% on profit before tax	22,803	27.5%	26,149	27.5%
Permanent differences	(28,559)	-34.4%	-39,303	-41.3%
Art. 24 of Law Decree no. 185/2008 (2008 and 2009)	0	0	0	0
IRES (corporate income tax) for the year including deferred taxation	(5,756)	-6.9%	-13,154	-13.8%
Other taxes	0	0	0	0
IRAP (regional income tax)	1,615	1.9%	-396	-0.4%
Tax on continuing operations	(4,141)	-5.0%	-13,551	-14.3%

EARNINGS PER SHARE

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

	31.12.2012	31.12.2011	Increase/(Decrease)
Net profit attributable to ACEA SpA (/000)	87,060	108,636	(21,576)
Net profit attributable to ordinary equity holders of ACEA SpA (/000) (A)	87,060	108,636	(21,576)
Weighted average number of ordinary shares in issue for the purposes 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)	**0.4088**	**0.5101**	**(0.1013)**
- diluted (A/C)	**0.4088**	**0.5101**	**(0.1013)**

Notes to the Statement of Financial Position - Assets

9. PROPERTY, PLANT AND EQUIPMENT – *163,847 THOUSAND EUROS*

Property, plant and equipment came to 163,847 thousand euros, compared with 52,434 thousand euros at the end of the previous year.

The breakdown is as follows:

	31.12.2012	31.12.2011	Increase/ (Decrease)
Land and buildings	142,559	18,961	123,598
Plant and machinery	2,269	14,935	(12,666)
Industrial and commercial equipment	1,723	2,046	(322)
Other assets	15,765	13,375	2,390
Fixed assets in progress and prepayments	1,531	3,117	(1,587)
TOTAL PROPERTY, PLANT AND EQUIPMENT	**163,847**	**52,434**	**111,413**

With respect to 31 December 2011, there was an increase of 111,413 thousand euros. The increase relates to the net effect between investments in the period, amounting to 117,538 thousand euros and amounts of depreciation in the period amounting to 6,285 thousand euros.

The most significant movements compared with the previous year are described below.

Land and buildings

At 31 December 2012, the item stood at 142,559 thousand euros, and the change of 123,598 thousand euros compared to the previous year (18,961 thousand euros) is due mainly to the execution of the sale agreement for the Piazzale Ostiense registered office on 23 January 2012 (+110,000 thousand euros) as well as extraordinary maintenance carried out on the office. Improvements on third-party assets carried out up to and including 23 January 2012 were reclassified (12,397 thousand euros).

Plant and machinery

These amount to 2,269 thousand euros and mainly refer to extraordinary maintenance costs for leased properties, such as the Data Processing and Remote Control Centre. This item also includes the carrying amount of the Grottarossa laboratory used by Group company Laboratori.

The decrease of 12,666 thousand euros compared with the previous year is mainly due to:

- the reclassification of works carried out up to and including 23 January 2012 on the company headquarters building to owned "land and buildings" (-12,397 thousand euros),
- extraordinary maintenance on buildings leased by Acea, including the Data Processing and Remote Control Centre (286 thousand euros),
- depreciation for the period (781 thousand euros).

Industrial and commercial equipment

This item, totalling 1,723 thousand euros, decreased by a net 322 thousand euros due to depreciation for the period.

Other assets

This item, totalling 15,765 thousand euros (13,375 thousand euros at 31 December 2011), increased by 2,390 thousand euros compared to last year due to the combined effect of investments in the year (3,262 thousand euros) in new furniture and electronic office equipment and reclassifications from assets in the course of construction (2,001 thousand euros), less depreciation for the period (2,807 thousand euros).

Fixed assets in progress

This item totals 1,531 thousand euros (3,117 thousand euros at 31 December 2011), marking a net increase of 1,587 thousand euros compared with the previous year. This deviation is a result of the entry into operation of assets (-2,008 thousand euros) and increases in the period amounting to 421 thousand euros, relating to hardware investments needed for IT network improvement and development projects.

Accumulated depreciation amounts to 61,459 thousand euros at the end of the year and covers 27.5% of the value of properties in operation at 31 December 2012.

An analysis of movements during the year is provided in the following table.

	31.12.2011			
Property, plant and equipment	**Historical cost**	**Accumul. deprec.**	**Net carrying amount**	**Increases**
Land and buildings	24,151	(5,190)	18,961	113,569
Plant and machinery	25,720	(10,785)	14,935	286
Industrial and commercial equipment	15,018	(12,973)	2,046	0
Other assets	40,375	(27,000)	13,375	3,262
Fixed assets in progress and prepayments	3,117	0	3,117	421
TOTAL PROPERTY, PLANT AND EQUIPMENT	**108,382**	**(55,949)**	**52,434**	**117,538**

10. INVESTMENT PROPERTY – *2,933 THOUSAND EUROS*

Investment property amounts to 2,933 thousand euros (2,993 thousand euros at 31 December 2011) and primarily includes land and buildings not used in operations and held for rental.
The change compared with the previous year was the result of depreciation for the period of 61 thousand euros.

11. INTANGIBLE ASSETS – *8,758 THOUSAND EUROS*

Intangible assets amounted to 8,758 thousand euros, after amortisation for the period totalling 6,219 thousand euros, compared to 10,399 thousand euros as at 31 December 2011.
The breakdown is as follows:

	31.12.2012	**31.12.2011**	**Increase/ (Decrease)**
Industrial patents and intellectual property rights	7,525	5,434	2,091
Concessions	0	0	0
Fixed assets in progress and prepayments	1,098	4,528	(3,430)
Other intangible assets	135	436	(301)
TOTAL INTANGIBLE ASSETS	**8,758**	**10,399**	**(1,640)**

Industrial patents

These amounted to 7,525 thousand euros (5,434 thousand euros at 31 December 2011), and are amortised over three years. They are mainly caused by costs incurred for the acquisition of software to support planning, control and administration activities. The growth recorded during the year was due to the net effect of investments for the year (4,040 thousand euros), the entry into use of software (4,195 thousand euros) and amortisation for the year (6,144 thousand euros).

Intangible assets in progress

This item amounted to 1,098 thousand euros at 31 December 2012, compared with 4,528 thousand euros at 31 December 2011, and regards new information technology projects to be completed. The change compared with the previous financial year is the effect of investments during the year, which amounted to 765 thousand euros and the reclassification carried out due to the entry into use of some assets (4,195 thousand euros).

MOVEMENTS DURING THE PERIOD				31.12.2012		
Reclassifications	**Revaluations/ Impairments**	**Disposals**	**Amortis. for the year**	**Cost**	**Accumul. deprec.**	**Net carrying amount**
12,404	0	0	(2,375)	153,973	(11,414)	142,559
(12,171)	0	0	(781)	9,986	(7,717)	2,269
0	0	0	(322)	15,018	(13,295)	1,723
2,001	0	(66)	(2,807)	44,797	(29,032)	15,765
(2,008)	0	0	0	1,531	0	1,531
226	**0**	**(66)**	**(6,285)**	**225,306**	**(61,459)**	**163,847**

Other intangible assets

This item amounted to 135 thousand euros (436 thousand euros at 31 December 2011) and includes investments made for internally developed software.
An analysis of movements during the year is provided in the following table.

	31.12.2011	MOVEMENTS DURING THE PERIOD					31.12.2012
Other intangible assets	**Net carrying amount**	**Increases**	**Reclassifica-tions**	**Revaluations/ Impairments**	**Disposals**	**Amortis.**	**Net carrying amount**
Industrial patents and intellectual property rights	5,434	4,040	4,195	0	0	(6,144)	7,525
Concessions	0	0	0	0	0	0	0
Other fixed assets	436		(226)	0	0	(75)	**135**
FIXED ASSETS IN PROGRESS	**4,528**	**765**	**(4,195)**	**0**	**0**	**0**	**1,098**
TOTAL INTANGIBLE ASSETS	**10,399**	**4,805**	**(226)**	**0**	**0**	**(6,219)**	**8,758**

12. INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES - *1,701,863 THOUSAND EUROS*

Investments in subsidiaries and associates amounts to a total of 1,701,863 thousand euros (1,726,110 thousand euros as at 31 December 2011).

The breakdown is as follows:

	31.12.2012	31.12.2011	Increase/ (Decrease)
Investments in subsidiaries	1,687,803	1,711,271	(23,468)
Investments in associates	14,059	14,838	(779)
TOTAL INVESTMENTS	**1,701,863**	**1,726,110**	**(24,247)**

Please see annex 2 of the notes for the change in investments.

Investments in subsidiaries

At 31 December 2012, these amounted to 1,687,802 thousand euros compared with 1,711,271 thousand euros in the previous year, with a decrease of 23,468 thousand euros. The most important transactions during the year are described in the table below.

Investments in subsidiaries	Historical cost	Reclassifications and other movements	Revaluations/ Impairments	Disposals	Net carrying amount
Values at 31 December 2011	**2,717,495**	**893**	**(57,024)**	**(950,094)**	**1,711,270**
Movements in 2012:					0
- movements in share capital	30	133			163
- acquisitions/incorporations		(179)			(179)
- disposals/distributions					0
- reclassifications		**(21,247)**			(21,247)
- impairments			(2,206)		(2,206)
Total movements in 2012	**30**	**(21,293)**	**(2,206)**	**0**	**(23,468)**
VALUES AT 31 DECEMBER 2012	**2,717,525**	**(20,400)**	**(59,229)**	**(950,094)**	**1,687,802**

The movements in the year regard:

- the recapitalisation of Sarnese Vesuviano (163 thousand euros), including the recognition of the shareholdings of some shareholders who did not participate in the reconstitution of the company's share capital, involving the cancellation of the shareholding value at 31 December 2011 (21,247 thousand euros) for the use of the provision for investee liabilities allocated last year in consideration of the risk related to GORI for tariff issues,
- the update of the purchase price (-201 thousand euros) by 40.59% of the share capital of Acea Energia Holding posted in 2011 (116,262 thousand euros including the amount of the minimum temporary adjustment of approximately 7,640 thousand euros) as a result of the definitive determination of the equalisation of the transaction terminating the joint venture with GDF Suez Energia Italia,
- the impairment of the investment in Crea Gestioni (1,902 thousand euros) in consideration of the results achieved during the year,
- the elimination of the value of the investment in Acea8cento for 517 thousand euros, due to the resolution passed by the Board of Directors concerning the covering of losses arising during the year,
- the update to current exchange rates of the measurement of investments held in companies abroad, for 221 thousand euros.

Investments in associates

These investments amounted to 14,060 thousand euros at 31 December 2012 (14,839 thousand euros at 31 December 2011), marking a decrease of 779 thousand euros due to the disposal of the investment in Dyna Green in March 2012 (355 thousand euros), the impairment of the investment in Marco Polo (294 thousand euros) and the update to current exchange rates of the measurement of investments held in companies abroad (130 thousand euros).

Investments in associates	Historical cost	Reclassifications	Revaluations/ Impairments	Disposals	Net carrying amount
Values at 31 December 2011	**92,558**	**2,957**	**(79,565)**	**(1,112)**	**14,839**
Movements in 2011:					
- movements in share capital					0
- acquisitions/incorporations					0
- disposals				(355)	(355)
- reclassifications					0
- Impairment/revaluations			(424)		(424)
Total movements in 2012	**0**	**0**	**(424)**	**(355)**	**(779)**
VALUES AT 31 DECEMBER 2012	**92,558**	**2,957**	**(79,989)**	**(1,467)**	**14,060**

13. OTHER INVESTMENTS - *4,704 THOUSAND EUROS*

Other investments amounted to 4,704 thousand euros at 31 December 2012 and are almost unchanged compared to 31 December 2011. The item "Other investments" refers to equity interests that do not qualify as subsidiaries, associates or joint ventures. Those shareholdings are assessed at fair value.

14. DEFERRED TAX ASSETS - *33,252 THOUSAND EUROS*

At 31 December this item amounted to 33,252 thousand euros (36,283 thousand euros at 31 December 2011).

The balance refers mainly to:

- 8,250 thousand euros for taxed provisions for liabilities (8,203 thousand euros at 31 December 2011),
- 3,845 thousand euros for the impairment of receivables and exchange risks (3,940 thousand euros at 31 December 2011). During the year, 2,095 thousand euros of those taxes were used and 1,999 thousand euros was allocated,
- 6,954 thousand euros for defined benefit/contribution plans (6,946 thousand euros at 31 December 2011),
- 13,619 thousand euros for other provisions (17,008 thousand euros at 31 December 2011). Other provisions include deferred taxation on the fair values of financial hedging instruments, with a matching entry of a special tax reserve of shareholders' equity (at 31 December 2012 the balance was 6,513 thousand euros).

With regard to the recoverability of prepaid taxes, it is noted that deferred tax assets are reviewed on the basis of ACEA's business plans and a reasonable estimate of the period in which the related difference is expected to reverse.

The following table shows movements in deferred tax assets:

		Movements during the period			
	31.12.2011	**Uses IRES / IRAP**	**Movements recognised in equity**	**IRES/IRAP Provisions**	**31.12.2012**
Prepaid taxes					
Tax losses	0	0	0	0	0
Directors' fees	13	(13)	0	10	10
Provisions for liabilities and charges	8,203	(1,933)	0	1,981	8,250
Impairment of investments	0	0	0	0	0
Provisions for impairment of receivables	3,940	(2,095)	0	1,999	3,845
Amortisation and depreciation of intangible and tangible assets	173	0	0	401	574
Amortisation of goodwill	0	0	**0**	0	0
Defined benefit and defined-contribution plans	6,946	(347)	0	354	6,954
Other	17,008	(368)	(3,021)	0	13,619
Total	**36,283**	**(4,755)**	**(3,021)**	**4,746**	**33,252**
Deferred taxes					
Deferred tax on dividends	155	(50)	0	63	168
Amortisation and depreciation of intangible and tangible assets	1,823	(612)	0	0	1,211
Defined benefit and defined-contribution plans	402	0	0	18	420
Other	10,493		(9,535)	416	**1,374**
Total	**12,873**	**(662)**	**(9,535)**	**497**	**3,173**
NET TOTAL	**23,410**	**(4,093)**	**6,513**	**4,249**	**30,079**

15. NON-CURRENT FINANCIAL ASSETS - *1,563,440 THOUSAND EUROS*

They total 1,563,440 thousand euros (1,380,229 thousand euros at 31 December 2011) and are broken down as follows:

	31.12.2012	**31.12.2011**	**Increase/ (Decrease)**
Receivables due from Roma Capitale	30,899	18,019	12,880
Receivables due from subsidiaries	1,483,061	1,308,486	174,574
Amounts due from others	49,480	53,723	(4,243)
NON-CURRENT FINANCIAL ASSETS	**1,563,440**	**1,380,229**	**183,211**

Receivables due from Roma Capitale total 30,899 thousand euros (18,019 thousand euros at 31 December 2011) and relate to new activities concerning the Public Lighting service, such as plant upgrading, energy savings, legislative adjustments and technological innovation, which will be paid to ACEA, for an amount equal to tax amortisation, after 2012, in compliance with the terms of the Supplementary Agreement to the service contract signed on 15 March 2011.

Receivables due from subsidiaries amount to 1,483,061 thousand euros, representing an increase of 174,574 thousand euros compared with 31 December 2011. The breakdown is as follows:

	31.12.2012	31.12.2011	Increase/ (Decrease)
Receivables for mortgages taken out			
ACEA Ato2	697	2,092	(1,394)
ACEA Distribuzione	1,666	4,997	(3,331)
Acea Produzione	974	2,312	(1,338)
Total	**3,337**	**9,400**	**(6,063)**
Loan receivables			
ACEA Ato5	52,719	52,719	0
Total	**52,719**	**52,719**	**0**
Intercompany running account - Investments Line			
Ecoenergie	1,437	1,443	(6)
SAO	3,038	2,649	389
ARIA	207,907	196,301	11,606
ARSE	42,629	119,981	(77,352)
Acea8cento	1,127	1,131	(5)
ACEA Ato2	568,324	423,120	145,204
ACEA Distribuzione	465,401	365,794	99,607
Acea Produzione	137,142	135,948	1,194
Total	**1,427,005**	**1,246,367**	**180,638**
TOTAL NON-CURRENT FINANCIAL RECEIVABLES DUE FROM SUBSIDIARIES	**1,483,061**	**1,308,486**	**174,574**

The change of 174,574 thousand euros compared to 31 December 2011 was the result of:

- the reclassification to "Current financial assets" of amounts falling due within the next 12 months on mortgages taken out, of 6,063 thousand euros,
- the movements during the year totalling 180,638 thousand euros, relative to credit lines opened in favour of subsidiaries for funding requirements due to investments, as well as the accrual of interest on financial exposure, amounting to 8,497 thousand euros.

The item **Amounts due from others**, amounting to 49,480 thousand euros, is due to the application of the financial assets model envisaged by IFRIC 12 with regard to service concession arrangements. This receivable, amounting to 49,256 thousand euros (53,443 thousand euros at 31 December 2011), represents total investments made up to 31 December 2010 connected to said service.

This item also includes amounts due from Frama (125 thousand euros) for the payment of the relevant portion made to ACEA Ato5. Repayment of this receivable will take place via ACEA's collection from future distribution of dividends.

16. OTHER NON-CURRENT ASSETS - *720 THOUSAND EUROS*

This item refers to amounts owed for long-term deposits paid. It amounts to 720 thousand euros at the end of 2012, with no significant changes with respect to the previous year.

17. CURRENT ASSETS - *930,868 THOUSAND EUROS*

This item amounted to 930,868 thousand euros, marking an increase of 168,883 thousand euros compared to last year (761,985 thousand euros at 31 December 2011), and includes the following.

17.a - Inventories - *2,534 thousand euros*

At the end of the year in question, they totalled 2,534 thousand euros and represent works to construct public lighting plants, carried out under the service agreement with Roma Capitale and not yet complete at the end of the year.

17.b - Trade receivables – *44,883 thousand euros*

Trade receivables amounted to 44,883 thousand euros (37,672 thousand euros at 31 December 2011) and are broken down as follows.

	31.12.2012	31.12.2011	Increase/ (Decrease)
Receivables from other customers	24,328	17,100	7,228
Disputed receivables	20,555	20,573	(17)
TOTAL TRADE RECEIVABLES	**44,883**	**37,672**	**7,211**

It should be noted that already beginning last year, the receivables of the largest companies in the ACEA Group, whose prospects of recovery are essentially nil, were subject to a cancellation procedure in order to obtain a simpler and more immediate picture of the general credit situation, and more rational planning of recovery activities. On **22 February 2012**, ACEA's Board of Directors resolved the cancellation of gross receivables totalling 17,363 thousand euros, fully covered by the Provision for the Impairment of Receivables.

The breakdown of trade receivables due from customers as at 31 December 2012 is shown below.

Receivables from other customers

This item amounted to 24,328 thousand euros (17,100 thousand euros at 31 December 2011) net of the provision for the impairment of receivables of 4,601 thousand euros. This item includes receivables relating to accrued amounts due from private and public parties for services, with particular reference to public lighting services in the municipality of Naples.

That item increased by 7,228 thousand euros compared to 31 December 2011 as a result of: **(i)** transactions for the acquisition of receivables due to Acea Energia from ATAC, totalling 7,277 thousand euros, of which 3,277 thousand euros has already been collected, **(ii)** the accrual of amounts due from the municipality of Naples, totalling 9,258 thousand euros, **(iii)** the collection of amounts due from Società Manutenzione Illuminazione S.p.A. (SMAIL S.p.A.), acquired by Acea Energia on 6 April 2011 (totalling 6,078 thousand euros).

Disputed receivables

At 31 December 2012, disputed receivables amount to 20,555 thousand euros and decreased by 17 thousand euros compared with the previous year.

The current balance regards exposures toward the Vatican City which, being a sovereign state, deems the fees charged for fresh and waste water services to be inapplicable. Following publication of the implementation decree provided for by article 3, paragraph 13 of the Finance Act for 2004, the receivables posted in the accounts relate the period prior to 1998 and are matched by a corresponding debt payable to the Municipality of Rome as the provider of waste water and sewerage services through to 31 December 1997. It should be noted that the Company is not obliged to settle the debt payable to the Municipality of Rome before collection of the receivables due from the Vatican City.

These totalled 27,013 thousand euros at 31 December 2011 and included an additional 6,458 thousand euros, almost fully impaired, regarding receivables due from consortia set up by government bodies and municipalities and municipalities in financial difficulty. As previously noted, those receivables were cancelled.

Provisions for the impairment of receivables

The provision for the impairment of receivables stood at 4,601 thousand euros, down by 18,753 thousand euros due to the cancellation of receivables at the beginning of 2012. Additional impairments totalling 216 thousand euros were carried out during the year. Provisions for the impairment of receivables are based on analytical assessments, supplemented by assessments based on historical analyses of amounts due from end users and customers broken down according to the default period, the type of action undertaken to recover the amount due and the status of the receivable concerned (ordinary, disputed, etc.).

17.c - Intercompany trade receivables - *77,112 thousand euros*

Intercompany trade receivables amounted to 77,112 thousand euros (100,861 thousand euros at 31 December 2011) and are broken down as follows:

	31.12.2012	31.12.2011	Increase/ (Decrease)
Receivables due from the parent company	17,697	46,260	(28,563)
Receivables due from subsidiaries	55,416	50,555	4,861
Receivables due from associates	4,000	4,046	(46)
TOTAL INTERCOMPANY RECEIVABLES	**77,112**	**100,861**	**(23,749)**

Receivables due from the parent company Roma Capitale

Trade receivables due from Roma Capitale totalled 17,697 thousand euros at 31 December 2012 (46,260 thousand euros at 31 December 2011), down by a total of 28,563 thousand euros.

2012 was a year of discontinuity with respect to the past in relations with Roma Capitale since, following the joint works and analyses with the Roman government offices, it was possible to achieve a significant overall reduction in amounts receivable and payable, with reference to both ordinary management and the Administration established by the Central Government.

The Administration established by the Central Government refers to the separate management of Roma Capitale, formed in compliance with Law Decree no. 112/2008, converted into Law no. 133/2008, containing urgent provisions for Roma Capitale. That Administration, supported by its Manager, or the Extraordinary Commissioner appointed by decree of the President of the Council, has the specific task of defining and settling receivables and payables dating back to prior to April 2008.

In that context, a Settlement Agreement was signed by the Administration established by the Central Government and the ACEA Group on 21 December 2012, which for the company regarded a total of 46,181 thousand euros in receivables and a total of 12,076 thousand euros in payables. The parties agreed to reduce the receivables by approximately 25%, corresponding to a loss of roughly 10,154 thousand euros. As a result of that agreement, ACEA collected a total of 23,951 thousand euros from the Administration established by the Central Government.

The details of the receivables and payables subject to the agreement are shown below:

Utility receivables	3,158
Receivables for public lighting service contract	31,794
Receivables for the construction of new public lighting plants	8,222
Contract work and services	3,007
Total receivables	**46,181**
Total sewerage and waste water treatment payables	8,408
Total other payables	1,455
Total borrowings	2,213
Total payables	**12,076**
RECEIVABLES/PAYABLES NET BALANCE	**34,105**

As regards the receivables relating to the so-called Ordinary Management (so, those accrued from April 2008 and afterwards) in 2012 administrative offsetting was completed at the ACEA Group level, which impacted the closure of receivables for a total of 95,179 thousand euros, of which 84,113 thousand euros regarded the fee accrued for the public lighting service agreement, mainly for the years 2010-2011, and 10,257 thousand euros regarded works for the construction of new public lighting plants.

The table below shows the details of the offsetting carried out in the Group with regard to the receivables and payables concerned:

Receivables for public lighting service contract	84,113
Receivables for the construction of new public lighting plants	10,257
Other receivables	809
Dividends	(35,712)
NET BALANCE	**59,470**

The remaining receivables due from Roma Capitale at 31 December 2012 and regarding services up to and including **31 December 2011** include:

- Receivables for the construction of new public lighting plants 15,887 thousand euros
- Receivables for public lighting service contract 4,123 thousand euros
- Contract work and services 129 thousand euros.

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

Amounts due from Roma Capitale	**31.12.2012**	**31.12.2011**	**Increase/ (Decrease)**
Utility receivables	0	3,289	(3,289)
Contract work	8,727	24,514	(15,787)
Receivables for services	0	907	(907)
Other receivables	62	1,225	(1,163)
Total services billed	**8,789**	**29,935**	**(21,145)**
Total services to be billed	**10,390**	**14,844**	**(4,454)**
Total trade receivables	**19,179**	**44,778**	**(25,599)**
Financial receivables for the public lighting service	**63,304**	**114,659**	**(51,355)**
TOTAL RECEIVABLES DUE WITHIN ONE YEAR (A)	**82,483**	**159,437**	**(76,954)**

Amounts due to Roma Capitale	**31.12.2012**	**31.12.2011**	**Increase/ (Decrease)**
Sewerage and water treatment payables	0	8,409	(8,409)
Total trade payables	**0**	**8,409**	**(8,409)**
TOTAL PAYABLES DUE WITHIN ONE YEAR (B)	**0**	**8,409**	**(8.409)**
TOTAL (A) - (B)	**82,483**	**151,028**	**(85,363)**
Other financial loans and receivables/(borrowings)	**28,043**	**2,030**	**26,013**
including: medium/long-term loans and receivables for public lighting	30,899	18,019	12,880
Other trade receivables/(payables)	**(20,012)**	**(21,504)**	**1,492**
including: disputed payables - Vatican City water treatment and sewerage	(20,516)	(20,516)	0
NET BALANCE	**90,514**	**131,554**	**(57,858)**

Receivables due from subsidiaries

These receivables amounted to 55,416 thousand euros, marking an increase of 4,861 thousand euros compared to 31 December 2011. They relate mainly to services provided under service contracts.

The breakdown is as follows:

	31.12.2012	31.12.2011	Increase/ (Decrease)
ACEA Distribuzione	25,699	23,582	2,118
ACEA Ato5	11,044	9,316	1,728
Acea Energia	5,690	3,459	2,231
ACEA Ato2	4,011	1,760	2,251
Gesesa	1,735	1,345	390
Crea Gestioni	1,652	4,411	(2,759)
Umbra Acque	909	820	89
Sarnese Vesuviano	782	770	12
Laboratori	478	449	28
Publiacqua	462	472	(10)
Ingegnerie Toscane	381	258	122
Aquaser	360	186	175
Ecogena	292	125	167
ARIA	256	409	(153)
Acea Produzione	196	40	156
Agua Azul Bogotà	195	565	(370)
Acea Energia Holding	191	311	(120)
Luce Napoli	176	112	64
Kyklos	169	176	(7)
Acque Blu	133	68	65
Innovazione Sostenibilità Ambientale (ISA)	133	0	133
Ombrone	129	69	60
Solemme	87	162	(75)
Gori	83	403	(319)
Acea Servizi Acque (ASA)	71	32	38
Abab	67	0	67
Acque Blu Fiorentine	66	0	66
Ecomed	53	151	(97)
Acea8cento	44	8	36
Acque	40	407	(367)
Sao	13	12	1
Acea Gori Servizi	5	166	(161)
Crea	5	139	(134)
Umbria Energy	2	0	2
Tirreno Power	0	60	(60)
Acque Industriali	0	50	(50)
APICE	0	37	(37)
Nuove Acque	0	1	(1)
Acque servizi	0	43	(43)
TOTAL	**55,416**	**50,555**	**4,861**

Receivables due from associates

These receivables amounted to 4,000 thousand euros, and there were no substantial changes compared to 31 December 2011. The breakdown is as follows:

	31.12.2012	31.12.2011	Increase/ (Decrease)
Marco Polo	979	890	89
Agua de San Pedro	1,286	1,252	34
Sogea	713	604	109
Sienergia	627	583	45
Acquedotto del Fiora	302	525	(224)
Tirana Acque	0	155	(155)
Umbriadue	90	30	60
Jonica Sistemi	0	11	(11)
Geal	0	4	(4)
Le Soluzioni	3	0	3
Arkesia	0	0	0
TOTAL	**4,000**	**4,046**	**(46)**

17.d - Other current receivables and assets - *27,461 thousand euros*

These amount to 27,461 thousand euros (28,005 thousand euros at 31 December 2011), representing a decrease of 543 thousand euros compared to the previous year. They consist of:

	31.12.2012	31.12.2011	Increase/ (Decrease)
Receivables due from Autoparco (car park) assignee	10,250	10,250	0
Restricted receivables from disposal of the PV business unit	5,378	0	5,378
Receivables from reintegration of the Marco Polo business unit for payables to employees	4,571	0	4,571
Equitalia	4,132	2,717	1,415
Accrued income and prepayments	1,654	2,113	(459)
Other receivables	646	1,082	(436)
Receivables due from social security institutions	550	523	27
Advances to suppliers and deposits at third parties	153	11,146	(10,993)
Receivables due from Equalisation Fund	127	127	0
Receivables due from Tesima	0	46	(46)
TOTAL	**27,461**	**28,005**	**(543)**

The relatively slight change during the period was the result of opposing factors: on one hand there was a **(i)** decrease of 10,993 thousand euros regarding the advance paid by ACEA in December 2011 for the purchase of the registered office, offset at the beginning of the year with the relative payable accrued, and on the other hand it increased due to **(ii)** the generation of 5,378 thousand euros in restricted receivables, which correspond to the sums deposited by the lender of the PV business unit purchaser in a term deposit, which can be freed up only when some contractual conditions are fulfilled, **(iii)** as well as the recognition of receivables deriving from the reintegration of the business unit rented to Marco Polo until 31 December 2011 (4,571 thousand euros). That amount reflects the results of the assets and liabilities, including amounts due to transferred staff, from the company's 2011 financial statements.

Amounts due from Equitalia relate to collections deriving from the seizure of the assets of public bodies from ACEA pursuant to art. 48-bis of Presidential Decree 602 of 29 September 1973. These collections have been used to pay a tax payment notice concerning lower alleged VAT payments charged to ACEA's VAT consolidation; an appeal was filed against said payment notice before the Provincial Tax Commission of Rome, which accepted Acea's claims on 29 January 2013. Therefore, Acea has the right to request the refund of what was seized.

With regard to **receivables due from Autoparco (car park) assignee** please note that, as a result of the disposal of the property which houses the company's car park, those receivables were recognised in the financial statements at the end of 2010. The amount represents the price of the aforementioned disposal that the assignee would have had to pay by 31 December 2011: legal action has been taken to recover the receivable.

Accrued income and prepayments relate essentially to the lease of the Data Processing and Remote Control Centre, the property complex in Valleranello, insurance premiums and maintenance fees.

17.e - Current financial assets - *36,062 thousand euros*

Current financial assets amounted to 36,062 thousand euros (27,289 thousand euros at 31 December 2011) and include:

	31.12.2012	31.12.2011	Increase/ (Decrease)
Receivables from dissolution of Joint Venture	13,477	14,678	(1,202)
Financial receivables from disposal of PV business	10,488	0	10,488
Receivables due from Laurentina Area assignee	6,000	6,000	0
Receivables for managing the public lighting service	5,603	5,598	5
Receivables due from ISPA and SEIN from liquidation of ACEA Ato5 Servizi	494	837	(344)
Receivables due from Acqua Italia	0	96	(96)
Financial receivables due from Agag De Centroamerica	0	72	(72)
Accrued income on fixed term deposits	0	4	(4)
Other	0	3	(3)
TOTAL	**36,062**	**27,289**	**8,773**

The change of 8,773 thousand euros compared to last year is due to:

- the definitive determination of the equalisation of the transaction terminating the joint venture with GDF Suez Energia Italia (-1,202 thousand euros);
- the recognition of receivables from the disposal of the PV business operated by the subsidiary Apollo S.r.l., completed on 28 December 2012 (10,488 thousand euros). The disposal regarded an asset portfolio consisting of photovoltaic plants with total installed power of 32.544 MW. Those receivables represent **(i)** 8,095 thousand euros for the residual value of the financial receivable due from Apollo, which was collected on 31 January 2013 and **(ii)** 2,393 thousand euros for the release of the restricted part of the price for a 0.961 MW plant, for which the conditions were satisfied at the closing; this amount will be collected in the first half of 2013;
- the reduction in receivables from the liquidation

of ACEA Ato5 Servizi, in particular due from its shareholder ISPA (344 thousand euros). A private agreement between ACEA Ato5, ISPA and ACEA was signed on 10 January 2013 concerning the financial settlement of payables and receivables still outstanding. In compliance with what has been agreed, that receivable was recognised by ACEA Ato5 and ACEA within the context of a payment delegation pursuant to art. 1269 of the Italian Civil Code on 31 January 2013.

17.f - Intercompany current financial assets - *307,736 thousand euros*

These assets amounted to 307,736 thousand euros (248,529 thousand euros on 31 December 2011) and break down as follows.

Receivables due from parent companies

The item includes amounts due from Roma Capitale totalling 63,303 thousand euros, for invoices issued (3,131 thousand euros) and invoices to be issued (60,173 thousand euros), relating to the Public Lighting Service Contract and the fee accrued for plant maintenance, as set out in the Intercompany Trade Receivables section of this document.

Receivables due from subsidiaries

These receivables amounted to 241,472 thousand euros (131,043 thousand euros at 31 December 2011) and break down as follows:

	31.12.2012	31.12.2011	Increase/ (Decrease)
Receivables for cash pooling transactions	190,328	81,935	108,392
Current accrued finance income on loans and cash pooling	17,591	14,769	2,822
Loans to subsidiaries	14,981	16,308	(1,326)
Other receivables due from subsidiaries	8,133	9,033	(899)
Short-term loans to subsidiaries	6,063	6,023	40
Receivables for commission on guarantees given	4,375	2,976	1,398
TOTAL	**241,472**	**131,043**	**110,428**

Financial exposure had a total increase of 110,428 thousand euros compared to 31 December 2011, which closed with a total of 131,043 thousand euros. That change is due to the following factors:

- receivables from centralised treasury services increased by 108,392 thousand euros due to the need generated by the subsidiaries;
- current accrued finance income increased by 2,822 thousand euros as a result of the portion of interest accrued but still not paid on loans and current accounts. On cash pooling transactions (so-called General Purpose Lines) ACEA applies a creditor interest rate equal to the 3-year IRS plus a spread in line with that of a bond issued on the equities market (3.08%) and a debtor rate calculated on the basis of the arithmetic mean of the daily 3-month EURIBOR rates in each calendar quarter less a spread of 5 basis points;
- receivables for loans decreased by 1,326 thousand euros due to the completion of a legal offsetting in March 2012 between the financial payables and receivables relating to the subsidiary Crea Gestioni;
- receivables for commissions on guarantees given increased by 1,398 thousand euros, particularly with regard to those stipulated in 2012 in the interests of Acea Energia Holding and Acea Energia. Please see the section "Commitments and contingencies" of this document for more information.

Other receivables due from subsidiaries mainly include those for **(i)** dividends to be collected, specifically from ABAB (1,159 thousand euros), Acque Blu Fiorentine (2,865 thousand euros) and Sarnese Vesuviano (634 thousand euros), **(ii)** receivables generated by the application of the securitisation agreement regarding the receivables of some subsidiaries (1,450 thousand euros) and **(iii)** receivables for finance advances, linked to the liquidation procedure, to Luce Napoli (1,300 thousand euros).

Receivables due from associates

This item amounts to 2,961 thousand euros and is basically unchanged compared with the previous year (2,826 thousand euros at 31 December 2011).

This item includes:

- the loan to the associate Sienergia for 2,500 thousand euros, granted in November 2010 in order to face liquidity needs linked to some investment projects, among which the construction of PV plants. This loan accrues interest equal to the 3-month Euribor plus a spread of 1.5% p.a.;
- finance receivables due from Consorzio Citelum Acea Napoli Illuminazione Pubblica which handles the operational management of the contract of the same name.

17.g – Current tax assets - *57,507 thousand euros*

The item in question principally includes: **(i)** receivables due from subsidiaries which participate in the tax consolidation agreement for IRES and VAT (30,985 thousand euros), **(ii)** the credit for the IRAP refund (13,226 thousand euros), **(iii)** the IRES credit (5,436 thousand euros) and (iv) receivables for IRES from prior years for which a refund has been requested (1,967 thousand euros).

17.h - Cash and cash equivalents - *377,569 thousand euros*

At 31 December 2012, cash and cash equivalents amounted to 377,569 thousand euros (284,223 thousand euros at 31 December 2011). This item represents the balance of bank and post office current accounts held with various institutions, including the Italian Postal Service.

It should be noted that the balance does not include cash deposits which amounted to 79,200 thousand euros as at 31 December 2011.

Notes to the Statement of Financial Position - Liabilities

18. SHAREHOLDERS' EQUITY - *1,331,684 thousand euros*

Shareholders' equity equalled 1,331,684 thousand euros, showing an increase of 25,254 thousand euros compared to 31 December 2011. Changes in shareholders' equity are shown in the following table:

	31.12.2012	31.12.2011	Increase/ (Decrease)
Share capital	1,098,899	1,098,899	0
Legal reserve	74,351	68,919	5,432
Reserve for treasury shares in portfolio	0	0	0
Other reserves	72,255	89,427	(17,172)
Retained earnings	43,754	63	43,691
Profit/(loss) for the period	42,425	49,123	(6,698)
TOTAL	**1,331,684**	**1,306,430**	**25,254**

The change of 25,254 thousand euros refers to the profit for the year and the effects generated by the allocation of the net profit for 2011, as well as the movement in the cash flow hedge reserve.
Profit for the period, amounting to 87,060 thousand euros, is shown net of the distribution of the advance on the dividend resolved by the shareholders' meeting on 20 December 2012 (44,635 thousand euros).

The breakdown per item and relevant movements are shown below:

18.a - Share capital - *1,098,899 thousand euros*

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

- Municipality of Rome: 108,611,150 for a total par value of 560.4 million euros;
- market: 103,936,757 for a total par value of 536.3 million euros;
- treasury shares: 416,993 ordinary shares for a total par value of 2.2 million euros.

18.b - Legal reserve - *74,351 thousand euros*

This reserve reflects the allocation of 5% of net profit for previous years, in accordance with article 2430 of the Italian civil code.
Al 31 dicembre 2012 ammonta a € 74.351 mila con un aumento di € 5.432 mila rispetto all'esercizio al 31 dicembre 2011, per effetto della destinazione dell'utile 2011.

18.c - Reserve for treasury shares in portfolio - *0.0 thousand euros*

At 31 December 2012 the reserve for treasury shares in portfolio amounted to 3,853 thousand euros.
Pursuant to art. 2428 of the Italian Civil Code, the treasury shares in portfolio, as at 31 December 2012, consist of 416,993 shares with a par value of 5.16 euros each, representing 0.196% of share capital.
The balance of the reserve offsets the value of the treasury shares accounted for as a reduction of shareholders' equity in compliance with IAS 32.

18.d - Other reserves - *72,255 thousand euros*

Extraordinary reserve

This amounted to 180 thousand euros, unchanged with respect to 31 December 2011.

Demerger reserve

This reserve amounted to 102,567 thousand euros, and there were no changes compared to 31 December 2011. This reserve is fully available to cover losses, for the share capital increase and for distribution to shareholders, as established at the General Shareholders' Meeting on 29 April 2010, which approved the 2009 Financial Statements and overcome the restriction on the distributability of dividends established by the General Shareholders' Meeting on 29 April 2000.

Reserve for exchange differences

The reserve for exchange differences has a negative balance of 7,894 thousand euros including deferred taxation, which amounts to 2,994 thousand euros at 31 December 2012. This was established due to the effect of the evaluation at the exchange rate at the end of the observation year of the private placement in YEN stipulated with AFLAC in 2010.

Cash flow hedge reserve

The cash flow hedge reserve recorded a negative balance of 19,425 thousand euros as at 31 December 2012 (26,794 thousand euros gross of deferred taxes of 7,368 thousand euros). At the end of last year, this item had a positive balance of 14,827 thousand euros. This reserve is composed as follows:

- 10,772 thousand euros from the negative fair value of the cross currency on the bond loan in yen;
- 12,689 thousand euros from the negative fair value of the IRS on the 100 million euro loan taken out from Cassa Depositi e Prestiti;
- 3,333 thousand euros from the negative differential resulting from the delta of conversion rates between the rate provided for in the hedging contract and the rate recorded at the payment date of the bond.

The following table shows distributable and undistributable reserves.

	FY 2012				
Nature/description	**Amount**	**Potential use**	**Available portion**	**Summary of uses during previous three years**	
				To cover losses	**Other purposes**
Capital reserves:	**74,351**	**B**	**74,351**		
Revenue reserves from income statement:	**(3,173)**		**(3,173)**		
Legal reserve	0	A, B, C	0		
Purchased goodwill attributable to Umbra Acque	3,853	To guarantee treasury shares	3,853		
Available reserve for treasury shares	180	A, B, C	180		
Reserve for treasury shares in portfolio	102,567	A, B,C	102,567		
Extraordinary reserve	0		0		
Demerger reserve	43,754	A, B, C	43,754	53,622	154,345
Reserve for IFRIC 12 FTA					
Retained earnings	(19,426)	B	(19,426)		
Revenue reserves from O.C.I.:	**(7,894)**		**(7,894)**		
Cash flow hedge reserve	194,213		194,213		
Reserve for exchange differences	(7.894)		(7.894)		
TOTAL	**194.213**		**194.213**		
Undistributable portion			47,711		
Remaining distributable portion			146,502		

** Key*

A = to increase capital

B = to cover losses

C = to pay dividends

19. STAFF TERMINATION BENEFITS AND OTHER DEFINED BENEFIT PLANS - *25,302 THOUSAND EUROS*

At the end of the year, said items totalled 25,302 thousand euros (23,551 thousand euros at 31 December 2011) and represent termination and other benefits payable to employees on retirement or termination of employment.

The liability recorded in the financial statements is equal to the current value of defined-benefit obligations maturing at 31 December 2012, estimated by an independent actuary net of actuarial losses accrued and not reported. These losses totalled 226 thousand euros.

These obligations include defined benefit and defined contribution plans. The first obligations relate to staff termination benefits and employee tariff subsidies which were calculated in accordance with actuarial criteria; the second type instead includes tariff subsidies for pensioners. This method is based on the projected unit credit method, which measures the company's liability at the end of the reporting period on the basis of the average present value of future services reproportioned on the basis of the service performed by the worker at the time of calculation, with respect to that at the time of payment for the service.

The following table shows the breakdown of the item.

	31.12.2012	31.12.2011	Increase/ (Decrease)
Termination benefits			
- Staff termination benefits	9,217	7,620	1,597
- Monthly bonuses	917	778	138
- Long-term incentive plans (LTIPs)	3,635	2,346	1,289
TOTAL	**13,768**	**10,744**	**3,024**
Post-employment benefits			
- Tariff subsidies	11,533	12,807	(1,274)
TOTAL	**25,302**	**23,551**	**1,751**

The change of 1,751 thousand euros compared to 31 December 2011 was mainly the result of the reintegration of employees working in the business unit rented to Marco Polo until 31 December 2011 (1,877 thousand euros). The remaining change was caused by, on one hand, the net effect of staff leaving the Company, the transfer of staff to a number of subsidiaries, the effect of tariff subsidies for staff and release of provisions for tariff subsidies for pensioners and, on the other, from the provision set aside of 1,289 thousand euros for the Long-Term Incentive Plan for the 2010-2012 period which makes provision for the disbursement to ACEA Top Management of a cash payment made at the end of the reference period, to be calculated as a percentage of gross annual remuneration, based on the achievement of pre-established economic and financial targets.

As required by paragraph 78 of IAS 19, the interest rate used to calculate the present value of the obligation is based on returns, at the end of the reporting period, on the securities of major companies listed on the same financial market as ACEA, and on the return on government bonds in circulation at the same date that have terms to maturity approximating to the residual term of the related liability. In order to ensure consistency of valuation and comply with the provisions of IAS 19, the same basis has been used for the various types of plan.

20. PROVISIONS FOR LIABILITIES AND CHARGES - *52,407 THOUSAND EUROS*

At 31 December 2012 this item amounted to 52,407 thousand euros (70,680 thousand euros at 31 December 2011). The movement in the provision represents the algebraic sum of uses and allocations in the period.

In calculating the size of the provisions, account is taken both of the estimated costs that may derive from litigation or other disputes arising during the year and an update of estimates of the potential liabilities deriving from the litigation involving the Company in previous years.

The following table shows a breakdown of provisions and movements during 2012:

	31.12.2011	Uses	Provisions	Alloc. on investments	31.12.2012
Provisions for liabilities	9,507	(6,903)	7,187		9,792
Redundancy and resignation/ retirement provision	3,460	(3,209)	0		251
Sundry provisions	57,713	(22,076)	15	6,713	42,365
TOTAL PROVISIONS	**70,680**	**(32,188)**	**7,202**	**6,713**	**52,407**

At the end of the year, the provision for liabilities and charges included: **(i)** 31,953 thousand euros to cover risks related to the events noted previously concerning the water tariff of the subsidiaries ACEA Ato5 (9,826 thousand euros) and GORI (22,127 thousand euros), **(ii)** 7,777 thousand euros for the evaluation of legal risks (disputes, litigation, etc..), **(iii)** 8,103 thousand euros for the estimate of risks connected to investment management, **(iv)** 4,323 thousand euros for potential liabilities and charges relating to staff including disputes over contributions, **(v)** 251 thousand euros relating to the remaining provision set aside for redundancy and resignation/ retirement plans.

The principal movements in the year are as follows:

Uses, amounting to 32,188 thousand euros during the year, primarily include:

- 21,973 thousand euros used following the recapitalisation of Sarnese Vesuviano. Please note that last year, the value of shareholders' equity was almost eliminated following the full impairment of the value of the investment in GORI,
- 3,820 thousand euros for the closure of legal disputes that arose relating to previous employment contracts and relations with suppliers,
- 3,209 thousand euros relating to the redundancy procedure as well as for procedures relating to the employee and manager resignation/retirement plan;
- 3,083 thousand euros to cover risks of expenses relating to contributions.

As a result of enforcement actions implemented by INPS through Equitalia for the sole purpose of avoiding the effects of the seizures performed pursuant to art. 48-bis of Presidential Decree no. 602/1973, ACEA broke the payment requests issued by INPS relating to unpaid contributions of 1,281 thousand euros down into instalments. Additional costs of 1,801 thousand euros were also broken down into instalments in 2012, for which INPS has not yet activated payment requests with Equitalia.

Allocations, amounting to 13,915 thousand euros, are related to:

- 6,713 thousand euros concerning investment management risks, particularly with reference to Marco Polo (1,936 thousand euros), Ecoenergie, in liquidation (1,909 thousand euros), CREA in liquidation (1,327 thousand euros) and losses accrued during the year by Acea8cento (1,284 thousand euros),
- 5,666 thousand euros for legal liabilities and potential disputes with suppliers,
- 1,536 thousand euros relating to staff, above all liabilities regarding contributions.

21. NON-CURRENT BORROWINGS AND FINANCIAL LIABILITIES - *1,684,767 THOUSAND EUROS*

They total 1,684,767 thousand euros (1,784,429 thousand euros at 31 December 2011) and are broken down as follows:

	31.12.2012	31.12.2011	Increase/ (Decrease)
Bonds	1,008,288	985,821	22,467
Medium/long–term loans	676,480	798,608	(122,129)
TOTAL	**1,684,767**	**1,784,429**	**(99,662)**

Bonds

These amounted to 1,008,288 thousand euros and include:

- 306,046 thousand euros for the bond loan issued by ACEA in 2004 and placed on the international Eurobond market. Interest accrued during the period amounts to 14,607 thousand euros. The bond has a term to maturity of ten years and yields a nominal fixed rate of 4.875%. Redemption will take the form of a lump-sum payment at par value, unless the bonds are called prior to maturity. It should be noted that the terms and conditions include standard international Eurobond market conditions regarding Negative Pledge and Events of Default, including a Cross Default clause should the other financial debt of the Company or its principal subsidiaries, totalling more than 15 million euros, become immediately repayable;
- 514,939 thousand euros due to the bond loan issued by ACEA of 500 million euros in March 2010 with a 10-year duration and maturity term on 16 March 2020. Interest accrued during the period amounts to 22,549 thousand euros. The bonds have a minimum denomination of 50 thousand euros, and pay one gross coupon annually of 4.5% and were placed at an issue price of 99.779. The actual gross rate of return upon expiry is therefore equal to 4.528% corresponding to a return of 120 base points on top of the reference rate (mid-swap at 10 years). The bonds are subject to British law. The settlement date is 16 March 2010. The bond loan was given a rating by Standard & Poor's and Fitch of A- and A+, respectively;
- 187,272 thousand euros refer to the Private Placement and related hedge. At the end of the year, the fair value of the hedging instrument is negative by 10,772 thousand euros and was recognised in a special reserve of shareholders' equity, together with the negative differential of 3,333 thousand euros resulting from the delta of conversion rates between the rate provided for in the hedging contract and the rate recorded at the payment date of the bond. The exchange rate difference, a negative 10,888 thousand euros, of the hedged instrument calculated at 31 December 2012 was therefore allocated to an exchange provision. This relates to a private bond loan (Private Placement) for 20 billion Japanese Yen with a 15-year maturity term (2025). The Private Placement was entirely subscribed by a single investor (AFLAC). The coupons are paid on a deferred half-yearly basis every 3 March and 3 September applying a fixed rate in Yen of 2.5%. At the same time, a cross currency transaction was carried out to transform from yens to euros and the yen rate applied to a fixed euro rate. The cross currency transaction provides that the bank pays ACEA, on a deferred half-yearly basis, 2.5% on 20 billion Japanese Yen, while ACEA has to pay the bank the coupons on a deferred quarterly basis, at a fixed rate of 5.025%. The loan agreement and the hedge contract contain an option, in favour of the investor and the agent bank respectively, connected to the trigger rating: the payable and its derivative instrument can be fully recalled if ACEA's rating falls below the investment grade level or if the debt instrument loses its rating. At the end of the year, no conditions occurred for the exercise of the option.

Medium/long–term loans

These totalled 676,480 thousand euros (798,608 million euros at 31 December 2011) and represent principal outstanding at 31 December 2012 and falling due after 12 months.

This reduction in debt, for a total of 122,129 thousand euros, was caused by: **(i)** the drawdown of the second tranche of the loan taken out from the EIB in 2009, in the amount of 100 million euros, and **(ii)** the reclassification of a 200 million euro loan, falling due on 4 August 2013, to "short-term borrowings".

The drawdown of the second tranche of the EIB loan, completed on 23 January 2013, refers to the loan that was granted by the bank in two tranches of equal amounts, taken out in 2009 to back the four-year investment plan (2008 - 2011) concerning the electricity network in the municipality of Rome. The characteristics of the first tranche are those of a loan granted directly to ACEA without security in the form of a bank guarantee (Direct Loan). The second tranche also has the characteristics of a direct loan to ACEA, but with a back-to-back guarantee from a leading bank acceptable to the EIB (Guaranteed Loan). Repayment of the principal will be in equal half-yearly amounts from 15 December 2015 until 15 December 2026.

The main mortgages, whose values at 31 December were stated inclusive of short-term portions, amount to 900,714 thousand euros and are described below:

- an unsecured loan of 200,000 thousand euros. Disbursement of 159,763 thousand euros took place on 11/09/06. The remaining portion was disbursed on 27/06/07. The loan is subject to interest equal to the 6-month Euribor plus a spread of 15 basis points (from the sixth year the spread becomes 17.5 basis points), with interest due every six months and bullet repayment of the principal on maturity (4 August 2013). The spread may vary based on any changes to the rating assigned to ACEA. The loan is not subject to covenants and the agreement contains standard Negative Pledge and Acceleration Events clauses.
- an unsecured loan of an original amount of 77,469 thousand euros and a residual value of 9,684 thousand euros; the floating interest rate is equal to the 3-month Euribor less 15 basis points and the term to maturity is 15 years (a grace period of 3 years) expiring on 3 June 2014;
- an unsecured loan of an original amount of 51,646 thousand euros and a residual value of 2,141 thousand euros; the loan is subject to a fixed rate of interest of 4.45% and has a term to maturity of 15 years (a grace period of 3 years);
- an unsecured loan for a residual amount of 1,155 thousand euros; the original amount stood at 25,143 thousand euros and is handled by the Banca di Roma. The loan is subject to a fixed rate of interest of 5.48% and has a term to maturity of 15 years;
- loan stipulated on 25 August 2008 for 200,000 thousand euros for the water services segment investment plan (Acea Ato2) with a term of 15 years. The first tranche of 150,000 thousand euros was disbursed in August 2008; the interest rate is equal to the 6-month Euribor plus a spread of 7.8 basis points. In 2009, a second tranche was disbursed for 50,000 thousand euros with an interest rate equal to the 6-month Euribor plus a spread of 0.646%, maturing on 15 June 2019;
- a loan of 200,000 thousand euros drawn down on 9 October 2008 and maturing in March 2016. The interest rate applied by the bank is equal to the 6-month Euribor plus a spread of 62.5 basis points;
- a loan for an initial amount of 100,000 thousand euros drawn down on 31 March 2008 and maturing on 21 December 2021. The bank applies a floating rate of interest, with repayments to be made every six months from 30 June 2010. The residual loan value at 31 December 2012 amounts to 75,000 thousand euros. Interest rate risk associated with the loan has been hedged via an Interest Rate Swap, with the aim of converting the underlying loan from floating to fixed rate. The swap matches the underlying loan repayment schedule. Based on IAS 39, the Company has tested the effectiveness of the hedge using Hedge Accounting under the Cash Flow Hedge model. The test revealed that the hedge is 99.88% effective, meaning that there was no ineffective portion to take to the

income statement. The negative fair value of the hedging instrument (12,689 thousand euros) was recognised in a separate component of shareholders' equity;

- loan taken out from the EIB in 2009 for 100,000 thousand euros, for which the disbursement of an additional 100,00 thousand euros was completed in the beginning of 2012, needed to cover the requirements of the four-year investment plan for the strengthening and expansion of the electricity distribution network in Rome. The interest rate applied to the first tranche is the 6-month Euribor plus a spread of 0.665% maturing in June 2018. For the second tranche, repayment of the principal shall take place on a straight-line basis every six months from 15 December 2015 to 15 December 2026. The terms provide for a floating interest rate equal to the 6-month Euribor plus a spread of 130.1 basis points per annum, the guarantee will accrue commission of 145 basis points per annum, to be calculated on the amount of the remaining debt according to the repayment plan.

The following table shows a breakdown of borrowings by type of interest rate and term to maturity. The table excludes the effect of fair value and includes short-term portions falling due within 31 December 2013 and classified under item 24 of these notes.

Bank Loans	**Total residual debt**	**Due by 31.12.2013**	**Falling due between 31.12.2013 and 31.12.2018**	**Due after 31.12.2018**
fixed rate	3,303	1,687	1,617	0
floating rate	747,473	214,955	349,543	182,974
floating rate to fixed rate	149,937	7,592	59,845	82,500
TOTAL	**900,714**	**224,234**	**411,005**	**265,474**

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

22. OTHER NON-CURRENT LIABILITIES - *3,514 THOUSAND EUROS*

These totalled 3,514 thousand euros (5,269 thousand euros at 31 December 2011) and refer to deferment of the gain generated in 2005 by the transfer of the public lighting business to ACEA Distribuzione. The amount accounted for at 31 December 2012 is shown less the accrued portion (1,755 thousand euros) calculated on the basis of the term of the former service contract with the Comune di Roma (ten years).

23. PROVISION FOR DEFERRED TAXES - *3,173 THOUSAND EUROS*

At 31 December 2012 the balance of the provision is 3,173 thousand euros (12,873 thousand euros at 31 December 2011). This provision above all regards taxation on the payment in instalments of the gain on the sale of properties (1,151 thousand euros) and provisions for deferred tax liabilities on dividends yet to be collected (168 thousand euros).

At 31 December 2012, deferred tax liabilities linked to the fair value measurement of financial hedging instruments recorded under shareholders' equity are fully eliminated due to the negative measurement accounted for at the end of the year, which resulted in the recognition of deferred tax assets (9,535 thousand euros at 31 December 2011).

24. CURRENT LIABILITIES - *1,309,529 THOUSAND EUROS*

This item totalled 1,309,529 thousand euros (772,596 euros at 31 December 2011) and is broken down as follows.

	31.12.2012	31.12.2011	Increase/ (Decrease)
Borrowings	1,057,876	491,955	565,921
Debt to suppliers	168,513	196,066	(27,553)
Tax payables	54,203	55,925	(1,723)
Other current liabilities	28,937	28,650	287
TOTAL	**1,309,529**	**772,596**	**536,933**

24.a - Borrowings – *1,057,876 thousand euros*

These amounted to 1,057,876 thousand euros, representing an increase of 565,921 thousand euros, essentially due to the higher financial exposure to banks, also resulting from the reclassification of the loan maturing in 2013, and to service companies (+216,445 thousand euros). This item includes:

	31.12.2012	31.12.2011	Increase/ (Decrease)
Short-term bank lines of credit	415,733	280,110	135,623
Due to subsidiaries and associates	395,212	178,767	216,445
Bank borrowings - mortgages	224,234	17,083	207,151
Due to others	21,827	5	21,822
Due to the municipality of Rome	869	15,989	(15,120)
TOTAL	**1,057,876**	**491,955**	**565,921**

Short-term bank lines of credit

These amounted to 415,733 thousand euros (280,115 thousand euros at 31 December 2011), marking an increase of 135,623 thousand euros linked to the higher financial exposure of the company and the subsidiaries under centralised treasury management.

Interest expense accrued over the entire year amounted to 15,267 thousand euros.

These lines of credit are not committed and are unsecured.

Bank borrowings - mortgages

Bank borrowings totalled 224,234 thousand euros and regard the short-term portion of bank borrowings falling due within twelve months. Further details are provided in note 21 of this document.

Due to others

This item includes the portion of payables arising from the distribution of the advance on 2012 dividends, resolved upon by the Board of Directors on 20 December 2012 and intended for the market (21,827 thousand euros).

Due to the parent company Roma Capitale

At 31 December 2012, it amounts to 869 thousand euros and decreased compared with the previous year (15,989 thousand euros) by 15,120 thousand euros. The change is the result of the payment of the remaining amount due for the advance payment of dividends resolved last year, the offsetting performed on 29 February 2012 and the residual payable (869 thousand euros) arising from the distribution of the advance on dividends for 2012, resolved by the Board of Directors on 20 December 2012. For further information on the composition and movements of the item, reference should be made to the corresponding item in assets.

Due to subsidiaries and associates

The financial exposure to subsidiaries and associates increased over the previous year by 216,445 thousand euros, amounting to 395,212 thousand euros at the balance sheet date (178,767 thousand euros at 31 December 2011), and is composed as follows:

	31.12.2012	31.12.2011	Increase/ (Decrease)
Payables for cash pooling transactions	390,311	165,877	224,433
Other borrowings	2,132	2,969	(837)
Amounts due to ACEA Ato5 to cover losses	2,173	9,920	(7,748)
Amounts due to Acea8cento to cover losses	596	0	596
TOTAL	**395,212**	**178,767**	**216,445**

The cash pooling agreements between ACEA and a number of subsidiaries are used to settle financial transactions regarding ordinary activities on behalf of or authorised by the subsidiaries; the biggest changes concerned ACEA Ato2 (+65,530 thousand euros), ACEA Distribuzione (+89,409 thousand euros), Acea Energia Holding (+27,247 thousand euros), Arse (+11,187 thousand euros) and Aria (+31,909 thousand euros), which reported a credit balance in 2011.

Other borrowings include interest accrued as at 31 December 2012, and amounts due to companies not included in the perimeter of service of the centralised treasury; the change compared to the previous year is mainly attributable to the completion of legal offsetting in March 2012 between the financial payables and receivables relating to the subsidiary Crea Gestioni.

This item also includes financial liabilities in relation to the subsidiaries ACEA Ato5 and Acea8cento, established to cover future losses.

The net change in this payable was 7,152 thousand euros due to payments made to ACEA Ato5 totalling 7,748 thousand euros and the payable to cover the losses of Acea8cento up to and including 30 September. That amount due was paid to the company in January 2013, in compliance with what was decided by the ACEA Board of Directors at its session of 20 December 2012.

24.b - Trade payables – *168,513 thousand euros*

These amounted to 168,513 thousand euros, marking a decrease of 27,553 thousand euros, and are composed as follows.

	31.12.2012	31.12.2011	Increase/ (Decrease)
Amounts due to third-party suppliers	80,205	68,412	11,793
Amounts due to Roma Capitale	20,524	29,940	(9,416)
Due to subsidiaries and associates	67,785	97,715	(29,930)
TOTAL	**168,513**	**196,066**	**(27,553)**

Amounts due to third-party suppliers amounted to 80,205 thousand euros (+11,793 thousand euros compared with 31 December 2011) and are broken down as follows:

	31.12.2012	31.12.2011	Increase/ (Decrease)
Bills received	46,613	22,952	23,662
Bills to be received	33,591	45,460	(11,869)
TOTAL	**80,205**	**68,412**	**11,793**

At 31 December 2011, this item included payables calculated to adjust the IAS fee of the company headquarters (75 thousand euros), eliminated coinciding with the date of acquisition of the property on 23 January 2012.

Amounts due to Roma Capitale decreased by 9,416 thousand euros due to the settlement transaction initiated in December 2012, which led to the closure of the receivable and payable positions relating to Roma Capitale regarding both the Administration established by the Central Government and ordinary management. Further information is provided in the section "Related Party Transactions".

Amounts due to subsidiaries and associates total 67,785 thousand euros, a decrease of 29,930 thousand euros compared to 31 December 2011 (97,715 thousand euros). The breakdown is shown below.
In order to more accurately report the balances at 31 December 2011, the initial balance of some receivables (1,894 thousand euros) was reclassified.

	31.12.2012	31.12.2011	Increase/ (Decrease)
ACEA Distribuzione	53,317	74,856	(21,539)
Acea Energia	8,018	6,475	1,543
Citelum Acea Napoli	2,481	2,929	(448)
Marco Polo	2,418	8,572	(6,154)
ACEA Ato5	405	334	70
ACEA Ato2	385	364	20
ARIA	191	92	99
Crea Gestioni	164	195	(31)
Luce Napoli	139	45	94
Acea8cento	83	83	(1)
Abab	78	0	78
Laboratori	29	72	(43)
Acea Energia Holding	22	934	(912)
Sienergia	22	0	21
Ecomed	15	15	0
ARSE	11	6	5
Acquedotto del Fiora	5	0	5
GORI	2	79	(77)
Acea Produzione	0	2,616	(2,616)
Acea Illuminazione Pubblica	0	25	(25)
Acque	0	16	(16)
GEAL	0	5	(5)
TOTAL	**67,785**	**97,715**	**(29,930)**

The change compared with the previous financial year has been influenced mainly by:

- the reduction in amounts due to ACEA Distribuzione (21,539 thousand euros), which amounted to 53,317 thousand euros, due to fewer activities carried out linked to new constructions and the upgrading of Public Lighting plants in the municipality of Rome,
- the decrease in amounts due to Marco Polo (6,154 thousand euros) for services and works carried out, due to the expiry of the service contract in force until 31 December 2011,
- the settlement of payables accrued at 31 December 2011 due to Acea Produzione (2,616 thousand euros) for district heating activities,
- lower payables due to associate Citelum Napoli Pubblica Illuminazione of 448 thousand euros linked to the service contract for management of public lighting in the municipality of Naples,
- higher payables due to Acea Energia for electricity consumption (1,543 thousand euros).

24.c - Tax payables – *54,203 thousand euros*

These amounted to 54,203 thousand euros (55,925 thousand euros at 31 December 2011). The breakdown of this item is shown in the following table.

	31.12.2012	31.12.2011	Increase/ (Decrease)
Deferred VAT	3,826	19,970	(16,144)
Withholding taxes	1,837	1,628	209
Ires/Irap for the year	0	7	(7)
Group Ires and VAT payables	31,213	17,116	14,097
Payables for immediate VAT	10,845	0	10,845
Other tax payables	6,480	17,203	(10,723)
TOTAL	**54,203**	**55,925**	**(1,723)**

The change compared to 31 December 2011 was mainly the result of the decrease in the payable for deferred VAT due to the collection of amounts due from Roma Capitale, which results in higher immediate VAT payable and the increase in amounts due to group companies for the recognition of the IRES refund for IRAP not deducted in prior years; there was also a decrease due to the payment of the tax assessment settlement proposal allocated to other tax payables (-13,340 thousand euros).

24.d – Other current liabilities - *28,937 thousand euros*

Other current liabilities totalled 28,937 thousand euros (28,650 thousand euros at 31 December 2011), with no significant change compared to the previous year, and are broken down as follows:

	31.12.2012	31.12.2011	Increase/ (Decrease)
Social security contributions	2,985	2,591	394
Other amounts due to subsidiaries and associates	1,774	1,698	76
Other current payables	24,178	24,361	(183)
TOTAL	**28,937**	**28,650**	**287**

The item "Other current payables", totalling 24,178 thousand euros, mainly includes the following payables:

- amounts due to staff (8,021 thousand euros) as accrued vacation pay, bonuses, additional monthly pay, etc.,
- collections from customers totalling 8,550 thousand euros. These are collections on which normal allocation/reimbursement verification is in progress,
- for instalment payments to Equitalia of 4,112 thousand euros,
- or instalment payments to INPS of 1,801 thousand euros.

Liabilities due to subsidiaries and associates, equal to 1,774 thousand euros, are basically unchanged with respect to the carrying amount in 2011, and relate to amounts due recorded in respect of personnel transferred.

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

Related party transactions

ACEA and Roma Capitale

The parent holds a controlling interest via its 51% holding in ACEA.
Trading relations between ACEA and Roma Capitale include the provision of maintenance and upgrading of public lighting by the Parent Company to the municipality.

As a local authority, Roma Capitale has the power to regulate municipal taxes and duties that the Group companies are required to pay and which fall under its territorial jurisdiction. However, in no case ACEA is the sole payer of any of these taxes and duties within the Municipality of Rome.
With regard to public lighting, the Group provides public lighting services on an exclusive basis within the Rome area.
Please recall that as part of the thirty-year free concession granted by the municipality of Rome in 1998, the economic terms of the concession services were renegotiated with the Supplementary Agreement signed in March 2011. The renegotiations centred on the following elements:

- alignment of the term of the service contract with the expiry of the concession (2027), given that the contract is merely additional to the agreement;
- annual update of the compensation concerning consumption of electricity and maintenance;
- annual increase in the lump-sum payment with regard to the new lighting points installed.

The reciprocal receivables and payables – with regard to payment terms and conditions – are governed by each single contract:

a. for the public lighting service contract, payment shall take place within sixty days of receipt of the invoice and, in case of delayed payment, the legal interest rate will be applied for the first sixty days, after which the default interest rate will be applied, as set out from year to year by a Decree of the Ministry of Public Works and the Ministry of Economy and Finance;
b. with reference to all other service contracts, the payment term for Roma Capitale as regards service contracts is sixty days of receipt of an invoice, and in case of late payment the parties have agreed to apply the current bank rate at the time.

As described in the Notes section of this document on the topic of "Intercompany Trade Receivables", in terms of relations with Roma Capitale, 2012 was a year of discontinuity with respect to the past in relations with Roma Capitale since, following the joint works and analyses with the Roman government offices, it was possible to achieve a significant overall reduction in amounts receivable and payable, with reference to both ordinary management and the Administration established by the Central Government.
The **Administration established by the Central Government** refers to the separate management of Roma Capitale, formed in compliance with Law Decree no. 112/2008, converted into Law no. 133/2008, containing urgent provisions for Roma Capitale. That Administration, supported by its Manager, or the Extraordinary Commissioner appointed by decree of the President of the Council, has the specific task of defining and settling receivables and payables dating back to prior to April 2008. In that context, a Settlement Agreement was signed by the Administration established by the Central Government and the ACEA Group on 21 December 2012, which for the company regarded a total of 46,181 thousand euros in receivables and a total of 12,076 thousand euros in payables. The parties agreed to reduce the receivables by approximately 25%, corresponding to a loss of roughly 10,154 thousand euros. As a result of that agreement, ACEA collected a total of 23,951 thousand euros from the Administration established by the Central Government.
Please see paragraph 17.c of the notes for the details on the items subject to the agreement.

As regards the receivables relating to the so-called **Ordinary Management** (so, those accrued from April 2008 and afterwards) in 2012 administrative offsetting was completed at the ACEA Group level, which impacted the closure of receivables for a total of 95,179 thousand euros, of which 84,113 thousand euros regarded the fee accrued for the public lighting service agreement, mainly for the years 2010-2011 and 10,257 thousand euros regarded works for the construction of new public lighting plants.
Please see paragraph 17.c of the notes for the details on the items subject to the agreement.

The following table shows details of revenues and costs deriving from the most significant financial relations between ACEA and Roma Capitale in 2012.

	REVENUES		COSTS	
	31.12.2012	31.12.2011	31.12.2012	31.12.2011
Public lighting service contract	49,334	44,002	0	0

ACEA AND GRUPPO COMUNE DI ROMA (MUNICIPALITY OF ROME GROUP)

ACEA has trading relations with Companies, Special companies or bodies owned by Roma Capitale.
The table below shows details of items linked to relations with entities owned by the Roma Capitale Group.

	Revenues		Costs		Receivables		Payables	
	2012	2011	2012	2011	2012	2011	2012	2011
Cotral Group	0	0	0	0	0	0	0	0
Trambus	0	0	0	0	0	0	0	0
AMA	0	0	826	787	2	2	0	1.158
ATAC	0	0	0	0	4,000	0	0	0
Palaexpò	0	0	0	0	0	0	0	0
Musica per Roma	0	0	0	0	0	0	0	0
Risorse per Roma	0	0	0	0	623	623	585	585
TOTAL	**0**	**0**	**826**	**787**	**4,625**	**625**	**585**	**1,743**

ACEA AND THE SUBSIDIARIES

Financial relations

Within the Group, ACEA S.p.A. acts as a centralised treasurer for the largest subsidiaries.

Beginning on 1 January 2011 intercompany relations are conducted on the basis of:

- the setting up of a medium/long-term credit line for a pre-established amount to cover requirements generated by investments. The credit facility (i) has a three-year term from 1 January 2011, (ii) generates interest, updated annually, at the 3-year IRS rate plus spread aligned with that of a bond issued on the equity market with a BBB rating and (iii) envisages annual fees calculated on the ceiling;
- the establishing of a general purpose credit facility to cover the company's current needs. The credit line (i) has a three-year term starting on 1 January 2011, (i) generates interest at a rate which is updated annually, equal to the 3-year IRS plus a spread in line with that of a bond issued on the equities market with a BBB rating and an active rate calculated on the basis of the arithmetic mean of the daily 3-month EURIBOR rates in each calendar quarter less a spread of 5 basis points and (ii) makes provision for an annual credit line commission calculated on the ceiling.

It should be pointed out that ACEA also acts as guarantor for Group companies: in this regard, the contract that regulates the general purpose credit line establishes a ceiling for guarantees and a cost split between bank guarantees and company guarantees.

Further information is provided in *"Commitments and contingencies"*.

The above relations also include the dividends paid by subsidiaries, and receivables and payables deriving from tax consolidation.

Trading relations

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

ACEA AND THE PRINCIPAL ASSOCIATES

Up until 31 December 2011, i.e. the natural expiry date of the business unit lease, **Marco Polo** carried out facility management services. From 1 January 2012 the aforementioned business unit returned to ACEA, including the staff and the facility management activities involved.

The following table shows amounts (thousand of euros) for revenues, costs, receivables and payables deriving from relations between ACEA and the company Marco Polo.

	Revenues		Costs		Receivables		Payables	
	2012	2011	2012	2011	2012	2011	2012	2011
Marco Polo	0	1,904	0	13,522	5,365	890	4,114	10,268

Update on major disputes and litigation

SOCIAL SECURITY ISSUES

INPDAP (National Social Insurance Institute for Civil Servants) contributions.

The Group employs staff registered with both INPDAP and INPS pension funds. Certain contribution rates applied by the two entities differ greatly; these include those for family benefit payments, for which INPDAP applies a rate of that is 3.72 percentage points higher than that applied by INPS.

In response to the failure to pass legislation bringing the pension and social security contributions into line, the Group companies decided that from November 2002 it would pay such contributions at the lower rate. On the other hand, the underlying legal basis is rather unclear: INPS circular no. 103 of 16 June 2002 reiterated that, whilst awaiting clarification from the Ministry of Economy and Finance and the Ministry of Labour, the rate of 6.20% applied to staff registered with the INPDAP pension fund, reduced to 4.15% for 2011 (although the differential of 3.72 percentage points with respect to staff registered with the INPS pension fund remained unchanged) was to be considered provisional.

In terms of legal action, ACEA, ACEA Distribuzione, ACEA Ato2, Laboratori and ACEA Luce, after appealing through the administrative courts, started legal action. The judgements handed down at first instance during the second half of 2006 found in favour of Laboratori and ACEA Luce (the latter being an ACEA Group company at the time), whilst the appeals submitted by ACEA, ACEA Distribuzione and ACEA Ato2 were turned down.

The second instance proceedings, launched by the companies or INPS in cases where the latter objected to the first instance rulings, met with the same unfavourable ruling for ACEA Group companies.

Appeals were submitted to the Supreme Court for Laboratori, Acea Energia (formerly AceaElectrabel Elettricità spa) and Acea Produzione (through succession of relations established by transferred company AceaElectrabel Produzione).

A similar problem regards contributions for maternity benefits, where the difference in the cost to companies, based on taxable pay, is 0.57 percentage points higher for staff covered by INPDAP compared with those covered by INPS. The ACEA Group applied a reduced rate as of October 2003 for said contribution too. It should be noted that as regards said contribution legislation was introduced with Law Decree no. 112 of 25/6/2008 converted with amendments into law no. 133 of 6/8/2008, where paragraph 2 of article 20 regulates, effective from 1 January 2009, uniformity of contributions for private employers across the board.

ACEA, ACEA Ato2, ACEA Ato5, ACEA Distribuzione, Arse, Acea Energia and Acea Produzione filed appeals which, although turned down, gave rise to the presentation of an appeal request which also ended unfavourably for said parties. Appeals lodged by Laboratori and ACEA Luce met with favourable outcomes, while under appeal these companies also met with an unfavourable outcome.

Following a series of unfavourable outcomes for Group companies, a Court of First Instance (in Brescia) has upheld the position taken by a former municipalised utility, recognising the company's right to pay the above contributions at the reduced rate and declaring the tax demands issued by INPS to have no basis in law. The court's opinion appears to be substantially in line with the arguments adopted in the appeals submitted by Group companies.

The Group made the necessary allocations to cover the risk related to these problems.

As a result of enforcement actions implemented by INPS through Equitalia for the sole purpose of avoiding the effects of the seizures performed pursuant to art. 48-bis of Presidential Decree 602/1973, in November 2011, ACEA, ACEA Ato2, ACEA Distribuzione, Acea Energia and Laboratori broke the payment requests issued by INPS relating to unpaid contributions totalling 15.6 million euros down into instalments.

The lack of legislative intervention, the negative and prolonged legal progress of the cases undertaken, and problems relating to the impossibility of obtaining the regular single insurance contribution payment certificate (DURC) for Group companies caused the company's top management to implement actions to resolve the dispute by recognising the debt.

Meetings were held with INPS and Equitalia in the last quarter of 2012 in order to quantify the overall amount of indebtedness, and it was deemed opportune to request new payment extensions.

Beginning from December 2012 wages and salaries, the CUAF rate was aligned with what was requested by INPS.
During that same month, an extension of the payment of INPS tax demands in 72 instalments was requested and received from Equitalia regarding ACEA, ACEA Distribuzione and ACEA Ato2, for a total of 4.1 million euros. The extension also regarded, to a small extent, payment requests not issued by INPS.

An analogous request was sent to INPS at the end of December for the debts assessed and not recorded in the delinquent tax list; in this case, the extension into 24 instalments obtained regarded, besides the Companies mentioned above, Laboratori, for a total of 16.2 million euros.
Please note that payment extension interest (accounted for without using the provision previously established) must be added to the cost so quantified, relative to the principal amount (contributions) and fines calculated until acceptance of the petition for payment in instalments.
For the other Group companies, it was decided to make a single payment for the debt recorded in the delinquent tax list (Equitalia) or still in the administrative phase (INPS).
Finally, activities are currently being planned to request the payment of the tax demands or debit advices which were previously "suspended" at the initiative of INPS or following legal action. In relation to the above, the Law Office that has handled the legal defence of Group companies over the years was requested to initiate the activities needed to formally conclude the dispute.

Health insurance contributions

The case concerns certain health insurance contributions levied at a rate of 2.22% on the salaries of blue collar workers. Acea argues that the obligation of INPS to pay certain sickness benefits, which is the reason underlying the employer's obligation to pay the contribution involved in this dispute, is expressly excluded by art. 6, paragraph 2 of Law no. 138 of 11 January 1943 in cases where the payment of this benefit is assured by law or by collective labour agreements by the employer or other bodies, to an extent either equal to or greater than what is established by collective labour agreements.
However, INPS started to request payment of the contribution from the entry into force of Law no. 41 of 28 February 1986 (1986 Finance Act), which reformed the health and social welfare contribution system, reducing the rate for the sickness benefit, abolishing the additional rate of the old sickness contribution, establishing the contribution for the National Health Service and the welfare contribution.
This initiative led to a great deal of legal activity involving the companies which considered the contribution undue, with favourable and unfavourable outcomes to said proceedings.
By means of Supreme Court (joint session) ruling no. 10232 of 27 June 2003, promoted by INPS, the principle diametrically opposed to the one provided for by law was sanctioned, making the contribution due from companies of a solidaristic rather than welfare nature.
However, companies are still awaiting legislation which would fully regulate the previous one, realised with the issue of law no. 133 of 6 August 2008, converting Law Decree 112/2008.
The law definitively provided an authentic interpretation of the second paragraph of article 6 of law no. 138 dated 11 January 1943, establishing that employers are not obliged to pay health insurance contributions in cases where they have, by law or under the provisions of a collective labour agreement, paid sick pay, thus amending previous periods and providing for the payment obligation to take effect from 1 January 2009.
Therefore, ACEA Group companies started to pay health insurance contributions from January 2009; the provision set aside relates to the period running from the date of the change to collective agreement regulations to the date law no. 133 of 2008 was issued.
In fact, the new contracts for electricity sector personnel of August 2006 and for gas-water personnel of April 2007 regulated the sickness benefit paid by companies as a supplement to indemnities paid by the insurers (INPS) to the provider and paid, by said companies, at the normal salary payment dates.

Unemployment and mobility contributions

This is the contribution companies have to pay due to INPS, to finance the income support fund for workers that have become unemployed; it is decidedly insurance-related in nature, for which only the previously insured provider has the right to performance.
The obligation exists toward all employees in general, with some exceptions, e.g. for those who benefit from the guarantee of job security (art. 40 no. 2 of Royal Decree no. 1827/35) given they are employees of public administrations, public companies or exercise public services where the element of stability is based on norms regulating the legal status and remuneration of personnel or ensured, upon request, by a provision from the Ministry of Labour.
Despite altering the legal and economic nature of the company since 1999, the requirement of job stability was however met by the collective labour agreement applied to personnel, which for companies operating in both the electricity and water services segments consisted of the national collective labour agreement of 9/7/1996 for employees working in local electricity companies.

Stipulation of the sole agreement of the electricity sector in July 2001, and the subsequent succession and interpretation agreement of April 2002 and the agreement of contractual migration from electricity to water, in July 2001 too, led to periods without job stability before the companies adopted regulations aimed at restoring the requirement of employment stability.
Favourable first and second instance rulings were appealed by INPS; the hearing set for 7 February 2011 was put back to 9 January 2012.

TAX ISSUES

Tax moratorium

The appeals filed by ACEA against the notices of findings of April 2009 were rejected by the Provincial Tax Commission.
By sentence of 20 June 2012, the tax law judge also ordered the Tax Authorities to reimburse sums paid by ACEA following adoption of the tax amnesty pursuant to art. 9, Italian Law 289/2002 for 1998 and 1999.

OTHER PROBLEMS

ACEA Ato5 - Tariff

Due to the significant shift in actual operating costs compared to those set forth in the Area plan, in 2006, the company asked the Authority of ATO 5 - Southern Lazio - Frosinone for the recognition of higher actual costs incurred by the Company.

With Resolution 4/2007, the Area Authority partially recognised the total amount of higher operating costs incurred by the company and also heavily penalised - for 6,896,000.00 euros - the Operator for inadequate investments in 2003-2005.
After the aforementioned resolution, the enquiry launched by Co.Vi.Ri occurred, at the end of which Resolution no. 7 of 1.12.2008 was issued, providing findings on the Area Authority's determination of the tariff. Those dual positions were then defined within the scope of a settlement deed between the A.ATO and the company, approved with resolution of 2007 and subsequently signed by the parties.
However, the complex situation of integrated water service management in ATO 5 of the Province of Frosinone did not end there given that, in response to the Co.Vi.Ri. resolution noted above, the Mayors' Conference of the municipalities of ATO 5 decided, in Resolution no. 3 of 27.1.2009, "to not appeal to the Regional Administrative Court for the cancellation of Co.Vi.Ri. decision no. 7 of 1.12.2008" and "to immediately initiate the procedure aimed at compliance with all requirements set forth by Co.Vi.Ri".
The aforementioned procedure concluded - after a good 12 months - with Mayor's Conference resolution no. 5 of 21.12.2009, in which the AATO ordered *"to cancel Mayor's Conference resolution no. 4 of 27.02.2007"*.
As a result, with the goal of preventing a long dispute that could have negative effects for the interests of end users and the best service management, ACEA Ato5 initiated the attempt at mediation envisaged in the Agreement, which however ended with no result since the AATO was not willing to seek out any settlement of the issue which was suitable to ensure service continuity, to protect the fair expectations of end users.
Therefore, the company - deeming the aforementioned resolution seriously and irremediably illegitimate - pro-

ceeded with challenging it before the applicable Lazio Regional Administrative Court.

Among other elements, given the inaction of the AATO with respect to the adoption of the deeds for which it is responsible, in note prot. 7269 of 31.03.2010, the company sent an express request for participation in the procedure, requesting:

- "to be promptly informed in advance concerning the possible solutions, in order to be able to represent its interests pursuant to and with the procedures set forth by the law";
- "to be informed whether, to date, Presidential Resolution no. 1 of 5.03.2008 has been cancelled";
- "to be informed of the proposal prepared "by the competent bodies, with the support of the Operational-Technical Secretariat" relative to the "real average tariff for the years 2006, 2007, 2008 and 2009 calculated on the basis of laws and the contract (...)";
- "to be informed of what the Mayors' Council had decided concerning the aforementioned proposal";
- "to be informed of the date, time and place of the Mayors' Conference - which, in any case, should take place "by and not after 31 March 2010" - at which the proposal approved by the Mayors' Council should be presented";
- "to be informed of the temporarily authorised tariffs which the Operator must apply for billing purposes".

Completely disregarding the aforementioned petition, the Area Authority - with Mayors' Conference resolution no. 3 of 8 April 2010 - set forth *"for 2010, the temporary application of the real average tariff in force in 2005 and the associated tariff structure, pursuant to Presidential Resolution no. 1 of 14 March 2006, without prejudice to any subsequent adjustments to be applied non-retroactively"*.

The company immediately highlighted the illegitimacy of the aforementioned resolution given that it:

- was passed by the Area Authority in complete breach of the participation rules established by Law 241/1990 as amended and without carrying out any enquiry that could make it possible to assess the suitability of the tariff based on the individual items of the tariff and, therefore, in a manner completely inconsistent with the procedure outlined in the Standard Method;
- the 2010 tariff based on the 2005 tariff was not even adjusted for planned inflation and, therefore, is greatly lower than that determined for 2010 during the tender.

In light of the foregoing considerations, ACEA Ato5 - without prejudice to the outcome of the dispute underway concerning the 2006-2009 tariff - sent a notice to the Area Authority warning it to promptly revise Area planning with regard to the current regulatory period and, in this context, to calculate the definitive 2010 tariff in compliance with current applicable regulations.

After all, even Co.N.Vi.R.I. highlighted the illegitimacy of the 2010 tariff, observing that *"it is not correct to apply the real average tariff from the year 2005 in 2010"* and requesting that the same Area Authority *"adopt the applicable measures applying the real average tariff set forth in the Area Plan for the year 2010."*.

Subsequently, said Co.N.Vi.Ri. - by means of resolution no. 39 of 21 July 2010 – further clarified that the Area Authority is obliged to resolve, on an annual basis, a real average tariff which, *"multiplied by the volume than can be provided, determines the total revenues which ensure the Operator has the possibility of carrying out the forecast investments"* with the result that *"a real average tariff not in line with the Area Plan would not allow the Operator to make the forecast annual investments"*.

In this context the company - although deeming the actions of the Area Authority to be seriously illegitimate - immediately reported and repeatedly highlighted, to both the Administrations involved in the issue for various reasons and the end users, that it was willing to come to an agreement on solutions, even temporary, which would ensure the regular running of the service pending the settlement of the disputes underway, committing to proceed with the relative adjustments in favour of end users if the illegitimacy of the tariff increases set forth were effectively ascertained.

In this context, the company – in the belief that a solution to the problem can no longer be put off and while awaiting a resolution of the ongoing dispute – notified all bodies and natural persons of the Area Authority (President, Operational-Technical Secretariat, Mayors) of an extra-judicial demand so that they would, within 30 days:

- calculate the definitive 2010 tariff - correcting and updating the temporary tariff - in compliance with the applicable regulations in force;
- conclude the Area planning review procedure for the 2011-2012-2013 regulatory period in compliance with regulations in force on the topic while also determining the 2011 tariff;
- in the calculation indicated in the point above, take into account the damage and problems resulting from the delay in adopting this determination, therefore identifying the means and measures for remedying those damages.

The same deed was also sent to Co.N.Vi.R.I. and to the Lazio Regional Government so that, insofar as each is responsible, they could pass measures aimed at discouraging the continuation of the ongoing illegitimate situation.
At the same time, the Company assigned lawyers to assess the prospect of terminating the Agreement due to breach of the Area Authority which, in any case, would have had to be resolved on in advance by the applicable bodies of the Company and the Parent Company.
In the meantime, the President of the Area Authority called, first on 29 December 2010 and then on 10 January 2011, the Mayors' Conference, to which it proposed (i) to make the 2005 tariff definitive for 2010, (ii) to enforce the guarantee and initiate the procedure aimed at terminating the management agreement and (iii) to take legal action to cancel the settlement deed.
The meeting did not pass a resolution due to lack of a quorum, and it was therefore called to meet again on 24 January 2011 in order to resolve on the same Agenda as in the previous meetings. Subsequently, the AATO President sent his report to all control bodies.
ACEA Ato5 then assigned the Company's lawyers to prepare a notice to perform against the AATO President.
The appeal was promptly submitted, the hearing was held in May 2011 and, on 20 June 2011, the sentence was published whereby the Lazio Regional Administrative Court, Latina section, upheld the appeal filed by the company and "*... by effect, ordered Area Authority 5, as per art. 117 of Italian Legislative Decree 104 of 02.07.2010, to conclude the proceedings for determining the integrated water service tariff by the deadline of 120 days from the notification or communication by administrative procedure of the aforementioned decision*".
Furthermore, in upholding the specific request put forth by the company, the Regional Administrative Court also appointed a Commissioner for deeds - if the awarding Authority continued not to act - represented by the Chairman of Co.N.Vi.Ri., so that the procedure in question could be completed, with that Administration bearing the relative expenses.
Following the AATO's inaction, on 9 March 2012 the measure of the Commissioner for deeds was disclosed (Decree no. F66 of 8 March 2012), on the "Determination of the integrated water service tariff applicable for 2012 in ATO 5 Southern Lazio – Frosinone" which set the Real Average Tariff for 2012 at 1.359 m3.
On 9 May 2012, the appeal of A.ATO 5 was filed for the cancellation of said measure of the commissioner, along with a request for suspension.
At the hearing on 7 June, with Order no. 187/2012, the Regional Administrative Court rejected the appeal lodged by A.ATO 5 since *"it lacks fumus boni juris in relation to the first and third grounds for appeal, while it lacks periculum in mora in relation to the second grounds (taking into consideration an item associated with the return on invested capital in calculating the tariff) [...]"*.
The A.ATO appealed that Order before the Council of State which, following the hearing held on 26 September 2012, with Order no. 3831/2012, rejected the appeal, deeming that *"the execution of the challenged decree of the commissioner "is not suitable to cause serious and irreparable damage pending the definition of the trial proceedings" and deeming, in particular, that "the establishment, contained in the commissioner resolution in question, of the allocation of tariff amounts collected by the operator as return on invested capital constitutes [...] a precautionary measure aimed at reconciling the interests in question so as to exclude the fulfilment of the requirement of periculum in mora"*.
As part of his duties, on 28 June the Commissioner for deeds prepared a Report on the *"choice of criteria, tariff verification and management for the years 2006 to 2011, estimate of the adjustments and service levels"*.
After reapplying the powers assigned under Sentence 529/2011 and subsequent administrative action implemented, the Commission verified **(i)** the real average tariff and related planning documents from 2006 and **(ii)** the operating performance 2006-2011. To summarise, 56.6 million euros were estimated in favour of the

company, to be taken into account in defining the values for the new Area Plan and 32.7 million euros not recoverable on review, but valid for the Area Authority as a result of A.ATO Instruction no. 3/2010 in which the real average tariff for 2005 was established for 2010.
The amount recognised to the company excludes the related portion of the concession fee, the review of which by the S.T.O. of AATO 5 is not yet complete.
The A.ATO submitted an appeal on additional grounds in the proceedings under general registry no. 402/2012, pending before the Latina Regional Administrative Court, requesting the cancellation of the Report of the Commissioner for deeds on the stage of completion of works.
To date, the appeal has not yet been filed and, in any case, the suspension of the aforementioned Report has not been requested.
After the resignation of the Commissioner for deeds on 4 June 2012, the Lazio Regional Administrative Court identified the President of AEEG (or his representative) as the new Commissioner for deeds, who shall have the task of concluding the procedure, the deadline of which was set for 31 May 2013 after the Commissioner requested an extension.

Note that at 31 December 2011 ACEA had allocated a provision for liabilities amounting to approximately 10 million euros, representing the best estimate of the additional risk associated with the uncertain situation, pending finalisation of the procedure to identify the methods and timing for recovery of the adjustments quantified by the Commissioner for deeds in the document of 28 June 2012.

ACEA Ato5 – Enforcement of guarantee

As regards the enforcement of the surety of 2,843,622.02 euros carried out by A.ATO 5 on 14 December 2011, having assessed the risk of future repeated, groundless and arbitrary enforcements, the company initially decided not to proceed with re-establishing the underlying guarantee, while awaiting the definitive decisions of the Commissioner for deeds. This should also be viewed in light of in-depth judicial-legal evaluations which showed that the failure and/or delay in respect of reconstitution of the aforementioned guarantee is the equivalent of the mere non-fulfilment of a contractual obligation on the part of the Integrated Water Service Operator, not entailing any penalty and not envisaged as one of the reasons for termination of the Management Agreement.
However, following repeated contacts and negotiations, Unicredit reformulated its request in a manner more favourable to the company, involving the acquisition only by the shareholder ACEA of a company back-to-back surety guarantee in the amount of 2,843,622.02 euros, so that the guarantee in favour of the A.ATO was subsequently re-established and reissued.

GORI – Dispute over water supplies

The dispute with **A.R.I.N. S.p.A.** (ARIN) continues in relation to the cost of water supplies provided in favour of ATO 3. ARIN is the 100% subsidiary of the Municipality of Naples, in whose area it operates the water service under the in-house providing model. The Municipality of Naples forms part of the area covered by ATO 2 "Naples-Volturno" in the Campania region. ARIN - on the basis of very old concession agreements (some even dating back to the Bourbon reign) - uses its own source of supply and also purchases water from the Campania Regional Government. ARIN currently makes direct arrangements to supply water wholesale to certain municipalities, to GORI and even to the Regional Government. The anomaly found, and for which the ongoing dispute between ARIN and GORI arose, consists of the fact that ARIN applies a tariff of 0.47376 euros per cubic metre (around three times the current regional tariff) to sub-suppliers: municipalities, GORI and the Region. In fact, while the tariff applied by the Regional Government is 0.1821 /m3, the tariff applied by ARIN to the Campania Regional Government is instead 0.47376 /m3 (approximately triple the regional tariff in force and roughly 10 times more than the tariff of the aforementioned former agreement, if applied) with a significant margin on the exchange of the resource. Vice versa, ARIN should be applying the tariff for water distributed wholesale in compliance with the EU and national cost orientation principle, i.e. with the aim of recovering only "actual costs" incurred to distribute the water, also given the fact that ARIN is not entitled to sell water wholesale. As already mentioned, the tariff of 0.47376 euros per cubic metre is charged by ARIN also for supply to GORI, as the tariff for inter-ATO supply has

not yet been established according to law (the duty of the Campania Regional Government and the Area Authority). In that regard, please note that art. 11 of Regional Law no. 14/1997 (law implementing the Galli Law) sets forth that: *"Any interference between the integrated water services of different ATOs, with particular regard to the transfer of resources and the common use of infrastructures, are governed by dedicated agreements between the Area authorities on the basis of the instructions provided by the Regional council"*.
However, to date, the Regional council has not yet provided instructions. It should be specified in any case that this situation obviously brings about an increase in the cost on the integrated water service tariff of ATO no. 3, with repercussions on end users in the municipalities of that ATO.

The above considerations were extensively reported and discussed at a Services Conference called for this purpose by the Sarnese Vesuviano Area Authority, during which it was considered - following the outcome of a special technical investigation - that the operating costs for abstraction works are considerably lower than the tariff applied by ARIN. In fact, the management costs of the abstracting works incurred by ARIN, would not exceed 0.1 euro/m3 in consideration of the fact that wholesale water transport/distribution takes place by gravity and, that is, without the need to incur the typical and significant costs (mostly energy costs) of "pumping" the water. Moreover, it does not appear to be justifiable that the municipality of Naples determines tariffs (applied by ARIN) which impact the end users of other municipalities and even of another ATO (ATO no. 3, precisely).
For these reasons, it is recalled, a dispute is ongoing between ARIN and GORI, which involves 9 proceedings pending before the Naples Court of Appeal, the Court of Naples and the Court of Nola.
Furthermore, the recent tariff instructions and measures adopted by the AEEG call into question the tariff system applied by ARIN (and approved by the municipality of Naples).

In relation to the dispute between the **Campania Regional Government** and its operator Acqua Campania S.p.A. ("Acqua Campania"), as one party, and the Area Authority and GORI as the other party, it should be remembered that this is essentially focused on the dispute regarding the exact calculation of the price of water and, in more general terms, the services provided (fresh water supply and treatment plant management) by the Campania Regional Government and/or Acqua Campania to ATO 3 and to the transfer of works/infrastructures currently managed by the Regional Government, though falling in the territory covered by ATO 3 and the responsibility of the integrated water service of that ATO. 26 proceedings are currently pending before the Court of Naples and the Court of Torre Annunziata, corresponding to claims brought by Acqua Campania to order amounts due for water supply services provided in favour of ATO 3. More recently, and for the same reasons, a writ of summons was served by Acqua Campania with a claim ordering payment of approximately 148 million euros as the amount due for the water service provided from 1 January 2005 to 31 December 2010.
Note that on 22 May 2012 Division IV of the Court of Naples issued sentences 6010/12 and 6037/12 which accepted the claims of Acqua Campania against the municipalities of Castello di Cisterna and Egidio Monte Albino, respectively, and also against GORI and the Area Authority. It therefore seems reasonable to assume that the Court considered the absence of an agreement between the Campania Regional Government and GORI to be a nullifying element for the purpose of the decision.
In any event, pending the definition of the agreement to regularise and normalise relations between the Regional Government, the Commissioner of the Sarnese Vesuviano Area Authority and GORI, note that the Memorandum of Understanding of 15 December 2006 between the Campania Regional Government, the Area Authority and GORI specifically established, amongst other things, that the Campania Regional Government, also pursuant to art. 1381 of the Italian Civil Code, must "... *hold the Area Authority and GORI harmless - limited to the period following actual start-up of management of the integrated water service by GORI in each municipality - (i) in relation to any right and/or claim and/or charge, also through its operator and/or agent ACQUA CAMPANIA S.p.A., for any purpose or reason, made against the Area Authority and/or GORI S.p.A. and/or other Authority (Local or Special Entity) regarding and with respect to services provided by the Regional Government and/or ACQUA CAMPANIA S.p.A. in any manner referring to the integrated water service, and*

(ii) in relation to any prejudice arising from legal action brought by ACQUA CAMPANIA S.p.A. against the Area Authority and/or GORI S.p.A. and/or other Authorities (Local or Special Entity) again with regard to services provided by the Regional Government and/or ACQUA CAMPANIA S.p.A. in any manner referring to the integrated water service; 2.2. to obtain from ACQUA CAMPANIA S.p.A. the waiver of all legal action (and the waiver by special powers of attorney established of joint liability pursuant to art. 68 of the Professional Law) pending before the Court of Naples ... and before the Court of Torre Annunziata ...".
Lastly, it should be emphasised that negotiations are at an advanced stage to overcome this dispute for the purpose of normalising relations. In fact it is expected that the respective administrative bodies approve the framework agreement governing relations between the Campania Regional Government, the Area Authority and GORI which, amongst other things, envisages the full conclusion of the aforementioned dispute.
Further details on this issue are provided in the section *"Service concession arrangements"*.

The signing of the aforementioned agreement, after approval from the administrative bodies of the parties involved, along with conclusion of the issue of the BIIS loan and determination of the tariffs which make it possible to obtain adequate financial resources to pay the amounts due to the Campania Regional Government through Acqua Campania, should allow GORI to guarantee its going concern assumptions.
Currently, the approval of the draft agreement is still pending, and it could be changed, in terms of some formal and substantial aspects, compared to that approved by the aforementioned General Meeting of the Area Authority.
Therefore, in order to overcome these significant uncertainties, in 2011 ACEA decided to allocate a provision for liabilities which amounts to 44.1 million euros at 31 December 2012.

Antitrust Authority investigation of the acquisition of Publiacqua

On 28 November 2007, ACEA was notified of the Antitrust Authority's ruling, in which, following an enquiry which lasted around eighteen months on potential violations on the part of ACEA, Suez Environnement and Publiacqua regarding competition regulations (art. 101 EU Treaty, formerly art. 81 of Treaty of Rome - anti-competitive agreements) in relation to the joint acquisition of a 40% stake with SUEZ, in Publiacqua, ATO operator in Florence, it essentially:

- deemed that a horizontal agreement existed between ACEA and SUEZ in the integrated water services sector, which is managed by a public-private partnership in which the private partner is selected via a tender process;
- ruled that the parties should take actions to avoid repetition of the sanctioned behaviour, with the Authority to be notified of the nature of such actions within 90 days, and also amend the rules governing the partnership regarding the part deemed to be in violation of competition regulations;
- ordered ACEA and SUEZ to pay fines of 8.3 million euros and 3 million euros, (the difference in the amounts derives from their respective turnovers in the relevant sector in Italy).

ACEA filed an appeal against this order before the Lazio Regional Administrative Court, which on 7 May 2008 announced the related sentence, finding in ACEA's favour and cancelling all the rulings and the fine imposed. Details of the sentence, upholding all of the appellant's arguments, were published at the end of June.
In the corresponding enforcement, on 11 June 2009, the Ministry of Economy and Finance ordered the return of the penalty of 8.3 million euros paid by ACEA in February 2008.
On 24 September 2012, the Council of State, to which an appeal had been submitted by the Antitrust Authority (AGCM) against the Regional Administrative Court decision which had cancelled the AGCM measure requiring ACEA (and Suez Environnement) to pay a penalty of 8.3 million euros (and 3 million euros), handed down its ruling. The Council of State cancelled the ruling of the Regional Administrative Court, to which ACEA had appealed, and rejected the cross-appeal filed by ACEA.
ACEA paid the 8.3 million euro fine in November 2012. Fault was found with the Council of State decision on the basis of legal doctrine, due to its opposition to EU regulations on competition, and the company is assessing the means by which it can further have its claims heard.

Acea Luce

By means of deed notified on 7 February 2011, the companies Manutencoop Facility Management ("MFM") and SMAIL (formerly ACEA Luce) submitted an request for arbitration against ACEA and ARSE, pro-quota sellers of 100% of the share capital of ACEA Luce: the applicants are requesting a ruling against ACEA and ARSE due to the (alleged) non-fulfilment or negligence as regards contractual obligations and, therefore, the termination of the purchase contract and subsequent return of the sum paid (3 million euros), plus additional costs, and compensation for damages of roughly 7 million euros.

In support of the requests, MFM essentially believes that the elevated number of claims raised by said party after the transfer, due to an alleged breach of the contractual guarantees, would demonstrate actual divergence between the facts in the summary obtained and the contents of first the due diligence and later the contract.

In checking the claim notices presented by the acquiring party subsequent to the acquisition, ACEA and ARSE, have, in some cases, accepted responsibility for the facts revealed therein, by paying, or undertaking to pay at the time the associated obligation assumes a definitive nature, some amounts, although modest in said context. However, in the majority of the cases, the inferred liability was challenged and rejected.

Otherwise, the purchase contract for the equity interest envisages, on one hand, that the financial compensation constitutes the only solution actionable by the acquiring parties in the event of an incomplete or incorrect declaration and, on the other, that the associated liability of the grantors is restricted to a maximum limit of 1,250,000 euros, to be enforced in accordance with the methods and timeframes better detailed in said act. However, ACEA actioned, by way of a counterclaim, its receivables due from SMAIL for around 6.5 million euros, deriving from electricity provided and still not paid.

In September 2012, the parties signed a settlement deed aimed at settling the dispute: on the basis of that deed, SMAIL paid ACEA 5.7 million euros in October, as the difference between ACEA's receivable for the supply of electricity and the total amount of the sums recognised for the final settlement of all claims or demands of MFM/SMAIL generated by the execution of the former Acea Luce agreement.

The arbitration award was definitively abandoned with each party bearing their respective legal costs and MFM/SMAIL waived any additional claim or demand.

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

These proceedings were launched by E.ON. Produzione S.p.A., as successor to ENEL regarding a number of concessions for the abstraction of public water from the Peschiera water sources for electricity production, to obtain an order against the jointly and severally liable defendants (ACEA, ACEA Ato2 and AceaElectrabel Produzione) for payment of the subtension indemnity (or compensation for damages incurred due to illegitimate subtension), which remained frozen in respect of that defendant in the 1980s, amounting to 48.8 million euros (plus the sums due for 2008 and later) or alternatively payment of the sum of 36.2 million euros.

The question of the amount and the assumptions appears to be based on dubious grounds and, in any case, the early stage of the proceedings does not allow for forecasts.

The only significant development of note is the decision of the TRAP (Regional Court of Public Waters), before which a ruling is pending regarding the matter in question, to arrange for CTU (court-appointed expert) as regards the values of subtension for branching off, and subsequent reduction in hydroelectric production, and indemnities due. The expert's report shows a calculation according to which the claims actioned in the proceedings, even when unfounded - which is dubious, because the documents containing the metering parameters of the compensation are still deemed to be applicable and effective - would be greatly altered, substantially reducing the amount of equalisation already estimated by the company.

Vianini Lavori Arbitration

Vianini Lavori S.p.A. (in a temporary consortium with the French STEREAU) proposed a formal request for arbitration with reference to works to build the South Rome biofiltration plant, carried out entirely with public funds, to request that ACEA and ACEA Ato2 be ordered to pay over 8 million euros for reservations.

The request is in and of itself indefensible due to the inadmissibility and ungrounded nature of the reservations, since the counterclaim of ACEA - that filed a formal appe-

arance before the court - will blame the temporary consortium for the significant deficiencies in the building of the plant, which decreased its functionality.
The arbitration is currently underway, and the Board has been made responsible for the critical examination of the appointed expert's report, with the placement before the court of the notes drawn up by the expert witnesses.

ACEA/SASI Proceedings

In ruling 6/10, TRAP (Regional Court of Public Waters) accepted the request submitted by ACEA against the Società Abruzzese per il Servizio Integrato S.p.A. (SASI) for the compensation for damages from the illegitimate withdrawal of water from the Verde river. ACEA was awarded 9 million euros, plus interest accrued from 14 June 2001 until 30 July 2013 as compensation for damages.
The sentence, which is not temporarily executive, was appealed by SASI before the TSAP and ACEA filed a cross-appeal. The proceedings are ongoing.

A.S.A. – Acea Servizi Acqua

By means of summons notified in autumn 2011, ACEA was summoned to court to respond to the presumed damages that its even more strongly alleged non-compliance with unproven and inexistent obligations which are assumed to have been adopted under the shareholders' agreement relating to subsidiary A.S.A. – Acea Servizi Acqua – would have produced for minority shareholders of the latter, and their respective shareholders. The claim appears to be manifestly devoid of merit, and inadmissible in practice. In fact, firstly, the plaintiffs are lacking legal standing, given bearers of only indirect and mediated interests; in this regard, full reading of the text of the contract invoked rules out burdening the companies in the ACEA Group with the obligation of assigning contracts and works to its subsidiary, an assignment which is, by contrast, indicated as an "objective" of the company and not the shareholders. Therefore, it is not believed that too large a claim of more than 10 million euros merits consideration.
The proceedings remain in the preliminary phase.
It should also be noted that, in the meantime, informal contacts have begun for a possible amicable resolution to the dispute, although it is still early to express an opinion on the outcome and content, and that approximately half of the ASA workers have contested before the labour court judge the de facto and legal conditions of their working relationships, requesting the recognition of the ulterior motives of the disposal of their pertinent business complex by the assignor Smeco Lazio to ASA, in place of the expected transfer to Acea ATO2; also requesting contractual standardisation and any pay differences, as well as the stabilisation of some irregular relationships. Given that the fate of these proceedings is related to possibly reaching a settlement agreement on the entire ASA situation - since the agreement would give rise to the removal of the current status of liquidation, and indeed the industrial revitalisation of ASA - the workers' requests (which indirectly affect the other workers as well) are currently subject to an internal enquiry (the hearing is set for April), based on the industrial outlook of the company. Contacts have begun with the counterparties in this regard as well.

Dispute with Call Centre workers (former COS)

With Resolution no. 2 of 16.1.2004, the Acea Spa Chief Executive Officer assigned Cos, Communication Services Spa the "call overflow service" of the Acea Spa Group company call centre through a negotiated procedure pursuant to art. 13, paragraph 1, letter d of Legislative Decree 158/95. On 19.1.2004 Acea and Cos – Communication Services Spa signed the Service agreement governing the services of the assigned activity;
that agreement was terminated, after a nine-month extension, on 30.9.2005. A dispute arose on the nature of the aforementioned agreement between ACEA and COS and a number of the company's workers (73) contested its legitimacy before the court, requesting the verification of the existence, or the establishment, of an employment relationship with Acea Spa, beginning from the first day of work on the contract in question. The claims had differing results: 49 of them were decided, to the detriment of the company, by ruling of Judge Delle Donne; another 21 were rejected by ruling of Judge Rosa; and finally, another two were upheld by Judge Di Paola. An appeal was submitted against all rulings. The case law trend with respect to analogous cases (besides the varying outcomes of the proceedings which directly regard the company, there are at least two other extremely similar incidents being discussed before the Roman judicial bodies, which have until now had an unfavourable outcome for the employers), together with

an analysis of the operating requirements of Acea8cento and the repercussions that the pending dispute had on the latter, have led the company to seek out, more than once, an amicable agreement with the workers. At the request of the Board of Directors, numerous settlements were therefore stipulated, either on an exclusively financial basis, so the worker would waive the claims after receiving a lump-sum compensation payment, or to obtain their willingness to begin working at Acea8cento, accepting the terms and conditions of its Company Agreement. This made it possible to decrease the risk linked to the dispute (for pay and contribution differences, interest and possible penalties) to only the six "unyielding" positions on which a Court of appeal decision is expected to be issued in the coming months. Moreover, it should be recalled that ACEA SpA no longer carries out the activity subject to the contract, to which the plaintiffs would need to be assigned if successful in court.

Alessi Costruzioni dispute

A dispute before the administrative judge brought by the company for damages resulting from its unjustified exclusion from a European tender procedure ended favourably for the company. After in-depth debates, the judge accepted the claims of the claimant on the topic of the commissioning body's liability; but it greatly limited the extent, from the original 1.7 million euros claimed to just 57,000 euros in the effective sentence, given the assessed re-employment of the resources in the meantime.

Roma Capitale dispute

A dispute on various matters between ACEA and Roma Capitale concerning different interpretations of some provisions of the regulations for street cables in force in the years from 2002 to 2009 has been pending since 2005.
The dispute concerns three topics:

1. The application of penalties for the delay in returning the areas involved by the installation of plants;
2. The amount due for the cost to remedy deterioration;
3. The objections to the tax demands with which Roma Capitale intended to coercively collect the sums due for the application of the two previous institutions: penalties and costs.

Currently, 33 disputes have been settled (on various grounds) for a total of 6,281,974.84 euros, with no outlays for ACEA; the settlement in appeal in favour of ACEA of 6 disputes totalling 2,468,073.00 euros, for which recourse to the Supreme Court by the municipality is not expected.

Milano '90 dispute

This issue concerns Milano '90's failure to pay 5 million euros due for the balance of the sale price of the area in the municipality of Rome with access from via Laurentina no. 555, formalised on 28 February 2007 and with a subsequent supplementary deed of 5 November 2008. With the supplementary deed, the parties agreed to change the fee from 18 to 23 million euros, while eliminating the earn out, setting 31 March 2009 as the payment deadline.
Given the purchaser's failure to act, the procedure aimed at collecting the amounts due was initiated, by preparing a notice warning Milano '90 to pay and, through the deposit of a claim for an injunction order which, on 28 June 2012, was granted in a temporarily executive form.
Therefore, the aforementioned Injunction Order was notified on 3 September 2012 and on 23 November, it was delivered to the Judicial Officer for third-party seizures, for the coercive collection of the amounts due.
Today, the objection by Milano '90 is pending before section X of the Court of Rome. An additional proceeding within this case was established pursuant to art. 649 of the Code of Civil Procedure, aimed at suspending the temporary execution of the challenged Injunction Order. The Judge deemed it suitable to suspend the executive efficacy of the Injunction Order.
The grounds of the claim of ACEA is based on the documents provided.

Trifoglio dispute

This issue concerns the breach by Trifoglio of its obligation to pay the balance of the amount due (10.3 million euros), pursuant to the sale contract regarding the so-called Autoparco property, which should have been paid on 22 December 2011.
In consideration of Trifoglio's breach, a notice was served aimed at signing a deed to voluntarily terminate the sale agreement of 22 December 2010, and then to file a claim before the Court of Rome, pursuant to art. 702-bis of the Code of Civil Procedure. The hearing for the appearance of the parties before the court set for 13 November 2012 was postponed to 30 April 2013 following Trifoglio's call of a third-party to appear before the court (Piano Assetto C9 Stazione Ostiense Consortium).
In the meantime, ATAC Patrimonio filed a claim for the termination of the sale agreement of 22 December 2010 for the portion for which it is responsible.

Additional disclosures on financial instruments and risk management policies

Classes of financial instrument

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

€ thousand	Financial instruments held for trading at fair value	Loans and receivables	Available-for-sale financial instruments	Carrying amount	Notes
Non-current assets	**0**	**1,483,285**	**4,704**	**1,487,989**	
Other investments			4,704	4,704	13
Financial assets due from the Parent Company, subsidiaries and associates		1,483,061		1,483,061	15
Financial assets due from third parties		225		225	15
Current assets	**0**	**829,881**	**0**	**829,881**	
Trade receivables due from customers		44,883		44,883	17
Trade receivables due from related parties		77,112		77,112	17
Financial assets due from the Parent Company, subsidiaries and associates		307,736		307,736	17
Financial assets due from third parties		22,585		22,585	17
Cash and cash equivalents		377,565		377,565	17
TOTAL FINANCIAL ASSETS	**0**	**2,313,167**	**4,704**	**2,317,870**	

€ thousand	Financial instruments held for trading	Liabilities at amortised cost	Carrying amount	Notes
Non-current liabilities	**0**	**1,684,767**	**1,684,767**	
Bonds		1,008,288	1,008,288	21
Bank borrowings (non-current portion)		676,480	676,480	21
Financial liabilities due to related parties		0	0	21
Current liabilities	**0**	**1,002,155**	**1,002,155**	
Bank borrowings		415,733	415,733	24
Financial liabilities due to the Parent Company, subsidiaries and associates		396,081	396,081	24
Financial liabilities due to factoring companies		0	0	24
Financial liabilities due to third parties		21,827	21,827	24
Trade payables due to suppliers		80,205	80,205	24
Trade payables due to the Parent Company, subsidiaries and associates		88,309	88,309	24
TOTAL FINANCIAL LIABILITIES	**0**	**2,686,922**	**2,686,922**	

FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

The fair value of financial instruments that are not traded in an active market is determined using valuation models and techniques that make maximum use of market inputs or using the price supplied by a range of independent counterparties.
The fair value of medium/long-term financial assets and liabilities is calculated on the basis of the risk-free and the adjusted risk-free interest rate curves.
The fair value of trade receivables and payables falling due within twelve months is not calculated as their carrying amount approximates to fair value.
In addition, fair value is not calculated when the fair value of financial assets and liabilities cannot be objectively determined.

TYPE OF FINANCIAL RISKS AND RELATED HEDGING POLICIES

Foreign exchange risk

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

Liquidity risk

ACEA's liquidity risk management policy is based on ensuring the availability of significant bank lines of credit. Such facilities exceed the average requirement necessary to fund planned expenditure and enable the Group to minimise the risk of extraordinary outflows. In order to minimise liquidity risk, the ACEA Group has adopted a centralised treasury management system, which includes the most important Group companies, and provides financial assistance to the companies (subsidiaries and associates) not covered by a centralised finance contract.
As at 31 December 2012, the Parent Company held committed and uncommitted lines of credit totalling 865.5 million euros and 645 million euros, respectively. No guarantees were issued to obtain said credit lines.
The committed lines of credit are revolving and have terms of between twelve months and three years from subscription. A total of (i) 100 million euros of said credit lines is available until the first quarter of 2013, (ii) 45 million euros until 31 December 2013, (iii) 100 million euros until 31 December 2014, (iv) 400 million euros until 31 December 2015; the contracts entered into provide for the payment of a fee for non-use plus an upfront fee paid at the time the credit lines are opened.

On the amounts drawn down, ACEA pays an interest rate equal to the one, two, three or six month Euribor (depending on the period of use chosen beforehand), plus a spread which, in some cases, may vary in line with the rating assigned to the Parent Company. In some cases, there is also a utilisation fee linked to the amount disbursed.
Furthermore, as at 31.12.2011, it should be noted that ACEA has an additional medium/long-term committed credit line of 100 million euros in place, stipulated in December 2012, with a utilisation period of 12 months and a maximum duration of 15 years from disbursement, which has not been used as at the close of the financial year.

The abundance of lines (committed and revocable) allowed the parent company to handle temporary increases in short-term requirements with no impact on operations.
At the end of the year, ACEA had no loans - term deposits and similar transactions - unlike last year when that value totalled 79.2 million euros.

Interest rate risk

ACEA's approach to managing interest rate risk, which takes account of the structure of assets and the stability of the Group's cash flows, has essentially been targeted, up to now, at hedging borrowing costs and stabilising cash flows, in such a way as to safeguard margins and ensure the certainty of cash flows deriving from ordinary activities.
The Group's approach to managing interest rate risk is, therefore, prudent and the methods used tend to be static in nature.
A static (as opposed to a dynamic) approach means adopting a type of interest rate risk management that does not require daily activity in the markets, but periodic analysis and control of positions based on specific needs. This type of management therefore involves

daily activity in the markets, not for trading purposes but in order to hedge the identified exposure over the medium/long term.
ACEA has, up to now, opted to minimise interest rate risk by choosing a mix of fixed and floating rate debt instruments.
As previously noted, fixed rate debt protects a borrower from cash flow risk in that it stabilises financial outflows, whilst heightening exposure to fair value risk in terms of changes in the market value of the debt.

In fact, an analysis of the consolidated debt position shows that the risk ACEA is exposed to is mainly in the form of fair value risk, composed as at 31 December 2012 of fixed rate borrowings (64%). With reference to the current portfolio make-up, ACEA is partly exposed to the risk of fluctuation in future cash flows and, by contrast, to a greater extent than changes in fair value. The current mix of fixed and floating rate debt and also taking account of the trend still expected in market interest rates, in a predominantly recessionary macroeconomic phase essentially not tending towards sudden rises, has made it possible to take advantage of lower short-term rates to a large extent, thus mostly balancing the high spreads still applied by the credit system as a result of notable events linked to the worsening in guaranteed returns on the debt of certain sovereign European states, including Italy. The possibility of executing some floating-to-fix hedging activities in the future to reposition the fixed-floating mix is still an option, as soon as market outlooks make that repositioning opportune.
ACEA is bringing consistency to its decisions regarding interest rate risk management that essentially aims to both control and manage this risk and optimise borrowing costs, taking account of stakeholder interests and the nature of the Group's activities, and based on the prudence principle and best market practices. The objectives of these guidelines are as follows:

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

It should be noted that ACEA:

- swapped the 100 million euros loan obtained on 27 December 2007 for a fixed rate. The swap, a plain vanilla IRS, was stipulated on 24 April 2008, effective as of 31 March 2008 (date of drawdown of the underlying loan) and expires on 21 December 2021;
- completed a cross currency transaction to transform to euro – through a plain vanilla DCS swap – the currency of the private placement (yen) and the yen rate applied to a fixed euro rate through a plain vanilla IRS swap.

All the derivative instruments taken out by Acea and listed above are non-speculative and their negative fair values are 12.7 million euros (-10.9 million euros at 31 December 2011) and 10.8 million euros (+34.7 million euros at 31 December 2011).

The fair value of medium/long-term debt is calculated on the basis of the risk-free and the risk-adjusted interest rate curves.
The table does not contain the liabilities relating to companies held for sale.

Bank Loans	Amortised cost (A)	RISK-FREE FV (B)	Increase/ (Decrease) (A) - (B)	RISK ADJUSTED FV (C)	Increase/ (Decrease) (A) - (C)
Bonds	1,008,288	1,124,604	(116,316)	1,044,134	(35,846)
fixed rate	3,303	3,508	(204)	3,443	(139)
floating rate	897,410	910,069	(12,659)	905,561	(8,151)
TOTAL	**1,909,002**	**2,038,181**	**(129,180)**	**1,953,137**	**(44,136)**

Sensitivity analysis has been carried out on medium/long-term financial liabilities using stress testing, thus applying a constant spread over the term structure of the risk-free interest rate curve (for the Euro area at 31 December 2012). The following table shows overall movements in terms of the fair value of liabilities based on parallel shifts (positive and negative) between –1.5% and +1.5%.

Constant spread applied	Movements in Present Value (E m)
-1.50%	(136.6)
-1.00%	(89)
-0.50%	(43.6)
-0.25%	(21.6)
0.00%	0.0
0.25%	21.2
0.50%	42
1.00%	82.2
1.50%	120.9

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

Commitments and contingencies

As at 31 December 2012 commitments and contingencies totalled 1,098,925 thousand euros, compared with 880,845 thousand euros at 31 December 2011.
A description of the items that underwent significant movements is given below.

LIENS AND SURETIES ISSUED AND RECEIVED

A net positive balance of 186,106 thousand euros was reported between liens and sureties issued (237,075 thousand euros) and those received (50,969 thousand euros).

These are guarantees granted by ACEA SpA to third parties and mainly regard sureties provided in order to bid for contracts in Italy and overseas.

For example, the company has issued bank sureties for water contracts bids, totalling 683 thousand euros and 5,165 thousand euros regarding a tender in the Campania region. The latter was issued to the Agency for ATO Sarnese Vesuviano in order to take part in the tender process to select a partner in GORI.

Sureties issued to the following are included in said item:

- 46,185 thousand euros to the inland revenue, to guarantee the splitting into instalments of the sums due as a result of tax settlements of Acea Energia (9,158 thousand euros) and ACEA S.p.A. (37,027 thousand euros),
- 36,090 thousand euros to Terna in the interests of Acea Energia, relative to the electricity dispatch service contract,
- 6,830 thousand euros issued to Sidra SpA, in relation to a contract to carry out a "Project to repair water leaks in the Catania distribution network",
- 120,000 thousand euros in favour of the European Investment Bank from Cassa Depositi e Prestiti for the loan agreement signed between ACEA and the EIB on 14 September 2009.

In the reporting period the surety of 3,425 thousand euros issued by ACEA with regard to the selection of a partner for Publiacqua in the Municipality of Florence was extinguished.

Liens and sureties received from third parties regard guarantees received from third parties in relation to contract work and/or supplies provided, or for bids called.

LETTERS OF PATRONAGE ISSUED AND RECEIVED

A net positive balance of 664,177 thousand euros is the result of letters of patronage issued, totalling 664,380 thousand euros, and letters of patronage received, amounting to 203 thousand euros.

Those issued include:

- 409,497 thousand euros in the interests of ACEA Distribuzione and in favour of Cassa Depositi e Prestiti as a back-to-back guarantee for the new loan granted;
- 50,000 thousand euros in the interests of Acea Energia, in favour of Enel Distribuzione as a back-to-back guarantee for the transport of electricity;
- 1,470 thousand euros in favour of Aquaser to guarantee the credit line granted by MPS to Solemme;
- 68,277 thousand euros in favour of the Acquirente Unico and in the interests of Acea Energia S.p.A. as a back-to-back guarantee relating to the electricity sale agreement signed between the parties;
- the Global Guarantees for 15,000 thousand euros and 17,063 thousand euros issued in March 2012 in favour of Barclays Bank and BNP Paribas, respectively, in the interests of Acea Energia Holding as back-to-back guarantees on transactions agreed or to be agreed between the parties under the terms of the ISDA Master Agreement reached. During the year, 5,000 thousand euros and 17,937 thousand euros, respectively, of those guarantees was released;
- 49,000 thousand euros for the corporate guarantee issued for 24,000 thousand euros in May 2012 and for 25,000 thousand euros in December 2012 in favour of ENEL Trade in the interests of Acea Energia Holding S.p.A.;
- the global guarantee issued in August 2012 in favour of Deutsche Bank AG for 10,000 thousand euros, in the interests of Acea Energia Holding as back-to-back guarantees on transactions agreed or to be agreed between the parties under the terms of the ISDA Master Agreement reached on 25 July 2012;
- the guarantee for 8,000 thousand euros issued in August 2012 in favour of IREN Mercato as a back-to-back guarantee on the EFET agreement stipulated in July 2012.

THIRD-PARTY ASSETS HELD UNDER CONCESSION

Such assets amount to 86,077 thousand euros at 31 December 2012 and did not undergo significant changes with respect to the end of the previous year. They refer to public lighting assetsto public lighting assets.

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Financial Statements of ACEA S.p.A.

for the year ended 31 December 2012

Annexes to the Notes

Annex 1: Analysis of net debt

Annex 2: Statement of movements in investments at 31 December 2012

Annex 3: Related party transactions pursuant to CONSOB Resolution no. 15519 of 27 July 2006.

Annex 4: Non-recurring material transactions pursuant to CONSOB Resolution no. 15519 of 27 July 2006.

Annex 5: Positions or transactions deriving from unusual and/or exceptional transactions

Annex 6: Segment information (IAS 14)

Annex 1: Analysis of net debt at 31.12.2012

	31.12.2012	31.12.2011	Increase/ (Decrease)
Non-current financial assets	225	281	(56)
Intercompany non-current financial assets	1,513,960	1,326,506	187,454
Non-current borrowings and financial liabilities	(1,661,307)	(1,808,214)	146,907
Financial assets/(liabilities) deriving from measurement of derivative instruments	(23,461)	23,784	(47,245)
Medium/long-term borrowings	**(170,583)**	**(457,643)**	**287,060**
Cash and cash equivalents and securities	377,565	284,223	93,343
Short-term bank borrowing	(639,967)	(297,193)	(342,774)
Current financial assets/(liabilities)	14,234	27,283	(13,049)
Intercompany current financial assets/(liabilities)	(88,345)	53,772	(142,118)
Net short-term debt	**(336,513)**	**68,085**	**(404,598)**
TOTAL NET DEBT	**(507,096)**	**(389,558)**	**(117,538)**

Annex 2 – Statement of movements in investments at 31 December 2012

		MOVEMENTS IN 2012					
	31.12.2011	Purchases	Disposals	Reclass.	Additions/ Reductions	Impair./ Losses	31.12.2012
SUBSIDIARIES							
ACEA DISTRIBUZIONE	344,152						344,152
ACEA Ato2	585,442						585,442
Acea8cento	517					(517)	0
CONSORCIO AGUA AZUL Sa	5,437					193	5,630
LABORATORI	4,024						4,024
ZETEMA Srl	0						0
CARTESIA S.p.A (in liquidation)	0						0
ACEA LUCE S.p.A.	0						0
ECOMED Srl	0				22		22
Acea Energia Holding	277,245				(201)		277,044
ACEA & CO ARMENIAN UTILITY	0						0
ACEA ATO5 S.p.A.	3,877						3,877
AGUAZUL BOGOTA' S.A.	812					63	875
CONSORCIO ACEA TRADEXCO	43						43
ACEA DOMINICANA S.A.	600					(35)	565
ACQUE BLU ARNO BASSO	13,132						13,132
OMBRONE	17,430						17,430
LUCE NAPOLI	0						0
DYNA GREEN Srl	0						0
ARSE	354,295						354,295
ACQUE BLU FIORENTINE	39,697						39,697
ARIA S.p.A.	22,136						22,136
UMBRA ACQUE	6,851						6,851
AQUASER	4,462						4,462
ELEKTRON SIGMA	0						0
HYDRECO (in liquidation)	0						0
CREA (in liquidation)	0						0
CREA GESTIONI	8,029					(1,902)	6,127
ACEA GORI SERVIZI	1,659						1,659
ACQUA BLU	0						0
APICE (in liquidation)	8					(8)	0
SARNESE VESUVIANO	21,247	30		(21,247)	133		163
ACEA ILLUMINAZIONE PUBBLICA	120						120
Acea Servizi Acque	0						0
Ingegnerie Toscane	58						58
TOTAL SUBSIDIARIES	**1,711,271**	**30**	**0**	**(21,247)**	**(46)**	**(2,206)**	**1,687,803**

Annex 2 – Statement of movements in investments at 31 December 2012

		MOVEMENTS IN 2012					
	31.12.2011	Purchases	Disposals	Reclass.	Additions/ Reductions	Impair./ Losses	31.12.2012
ASSOCIATES	**0**						
AGUAS DE S. PEDRO Honduras Sa	2,018					(130)	1,888
AGAC Y OTROS	0						0
DYNA GREEN Srl	355		(355)				0
TIRANA ACQUE	0						0
Umbria distribuzione Gas	318						318
MARCO POLO	294					(294)	0
INTESA ARETINA	11,505						11,505
CITELUM NAPOLI PUBBLICA ILLUMINAZIONE	306						306
SIENERGIA	42						42
TOTAL ASSOCIATES	**14,839**	**0**	**(355)**	**0**	**0**	**(424)**	**14,060**

		MOVEMENTS IN 2012					
	31.12.2011	Purchases	Disposals	Reclass.	Additions/ Reductions	Impair./ Losses	31.12.2012
OTHER COMPANIES	**0**						
POLO TECNOLOGICO S.p.A.	2,542						2,542
WRC Plc	1,293				30		1,323
Centro Agroalimentare Roma S.p.A.	0						0
CSM S.p.A.	838						838
Umbria distribuzione Gas	0						0
Orione	0	0					0
TOTAL OTHER COMPANIES	**4,673**	**0**	**0**	**0**	**30**	**0**	**4,704**

Annex 3 - Related party transactions pursuant to CONSOB Resolution no. 15519 of 27 July 2006

INCOME STATEMENT	31.12.2012	Related parties	% impact	31.12.2011	Related parties	% impact
Revenue from sales and services	167,903	159,638	95%	163,764	156,975	96%
Other revenues and proceeds	11,397	7,061	62%	8,868	5,860	66%
Net revenue	**179,301**	**166,700**		**172,632**	**162,835**	
Staff costs	55,742			47,648		
Costs of materials and overheads	147,509	70,782	48%	159,140	91,985	58%
Operating costs	**203,252**	**70,782**		**206,788**	**91,985**	
Gross Operating Profit	**(23,951)**	**95,918**		**(34,156)**	**70,850**	
Amortisation, depreciation, provisions and impairment charges	34,271			76,512		
Operating profit/(loss)	**(58,222)**	**95,918**		**(110,669)**	**70,850**	
Finance (costs)/income	14,702	95,404	649%	5,580	80,755	1447%
Ordinary finance (costs)/income	*14,702*			*5,580*		
Exceptional finance (costs)/income	*0*			*0*		
Profit/(loss) on investments	126,438	126,438	100%	200,175	200,175	100%
Profit/(loss) before tax	**82,919**	**317,760**		**95,086**	**351,779**	
Taxation	(4,141)	(54,878)	1325%	(13,550)	(61,297)	452%
Net profit/(loss) from continuing operations	**87,060**	**372,638**		**108,636**	**413,077**	
Net profit/(loss) from discontinued operations	0			0		
NET PROFIT/(LOSS) FOR THE PERIOD	**87,060**	**372,638**		**108,636**	**413,077**	

Annex 3 - Related party transactions pursuant to CONSOB Resolution no. 15519 of 27 July 2006

ASSETS	31.12.2012	Related parties	% impact	31.12.2011	Related parties	% impact
Property, plant and equipment	163,847			52,434		
Investment property	2,933			2,993		
Other intangible assets	8,758			10,399		
Investments in subsidiaries and associates	1,701,863			1,726,110		
Other investments	4,704			4,673		
Deferred tax assets	33,252			36,283		
Financial assets	1,563,440	1,513,960	97%	1,380,229	1,326,506	96%
Other non-current assets	720			724		
Non-current assets held for sale	0			0		
NON-CURRENT ASSETS	**3,479,516**	**1,513,960**		**3,213,844**	**1,326,506**	**-2%**
Inventories	2,534			0		
Trade receivables	44,883	4,625	10%	37,672	625	
Intercompany trade receivables	77,112	77,112	100%	100,861	100,861	100%
Other current assets	27,461			28,005		
Current financial assets	36,062			27,289		
Intercompany current financial assets	307,736	307,736	100%	248,529	248,529	100%
Current tax assets	57,507	31,027	54%	35,407	12,779	36%
Deferred tax assets	0			0		
Cash and cash equivalents	377,565			284,223		
Current assets held for sale	0			0		
CURRENT ASSETS	**930,860**	**420,501**	**0**	**761,985**	**362,793**	
TOTAL ASSETS	**4,410,376**	**1,934,460**	**0**	**3,975,829**	**1,689,299**	

Annex 3 - Related party transactions pursuant to CONSOB Resolution no. 15519 of 27 July 2006

LIABILITIES	31.12.2012	Related parties	% impact	31.12.2011	Related parties	% impact
Shareholders' equity						
share capital	1,098,899			1,098,899		
legal reserve	74,351			68,919		
reserve for treasury shares	0			0		
other reserves	72,255			89,427		
profit (loss) pertaining to previous years	43,754			63		
profit (loss) for the period	42,425			49,123		
Total shareholders' equity	**1,331,684**	**0**	**0**	**1,306,430**		
Staff termination benefits and other defined benefit plans	25,302			23,551		
Provision for liabilities and charges	52,407			70,680		
Borrowings and financial liabilities	1,684,767			1,784,429		
Other liabilities	3,514			5,269		
Provisions for deferred tax liabilities	3,173			12,873		
Non-current liabilities held for sale	0			0		
NON-CURRENT LIABILITIES	**1,769,164**	**0**	**0**	**1,896,803**		
Borrowings	1,057,876	396,081	37%	491,955	194,756	40%
Trade payables	168,513	88,894	53%	196,066	129,398	66%
Tax payables	54,203	31,222	58%	55,925	17,116	31%
Other current liabilities	28,937	1,774		28,650	2,113	
Current liabilities held for sale	0			0		
CURRENT LIABILITIES	**1,309,529**	**517,971**	**0**	**772,596**	**343,383**	
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**4,410,376**	**517,971**	**0**	**3,975,829**	**343,383**	

Annex 3 - Related party transactions pursuant to CONSOB Resolution no. 15519 of 27 July 2006

ANALYSIS OF NET DEBT	31.12.2012	Related parties	31.12.2011	Related parties
Non-current financial assets	225		281	
Intercompany non-current financial assets	1,513,960	1,513,960	1,326,506	1,326,506
Non-current borrowings and financial liabilities	(1,661,307)		(1,808,214)	
Financial assets/(liabilities) deriving from measurement of derivative instruments	(23,461)	0	23,784	
Medium/long-term borrowings	**(170,583)**	**1,513,960**	**(457,643)**	**1,326,506**
Cash and cash equivalents and securities	377,565		284,223	
Short-term bank borrowing	(639,967)		(297,193)	
Current financial assets/(liabilities)	14,234		27,283	
Intercompany current financial assets/(liabilities)	(88,345)	(88,345)	53,772	53,772
Net short-term debt	**(336,513)**	**(88,345)**	**68,085**	**53,772**
TOTAL NET DEBT	**(507,096)**	**1,425,614**	**(389,558)**	**1,380,278**

Annex 3 - Related party transactions pursuant to CONSOB Resolution no. 15519 of 27 July 2006

	31.12.2012	Related parties
Cash flow from operating activities		
Profit before taxes	82,919	
Amortisation/depreciation	12,565	
Revaluations/impairment charges	(118,648)	
Movement in provisions for liabilities	(18,237)	
Net movement in staff termination benefits	585	
Realised gains	0	
Net financial interest expense	14,702	
Income taxes paid	(19,036)	
Cash generated by operations before movements in working capital	**(45,150)**	**0**
Increase in current receivables	8,747	(19,749)
Increase/decrease in current liabilities	(27,553)	(40,504)
Increase/(decrease) in inventories	(2,534)	
Movement in working capital	***(21,340)***	***(60,253)***
Changes in other assets/liabilities during the period	**(8,220)**	**4,481**
TOTAL CASH FLOW FROM OPERATING ACTIVITIES	**(74,709)**	**(55,771)**
Cash flow from investing activities		
Purchase/sale of property, plant and equipment and intangible assets	(122,277)	
Investments	(1,625)	
Proceeds/payments deriving from other investments	(172,840)	246,661
Dividends received	123,452	123,452
Interest income received	26,429	17,477
TOTAL	**(146,861)**	**387,590**
Cash flow from financing activities		
Repayment of mortgages and long-term borrowings	(226,063)	
Provision of mortgages/other medium/long-term borrowings	100,000	
Decrease/increase in other short-term borrowings	548,745	201,325
Interest expenses paid	(63,139)	(425)
Dividends paid	(44,635)	(44,635)
TOTAL CASH FLOW	**314,907**	**156,265**
Changes in shareholders' equity after net profit	**0**	**0**
Cash flows for the year	***93,337***	***488,084***
Cash and cash equivalents at beginning of period	***284,227***	***0***
Cash and cash equivalents at end of period	***377,565***	***488,084***

% impact	31.12.2011	Related parties	% impact
	95,086		
	11,921		
	(78,602)		
	45,250		
	(1,185)		
	0		
	(5,580)		
	(53,190)		
	13,700	**0**	
-226%	(26,381)	(14,593)	55%
147%	35,061	22,290	64%
	0		
	8,680	***7,697***	
-55%	**40,324**	**(50,598)**	**-125%**
	62,704	***7,697***	
	(10,370)		
	811		
-143%	(216,729)	(218,332)	101%
100%	112,976	112,976	100%
66%	(22,813)	(31,350)	137%
	(136,125)	**(136,706)**	
	(31,169)		
	0		
37%	353,352	162,687	46%
1%	(60,782)	(493)	1%
100%	(155,160)	(155,160)	100%
	106,241	**7,034**	
	0	**0**	
	32,820	***(79,791)***	
	251,407	***0***	
	284,227	***(79,791)***	

Annex 4 - Non-recurring material transactions pursuant to CONSOB Resolution no. 15519 of 27 July 2006

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

Annex 5 - Positions or transactions deriving from unusual and/or exceptional transactions

Pursuant to the CONSOB Ruling of 28 July 2006, we hereby declare that during 2012 ACEA S.p.A did not enter into any exceptional and/or unusual transactions as defined by the above Ruling.

Annex 6 - Segment information (IAS 14)

	Public Lighting	Corporate	Total continuing operations	Discontinued Operations	Total
Investments	**0**	**122,343**	**122,343**	**0**	**122,343**
Segment assets	**0**				
Property, plant and equipment	0	166,779	166,779	0	166,779
Intangible assets	0	8,758	8,758	0	8,758
Non-current financial assets	0	1,706,566	1,706,566	0	1,706,566
Other non-current trading assets	0	33,972	33,972	0	33,972
Other non-current financial assets	80,155	1,483,285	1,563,440	0	1,563,440
Raw materials	2,534	0	2,534	0	2,534
Trade receivables	19,361	25,522	44,883	0	44,883
Trade receivables due from Parent Company	17,192	504	17,697	0	17,697
Receivables due from subsidiaries / associates	176	59,239	59,416	0	59,416
Other current trading assets					84,968
Other current financial assets	68,907	274,891	343,798	0	343,798
Bank deposits					377,565
TOTAL ASSETS					**4,410,376**

Annex 6 - Segment information (IAS 14)

	Public Lighting	Corporate	Total continuing operations	Discontinued operations	Total
Segment liabilities					
Trade payables	5,587	74,618	80,205	0	80,205
Trade payables due to Parent Company	0	20,524	20,524		20,524
Trade payables due to subsidiaries and associates	57,063	10,721	67,785		67,785
Other current trading liabilities					83,140
Other current financial liabilities					1,057,876
Defined benefit plans	0	25,302	25,302	0	25,302
Other provisions	0	52,407	52,407		52,407
Provisions for deferred tax liabilities					3,173
Other non-current trading liabilities					3,514
Other non-current financial liabilities					1,684,767
Shareholders' equity					1,331,684
TOTAL LIABILITIES					**4,410,376**

Annex 6 - Segment information (IAS 14)

	Public Lighting	Corporate	Total continuing operations	Discontinued operations	Total
Third party revenues	72,441	11,805	84,246	0	84,246
Inter-segment sales	0	95,055	95,055	0	95,055
Staff costs	0	(55,742)	(55,742)	0	(55,742)
Cost of materials and overheads	(71,678)	(75,831)	(147,509)	0	(147,509)
Gross Operating Profit	**763**	**(24,714)**	**(23,951)**	**0**	**(23,951)**
Amortisation, depreciation and provisions for the impairment of receivables	0	(34,271)	(34,271)	0	(34,271)
Impairment charges/Reversal of impairment charges on non-current assets	0	0	0	0	0
Operating profit/(loss)	**763**	**(58,985)**	**(58,222)**	**0**	**(58,222)**
Finance (costs)/income					14,702
Profit/(loss) on investments					126,438
Net profit/(loss) from discontinued operations					0
Profit/(loss) before tax					**82,919**
Taxation					4,141
NET PROFIT/(LOSS) FOR THE PERIOD					**87,060**

Statutory Auditors' Report to the General Meeting of Shareholders

(pursuant to Art. 153 of Legislative Decree 58/1998 and Art. 2429, paragraph 2 of the Italian Civil Code)
(Translation from the original Italian text)

Dear Shareholders,
Article 153 of Legislative Decree 58/1998 ("TUF" – Italian Consolidated Law on Finance) and Art. 2429, paragraph 2, of the Italian Civil Code require the Board of Statutory Auditors to report to the Annual General Meeting of Shareholders called to approve the separate financial statements. The report must contain details of the audit procedures carried out and of any omissions and/or censurable events reported. The Board of Statutory Auditors is also given the option of making proposals regarding the financial statements and their approval and regarding aspects for which it is responsible.
During the year, the Board of Statutory Auditors carried out the audit procedures required by law and by the principles for Statutory Auditors recommended by the Italian Accounting Profession as well as of the CONSOB provisions regarding the corporate controls and the procedures performed by the Board of Statutory Auditors.

* * *

The results reported by Gruppo Acea S.p.A. (hereinafter also "Acea Group") in 2012 were in line with the forecasts. The data relative to 2012 are not, however, immediately comparable with those for the year 2011 due to the different contribution of the consolidated income statement for those two years, as different companies were involved in 2011 and in 2012 following redefinition of the perimeter of the group, as reported in the Management Report on Operations.
Hereafter we present the data for Acea Group: (i) consolidated net revenues as of 31 December 2012 amount to Euro 3,591,922 thousand (as of 31 December 2011 they were Euro 3,271,945 thousand) with an increase of Euro 319,978 thousand (9.8%) compared with the previous year; (ii) consolidated operating costs at 31 December 2012 amount to Euro 2,914,167 thousand (at 31 December 2011 they were Euro 2,543,047 thousand) with an increase of Euro 371,120 thousand (14.6%) compared with the previous year; (iii) the gross operating profit amounts to Euro 281,605 thousand compared with Euro 307,958 thousand in 2011, down by 8,6%; (iv) the Group's net profit amounts to Euro 85,300 thousand compared with the figure reported for 2011 which showed a net profit of Euro 93,521 thousand.
With regard to the profits for the year earned by Acea we can report the following: Revenues amount to Euro 179,301 thousand; operating costs amount to Euro 203,252 thousand; the operating profit is negative for Euro 58,222 thousand; the net profit for the year inclusive of the profit from equity investments is positive and amounts to Euro 87,060 thousand.
The long-term ratings assigned to ACEA as of 20 March 2013 by the three main international rating agencies are as follows: Standard & Poor's: "BBB-"; Fitch "BBB+"; Moody's "Baa2".

* * *

Acea financial statements have been prepared under the IAS/IFRS international accounting standards issued by the International Accounting Standards Board (IASB) and

approved by the European Union, effective on 31 December 2010, as well as provisions set out in execution of Art. 9 of Legislative Decree 38/2005.
The Directors' Report on Operations summarizes the main risks and uncertainties and gives an operating outlook.
The Company's financial statements consist of the statement of financial position, income statement, comprehensive income statement, statement of changes in consolidated equity, cash flow statement and explanatory notes to the financial statements. The financial statements include the Directors' Report on Operations. The Report on Corporate Governance and Ownership Structure has also been prepared pursuant to Art. 123-bis of the TUF, and the Remuneration Report pursuant to art. 123-ter of the TUF.

Appointment of the Board of Statutory Auditors
The Board of Statutory Auditors, in office at the date of this report, was appointed during the General Meeting of Shareholders held on 29 April 2010 and it is composed of Mr. Enrico Laghi (Chairman), Mr. Corrado Gatti (regular member) and Mr. Alberto Romano (regular member).
Mr. Gianluca Marini and Mr. Leonardo Quagliata are alternate auditors.

Most significant transactions
The most significant transactions are reported on in the Report on Operations. In particular, our comments are as follows:
- Until 31 December 2011, i.e. until natural expiry of the business rental agreement, Marco Polo operated in the facility management sector. From 1 January 2012 the aforementioned business unit returned to ACEA, including the staff and the facility management activities involved.
- On 23 January 2012 the contract for purchase of the Piazzale Ostiense premises was finalized, applying the first refusal right envisaged in the lease agreement;
- On 22 February 2012, the Board of Directors of Acea approved the Group's Industrial Plan for the period 2012-2016;
- On 20 December 2012, the Board of Directors of Acea resolved to distribute an advance on the ordinary dividend of 2012 amounting to 0.21 Euro per share. The decision to pay an advance on the dividend for 2012 was made on the basis of the Acea Group's situation on the books as of 30 September 2012 and in the light of the foreseeable developments of management for the year in progress. The auditing company Reconta Ernst & Young S.p.A. (hereinafter "Ernst & Young") issued its opinion on 20 December 2012, as required by article 2433-*bis* of the Italian civil code;
- On 28 December 2012, resolution no. 585/2012/r/idr (Regulation of water services: approval of the transitory tariff method (MTT) for calculation of the tariffs in the years 2012 and 2013) decided the contents of the transitory tariff method identifying the criteria defined at the national level for determination of tariffs for the years 2012 and 2013.

With regard to any significant events occurring after the end of the year, we report the following:
- On 24 January 2013 the Board of Directors of Acea approved adaptation of the company by-laws to the provisions of law no. 120 of 12 July 2011 on the subject of gender balance in the make-up of the Board of Directors and Board of Statutory Auditors. The required amendments were therefore made, as envisaged by the law relative to articles 15 and 22 of the company by-laws;
- On 31 January 2013 the Authority for Electrical Energy and Gas (hereinafter "AEEG") approved a provision for the definition of the criteria for calculation of the amounts to return to the end users of water supplies, relative to the remuneration on capital

invested and paid in after the referendum of 12-13 June 2011 (from 21 July to 31 December 2011).

Atypical or unusual transactions
No atypical or unusual transactions have been reported.

Intercompany transactions or transactions with related parties
Pursuant to Art. 2391-*bis* of the Italian Civil Code and the CONSOB Resolution 17221 of 12 March 2010 including the "Regulation on transactions with related parties", then amended by CONSOB Resolution 17389 of 23 June 2010, after favourable opinion of the specially created Committee composed of independent Directors only (duly vested with the task pursuant to Art. 4, paragraph 3 of the above-mentioned Regulation with special resolution of the Board of Directors) Acea's Board of Directors unanimously approved the "Procedure for transactions with related parties" on 11 November 2010. On the same day, the Board also created the Committee for Transactions with Related Parties and an Executive Committee.
Pursuant to art. 4 of the above-mentioned Regulation, it is worth noting that the Procedure adopted by the company (i) is consistent with the principles envisaged by the Regulation, (ii) was adopted within 1 December 2010 and (iii) was published on the company's web site (www.aceaspa.it).
A number of related party and intercompany transactions were implemented during 2012. Based on the auditing activities performed, the transactions with related parties were carried out in compliance with the Procedure and Regulation adopted by Acea. The intercompany transactions, which have been audited by us, are of the ordinary type as they are mainly composed of trade and administrative, financial and organizational services. The aforementioned relations were regulated applying normal conditions determined using standard parameters that reflect the effective use of the services and were carried out in the interests of the company. Transactions with related parties, not of the intercompany type, examined by us, are of the ordinary type (as they are included in the normal corporate business or related financial activities) and were concluded at arm's length or standard terms. The transactions with related parties are described in the explanatory notes to the separate and consolidated financial statements. The economic effects have also been included.
In our opinion, the above-mentioned transactions have been all performed in the Company's interest and at fair prices and value.

Impairment testing
According to the joint document of Banca d'Italia/CONSOB/ISVAP, issued on 3 March 2010, before approving the financial statements, the Board of Directors approved the consistency of impairment testing was with provisions set out by the IAS 36 international accounting standard.
Details on the outcome of impairment testing are included in the explanatory notes to the financial statements.

Supervisory activities pursuant to the "Testo Unico della Revisione Legale dei Conti" (Consolidated External Audit Act)
With the approval of the Consolidated External Audit Act (Legislative Decree no. 39/2010), the Board of Statutory Auditors (defined as "Internal Control and Audit Committee" in the Consolidated External Audit Act) is called to monitor the following:
(i) financial disclosures;
(ii) effectiveness of the internal control, internal audit and risk management;
(iii) external audit of annual accounts and consolidated accounts;

(iv) independence of the Independent Auditors, especially as regards the performance of non-audit services.

The Board of Statutory Auditors interacted with the Internal Control Committee created within the Board of Directors with the purpose of coordinating the pertaining functions and averting any overlapping of activities.

To this end, Acea has introduced the practice that the entire Board of Statutory Auditors and Risks takes part in the activities of the Internal Control Committee when the meetings are scheduled to discuss on key issues as per Legislative Decree no. 39/2010 in view of facilitating relations, coordination and exchange of information between the two bodies.

In particular, the entire Board of Statutory Auditors (and not only its Chairman or another Auditor appointed as recommended by the Company's Code of Conduct for Listed Companies) will take part in the meeting of the Control and Risk Committee when they are scheduled to discuss on specific issues regarding: (i) financial disclosures; (ii) the effectiveness of the internal control, internal audit and risk management; (iii) external audit of the annual accounts and consolidated accounts; (iv) independence of the Independent Auditors.

* * *

With special reference to activities provided for in the Consolidated External Audit Act, the following is worth noting.

Supervision on the process of financial disclosures

The Board of Statutory Auditors assessed the existence of rules and procedures set forth to monitor the drawing up and dissemination of financial disclosures. On this point the Report on Corporate Governance and Ownership Structure defines the reference guidelines to establish and manage the system of administrative and accounting procedures for Acea and the consolidated companies, regulating the phases and responsibilities.

In addition, with the help of the Executive responsible for financial reporting, the Board of Statutory Auditors has evaluated the procedures also related to disclosures on the Company's financial statements and the consolidated financial statements, as well as on other periodic accounting documents. The Board of Statutory Auditors has also received evidence on the process which permits the Executive responsible for financial reporting and the Director in charge to issue the certifications as per Art. 154-*bis* of the TUF.

The Board of Statutory Auditors has been informed that the administration/accounting procedures for the drawing up of the financial statements and any other financial notice have been prepared under the responsibility of the Executive responsible for financial reporting who, together with the CEO, certifies their consistency and effective application on the occasion of the preparation of the separate and consolidated financial statements and the half-year report.

The Internal Audit Function performs periodic audits aimed at assessing the adequacy of the planning and performance of controls on the company and sample testing.

The Board of Statutory Auditors thereby expresses an evaluation on the appropriateness of financial disclosure process and believes that no remarks have to be submitted to the General Meeting of Shareholders.

Supervision on the effectiveness of internal control, internal audit and risk management systems as well as of the legal audit of separate and consolidated accounting

The Board of Statutory Auditors, together with the Control and Risk Committee, has periodically met the Executive in charge of Internal Audit and was kept informed on the outcomes of audits performed to verify the adequacy and effectiveness of the Internal Control System with respect to provisions set out by law, corporate procedures and

processes, as well as implementation activities of the related enhancement plans. The Board has also received the Audit Plan for 2012 and the related final balance represented by the Report of the Person in charge of the Internal Audit Function (before the Person in charge of the Internal Control) for 2012 regarding the assessment of the internal control system. The report includes the activities undertaken by the company to adjust the internal organisation, the administrative processes and IT systems to the business needs. The evaluation of the Person in charge of the Internal Audit Function that the analysis of the individual elements of the internal control system highlighted the existence and the operation of the fundamental tools to achieve the objectives of conformity, effectiveness and efficiency of the activities and reliability of the information.
Moreover, on a six-month basis, the Board received the report on operations drawn up by the Control and Risk Committee and met the Supervisory Body established in accordance with Italian Legislative Decree 231/2001 of which the Chairman of the Board of Statutory Auditors is a member, in order to verify the activities performed by it in connection with the internal control system and acquire information on the updating of the Organizational, Management and Control Model.
During 2012 Acea's Model and those of the subsidiaries were updated to take account of the version of the corporate Code of Ethics. Following the extension of the list of crimes attributable to the corporate management of organizations, contained in Law no. 190 of 9 November 2012 on the subject of "Provisions for the prevention and repression of corruption and illegality in the public administration", in force since 28 November 2012, activities were planned relative to updating the Management Model of Acea and its subsidiaries, to be implemented in the first half of 2013.
Finally, the Board of Statutory Auditors has periodically met the Independent Auditors and no significant remarks on auditing or determining defaults in the Internal Control System as regards the financial disclosures are reported, also pursuant to Art. 19, paragraph 3 of the Consolidated External Audit Act.
The Board of Statutory Auditors thereby expresses an evaluation of substantial appropriateness of the internal control system and specifies that there are no significant matters to report to the General Meeting of Shareholders.

Independence of the Independent Auditors, especially as regards the performance of non-audit services

With regard to annual confirmation of its independence pursuant to art. 17, section 9, letter a) of Legislative Decree no. 39/2010, the Board of Statutory Auditors announces that is has received such confirmation from the Independent Auditors, and has been informed that the relative letter will be issued on 25 March 2013.

The Board of Statutory Auditors has supervised the independence of the Independent Auditors and has received periodic evidence on the non-audit tasks to be assigned (or assigned due to special regulations) to the External Auditor.
As can be seen from the consolidated financial statements of the Acea Group, during 2012 and until the date of this report, for activities other than audit services, Ernst & Young performed the following activities for the Group:

Company and reference period *Amounts in Euro*		**Audit services**	**Audit services**	**Non audit services**	**Total**
Acea S.p.A.	2012	146,186	201,000	70,000	417,186
Acea Group	2012	689,346	219,209	30,000	938,555
Total Acea SpA and Group		**835,532**	**420,209**	**100,000**	**1,355,741**

The Board of Statutory Auditors deems that the above-mentioned remuneration are adequate to the size and complexity as well as the characteristics of work performed and deems that the non-audit services (and pertaining remunerations) are not influencing the independence of the External Auditor.

Organization structure

The Board of Statutory Auditors has determined that the organization structure of the company is generally adequate for its needs and able to guarantee respect of the principles of correct management.

Moreover, the Board of Statutory Auditors can report that Giovanni Barberis, who is in charge of the Management, Finance and Control function and is the executive assigned to draft the company's accounting documents presented his resignation on 30 July 2012, valid from 3 September 2012. On 3 September 2012 the Board of Directors, having obtained the favorable opinion of the Board of Statutory Auditors pursuant to art. 154-*bis*, section 1, of Legislative Decree no. 58/1998 and the required declarations of honorability and absence of any of the juridical situations envisaged by art. 2382 of the Italian civil code, appointed Iolanda Papalini to draft the company's accounting documents, vesting her with the appropriate and adequate powers and means to perform her office. The term of office was established to run with that of the Board of Directors in office, until approval of the financial statements as of 31 December 2012.

Further activities pertaining to the Board of Statutory Auditors and disclosures required by CONSOB.

In exercising its tasks and pursuant to Art. 2403 of the Italian Civil Code and Art. 149 of the TUF, the Board of Statutory Auditors supervised the following:

- the observance of the law and the deed of incorporation;
- the compliance with the principles of correct management;
- the adequacy of the company's organisational structure for aspects within its responsibility;
- implementation modalities of the corporate governance rules set out by the Codes of Conduct that the Company declares to follow through public disclosures. In this sector, the Board reports that Acea, by resolution of the Board of Directors on 20 December 2012, has approved the Guidelines of the system of internal control and risk management, specifying the conditions for participation in the new edition of the code of self-discipline of companies quoted on the stock exchange, relative to the system of internal control. By effect of this adaptation, the following changes and/or additions take place: (i) the Board of Directors will decide the nature and level of risk compatible with the strategic objectives of the company; (ii) the Control and Risk Committee replaces the Internal Control Committee; (iii) the manager of the Audit Function, who has also accepted the duties formerly assigned to the Internal Control Manager, will be appointed and revoked by the Board of Directors on the proposal of the Director in charge of the internal control and risk management system, after obtaining the favorable opinion of the Control and Risks Committee and that of the Board of Statutory Auditors; (iv) the Committee for Appointments and Remunerations replaces the Committee for Remuneration, adding the relative duties. With regard to the composition of the Committee for Appointments and Remuneration, we can report that the appointment of Giovanni Giani was resolved by the Board of Directors on 11 May 2012 to replace Director Jean-Louis Chaussade. All the administrators on this committee are not executives and are independent, with the exception of Giovanni Giani (non executive and not independent), in accordance with the indications of the Code of Self-discipline with which Acea complies. The

composition and operation of this committee will be regulated by specific regulations approved by the Board of Directors at the meeting of 29 March 2010 and amended on 27 July 2010 for the part relative to the number of members. It should be noted that on 8 March 2013 the report on activities performed by the Committee for Appointments and Remuneration in the period from 1 January 2012 to 31 December 2012 was presented to the Board of Directors and Committee for Control and Risks. Pursuant to art. 123-*bis* of the TUF, the company had also prepared the annual report on Corporate Governance and Ownership relative to 2012, approved on 8 March 2013, providing information about (i) the practices of corporate governance effectively applied by the company, beyond the obligations envisaged by the legislative or regulatory standards, (ii) the main features of the systems of risk management and internal control in use, also with regard to the process of financial information, also at the consolidated level, (iii) the mechanisms of operation of the shareholders' meeting, its main powers, the rights of shareholders and the modes in which they can be exercised, (iv) the composition and operation of the management and control functions and their committees, and all the other information required by art. 123-*bis* of the TUF;

- on the application of the policy for remuneration of the directors and executives with strategic responsibilities, in line with the provisions of the code of self-discipline for companies quoted on the stock exchange, published by Borsa Italiana S.p.A., and on the subsequent report on remuneration pursuant to art. 123-ter of the TUF;
- the appropriateness of instructions given to subsidiaries, pursuant to Art. 114, paragraph 2 of the TUF, after assessing that the Company is able to promptly and regularly fulfil communication obligations provided for by law, as per the above-mentioned Art. 114, paragraph 2 of the TUF. The above was also carried out through the gathering of information from the persons in charge of organisational functions and periodic meetings with the Independent Auditors in view of a mutual exchange of relevant data and information. To this end, no special remarks are to be reported.

The Board of Statutory Auditors acknowledges that:

- the 2012 Directors' Report on Operations is consistent with regulations in force and with the resolutions of the administration body and accounts. In addition it contains suitable information on the activity of the year and on the intercompany transactions. The section describing transactions with related parties was included in the explanatory notes to the financial statements pursuant to IFRS standards;
- it has assessed the adequacy of evaluation procedures applied and their consistency with international accounting criteria;
- the separate and consolidated financial statements have been prepared according to the structure and statements set forth by regulations in force;
- directors and/or executives of the Parent Company took part, with operating proxies, in the meetings of the Boards of Directors of subsidiaries to ensure a coordinated management and an information flow, also supported by suited information on accounts.

It should be also noted that the Board of Statutory Auditors:

- has received, at least quarterly, information from Directors on the activities carried out by the Company and particularly significant transactions under the economic, finance and equity point of view, as well as strategic Group guidelines. The Board is able to reasonably confirm that transactions decided and implemented are compliant with the Law and the By-Laws and are not clearly reckless, or hazardous or in conflict of interest, or against resolutions passed by the General Meeting of Shareholders or such as to compromise the integrity of the Company's assets;

- pursuant to art. 151, paragraphs 1 and 2, of Legislative Decree no. 58/1998 has exchanged information with the Board of Statutory Auditors of the subsidiaries relating to the activity carried out during 2012;
- has received from the Supervisory Board information concerning its activity, from which does not highlight any anomalies or censurable events. In addition, it has been informed of the invitation to the corporate structures to give following recommendation provided and implement the Organisation and Management Model, overall effectiveness, also through the continuous attention to the improvement of the procedure system and its prompt adjustment to the occurrence of organisational changes;
- has regularly met with the representatives of the Independent Auditors in order to exchange relevant information and data necessary to fulfil its tasks, as set out by Art. 150, paragraph 3 of the TUF. To this purpose, no relevant data or information were highlighted to be included in this report;
- no formal petitions, pursuant to Art. 2408 of the Italian Civil Code, were presented;
- no opinions were issued in 2012, pursuant to art. 2389 of the Italian civil code;
- a favorable opinion was issued pursuant to art. 154-*bis*, section 1, of Legislative Decree no. 58/1998.

Concerning the Independent Auditor, the Board of Statutory Auditors reports that Ernst & Young:

- informed the Board of Statutory Auditors of the conformity of the annual financial statements and consolidated financial statements with the regulations in force and the applicable accounting standards. The relative report will be issued on 25 March 2013. The independent auditor also informed the Board of Statutory Auditors that this report will also contain (i) its opinion of coherence of the Report on Operations with the financial statements, without objections, and (ii) its opinion of coherence of certain information contained in the Report on Corporate Governance and Ownership. The report of the Independent Auditor on the annual financial statements and consolidated financial statements will contain references to information;
- has verified that the Report on Corporate Governance and Ownership Structure was actually drawn up by the Company;
- has confirmed the statement in which the Company declared that no other tasks were conferred to subjects having continuous relations with the Independent Auditors.

Moreover, as regards the corporate bodies, the Board of Statutory Auditors reports the following:

- the Board of Directors, appointed on 29 April 2010 with a list vote, according to procedures set out in Articles 15 and 22 of the Company's By-Laws, and due to expire, for completion of its mandate, with the approval of the financial statements at 31 December 2012, at this reporting date is composed of nine Directors. Of the aforementioned Directors in office, two are executive directors (the Chairman and the CEO), to whom the Board has assigned individual management powers, while the remaining seven directors are not executive and lack individual management powers. In 2012, the Board of Directors held 9 meetings;
- On 20 December 2012 the Board of Directors of Acea SpA assigned the duties of the previously established Committee for Internal control to the Committee for Control and Risks. This Committee for Control and Risks now consists of 5 Directors and met five times in 2012;
- on 20 December 2012 the Board of Directors of Acea SpA, in accordance with the new version of the Code of Self-discipline, replaces the previously established Committee for Remuneration with the new Committee for Appointments and Remuneration, adding to its duties, as described in the Guidelines for the System of Internal Control

and Risk Management. The aforementioned Committee consists of 4 Directors, three of whom, including the Chairman, are independent and not executive. During 2012 the Committee for Appointments and Remuneration met four times.

The Board of Statutory Auditors has always taken part in the meetings of the Board of Directors and related Committees.

Lastly, the Board of Statutory Auditors acknowledges that:

- it has checked, pursuant to recommendations of Borsa Italiana's Code of Conduct, that its members enjoy the same independence requisites as the members of the Board of Directors;
- it has checked the correct application of the assessment criteria and procedures adopted by the Board of Directors to annually evaluate the independence of its members. It has also checked that the Board of Directors performed an evaluation of the decisions made to identify Acea S.p.A.'s related parties based on material and consistency criteria. No remarks are to be reported;
- in the Company's financial statements, the Directors describe the main risks and uncertainties to which the Company is exposed.

The audit procedures carried out by the Board of Statutory Auditors did not reveal any events, omissions or irregularities in the management and/or administration of the Company requiring inclusion in this Report.

The activities described above, carried out either individually or jointly, are reported in the Minutes of the 13 meetings of the Board of Statutory Auditors held during 2012.

Proposal to the General Meeting of Shareholders

1. **Financial statements at 31 December 2012**
   The Board of Statutory Auditors expresses a favourable opinion on the approval of the Financial Statements at 31 December 2012 and no remarks are to be reported as to the proposal of resolutions submitted by the Board of Directors on the allocation of the profit.
2. **Policy on the Remunerations of the Group**
   We inform you that the Board of Statutory Auditors has approved the Policy on the Remuneration submitted to the meeting for consultation.

Pursuant to Art. 144 quinquiesdecies of the Issuers Regulations, approved by CONSOB with resolution 11971/99 and following amendments and supplements, the list of tasks assigned to the members of the Board of Statutory Auditors at the companies as per Book V, Title V, Chap. V, VI and VII of the Italian Civil Code was published by CONSOB on its website (www.consob.it).

Shareholders,

On approval of the financial statements as of 31 December 2012 the term of office of the Board of Statutory Auditors expires, having been appointed by the shareholders' meeting of 29 April 2010. You are therefore asked to appoint a new Board of Statutory Auditors for the next three-year term, as required by law. We take this opportunity to thank you for your confidence during our term of office.

Rome, 22 March 2013

signed by: Enrico Laghi, Corrado Gatti, Alberto Romano

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Independent auditors' report
pursuant to art. 14 and 16 of Legislative Decree n. 39 dated January 27, 2010
(Translation from the original Italian text)

To the Shareholders
of ACEA S.p.A.

1. We have audited the financial statements of ACEA S.p.A. as of and for the year ended December 31, 2012, comprising the statement of financial position, the income statement, the statement of comprehensive income, the statement of changes in shareholders' equity, the statement of cash flow statement and the related notes. The preparation of these financial statements in compliance with International Financial Reporting Standards as adopted by the European Union and with art. 9 of Legislative Decree n. 38/2005 is the responsibility of the ACEA S.p.A.' s management. Our responsibility is to express an opinion on these financial statements based on our audit.

2. We conducted our audit in accordance with auditing standards recommended by CONSOB (the Italian Stock Exchange Regulatory Agency). In accordance with such standards, we planned and performed our audit to obtain the information necessary to determine whether the financial statements are materially misstated and if such financial statements, taken as a whole, may be relied upon. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, as well as assessing the appropriateness of the accounting principles applied and the reasonableness of the estimates made by management. We believe that our audit provides a reasonable basis for our opinion.

   The financial statements of the prior year are presented for comparative purposes. As described in the notes, management has reclassified certain comparative figures related to the statement of financial position of the prior year, with respect to the figures previously presented and audited by us, on which we issued our auditors' report dated April 12, 2012. We have examined the methods used to restate the comparative figures and the related information presented in the notes, for the purpose of expressing our opinion on the financial statements as of and for the year ended December 31, 2012.

3. In our opinion, the financial statements of ACEA S.p.A. at December 31, 2012 have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union and with art. 9 of Legislative Decree n. 38/2005; accordingly, they present clearly and give a true and fair view of the financial position, the results of operations and the cash flows of ACEA S.p.A. as of December 31, 2012 and for the year then ended.

Reconta Ernst & Young S.p.A.
Sede Legale: 00198 Roma - Via Po,32
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4. The Company carries on significant transactions with related parties, whose nature and extent are described in the notes to the financial statements.

5. The management of ACEA S.p.A. is responsible for the preparation of the Report on Operations and the Corporate Governance and Ownership Structure Report in accordance with the applicable laws and regulations. Our responsibility is to express an opinion on the consistency with the financial statements of the Report on Operations and the specific section on Corporate Governance and Ownership Structure Report, regarding the information included therein in compliance with article 123-bis paragraph 1, letters c), d), f), l), m) and paragraph 2, letter b) of Legislative Decree n. 58/1998, as required by the law. For this purpose, we have performed the procedures required under Auditing Standard 001 issued by the Italian Accounting Profession (CNDCEC) and recommended by CONSOB. In our opinion, the Report on Operations and the information presented in the Corporate Governance and Ownership Structure Report in compliance with art. 123-bis paragraph 1, letters c), d), f), l), m) and paragraph 2), letter b) of Legislative Decree n. 58/1998, are consistent with the financial statements of ACEA S.p.A. as of December 31, 2012.

Rome, March 25, 2013

Reconta Ernst & Young S.p.A.
signed by: Filippo Maria Aleandri, partner

This report has been translated into the English language solely for the convenience of international readers

Certification of separate financial statements in accordance with art.154-bis of Legislative Decree 58/98
(Translation from the original Italian text)

1. The undersigned, Marco Staderini, as Chief Executive Officer, and Iolanda Papalini, as Executive Responsible for Financial Reporting of the company ACEA S.p.A., taking also account of provisions envisaged by Art.154-bis, paragraphs 3 and 4, of the Legislative Decree n°58 of 24 February 1998, hereby certify:

    - the consistency to the business characteristics and
    - the effective application

    of the administrative and accounting procedures for preparing the separate financial statements at 31 December 2012.

2. To this purpose, no significant issues were recorded.

3. It is also certified that:
    - ✓ the financial statements:
        a) were drawn up in compliance with the applicable international accounting standards recognized in European Community in accordance with EC regulation 1606/2002 of the European Parliament and the Council, of 19 July 2002,
        b) are consistent with the underlying accounting books and records,
        c) are suitable for truthfully and correctly representing the equity, economic and financial position of the issuer,
    - ✓ the report on operations includes a reliable analysis of the operational performance and result, as well as the situation of the issuer, together with a description of the main risks and uncertainties to which they are exposed.

Rome, 25 March 2013

signed by: Marco Staderini, The CEO

signed by: Iolanda Papalini, The Executive Responsible for Financial Reporting

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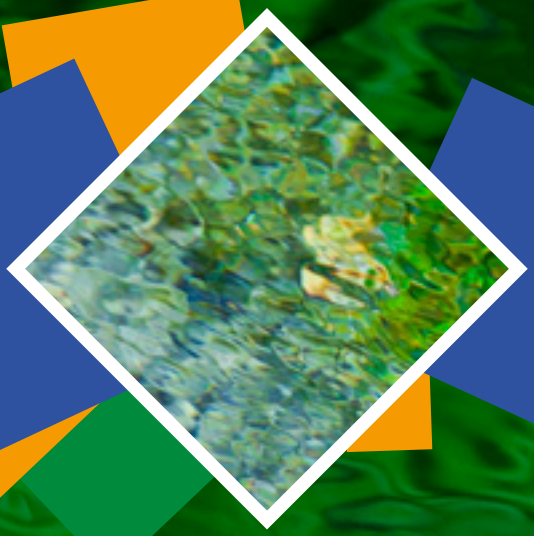


Consolidated Financial Statements

at 31 December 2012

Consolidated Income Statement

NOTES REF.	IFRS5 Amounts in € thousand	31.12.2012	31.12.2011	Increase/ (Decrease)	Increase/ (Decrease) %
1	Revenue from sales and services	3,522,752	3,213,805	308,947	9.6%
2	Other revenues and proceeds	69,170	58,140	11,030	19.0%
	Consolidated net revenue	**3,591,922**	**3,271,945**	**319,978**	**9.8%**
3	Staff costs	282,069	278,254	3,814	1.4%
4	Costs of materials and overheads	2,632,098	2,264,793	367,305	16.2%
	Consolidated operating costs	**2,914,167**	**2,543,047**	**371,120**	**14.6%**
5	Net income/(costs) from commodity risk management	(232)	297	(529)	-178.2%
	Gross Operating Profit	**677,524**	**729,195**	**(51,672)**	**-7.1%**
6	Amortisation, depreciation, provisions and impairment charges	395,919	421,238	(25,319)	-6.0%
	Operating profit/(loss)	**281,605**	**307,958**	**(26,353)**	**-8.6%**
7	Finance (costs)/income	(120,554)	(118,422)	(2,133)	1.8%
8	Profit/(loss) on investments	862	9,295	(8,433)	-90.7%
	Profit/(loss) before tax	**161,912**	**198,830**	**(36,918)**	**-18.6%**
9	Taxation	86,052	58,389	27,664	47.4%
	Net profit/(loss) from continuing operations	**75,860**	**140,442**	**(64,582)**	**-46.0%**
10	Net profit/(loss) from discontinued operations	9,440	(46,921)	56,361	-120.1%
	Net profit/(loss) for the period	**85,300**	**93,521**	**(8,220)**	**-8.8%**
	Profit/(loss) attributable to minority interests	*7,917*	*7,563*	*354*	*4.7%*
	Net profit/(loss) attributable to the Group	**77,383**	**85,958**	**(8,574)**	**-10.0%**
11	Earnings (loss) per share attributable to the shareholders of the Parent Company				
	Basic	0.3634	0.4036	-0.0403	
	Diluted	0.3634	0.4036	-0.0403	
	Earnings (loss) per share of continuing operations attributable to the shareholders of the Parent Company:				
	Basic	0.3190	0.6239	-0.3049	
	Diluted	0.3190	0.6239	-0.3049	

Consolidated Statement of Comprehensive Income

Amounts in € thousand	31.12.2012	31.12.2011	Increase/ (Decrease)	Increase/ (Decrease) %
Net profit/(loss) for the period	**85,300**	**93,521**	**(8,220)**	**-9%**
Profit/(Loss) from Conversion of Foreign Financial Statements	277	833	(556)	
Profit/(Loss) From the Redetermination of Financial Assets Available for Sale	0	0	0	
Profit/(Loss) From the Effective Portion on Hedging Instruments	(23,072)	(21,623)	(1,449)	
Actuarial Profit/(Loss) on Defined Benefit Pension Plans	0	0	0	
Taxation	6,345	5,944	401	
Total Consolidated Operating Profits Net of Tax	(16,450)	(14,846)	(1,604)	
Total operating profit net of tax	**68,850**	**78,674**	**(9,825)**	**-12%**
Consolidated Operating Profit/(Loss) Net of Tax attributable to:				
Third Parties	**7,392**	**6,910**	**482**	
Group	**61,457**	**71,764**	**(10,307)**	

Consolidated Statement of Financial Position

NOTES REF.	ASSETS Amounts in € thousand	31 December 2012	31 December 2011	Increase/ (Decrease)	Increase/ (Decrease) %
12	Property, plant and equipment	2,066,439	2,021,364	45,075	2.2%
13	Investment property	2,933	2,993	(61)	-2.0%
14	Goodwill	147,082	151,244	(4,162)	-2.8%
15	Concessions	1,730,591	1,553,946	176,645	11.4%
16	Other intangible assets	77,730	115,067	(37,336)	-32.4%
17	Investments in subsidiaries and associates	16,415	14,795	1,620	11.0%
18	Other investments	4,716	4,686	30	0.6%
19	Deferred tax assets	358,160	353,648	4,511	1.3%
20	Financial assets	32,959	19,939	13,020	65.3%
21	Other assets	58,484	63,189	(4,705)	-7.4%
	NON-CURRENT ASSETS	**4,495,509**	**4,300,870**	**194,639**	**4.5%**
	Inventories	41,983	66,106	(24,123)	-36.5%
	Trade receivables	1,477,207	1,510,012	(32,805)	-2.2%
	Other current assets	135,774	189,518	(53,743)	-28.4%
	Current tax assets	85,562	57,089	28,473	49.9%
	Current financial assets	152,225	172,768	(20,543)	-11.9%
	Cash and cash equivalents	423,698	321,022	102,676	32.0%
22	**CURRENT ASSETS**	**2,316,450**	**2,316,514**	**(64)**	**0.0%**
23	**Non-current assets held for sale**	**6,722**	**0**	**6,722**	**100.0%**
	TOTAL ASSETS	**6,818,680**	**6,617,384**	**201,296**	**3.0%**

NOTES REF.	LIABILITIES Amounts in € thousand	31 December 2012	31 December 2011	Increase/ (Decrease)	Increase/ (Decrease) %
	Shareholders' equity				
	share capital	1,098,899	1,098,899	0	0.0%
	legal reserve	165,087	113,731	51,356	45.2%
	other reserves	(433,220)	(375,802)	(57,417)	15.3%
	profit (loss) pertaining to previous years	346,968	314,009	32,958	10.5%
	profit (loss) for the period	77,383	85,958	(8,574)	-10.0%
	Total Group shareholders' equity	**1,255,118**	**1,236,795**	**18,323**	**1.5%**
	Minority interests	77,291	74,661	2,629	3.5%
24	Total shareholders' equity	1,332,409	1,311,457	20,952	1.6%
25	Staff termination benefits and other defined benefit plans	105,298	104,776	521	0.5%
26	Provision for liabilities and charges	272,401	250,892	21,510	8.6%
27	Borrowings and financial liabilities	2,211,609	2,298,916	(87,306)	-3.8%
28	Other liabilities	278,663	278,415	248	0.1%
29	Provisions for deferred tax liabilities	97,217	98,826	(1,609)	-1.6%
	NON-CURRENT LIABILITIES	**2,965,188**	**3,031,825**	**(66,636)**	**-2.2%**
	Trade payables	1,267,161	1,344,785	(77,624)	-5.8%
	Other current liabilities	299,661	286,441	13,220	4.6%
	Borrowings	891,407	540,645	350,762	64.9%
	Tax payables	61,510	102,232	(40,722)	-39.8%
30	**CURRENT LIABILITIES**	**2,519,739**	**2,274,102**	**245,636**	**10.8%**
23	**Liabilities directly associated with assets held for sale**	**1,344**	**0**	**1,344**	**100.0%**
	TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**6,818,680**	**6,617,384**	**201,296**	**3.0%**

Consolidated Statement of Cash Flows

Amounts in € thousand	31.12.2012	31.12.2011	Increase/ (Decrease)
Cash flow from operating activities			
Profit before tax from continuing operations	161,912	198,830	(36,918)
Profit before tax from discontinued operations	12,165	(39,738)	51,094
Amortisation/depreciation	259,032	250,453	8,580
Revaluations/impairment charges	82,675	(2,044)	84,719
Movement in provisions for liabilities	21,545	50,179	(28,634)
Net movement in staff termination benefits	(4,231)	(12,554)	8,322
Realised gains	1,953	0	1,953
Net financial interest expense	120,554	120,574	(20)
Income taxes paid	(107,528)	(139,540)	32,012
Cash generated by operations before movements in working capital	**548,078**	**426,160**	**121,917**
Increase in current receivables	(49,186)	(289,129)	239,943
Increase/decrease in current liabilities	(72,595)	314,398	(386,993)
Increase/(decrease) in inventories	23,895	6,322	17,573
Movement in working capital	***(97,886)***	***31,591***	***(129,477)***
Changes in other assets/liabilities during the period	**19,370**	**(124,780)**	**144,149**
TOTAL CASH FLOW FROM OPERATING ACTIVITIES	**469,562**	**332,972**	**136,590**
Cash flow from investing activities			
Purchase/sale of property, plant and equipment	(303,859)	(86,311)	(217,548)
Purchase/sale of intangible assets	(248,362)	(380,155)	131,793
Investments	4,098	(13,210)	17,308
Proceeds/payments deriving from other investments	(1,825)	230,233	(232,058)
Dividends received	823	2,048	(1,225)
Interest income received	30,780	22,609	8,171
TOTAL	**(518,344)**	**(224,787)**	**(293,558)**
Cash flow from financing activities			
Repayment of mortgages and long-term borrowings	(213,708)	(41,552)	(172,155)
Provision of mortgages/other medium/long-term borrowings	100,000	0	100,000
Decrease/increase in other short-term borrowings	436,226	237,019	199,207
Interest expenses paid	(123,247)	(119,622)	(3,626)
Dividends paid	(47,813)	(159,530)	111,717
TOTAL CASH FLOW	**151,458**	**(83,685)**	**235,143**
Cash flows for the year	**102,676**	**24,500**	**78,175**
Cash and cash equivalents at beginning of period	**321,022**	**296,522**	**24,500**
Cash and cash equivalents at end of period	**423,698**	**321,023**	**102,675**

Consolidated Statement of Changes in Shareholders' equity

Amounts in € thousand	Share capital	Legal reserve	Other reserves	Profit for the period	Total	Minority interests	Total shareholders' equity
Balances at 01 January 2011	**1,098,899**	**111,785**	**3,830**	**92,189**	**1,306,704**	**74,623**	**1,381,326**
Operating profit				85,958	85,958	7,563	93,521
Other comprehensive profits (losses)				(14,193)	(14,193)	(653)	(14,846)
Total comprehensive profit (loss)	***0***	***0***	***0***	***71,764***	***71,764***	***6,910***	***78,674***
Appropriation of result for 2010		6,906	85,283	(92,189)	0	0	0
Distribution of dividends		0	(155,348)	0	(155,348)	(5,835)	(161,183)
Change in basis of consolidation		(4,960)	18,635	0	13,675	(1,036)	12,639
Balances at 31 December 2011	**1,098,899**	**113,731**	**(47,599)**	**71,764**	**1,236,795**	**74,661**	**1,311,457**

Amounts in € thousand	Share capital	Legal reserve	Other reserves	Profit for the period	Total	Minority interests	Total shareholders' equity
Balances at 01 January 2012	**1,098,899**	**113,731**	**(47,599)**	**71,764**	**1,236,795**	**74,662**	**1,311,457**
Operating profit				77,383	77,383	7,917	85,300
Other comprehensive profits (losses)				(15,926)	(15,926)	(524)	(16,450)
Total comprehensive profit (loss)	***0***	***0***	***0***	***61,457***	***61,457***	***7,392***	***68,850***
Appropriation of result for 2011		51,428	20,336	(71,764)	0	0	0
Distribution of dividends		0	(44,635)		(44,635)	(3,178)	(47,813)
Change in basis of consolidation		(72)	1,572		1,500	(1,585)	(85)
Balances at 31 December 2012	**1,098,899**	**165,088**	**(70,326)**	**61,457**	**1,255,118**	**77,291**	**1,332,409**

Notes

Basis of Presentation and Consolidation

GENERAL INFORMATION

The consolidated financial statements of the ACEA Group for the year ended 31 December 2012 were approved by the Board of Directors' resolution on 8 March 2013. The Parent Company, ACEA SpA, is an Italian joint-stock company, with its registered office in Rome, at Piazzale Ostiense 2, and whose shares are traded on the Milan Stock Exchange.
The ACEA Group's principal areas of activity are described in the Management Operations' Report.

COMPLIANCE WITH IAS/IFRS

The consolidated financial statements have been prepared under the IFRS effective at the end of the reporting period, as approved by the International Accounting Standards Board (IASB) and adopted by the European Union. The standards consist of International Financial Reporting Standards (IFRS), International Accounting Standards (IAS) and the interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and of the Standing Interpretations Committee (SIC), collectively referred to as "IFRS".

BASIS OF PRESENTATION

The consolidated financial statements consists of the consolidated statement of financial position, consolidated income statement, statement of consolidated comprehensive income, consolidated statement of cash flows and the statement of changes in consolidated shareholders' equity. The Report also includes notes prepared under the IAS/IFRS currently in effect.
The income statement is classified on the basis of the nature of expenses, the statement of financial position is based on the liquidity method by dividing between current and non-current items, whilst the statement of cash flows is presented using the indirect method.

The consolidated financial statements have been prepared in euros and all amounts have been rounded off to the nearest thousand euros, unless otherwise indicated.

The figures in these consolidated financial statements are comparable to the figures in the previous period.

ALTERNATIVE PERFORMANCE INDICATORS

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

1. *gross operating profit* is used by the ACEA Group as an indicator of operating performance and is calculated by adding "Amortisation, depreciation, provisions and impairment charges" to the operating result;
2. net debt indicates the state of the ACEA Group's financial structure and is obtained by adding non-current borrowings and financial liabilities, less non-current financial assets (loans and receivables and securities other than investments), to current borrowings and other current liabilities, less current financial assets and 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 *net debt*.

USE OF ESTIMATES

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

Accounting standards and policies

The most significant accounting standards and policies are described below.

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 the shareholders' equity, its value should not be recalculated until its settlement is recognised to the shareholders' 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.

NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

Non-current assets (and assets included in disposal groups) classified as held for sale are accounted for at the lower of their previous carrying amount and their fair value less costs to sell.

Non-current assets (and assets included in disposal groups) are classified as held for sale when their carrying amount is expected to be recovered through a sale transaction rather than through their continued use. This condition is only met when the sale is highly probable, the asset (or asset included in a disposal group) is available for immediate sale in its present condition and management is committed to the sale, which is expected to take place within twelve months of the classification of this item.

In the case of discontinued operations, the post-tax gain or loss on disposal and the matching comparative amounts for the previous year are shown separately in a specific item in the income statement.

GOODWILL

Goodwill from business combinations (among which, as an example only, the acquisition of subsidiaries, jointly controlled entities, or the acquisition of business units or other extraordinary transactions) represents the excess of the cost of the acquisition over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary or jointly controlled entity at the date of the acquisition. Goodwill is recognised as an asset and is subject to an annual impairment review. Any impairment charges are immediately recognised in the income statement and are not subsequently reversed.

Goodwill emerging at the date of acquisition is allocated

to each of the cash-generating units expected to benefit from the synergies deriving from the acquisition. Impairment charges are identified via tests that assess the capacity of each unit to generate cash sufficient to recover the portion of goodwill allocated to it. Should the recoverable amount of the cash-generating unit be less than the allocated carrying amount, an impairment charge is recognised.

On the sale of a subsidiary or jointly controlled entity, any unamortised goodwill attributable to it is included in the calculation of the gain or loss on disposal.

CONVERSION OF FOREIGN FINANCIAL STATEMENT ITEMS

ACEA SpA and its European subsidiaries have adopted the euro as their functional and presentation currency. Foreign currency transactions are initially recognised at the spot rate on the date of the transaction. Foreign currency monetary assets and liabilities are translated into the functional currency at the exchange rate at the end of the reporting period. Exchange differences are recognised in the consolidated income statement, with the exception of differences deriving from foreign currency loans taken out in order to hedge a net investment in a foreign entity. Such exchange differences are taken directly to shareholders' equity until disposal of the net investment, at which time any differences are recognised as income or expenses in the income statement. The tax effect and tax credits attributable to exchange differences deriving from this type of loan are also taken directly to shareholders' equity. Foreign currency non-monetary items accounted for at historical cost are translated at the exchange rate on the date the transaction was initially recorded. Non-monetary items accounted for at fair value are translated at the exchange rate at the date the value was determined.
The functional currency used by the Group's Latin American companies is the official currency of the relevant country. At the end of the reporting period the assets and liabilities of these companies are translated into the Parent Company's presentation currency at closing rates, whilst income and expenses are translated at average rates for the period or at the rates ruling at the date of the related transactions. Exchange differences, resulting from the use of different rates to translate income and expenses as opposed to assets and liabilities, are taken directly to shareholders' equity and recognised as a separate component of equity. On disposal of a foreign economic activity, the cumulative exchange differences deferred in a separate component of shareholders' equity are recognised in the income statement.

REVENUE RECOGNITION

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

Sale of goods

Revenue is recognised when the significant risks and rewards of ownership of the goods have been transferred to the buyer, the revenue can be reliably measured and collectability is probable.

Rendering of services

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

In particular, **revenue from the sale and transport of electricity and gas** is recognised at the time the service is provided, even when yet to be billed, and includes an estimate of the quantities supplied to customers between their last meter reading and the end of the period. Revenue is calculated on the basis of the related laws, provisions contained in Electricity and Gas Authority resolutions in effect during the period and existing provisions regarding equalisation.

Revenue from integrated water services are determined on the basis of the Temporary Tariff Method (MTT), valid for determining tariffs for the years 2012 and 2013, approved with AEEG Resolution no. 585/12/R/idr.
Revenues for the year also include the adjustment relative to so-called pass-through items (i.e. electricity,

wholesale water, concession fees), the details of which are provided in the aforementioned resolution.

Finance income

Interest income is recognised on a time proportion basis that takes account of the effective yield on the asset (the rate of interest required to discount the stream of future cash receipts expected over the life of the asset to equate to the initial carrying amount of the asset). Interest is accounted for as an increase in the value of the financial assets recorded in the accounts.

Dividend income

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

Grants

Grants related to plant investments received from both public and private entities are accounted for at fair value when there is reasonable assurance that they will be received and that the conditions attaching to them will be complied with.
Water connection grants are recognised as non-current liabilities and taken to the income statement over the life of the asset to which they refer if they relate to an investment, or recognised in full as income if matched by costs incurred during the period.
Grants related to income (disbursed in order to provide an enterprise with immediate financial aid or as compensation for expenses and losses incurred in a previous period) are recognised in the income statement in full once the conditions for recognition have been complied with.

Construction contracts

Construction contracts are accounted for on the basis of the contractual payments accrued with reasonable certainty, according to the percentage of completion method (cost to cost), attributing revenue and profits on the contract to the individual reporting periods in proportion to the stage of contract completion. Any positive or negative difference between contract revenue and any prepayments received is recognised in assets or liabilities.
In addition to contract fees, contract revenue includes variations, price changes and the payment of incentives to the extent that it is probable that they will form part of actual revenue and that they can be reliably determined. Expected losses are recognised regardless of the stage of contract completion.

Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset (an asset that necessarily takes a substantial period of time to get ready for its intended use or sale) are capitalised as part of the cost of the asset until it is ready for use or sale. Income on the temporary investment of the borrowings is deducted from the capitalised borrowing costs.
All other borrowing costs are recognised as an expense in the period in which they are incurred.

EMPLOYEE BENEFITS

Post-employment employee benefits in the form of defined benefit and defined contribution plans (such as staff termination benefits, bonuses, tariff subsidies, as described in the notes) or other long-term benefits are recognised in the period the related right accrues. the valuation of the liabilities is performed by independent actuaries. Such funds and benefits are not financed.
The cost of the benefits involved in the various plans is determined separately for each plan based on the actuarial valuation method, using the projected unit credit method to carry out actuarial valuations at the end of the reporting period.
Actuarial gains and losses are recognised as income or expense if the net cumulative unrecognised actuarial gains and losses for each plan at the end of the previous reporting period exceeds the greater of 10% of the present value of the defined benefit obligation or 10% of the fair value of any plan assets at that date (the so-called corridor method). Such gains and losses are recognised on the basis of the expected average remaining working lives of the employees participating in the plan.

SHARE-BASED PAYMENT TRANSACTIONS (STOCK OPTIONS)

The Group is required to recognise the goods or services received in a share-based payment transaction at the date the goods or services are consumed. The Group is required to recognise a corresponding increase in shareholders' equity if the goods or services are received on the basis of a share-based payment transaction settled by the issuance of equity, or as a liability if the goods or services are acquired on the basis of a share-based payment transaction settled by the issuance of cash.

LEASES

Leases are classified as finance leases when the terms of the contract substantially transfer all the risks and benefits of ownership of an asset to the lessee. All other leases are operating leases.

Assets held under a finance lease are recognised as assets belonging to the Group and accounted for at amounts equal to fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The underlying liability to the lessor is included in the statement of financial position as an obligation to pay future lease payments. Lease payments are apportioned between the capital element and the interest element, in such a way as to produce a constant periodic rate of interest on the remaining balance of the liability.

Finance costs, whether certain or estimated, are recognised on an accruals basis unless they are directly attributable to the acquisition, construction or production of an asset, which justifies their capitalisation.

Lease payments under operating leases are recognised as an expense in the income statement on a straight-line basis over the lease term. The benefits received or to be received as an incentive for entering into operating leases are also recognised on a straight-line basis over the lease term.

TAXATION

Income taxes for the period represent the aggregate amount of current and deferred taxes.

Current taxes are based on the taxable profit (tax loss) for the period. Taxable profit (tax loss) differs from the accounting profit or loss as it excludes positive and negative components that will be taxable or deductible in other periods and also excludes items that will never be taxable or deductible. Current tax liabilities are calculated using the tax rates enacted or substantively enacted at the end of the reporting period, and taking account of tax instruments permitted by tax legislation (the domestic tax consolidation regime and/or tax transparency).

Deferred taxes are the taxes expected to be paid or recovered on temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and the corresponding tax bases, accounted for using the liability method. Deferred tax liabilities are generally recognised on all taxable temporary differences, whilst deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary difference can be utilised. Deferred tax assets and liabilities are not recognised if the temporary differences derive from goodwill or the initial recognition of an asset or liability in a transaction, other than a business combination, that at the time of the transaction affects neither accounting nor taxable profit nor loss.

Deferred tax liabilities are recognised on taxable temporary differences arising on investments in subsidiaries, associates and jointly controlled entities, unless the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that, based on the plans approved by the Parent Company's Board of Directors, it is no longer probable that sufficient future taxable profit will be available against which all or part of the assets can be recovered.

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

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is stated at historical cost, including any directly attributable costs of making the asset ready for its intended use, less accumulated depreciation and any accumulated impairment charges. The cost includes the costs of dismantling and removing the asset and cleaning up the site at which the asset was located, if covered by the provisions of IAS 37. The matching liability is accounted for in provisions for liabilities and charges. Each component of an asset with a cost that is significant in relation to the total cost of the item, and having a different useful life, is depreciated separately.

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

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

Plant and machinery used in operations	1.25% - 6.67%
Other plant and machinery	4%
Industrial and commercial equipment used in operations	2.5% - 6.67%
Other industrial and commercial equipment	6.67%
Other assets used in operations	12.5%
Other assets	6.67% - 19.00%
Motor vehicles used in operations	8.33%
Other motor vehicles	16.67%

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

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

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

INVESTMENT PROPERTY

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

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

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

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

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

INTANGIBLE ASSETS

Intangible assets acquired separately or deriving from a business combination

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

Intangible assets are tested for impairment annually: the tests are conducted in respect of each intangible asset or, if necessary, in respect of each cash-generating unit. Amortisation is calculated on a straight-line basis over the expected useful life of the asset, which is reviewed annually and any resulting changes, if possible, applied prospectively. Amortisation begins when the intangible asset is ready for use.

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

Brands and patents

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

Concessions

This item includes the value of the thirty-year right of Concession granted by Roma Capitale, regarding the use of fresh and waste water assets, formerly conferred to ACEA and subsequently transferred, as of 31 December 1999, to the spun-off company, ACEA Ato2, and relating to publicly owned assets belonging to the category of so-called "incidental public property" for fresh and waste water services. This right is amortised over the residual concession term (thirty years from 1998). The residual amortisation period is in line with the average term of contracts awarded by public tender.

This item also includes:

- the net value at 1 January 2004 of the goodwill deriving from the transfer of sewerage services to ACEA Ato2 by Roma Capitale with effect from 1 September 2002,
- the net value at 1 January 2004 of goodwill deriving from the acquisition of the Acque di Pisa Group by the subsidiary ABAB,
- the net value at 1 January 2005 of goodwill deriving from the acquisition of G.O.R.I. by the subsidiary, Sarnese Vesuviano,
- the goodwill, attributable to this item, deriving from the acquisition of Publiacqua by Acque Blu Fiorentine,
- the goodwill, attributable to this item, deriving from ACEA's acquisition of Umbra Acque,
- the goodwill, attributable to this item, deriving from the acquisition of the A.R.I.A. Group, with particular reference to SAO, the company that manages the waste dump in Orvieto,
- the goodwill, attributable to this item, deriving from ACEA's acquisition of ACEA Ato5.

Concessions are amortised on a straight-line basis over the residual term of each concession.

Right on infrastructures

Pursuant to IFRIC 12, this item includes the aggregate amount of tangible infrastructures used for the management of the water service.

With reference to the application of IFRIC 12 to the **concession of public lighting** , the signing of the supplementary agreement, taking place on 15 March 2011 and effective from 1 January 2011, led to the full adoption of the financial assets model, also with reference to the residual right deriving from the public lighting concession.

It should also be remembered that, as described in the Consolidated Financial Statements 2010, based on the analyses carried out in last year concerning the reference legislative and concession framework to assess the applicability of the interpretation in question, in 2010 the ACEA Group chose to adopt a mixed method that in particular envisages the application of the intangible model, and therefore the posting under intangible assets of the residual right on the infrastructure that can be recovered with the cash flows generated by the service contract after 30 May 2015.

Since the expiry of supplementary agreement coincides with the concession and the cash flows are thus guaranteed by the contract until that date, the item "Rights

on the infrastructure", classified under intangible assets, was reclassified to financial receivables amounting to the value of the right on the infrastructure at 1 January 2011, taking into account the effect generated by the new contract duration.

As regards the rates used, the costs of intellectual property, included under intangible assets, are amortised over an estimated useful life of three years.

IMPAIRMENT OF ASSETS

At each end of the reporting period, the Group reviews the value of its property, plant and equipment and intangible assets to assess whether there is any indication that an asset may be impaired (impairment test). If any indication exists, the Group estimates the recoverable amount of the asset in order to determine the impairment charge.
When it is not possible to estimate the recoverable amount of the individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.
Intangible assets with indefinite useful lives, including goodwill, are tested for impairment annually and each time there is any indication that an asset may be impaired, in order to determine the impairment charge.
The test consists of a comparison between the carrying amount of the asset and its estimated recoverable amount.
The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. In calculating value in use, future cash flow estimates are discounted using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the business.

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

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

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

EMISSION ALLOWANCES AND GREEN CERTIFICATES

Different accounting policies are applied to allowances or certificates held for own use in the "Industrial Portfolio", and those held for trading purposes in the "Trading Portfolio". Surplus allowances or certificates held for own use, which are in excess of the company's requirement in relation to the obligations accruing at the end of the year, are accounted for at cost in other intangible assets. Allowances or certificates assigned free of charge are accounted for at a zero value. Given that these are assets for instant use, they are not amortised but are tested for impairment. The recoverable amount is the higher of the asset's value in use and its market value. If, on the other hand, there is a deficit, because the requirement exceeds the allowances or certificates in portfolio at the end of the reporting period, provisions are made in the financial statements for the charge needed to meet the residual obligation; this is estimated on the basis of any spot or forward purchase contracts already signed at the end of the reporting period; otherwise, on the basis of market prices.

Allowances or certificates held for trading in the "Trading Portfolio" are accounted for in inventories and measured at the lower of purchase cost and estimated realisable value, based on market trends.
Allowances or certificates assigned free of charge are

accounted for at a zero value. Market value is established on the basis of any spot or forward sales contracts already signed at the end of the reporting period; otherwise, on the basis of market prices.

INVENTORIES

Inventories are valued at the lower of cost and net realisable value. The cost comprises all materials and, where applicable, direct labour, production overheads and all other costs incurred in bringing the inventories to their present location and condition. The cost is calculated using the weighted average cost formula. The net realisable value is the estimated selling price less the estimated costs of completion and the estimated costs necessary in order to make the sale.
Impairment charges incurred on inventories, given their nature, are either recognised in the form of specific provisions, consisting of a reduction in assets, or, on an item by item basis, as an expense in the income statement in the period the impairment charge occurs.

FINANCIAL INSTRUMENTS

Financial assets and liabilities are recognised at the time the Group becomes party to the contract terms applicable to the instrument.

Trade receivables and other assets

Trade receivables, which have normal commercial terms, are recognised at face value less estimated provisions for the impairment of receivables.
The estimate of uncollectible amounts is made when collection of the full amount is no longer probable.
Trade receivables refer to the invoiced amount which, at the date of these financial statements, is still to be collected, as well as the receivables for revenues for the period relating to invoices that will be issued later.

Financial assets

Financial assets are recognised and derecognised at the trade date and initially recognised at cost, including any directly attributable acquisition costs.
At each future balance sheet date, the financial assets that the Group has a positive intention and ability to hold to maturity (**held-to-maturity financial assets**) are recognised at amortised cost using the effective interest method, less any impairment charges applied to reflect impairments.
Financial assets other than those held to maturity are classified as held for trading or as available for sale, and are stated at fair value at the end of each period.
When financial assets are **held for trading**, gains and losses deriving from changes in fair value are recognised in the income statement for the period. In the case of financial assets that are **available for sale**, gains and losses deriving from changes in fair value are recognised directly in a separate item of shareholders' equity until they are sold or impaired. At this time, the total gains and losses previously recognised in equity are recycled through the income statement for the period. The total loss must equal the difference between the acquisition cost and current fair value.

The fair value of financial instruments traded in active markets is based on quoted market prices (bid prices) at the end of the reporting period. The fair value of investments that are not traded in an active market is determined on the basis of quoted market prices for substantially similar instruments, or calculated on the basis of estimated future cash flows generated by the net assets underlying the investment.
Purchases and sales of financial assets, which imply delivery within a timescale generally defined by the regulations and practice of the market in which the exchange takes place, are recognised at the trade date, which is the date the Group commits to either purchase or sell the asset.

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are initially stated at fair value.
After initial recognition, they are carried at amortised cost using the effective interest method. The amortised cost of a financial asset means the amount recognised initially, less principal repayments and plus or minus accumulated amortisation using the effective interest method of the difference between the initial amount and the maturity amount, after any reductions. The effective interest method is a method of calculating the

amortised cost of a financial asset (or group of financial assets) and allocating the interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts over the expected life, or contractual term if shorter, of the financial instrument to the net carrying amount of the financial asset.

In the case of financial assets stated at amortised cost, the income statement and statement of financial position are adjusted to take account of the difference between the payment or receipt calculated on the basis of the effective interest rate and the coupon interest to be collected/paid, recognised on the basis of the nominal rate of the instrument.
At each end of the reporting period, the Group assesses if there has been an impairment for a financial asset, or a group of financial assets. A financial asset or a group of financial assets is subject to impairment if there is evidence of an impairment, as a consequence of one or more events occurred after initial recognition (when there is a "loss event") and this loss event has an impact - which can be reliably estimated - on future estimated cash flows of the financial asset or group of financial assets. An impairment can be represented by indicators such as financial difficulties, failure to meet obligations, non-payment of significant amounts, the probability that the debtor goes bankrupt or is subject to another form of financial reorganisation, and if data shows that there is a measurable decrease in future estimated cash flows, such as changes in situations or economic conditions linked with obligations.

Cash and cash equivalents

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

Financial liabilities

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

Derivative financial instruments

Derivative financial instruments are initially recognised at cost and then re-measured to fair value at subsequent end of the reporting periods. They are designated as hedging instruments when the hedging relationship is formally documented at its inception and the periodically verified effectiveness of the hedge is expected to be high.

Fair value hedges are recognised at fair value and any gains or losses recognised in the income statement. Any gains or losses resulting from the fair value measurement of the hedged asset or liability are similarly recognised in the income statement.
In the case of cash flow hedges, the portion of any fair value gains or losses on the hedging instrument that is determined to be an effective hedge is recognised in shareholders' equity, whilst the ineffective portion is recognised directly in the income statement.
If the hedged contract commitment or forecast transaction results in recognition of an asset or a liability, the gains and losses on the instrument previously recognised directly in shareholders' equity are transferred from equity and included in the initial measurement of the cost or carrying amount of the asset or liability.
In the case of cash flow hedges that do not result in recognition of an asset or a liability, the amounts recognised directly in shareholders' equity are included in the income statement in the same period in which the hedged contract commitment or forecast transaction is ultimately recognised in the income statement.
In the case of fair value hedges, the hedged item is adjusted for changes in fair value attributable to the hedged risk and the resulting gain or loss recognised in the income statement. Gains and losses deriving from measurement of the derivative instrument are also recognised in the income statement.

Changes in the fair value of derivative instruments that do not qualify for hedge accounting are recognised in the income statement for the period in which they occur, with the exception of derivative instruments whose fair value is not reasonably determinable.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or when the instrument no longer meets hedge accounting criteria. At this time, accumulated gains and losses on the hedging instrument recognised directly in shareholders' equity are retained in equity until the forecast transaction effectively occurs. If the forecast transaction is no longer expected to occur, the accumulated gains and losses recognised directly in shareholders' equity are immediately taken to the income statement for the period.

Trade payables

Trade payables, which have normal commercial terms, are stated at face value.

Derecognition of financial instruments

Financial assets are derecognised when the Group has transferred all the related risks and the right to receive cash flows from the investments.

A financial liability (or portion of a financial liability) is derecognised when, and only when, it is extinguished, i.e. when the obligation specified in the contract is either fulfilled, cancelled or expires.

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

PROVISIONS FOR LIABILITIES AND CHARGES

Provisions for liabilities and charges are made when the Group has a present (legal or constructive) obligation as a result of a past event, if it is more likely than not that an outflow of resources will be required to settle the obligation and the related amount can be reliably estimated.

Provisions are measured on the basis of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period, and are discounted when the effect is significant. When the liability regards the cost of dismantling and/or repairing an item of property, plant and equipment, the initial provisions are accounted for as a contra entry in respect of the asset to which they refer. The provisions are released to the income statement through depreciation of the item of property, plant and equipment to which the charge refers.

Accounting standards, amendments, interpretations and improvements applied from 1 January 2012

The following documents, already issued by the IASB and endorsed by the European Union as amendments to the international accounting standards entered into force from 1 January 2012:

CHANGE TO IFRS 7 - DISCLOSURES - TRANSFER OF FINANCIAL ASSETS

The amendments made to IFRS 7 intend to provide greater transparency in relation to risks connected with transactions in which, in respect of the transfers of financial assets, the transferor retains some level of exposure to the risks associated with the financial assets transferred (a situation generally defined as "continuing involvement", translated with the term "coinvolgimento residuo" in the Italian version of the regulations for the approval of international accounting standards). Additional information is also required in the event of transfers of financial assets at particular times (e.g. near the end of the year).

The amendments to IFRS 7 specify that the disclosure requirements apply to total or partial transfers of financial assets in cases in which the entity:

- transfers all contractual rights to receive cash flows from a financial assets,
- retains all contractual rights to receive cash flows from a financial assets, but assumes a contractual obligation to pay said cash flows to another beneficiary.

The amendments to the standard were approved and must be applied from 1 January 2012.

Accounting standards, amendments and interpretations applicable after the end of year and not adopted in advance by the Group

The following amendments and principles were endorsed during the period:

AMENDMENTS TO IAS 1: PRESENTATIONS OF ITEMS OF OTHER COMPREHENSIVE INCOME

On 16 June 2011, the IASB issued the document "Presentations of Items of Other Comprehensive Income (amendments to IAS 1)", the result of joint work carried out with the FASB, which provides a guide on the presentation and classification of items contained in the Statement of Other Comprehensive Income ("OCI").

The standard does not modify the possibility of presenting all revenue and cost items recorded in one financial year in a single statement of comprehensive income, or in two statements: one statement which shows profit (loss) components for the year (separate income statement) and a second statement which starts with profits (losses) for the year and shows the items of the Statement of Other Comprehensive Income.

The standard requires the grouping together of items of the Statement of Other Comprehensive Income into two categories, depending on whether they can be reclassified or not, in the income statement in a future period.

The amendments to the standard were endorsed and published in Official Journal of the European Union no. 146 of 6 June 2012. They must be retrospectively applied to financial statements in years beginning 1 July 2012 or thereafter.

AMENDMENTS TO IAS 19: "EMPLOYEE BENEFITS"

On 16 June 2011, the IASB issued an amended version of IAS 19 "Employee Benefits".

Said document modifies the accounting of defined benefit plans and termination benefits.

In the first place, it eliminated the possibility of using the "corridor method" for recording actuarial profits and losses. In particular, all actuarial profits and losses must be recorded in the Statement of Other Comprehensive Income ("OCI"), with no other option available, in order to

show the complete net balance of the plan surplus/deficit in the statement of financial position. During the transition in line with the requirements of the amended standard, an entity that currently uses the "corridor method" may have to record a higher liability/lower asset in the statement of financial position (with a matching entry in the Statement of Other Comprehensive Income and, therefore, Equity). When fully applied, said amendment will generate higher volatility in the statement of financial position and in the Statement of Other Comprehensive Income, but the income statement will no longer be affected by the amortisation of actuarial profits/losses.

Secondly, provision is made for a new approach to the presentation and accounting of changes in the following components of defined benefit obligations and plan assets in the income statement and the Statement of Other Comprehensive Income:

- Service costs are charged to the income statement: they include costs for services provided in the year, effects generated by past service costs and curtailments (both now recorded immediately in the year they occur) and profits/losses generated by settlement of the plan (in particular, generated by payments not in keeping with the terms of the plan, for example, early termination of the plan),
- Net interests which are recorded in the income statement,
- Remeasurements which are booked to the Statement of Other Comprehensive Income: these include, among other things, actuarial profits/losses on plan liabilities. Remeasurements are never reclassified to the income statement, but can be transferred to shareholders' equity (e.g. among profit reserves).

Thirdly, the new standard requires additional disclosures, to be provided in the notes.

The amendments to the standard were endorsed and published in Official Journal of the European Union no. 146 of 6 June 2012. They must be applied to financial statements in years beginning 1 January 2013 or thereafter and early adoption is permitted. Retrospective application is required with certain exceptions and comparative sensitivity analysis for financial years starting before 1 January 2014.

IFRS 10 – CONSOLIDATED FINANCIAL STATEMENTS
IFRS 12 – DISCLOSURE OF INTERESTS IN OTHER ENTITIES

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

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

IFRS 11 – JOINT ARRANGEMENTS

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

- Classification of arrangements in only two manners (joint operation and joint venture) instead of the three set forth in IAS 31
- Distinction between the two types of arrangement based on their content
- Reporting of contractual rights and obligations resulting from the arrangement on the basis of its content
- Assessment of the investment in a joint venture based on the shareholders' equity method instead of the proportionate method, which is no longer permitted

The new standard sets forth that:

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

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

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

The principles were endorsed and published in the Official Journal of the European Union no. 360 of 29 December 2012. The companies shall begin applying IFRS 10, IFRS 11, IFRS 12, the amended IAS 27 and the amended IAS 28, at the latest, on the first day of the first financial year beginning on or after 1 January 2014.

AMENDMENTS TO IFRS 1 "FIRST-TIME ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS - SEVERE HYPERINFLATION AND REMOVAL OF FIXED DATES FOR FIRST-TIME ADOPTERS" AND TO IAS 12 "INCOME TAXES - DEFERRED TAX: RECOVERY OF UNDERLYING ASSETS", ADOPTION OF IFRS 13 "FAIR VALUE MEASUREMENT"

With Regulation (EU) 1255/2012 of the Commission of 11 December 2012, published in Official Journal L 360 of 29 December 2012, the amendments to IFRS 1 "First-time adoption of International Financial Reporting Standards - Severe hyperinflation and Removal of Fixed Dates for First-time Adopters" and to IAS 12 "Income taxes - Deferred tax: recovery of underlying assets" were adopted. IFRS 13 Fair value measurement, published by the IASB on 12 May 2011, was also adopted.

The objective of the amendments to IFRS 1 is to introduce a new exception to the scope of application of IFRS 1: entities that were subject to severe hyperinflation are authorised to use fair value to replace the cost of assets and liabilities in their first statement of financial position drawn up in compliance with IFRS.

Furthermore, those amendments also replace the references to fixed dates in IFRS 1 with references to the transition date.

As regards IAS 12, which defines the accounting of income taxes, the objective of the amendments is to introduce an exception to the measurement principle into the principle itself in the form of a rebuttable presumption based on which the carrying amount of the investment property measured based on the fair value model would be recovered through sale, and an entity would be required to apply the tax rate applicable to the sale of the underlying asset.

Companies are required to apply the aforementioned amendments at the latest from the beginning of the first annual period starting after the date the regulation comes into effect (third day subsequent to publication in the Official Journal of the European Union) or subsequently.

IFRS 13 establishes a single IFRS framework for fair value measurements and provides a complete guide on how to measure the fair value of financial and non-financial assets and liabilities. IFRS 13 applies when another IFRS requires or allows fair value measurements or requires additional information on fair value measurements.

The companies shall begin applying IFRS 13, at the latest, on the first day of the first financial year beginning on or after 1 January 2013.

AMENDMENTS TO IFRS 7 "FINANCIAL INSTRUMENTS: DISCLOSURES - OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES" AND TO IAS 32 "FINANCIAL INSTRUMENTS: PRESENTATION - OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES"

Regulation (EU) 1256/2012 of the Commission of 13 December 2012 was published in Official Journal L 360 of 29 December 2012, and adopts the Amendments to IFRS 7 "Financial instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities" and to IAS 32 "Financial instruments: Presentation - Offsetting Financial Assets and Financial Liabilities" (published by the IASB on 16 December 2011).

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

Furthermore, the IASB amended IAS 32 in order to provide additional instructions to decrease inconsistencies in the practical application of the principle.
The companies shall begin applying the aforementioned amendments to IFRS 7 and IAS 32 on the first day of their first financial year which begins on or after 1 January 2013.
The additional amendments to IAS 32 shall apply, at the latest, on the first day of their first financial year which begins on or after 1 January 2014.
This Regulation also cancels paragraph 13 of IFRS 7, which should have taken place when the Amendments to IFRS 7 Financial instruments: Disclosures - Transfers of Financial Assets were adopted with Regulation (EU) no. 1205/2011 of the Commission of 22 November 2011. The provision in question must be applied beginning on 1 July 2011 in order to be effective. It must be applied retroactively to ensure legal certainty for the issuers concerned.

EXPOSURE DRAFTS ISSUED BY THE IASB

EXPOSURE DRAFT 2012/2 "IMPROVEMENTS TO IFRS: 2011-2013 CYCLE"

On 20 November 2012 the IASB published Exposure Draft 2012/2 "Improvements to IFRS: 2011-2013 Cycle". The amendments proposed in the document should be applied in financial statements for years beginning on or after 1 January 2014.
The Exposure Draft proposes amendments to the following principles:

- IFRS 1 "First-time Adoption of International Financial Reporting Standards".
- IFRS 3 "Business Combinations".
- IFRS 13 "Fair Value Measurement".
- IAS 40 "Investment Properties".

IFRS 1 "First-time Adoption of International Financial Reporting Standards"
It is clarified that, as an alternative to applying a Principle currently in force on the date of the first IAS/IFRS financial statements, the first-time adopter can opt for early application of the revised version of the same Principle (intended to replace the Principle in force).
This option is permitted when the new principle allows for early application. Furthermore, the same version of the principle must be applied for all periods presented in the first IAS/IFRS financial statements.

IFRS 3 "BUSINESS COMBINATIONS"

The proposed amendment has the purpose of: i) clarifying that the exclusion from the scope of application of IFRS 3 set forth in paragraph 2 a) includes joint arrangements pursuant to IFRS 11; ii) specifying that the exclusion from the scope of application refers exclusively to the financial statements of the joint operation or joint venture and not to accounting by those participating in the joint arrangement.

IFRS 13 "FAIR VALUE MEASUREMENT"

In its current form, IFRS 13:52 (portfolio exception) limits the possibility of measuring fair value on the basis of net value to financial assets and financial liabilities included within the scope of application of IAS 39.
The proposed amendment clarifies that the possibility for fair value measurements to be made on a net basis also refers to contracts within the scope of IAS 39 (or IFRS 9) regardless of whether they satisfy the definition of financial assets and financial liabilities provided by IAS 32, such as commodity purchase and sale agreements that can be settled in cash for their net value.

IAS 40 "INVESTMENT PROPERTIES"

The proposed amendment clarifies that IFRS 3 and IAS 40 are not mutually exclusive and in order to determine if the purchase of investment property falls within the area of application of IFRS 3, reference must be made to the specific instructions provided by IFRS 3. Instead, to determine whether the purchase in question falls within the area of application of IAS 40, reference must be made to the specific instructions set forth in IAS 40.

Comments to the Exposure Draft must be received by 18 February 2013.

EXPOSURE DRAFT 2012/3 "EQUITY METHOD: SHARE OF OTHER NET ASSET CHANGES (PROPOSED AMENDMENTS TO IAS 28)"

On 22 November 2012, the IASB published Exposure Draft 2012/3 "Equity Method: Share of Other Net Asset Changes (Proposed amendments to IAS 28)".

The aspects addressed in the document are described below:

- Application of the equity method in the case of other changes in the shareholders' equity of the investee

The proposed amendment to IAS 28 (2011) specifies that changes in the shareholders' equity of an investee measured at equity, unlike those recognised in the income statement or in the statement of comprehensive income or generated by distributions of reserves received, must be accounted for, for the applicable portion, in the investee's shareholders' equity.

Comments to the Exposure Draft must be received by 22 March 2013.

EXPOSURE DRAFT 2012/4 "CLARIFICATION AND MEASUREMENT: LIMITED AMENDMENTS TO IFRS 9 (PROPOSED AMENDMENTS TO IFRS 9 (2010))"

On 28 November 2012, the IASB published Exposure Draft 2012/4 "Clarification and
Measurement: Limited Amendments to IFRS 9 (Proposed amendments to IFRS 9 (2010))".

At present, the Group is analysing the standards and interpretations indicated and assessing whether their adoption will have a significant effect on the financial statements.

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 under proportionate consolidation. The application of proportionate consolidation thus means that the consolidated financial statements include the Group's share of all the jointly controlled entities' assets, liabilities, income and expenses, classified according to their nature. When a Group company operates directly through joint venture arrangements, the liabilities and costs incurred directly with respect to the jointly controlled activities are recognised on an accrual basis. The share of profits deriving from the sale or use of resources produced by the joint venture, net of the related share of expenses, is recognised when it is likely that the economic benefits deriving from the transaction will be received by the Group and their value can be reliably measured.

Where joint venture agreements involve the establishment of a separate entity, the Group's share of the jointly controlled entities' assets, liabilities, costs and revenue is combined with similar items in its consolidated financial statements on a line-by-line basis. Unrealised prof-

its and losses on transactions between the Group and a jointly controlled entity are eliminated to the extent of the Group's interest in that entity, unless the unrealised losses provide evidence of impairment of the asset transferred.

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 carried at 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 covered from 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. Where the cost of acquisition is lower than the Group's interest in the fair value of the associate's assets, liabilities and contingent liabilities identifiable at the date of acquisition is recognised in the income statement in the period of acquisition.

Unrealised profits and losses on transactions between the Group and an associate are eliminated to the extent of the Group's interest in the associate, unless the unrealised losses provide evidence of an impairment of the asset transferred.

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.

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 under proportionate consolidation.
The Group's basis of consolidation is divided into areas:

A) CHANGES IN BASIS OF CONSOLIDATION

The basis of consolidation as at 31 December 2012 has changed compared to that of the Consolidated Financial Statements 2011, mainly due to the completion on 31 March 2011 of the winding-up of the joint venture agreement signed in 2002 along with associated mutual relations, positions, rights and obligations (for further information see the full description in the Consolidated Financial Statements as at 31 December 2011). The economic data are therefore not readily comparable to those of 2011.
The changes in the basis of consolidation also concerned:

- the disposal of ARSE's PV business unit on 28 December 2012,
- the merger into ARIA of its subsidiaries EALL, Terni Ena, Enercombustibili and Ergo Ena with effect from 1 September 2011. This transaction did not give rise to changes in the share capital, registered office or the administration and control bodies of ARIA,
- the merger into Crea Gestioni of Crea Partecipazioni and Acea Rieti with effect from 1 September 2011.
- the purchase by ACEA in March 2011 of 70% of Acea Servizi Acqua S.r.l. from Smeco Lazio S.r.l.,
- the purchase by Aquaser at the end of March 2011 of 40% of Innovazione Sostenibilità Ambientale S.r.l. (ISA); at 31 December 2012, it holds 51%,
- the winding-up of the consortia Acea Ato5 Servizi and Acea Ricerca Perdite in December 2011 and May 2012, respectively.

B) UNCONSOLIDATED INVESTMENTS

During application of the above methods of consolidation and of the equity method, the following subsidiaries and associates, which are accounted for at cost, were excluded. It was possible to resort to this applied simplification by taking account of the fact that the investees listed below are inoperative (all in liquidation) and/or are not significant, considered either individually or on an aggregated basis based on qualitative and quantitative factors:

1. **Luce Napoli**, 70% owned by ACEA. Note that this company was placed in liquidation in November 2008;
2. **Tirana Acque S.c.a.r.l.** in liquidation, 40% owned by ACEA.

Financial Highlights of Companies accounted for under Proportionate Consolidation

The table is shown in the annexes.

Segment information

Please note the following for a greater understanding of this section:

- generation, trading and sales refer to the Energy industrial area responsible in organisational terms for Acea Energia Holding, Acea Energia, Umbria Energy, Voghera Energia Vendite, Elga Sud and Acea Produzione,
- distribution, public lighting (Rome and Naples) and PV power are included in the Energy Networks industrial area which, from an organisational perspective, includes ACEA Distribuzione, ARSE, Ecogena and Acea Illuminazione Pubblica,
- analysis and research services refer to the Engineering and Services Department, responsible in organisational terms for LaboratoRI S.p.A. and the research consortia,
- Overseas Water Services refer to the Water industrial area, also responsible in organisational terms for water companies operating abroad,
- Italian Water Services refer to the Water industrial area, responsible in organisational terms for the water companies operating in Lazio, Campania, Tuscany and Umbria, and for AceaGori Servizi,
- environment refers to the Industrial Area of the same name, responsible, under the organisation structure, for the Companies in the A.R.I.A. Group and the Aquaser Group.

The statements of financial position and income statements as at 31 December 2012 and 31 December 2011 are included in the annexes.

Notes to the Consolidated Income Statement

Please note that the 2012 income statement, commented on in the following pages, is reclassified on the basis of IFRS 5 as a result of the disposal of the PV business unit of ARSE in December.

To make the comparison homogeneous, the 2011 income statement was also reclassified with regard to the aforementioned disposal, so it is different from the statement published. Please note that the 2011 income statement also contains the economic data relative to the activities transferred in March 2011 relative to the wound-up joint venture.

Consolidated net revenue

As at 31 December 2012 these amounted to 3,591,922 thousand euros (3,271,945 thousand euros at 31 December 2011), representing an increase of 319,978 thousand euros (9.8%) over the previous year, and are broken down as follows.

€ thousand	31.12.2012	31.12.2011	Absolute increase/ (Decrease)	Increase/ (decrease) %
Revenue from sales and services	3,522,752	3,213,805	308,947	9.6%
Other revenues and proceeds	69,170	58,140	11,030	19.0%
CONSOLIDATED NET REVENUE	**3,591,922**	**3,271,945**	**319,978**	**9.8%**

The change is essentially a result of:

- the increase in revenues from the sale of electricity and gas by 276,864 thousand euros, due to the change in the basis of consolidation and higher average sale prices mitigated by the decrease in quantities sold,
- the increased revenue from water services in Italy and overseas (+76,879 thousand euros). Revenues were calculated based on the application of the new temporary tariff method (MTT) for determining tariffs for 2012 and 2013, as approved by the Authority (AEEG) with resolution no. 585/2012/idr of 28 December 2012 and the recognition of tariff adjustments of ACEA Ato2 and GORI totalling 45,239 thousand euros, deriving from the difference between the operator's guaranteed and actual revenues;
- due to the effect of increased income from green certificates (+11,217 thousand euros) and white certificates (+6,536 thousand euros in total);
- the increased revenues relating to ARIA Group companies (+3,169 thousand euros) from operations at the San Vittore plant, due to operational start-up of the plant's second and third production lines from April and July 2011, respectively,
- the decrease in other revenue items (-55,591 thousand euros) mainly as a result of the decrease in revenue from customer services following the decrease in marketing activities and turnkey supply of photovoltaic panels by ARSE.

1. REVENUE FROM SALES AND SERVICES - 3,522,752 THOUSAND EUROS

This item registered an increase of 308,947 thousand euros (+9.6%) compared to 31 December 2011, which closed with a total of 3,213,805 thousand euros.

That item is composed as shown in the table below.

€ thousand	31.12.2012	31.12.2011	Absolute increase/ (Decrease)	Increase/ (decrease) %
Electricity sales and services revenues	2,414,185	2,151,479	262,705	12.2%
Gas sales revenues	53,432	39,274	14,158	36.0%
Revenues from the sale of certificates and rights	37,410	18,753	18,658	99.5%
Revenues from integrated water services	792,841	717,458	75,383	10.5%
Overseas Water Services	37,384	35,889	1,495	4.2%
Revenues from biomass transfer and waste management	32,111	28,943	3,169	10.9%
Revenues from services to customers	128,520	185,662	(57,142)	-30.8%
Connection contributions	26,867	36,347	(9,480)	-26.1%
REVENUE FROM SALES AND SERVICES	**3,522,752**	**3,213,805**	**308,947**	**9.6%**

Electricity sales and services revenues

Electricity sales and services revenues amounted to 2,414,185 thousand euros and, excluding intercompany eliminations, essentially include following:

- 39,059 thousand euros (28,510 thousand euros as at 31 December 2011) relating to electricity and heat generation, with particular reference to the thermoelectric and hydroelectric plants of Acea Produzione. The 10,549 thousand euro increase is broken down as follows: **(i)** 7,504 thousand euros from the change in the basis of consolidation by presenting the pro-forma data for 2011, and **(ii)** 3,045 thousand euros from the higher volumes produced following the repowering of the Salisano and Orte hydroelectric power plants in the previous year. Through its directly owned plants, in 2012 the company achieved a production volume of 366.8 GWh (+46.1 GWh),
- 382,822 thousand euros (334,775 thousand euros as at 31 December 2011) relating to the transport and metering of energy for the free and protected markets; the increase in revenues (+48,047 thousand euros) was generated by the combined effect of less energy input into the network and the increase in balances, but especially by application of the new tariff structure in reference to the Fourth Regulatory Cycle, as defined by the AEEG (Electricity and Gas Authority) for the regulatory period 2012-2015. The main new element introduced since the previous regulatory period (2008-2011) is the reference tariff for the distribution service per company, 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 company equalisation. The tariff is broken down by withdrawal point (except for the public lighting-related tariff), unlike in the previous cycle when the reference distribution tariff was broken down not only by withdrawal point, but also by consumption and capacity (variables too subject to fluctuations in demand). The application of the general equalisation mechanisms resulted in income of 49,136 thousand euros at 31 December 2012 and, compared to last year, there is a greater impact of general equalisation, by 43,980 thousand euros.

The amount of company specific equalisation resulted in lower revenues for the company of 39,507 euros, since it is already incorporated into permitted distribution revenues. In addition to the equalisation items mentioned above, there was less revenue of 12,925 thousand euros relative to recoveries of general equalisations for years prior to 2012, due to the Equalisation Fund and AEEG notifications relating to adjustments on general equalisation amounts.

With regard to the markets service, note that for the free market there was a 2.43% increase in volumes distributed, from 7,471 GWh as at 31 December 2011 to the current 7,653 GWh. Note also that the average number of free market customers increased by roughly 97,803 compared to the same period last year.

In contrast, the volume of electricity distributed to customers in the protected categories market (3,437 GWh) is down 6.12% compared with the previous year.

- 1,944,400 thousand euros deriving from energy sales to the free and protected categories markets: these activities recorded a growth of 224,709 euros, essentially attributable to the change in the basis of consolidation (+173,543 thousand euros). The volumes sold on the free market by the Acea Energia Group amounted to 9,998 GWh, down approximately 22.6% compared to 31 December 2011 due to the consistent decrease in the portfolios of Elga sud and Voghera Energia Vendita, as well as a downsizing in the portfolio of Acea Energia, which decided to decrease volumes sold to the Public Administration and industrial customers. This decrease is however offset by an increase in the average price. The sale of electricity on the market subject to additional safeguards came to 3,418 GWh, a reduction of 6.6% compared to 2011, accompanied by an increase in average revenues, also due to AEEG resolution 583/2012, which contains an upward revision of the level of the RCV component for the remuneration of primary utility providers.

Electricity sales and services revenue also includes:

- revenues from the energy produced by the plants owned by A.R.I.A. amounting to 45,462 thousand euros. This revenue essentially comprises the sale of electricity to GSE in the period January-December and increased by 18,917 thousand euros due to the effect of volumes produced by the two new lines at the San Vittore plant (operative from April and July 2011). Other revenue from this segment was allocated to *Revenue from biomass transfer and waste management*,
- the revenues obtained by Arse and Ecogena for the transfer of the energy produced by PV and cogeneration plants (overall 2,333 thousand euros) are essentially in line with 2011.

Gas sales revenues

This item amounted to 53,432 thousand euros, up 14,158 thousand euros on the figure for 31 December 2011 due to the combined effects of changes in the basis of consolidation (+8,137 thousand euros) and the higher average sale prices which offset the decrease in volumes sold by the Acea Energia Group (-10% compared to 2011).

Revenues from the sale of certificates and rights

This item totalled 37,410 thousand euros, up 18,658 thousand euros on the same period last year. It also includes revenues from selling white certificates (Energy Efficiency Bonds) for 23,628 thousand euros (+6,536 thousand euros), obtained from the implementation of energy savings projects. Contributing to the change was the recognition of Acea Produzione revenue from green certificates (12,107 thousand euros) in relation to energy produced at the Salisano and Orte plants after the repowering completed in 2012.
The breakdown of this item by type is as follows:

€ thousand	31.12.2012	31.12.2011	Increase/ (Decrease)
Green certificates	12,107	2	12,105
CO2 rights	1,676	1,660	16
EEB	23,628	17,091	6,536
Total	**37,410**	**18,753**	**18,658**

Revenues from integrated water services

Revenues from integrated water services are generated by water companies operating in Tuscany, Umbria, Lazio and Campania.

These revenues amounted to 792,841 thousand euros, up 75,383 thousand euros (+10.5%) compared with the previous year (717,458 thousand euros). Companies operating in Lazio and Campania generated total revenues of 616,966 thousand euros (+78,027 thousand euros) and those in Tuscany and Umbria closed the period with revenues of 175,875 thousand euros (-2,644 thousand euros).

Details of the breakdown by company are given below.

€ thousand	31.12.2012	31.12.2011	Absolute increase/ (Decrease)	Increase/ (decrease) %
ACEA Ato2	502,618	438,073	64,545	14.7%
ACEA Ato5	53,069	43,350	9,719	22.4%
GORI	51,956	48,165	3,791	7.9%
Gesesa	5,969	5,714	255	4.5%
Crea Gestioni	3,355	3,638	(283)	-7.8%
Total Lazio-Campania	**616,966**	**538,939**	**78,027**	**14.5%**
Publiacqua	67,171	69,308	(2,137)	-3.1%
Acque	45,534	46,749	(1,215)	-2.6%
Acquedotto del Fiora	30,646	29,504	1,142	3.9%
Umbra Acque	24,627	24,306	321	1.3%
Nuove Acque	7,465	6,654	810	12.2%
Lunigiana	433	1,997	(1,565)	-78.3%
Total Tuscany-Umbria	**175,875**	**178,519**	**(2,644)**	**-1.5%**
Revenues from integrated water services	**792,841**	**717,458**	**75,383**	**10.5%**

The change compared to last year is mainly as a result of the different methods for determining integrated water service revenues measured on the basis of AEEG resolution 585/2012 (Temporary Tariff Method valid for 2012 and 2013) as well as, for ACEA Ato2, the recognition of higher tariff adjustments (40,398 thousand euros) - deriving from the spread between guaranteed and actual revenues for the years 2006 - 2011 - as resolved by the Mayors' Conference on 17 April 2012.

The recognition of adjustments for GORI relative to previous years, resulting from the tariff measures of 27 October 2012 passed by the Sarnese Vesuviano Area Authority General Meeting, contributed to the growth in water revenue for the year (4,841 thousand euros).

Please note that the quantification of the restriction on guaranteed revenues (VRG) of the operators to which the MTT applies represents the best estimate, calculated on the basis of elements available to date, generated by the interpretation of the new rules also borne out by the calculation models provided by AEEG on its website.

Those estimates should be confirmed in the tariff proposals that the Area Authorities must complete by 31 March 2013 and definitively approved by the AEEG by 30 June 2013.

With respect to the FoNI (New investments advance fund) tariff component set forth in AEEG resolution 585/2012, please note that on the basis of the analysis of the legal nature of FoNI and keeping in mind the structure of the reference accounting standards, the Companies considered that portion of the VRG as a tariff component of the integrated water service and, therefore, they recorded the AMM_{FONI} component and $Delta_{Cuit}$, estimated at approximately 6.8 million euros, as revenues for the year. Instead, as regards the FNI (New Investments Fund) component, the water companies did not include the relative amount for the year, estimated at roughly 15 million euros for the Group, within the period's revenues, since on the basis of the provisions of resolution 585/2012, that component must be expressly recognised by the Area Authority which establishes *if and to what extent that form of advance should be included in the tariff*.

Finally, it should be noted that for ACEA Ato5, that revenue item includes the amount of 10.8 million euros, which represents the estimate of the difference between the

maximum growth set forth in article 7.1 of the aforementioned resolution - that of the Standardised Method plus planned inflation rates (6.5%) - and the amount of the VRG determined as indicated above. Article 7.1 provides that that spread should be subject to a dedicated AEEG enquiry, in order to "*...ascertain, with the involvement of the Area Authorities, the data provided, the correct application of the temporary tariff method and the efficiency of the metering service...*". The same article also sets forth that the surplus compared to the maximum growth shall be recovered as an adjustment component in the subsequent tariff period.

Overseas Water Services

Services amounted to 37,384 thousand euros, representing an increase of 1,495 thousand euros compared with the previous year (35,889 thousand euros).

The change is due to a favourable exchange rate following depreciation of the Euro, partially offset by lower volumes sold.

This revenue item comprises: **(i)** 31,740 thousand euros from Aguazul Bogotá, including the Conazul share (+926 thousand euros), **(ii)** 2,886 thousand euros from Acea Dominicana (+258 thousand euros) and **(iii)** 2,759 thousand euros from Consorcio Agua Azul (+312 thousand euros).

Revenues from biomass transfer and waste management

Revenues amounted to 32,111 thousand euros, representing an increase of 3,169 thousand euros compared with the previous year (28,943 thousand euros).

These revenues regard A.R.I.A. Group companies for a total of 24,607 thousand euros (+3,823 thousand euros) and Aquaser Group for 7,505 thousand euros (-655 thousand euros).

The period performance was essentially due to the increase both in volumes transferred and in the average price, also associated with the operational start-up of the second and third lines at the San Vittore plant.

Revenues from services to customers

This item amounted to 128,520 thousand euros (185,662 thousand euros at 31 December 2011), marking a decrease of 57,142 thousand euros.

This type of revenue comprises:

- 64,583 thousand euros in income from public lighting services provided to Roma Capitale: that item decreased by 6,715 thousand euros compared to 31 December 2011 as a result, the change is basically caused by opposing factors: on one hand, the increase in the lump-sum payment (+5,332 thousand euros), and on the other hand a drop in revenues, including changes in work in progress (2,534 thousand euros), resulting from the design and construction of new plants, energy upgrading works, and the technological and legislative adjustments to plants (-12,047 thousand euros),
- 7,598 thousand euros in income from the public works contract for management of the public lighting service in the Municipality of Naples. This item increased by 1,006 thousand euros and also includes the chargeback for electricity used in managing the service,
- 29,520 thousand euros in revenue from services provided on request to third parties: this category of income saw an increase of 834 thousand euros essentially due to ACEA Ato2,
- 5,755 thousand euros in revenue from service agreements and other intragroup services: this item recorded a 6,951 thousand euro decrease as a result of the change in the basis of consolidation generated by winding-up of the joint venture,
- 13,248 thousand euros in income achieved by ARSE for marketing and installation of photovoltaic panels on behalf of third parties. This item decreased by 46,083 thousand euros compared to 2011, which closed with a total of 59,331 thousand euros,
- 7,681 thousand euros in revenue from cemetery lighting systems management, essentially unchanged compared to 2011.

The table below shows the breakdown of this item by industrial area:

€ thousand	31.12.2012	31.12.2011	Absolute increase/ (Decrease)	Increase/ (decrease) %
Networks	26,600	74,961	(48,361)	-64.5%
Energy	2,242	3,539	(1,297)	-36.6%
Water	23,725	21,196	2,529	11.9%
Environment	1,425	2,018	(593)	-29.4%
Parent Company	74,528	83,947	(9,419)	-11.2%
REVENUES FROM SERVICES TO CUSTOMERS	**128,520**	**185,662**	**(57,142)**	**-30.8%**

Connection contributions

This item amounted to 26,867 thousand euros, down by 9,480 thousand euros. These are broken down as follows:

- free and protected markets: 20,925 thousand euros (-8,761 thousand euros compared to 31 December 2011) as a result of fewer works,
- water: 5,943 thousand euros (-718 thousand euros compared to the previous year).

2. OTHER REVENUE AND PROCEEDS - *69,170 THOUSAND EUROS*

This item registered an increase of 11,030 thousand euros (+19%) compared to 31 December 2011, which closed with a total of 58,140 thousand euros.

The change was mainly due to:

(i) the increase of 12,714 thousand euros in contingent assets and other revenue, mainly from the recognition of the non-realisation of costs provisions in previous years and revenue due from previous years, together with energy items, as well as the amount of 5,490 thousand euros, which represents the bonus for service continuity for 2011 recognised to ACEA Distribuzione by AEEG.

(ii) the 1,214 thousand euro increase in income relative to seconded personnel,

The breakdown compared with 2011, is as follows.

	31.12.2012	31.12.2011	Increase/ (Decrease)	Increase/ (Decrease)
Property income	2,543	2,566	(23)	-0.9%
Income from end users	888	1,048	(160)	-15.3%
Gains on asset disposals	112	125	(13)	-10.7%
Heating systems	1	530	(528)	-99.7%
Coverage of costs for tariff subsidies for employees	685	1,663	(978)	-58.8%
Contingent assets and other revenues	33,542	20,828	12,714	61.0%
Reimbursement for damages, penalties and fines	6,059	5,379	680	12.6%
Service continuity bonuses	5,490	5,338	152	0.0%
Electricity and water use accessory revenues	24	87	(63)	-72.2%
Government grant (Decree of the President of the Council of Ministers of 23/04/04)	1,916	4,184	(2,267)	-54.2%
Regional grants	6,534	6,378	156	2.4%
Energy Account	5,515	4,942	574	11.6%
Seconded staff	3,127	1,913	1,213	63.4%
Recharged cost of governance bodies	864	802	62	7.7%
IFRIC 12 margin	1,870	2,357	(487)	-20.7%
OTHER REVENUES AND PROCEEDS	**69,170**	**58,140**	**11,030**	**19.0%**

Consolidated operating costs

As at 31 December 2012 these amounted to 2,914,167 thousand euros (2,543,047 thousand euros at 31 December 2011), representing an increase of 371,120 thousand euros (+14.6%) over the previous year, and are broken down as follows.

€ thousand	31.12.2012	31.12.2011	Absolute increase/ (Decrease)	Increase/ (decrease) %
Staff costs	282,069	278,254	3,814	1.4%
Costs of materials and overheads	2,632,098	2,264,793	367,305	16.2%
CONSOLIDATED OPERATING COSTS	**2,914,167**	**2,543,047**	**371,120**	**14.6%**

The change in the period was from the change in the basis of consolidation, particularly with regard to winding-up of the joint venture.

3. STAFF COSTS - *282,069 THOUSAND EUROS*

€ thousand	31.12.2012	31.12.2011	Absolute increase/ (Decrease)	Increase/ (decrease) %
Staff costs including capitalised portion	354,115	348,090	6,025	1.73%
Capitalised costs	(72,252)	(67,061)	(5,191)	7.74%
Staff costs on a like-for-like basis	***281,864***	***281,030***	***834***	***0.30%***
Staff costs including capitalised portion	0	(2,825)	3	100%
Capitalised costs	0		0	
Change in basis of consolidation	***0***	***(2,825)***	***3***	***100%***
Staff costs before resignations/retirements	**281,864**	**278,205**	**836**	**0.30%**
Resignations/retirements	205	50	156	315%
STAFF COSTS FOR THE PERIOD	**282,069**	**278,254**	**992**	**0.36%**

The increase in staff costs including capitalised costs, and on a like-for-like basis, stands at 6,025 thousand euros and is substantially determined by the growth recorded by ACEA, partially mitigated by the reduction in the cost incurred by the business areas. The Industrial Area is broken down as follows:

€ thousand	31.12.2012	31.12.2011	Increase/ (Decrease)	Increase/ (decrease) %
Networks	86,565	91,118	(4,553)	-5.0%
Energy	25,300	23,322	1,977	8.5%
Water	176,825	173,431	3,395	2.0%
Environment	9,683	9,686	(3)	0.0%
Corporate	55,742	47,708	8,034	16.8%
TOTAL	**354,115**	**345,265**	**8,850**	**2.6%**

Staff costs for the period were mainly affected by the increase in average per capita costs resulting from the renewal of employment contracts, remuneration policy and certain management-related factors such as overtime and availability.
In addition, the change recorded by ACEA was, amongst other things, affected by the reintegration of employees from the business unit rented to Marco Polo beginning on 1 January 2012, the contract on which expired. The cost relating to this phenomenon was approximately 6.6 million euros. A further effect came from the change made by the Parent Company to centralise certain departments initially allocated to the individual operating companies, which led to an increase in the average ACEA workforce. The increase in this cost for the Overseas water services area is influenced by the unfavourable exchange rate with the local currency.

With regard to capitalised costs, note the increase of 5,191 thousand euros (on a like-for-like basis), largely recorded by the water companies and particularly ACEA Ato2.

The following table shows the average number of staff by industrial area compared to same period of the previous year. The figure for the end of the period is also shown.

	Average number of employees		
	31.12.2012	**31.12.2011**	Δ
Networks	1,433	1,516	(83)
Energy	519	489	30
Water	4,349	4,609	(260)
Lazio - Campania	*2,162*	*2,232*	*(70)*
Tuscany-Umbria	*710*	*865*	*(155)*
Overseas	*1,325*	*1,364*	*(39)*
Engineering and Services	*152*	*148*	*4*
Environment	199	197	2
Parent Company	679	552	127
TOTAL	**7,179**	**7,363**	**(184)**

	Final number of employees		
	31.12.2012	**31.12.2011**	Δ
Networks	1,410	1,465	(55)
Energy	529	489	40
Water	4,442	4,561	(119)
Lazio - Campania	*2,119*	*2,189*	*(70)*
Tuscany-Umbria	*869*	*853*	*16*
Overseas	*1,298*	*1,369*	*(71)*
Engineering and Services	*156*	*150*	*6*
Environment	193	202	(9)
Parent Company	683	560	123
TOTAL	**7,256**	**7,277**	**(21)**

4. COSTS OF MATERIALS AND OVERHEADS – *2,632,098 THOUSAND EUROS*

This item registered an increase of 367,305 thousand euros (+16.2%) compared to 31 December 2011, which closed with a total of 2,264,793 thousand euros.

€ thousand	31.12.2012	31.12.2011	Absolute increase/ (Decrease)	Increase/ (decrease) %
Electricity, gas and fuel	2,084,204	1,707,255	376,949	22.1%
Materials	62,401	103,611	(41,210)	-39.8%
Services	330,545	326,431	4,113	1.3%
Concession fees	74,018	60,953	13,065	21.4%
Lease expense	29,363	32,545	(3,182)	-9.8%
Other operating costs	51,568	33,997	17,570	51.7%
CONSOLIDATED OPERATING COSTS	**2,632,098**	**2,264,793**	**367,305**	**16.2%**

The increase is mainly due to the change in the basis of consolidation, with particular reference to the item Energy, gas and fuel costs.

It should be noted that the items Materials and Other operating costs were affected by fewer activities relating to the marketing and supply of photovoltaic panels by ARSE and by the fine applied by AGCM to ACEA, respectively.

Electricity, gas and fuel costs

This item includes:

- costs relating to the procurement of electricity for the protected and free markets along with the related transport costs (totalling 2,027,249 thousand euros compared to 1,668,599 thousand euros as at 31 December 2011). The costs relating to the Single Buyer, excluding the effect of energy equalisation, amounted to 304,560 thousand euros (264,004 thousand euros at 31 December 2011 and 297,493 thousand euros on a like-for-like basis in respect of the previous year); the equalisation of electricity destined for the regulated market in the year led to an increase in costs of 2,134 thousand euros, compared to 4,057 thousand euros in 2011 (6,068 thousand euros on a like-for-like basis). This item also includes expenses relating to energy efficiency, UC6 and CTS (special tariff component) paid by the distributor totalling 4,512 thousand euros (5,668 thousand euros in 2011);
- the cost of procuring gas for resale and the production of electrical energy, and the cost of other fuels consumed in the period by the central plants (40,135 thousand euros against 33,416 thousand euros at 31 December 2011). This item's performance is affected by the price trends and the quantities produced in the period.

This item also includes the cost of purchasing green certificates, CO2 rights and white certificates (12,184 thousand euros, compared with 5,240 thousand euros at 31 December 2011).

Materials

The cost of materials is 62,401 thousand euros and represents the cost of materials used during the period less costs allocated to investments, as the table below displays.

€ thousand	31.12.2012	31.12.2011	Absolute increase/ (Decrease)	Increase/ (decrease) %
Purchase of materials	90,126	134,965	(44,839)	-33.2%
Changes in inventories	2,370	11,292	(8,923)	-79.0%
Total	***92,496***	***146,258***	***(53,762)***	***-36.8%***
Capitalised costs	(30,095)	(42,647)	12,552	-29.4%
TOTAL	**62,401**	**103,611**	**(41,210)**	**-39.8%**

The trend in that item is essentially caused: **i)** by ARSE (-41,267 thousand euros) due to the use of owned PV panels, **ii)** by ACEA (-3,111 thousand euros) as a result of the lower requirements generated by the activities linked to the "Piano Luce" lighting project commissioned by Roma Capitale under the public lighting service agreement, partially offset by **iii)** Ato2 (+3,283 thousand euros) following greater purchases of automotive fuels and chemical products.

The materials purchases before capitalised costs decreased by 53,762 thousand euros, essentially as a result of the same considerations indicated above.
The capitalised costs decreased by 12,552 thousand euros, again largely attributable to the Networks segment (-10,211 thousand euros) due to the reduced ARSE investments.

Therefore, costs of materials incurred by the various business areas during the period are as follows.

€ thousand	**31.12.2012**	**31.12.2011**	**Absolute increase/ (Decrease)**	**Increase/ (decrease) %**
Networks	24,100	70,639	(46,539)	-65.9%
Energy	936	552	385	69.8%
Water	30,133	23,804	6,330	26.6%
Environment	4,244	2,517	1,726	68.6%
Parent Company	2,988	6,100	(3,111)	-51.0%
MATERIALS COSTS	**62,401**	**103,611**	**(41,210)**	**-39.8%**

Services and contract work

This item amounts to 330,544 thousand euros, marking an increase of 4,113 thousand euros on the 326,431 thousand euros at 31 December 2011.
This change is the result of the change in the basis of consolidation following the winding-up of the joint venture with GDF Suez Energia, which led to a change in the percentage consolidation of Acea Energia Holding and its subsidiaries (-3,882 thousand euros in total).
An analysis of the breakdown reveals the following:

- contract work totalled 67,071 thousand euros, down 3,284 thousand euros compared to the previous year. That change is basically due to the 6,403 thousand euro decrease recorded by ACEA Distribuzione due to the reduction in costs for maintenance works in the public lighting division and for ACEA Distribuzione distribution services requested; that trend is partially offset by the increase in costs incurred by the companies operating in the Water area (+1,220 thousand euros) and by the Parent Company (+636 thousand euros). The change was also caused by increases in costs incurred by the Environment and Energy segments for a total of 842 thousand euros;
- electricity, water and gas consumption for 51,468 thousand euros (+2,862 thousand euros). The change owes to contrasting elements: on the one hand, the 6,127 thousand euro increase recorded by the water companies operating in Tuscany and Umbria, mainly from Umbra Acque, partially offset by a lower contribution (1,336 thousand euros) to the consolidated result by that type of cost of the water companies operating in Lazio and by the parent company, also as a result of the change in the percentage of consolidation of Acea Energia;
- intercompany services totalling 6,087 thousand euros (-11,467 thousand euros compared to 31 December 2011): this change is mainly due to the cancelling out of costs for facility management services provided by Marco Polo as a result of the business unit rental from 1 January 2012: the total cost of these services rendered to the Parent Company totalled 13,200 thousand euros at 31 December 2011. Intercompany services also include services provided by the consortium which has managed public lighting contract works in Naples since July 2010: costs accrued in the period under this item amounted to 5,368 thousand euros, up 397 thousand euros on 2011;
- services for staff, totalling 19,133 thousand euros (+1,291 thousand euros compared to 31 December 2011), which were also affected by the reintegration of the Marco Polo business unit into ACEA;

- telecommunications, printing, postage and bank charges totalling 18,229 thousand euros (+745 thousand euros); the change is essentially due to higher bank and postal charges (+1,509 thousand euros);
- disposal and transport of sludge, waste, ash and refuse, and cleaning and porterage, totalling 50,328 thousand euros (+13,325 thousand euros). This change was mainly due to the operational start-up of the second and third lines of the San Vittore plant and to reuse of the Paliano plant for special waste treatment (+3,384 thousand euros); the remainder refers to: (i) additional costs incurred by ACEA Ato2 following the seizure of some water treatment plants (+10,900 thousand euros) and (ii) higher costs incurred by the parent company for cleaning and porterage, which were part of the services provided by Marco Polo last year (+2,800 thousand euros);
- insurance for 15,879 thousand euros (+2,818 thousand euros), mainly attributable to ACEA Ato2;
- technical and administrative services (including consultants' fees and the cost of freelance workers), amounting to 45,450 thousand euros (-627 thousand euros). The change was caused by contrasting factors: on the one hand, the decrease in costs incurred **(i)** by the Parent Company for 2,082 thousand euros, since at 31 December 2011 costs had been incurred for participation in the bid for the public works contract for gas management in the Municipality of Rome and consultants' fees for preparation of the Business Plan **(ii)** by the Water Area for 1,885 thousand euros; on the other hand, the increase in costs incurred **(iii)** by Acea8cento for 3,364 thousand euros for outsourced technical services (call overflow management), **(iv)** by Acea Energia for 2,848 thousand euros, of which 797 thousand euros as the effect of changes in the basis of consolidation;
- internal use of electricity for 8,957 thousand euros (+2,156 thousand euros). This change was generated by ACEA Ato2;
- advertising and sponsorship, amounting to 6,777 thousand euros (-1,471 thousand euros);
- maintenance fees of 4,032 thousand euros (+229 thousand euros);
- stock management costs incurred by ACEA Distribuzione, totalling 1,723 thousand euros (-410 thousand euros);
- bill printing costs for 7,196 thousand euros (+901 thousand euros). The change derives primarily from the increase in the percentage consolidation of Acea Energia;
- staff seconded by unconsolidated Group Companies and/or third party entities and companies totalling 581 thousand euros (-218 thousand euros);
- remuneration of Group administrative and control bodies of 5,747 thousand euros (-295 thousand euros).

In addition to the above, additional service costs were incurred by companies from the (i) Energy area (3,172 thousand euros, up 1,520 thousand euros), (ii) that manage water services (9,732 thousand euros, down 4,370 thousand euros), (iii) Environment area (2,522 thousand euros, down 257 thousand euros), and (iv) ACEA (2,618 thousand euros, up 715 thousand euros).

The table showing the remuneration of directors, statutory auditors and key managers of the Parent Company is provided in an annex to these notes.

As required by article 149 duodecies of the CONSOB Regulations for Issuers, the fees paid to the Independent Auditors, Reconta Ernst & Young, are shown in the table below.

Company and Reporting period Amounts in euros	**Audit Related Service**	**Audit Services**	**Non Audit Services**	**Totale**
ACEA S.p.A.	201,000	146,186	70,000	417,186
ACEA GROUP	219,209	689,346	30,000	938,555
ACEA S.P.A. AND GROUP TOTAL	**420,209**	**835,532**	**100,000**	**1,355,741**

Concession fees

These fees amount to 74,018 thousand euros (+13,065 thousand euros on 31 December 2011, when the figure was 60,953 thousand euros) and regard fees paid by companies that manage integrated water services under concession in certain areas of Lazio and Campania, Tuscany and Umbria.

The following table shows a breakdown by Company, compared with previous year.

€ thousand	31.12.2012	31.12.2011	Absolute increase/ (Decrease)
ACEA Ato2	36,128	33,014	3,114
Publiacqua	12,265	11,753	512
ACEA Ato5	6,881	5,489	1,392
Acque	4,672	4,469	204
Umbra Acque	1,322	1,602	(280)
Gori	9,555	1,310	8,245
Acquedotto del Fiora	2,086	2,113	(26)
Nuove Acque	733	733	(0)
Gesesa	302	345	(43)
Other minor entities	74	127	(52)
CONCESSION FEES	**74,018**	**60,953**	**13,065**

The increase of 8,245 thousand euros recorded by GORI is the result of decisions made by the Area Authority's General Meeting on 27 October 2012. Please see the information provided in the section "*Operating review*".

Lease expense

This item amounted to 29,363 thousand euros, down 3,182 thousand euros on the same period last year.

The following table illustrates the changes by industrial area:

€ thousand	31.12.2012	31.12.2011	Absolute increase/ (Decrease)	Increase/ (decrease) %
Networks	4,475	4,680	(205)	-4.4%
Energy	7,018	6,367	652	10.2%
Water	9,172	7,450	1,722	23.1%
Environment	821	811	10	1.2%
Parent Company	7,876	13,237	(5,361)	-40.5%
LEASE EXPENSE	**29,363**	**32,545**	**(3,182)**	**-9.8%**

This item includes lease payments for 13,951 thousand euros which recorded a decrease of 5,174 thousand euros mainly due to the cancelling out of the lease payment on the registered office following its purchase in January 2012.

It also includes other payments and rental costs for 16,008 thousand euros, up 1,812 thousand euros on 2011 due to the different method for chargeback of branch-off costs.

Other operating costs

Other operating costs at 31 December 2012 amounted to 51,568 thousand euros, marking an increase of 17,570 thousand compared to the previous year, which closed with 33,997 thousand euros.
The table below provides details of this item by type:

€ thousand	31.12.2012	31.12.2011	Absolute increase/ (Decrease)	Increase/ (decrease) %
Taxes and duties	13,371	8,684	4,687	54.0%
Fines and penalties	8,870	614	8,256	1344.8%
Grants disbursed to confederations and non-profit organisations	2,838	2,977	(139)	-4.7%
Compensation for damages and outlay for legal disputes	2,072	2,578	(506)	-19.6%
Losses from asset disposals	397	766	(369)	-48.2%
General expenses	24,020	18,378	5,642	30.7%
TOTAL OTHER OPERATING COSTS	**51,568**	**33,997**	**17,570**	**51.7%**

(i) 8,300 million euros from the fine due to the Antitrust Authority, applied to ACEA and Suez Environnement with measure no. 17623 of 22 November 2007, concerning irregularities committed during tenders for the awarding of water services in Tuscany, carried out in 2001 - 2004. In fact, on 24 September 2012 the Council of State handed down its ruling which cancels the Regional Administrative Court's decision in favour of ACEA;

(ii) 2,341 thousand euros from higher IMU tax payments due;

(iii) the remainder consists of costs still outstanding from previous years and adjustments to revenue recognised previously, particularly regarding ACEA Ato2 (+1,908 thousand euros) and ACEA Energia (+4,046 thousand euros).

5. NET INCOME/(COSTS) FROM COMMODITY RISK MANAGEMENT

As at 31 December 2012 the change in the fair value measurement of financial contracts recognised to the consolidated income statement was negative for 232 thousand euros.
This amount refers to contracts signed by Acea Energia with support from Acea Energia Holding, which took over the Energy Management role in 2011.

For further details, refer to the section "*Additional disclosures on financial instruments and risk management policies*" in the 2012 Consolidated Financial Statements.

AMORTISATION, DEPRECIATION, IMPAIRMENT CHARGES AND PROVISIONS - *395,919 THOUSAND EUROS*

€ thousand	31.12.2012	31.12.2011	Absolute increase/ (Decrease)	Increase/ (decrease) %
Amortisation and depreciation of intangible and tangible assets	257,866	252,692	5,174	2.0%
Provisions for impairment of receivables	83,537	55,059	28,478	51.7%
Provisions for liabilities	54,516	113,487	(58,971)	-52.0%
TOTAL	**395,919**	**421,238**	**(25,319)**	**-6.0%**

Amortisation and depreciation of intangible and tangible assets

These amounted to 257,866 thousand euros, of which 147,548 thousand euros property, plant and equipment and 110,318 thousand euros intangible assets. The breakdown by industrial area is provided below:

€ thousand	31.12.2012	31.12.2011	Absolute increase/ (Decrease)	Increase/ (decrease) %
Networks	107,391	100,403	6,988	7.0%
Energy	19,585	21,353	(1,768)	-8.3%
Water	91,880	89,941	1,939	2.2%
Environment	26,444	28,983	(2,539)	-8.8%
Parent Company	12,565	12,012	553	4.6%
AMORTISATION AND DEPRECIATION OF INTANGIBLE AND TANGIBLE ASSETS	**257,866**	**252,693**	**5,173**	**2.0%**

The increase in amortisation/depreciation refers to:

- 6,988 thousand euros from Network area companies: in particular, there was higher amortisation/depreciation for ACEA Distribuzione (+5,416 thousand euros) due to the combined effect of amortisation/depreciation caused by new investments and the initiation of the "Volta" IT re-engineering project and the completion of the amortisation/depreciation process of other assets;
- 1,939 thousand euros from Water area companies due to the combined effect of investments during the year and the entry into operation of some assets, partially offset by the use of economic-technical rates for publicly owned assets under concession used by the Company for integrated water service management, previously depreciated for the length of the concession period, as a result of the amendments introduced by the AEEG in resolution no. 585/2012;
- 553 thousand euros from the parent company largely resulting from the purchase of the registered office at Piazzale Ostiense in January 2012;

In contrast, the following decrease should be noted:

- 1,768 thousand euros from the Energy Area companies; in particular Acea Produzione amortisation/depreciation decreased by 4,569 thousand euros and was partially offset by the increase for Acea Energia (+3,305 thousand euros) due to the completion of IT projects.
  Please note that amortisation and depreciation in the Area was also affected by Law 134/2012, which introduces significant amendments to the timing and criteria for awarding tenders for hydroelectric concessions, affecting article no. 12 of Legislative Decree 79/99 (Bersani Decree). As a result of that change, beginning in 2012 hydroelectric plants shall be depreciated on the basis of the technical residual useful life, since that law requires payment of an indemnity in favour of the outgoing operator. That change leads to an approximately 8 million euro decrease in amortisation and depreciation for Acea Produzione.
- 2,539 thousand euros to companies operating in the Environment segment. That change is the

result of the recognition in 2011 of impairment charges for parts of the plant subject to revamping (8,336 euros), partially offset by the increase in amortisation and depreciation following the operational start-up in April and July last year of the second and third lines, respectively, at the San Vittore plant.

Impairment charges and losses on receivables

This item amounts to 83,537 thousand euros, up 28,478 thousand euros including: **(i)** 15,622 thousand euros for companies in the Energy segment, particularly Acea Energia (+14,433 thousand euros), of which 2,960 thousand euros attributable to the change in the consolidation percentage; **(ii)** 3,580 thousand euros for water companies operating in Lazio and Campania, particularly ACEA Ato2 (+8,844 thousand euros) and ACEA Ato5 (+1,073 thousand euros), **(iii)** 3,662 thousand euros for the parent company. Please note that that item is influenced by the outcome of the settlement signed in December with the Extraordinary Commissioner of the Roma Capitale Administration established by the Central Government, for a total of 14 million euros.

The breakdown by industrial area is provided below:

€ thousand	31.12.2012	31.12.2011	Absolute increase/ (Decrease)	Increase/ (decrease) %
Networks	3,210	3,286	(77)	-2.3%
Energy	35,745	20,123	15,622	77.6%
Water	35,585	27,014	8,571	31.7%
Environment	1,207	518	689	133.1%
Parent Company	7,791	4,129	3,662	88.7%
IMPAIRMENTS	**83,537**	**55,070**	**28,467**	**51.7%**

Provisions

As at 31 December 2012 these amounted to 54,516 thousand euros, recording a decrease of 58,971 thousand euros largely referring to:

- the recognition as at 31 December 2011 of 24,471 thousand euros in costs generated by resignations and voluntary redundancy procedures terminating in December 2012,
- the provision for risk allocated in the previous year in relation to GORI (44,100 thousand euros) and ACEA Ato5 (4,900 thousand euros).
- provisions made in 2012, including the estimate (7,927 thousand euros) of charges from the return of the portion of the return on invested capital for the year 2011. On 25 January 2013, the Council of State issued the opinion requested by AEEG concerning the effects of the June 2011 abrogative referendum, specifying that the component remunerating investments recognised to operators should not include the "return on invested capital" already beginning from 21 July 2011, and that that requirement must be taken into consideration already when determining the Temporary Method. To cover that risk, the company allocated a dedicated Provision for charges calculated on the basis of the instructions provided by AEEG during the consultation phase in the second half of 2012.

On 31 January 2013, AEEG approved resolution no. 38/2013/R/idr with which it launches a procedure to determine:

- the criteria based on which Area Authorities will have to identify, without prejudice to the full cost recovery principle, the amounts unduly paid by each user for return on invested capital in the period 21 July 2011 - 31 December 2011, to be returned to the user,
- procedures and tools to ensure that the aforementioned amounts are actually returned to end users,
- the methods that the Authority will use to verify and approve the Area Authority decisions,

The proceeding duration has been set at 120 days, beginning on the publication date.

A breakdown of allocations by type is shown in the table below.

€ thousand	31.12.2012	31.12.2011	Increase/ (Decrease)
Legal	13,274	9,338	3,937
Tax	3,152	784	2,368
Regulatory risks	10,403	52,366	(41,963)
Investees	6,986	11	6,975
Contribution risks	6,150	8,004	(1,854)
Redundancy and retirement	152	27,471	(27,319)
Contracts and supplies	2,683	2,132	550
Insurance excesses	850	1,077	(226)
Other liabilities and charges	958	634	324
TOTAL	**44,609**	**101,816**	**(57,208)**
Restoration charges - IFRIC12	9,907	11,670	(1,763)
TOTAL PROVISIONS	**54,516**	**113,487**	**(58,971)**

Provisions in the **Water segment** amounted to 30,860 thousand euros, of which 9,907 thousand euros attributable to costs required to keep the infrastructure used for water service management in good repair. The remainder refers to:

- ACEA Ato2 (10,684 thousand euros) mainly for the aforementioned risk of refunds to users following the June 2011 referendum (5,164 thousand euros) and potential liabilities concerning work-related disputes,
- GORI (2,873 thousand euros) essentially for: the dispute with the Campania Regional Government, insurance excess and operating expenses of the Area Authority, for which the ATO3 tariff system could be made liable with a view to reducing costs recognisable on the tariff,
- Publiacqua (3,692 thousand euros) in relation to the investigation into the correct preparation of the standard review of the Area Plan performed by senior management as an area and water resource protection measure in relation to the tariff review and as a result of costs to cover the risk of legal disputes, and also 1,676 thousand euros relative to the potential risk of recovering the Return on invested capital relative to the post-referendum period (July-December 2011) in the 2012 and 2013 tariff.

Provisions for the **Networks segment** amounted to 4,954 thousand euros and are mainly attributable to ACEA Distribuzione (3,054 thousand euros) due to social security issues.

Provisions for the parent **company** amounted to 5,666 thousand euros for legal liabilities and potential disputes with suppliers and the remainder is attributable to risks relative to staff, particularly in terms of social security issues.

The provisions of the **Energy segment** companies are mainly attributable to risks relating to the closure of the subsidiary ACEA Energia Vendita (5,000 thousand euros) and legal risks.

The table below illustrates the breakdown of provisions by industrial area:

€ thousand	31.12.2012	31.12.2011	Absolute increase/ (Decrease)	Increase/ (decrease) %
Networks	4,954	16,852	(11,897)	-70.6%
Energy	6,862	2,255	4,608	204.4%
Water	30,860	42,160	(11,300)	-26.8%
Environment	2,652	1,694	958	56.5%
Parent Company	9,187	50,533	(41,346)	-81.8%
PROVISIONS	**54,516**	**113,493**	**(58,977)**	**-52.0%**

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

7. FINANCE COSTS/(INCOME) - *(120,554) THOUSAND EUROS*

	31.12.2012	31.12.2011	Increase/ (Decrease)
FINANCE COSTS/ (INCOME) RELATED TO DEBT (A)	**88,543**	**74,333**	**14,210**
Expenses/(Income) on interest rate swaps	6,825	6,642	182
Interest on bond loans	42,330	42,181	149
Interest on medium/long-term borrowings	43,116	38,550	4,566
Interest on short-term borrowings	18,037	8,063	9,975
Finance costs/income on forward transactions	0	0	0
Interest on amounts due from customers	(19,344)	(14,844)	(4,500)
Interest on loans and receivables	(1,867)	(5,109)	3,242
Bank interest income	(553)	(1,150)	597
OTHER FINANCE COSTS/(INCOME) (B)	**32,011**	**44,089**	**(12,078)**
Interest payable to end users	864	1,055	(190)
Default and deferred interest and divisions into instalments	5,518	3,434	2,084
Interest cost net of actuarial gains and losses	4,379	5,030	(651)
Factoring fees	25,254	23,631	1,623
Interest on other receivables	(2,833)	(620)	(2,212)
Other costs/(income)	755	380	375
Costs/(income) from discounting receivables	(1,926)	11,180	(13,107)
NET FINANCE COSTS (A) + (B)	**120,554**	**118,422**	**2,133**

Net finance costs totalled 120,554 thousand euros, recording an increase of 2,133 thousand euros compared to 31 December 2011.

As a whole, said increase is due to:

- an increase in interest accrued on medium-long term borrowings (+9,975 thousand euros) essentially due to the funding needs generated by the purchase of the registered office, which resulted in the drawdown of the second tranche of a loan taken out by the Parent Company (100 million euros) and short-term borrowings, as a result of an increase in average annual bank borrowings, partially offset by a slight decrease in very short-term rates.
- higher costs deriving from factoring (+1,623 thousand euros, of which 1,008 thousand euros due to the change in the basis of consolidation) which includes the effect of the change in the basis of consolidation following the acquisition of 100% of Acea Energia and the related greater volumes factored. It should be noted that in 2012, in order to reduce the credit risk in respect of Public Administration, a series of non-recourse factoring transactions were carried out, with notification by means of notarial deed, relating to a portion of receivables accrued and past due from the Public Administration. The associated cost incurred is represented almost entirely by the interest component (DSO), i.e. invoice payment time estimated by the Bank. This is therefore a cost that the Group would have incurred in any event, and which forms part of the sales margin applied to the customer,
- the recognition in 2011 of costs deriving from the discounting of receivables for Public Lighting (9,346 thousand euros) after signing of the additional agreement by ACEA and Roma Capitale, which aligned the expiry date of the service agreement to that of the concession agreement (2027). As previously mentioned, this additional agreement involved application of the IFRIC 12 pure financial method, and the costs (1,833 thousand euros) of discounting receivables for ACEA Ato5 tariff adjustments relative to the spread between actual revenue billed and "guaranteed" revenue in relation to the original Area Plan for the 2006-2011 period.
- the decrease in interest accrued on loans and receivables (-2,122 thousand euros), largely due to the change in the basis of consolidation following winding-up of the joint venture.

The average "all in" global cost of the ACEA Group's debt (including components referring to discontinued operations) was 3.46% in 2012 compared to 3.71% in 2011.

With regard to finance costs related to borrowings, the following is noted:

- net swap costs (6,825 thousand euros) were generated by flows exchanged during the period for cash flow hedges against interest rate and exchange rate risk,
- interest on bond loans stood at 42,330 thousand euros, and was in line with that of last year; in particular:
  - the fixed rate bond loan of 300,000 thousand euros placed by ACEA in 2004 (10-year bullet repayment): 14,607 thousand euros,
  - the fixed rate bond loan of 500,000 thousand euros placed by ACEA in March 2010 (10-year bullet repayment): 22,549 thousand euros,
  - the private placement of 20 billion yen finalised by ACEA in March 2010 (15-year bullet repayment): 4,667 thousand euros without considering hedges allocated to net swap costs,
- interest on medium/long-term borrowings amounted to 43,116 thousand euros, up 4,566 thousand euros gross of related hedges,
- interest accrued on short-term bank borrowings and other borrowings totalled 18,037 thousand euros, of which 15,092 thousand euros attributable to ACEA, and increased by 9,975 thousand euros.

In relation to expenses deriving from transfers of receivables, the breakdown by company is shown below:

- ACEA Distribuzione 3,468 thousand euros (1,827 thousand euros at 31 December 2011);
- ACEA Ato2 4,091 thousand euros (5,469 thousand euros at 31 December 2011);
- ACEA Energia 17,694 thousand euros (5,469 thousand euros at 31 December 2011, 6,477 thousand euros on a like-for-like basis).

Lastly, note the increase in **(i)** default and deferred interest and divisions into instalments (+2,084 thousand euros) mainly due to recognition of the amount applied by Equitalia to the payments by instalments finalised towards the end of 2011 and **(ii)** the discount applied by the AEEG (1,039 thousand euros) for early settlement, as requested by ACEA Distribuzione, of the contribution to cover costs to replace the electromechanical meters.

The following table provides a breakdown by industrial area:

€ thousand	**31.12.2012**	**31.12.2011**	**Absolute increase/ (Decrease)**	**Increase/ (decrease) %**
Networks	26,063	24,855	1,208	4.9%
Energy	6,598	9,529	(2,930)	-30.8%
Water	8,040	12,317	(4,277)	-34.7%
Environment	790	530	259	48.9%
Parent Company	79,063	71,191	7,873	11.1%
FINANCE COSTS/(INCOME)	**120,554**	**118,422**	**2,133**	**1.8%**

8. (PROFIT)/ LOSS ON INVESTMENTS - *862 THOUSAND EUROS*

Net income from investments totalled 862 thousand euros at 31 December 2012 and refers to the result of consolidation at equity of certain Group companies. In particular:

- *income* of 1,602 thousand euros essentially from the measurement at equity of Agua de San Pedro (669 thousand euros), GEAL (332 thousand euros), Sienergia (209 thousand euros), Umbriadue (125 thousand euros) and Le Soluzioni (108 thousand euros);
- *costs* of 740 thousand euros essentially due to losses following completion of the liquidation procedures or disposal of certain Group companies.

At 31 December 2011 the positive result of the fair value measurement
of the Group's interest in Acea Energia (7,458 thousand euros) had been allocated to this item.

9. TAXATION - *86,052 THOUSAND EUROS*

Tax expenses for the year were 86,052 thousand euros compared to 60,737 thousand euros for the previous year. In order to make the comparison more useful, the difference in taxes including discontinued operations in the previous year is commented below.

Income taxes were estimated at 88,778 thousand euros (65,572 thousand euros as at 31 December 2011) and are essentially made up of:

Current taxes: 89,367 thousand euros (107,674 thousand euros at 31 December 2011),
Net deferred/(prepaid) taxes: - 589 thousand euros (-42,625 thousand euros in 2011).

The overall increase in taxes recorded for the year, equal to 23,206 thousand euros, is the result of the combined effect of the increase in profit before tax and the substantial cancellation of the positive effect of deferred taxation, as well as the effect of the IRES surcharge.

The change compared with last year reflects the following elements:

1. 2011 was positively influenced by the substantial exemption (called the "participation exemption") of capital gains from the sale of companies subject to the Framework Agreement signed by ACEA and GSEI in December 2010. That phenomenon positively affected the 2011 tax rate by roughly 7 percentage points,
2. with regard to the IRES surcharge, please note that the full (negative) effects of the regulatory change introduced by Law Decree 138/2011 are felt beginning from the year just closed since in 2011 - the first year of application - the higher taxes produced were basically offset in the income statement with the redetermination of deferred taxes: in fact, from the economic perspective the period's taxes decreased by roughly 5 million euros in 2011, while in 2012 the Group has posted approximately 9 million euros in costs for the IRES surcharge.

The worsening of deferred taxation by a total of 42,036 thousand euros is the result

(i) of the aforementioned recalculation of ACEA Distribuzione's deferred taxation in 2011 due to the IRES surcharge (16,200 thousand euros),

(ii) actions to limit the Group's receivables, with particular reference to cancellations of receivables carried out during the year as well as the definitive closure of relations with the Roma Capitale Administration established by the Central Government. This resulted in greater use of prepaid taxes, by 10,322 thousand euros, compared to last year

(iii) 12,174 thousand euros less in allocations of prepaid taxes, essentially due to lower allocations made to the provisions for liabilities and charges,

(iv) the remaining part is due to the recalculation of Acea Energia's prepaid taxes.

Finally, taxes for the period include the estimate of the refund for the recognition of the deductibility of IRAP relating to staff costs for the years 2007/2001, equal to 15,815 thousand euros.

The table below shows the breakdown of taxes for the period and the correlated percentage weight calculated on consolidated income before taxes.

€ thousand	2012	%	2011	%
Profit before tax from continuing and discontinued operations	174,078		159,092	
Expected tax charge at 27.5% on profit before tax (A)	47,872	27.5%	43,750	27.5%
Net deferred taxation (B)	(589)	-0.3%	(42,625)	-26.8%
Permanent and additional differences (C)	14,998	8.6%	24,934	15.7%
IRES refund for IRAP (D)	(15,815)	-9.1%		
IRES (corporate income tax) for the year (E) = (A) + (B) + (C) + (D)	46,466	26.7%	26,060	16.4%
IRAP (F)	35,602	20.5%	32,801	20.6%
Tax Assets (G)	6,710	3.9%	6,710	4.2%
TAX ON CONTINUING AND DISCONTINUED OPERATIONS (E) + (F) + (G)	**88.778**	**51,0%**	**65.572**	**41,2%**

The tax rate for the year was 51.0% (41.2% in 2011).

10. NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUING OR DISCONTINUED OPERATIONS

At 31 December 2012, this item includes the costs, revenues and the capital gain relative to the **PV business unit** sold by ARSE to RTR Capital S.r.l. on 28 December 2012.

The transaction regarded the disposal of Apollo S.r.l., operating in the PV sector, whose asset portfolio includes plants located in Puglia, Lazio and Campania, with total installed power of 32.544 MW.

The sale price of the company sold was 102,500 thousand euros which, taking into account the amount of net working capital as shown in the Apollo S.r.l. forecast statement of financial position as at 31 December 2012, gave rise to cash flows of 101,294 thousand euros, of which 7,027 thousand euros for equity and 94,267 thousand euros for the repayment of the loan granted by ACEA to Apollo S.r.l.

At the closing date, the ACEA Group collected a total of 85,429 thousand euros, broken down as follows:

a. ARSE collected 7,027,477.90 euros for the disposal of 100% of Apollo S.r.l.,
b. ACEA collected a total of 78,401,228.32 euros as the partial repayment of the loan granted to Apollo.

In compliance with contractual terms, ACEA also collected 8,095,211.84 euros on 31 January 2013 as the partial repayment of the loan granted to Apollo.

On the closing date, Apollo S.r.l. opened an escrow account in the amount of 7,770,551.27 euros, into which the portion of the bank financing was deposited with regard to the four photovoltaic plants for which ARSE committed to complete specific activities set forth in the sale agreement by pre-established deadlines.

Against that commitment, ARSE granted RTR a put option for each plant, which can be exercised by the buyer by deadlines set forth in the contract, with the terms beginning from the deadline set for ARSE.

If RTR exercises the put, ARSE will be required to repurchase the plant at a pre-established price equal, for all of the assets subject to the escrow account, to 2,058 thousand euros, corresponding to the equity deposited by the buyer.

If ARSE completes the activities under its responsibility, the relative portion of the escrow account will become available and ACEA will be paid the relative sum as a partial repayment of the loan.

The binding amounts broken down by expiry date are shown below:

(i) 2,790 thousand euros at 31 December 2013 and
(ii) 4,980 thousand euros at 30 June 2016

These dates represent the final deadlines set by the contract for the repayment to ACEA of the various tranches when the conditions are satisfied and in the manners described in the sale agreement. The credit line granted to ACEA is non-interest-bearing.

Please note that the activities aimed at freeing up the term deposit in the amount of 2,393 thousand euros are currently being completed.

Furthermore, the sales agreement envisages some puts which can be exercised by the buyer if ARSE does not complete the activities set forth in the agreement by the pre-established deadlines (which expire by the end of 2013). The total value of those puts amounts to 4,492 thousand euros (plus costs and expenses that the buyer incurred in the meantime).

There is also a price adjustment mechanism that will be applied on the basis of the statement of financial position as at 31 December 2012. An independent expert must be involved if the parties cannot resolve any disputes relating to the amount of the adjustment.

€ thousand	31.12.2012	31.12.2011	Increase/ (Decrease)
Operating revenues	18,926	16,213	2,713
Staff costs	(22)	(322)	299
Operating costs	1,836	1,353	484
GROSS OPERATING PROFIT	**17,112**	**15,182**	**1,929**
Amortisation, depreciation and impairment charges	5,500	4,746	754
Operating profit/(loss)	**11,612**	**10,436**	**1,176**
Financial management	(4,200)	(3,726)	(474)
Profit before tax	7,412	6,710	702
Taxation	(2,707)	(2,348)	(358)
Net profit/(loss)	**4,705**	**4,362**	**343**
TOTAL CONSOLIDATION ADJUSTMENTS	**4,144**	**3,726**	**418**
TOTAL	**8,849**	**8,088**	**762**

Net transferred assets	28.12.2012
Property, plant and equipment	103,738
Intangible assets	2,896
Inventories	227
Advances	24
Trade receivables	321
Other receivables	0
Loans (Escrow account)	7,771
Cash and cash equivalents	(0)
Staff termination benefits and other defined-benefit plans	
Provisions for deferred tax liabilities	
Provisions for liabilities and charges	
Tax payables	26
Trade payables due to suppliers	(5,055)
Payables to the Parent Company ACEA	
Other payables	
Bank borrowings	(81,036)
Other borrowings	(23,839)
Total	**5,074**
Gain (loss) on transfer	**1,953**
Investment price	**7,027**
paid as so:	
Net cash flow from the transfer	93,524
Investment price collection (ARSE)	7,027
Loan repayment	78,401
Loan repayment at 31.01.2013	8,095

At 31 December 2011 this item included (i) the economic data at 31 March 2011 for companies covered by the Framework Agreement for the joint venture, now wound up, between ACEA and GSEI and (ii) the economic data of Estra Elettricità which was excluded from the ownership structure from 6 May 2011.

Details are provided below for each company involved in the extraordinary transactions implemented in the first half of 2011.

Eblacea and Tirreno Power

The economic data are presented pro rata based on the percentage interests held directly or indirectly by ACEA as assignor company.

€ thousand	31/03/2011
Operating revenues	0
Staff costs	0
Operating costs	25
GROSS OPERATING PROFIT	**(25)**
Amortisation, depreciation and impairment charges	0
Operating profit/(loss)	**(25)**
Financial management	(0)
Profit before tax	(25)
Taxation	0
Net profit/(loss)	**(25)**
TOTAL CONSOLIDATION ADJUSTMENTS	**0**
TOTAL EBLACEA	**(25)**

€ thousand	31/03/2011
Operating revenues	33,618
Staff costs	1,629
Operating costs	30,433
GROSS OPERATING PROFIT	**1,556**
Amortisation, depreciation and impairment charges	3,510
Operating profit/(loss)	**(1,954)**
Financial management	797
Profit before tax	(2,751)
Taxation	825
Net profit/(loss)	**(1,926)**
TOTAL CONSOLIDATION ADJUSTMENTS	**(5,733)**
TOTAL TIRRENO POWER	**(7,659)**

AceaElectrabel Trading

The economic data is represented pro rata, based on the percentages of interest indirectly held by ACEA (50%).

€ thousand	31/03/2011
Operating revenues	359,020
Staff costs	411
Operating costs	351,803
GROSS OPERATING PROFIT	**6,806**
Amortisation, depreciation and impairment charges	37
Operating profit/(loss)	**6,769**
Financial management	197
Profit before tax	6,572
Taxation	(3,046)
Net profit/(loss)	**3,525**
TOTAL CONSOLIDATION ADJUSTMENTS	**(103,550)**
TOTAL AET	**(100,025)**

AceaElectrabel Produzione Group

The economic data are presented pro rata based on the percentage interest indirectly held by ACEA.

€ thousand	31/03/2011
Operating revenues	26,341
Staff costs	463
Operating costs	24,826
GROSS OPERATING PROFIT	**1,051**
Amortisation, depreciation and impairment charges	2,095
Operating profit/(loss)	**(1,044)**
Financial management	640
Profit before tax	(1,683)
Taxation	884
Net profit/(loss)	**(799)**
TOTAL CONSOLIDATION ADJUSTMENTS	**313**
TOTAL ACEA ELECTRABEL PRODUZIONE	**(486)**

€ thousand	31/03/2011
Operating revenues	2,139
Staff costs	105
Operating costs	827
GROSS OPERATING PROFIT	**1,207**
Amortisation, depreciation and impairment charges	779
Operating profit/(loss)	**428**
Financial management	496
Profit before tax	(68)
Taxation	0
Net profit/(loss)	**(68)**
TOTAL CONSOLIDATION ADJUSTMENTS	**(1,835)**
TOTAL VOGHERA	**(1,903)**

€ thousand	31/03/2011
Operating revenues	10,469
Staff costs	0
Operating costs	9,958
GROSS OPERATING PROFIT	**511**
Amortisation, depreciation and impairment charges	764
Operating profit/(loss)	**(252)**
Financial management	328
Profit before tax	(581)
Taxation	0
Net profit/(loss)	**(581)**
TOTAL CONSOLIDATION ADJUSTMENTS	**1,564**
TOTAL ROSELECTRA	**984**

€ thousand	31/03/2011
Operating revenues	236
Staff costs	2
Operating costs	39
GROSS OPERATING PROFIT	**195**
Amortisation, depreciation and impairment charges	61
Operating profit/(loss)	**134**
Financial management	32
Profit before tax	102
Taxation	0
Net profit/(loss)	**102**
TOTAL CONSOLIDATION ADJUSTMENTS	**(71)**
TOTAL LONGANO	**31**

Estra Elettricità

The economic data are presented pro rata based on the percentage interest indirectly held by ACEA.

€ thousand	06/05/2011
Operating revenues	13,773
Staff costs	44
Operating costs	13,654
GROSS OPERATING PROFIT	**76**
Amortisation, depreciation and impairment charges	31
Operating profit/(loss)	**45**
Financial management	23
Profit before tax	22
Taxation	0
Net profit/(loss)	**22**
TOTAL CONSOLIDATION ADJUSTMENTS	**9,744**
TOTAL ESTRA ELETTRICITÀ	**9,765**

The sale of Eblacea and Tirreno Power as well as that of the AceaElectrabel Produzione group, and the acquisition of 40.59% of the Acea Energia Holding Group, are subject to adjustment in compliance with the Framework Agreement signed between ACEA and GSEI.

The minimum amount of those adjustments has almost no impact from a financial perspective, while the economic effects amount to approximately 7 million euros in relation to the differential of the Eblacea/Tirreno Power sale price.

These totals were essentially confirmed in January 2012 by the arbitrator, appointed by the Court of Milan pursuant to the Framework Agreement, who issued his report in May.

11. EARNINGS PER SHARE

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

€ thousand	as at 31.12.2012	as at 31.12.2011	Increase/ (Decrease)
Net profit attributable to the Group from continuing operations (/000)	67.943	132.879	-64.936
Net profit attributable to ordinary equity holders of the Group (/000) (A)	67,943	132,879	-64,936
Weighted average number of ordinary shares in issue for the purposes 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)	**0.3190**	**0.6239**	**-0.3049**
- diluted (A/C)	**0.3190**	**0.6239**	**-0.3049**

€ thousand	as at 31.12.2012	as at 31.12.2011	Increase/ (Decrease)
Net profit attributable to the Group (/000)	77,383	85,958	-8,574
Net profit attributable to ordinary equity holders of the Group (/000) (A)	77,383	85,958	-8,574
Weighted average number of ordinary shares in issue for the purposes 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)	**0.3634**	**0.4036**	**-0.0403**
- diluted (A/C)	**0.3634**	**0.4036**	**-0.0403**

Notes to the Consolidated Statement of Financial Position

ASSETS

As at 31 December 2012 these amounted to 6,818,680 thousand euros (6,617,384 thousand euros at 31 December 2011), representing an increase of 201,296 thousand euros (3.0%) over the previous year, and are broken down as follows.

€ thousand	31.12.2012	31.12.2011	Absolute increase/ (Decrease)	Increase/ (decrease) %
Non-current assets	4,495,509	4,300,870	194,639	4.5%
Current assets	2,316,450	2,316,514	(64)	0.0%
Non-current assets held for sale	6,722	0	6,722	100.0%
TOTAL ASSETS	**6,818,680**	**6,617,384**	**201,296**	**3.0%**

12. PROPERTY, PLANT AND EQUIPMENT - *2,066,438 THOUSAND EUROS*

As at 31 December 2012, this item amounted to 2,066,438 thousand euros (2,021,364 thousand euros at 31 December 2011) and relates to assets used in operations. The following table shows a breakdown and movements during the period:

€ thousand	31.12.2011	Change in basis of consolidation	Investments/ Acquisi-tions
Land and buildings	267,336	(1,244)	121,397
Plant and machinery	1,252,245	(102,990)	83,273
Industrial equipment	404,949	0	31,068
Other assets	39,044	0	6,130
Fixed assets in progress	46,019	(44)	33,072
Assets to be relinquished	11,770	0	2,364
TOTAL PROPERTY, PLANT AND EQUIPMENT	**2,021,364**	**(104,279)**	**277,304**

€ thousand	Amortisation/ depreciation	Disposals and other movements	31.12.2012
Land and buildings	(14,396)	23,508	396,600
Plant and machinery	(102,486)	33,449	1,163,492
Industrial equipment	(15,968)	1,655	421,704
Other assets	(9,234)	2,513	38,453
Fixed assets in progress	0	(45,059)	33,988
Assets to be relinquished	(1,069)	(862)	12,202
TOTAL PROPERTY, PLANT AND EQUIPMENT	**(143,154)**	**15,203**	**2,066,438**

Investments made during the year totalled 277,304 thousand euros and are attributable to the following industrial areas:

- Networks: 92,442 thousand euros,
- Environment: 37,086 thousand euros,
- Energy: 19,292 thousand euros,
- Corporate – ACEA: 117,538 thousand euros,
- Water services in Tuscany and Umbria: 7,985 thousand euros,
- Water services in Lazio and Campania: 12,698 thousand euros,
- Overseas Water Services: 0.2 thousand euros,
- Engineering and Services: 0.7 thousand euros.

The main **investments** were carried out by the following companies in 2012:

- ACEA Distribuzione: 89,682 thousand euros spent primarily on extension and renovation of its HV, MV and LV networks, the construction of electricity substations and LV connections; this investment is essentially in line with the priorities set out in the Regulatory Plan and the operating needs arising during the period. The above investment breaks down as follows:
  - land and buildings: 2,553 thousand euros (3,506 thousand euros at 31 December 2011),
  - plant and machinery: 51,455 thousand euros (43,053 thousand euros at 31 December 2011),
  - industrial and commercial equipment: 28,970 thousand euros (38,658 thousand euros at 31 December 2011),
  - other assets: 536 thousand euros (2,000 thousand euros at 31 December 2011),
  - fixed assets in progress and prepayments: 6,167 thousand euros (3,134 thousand euros at 31 December 2011).
- ARSE: 2,419 thousand euros essentially refer to the purchase of land in the Salentino area, particularly in the municipalities of Alessano and Leverano, in the municipality of Giuliano di Roma, to the start-up of new PV plant installation projects including those in Valle Galeria, Q8 Formia and Parco della Mistica,
- ARIA: 30,781 thousand euros for the purchase of control and automation systems, electromechanical and electronic works for the Terni and San Vittore del Lazio WTE plants, the completion of activities regarding the civil works associated with lines II and III of the San Vittore WTE plant, and the revamping of line I at the San Vittore WTE plant,
- Acea Produzione: 19,242 thousand euros largely attributable to repowering works completed on the Orte and Salisano hydroelectric plants, particularly the assembly of the two turbine-generator units with the same nominal power (10 MW) was completed, and the first parallel was carried out for both units. The expansion project to extend the Mezzocammino district heating network in the area south of Rome also continued during the year,
- Ingegnerie Toscane for 2,743 thousand euros, mainly for the lease purchase of its new registered office,
- ACEA for 117,538 thousand euros, referring mainly to finalisation in January 2012 of the sale agreement for the office at Piazzale Ostiense (112,200 thousand euros), extraordinary maintenance work conducted on the registered office and unowned buildings, the purchase of furnishings and electronic machines for 3,262 thousand euros and investments in hardware required for IT network upgrading and development projects.

Amortisation/depreciation amounts to 143,154 thousand euros and relates primarily to the following industrial areas:

- Networks: 100,988 thousand euros, of which 93,145 thousand euros from ACEA Distribuzione and 2,310 thousand euros from ARSE,
- Energy: 9,666 thousand euros, including 9,476 thousand euros from ACEA Produzione,
- Environment: 23,168 thousand euros, including 15,821 thousand euros from ARIA, 4,594 thousand euros from SAO and 1,600 thousand euros from Kyklos,
- Water: 7,947 thousand euros, of which 2,503 thousand euros Lazio-Campania, 4,561 thousand euros Tuscany-Umbria and 882 thousand euros Overseas,
- Engineering and Services: 415 thousand euros,
- Corporate – ACEA: 6,346 thousand euros.

Other movements refer to reclassifications due to the commissioning of fixed assets in progress and disposals and divestments of assets. Specifically, please note:

- the recognition of 10,999 thousand euros regarding SAO for the updating of costs for post-closure operations at the waste dump as a result of its expansion,
- the start-up of operations at the Terni WTE power station, with the resulting reclassifications: (i) 4,687 thousand euros relative to the structural part of the Terni plant, (ii) 331 thousand euros to complete works on the building used as a laboratory and (iii) 1,006 thousand euros to complete works on lines II and III at the San Vittore plant,
- SAO's disposal (311 thousand euros) with effect from 1 May 2012 of the street cleaning services business unit, considered no longer strategic to the company's development plans,
- the sale in May 2012 to Mobilservice for 200 thousand euros of certain technical components of the San Vittore WTE plant in Lazio that formed part of the revamping of line I.
- the 1,662 thousand euro impairment charge applied to Ecoenergie's fixed assets pertaining to the power station construction project in the municipality of Paliano following the company's placement in liquidation,

The section **Change in the basis of consolidation** includes recognition of ARSE's disposal (104,279 thousand euros) of the PV business unit to RTR Capital S.r.l. on 28 December 2012. That amount represents the value of the plants subject to the disposal at 31 December 2012. The transaction regarded the disposal of Apollo S.r.l., operating in the PV sector, whose asset portfolio includes plants located in Puglia, Lazio and Campania, with total installed power of 32,544 MW.

13. INVESTMENT PROPERTY - *2,933 THOUSAND EUROS*

Investment property primarily includes land and buildings not used in operations and held for rental. The decrease compared to the end of last year is due to the effect of depreciation (61 thousand euros).

The following table shows movements during the period:

€ thousand	31.12.2011	Assets held for sale	Investments/ Acquisitions
Investment property	2,993	0	0
INVESTMENT PROPERTY	**2,993**	**0**	**0**

€ thousand	Amortisation/ depreciation	Disposals and other movements	31.12.2012
Investment property	(61)	0	2,933
INVESTMENT PROPERTY	**(61)**	**0**	**2,933**

14. GOODWILL - *147,082 THOUSAND EUROS*

At 31 December 2012 goodwill amounted to 147,082 thousand euros (151,244 thousand euros at 31 December 2011). The decrease of 4,163 thousand euros compared to the previous year is essentially due to adjustments to the value of goodwill emerging after the winding-up of the joint venture between Acea and GdF-Suez had been completed, particularly for Acea Energia Holding (201 thousand euros) and Acea Produzione (2,839 thousand euros). There was also a goodwill impairment which emerged at the time of the acquisition of Crea, referring to Gesesa (1,123 thousand euros).

The table below shows each CGU by industrial area:

€ thousand	31.12.2011	Purchases	Impairments/ Revaluations	Other movements	Total
Energy:	**140,476**	**0**	**(3,040)**	**0**	**137,436**
Acea Produzione	94,457		(2,839)		91,618
Acea Energia	45,327				45,327
Acea Energia Holding	692		(201)		491
Water:	**1,896**	**0**	**(1,123)**	**0**	**773**
Acque Blu Fiorentine	0				0
Gesesa	1,123		(1,123)		0
Laboratori	773				773
Environment:	**8,872**	**0**	**0**	**0**	**8,872**
ARIA	7,744				7,744
Aquaser Group	1,128				1,128
GOODWILL	**151,244**	**0**	**(4,163)**	**0**	**147,082**

In compliance with IAS 36, said balance sheet item, given that it is an intangible asset with an indefinite useful life, is no longer subject to amortisation, but subject to an analysis of congruity on an annual basis or more frequently where events occur or there is a change of circumstances that may lead to impairments. Goodwill emerging at the date of acquisition is allocated to each of the cash-generating units expected to benefit from the synergies deriving from the acquisition. Impairment charges are identified via tests that assess the capacity of each unit to generate cash sufficient to recover the portion of goodwill allocated to it.

On the basis of that principle, the estimated recoverable amount of goodwill recorded in the statement of financial position is realised by using the higher of the fair value less costs to sell and value in use of a group of assets that identifies the company or group of companies to which it belongs: the cash generating unit (or set of cash generating units).

The fair value is determined, taking into account information available to company management, on the basis of the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties.

The value in use is determined using the Discounted Cash Flow method, by discounting operating cash flows net of interest rates resulting from economic and financial projections based on assumptions in the budget plan drafted by management.

For the discounting of these flows, an explicit time period consistent with said forecasts was considered, i.e. with the average useful life of the assets, or with the duration of the concessions.

Use of the Discounted Cash Flow method provides for the discounting of estimate future cash flows, using the proper discount rate that reflects the current market assessments of the time value of money and risks specific to the asset (WACC).

The cash flow deriving from disposal at the end of the useful life (Terminal Value), prudentially estimated at zero or the sum of the estimate of the prospective value of fixed assets, net working capital and provisions.

The table below shows some of the CGUs to which is allocated a significant goodwill value compared with the overall value of goodwill recorded in the statement of financial position, specifying the discount rates used and time period of cash flows for each type of recoverable value considered. Following the impairment test, the values recorded were confirmed since they are recoverable.

Operating area / CGU	Amount € millions	Recoverable value	Weighted Average Cost of Capital*	Terminal value	Cash flow period
Energy:					
Acea Produzione	91.6	value	7.0%	Invested capital at year-end**	End of useful life of assets
Acea Energia	45.3	value	8.6%	Perpetuity without growth	2017
Environment:					
ARIA	7.7	value	6.8%	Invested capital at year-end	End of useful life of assets

* *post-tax discount rate*

** *Please note that for ACEA Produzione's Sant'Angelo power plant, the value for new construction of the plant is used as the terminal value, according to the criteria set forth in Law of 7 August 2012.*

15. CONCESSIONS AND RIGHTS ON INFRASTRUCTURE - *1,730,591 THOUSAND EUROS*

At 31 December 2012, this item amounted to 1,730,591 thousand euros (1,553,946 thousand euros at 31 December 2011) and includes the values of concessions received from the municipalities (237,330 thousand euros at 31 December 2012) and, pursuant to IFRIC 12, the aggregate amount of tangible infrastructures used for the management of the water service (1,496,731 thousand euros).

The change of 176,645 thousand euros reflects opposing factors:

- the increase in investments for the period of 219,132 thousand euros,
- the decrease in amortisation/depreciation for the period of 79,708 thousand euros.

More specifically, Concessions (amounting to 237,330 thousand euros) refer to:

- 199,195 thousand euros, representing the value of the thirty-year concession from Roma Capitale relating to water, treatment and sewerage plants of the ATO2 (including goodwill) of 212,410 thousand euros. This fresh water and water treatment concession was transferred from ACEA to ACEA Ato2 at the end of 1999, whilst the sewerage service concession was transferred between the same companies from 1 September 2002. The concessions are amortised over their residual terms. The value includes the sum of 571 thousand euros relating to the right deriving from the 2009 take-over of the integrated water service management in the municipality of Formello, previously entrusted to Crea Gestioni,
- 3,236 thousand euros relating to Gori for the concession. That item decreased by 15,317 euros compared to last year due to the reclassification of instalments of integrated water service loans from that item to operating costs in compliance with the Area Authority's General Meeting resolution of 27 October 2012,
- 29,530 thousand euros relating to companies operating in Tuscany, including Acquedotto del Fiora.
- This item also includes goodwill arising from consolidation representing goodwill attributable to integrated water service contracts and the A.R.I.A. Group, above all with regard to SAO (4,442 thousand euros).

Rights on infrastructure posted in the accounts amount to 1,493,261 thousand euros (1,287,675 thousand euros as at 31 December 2011) and include tangible infrastructures used for the management of the integrated water service. Values are broken down below by Company:

- ACEA Ato2 986,440 thousand euros (861,572 thousand euros on 31 December 2011),

- ACEA Ato5 52,190 thousand euros (47,273 thousand euros on 31 December 2011),
- GORI for 58,752 thousand euros (57,726 thousand euros at 31 December 2011),
- Acquedotto del Fiora 58,906 thousand euros (20,919 thousand euros at 31 December 2011),
- Acque for 138,677 thousand euros (120,257 thousand euros at 31 December 2011),
- Publiacqua for 146,340 thousand euros (136,134 thousand euros at 31 December 2011),
- Umbra Acque for 35,814 thousand euros (29,662 thousand euros at 31 December 2011).

Investments relating to said item amounted to 214,469 thousand euros, made by the following:

- ACEA Ato2 for 135,959 thousand euros referring primarily to:
  - Land and Buildings for 1,118 thousand euros and mainly refer to (i) extraordinary maintenance and construction of buildings at water centres (522 thousand euros), (ii) works belonging to sources (587 thousand euros) and (iii) compensation paid to purchase the land needed to build aqueducts,
  - Plant and Machinery for 73,721 thousand euros, relates to (i) the clean-up and enlargement of water and sewer pipes in the various municipalities, (ii) extraordinary maintenance at water centres (63,953 thousand euros) and (iii) work on treatment plants (9,769 thousand euros),
  - Industrial and commercial equipment: 17,064 thousand euros, regarding (i) new connections, following the completion of work carried out in the Municipality of Rome (7,516 thousand euros) and the various municipalities acquired (8,064 thousand euros), and (ii) the purchase of equipment for water and operating centres (1,483 thousand euros),
  - Fixed assets under construction amount to 42,649 thousand euros and refer to works currently being completed including (i) transportation plants (abstraction pipes and feeder mains totalling 23,512 thousand euros), (ii) water treatment plants (16,792 thousand euros), (iii) water and operating centres (596 thousand euros) and (iv) new connections (1,748 thousand euros)
  - Application software purchased for 912 thousand euros mainly relating to the NETA billing system project.
- ACEA Ato5 for 6,541 thousand euros, relating to extraordinary maintenance on buildings at the various water centres and investments carried out on fresh water and sewer pipes in the various municipalities,
- Acque for 23,194 thousand euros, referring to work on the distribution, sewer and water treatment network,
- Publiacqua for 23,404 thousand euros relating to new connections, extraordinary maintenance and extensions and expansions of water pipelines, sewer networks and treatment plants. The main investments regard the distributary on the left bank of the River Arno (approximately 6,080 thousand euros), the southern distributary of Pistoia (approximately 640 thousand euros) and the Work Force Management project (approximately 1,400 thousand euros),
- GORI for 3,463 thousand euros, incurred for extraordinary maintenance work on networks and plants, new meter installations and replacements and works planning and management for the start-up and implementation of works planned as part of the Area Plan; in particular, these costs are for planning activities, works management, the issue of authorisations and easements and all operational support activities carried out by AGS to assist in engineering activities,
- Acquedotto del Fiora for 11,304 thousand euros,
- Umbra Acque: 4,817 thousand euros.

The item **Other movements** includes:

(i) + 20,820 thousand euros concerning Acea Ato2, relating to the future obligations assumed by ACEA Ato2 consisting of works financed by grants from 2012 to 2017, against the non-application of the penalties relative to the application of the MALL parameter decided upon by the Mayors' Conference at its session of 17 April 2012 and due for the years until 2012. The commitment has a duration of six years (2012 - 2017) and an annual value of 3,470 thousand euros.

Against the recognition of the 20,820 thousand euro concession right, the Group allocated a provision for charges of an equal amount, which was used in 2012 to cover investments made. The concession right is amortised for the residual duration of the concession and, therefore, in 2012 a portion of amortisation of 1,041 thousand euros was recorded,

(ii) the reduction in intangible assets posted by GORI (-15,151 thousand euros) relative to long-term costs where the costs relative to the loan instalments to be repaid to the municipalities were allocated; that reduction was caused by decisions made by the Authority's General Meeting on 27 October 2012.

The following tables shows changes in this item by geographical area.

€ thousand	31.12.2011	Change in basis of consolidation	Investments/ Acquisitions
LAZIO	1,121,266	0	142,373
TUSCANY AND UMBRIA	355,325	0	68,633
CAMPANIA	77,355	0	3,463
OVERSEAS	0	0	0
TOTAL CONCESSIONS	**1,553,946**	**0**	**214,469**

€ thousand	Amortisation/ depreciation	Disposals and other movements	31.12.2012
LAZIO	(47,032)	21,218	1,237,826
TUSCANY AND UMBRIA	(29,860)	35,679	429,778
CAMPANIA	(2,816)	(15,013)	62,988
OVERSEAS	0	0	0
TOTAL CONCESSIONS	**(79,708)**	**41,884**	**1,730,591**

16. OTHER INTANGIBLE ASSETS - *77,730 THOUSAND EUROS*

These amounted to 77,730 thousand euros (115,067 thousand euros as at 31 December 2011), marking a decrease of 37,336 thousand euros and are broken down as follows.

€ thousand	31.12.2011	Change in basis of consolidation	Investments/ Acquisitions
Patent rights	50,651	0	9,448
Other intangible assets	43,307	0	2,542
Fixed assets in progress	21,108	0	6,710
TOTAL	**115,067**	**0**	**18,700**

€ thousand	Amortisation/ depreciation	Disposals and other movements	31.12.2012
Patent rights	(26,257)	14,360	48,203
Other intangible assets	(4,353)	(17,724)	23,772
Fixed assets in progress	0	(22,062)	5,756
TOTAL	**(30,610)**	**(25,426)**	**77,730**

The decrease compared to last year was due to the net effect of investments for the period of 18,700 thousand euros, amortisation for 30,610 thousand euros and re-classifications for 25,426 thousand euros.

The **investments** made in the period refer to **(i)** ACEA Distribuzione for 5,123 thousand euros, **(ii)** Acea Energia for 7,299 thousand euros, **(iii)** Acea Energia Holding for 503 thousand euros and **(iv)** SAO for 200 thousand euros. Intangible assets of ACEA Distribuzione include the costs incurred for the re-engineering project for information and commercial systems in the distribution area (13,255 thousand euros) and the standardisation of systems used in meter reading (3,213 thousand euros).

"Disposals and other movements" mainly refers to 12,075 thousand euros of green certificates revenue accrued by the hydroelectric power stations. Given that these are assets for instant use, they are not amortised but are tested for impairment. The recoverable amount is the higher of the asset's value in use and its market value.

17. INVESTMENTS IN UNCONSOLIDATED SUBSIDIARIES AND ASSOCIATES - *16,415 THOUSAND EUROS*

The ACEA Group's investment portfolio amounts to 16,415 thousand euros, compared to 14,795 thousand euros at the end of 2011. It is broken down as follows.

€ thousand	Historical cost	Revaluations	Impairments	Movements/ Reclassifications	Net value
Balances at 01 January 2012	**162,812**	**44,466**	**(97,593)**	**(94,890)**	**14,795**
Movements in 2012:					
acquisitions	789			(30)	759
revaluations		1,234			1,234
impairments			(373)		(373)
Total movements in 2012	**789**	**1,234**	**(373)**	**(30)**	**1,620**
VALUES AT 31 DECEMBER 2012	**163,601**	**45,699**	**(97,965)**	**(94,920)**	**16,415**

The breakdown of movements during the period is as follows:

- **Revaluations**: these refer essentially to the valuation according to the equity method of the investments in Agua de San Pedro (377 thousand euros), Sienergia Group (209 thousand euros), Umbria2 (125 thousand euros), Umbria Distribuzione Gas (101 thousand euros) and GEAL (28 thousand euros),
- **Acquisitions**: these refer to payment of the share capital increase by Ecogena following the increase decided by Eur Power (775 thousand euros),
- **Impairments:** these relate to the measurement, using the equity method, of investments in So.ge.a, Azga Nord and Eur Power, and the impairment of the investment in Marco Polo;

18. OTHER INVESTMENTS - *4,715 THOUSAND EUROS*

This item, totalling 4,715 thousand euros (4,685 thousand euros at the end of the previous year), consists of equity interests that do not qualify as subsidiaries, associates or joint ventures. These investments are accounted for at fair value.

19. DEFERRED TAX ASSETS - *358,160 THOUSAND EUROS*

These amounted to 358,160 thousand euros at 31 December 2012 (353,648 thousand euros at 31 December 2011) and relate essentially to **(i)** the temporary differences between the carrying amounts accounted for in the financial statements of subsidiaries, following transfers of business units, and the corresponding amounts accounted for in the consolidated financial statements, amounting to 53,312 thousand euros (60,022 thousand euros at 31 December 2011), **(ii)** lower tax repayments of 146,980 thousand euros (130,118 thousand euros at 31 December 2011), **(iii)** provisions for tax liabilities of 46,933 thousand euros (46,854 thousand euros at 31 December 2011), **(iv)** provision for write-downs of receivables amounting to 52,031 thousand euros (56,713 thousand euros at 31 December 2011). These uses include rate adjustments (9,600 thousand euros) for group companies that do not fulfil requirements for the application of the IRES surcharge with the additional rate increase for 2013.

Movements in this item are as follows.

	2011		MOVEMENTS IN 2012				
€ thousand	**Balance**	**Change in the basis of consolidation**	**Adjustments/ Reclassifications**	**Movements in shareholders' equity**	**Uses**	**Provisions for IRES/IRAP**	**Balance**
Prepaid taxes							
Tax losses	3,296	0	233	0	(2,072)	(842)	614
Fees to members of the Board of Directors	1,066	0	13	0	(124)	106	1,061
Provisions for liabilities and charges	46,854	0	(1,868)	0	(6,534)	8,481	46,933
Impairments of receivables and investments	56,713	0	2,590	0	(22,323)	15,050	52,031
Amortisation/depreciation	130,118	(24)	(730)	0	(3,509)	21,126	146,980
Defined benefit and defined contribution plans	12,572	0	(26)	0	(730)	373	12,189
Tax assets on consolidation adjustments	60,022	0	0	0	(6,710)	0	53,312
Fair value of commodities and other financial instruments	15,316	0	2,505	(3,016)	(137)	6	14,674
Other	27,691	0	1,795	(0)	(1,868)	2,746	30,364
Total	***353,648***	***(24)***	***4,512***	***(3,016)***	***(44,006)***	***47,046***	***358,160***
Deferred taxes							
Amortisation/depreciation	78,954	0	(85)	0	(2,753)	6,651	82,767
Defined benefit and defined contribution plans	4,844	0	(5)	0	(106)	(252)	4,482
Fair value of commodities and other financial instruments	8,814	0	2,724	(9,539)	(810)	8	1,197
Other	6,214	0	2,853	(8)	(279)	(8)	8,772
Total	***98,826***	***0***	***5,487***	***(9,547)***	***(3,948)***	***6,399***	***97,217***
NET TOTAL	**254,823**	**(24)**	**(975)**	**6,531**	**(40,058)**	**40,647**	**260,943**

The item "Other" includes deferred taxation concerning connection fees.

The Group recognises deferred tax assets based on earnings forecasts in the Group's business plans, which confirm the probability that sufficient future taxable profit will be available against which all of the assets can be recovered.

20. NON-CURRENT FINANCIAL ASSETS - *32,959 THOUSAND EUROS*

These amounted to 32,959 thousand euros (19,939 thousand euros at 31 December 2011), marking an increase of 13,020 thousand euros.

More specifically, this item is composed as follows:

- receivables of 30,899 thousand euros due from Roma Capitale relating to plant upgrades in terms of safety and legislation and new constructions as set out in the addendum to the Public Lighting contract, carried out in 2012. This receivable relates to the long-term portion deriving from application of the financial method as per IFRIC 12 regarding concession arrangements,
- Receivables for non-current concession fees due to the State amounting to 997 thousand euros, relating to the return of expenses paid as a result of Law 266/05, subsequently supplemented by Supreme Court ruling 1/2008,
- VAT credits of 859 thousand euros for which a refund has been requested.

21. OTHER NON-CURRENT ASSETS - *58,483 THOUSAND EUROS*

At 31 December 2012, there were composed as follows:

€ thousand	31.12.2012	31.12.2011	Increase/ (Decrease)
Amounts due from the State	127	170	(43)
Advances and deposits	1,189	1,133	55
Other receivables	57,167	61,885	(4,718)
Other non-current assets	**58,483**	**63,189**	**(4,706)**

Amounts due from the State

These amounts due totalled 127 thousand euros and regard the advance of withholding taxes paid at a rate of 3.89% on staff termination benefits.

These receivables were used to offset withholding taxes due on staff termination benefits and advances disbursed at 1 January 2000, as allowed by the relevant legislation. Moreover, such amounts were utilised to pay capital gains tax on revaluations of staff termination benefits introduced by the 2000 Finance Act.

The receivables in question are subject to revaluations at the end of each year, with any revaluations recognised in the income statement as finance income.

Advances and deposits

These items total 1,189 thousand euros and regard guarantee deposits and advances to staff.

Other receivables

This item totals 57,167 thousand euros (61,885 thousand euros at 31 December 2011).

The breakdown is as follows:

- 6,944 thousand euros in prepayments relating to costs incurred by Group companies: **(i)** to manage White Certificates and the Metro and Cemetery Lighting contracts (1,228 thousand euros by ARSE and 512 thousand euros by the Acque Group) associated with revenue to be collected in future years and **(ii)** 3,748 thousand euros by Nuove Acque for concession fees paid in advance.
- 49,256 thousand euros in long-term receivables generated by the public lighting service agreement in the city of Rome (53,723 thousand euros at 31 December 2011), representing the total investments made at 31 December 2010 for this service, now due following adoption of the financial method according to IFRIC 12 as a result of the additional agreements between ACEA and Roma Capitale on the service agreement in question.

22. CURRENT ASSETS - *2,316,450 THOUSAND EUROS*

They total 2,316,450 thousand euros (2,316,514 thousand euros at 31 December 2011) and are broken down as follows:

€ thousand	31.12.2012	31.12.2011	Absolute increase/ (Decrease)	Increase/ (decrease) %
Inventories	41,983	66,106	(24,123)	-36.5%
Trade receivables:				
Amounts due from customers	1,346,848	1,304,691	42,157	3.2%
Amounts due from the parent company	94,350	160,060	(65,710)	-41.1%
Amounts due from subsidiaries and associates	36,009	45,261	(9,252)	-20.4%
TOTAL TRADE RECEIVABLES	**1,477,207**	**1,510,012**	**(32,805)**	**-2.2%**
Other receivables and current assets	135,774	189,518	(53,743)	-28.4%
Current financial assets	152,225	172,768	(20,543)	-11.9%
Current tax assets	85,562	57,089	28,473	49.9%
Cash and cash equivalents	423,698	321,022	102,676	32.0%
CURRENT ASSETS	**2,316,450**	**2,316,514**	**(64)**	**0.0%**

Inventories

These totalled 41,983 thousand euros (-24,123 thousand euros compared with 31 December 2011) and are broken down into the following industrial areas:

€ thousand	31.12.2012	31.12.2011	Increase/ (Decrease)
Networks	20,648	47,376	(26,728)
Energy	2,656	2,926	(269)
Water	12,952	12,998	(46)
Environment	3,193	2,806	387
Corporate	2,534	(0)	2,534
TOTAL	**41,983**	**66,106**	**(24,123)**

The decrease is essentially caused by: **(i)** ARSE (-24,907 thousand euros) due to the drop in PV activities with regard to the construction of owned plants and construction under EPC agreements for third parties, **(ii)** ACEA Distribuzione (-1,822 thousand euros) due to higher consumption compared to purchases during the period, while there was an increase **(ii)** for the parent company (+2,534 thousand) due to works currently being completed to construct public lighting plants under the service agreement with Roma Capitale.

Trade receivables

These amounted to 1,477,207 thousand euros, marking a decrease of 32,805 thousand euros compared to the previous year, when the figure was 1,510,012 thousand euros.

The details are shown in the table below:

€ thousand	31.12.2012	31.12.2011	Absolute increase/ (Decrease)	Increase/ (decrease) %
Amounts due from customers	1,346,848	1,304,691	42,157	3.23%
Amounts due from Roma Capitale	94,350	160,060	(65,710)	-41.05%
Amounts due from subsidiaries and associates	36,009	45,261	(9,252)	-20.44%
TOTAL TRADE RECEIVABLES	**1,477,207**	**1,510,012**	**(32,805)**	**-2.17%**

Amounts due from customers

€ thousand	31.12.2012	31.12.2011	Increase/ (Decrease)
End users for bills issued	574,828	626,204	(51,376)
End users for bills to be issued	497,270	392,621	104,649
Total receivables due from end users	**1,072,098**	**1,018,825**	**53,273**
Receivables from other customers	252,429	256,890	(4,461)
Disputed receivables	22,320	28,976	(6,656)
TOTAL RECEIVABLES	**1,346,848**	**1,304,691**	**42,157**

The increase of 42,127 thousand euros recorded compared to 31 December 2011 is attributable to the increase in amounts due from end users for bills to be issued mainly regarding the water area companies following the recognition of tariff adjustments, partially mitigated by the effect of the actions taken during the year, which amongst other things included receivables factored and cancellations.

The table below summarises the changes by industrial area:

€ thousand	31.12.2012	31.12.2011	Increase/ (Decrease)
ACEA	45,941	38,901	7,040
Networks	90,041	101,251	(11,209)
Energy	583,235	612,899	(29,665)
Water	583,826	491,387	92,439
Environment	43,805	60,253	(16,448)
TOTAL	**1,346,848**	**1,304,691**	**42,157**

Networks industrial area receivables

These receivables amounted to 90,041 thousand euros (-11,209 thousand euros on the previous year), of which:

- 41,331 thousand euros due from end users (+13,403 thousand euros on the previous year). The item includes receivables generated by transport to free market customers. The overall change in receivables due from users is due to the increase in receivables for bills issued by 9,778 thousand euros and receivables for bills to be issued (7,897 thousand euros).
- 48,711 thousand euros from other customers (-24,612 thousand euros compared to 31 December 2011). This item includes receivables due to ARSE (38,494 thousand euros at 31 December 2012) deriving essentially from contracts linked to air quality, photovoltaic power, as well as to the disposal of Energy Efficiency Bonds – EEB (white certificates). The decrease (-26,425 thousand euros) was generated by collections made during the year of a significant amount of receivables, mostly originating in 2011, generated by agreements for the supply of photovoltaic panels.

The provision for impairment of receivables for this area totals 7,091 thousand euros, up by 2,038 thousand euros, due mainly to ACEA Distribuzione.

From January to December, ACEA Distribuzione securitised receivables for a total of 184,832 thousand euros.

Energy industrial area receivables

These receivables are generated by sales of energy to customers in the free and protected markets, as well as to gas customers and amount to 583,235 thousand euros. They decreased by 29,665 thousand euros compared to last year: this change is mainly determined by Acea Energia (-40,076 thousand euros), partially offset by an increase of 18,423 thousand euros regarding Acea Energia Holding. Acea Energia wrote off receivables totalling 47,797 thousand euros and used the provision for the impairment of receivables for the same amount, as these referred to fully impaired assets. The provision for im-

pairment of receivables at 31 December 2012 amounts to 63,068 thousand euros, down by 23,330 thousand euros compared to 31 December 2011, net of uses, as a result of higher uses during the year. During 2011, ACEA Energia transferred, as part of the securitisation contract signed in 2009, receivables due from private entities amounting to 519,827 thousand euros and entered into spot transfer operations which involved the transfer of receivables due from Public Administration amounting to 188,873 thousand euros.

Water industrial area receivables

This item amounts to a total of 583,826 thousand euros, an increase of 92,439 thousand euros compared to 31 December 2011.

The change was generated by the following companies:

- ACEA Ato2 (+48,346 thousand euros). The company recorded total receivables of 257,376 thousand euros, of which 242,922 thousand euros (+52,011 thousand euros) due from end users and 14,454 thousand euros (-3,664 thousand euros) due from other customers. The decrease represents the combined effect of the following phenomena:
  - the increase in receivables for bills to be issued (+60,826 thousand euros) due, mainly **(i)** to the higher value compared to last year of estimated revenues accrued in 2012 which have not yet been billed (+46,854 thousand euros), **(ii)** the recognition of additional tariff adjustments generated by the difference between guaranteed and actual revenues earned by the operator, from the April 2012 tariff review (+29,608 thousand euros) net **(iii)** of the closure of the amount accrued 2011 (15,648 thousand euros);
  - the reduction of receivables for bills issued (-9,341 thousand euros), mainly due to the factoring of receivables described hereunder;
  - the provision for impairment of receivables increased by 676 thousand euros, standing at 19,670 thousand euros (18,994 thousand euros at 31 December 2011).

During 2012, ACEA Ato2 transferred, as part of the securitisation contract signed in 2009, receivables due from private entities amounting to 244,379 thousand euros and entered into spot transfer operations which involved the transfer of receivables due from Public Administration amounting to 45,828 thousand euros. Note that in June 2012 and December 2012, based on the dedicated Board of Directors resolutions, a number of receivables (totalling 8,922 thousand euros) on which the prospects for recovery were essentially zero were fully written down.

- ACEA Ato5 (+43,370 thousand euros). Receivables amount to 106,086 thousand euros, with 100,561 thousand euros due from end users (57,788 thousand euros at the end of the previous year). The change in receivables derives mainly from:
  - the reallocation to Other receivables of tariff adjustments for the period 2006-2011 recognised at 31 December 2011. This reallocation is the result of finalisation by the Commissioner appointed by the Lazio Regional Administrative Court (sentence 529/2011) of the special works progress report at 21 June 2012 on review of the Frosinone Area Plan. Specifically, the Commissioner estimated adjustments for inclusion in the review, and therefore valid for future tariffs, of 54,353 thousand euros,
  - +14,086 thousand euros relating to the determination of revenues accrued during the year and not yet billed (2012 Accrual). Revenues for the year were estimated on the basis of the rules introduced by the Temporary Tariff Method;

  Further information is provided in the section "Update on major disputes and litigation".
- At year end, GORI's receivables amount to 117,521 thousand euros, of which 62,365 thousand euros to be issued, with an increase of 9,539 thousand euros, of which 7,118 thousand euros for invoices to be issued. The change recorded by the company was significantly impacted by the recognition of guaranteed revenues as approved by the Area Authority's general meeting on 27 October 2012,
- Acque Group (-3,191 thousand euros). At 31 December 2012, these receivables amounted to 25,539 thousand euros (including 19,413 thousand euros due from end users), compared to 21,943 thousand euros at 31 December 2011,
- Umbra Acque (-163 thousand euros). At the end of the year, receivables amounted to 11,897 thousand euros, compared to 12,060 thousand euros at 31 December 2011,

- The Publiacqua Group (-3,707 thousand euros). At the end of the year, these receivables amounted to 23,537 thousand euros (including 18,456 thousand euros due from end users), compared to 27,244 thousand euros at 31 December 2011,
- AceaGori Servizi (-110 thousand euros). As at 31 December 2012, they totalled 7,310 thousand euros from third-party clients, compared to 7,420 thousand euros at the end of last year.

This area also includes the receivables of the companies Gesesa, Lunigiana and Crea Gestioni, which equalled 17,607 thousand euros at the end of the period (-764 thousand euros), and the receivables from the Overseas Water Services area, totalling 7,850 thousand euros (6,160 thousand euros at 31 December 2011), which recorded an increase of 1,690 thousand euros, chiefly attributable to Aguazul Bogotà.
The balance of receivables due from customers in the Water Services segment includes 535,687 thousand euros in amounts due from end users and 48,139 thousand euros due from other customers. The provision for the impairment of receivables for this segment amounts to 83,855 thousand euros.

Environment industrial area receivables
These amounted to 43,805 thousand euros, a decrease of 16,448 thousand euros compared to 31 December 2011, essentially as a result of the decrease: **(i)** in ARIA receivables (-9,779 thousand euros) mainly referring to the sale of electricity to the National Grid Operator produced by lines II and III of the San Vittore waste-to-energy plant; the decrease recorded refers to amounts collected from the National Grid Operator during the year, and **(ii)** SAO receivables (-5,950 thousand euros) as a result of amounts collected from ASM Terni.

ACEA receivables
These receivables amounted to 45,941 thousand euros (+7,040 thousand euros compared to the end of 2011) and were affected by: **(i)** the transactions for the acquisition of receivables due to Acea Energia from ATAC, totalling 7,277 thousand euros, of which 3,277 thousand euros has already been collected, **(ii)** the accrual of amounts due from the municipality of Naples, totalling 9,258 thousand euros, **(iii)** the collection of amounts due from the company Manutenzione Illuminazione S.p.A. (SMAIL S.p.A.), acquired by Acea Energia during the first quarter of 2011 (totalling 6,078 thousand euros).
At 31 December 2012, disputed receivables amount to 20,555 thousand euros and decreased by 17 thousand euros compared with the previous year.
On 22 February 2012, ACEA's Board of Directors resolved the cancellation of gross receivables totalling 17,363 thousand euros, fully covered by the Provision for the Impairment of Receivables.
The provision for the impairment of receivables stood at 4,601 thousand euros, down by 18,753 thousand euros due to the cancellation of receivables at the beginning of the current year. Additional impairments totalling 216 thousand euros were carried out during the year. Provisions for the impairment of receivables are based on analytical assessments, supplemented by assessments based on historical analyses of amounts due from end users and customers broken down according to the default period, the type of action undertaken to recover the amount due and the status of the receivable concerned (ordinary, disputed, etc.).
For more information related to credit ageing, please see the tables attached hereto.

Receivables due from the parent company Roma Capitale

Trade receivables due from Roma Capitale totalled 94,350 thousand euros at 31 December 2012 (160,059 thousand euros at 31 December 2011).
The total amount of receivables (including financial receivables resulting from the public lighting contract and both current and non-current receivables) is equal to 188,553 thousand euros compared to 292,737 thousand euros in the previous year.

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

€ thousand	31.12.2012	31.12.2011	Increase/ (Decrease)
RECEIVABLES	188,553	292,737	(104,803)
PAYABLES (including dividends)	61,613	148,785	(87,172)
BALANCE	**126,940**	**143,952**	**(17,630)**

The individual Group companies report the following net balances:

Parent Company: +59,615 thousand euros	(-53,920 thousand euros compared to 2011)
ACEA Distribuzione: +2,346 thousand euros	(-1,963 thousand euros compared to 2011)
ACEA Ato2: +21,282 thousand euros	(-1,766 thousand euros compared to 2011)
ACEA Energia: +13,197 thousand euros	(+28,157 thousand euros compared to 2011).
ARSE: -399 thousand euros	(-399 thousand euros compared to 2011).

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

Amounts due from Roma Capitale	**31/12/2012 A)**	**31/12/2011 B)**	**Increase/ (Decrease) A) - B)**
Utility receivables	53,083.3	70,083.4	(17,000.1)
Contract work	17,603.7	44,417.3	(26,813.6)
Receivables for services	6,583.8	9,134.0	(2,550.2)
Other receivables	126.8	865.3	(738.5)
Total services billed	**77,397.7**	**124,500.1**	**(47,102.4)**
Grants due	2,401.5	14,085.5	(11,684.0)
Surcharges	0.0	0.0	0.0
Total services requested	**79,799.2**	**138,585.6**	**(58,786.4)**
Total services to be billed	**13,932.4**	**17,419.9**	**(3,487.5)**
Advances	2,101.0	2,101.0	0.0
Total trade receivables	**95,832.5**	**158,106.4**	**(62,273.9)**
Financial receivables for the public lighting service	63,303.6	114,658.8	(51,355.3)
TOTAL RECEIVABLES DUE WITHIN ONE YEAR (A)	**159,136.1**	**272,765.2**	**(113,629.2)**

Amounts due to Roma Capitale	**31/12/2012**	**31/12/2011**	**Increase/ (Decrease)**
Sewerage and water treatment payables: collectible	0.0	(32,680.5)	32,680.5
Electricity surtax	(14,532.2)	(52,772.0)	38,239.8
Charges for rental of company offices	0.0	(0.0)	0.0
Concession fees payables	(23,933.5)	(24,105.7)	172.2
Total trade payables	**(38,465.8)**	**(109,558.3)**	**71,092.5**
TOTAL PAYABLES DUE WITHIN ONE YEAR (B)	**(38,465.8)**	**(109,558.3)**	**71,092.5**

TOTAL (A) - (B)	**120,670.3**	**163,207.0**	**(42,536.7)**

Other financial loans and receivables/(borrowings)	**30,029.6**	**2,030.0**	**27,999.6**
including: Financial liabilities (including dividends)	(869.4)	(15,989.2)	15,119.7
including: medium/long-term loans and receivables for public lighting	30,899.0	18,019.2	12,879.9
Other trade receivables/(payables)	**(23,760.1)**	**(21,284.6)**	**(2,475.5)**
including: disputed payables - Vatican City water treatment and sewerage	(20,516.2)	(20,516.2)	0.0
NET BALANCE	**126,939.8**	**143,952.4**	**(17,012.5)**

2012 was a year of discontinuity with respect to the past in relations with Roma Capitale since, following the joint works and analyses with the Roman government offices, it was possible to achieve a significant overall reduction in amounts receivable and payable, with reference to both ordinary management and the Administration established by the Central Government.

The Administration established by the Central Government refers to the separate management of Roma Capitale, formed in compliance with Law Decree no. 112/2008, converted into Law no. 133/2008, containing urgent provisions for Roma Capitale. That Administration, supported by its Manager, or the Extraordinary Commissioner appointed by decree of the President of the Council, has the specific task of defining and settling receivables and payables dating back to prior to April 2008.

In that context, on the basis of a special reconstruction of receivable and payable entries, a Settlement Agreement was signed by the Administration established by the Central Government and the ACEA Group on 21 December 2012, which envisaged the payment of 25 million euros to the ACEA Group. That agreement resulted in a total loss of 14,292 thousand euros.

The tables below summarise the amounts settled for each company, by receivable and payable type:

€ thousand	Due from the Administration established by the Central Government	Due to the Administration established by the Central Government	Net balance
ACEA	46,181	12,076	34,105
ACEA Ato2	26,092	24,269	1,823
ACEA Distribuzione	1,168	138	1,030
Acea Energia	8,144	0	8,144
TOTALS	**81,586**	**36,483**	**45,103**

The details of the receivables and payables subject to the Agreement are shown below, grouped based on type:

Type of receivable/payable	€ thousand	
Utility receivables	11,912	Trade
Public lighting contract	31,794	Financial
Contract work and services	27,064	Trade
Regional grants due	10,816	Trade
Total receivables	**81,586**	
Water treatment and sewerage fees payable	(32,677)	Trade
Interest payable relative to public lighting	(2,213)	Financial
Sundry payables	(1,593)	Trade
Total Payables	**(36,483)**	
NET BALANCE	**45,103**	

As regards the ordinary management, note that in 2012 a total of 174,937 thousand euros in receivables was collected and payables of 104,937 thousand euros were settled through administrative offsets.

The table below provides details on the receivables and payables settled in 2012.

Type of receivable/payable	€ thousand	
Utility receivables	78,772	Trade
Public lighting contract	84,113	Financial
Contract work and services	12,052	Trade
Total receivables	**174,937**	
Concession fees payable	(25,071)	Trade
Electricity surtax	(42,443)	Trade
Dividends	(37,423)	Financial
Total Payables	**(104,937)**	
NET BALANCE	**70,000**	

In January 2013, Roma Capitale paid Acea Energia and ACEA 9.4 million euros and 1.2 million euros, respectively, for a total of 10.6 million euros.

Receivables for bills issued recorded at 31 December 2012 and regarding services up to and including 31 December 2011 mainly include:

Type of receivable/payable	€ thousand	
Utility receivables	9,088	Trade
Receivables for public lighting plant construction	5,499	Trade
Receivables for public lighting service agreement	936	Financial
Receivables for water service agreement	5,721	Trade
Receivables for works on the hydro-sanitary network	4,259	Trade

Trade receivables due from subsidiaries and associates

€ thousand	31.12.2012	31.12.2011	Absolute increase/ (Decrease)	Increase/ (decrease) %
Amounts due from associates	5,633	7,385	(1,752)	-23.7%
Amounts due from subsidiaries	30,376	37,876	(7,500)	-19.8%
TOTAL AMOUNTS DUE FROM SUBSIDIARIES AND ASSOCIATES	**36,009**	**45,261**	**(9,252)**	**-20.4%**

Receivables due from subsidiaries

These receivables total 30,376 thousand euros (37,876 thousand euros at 31 December 2011), down 7,500 thousand euros and referring to amounts due from proportionately consolidated companies. Specifically, this item includes the receivables recognised **(i)** by ACEA Energia from its subsidiaries for 25,475 thousand euros (-6,854 thousand euros) and **(ii)** by Sarnese Vesuviano from GORI for 4,356 thousand euros (in line with last year's trend).

Receivables due from associates

These receivables totalled 5,633 thousand euros (7,385 thousand euros at 31 December 2011) and primarily refer to amounts due from Marco Polo for 979 thousand euros (+89 thousand euros), Agua de San Pedro for 1,286 thousand euros (+34 thousand euros), Sogea for 713 thousand euros (+109 thousand euros and Si(e)nergia for 627 thousand euros (+45 thousand euros).

The remaining balance is made up of receivables due from the associates of Crea Gestioni for 1,221 thousand euros (-446 thousand euros) and receivables due from SAO amounting to 270 thousand euros (-38 thousand euros).

Other current receivables and assets

€ thousand	31.12.2012	31.12.2011	Absolute increase/ (Decrease)	Increase/ (decrease) %
Amounts due from others	124,078	179,338	(55,260)	-30.8%
Accrued income and prepayments	8,846	9,470	(624)	-6.6%
Receivables from commodities derivatives	2,850	710	2,140	301.6%
TOTAL OTHER RECEIVABLES AND CURRENT ASSETS	**135,774**	**189,518**	**(53,743)**	**-28.36%**

Amounts due from others

These total 124,078 thousand euros, with breakdown of the main contributing items as follows:

- 31,531 thousand euros recorded by ACEA Ato5 refers to "amounts due from the Area Authority" in relation to operating costs not recoverable on review. 26,510 thousand euros of this amount was reallocated following publication of Document F129 by the Commissioner for deeds on 21 June 2012,
- 16,539 thousand euros recorded by ACEA Distribuzione, representing the residual portion of receivables relating to the general equalisation for 2011 and 2012; in December 2012 receivables relative to the period of 1 January 2012 - 26 December 2012 for the "equalisation of distribution service revenues for distribution companies" were transferred without recourse to Unicredit Factoring S.p.A. A total of 35,791 thousand euros was transferred, and the payment was collected in December. The cost of the transaction totalled 2,704 thousand euros and was classified as a finance cost,
- 14,142 thousand euros recorded by ACEA Distribuzione due from the Equalisation Fund for Energy Efficiency Bonds corresponding to the 2012 energy saving target assigned by the Authority. The remaining portion of receivables relative to 2011 (2,688 thousand euros) was collected in October 2012,
- 4,418 thousand euros are the share of receivables relating to the company-specific equalisation for 2011 that was transferred under recourse factoring. In the first half of 2012, Acea Distribuzione collected the recourse receivable relative to the year 2010, totalling 5,721 thousand euros, and in the second half of 2012, it collected the recourse receivable relative to the year 2011, amounting to 3,283 thousand euros,
- 10,250 thousand euros recognised by ACEA in 2010 following disposal of the property that housed the company's car fleet. The amount represents the price of the aforementioned disposal that the assignee would have had to pay by 31 December 2011: legal action has been taken to recover the receivable,
- 4,571 thousand euros regarding ACEA as a result of the reintegration of the business unit leased to Marco Polo until 31 December 2011. That amount reflects the results of the assets and liabilities, including amounts due to transferred staff, from the company's 2011 financial statements.
- 3,294 thousand euros recorded by ACEA Distribuzione for receivables due from public administration seized by Gerit Spa as a result of proceedings pending finalisation,
- 4,132 thousand euros recorded by ACEA for amounts due from Equitalia Gerit relating to collections deriving from the seizure of the assets of public bodies pursuant to art. 48-bis of Presidential Decree 602 of 29 September 1973. These collections have been used to pay a tax payment notice concerning lower alleged VAT payments charged to ACEA's VAT consolidation; an appeal was filed against said payment notice before the Provincial Tax Commission of Rome, which is still pending, given that a technical appraisal is being conducted by a CTU (court-appointed expert). ACEA believes there is a good chance of achieving reimbursement from the assets seized,
- 9,108 thousand euros relating to amounts due to the subsidiary Gori, including 7,053 thousand euros due from municipalities of the ATO for funds allocated by article 14 of Law 36/1994,
- 3,350 thousand euros regarding advances to suppliers and guarantee deposits.

The decrease of 55,260 thousand euros compared to 2011 is mainly attributable to the aforementioned reclassification of receivables by ACEA Ato5 (-25,252 thousand euros), the advance paid to the National Grid Operator for the A3 component for August 2011 by ACEA Distribuzione (-21,700 thousand euros) and the advance paid by ACEA on purchase of the registered office (-11,000 thousand euros).

Accrued income and prepayments

These amounted to 8,846 thousand euros (9,470 thousand euros at 31 December 2011) and refer mainly to rent on public land, rentals and insurance.

There was a decrease (-624 thousand euros) due to the 459 thousand euro reduction regarding ACEA.

Receivables from commodities derivatives

The fair value of commodity contracts as at 31 December 2012 equalled 2,850 thousand euros, referring entirely to ACEA Energia Holding.

Please see the section "*Additional disclosures on financial instruments and risk management policies*" for more information.

Current tax assets

These amounted to 85,562 thousand euros (57,089 thousand euros at 31 December 2011).

The item essentially includes VAT credits amounting to 28,856 thousand euros for which rebates have not been claimed, and IRES (corporate income tax) and IRAP (regional income tax) credits totalling 18,281 thousand euros. The change compared to last year is mainly due to the recognition of the IRES rebate for IRAP not deducted in prior years (15,815 thousand euros), as well as the growth in VAT and IRES credits for the year (+3,818 thousand euros) and receivables for stamp duties paid virtually (+2,588 thousand euros).

Current financial assets

€ thousand	31.12.2012	31.12.2011	Absolute increase/ (Decrease)	Increase/ (decrease) %
Loans and Receivables due from the parent company	63,304	114,659	(51,355)	-44.8%
Loans and receivables due from subsidiaries and associates	8,483	9,073	(590)	-6.5%
Loans and receivables due from third parties	80,438	49,036	31,402	64.0%
TOTAL CURRENT FINANCIAL ASSETS	**152,225**	**172,768**	**(20,543)**	**-11.89%**

Loans and Receivables due from the parent company

These amount to 63,304 thousand euros (114,659 thousand euros at 31 December 2011) and represent the unconditional right to receive cash flows in line with the methods and timing envisaged in the service agreement for public lighting management. Further details are provided in the note "Receivables due from the parent company Roma Capitale".

Loans and receivables due from subsidiaries and associates

These amounted to 8,483 thousand euros (9,073 thousand euros at 31 December 2011). More specifically, they are broken down as follows:

- 1,126 thousand euros relating to amounts owed in dividends from companies accounted for under proportionate consolidation,
- 2,500 thousand euros recorded in ACEA and related to the loan granted to Sienergia in November 2010 in order to face financial needs linked to some investment projects, among which the construction of PV plants; interest accrues on that item at the Euribor 3-month rate increased by 1.5% yearly,
- 2,764 thousand euros due from Umbriadue and recorded by Crea Gestioni.

Loans and receivables due from third parties

These receivables totalled 80,438 thousand euros (49,036 thousand euros at 31 December 2011) and are mainly broken down as follows:

- 23,273 thousand euros in loans and receivables for the disposal of securitised receivables in December 2012; those receivables were collected in the first few days of 2013,
- 10,488 thousand euros relative to the recognition of receivables from the disposal of the PV business operated by the subsidiary Apollo S.r.l., completed on 28 December 2012. The disposal regarded an asset portfolio consisting of photovoltaic plants with total installed power of 32.544 MW. Those receivables represent (i) 8,095 thousand euros for the residual disposal price (totalling 102.5 million euros), which was collected on 31 January 2013 and (ii) 2,393 thousand euros for the release of the restricted part of the price for a 0.961 MW plant, for which the conditions were satisfied at the closing; that amount will be collected in the first half of 2013.
- 7,903 thousand euros due from ENEL SpA representing INPS contributions paid by ACEA Distribuzione for the years 2001 and 2002 pursuant to article 41, paragraph 2.A of Law 488 of 23 December 1999.

The company believes that such amounts regard obligations dating back to before the purchase of ENEL's Rome distribution network (1 July 2001) and has therefore requested payment from ENEL Distribuzione,

- 10,700 thousand euros recorded by ACEA Ato5 for the amount due from the Area Authority payable in three equal annual instalments by 31 December of each year, with the first instalment due on 31 December 2007. The settlement agreement signed between the company and the Area Authority refers to settlement of the issue regarding the higher operating costs incurred for the three-year period 2003-2005: recognition of higher costs net of sums relating to (i) the tariff portion - corresponding to amortisation/depreciation and return on inflated invested capital - relating to the investments set out in the Area Plan and not carried out in the first three-year period (ii) the portion of inflation accrued on concession fees and (iii) fines for the non-fulfilment of contractual obligations in the three-year period.
- 13,477 thousand euros regarding ACEA for definitively determined receivables from the equalisation of the transaction terminating the joint venture with GdF-Suez Energia Italia (-1,202 thousand euros)
- 6,000 thousand euros due from the assignee of the Laurentina area to ACEA,
- 5,603 thousand euros concerning the receivables resulting from the management of the public lighting service (5,598 thousand euros at 31 December 2011), representing the unconditional right to receive cash flows, consistently with the methods and timing provided for in the same service contract,
- 1,584 thousand euros in Crea Gestioni loans and receivables from disposal of its investment in SOGEAS.

Cash and cash equivalents

This item amounted to 423,698 thousand euros (321,022 thousand euros at 31 December 2011), marking an increase of 102,676 thousand euros. They represent the closing balance for the period of bank current accounts and postal accounts, opened with the various banks and Post Offices by consolidated companies, except by companies held for sale.

A breakdown and movements in this item by area are shown in the table below:

€ thousand	**31.12.2012**	**31.12.2011**	**Increase/ (Decrease)**
Networks	597	282	315
Energy	974	401	572
Water	42,847	34,507	8,340
Overseas	*9,560*	*5,465*	*4,095*
Lazio and Campania	*13,501*	*6,904*	*6,596*
Tuscany and Umbria	*19,787*	*22,137*	*(2,351)*
Environment	1,716	1,605	111
Corporate	377,565	284,227	93,338
TOTAL	**423,698**	**321,022**	**102,676**

The increase of 102,676 thousand euros is composed as follows:

- +93,338 thousand euros for ACEA of 32,819 thousand euros for the balance of bank and post office current accounts held with various institutions, including the Italian Postal Service. It should be noted that the balance does not include cash deposits which amounted to 79,200 thousand euros as at 31 December 2011,
- +8,340 thousand euros for the water companies, particularly regarding Acea Ato5.

23. NON-CURRENT ASSETS HELD FOR SALE/ LIABILITIES DIRECTLY ASSOCIATED WITH ASSETS HELD FOR SALE - *5,378 THOUSAND EUROS*

The balance at 31 December 2012 includes the recognition of the amount of 6,722 thousand euros, which represents the fair value of the repurchase commitment, if certain contractual conditions are not satisfied, as a result of the possible exercise of the put option granted to the buyer of the PV business unit, and 1,344 thousand euros regarding the amount due to the buyer for the repayment of equity corresponding to the plants subject to the put.
For more information, please see section 10 "*Non-current assets held for sale and discontinuing or discontinued operations*".

LIABILITIES

24. SHAREHOLDERS' EQUITY - *1,332,409 THOUSAND EUROS*

At 31 December 2012, shareholders' equity amounted to 1,332,409 thousand euros (1,311,457 thousand euros at 31 December 2011).
Changes in shareholders' equity during the period are shown in the appropriate statement.

Share capital

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

- **Roma Capitale: 108,611,150** shares for a total par value of 560,433 thousand euros;
- **Market: 103,936,757** shares for a total par value of 536,314 thousand euros;
- **Treasury shares: 416,993** ordinary shares for a total par value of 2,152 thousand euros.

Legal reserve

This reserve reflects the allocation of 5% of net profit for previous years, in accordance with article 2430 of the Italian civil code.
This reserve has risen from 113,731 thousand euros at 31 December 2011 to 165,087 thousand euros at 31 December 2012, an increase of 51,356 thousand euros due essentially to the increase in the legal reserve of companies that reported a profit in 2011. The legal reserve of the Parent Company amounts to 74,351 thousand euros.

Other reserves and retained earnings

This item reported a negative figure of 86,252 thousand euros at the end of the year (61,793 thousand euros at 31 December 2011). The decrease of 24,459 thousand euros is mainly due to the change in the Cash flow hedge reserve related to financial instruments. Specifically, the item refers to **(i)** the swap hedging the loan granted to ACEA by Cassa Depositi e Prestiti (the change was positive by 1,306 thousand euros net of the tax effect), **(ii)** the cross currency on the bond loan (decreasing by 15,865 thousand euros net of the tax effect), **(iii)** the swaps hedging the loan obtained by Acque (with the change negative by 3,344 thousand euros), **(iv)** the swap hedging the loan obtained by Nuove Acque (a decrease of 238 thousand euros), and **(v)** the effective portion of the fair value derivatives signed by Acea Energia Holding (recording a decrease of 4,027 thousand euros).
The remainder of the change is due to the allocation of the profit from 2011 and the distribution of the advance on the 2012 dividend.
At 31 December 2012 ACEA holds 416,993 treasury shares to be used for future medium/long-term incentive schemes. At this time there are no medium/long-term share-based payment schemes planned.

Minority interests

Minority interests total 77,291 thousand euros, having risen 2,629 thousand euros. The difference between the two periods compared mainly reflects the combined effect of the portion of net profit attributable to minority interests, the decrease in shareholders' equity as a result of the distribution of dividends from net profit for 2011 and the change in the basis of consolidation.

In compliance with AEEG resolution 585/2012, the FoNI tariff components posted as revenues for the consolidated companies which manage integrated water services (totalling 6,846 thousand euros) are subject to the allocation restriction established by that resolution and, therefore, they are unavailable for the distribution of dividends until the verification of the realisation of the investments financed with those components.

25. STAFF TERMINATION BENEFITS AND OTHER DEFINED BENEFIT PLANS - *105,298 THOUSAND EUROS*

At 31 December 2012, said item totalled 105,298 thousand euros (104,776 thousand euros as at 31 December 2011) and represents termination and other benefits payable to employees on retirement or termination of employment.

This item includes the defined benefit obligation 'tariff subsidies for pensioners'; therefore, the calculation method is based on the projected unit credit method, which measures the company's liability on the basis of the average present value of future staff service, the average present value reproportioned according to service already provided by the employee at the time of calculation compared to that corresponding to the time of payment for such service. By contrast, staff termination benefits and tariff subsidies for employees are considered defined-contribution obligations and so calculated according to actuarial criteria.

The following table shows the change in actuarial liabilities during the year.

€ thousand	31.12.2012	31.12.2011	Increase/ (Decrease)
Termination benefits			
- Staff termination benefits	69,727	70,640	(912)
- Monthly bonuses	7,041	6,575	465
- Long-term incentive plans (LTIPs)	3,635	2,346	1,289
Post-employment benefits			
- Tariff subsidies	24,895	25,216	(320)
TOTAL	**105,298**	**104,776**	**521**

The change reflects: **(i)** allocations for the period of 15,474 thousand euros, **(ii)** resignations during the period resulting from the implementation of ACEA, ACEA Ato2 and ACEA Distribuzione voluntary redundancy procedures, **(iii)** reinstatement of employees returning from the business unit rented to Marco Polo (1,846 thousand euros).

With respect to the choice of the discounting rate, with regard to the current highly volatile situation in the financial markets and meetings held on the topic in December at the Italian National Order of Actuaries, the rate applied has been identified, in agreement with the Group, in line with IAS 19 and with the same methodology as was used for previous valuations, referring to the government bonds market (Italian government bonds expiring in beyond ten years), which in Italy is largely "denser" than the market of corporate securities with high credit ratings.

Therefore, a rate of 4.25% was applied (compared to last year's rate of 4.60%).

In particular, as regards the economic and financial scenario, the parameters used for the calculation are as follows:

	December 2012
Discount rate	4.25%
Rate of return growth (average)	1.6%
Long-term inflation	2.0%

With regard to the valuation of Group employee benefits (staff termination benefits, monthly bonuses, tariff subsidies for current and retired employees) according to IAS 19, it was deemed appropriate to conduct a sensitivity analysis that could demonstrate the impact of possible alternative measurement scenarios on the income statement. For this purpose, we concentrated exclusively on the discount rate, and repeated the actuarial calculations based on a rate decreased by one percentage point compared to the rate used in the financial statements, therefore a rate of 3.25%. Sensitivity analyses were not conducted on other variables such as, for example, the inflation rate.

Repeating the IAS 19 assessments at 3.25% and on the basis of the application of the corridor method that the Group uses to account for Actuarial Gains/Losses, the consolidated income statement would have recorded approximately 60 thousand euros in higher costs, gross of the Group's Unrecognised Actuarial Gains. That amount would be cancelled out in light of the presence of the Group's Unrecognised Actuarial Gains.

26. PROVISIONS FOR LIABILITIES AND CHARGES - *272,401 THOUSAND EUROS*

At 31 December 2012, these provisions total 272,401 thousand euros (250,892 thousand euros at 31 December 2011) and are intended to cover potential liabilities that may derive from litigation pending, estimated on the basis of information provided by the company's internal and external legal advisors. The provisions do not take account of the effects of litigation that is expected to be concluded in the company's favour or of litigation where the potential liability arising from a negative outcome is merely considered possible.

In calculating the size of the provisions, account is taken both of the estimated costs that may derive from litigation or other disputes arising during the year and an update of estimates of the potential liabilities deriving from the litigation involving the Company in previous years.

The following table shows a breakdown of provisions and movements in the period:

		Increase/ (Decrease)			
€ thousand	**31.12.2011**	**Uses**	**Reclassifications/Other movements**	**Provisions**	**31.12.2012**
		(-)	**(-)/(+)**	**(+)**	
Provisions for liabilities	167,864	40,684	20,170	44,456	191,807
Sundry provisions	28,488	12,492	0	152	16,148
Provisions for restoration charges	**54,539**	0	**0**	**9,907**	64,446
TOTAL PROVISIONS	**250,892**	**53,176**	**20,170**	**54,516**	**272,401**

The major movements are as follows:

- **uses**, amounting to 53,176 thousand euros, primarily include:
  - 12,492 thousand euros used by a number of companies relating to the provision for redundancy and retirement costs, essentially due to ACEA Distribuzione (3,800 thousand euros), ACEA Ato2 (4,425 thousand euros), ACEA (3,208 thousand euros), Acea Energia (801 thousand euros) and ACEA Produzione (193 thousand euros);
  - 21,255 thousand euros regarding costs for social security contributions, particularly ACEA Distribuzione (7,575 thousand euros), ACEA Ato2 (9,471 thousand euros) and ACEA (3,082 thousand euros);
  - 6,863 thousand euros of provisions used by the Parent Company and certain subsidiaries in relation to litigation.
  - 4,997 thousand euros use of the provision allocated last year against risks relating to differences between the guaranteed tariff and that applied by GORI. This use derives from the different method for estimating revenue adopted by the company in the position at 31 December 2011 consolidated by ACEA and that in the 2011 financial statements pending approval. In short, the Campania Regional Administrative Court sentence annulled the Area Authority general meeting resolution of 2 August 2011 regarding calculation of the tariff for that year, forcing GORI to set aside revenue based on the amount actually billed to end users;
  - 3,470 thousand euros relative to the use of the provision for commitments under management agreements by ACEA Ato2, following the non-refundable investments made in 2012;
  - use of 740 thousand euros from the provision by ACEA Distribuzione to pay the service continuity penalty to Acea Energia;
  - 693 thousand euros by ACEA Distribuzione for works done for the Vatican State;
  - 671 thousand euros by Publiacqua, particularly regarding the use of the provision for tax disputes;
  - 190 thousand euros by Gori for the use of the provision for interest payable to the Campania Regional Government for the pumping service;

- **Reclassifications**, amounting to 20,170 thousand euros, primarily include:
  - ACEA Ato2 (+20,820 thousand euros), relating to the provision allocated for an amount equal to the concession right relating to the future obligations assumed by ACEA Ato2 consisting of works financed by grants from 2012 to 2017, against the non-application of the penalties relative to the application of the MALL parameter decided upon by the Mayors' Conference at its session of 17 April 2012 and due for the years until 2012. That provision was used in 2012 to cover investments made,
  - SAO (+10,999 thousand euros) for the updating of costs for post-closure operations at the waste dump as a result of its expansion,
  - GORI (-11,813 thousand euros) due to the reclassification of allocations made in prior years against unassessed loan instalments to be paid back to municipalities. That cancellation is the result of decisions made by the Area Authority's General Meeting on 27 October 2012. Please see the section "*Operating Review*" for more information,

- **Allocations**, amounting to 54,516 thousand euros, primarily include:
  - 6,302 thousand euros in provisions associated with contributions-related issues,
  - 13,274 thousand euros in provisions allocated for legal disputes, mainly by ACEA (5,666 thousand euros), ACEA Ato2 (2,177 thousand euros), ARIA (1,572 thousand euros), Acea Energia (296 thousand euros) and Publiacqua (1,068 thousand euros), for potential liabilities the companies may be expected to pay if the results of pending disputes are unfavourable,
  - 1,473 thousand euros refer to charges for supply and contract risk, particularly Umbra Acque (480 thousand euros), Publiacqua (344 thousand euros) and ACEA Ato2 (588 thousand euros);
  - 1,164 thousand euros allocated for the dispute between GORI and the Campania Regional Government;
  - 7,927 thousand euros regarding the estimate of the return of the portion of return on invested capital for the year 2011. On 25 January 2013, the Council of State issued the opinion requested by AEEG concerning the effects of the June 2011 abrogative referendum, specifying that the component remunerating investments recognised to operators should not include the "return on invested capital" already beginning from 21 July 2011, and that that requirement must be taken into consideration already when determining the Temporary Method. To cover that risk, the company allocated a dedicated Provision for charges calculated on the basis of the instructions provided by AEEG during the consultation phase in the second half of 2012.

On 31 January 2013, AEEG approved resolution no. 38/2013/R/idr with which it launches a procedure to determine:

- the criteria based on which Area Authorities will have to identify, without prejudice to the full cost recovery principle, the amounts unduly paid by each user for return on invested capital in the period 21 July 2011 - 31 December 2011, to be returned to the user,
- procedures and tools to ensure that the aforementioned amounts are actually returned to end users,
- the methods that the Authority will use to verify and approve the Area Authority decisions,

The proceeding duration has been set at 120 days, beginning on the publication date;

- 6,986 thousand euros concerning investment management risks, particularly with reference to Acea Energia to neutralise all risks generated by the liquidation of Voghera Energia Vendite in liquidation and Marco Polo (1,936 thousand euros),
- 493 thousand euros for allocations made against the risk that Publiacqua tariff adjustments from prior years will not be recognised (451 thousand euros);
- 800 thousand euros for ACEA Distribuzione's payment of the service continuity penalty to Acea Energia;
- 850 thousand euros regarding the estimated insurance excess on litigation pending;

Finally, this item includes the amount of 9,907 thousand euros concerning the costs necessary to keep the infrastructure used for water service management in a good state of repair.

At 31 December 2012, the provision for liabilities and charges essentially included the types in the table.

Type of provision	2012	2011	Increase/ (Decrease)
Legal	32,870	27,387	5,483
Tax	4,489	2,351	2,138
Regulatory risks*	83,577	79,152	4,425
Investees	9,960	2,839	7,121
Contribution risks	11,182	26,526	(15,344)
Redundancy and retirement	656	12,642	(11,986)
Post closure	26,399	15,400	10,999
Concession fees	0	11,765	(11,765)
Other liabilities and charges	21,471	18,291	3,180
TOTAL	**190,605**	**196,353**	**(5,748)**
Provisions for commitments under management agreements	17,350	0	17,350
Provisions for restoration charges - IFRIC 12	64,446	54,539	9,907
TOTAL PROVISION	**272,401**	**250,892**	**21,509**

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

27. BORROWINGS AND OTHER NON-CURRENT FINANCIAL LIABILITIES - *2,211,609 THOUSAND EUROS*

€ thousand	31.12.2012	31.12.2011	Increase/ (Decrease)
Bonds	1,011,123	988,657	22,466
Medium/long–term loans	1,200,487	1,310,259	(109,772)
TOTAL	**2,211,609**	**2,298,916**	**(87,307)**

The figures in the table include the fair value, at the balance sheet date, of hedging instruments stipulated by ACEA and certain Group companies which are shown separately from the hedged instrument in the table below.

€ thousand	Hedged instrument	*Derivative fair value*	31.12.2012	Hedged instrument	*Derivative fair value*	31.12.2011
Bonds	1,000,351	10,772	1,011,123	1,023,329	(34,672)	988,657
Medium/long–term loans	1,169,967	30,520	1,200,487	1,286,722	23,537	1,310,259
BORROWINGS AND OTHER NON-CURRENT FINANCIAL LIABILITIES	**2,170,318**	**41,291**	**2,211,609**	**2,310,051**	**(11,135)**	**2,298,916**

Bonds

These amounted to 1,000,351 thousand euros (1,023,239 thousand euros at 31 December 2011) and refer to the following:

- 306,046 thousand euros to the bond loan issued by ACEA on 23 July 2004 and placed on the international Eurobond market. The bond has a term to maturity of ten years and yields a nominal fixed rate of 4.875%. Redemption will take the form of a lump-sum payment at par value, unless redeemed early. It should be noted that the terms and conditions include standard international Eurobond market clauses regarding Negative Pledge and Events of Default, including a Cross Default clause should the other borrowings of the company or its principal subsidiaries, totalling more than 15 million euros, become immediately repayable. Interest accrued during the period amounts to 14,607 thousand euros,
- 514,968 thousand euros (including accrued interest) due to the bond loan issued by ACEA of 500 million euros in March 2010 with a 10-year duration and maturity term on 16 March 2020. The bonds have a minimum denomination of 50 thousand euros, and pay one gross coupon annually of 4.5% and were placed at an issue price of 99.779; the gross effective yield at maturity is therefore 4.528%. The bonds are subject to British law. The settlement date is 16 March 2010. Interest accrued during the period amounts to 22,549 thousand euros,
- 176,501 thousand euros (187,272 thousand euros including the fair value of the hedge) due to the issue of a private bond loan (Private Placement) for 20 billion Japanese Yen and 15-year maturity (2025). The Private Placement was fully subscribed by a single investor. The coupons are paid on a deferred half-yearly basis every 3 March and 3 September applying a fixed rate in Yen of 2.5%. At the same time, a cross currency transaction was carried out to transform from yens to euros and the yen rate applied to a fixed euro rate. The cross currency transaction provides that, on a half-yearly basis and in arrears, the bank pays ACEA 2.5% on 20 billion Japanese Yen, while ACEA has to pay the bank the coupons on a quarterly basis in arrears starting from 3 June 2010 at a fixed rate of 5.025%. At 31 December 2012, the fair value of this hedge was a negative 10,772 thousand euros and has been allocated to a specific equity reserve. The exchange rate difference, a negative 10,888 thousand euros, of the hedged instrument calculated at 31 December 2012 was therefore allocated to an exchange provision. The exchange rate as at 31 December 2012 stood at 100.13, whilst it stood at 100.20 as at 31 December 2011. Interest accrued during the period amounts to 2,368 thousand euros. The loan agreement and the hedge contract contain an option, in favour of the investor and the agent bank respectively, connected to the trigger rating: the payable and its derivative instrument can be fully recalled if ACEA's rating falls below the investment grade level or if the debt instrument loses its rating.
- 2,835 thousand euros regarding the issue of the bond loan by Consorcio Agua Azul. This bond loan has a twelve-year maturity and does not envisage the issue of guarantees by shareholders.

Medium/long–term loans

They totalled 1,465,936 thousand euros (1,384,613 thousand euros at 31 December 2011) and include: **(i)** principal outstanding at 31 December 2012 and falling due beyond twelve months amounting to 1,200,487 thousand (1,310,259 thousand euros at 31 December 2011), **(ii)** the portions of the same borrowings falling due in the twelve months thereafter, totalling 265,450 thousand euros (74,355 thousand in 2011) and **(iii)** 30,520 thousand euros as the negative fair value of interest rate risk and exchange rate risk hedges.

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

Bank Loans:	Total residual debt	Due by 31.12.2013	From 31.12.2013 to 31.12.2017	Due after 31.12.2017
fixed rate	372,462	24,484	86,320	261,658
floating rate	822,791	232,379	392,942	197,471
floating rate to fixed rate	270,683	8,587	65,999	196,097
TOTAL	**1,465,936**	**265,450**	**545,261**	**655,226**

The following table provides a breakdown by company of the fair value of hedging derivatives compared with the figures from the previous year:

€ thousand	31.12.2012	31.12.2011	Increase/ (Decrease)
Acque	(15,268)	(10,655)	(4,613)
Nuove Acque	(1,510)	(1,181)	(329)
Umbra Acque	(1,053)	(814)	(239)
ACEA	(12,689)	(10,887)	(1,802)
TOTAL	**(30,520)**	**(23,537)**	**(6,983)**

- Acque has swapped the interest rate on 80% of the loan obtained at the end of 2006 for a fixed rate. The company executed two different swap contracts with an estimated fair value of 15,268 thousand euros (10,665 thousand euros at 31 December 2011), which has been allocated to a special reserve of shareholders' equity;
- Nuove Acque has swapped the basic and revolving facilities of the project financing agreement signed in 2005 to fixed rate. The duration of the swap runs from 15 March 2005 to 15 September 2021 with a fixed rate of 4.115%. At 31 December 2012 this value amounted to 1,510 thousand euros and is allocated to a special reserve of shareholders' equity,
- ACEA has swapped the interest rate on the loan (100 million euros) obtained on 27 December 2007 for a fixed rate. The swap was stipulated on 24 April 2008, effective as of 31 March 2008 (date of drawdown of the underlying loan) and expires on 21 December 2021. The negative fair value of this instrument is 12,689 thousand euros (10,887 thousand euros at 31 December 2011), which has been recognised in a separate component of shareholders' equity,
- Umbra Acque: which executed an interest rate swap. The negative fair value of this instrument is 1,053 thousand euros (814 thousand euros at 31 December 2011), recognised under financial management in the income statement;

The Group's principal medium/long–term borrowings are subject to covenants to be complied with by the borrowing companies in accordance with normal international practices.
In particular, the loan to ACEA Distribuzione is subject to a financial covenant expressed in the current agreement as the ratio to two decimal places, consisting of a debt ratio of 0.65, which must not be exceeded at the end of each reporting period; this ratio must be complied with by both the borrowing company and the ACEA Group. The ratio, calculated with the same criteria as the aforementioned agreement, has been respected for 2012.

The loan agreements entered into by the Parent Company envisage:

- standard Negative Pledge and Acceleration Events clauses;
- clauses requiring compulsory credit rating monitoring by at least two major agencies;

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

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

28. OTHER NON-CURRENT LIABILITIES - *278,663 THOUSAND EUROS*

€ thousand	31.12.2012	31.12.2011	Increase/ (Decrease)
Advances from end users and customers	114,205	129,989	(15,784)
Water connection fees	60,258	54,929	5,328
Grants related to assets	104,200	93,497	10,703
TOTAL	**278,663**	**278,415**	**248**

Advances

Advances from users regarding the supply of fresh water are not interest-bearing, whilst those regarding the distribution and sale of electricity and urban heating distribution accrue interest according to the conditions established by Electricity and Gas Authority Resolution no. 204/99 and the Supply Regulations, respectively.

The following table provides the breakdown by industrial area:

€ thousand	31.12.2012	31.12.2011	Increase/ (Decrease)
Networks	1,232	21,026	(19,794)
Energy	31,244	29,738	1,506
Water	81,707	79,202	2,504
ACEA	23	23	0
ADVANCES FROM END USERS AND CUSTOMERS	**114,205**	**129,989**	**(15,784)**

The decrease compared to December 2011 mainly refers to:

- ARSE for 19,794 thousand euros: the value at 31 December 2012 is zero following the completion of photovoltaic plant construction works for third parties at the Cassano, Orsomarso, Scalea and Villa Piana sites;
- 2,504 thousand euros to the water companies. Of particular note, Publiacqua (+1,427 thousand euros) for the increase in advances paid by end users following the Area Authority's redefinition of the guarantee deposit amount, Acque (+403 thousand euros) and GORI (+516 thousand euros) for advances from customers relative to services not yet provided, Acea Ato2 (+252 thousand euros) for advances on drinking water consumption paid by end users and advances paid by customers for the execution of various types of works, partly offset by Lunigiana Acque (-353 thousand euros) now in liquidation,
- 1,506 thousand euros to the Energy Area, mainly Acea Energia, for higher guarantee deposits from end users.

Water connection fees

These amounted to 60,258 thousand euros (54,929 thousand euros at 31 December 2011) and consist of:

- 26,011 thousand euros attributable to the Lazio and Campania water companies (-665 thousand euros compared to 31 December 2011),
- 34,247 thousand euros attributable to the Tuscany and Umbria water companies (+5,993 thousand euros compared to 31 December 2011): specifically, there were higher fees accrued during the year for new connections by Umbra Acque (+4,336 thousand euros), Publiacqua (+860 thousand euros) and Acque (+531 thousand euros).

Grants related to assets

These amounted to 104,200 thousand euros at 31 December 2012 (93,497 thousand euros at 31 December 2011) and refer to grants received. The grants are accounted for in liabilities and progressively recognised in the income statement each year over the duration of the investment to which the grant is connected. The amount recognised as income is determined on the basis of the useful life of the asset to which it refers.
A breakdown per business area is provided below:

- **Networks**: 26,791 thousand euros (+9,434 thousand euros) for the higher issue of portions for the year for ACEA Distribuzione
- **Water**: the total was 93,042 thousand euros, of which:
  - 41,866 thousand euros relating to Lazio-Campania;
  - 51,176 thousand euros relating to Tuscany-Umbria.
- **Environment**: 174 thousand euros, of which 168 thousand euros relative to SAO.

29. DEFERRED TAX PROVISIONS - *97,217 THOUSAND EUROS*

At 31 December 2012 the provisions totalled 97,217 thousand euros (98,826 thousand euros at 31 December 2011). These provisions above all regard the difference between economic and technical rates of depreciation and tax-related rates. Uses in the period totalling 3,948 thousand euros and allocations amounting to 6,399 thousand euros contributed to this item. See note 19 for details.

30. CURRENT LIABILITIES - *2,519,739 THOUSAND EUROS*

At 31 December 2012 current liabilities totalled 2,519,739 thousand euros (2,171,973 thousand euros at 31 December 2011) and are broken down as follows:

€ thousand	31.12.2012	31.12.2011	Increase/ (Decrease)
Borrowings	891,407	540,645	350,762
Trade payables	1,267,161	1,344,785	(77,624)
Tax payables	61,510	102	61,408
Other current liabilities	299,661	286,441	13,220
TOTAL	**2,519,739**	**2,171,973**	**347,766**

Borrowings

Borrowings totalled 892,751 thousand euros (540,645 thousand euros at 31 December 2011) and break down as follows:

€ thousand	31.12.2012	31.12.2011	Increase/ (Decrease)
Short-term bank lines of credit	488,400	374,534	113,866
Bank borrowings - mortgages	265,450	74,355	191,095
Due to the municipality of Rome	869	15,989	(15,120)
Due to subsidiaries and associates	768	16	753
Payables due to third parties	135,919	75,751	60,167
TOTAL	**891,407**	**540,645**	**350,762**

Short-term bank lines of credit

They amount to 488,400 thousand euros (374,534 thousand euros as at 31 December 2011) and show an increase of 113,866 thousand euros, due mainly to ACEA (+135,618 thousand euros) due to the greater financial exposure of the company and the subsidiaries managed by the centralised treasury, partially offset by the reduction of 23,891 thousand euros in Publiacqua due to the reclassification of the loan taken out until 23 May 2014 with the institutions BNL, BBVA and MPS.

Interest accrued by the Parent Company at 31 December 2012 amounted to 15,267 thousand euros, reflecting a weighted average interest rate of 3.25%. These lines of credit are not committed and are unsecured.

Bank borrowings - mortgages

These totalled 265,450 thousand euros and regard the current portion of bank borrowings falling due within twelve months. Further details are provided in note 21 of this report.

Due to the parent company Roma Capitale

The figure, equal to 869 thousand euros, refers to payables for dividends of ACEA Ato2. The decrease compared to 31 December 2011, equal to 15,120 thousand euros, is the result of the payment of the remaining amount due for the advance payment of dividends resolved last year, the offsetting performed on 29 February 2012 and the residual payable (869 thousand euros) arising from the distribution of the advance on dividends for 2012, resolved by the Board of Directors on 20 December 2012.

For further information on the composition and movements of the item, reference should be made to the corresponding item in assets.

Due to subsidiaries and associates

These amount to 768 thousand euros (16 thousand euros at 31 December 2011), including: 581 thousand euros for payables recorded by Ecogena from Eur Power S.r.l. for the subscription payable on the share capital increase decided on 27 April 2012 and 187 thousand euros in payables due from ARSE to Ecogena in relation to the subsidiary's share capital increase.

Payables due to third parties

These amounted to 135,919 thousand euros (75,751 thousand euros at 31 December 2011). The breakdown of this item mainly concerns:

- 94,407 thousand euros relating to amounts that must be repaid to factors for receivables transferred and collected after the transfer by **(i)** ACEA Energia for 40,761 thousand euros (+4,097 thousand euros), **(ii)** ACEA Ato2 for 32,477 thousand euros (+16,108 thousand euros) and **(iii)** ACEA Distribuzione for 21,169 thousand euros (+16,830 thousand euros),
- 23,755 thousand euros relating to amounts owed in dividends to third party shareholders, in particular 21,827 thousand euros relating to the parent company for the advance on dividends resolved on 20 December 2012;
- 13,477 thousand euros as the total receivables/payables item as required by art. 3 of the joint venture spin-off agreement;

The change compared to 31 December 2011 (totalling + 61,512 thousand euros) essentially refers to payables due to the awarding parties and receivables sold by the major Group companies.

The carrying amount of all short-term borrowings approximates to fair value at the end of the reporting period.

31. TRADE PAYABLES - *1,267,161 THOUSAND EUROS*

At 31 December 2012 this item amounted to 1,267,161 thousand euros (-77,624 thousand euros compared to 31 December 2011) and is broken down as follows:

Amounts due to third-party suppliers

- Trade payables amounted to 1,193,080 thousand euros, marking an increase of 8,105 thousand euros.

The following table provides the breakdown by industrial area:

€ thousand	31.12.2012	31.12.2011	Increase/ (Decrease)
Networks	314,202	285,625	28,577
Energy	370,710	430,021	(59,312)
Water	372,045	364,519	7,526
Environment	55,859	36,178	19,681
ACEA	80,264	68,632	11,632
AMOUNTS DUE TO THIRD-PARTY SUPPLIERS	**1,193,080**	**1,184,975**	**8,105**

The increase of 8,105 thousand euros is the result of contrasting factors:

- **Networks**: the greater exposure to suppliers is due to ACEA Distribuzione for 63,478 thousand euros, partially offset by ARSE (-34,787 thousand euros).
- **Energy**: the 59,312 thousand euro decrease derives from the reduced payables of Acea Energia (-205,936 thousand euros), partly offset by the increase recorded by Acea Energia Holding (+137,500 thousand euros). The change is the result of the fall in demand for electricity and gas sold to customers. Acea Produzione payables increased by 6,129 thousand euros,
- **Water**: increase of 7,526 thousand euros compared to 31 December 2011. The following contributed to this change:
  - + 8,843 thousand euros for companies in the Lazio-Campania area, particularly GORI (+9,813 thousand euros);
  - - 1,576 thousand euros for companies in the Tuscany-Umbria area, mainly for Publiacqua amounts due to suppliers which decreased after 1,720 thousand euros was paid compared to 2011;
  - - 237 thousand euros for overseas companies, particularly the increase in payables recorded by Bogotá for 281 thousand euros;
  - + 497 thousand euros for the **Engineering and Laboratory** companies.
- **Environment**: the 19,681 thousand euro increase is essentially caused by amounts due to suppliers accrued by ARIA for the contractors that are re-

vamping the Terni waste-to-energy plant and the first line of the San Vittore del Lazio plant (+19,649 thousand euros);

- **Parent Company ACEA**: there was an increase of 11,632 thousand euros compared to the end of 2011, of which 2,300 thousand euros regards amounts due to suppliers as a result of the business unit rented to Marco Polo, the agreement on which expired on 1 January 2012.

Trade payables due to the parent company Roma Capitale

These payables total 60,743 thousand euros. Details are provided in Note 23 on trade receivables.

Trade payables due to subsidiaries and associates

€ thousand	31.12.2012	31.12.2011	Increase/ (Decrease)
Payables due to subsidiaries	2,466	4,915	(2,448)
Payables due to associates	10,871	22,099	(11,228)
TOTAL AMOUNTS DUE TO SUBSIDIARIES AND ASSOCIATES	**13,338**	**27,014**	**(13,676)**

Due to subsidiaries

Payables due to subsidiaries include Acque payables to Le Soluzioni.

Due to associates

This item essentially includes payables due to Marco Polo for building cleaning and maintenance services from ACEA (4,114 thousand euros), ACEA Distribuzione (1,211 thousand euros), Acea Ato5 (1,378 thousand euros) and ARIA (428 thousand euros). Also included are payables to the associate Citelum Napoli Pubblica Illuminazione (2,481 thousand euros). A decrease of 11,228 thousand euros was recorded compared to 31 December 2011 and refers to minor payables due to the associate Marco Polo (-8,278 thousand euros) for services and works carried out, following expiry of the ACEA business unit rental at the end of the previous year, and lower payables due to the associate Citelum Napoli Pubblica Illuminazione (-448 thousand euros) linked to the public lighting service agreement regarding the municipality of Naples.

Tax payables

These amounted to 61,510 thousand euros (102,232 thousand euros at 31 December 2011) and include IRAP tax payable for the period of 8,236 thousand euros and VAT of 32,341 thousand euros.

The change compared to 31 December 2011 was mainly the result of the decrease in the payable for deferred VAT due to the collection of amounts due from Roma Capitale, as well as the decrease in payables for electricity surcharges (-16,925 thousand euros).

Other current liabilities

These amounted to 299,661 thousand euros with breakdown as shown in the following table:

€ thousand	31.12.2012	31.12.2011	Increase/ (Decrease)
Social security contributions	21,228	20,098	1,130
Amounts due to end users for tariff restrictions	7,085	4,538	2,547
Payables deriving from commodity contracts	21	3,203	-3,182
Other current liabilities	271,327	258,601	12,726
TOTAL	**299,661**	**286,440**	**13,221**

Social security contributions

These amounted to 21,228 thousand euros (20,098 thousand euros at 31 December 2011) and are broken down by industrial area:

€ thousand	31.12.2012	31.12.2011	Increase/ (Decrease)
Networks	5,551	5,791	(240)
Energy	1,495	1,418	76
Water	10,637	9,743	893
Environment	561	555	6
ACEA	2,985	2,591	394
SOCIAL SECURITY CONTRIBUTIONS	**21,228**	**20,098**	**1,130**

Amounts due to end users for tariff restrictions

This item includes amounts due to customers in the protected categories and free markets for the reimbursement of excess revenue. The total amount of 7,085 thousand euros relates to excess revenues for 2001 to be reimbursed to customers in the regulated market. In accordance with Italian Electricity and Gas Authority Resolution no. 180/2002, this payable is still not certain to be incurred as the Authority has yet to define the average cost of fuel for 2001, on the basis of which distributors can finally calculate their liability to regulated customers. It is reasonable to believe that after publication of the required defining elements ACEA Energia will arrange the rebates.

The application of excess revenues ended with the second regulatory period.

Payables deriving from commodity contracts

This item totalling 21 thousand euros represents the fair value of certain financial contracts signed by Acea Energia Holding.

Other current liabilities

These amounted to 271,327 thousand euros and recorded an increase of 12,726 thousand euros with respect to 31 December 2011. This item essentially consists of:

- amounts due to the Equalisation Fund, totalling 23,736 thousand euros (-17,083 thousand euros),
- amounts due to staff, totalling 37,085 thousand euros (-558 thousand euros),
- collections from end users totalling 27,092 thousand euros (+4,706 thousand euros). These are collections on which normal allocation/reimbursement verification is in progress:
- amounts due to various Municipalities totalling 102,648 thousand euros. The balance includes 60,705 thousand euros relating to the concession, sewerage and treatment fees of: **(i)** ACEA Ato2 (24,952 thousand euros), **(ii)** ACEA Ato5 (29,046 thousand euros), **(iii)** Publiacqua (13,400 thousand euros) due to the Municipalities of the respective areas and **(iv)** GORI (31,059 thousand euros).
- payables due in instalments to Equitalia mainly recognised as follows: ACEA Distribuzione, ACEA, ACEA Ato2 and GORI for a total of 21,313 thousand euros,
- current accruals and deferrals of 6,107 thousand euros (4,621 thousand euros at 31 December 2011),
- payables due to the STO for 8,110 thousand euros deriving from revenue relating to application of the welfare contribution (this revenue is allocated to a fund for subsidised tariffs granted to families in hardship);

Service Concession Arrangements

The ACEA Group operates water, environmental and public lighting services under concession. It also manages the selection, treatment and disposal of urban waste produced in municipalities in ATO 4 Ternano–Orvietano via SAO and the ARIA Group.

Before going on to describe the individual service concessions, this section provides information on key issues regarding waste water treatment tariffs and the regulation of local public services, particularly focusing on the new measures issued in 2012 by AEEG, which took over water service regulation and control functions at the end of 2011.

CONSTITUTIONAL COURT SENTENCE 335/2008

Constitutional Court sentence 335 of 10 October 2008 declared Article 14, paragraph 1 of Law 36/94 to be unconstitutional, following inclusion of this article in the Consolidated Environment Act, under Article 155, paragraph 1 of Legislative Decree 152/2006. This legislation establishes that the tariff component covering waste water treatment is payable by end users "even if there are no treatment plants or such plants are temporarily inactive".

The judgement is based on the opinion that the integrated water services tariff represents payment for services provided under contract and not a form of taxation. On this basis, the Court has therefore found fault with the part of the above provisions that establishes that the tariff component regarding waste water treatment is to be paid by end users even if there is no "direct link between the payment of this component and effective provision of the service for which the payment is due". Basically, the Supreme Court ruled that "the congruity of a system for financing integrated water services, created on a unitary basis by lawmakers based on the concept of reciprocity, on the sufficiency of a utility contract to establish a payment obligation and, therefore, on a single tariff is, in conclusion, prejudiced by the application, as a method of financing, of a compulsory charge, the reason for which unjustifiably conflicts with the above unitary nature of the system, in that it introduces a payment obligation not matched by provision of a corresponding service".

In implementation of the Constitutional Court sentence and to make up for the resulting regulatory gap, Law no. 13 of 27 February 2009 was approved. Article 8 sexies of this legislation, "Measures regarding integrated water services", contains an all-round solution to be included in the tariff criteria ratified by the Consolidated Environment Act and the so-called Standardised Method (Ministerial Decree of 1 August 1996), and, above all, by Articles 149 and 151 of Legislative Decree 152/2006, which confirm the Area Authority's obligation to safeguard the operator's financial position within the ATO.

In this sense, the above Article 8 sexies contains a definition of the tariff component regarding waste water treatment linking it with the entire process involved in providing the services. In particular, it introduces a new binding component, consisting of the sum of the charges incurred, as expressly identified and programmed in the area plans, in carrying out the overall activities involved in water treatment, including the design, construction and completion of plants and the related investments. This new component "is payable to the operator by end users, in cases where there are no treatment plants or such plants are temporarily inactive, from the start-up of the tender procedures for the design or completion of the infrastructure necessary in order to provide the treatment service, provided that such procedures are implemented in accordance with the established schedule".

The second paragraph of Article 8 sexies also governs the method of reimbursing the sums received from end users, as required by the Constitutional Court sentence: (i) the operator must reimburse the tariff component not due, either in a lump sum or in instalments, within five years as from 1 October 2009; (ii) the design, construction and completion costs incurred are to be deducted from the rebate; and (iii) the rebate must be calculated by the operator's Area Authority within 120 days of the date the legislation comes into force (by the end of June 2009).

In compliance with legal provisions, in September 2009, the Ministry for the Protection of the Environment, Land and Sea issued a decree (published in Official Gazette no. 31 dated 8 February 2010) concerning the "Identifi-

cation of criteria and parameters for the rebate to end users of the tariff component not due for water treatment services". This decree – that defines the methods for the rebate of the water treatment tariff for the users connected to the sewerage network but not served by treatment plants according to the said Article 8 sexies, paragraph 4 – sets out three relevant points:

- the prescription period for the reimbursement request is five years,
- the rebate is subject to the user's request supported by relevant documents,
- the rebate must not be to the detriment of the full coverage of the investment and operating costs necessary for the realisation of the Area Plan and, as a result, the Area Authorities are authorised to make extraordinary tariff changes and, under specific conditions, also as an exception to the price "K" limit.

With regard to procedure, the decree sets out the following:

- the operator makes available to the Area Authority any relevant information in order for the Authority to calculate the rebate amount, i.e. (i) the list of users connected to the sewerage network but not served by treatment plants or plants that are temporarily inactive; (ii) the tariff component covering water treatment charged to each user; and (iii) any information that is useful to calculate deductible charges pursuant to Article 5 of the decree,
- the Area Authority – after having assessed the correctness of the information sent by the Operator – establishes the amount (including interest) to be returned to each single eligible applicant and sets out the timetable for the rebate, that should be carried out within five years from 1 October 2009;
- the Area Authority is authorised to make extraordinary tariff amendments, also in derogation from the price "K" limits, in order to cover the rebate charges and, it should be reiterated, to avoid prejudicing the full coverage of the investment and operating costs necessary for the realisation of the Area Plan.

The procedure included in the decree – which complies with the general principles that regulate the integrated water services with regard to the obligations of the Area Authorities and operators, and to any related right – underlines that the charges resulting from the rebate obligation (still being identified by the Authorities for certain water companies) should be fully covered by the tariff measures that the Area Authorities will adopt in order to find all financial resources needed. Therefore, the regulatory assets resulting from the right to receive an extraordinary tariff will determine the liability associated with the rebate obligation.

LOCAL PUBLIC SERVICES

Abrogative referendums of 12 and 13 June 2011

Following the referenda carried out on 12 and 13 June 2011, article 23-bis of Law Decree 112/2008, converted to Law 133/2008 as amended and supplemented by article 15, paragraph 1 of Law Decree 135/2009, converted to Law 166/2009, regarding economically significant local public services, as well as article 154, paragraph 1 of Legislative Decree 152/2006 (Environmental Code), the part which referred to "the adequacy of the return on invested capital" amongst the criteria for determining the water tariff, was repealed. Furthermore, the approved referendum petitions require the abolition of Italian Presidential Decree 168 of 7 December 2010, including the regulation implementing the provisions of article 23-bis, while leaving the current temporary provisions of article 170 of Legislative Decree 152/2006 (not subject to referendum) unchanged, which involve the application of the Standardised Method pursuant to Ministerial Decree of 1 August 1996 until the adoption of a new tariff method.
In general the effects of the abrogative referenda, which in accordance with Law 352/1970 are declared by the President of the Italian Republic by his own decree of 20 July 2011, do not result in any restoration of the standards repealed by the regulatory provisions successfully passed by the referendum (rulings of the Constitutional Court 24/2011, 31/2000 and 40/1997) and effective ex nunc according to the provisions of article 75 of the Constitution.
Given the aforementioned circumstances, it must be considered that the lack of a transitional regime for prior concessions awarded pursuant to article 23-bis, also removed the series of reasons for their termination, with particular reference to in-house management, manage-

ment assigned directly to mixed companies in which selection by tender did not consider both the quality of the partner and the attribution of operating tasks, as well as direct assignments as of 1 October 2003 to listed companies or their subsidiaries.

The interim effect of the phenomena described above was the removal from Italian law of the limits on in-house rights which led to a stricter governance than EU rulings on such issues, to leave room for the regulations and principles consolidated at European level (EU Treaty and Court of Justice case law).

Lastly, it must be noted that in the assessment of the effects of the abrogative referenda, the amendment to relevant regulations as a result of Law Decree 70/2011, converted with amendments to Law no. 106 of 12 July 2011, must be taken into consideration. This established the National agency for water regulation and supervision, redefining responsibilities and methods for determining integrated water service tariffs. In fact, based on the aforementioned regulation, the Agency - the functions of which as explained below were transferred to the AEEG in the interim - has to define the cost components to determine the water tariff and prepare the resulting tariff method, also taking into consideration "in compliance with the principles set forth by EC regulations, the financial cost of the service supply and the related environmental and resource costs, in order to fully realise the principle of cost recovery and the principle 'who pollutes pays'". Under Italian Law 214/2011 the Agency was disbanded and the regulatory and control duties over water services were transferred to the AEEG (see below).

Local public service regulations between the "Stabilisation" Decree and Constitutional Court Sentence 199/2012

Law Decree no. 138 of 13 August 2011, "Additional urgent measures for financial stabilisation and development", as referred to in the amendments introduced by Law Decree 1/2012, dictates the regulations for local public services of general economic interest (SGEIs). Specifically, art. 4 (Adaptation of local public service regulations to the public referendum and to EU regulations) - excluding the application of this article to the integrated water service (except in relation to rules on incompatibility), the electricity and natural gas distribution service and the management of municipal pharmacies, but confirming application of the regulations to the public lighting service - the legislator reintroduces almost all the former provisions of art. 23-bis into Italian law and to its implementation rules (Presidential Decree 168/2010).

It envisages verification of the feasibility of competitive management of local public services of general economic interest and the assignment of exclusive rights if, based on market analysis, a private economic initiative on the free market proves unsuitable in guaranteeing a service that meets the needs of the community. Upon the outcome of the verification the authority adopts a framework resolution (which for area authorities with a population of more than 10,000 inhabitants must be accompanied by a mandatory judgment from the Antitrust Authority) which illustrates the preliminary enquiry conducted and highlights, for sectors removed from liberalisation, the reasons for the decision.

The in-house assignment procedure may only be carried out if the annual economic value of the service subject to assignment does not exceed 200,000 euros.

Lastly, the provision regarding the transitional regime for non-compliant assignments is restored, previously identified in the repealed art. 23-bis with a mere postponement of the deadlines and the introduction of an exception to early termination of in-house or direct management combined with the option of assigning a new operator for a maximum three years. Important for the ACEA Group is paragraph 32d), according to which "*direct assignments approved at 1 October 2003 to public limited companies already listed on the stock exchange as at that date and to their subsidiaries pursuant to art. 2359 of the Italian Civil Code, shall terminate on the expiry date envisaged in the service agreement, provided that the investment held by public shareholders as at 13 August 2011, or shareholders' association, is gradually reduced by means of public procedures or forms of private placements with professional investors and industry operators to no more than 40 per cent by 30 June 2013 and no more than 30 per cent by 31 December 2015. Where such conditions are not met, the assignments shall terminate with no option to extend and without the need for a special resolution by the awarding party, respectively, on 30 June 2013 or 31 December 2015*".

Art. 3-bis of this regulation, in addition to envisaging the further restriction for in-house operators as being subject both to the internal stability agreement and to pub-

licistic rules for the purchase of goods and services and for staff recruitment, establishes the minimum provincial catchment area into which the Regional Governments must organise the provision of local public services by 30 June 2012. The minimum size also affects the priority assignment of public financing, "except with regard to project financing for local public services of general economic interest co-financed from European funds".

By sentence no. 199 of 20 July 2012 the Constitutional Court declared the constitutional illegitimacy of art. 4 of Law Decree 138/2011 ("Adaptation of local public service regulations to the public referendum and to EU regulations"), converted with amendments to Law 148/2011 in both its original and amended wording, in that it restores the regulations repealed by the referenda of June 2011. In the Court's opinion, in fact, art. 4 - adopted after the post-referenda repeal of art. 23-bis of Decree Law 112/2008, containing the previous regulations on local public services of general economic interest - set forth new regulations on an issue identical to that repealed, furthermore reproposing almost literally the different provisions of the repealed art. 23-bis and its implementing rules (Presidential Decree 168/2010). The regulation in question in effect introduced a much stricter regulation than the EU rulings, a scenario that the referenda intended should be excluded.

As a result of the sentence in question, Acea has to consider that the series of conditions to which it was subject for termination of the concession agreements under the terms of previous regulations no longer apply.

Regulation of local public services after Law no. 221 of 17 December 2012 converting Law Decree 179/2012 ("Growth Decree 2")

The measure in question is of particular interest due to its establishment of rules which, in fact, reintroduce a framework regulation of local public services of general economic interest into the domestic system. Specifically, art. 34 of Law 221/2012 collects the national regulations on local public services (networked or non-networked) with the purpose, as is noted in the Technical Report which accompanied the bill, "of ensuring compliance with European Union law and the certainty of rules for the management of local public services of general economic interest for the protection of the market, end users and competition".

Assignment regulation

The awarding body is exclusively responsible for assessing the service assignment procedures, provided this is carried out on the basis of a dedicated, grounded report on the "reasons" and the "fulfilment of European legal requirements for the chosen form of assignment. The regulation also refers to the guarantee of equality amongst operators, the economic efficiency of the service" and a suitable disclosure to the reference community. For assignments existing when the regulation comes into force, the report in question must be published by 31 December 2013, the date by which assignments which are "not compliant with European regulatory requirements" must be updated. Failure to comply with one of the aforementioned directives is penalised with assignment termination on 31 December 2013. On that date, assignments which were not due to expire shall in any case be terminated.

Paragraph 22 of the law, which sanctions the termination of "direct assignments approved at 1 October 2003 to public limited companies already listed on the stock market as at that date and to their subsidiaries pursuant to art. 2359 of the Italian Civil Code" on the date set forth in the deeds governing the relationship, establishes the expiry of those assignments *sine die* on 31 December 2020, "with no option to extend and without the need for a special resolution by the awarding party". Finally, the condition of the economic value totalling 200,000 euros or less, set for the direct acquisition of goods and ser-

vices used in operations, pursuant to art. 4, paragraph 8, Law Decree 95/2012, is eliminated.

The organisation of local public services of general economic interest

Instead, as concerns the criteria that should inform the organisation of networked local public services, the provision pursuant to art. 3-bis of the aforementioned Law Decree 138/2011, as supplemented by paragraph 23 of article 34 in question, remains within the regulatory system. The legislator introduces into art. 3-bis paragraph 1-bis, which sets forth "an exclusive reservation of functions" inherent to the organisation of the aforementioned services, attributed to the bodies which oversee the areas pursuant to paragraph 1 of art. 3-bis. The regulation refers in particular to the choice of management form, the determination of end user tariffs (insofar as they are responsible), the assignment of services and control over the regulation.

Art. 34, paragraph 29 also updates art. 154, paragraph 4, of Legislative Decree 152/2006 (Environmental code) with regard to the "integrated water service tariff" in order to create the necessary regulatory connection between sector regulations and additional legislative measures that have radically changed the structure of responsibilities within integrated water services. The regulation now sets forth that "in order to prepare the Economic-financial plan referred to in article 149, paragraph 1, letter d)", the "competent party" "shall prepare the basic tariff, in observance of the tariff method pursuant to article 10, paragraph 14, letter d), of law decree no. 70 of 13 May 2011, converted with amendments by Law no. 106 of 12 July 2011, and send it to AEEG for approval".

Elimination of the national agency for water regulation and monitoring and of Co.N.Vi.Ri (National Commission for Monitoring Water Resources)

Art. 21, Decree Law no. 201 of 6 December 2011, converted to Law 214/2011, containing "Urgent measures for the growth, balancing and consolidation of public accounts" envisages the disbandment of certain authorities and organisations from the date of entry into force of the decree. Table "A", annexed to the decree law and relating to the disbanded authorities, also includes the National Water Regulation and Supervisory Authority established by Italian Law Decree 70/2011. The December decree establishes that the functions assigned to the disbanded authorities, the financial and instrumental resources, including implicit and explicit legal relations, are transferred - with no requirement to follow settlement procedures - to the corresponding administrations indicated in that same annex. Art. 21, paragraph 19 states "*With regard to the National Agency for Water Regulation and Supervision, all functions relating to the regulation and control of water services are transferred to the AEEG, and exercised with the same powers assigned to the Authority by Law no. 481 of 14 November 1995*". The functions to be transferred are identified by the Decree of the President of the Council of Ministers on proposal of the Ministry for the Protection of the Environment, Land and Sea, to be adopted within 90 days from the date this Decree becomes effective. Then at the same time and without further indications, paragraph 20 envisages disbandment of the National Committee for Water Resource Supervision (Co.N.Vi.Ri.).

On 3 October 2012, Decree of the President of the Council of Ministers of 20 July 2012 was published. This decree precisely identifies the Integrated Water Service regulatory functions transferred to the AEEG and those pertaining to the Ministry of the environment and protection of the land and sea.

According to that decree, the Ministry shall continue to exercise the water service functions not transferred to AEEG. Specifically, it shall:

1. adopt policies to ensure coordination of functions inherent to water resource usage at all levels of planning;
2. adopt policies and set resource quality standards pursuant to Part III of Legislative Decree no. 152/06 and Com. Directives;
3. define criteria to favour water savings and water usage efficiency and regarding waste water recycling;
4. define criteria for the definition of the environmental cost and the resource cost for the various sectors of water use, also in proportion with the level of environmental pollution generated by the various types and sectors of use and the resulting costs to the general public in implementation of the full service cost recovery principle and the principle of "who pollutes pays";

5. define criteria for determining the coverage of costs relative to water services, other than the integrated water service and each individual service that it includes, as well as collection and abstraction services for multiple uses and water treatment services for mixed civil and industrial use, also in proportion with the level of environmental pollution generated by the various types and sectors of use and the resulting costs to the general public;
6. define the general integrated water service quality targets, with input from the regions, the operators and consumer associations;
7. be able to define policies to achieve solidarity-based equalisation amongst areas with differing water resource supplies by differentiating tariffs.

Elimination of the Area Authorities

Law no. 42 of 26 March 2010 - "Urgent interventions concerning local authorities and regions" – includes article 186-bis in the 2010 Finance Act (Law no. 191/2009). This sets out that, after one year from the entry into force of this law (i.e. as of 1 January 2011), the Area Authorities for the management of water resources and the urban waste integrated management referred to in articles 148 and 201 of Legislative Decree no. 152/2006, are eliminated. At the same time, Regions can award, by way of law, the functions that were exercised by the Authorities, in compliance with the principles of subsidiarity, diversification and adequacy.

On 26 February 2011, Law 10/2011 was published (which converted Law Decree no. 225 of 29 December 2010, the so–called "mille proroghe"), extending the terms set out in legislation and the urgent interventions concerning tax issues and support to companies and households. Article 1, paragraph 1 establishes the extension to 31 March 2011 of the deadline for disbandment of the Area Authority. Paragraph 2 of the same article sets out the possibility to envisage – by means of one or more decrees of the President of the Council of Ministers, in accordance with the Ministry of Economy and Finance - a further extension of the above-mentioned terms until 31 December 2011. By decree of the President of the Council of Ministers on 25 March 2011, the deadline of 31 March 2011 was extended until 31 December 2011. The subsequent "Decreto Mille proroghe" (Law Decree no. 216 of 29 December 2011), makes provision for the deferment of the expiry of the Area Authorities handling the integrated water service and integrated waste management from 31 December 2011 to 31 December 2012, based on the necessary guarantee of continuity in the provision of local public services and guarantee of an "additional transitory period, for the transfer of functions from the Area Authorities to new operators identified by the Regions, and for the adoption of the relevant proper coordination initiatives".

Note that despite postponement of this deadline by one year from the end of 2011, the Tuscany Regional Government issued laws on this issue, arranging the global reorganisation of the integrated water service, starting with the reassignment of functions and powers now held by the Area Authorities. In fact, Regional Law no. 69 of 28/12/2011 established the Tuscan Water Authority which assumed all functions and responsibilities previously held by the Area Authorities and, as at 1 January 2012, which took on all income and expense generating legal relations of the eliminated authorities (art. 52). The AIT organisation will include a central structure at regional level and 6 branch structures (areas pursuant to art. 13) which faithfully reproduce the area distribution of the 6 Area Authorities. On expiry of the concession agreements existing at the date of entry into force of the regional law, the water service will be assigned to a single operator. In the service assignment documents the Water Authority will indicate the timing and methods for reimbursement to the outgoing operator for any investments not yet amortised.

Art. 50 of the same law states that the bodies of the Authority are to be established by 30 June 2012 and that, with effect from 1 January 2012 and until actual start-up of the Authority bodies, the functions of such bodies will be performed by six commissioners identified as the chairmen of the Boards of Directors of the disbanded Authorities in office at 31 December 2011, each of which operating in reference to their respective area and making use of the technical support of the directors of the disbanded Authorities as at 31 December 2011. The steps toward constitution of the new Regional Authority have commenced: the general meetings for the six areas have been held and the Authority's bodies were set up in July, including appointment of the Director.

AEEG activities on water services

The Authority began its activities in the water services sector at the start of 2012 by setting up a working party to perform a reconnaissance exercise on the position of the sector, to map the sector's operators and stakeholders and to propose potential organisation charts for performing the new duties assigned to it.

In terms of the activities carried out by the Authority in 2012, please note the following:

- by resolution no. 74/2012/R/idr of 1 March 2012 the Authority launched procedures for adoption of the tariff measures and for the start of water service data and information collection activities,
- with consulting document no. 204/2012/R/idr of 22 May 2012, the Authority launched a public consultation for the adoption of water service tariff measures and, within the context of that public consultation process, a series of seminars were organised to illustrate the content of that document and collect comments and observations from all interested parties,
- with consulting document no. 290/2012/R/idr of 12 July 2012, the authority launched an additional, more specific public consultation concerning a temporary tariff method to be applied from 1 January 2012 to 31 December 2013. The Authority decided to formulate a temporary tariff method proposal essentially as a result of the current level of heterogeneity in the tariff regulations applied throughout the country and the resulting need to analyse in more detail the various contexts and points of departure as well as the opportunity for a gradual intervention pending the more complete formulation of a fully applied tariff model,
- with resolution no. 347/2012/R/idr, subsequently supplemented and amended by resolutions no. 412/2012/R/idr and 485/2012/R/idr, integrated water service operators were given some obligations to send significant data in order to define tariffs for the years 2012 and 2013,
- with resolution no. 585/2012/R/idr of 28 December 2012, the Authority launched the temporary tariff method (MTT) for determining tariffs in the years 2012 and 2013,
- with resolution no. 586/2012/R/idr of 28 December 2012, the Authority approved the first directive for transparency in integrated water service billing documents, establishing the obligation for operators to provide users with the service charter and information on the quality of water supplied on their websites by 30 June 2013, and to provide an online Glossary with the main terms used in the Integrated water service by 1 January 2014,
- with resolution no. 587/2012/E/idr of 28 December 2012, the Authority launched an enquiry concerning some possible irregularities which emerged during the preliminary enquiries aimed at defining the temporary tariff method, in order to identify any behaviour which is not compliant with regulations in force or is damaging to user rights as regards the following aspects (i) operator compliance with the prohibition against billing the waste water treatment service to customers not connected to the sewerage network as well as implementation of Ministerial Decree of 30/09/2009 and (ii) the inclusion of local equalisation items in bills. The procedure must be completed within 180 days.

In the first few months of 2013, the Authority also issued the following documents:

- resolution no. 73/2013/R/idr of 21 February 2013 concerning the approval of guidelines for verifying the update of the area plan's economic-financial plan, for the purpose of the tariff proposal for the years 2012 and 2013, which must be prepared by Area Authorities by 31 March 2013 (article 6, resolution no. 585/2012),
- resolution no. 86/2013/R/idr del 28 February 2013 governing the integrated water service guarantee deposit,
- resolution no. 87/2013/R/idr of 28 February 2013 for the launch of a procedure to adopt provisions concerning the definition of obligatory contractual conditions for the management of delinquent end users of the integrated water service. The resolution sets the deadline for completing the procedure at 180 days from its publication, and also establishes, inter alia, that pending the adoption of the provisions, operators cannot suspend the supply of particular user categories,
- resolution no. 88/2013/R/idr of 28 February 2013 regarding the approval of the Temporary Tariff

Method for ex-CIPE (MTC) management for the determination of tariffs for the years 2012 and 2013. The resolution also approves some amendments and supplements to resolution 585/2012 (MTT),
- consulting document 82/2013/R/com published on 1 March 2013 relating to the initial guidelines concerning accounting unbundling obligations for water service providers and concerning the revision and simplification of accounting unbundling provisions pursuant to resolution no. 11/2007. The deadline for sending comments is 30 April 2013.

The **key principles** of resolution 585/2012 concerning the tariff method are summarised below:
- the temporary method identifies the methodology to be used at the national level to determine tariffs for the years 2012 and 2013, anticipating the general outline of the definitive methodology expected to apply beginning in 2014, and regards all services managed excluding those that currently adopt the CIPE tariff method,
- the resolution identifies the role of Area Authorities for the purpose of determining the tariff, defining activities, methodologies and timing,
- a procedure for gradually shifting from the criteria of the standardised method (MNT) to those of the temporary method (MTT) is introduced, along with some specific mechanisms to guarantee the maintenance of operator cash flows and current financial stability,
- to protect end users (and operators) from the impact, for the two years in question, the obligation is introduced for a specific enquiry to be conducted on the validity of information provided and the correct application of the new criteria, in cases of tariff fluctuations above the limits set forth in the MNT,
- the new methodology sets forth that a tariff breakdown by operator/tariff area analogous to the pre-existing breakdown shall be maintained during the transitory phase,
- the new methodology reconciles the results of the referenda with European and domestic regulations on compliance with the principles - confirmed by the Constitutional Court - of full cost recovery and "who pollutes pays",
- the return on invested capital is cancelled and instead the cost of the financial resource is recognised in observance of the aforementioned principle of full cost coverage,
- in order to avoid inefficient or opportunistic behaviour, the cost of the financial resource is not recognised based on the submission of documented expenses, but rather through standard references (finance and tax costs). The post-tax finance cost for investments is equal to 4.4%, plus IRES assessed on a lump-sum basis and IRAP assessed on the basis of 2011 actual data,
- the revenue guarantee principle is established (confirmed), along with the requirement to adjust any differences between revenues ensured by the tariff breakdowns applied to end users and those recognised in the updated revenue restriction (net of the contribution of "other revenues"),
- the temporary method is based on ex-post regulation criteria in place of the ex-ante regulation of the MNT (which in any event required ex-post verification during periodic tariff reviews); therefore, the tariff is calculated with reference to accounting data for the year n-2 (regulatory time lag) and the tariff adjustments are recognised in the year n+2,
- the temporary method establishes the regulatory useful life for each category of fixed assets for the purpose of calculating depreciation and amortisation expense, as well as the principle that assets - of the operator and of third parties - are recognised in terms of the revalued historical production cost,
- the MTT contains a detailed definition of the activities of the integrated water service and other water services and establishes that revenues generated by other water services must contribute towards covering eligible costs. In order to ensure that those important activities are carried out, profit sharing has been introduced for other water services, with the recognition of a lump-sum margin to the operator,
- in compliance with the cost coverage principle, the new method updates operating and capital costs based on actual inflation in place of the planned inflation used in the MNT,

- in the assessment of the operator's net invested capital, an lump-sum amount has been introduced to compensate net working capital,
- IRAP is considered to be an operating cost which can be made more efficient, subject to the gradually implemented mechanism,
- a tariff component defined New Investments Fund (FoNI) has been introduced, which represents an advance to finance new investments subject to a restriction in terms of intended use. It is up to the Area Authority to decide whether and to what extent that tariff component should be included in the tariff.

With regard to the **area of application**, resolution 585/2012 establishes that the MTT applies to services that were compliant with Law 36/94 and Legislative Decree 152/2006 as at 31 July 2012 and those which, although not compliant, applied the standardised method or another tariff method other than the CIPE at that same date. Some of the services excluded from the tariff update are those which had not adopted the Service Charter on the aforementioned date as well as services which, in violation of applicable regulations, billed domestic users on the basis of minimum consumption commitment.

The Authority defines the following **cost components of the service, to be recognised in the tariff**:

(i) costs of fixed assets, understood as the sum of finance costs, tax costs and investment repayment instalments (amortisation),

(ii) management costs which can be reduced, understood as operating costs arising in the context of service management, upon which the operator may act to increase efficiency,

(iii) management costs which cannot be reduced, understood as external operating costs, the determination of which does not depend upon management decisions in the period considered (electricity cost, wholesale supply cost, loans and fees recognised to local bodies, Authority operating costs, other cost components),

(iv) any advance component to finance new investments.

The tariff components described above, recognised for the years 2012 and 2013, derive from a process of gradual convergence, over four years, of operating costs which can be reduced and capital costs according to the plan towards costs based on the tariff method.

The Authority also establishes the inclusion in the tariff restriction of tariff adjustment items relating to years prior to 2011 provided they are approved by the applicable parties by 30 April 2012; resolution 585/2012 establishes the suspension of adjustments for 2011 pending the response from the Council of State to the request for an opinion sent by the Authority on 23 October 2012, to which any definition of calculation procedures and methods relative to the return to users of the return on invested capital component for the 21 July - 31 December 2011 period is also subject, following the proclamation of the results of the popular referendum.

The request for opinion put forward by the Authority regards the legitimacy to act in relation to issues regarding periods prior to the transfer of sector regulatory functions. In response to the query, the Council of State issued on opinion on 25 January 2013, establishing **(i)** the responsibility of the Authority in the period of 21.7.2011/31.12.2011, based on the assignment to that party of the functions formerly under the responsibility of the now defunct National agency for water regulation and supervision (art. 21, paragraph 19 of Law Decree 201/11) and **(ii)** the conflict of the criterion "of the adequacy of the return on invested capital" (so-called 7%), contained in Ministerial Decree 96, with the regulatory framework resulting from the referendum.

Therefore, the Council of State ordered the Authority to take the opinion into consideration when adopting new tariff measures, without prejudice to compliance with the overall and articulated national and European regulatory framework, which requires cost coverage to be ensured.

On 31 January 2013, the Authority approved resolution no. 38/2013/R/idr with which it launches a procedure to determine:

a) the criteria based on which Area Authorities will have to identify, without prejudice to the full cost recovery principle, the amounts unduly paid by each user for return on invested capital in the period 21 July 2011 - 31 December 2011, to be returned to the user,

b) procedures and tools to ensure that the aforementioned amounts are actually returned to end users,

c) the methods that the Authority will use to verify and approve Area Authority decisions,

It also confers broad powers upon the Person responsible for the proceeding - the Head of the Special Tariffs and Water Service Quality Office - to obtain the information and elements for assessment needed to complete the proceeding, and, for the parties that may be called to participate, provides for the application of penalties in the event of refusal, omission or delay, without justified cause, in providing all information requested, or in the event of the transmission of false information or documents.

It is also sets forth that all parties concerned - with particular reference to associations representing consumers and users, operator trade associations, Area Authorities, the Regions and other public bodies concerned, as well as other collective and widespread stakeholders involved in this proceeding - may submit documents, briefs and observations within 30 (thirty) days of publication of this resolution.

The proceeding duration has been set at 120 days, beginning on the publication date.

The Group has estimated that the cost of the return resulting from the 2011 referendum outcome is 7.9 million euros.

With respect to the procedural provisions:

- by 31 March 2013, the Area Authorities shall update or prepare, if not yet drawn up, the financial and economic plan for each area plan on the basis of the new methodology. Changes made during the update of the economic-financial plan which cause an increase in the difference between plan costs, as identified prior to the update, and costs calculated pursuant to Annex A of resolution 585/2012, net of costs which cannot be reduced, are deemed void,
- if not updated by 31 March 2013, the contractual clauses and deeds governing relations between operators and the applicable authorities which are incompatible with the resolution shall be void,
- the tariff shall be set forth by the Area Authorities and transmitted to AEEG and the operators by 31 March 2013. Within the three subsequent months, the Authority shall approve the tariffs pursuant to article 154, paragraph 4, Legislative Decree 152/206, possibly also determining the tariffs on the basis of information available, with a view to user protection, if the Area Authorities do not send them by the established deadline,
- beginning on 1 January 2013, operators are required to apply to users **(i)** until the Area Authorities determine the tariffs, the tariff applied in 2012 with no change or the 2013 tariff if determined by the Area Authorities prior to the approval of resolution 585/2012 provided the operators have not changed the tariff breakdown, **(ii)** subsequent to determination by the Area Authorities and until approval by AEEG, the 2012 tariffs multiplied by a factor (*theta*^{2013}) determined by the Area Authority, **(iii)** following the Authority's approval of the tariffs, the 2012 tariffs multiplied by *the theta2*^{013} approved by the Authority,
- the difference between tariff revenues determined by the application of the temporary tariffs pursuant to points (i) and (ii) and those calculated on the basis of point (iii) shall be subject to adjustment subsequent to AEEG's approval,
- by 30 June 2013, operators are required to provide the Authority with the data useful for determining the revenue restriction update (volumes, pass-through costs, changes in the basis of consolidation, etc.). The adjustment, adjusted for inflation, shall be recognised in the tariff in the year n+2.

Please note that the main Group Companies submitted an appeal to the Lombardy Regional Administrative Court against the Italian Authority for Electricity and Gas for the cancellation of resolution 582/2012.

Services under concession

The awarding party of the **public lighting** service is Roma Capitale under a thirty-year concession arrangement (effective from 1 January 1998), for which no fee is paid. The concession is implemented through signing the appropriate service contracts: the agreement in force until 31 December 2010, which regulated the period from June 2005 to May 2015, was amended by adding a supplementary agreement signed on 15 March 2011 and entering into force at the beginning of the year.

The supplements regard the following elements:

- alignment of the term of the service contract with the expiry of the concession (2027), given that the contract is merely additional to the agreement;
- annual update of the compensation concerning consumption of electricity and maintenance;
- annual increase in the lump-sum payment with regard to the new lighting points installed.

Moreover, the investments for the service can be **(i)** required and financed by the Municipality or **(ii)** financed by ACEA: in the first case, such works will be paid based on a price list agreed by the parties (and subject to review every two years) and will result in a percentage decrease in the ordinary fee. In the second case, the Municipality is not bound to pay a surcharge; however, ACEA will be awarded all or part of the saving expected in both energy and economic terms according to pre-established methods.

Moreover, it has been established that qualitative/quantitative parameters shall be renegotiated in 2018.

Upon natural or early expiry - also due to cases envisaged under Law Decree no. 138/2011 - ACEA will be awarded an allowance corresponding to the residual carrying amount, that will be paid by the Municipality or the incoming operator if this obligation is expressly set out in the call for tenders for the selection of the new operator.

Finally, the contract sets out a list of events that represent a reason of anticipated revocation of the concession and/or resolution of contract by the will of the parties. Among these events, reference is made to newly arising needs linked with public interests, according to which ACEA has the right to receive an allowance according to the product, that is discounted based on the percentage of the annual contractual amount and the number of years until expiry of the concession.

On the basis of the number of public lighting plants as at 31 December 2009, the supplemental agreement establishes the ordinary annual fee as 39.6 million euros, including all costs relative to the provision of electricity to supply the plants, ordinary operations and ongoing and extraordinary maintenance.

Further information is provided in the section "*Related Party Transactions*".

In relation to the effects of the repeal of article 23-bis on the ACEA concession, expiring on 31 December 2027, please see the paragraph on the abrogative referenda of 12 and 13 June 2011 and that regarding the Stabilisation Decree.

Integrated water-environmental services are provided under concession in the following regions:

- Lazio, where ACEA Ato2 S.p.A. and ACEA Ato5 S.p.A. provide services in the provinces of Rome and Frosinone, respectively,
- Campania, where G.O.R.I. S.p.A. provides services in the area of the Sorrento Peninsula and Capri island, the Vesuvio area, the Monti Lattari Area, as well as in the hydrographic basin of the Sarno river,
- Tuscany, there the ACEA Group operates in the province of Pisa, through Acque S.p.A., in the province of Florence, through Publiacqua S.p.A., and in the provinces of Siena and Grosseto, through Acquedotto del Fiora S.p.A. It also provides the service in Lucca and province of Lucca through the companies Geal, Lunigiana and Azga,
- Umbria, where the Group operates in the province of Perugia, through Umbra Acque S.p.A.

Lazio – ACEA Ato2 S.p.A. (Ato2 - Central Lazio - Rome)

ACEA Ato2 provides integrated water services on the basis of a thirty-year agreement signed on 6 August 2002 by the company and Rome Provincial Authority (representing the Authority for the ATO comprising 111 municipalities, including Roma Capitale). In respect of the award of the service, ACEA Ato2 pays a concession fee to all municipalities based on the date of actual acquisition of management which is expected to take place gradually: to date, the survey work (including that for municipalities already taken over) has been completed for 95 municipalities, equivalent to around 3,800,000 residents (source: ISTAT), equal to about 97.8% of the total.

As of 1 January 2011 the single area tariff is in place, as adopted by the Mayors' Conference of 14 December 2010 (resolution no. 6/2010).

On 17 April 2012 the Mayors' Conference and Chairmen of Ato2 Central Lazio - Rome met to discuss and resolve upon various issues regarding the Average Area Tariff. The most important elements of the review concern:

a) **the non-recognition of the 7% return on invested capital for investments included in the tariff after the outcome of the referenda with recognition only of the portion of amortisation**: following the public decision expressed in the referenda of 12 and 13 June 2011 and subsequent Presidential Decree, repeal of a fair return on capital invested was acknowledged and it was decided that the effects of the repeal only refer to investments recognised in the tariff by the Mayors' Conference after the date of the referendum, pending a new method for calculating the tariff (being prepared by the AEEG). In this case the Conference also envisaged a compulsory extraordinary tariff review to adjust the tariff to the new regulatory framework,

b) **MALL parameter**: the document "Application of the measurement parameter for MALL services" in which the STO (Technical Operations Secretariat) calculated the value of the parameter for 2006-2011 has been approved. Quantification of the amounts of penalties following application of the aforementioned values to operating costs used in calculating the tariff was defined in the Resolution on approval of the new average tariff for 2012-2032. It was decided to allocate this amount to investments in the elimination of non-compliant sewage disposal and to adapt the treatment plants to current regulations. The Operator will have sole liability for these investments, with no recognition in the integrated water service tariff. Furthermore, given the difficulty in calculating the MALL parameter, the Conference assigned the STO with the task of "*preparing and proposing at the next Mayors' Conference a system of additional contractual penalties for the Concession Agreement together with the adoption procedure for replacing the MALL*". Lastly, implementing the various indications of the Mayors, a series of provisions targeting the Operator were approved with a view to improving the service provided to end users,

c) **tariff adjustments**: the comparison between real and guaranteed revenue for 2006-2011 has generated tariff adjustments discounted to 2011 for approximately 94 million euros. This amount was generated by the increase in guaranteed revenue from recalculation of the reference costs, which took into consideration inflation for the period 1996-2003, from the effect of widening the gap between real and guaranteed revenue for previous years, from an error margin due to the differentiation of tariff increases in bands, from loss of real revenue for the Operator following Constitutional Court sentence 335/08 and from the drop in water consumption by end users. Reimbursement of these adjustments, including interest (totalling 118.4 million euros), will be arranged over six years at a constant rate (19.73 million euros) from 2012 as indicated in the table below.

€ millions	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**
Guaranteed revenue	452.92	469.15	484.16	497.90	513.71	522.29
Tariff adjustments	19.73	19.73	19.73	19.73	19.73	19.73
TOTAL	**472.64**	**488.87**	**503.88**	**517.62**	**533.43**	**542.02**

Consequently the new average tariff decided for the next three years is:

€ millions		**2011**	**2012**	**2013**	**2014**
Ricavi garantiti	10^6 €		472.64	488.87	503.88
Volume d'acqua	10^6 m^3		399.56	399.56	399.56
TARIFFA MEDIA	**cent. €/m^3**	**111.98**	**118.29**	**118.29**	**126.11**

and the resulting tariff increases planned are:

- for 2012: 5.63%
- for 2013: 3.43%
- for 2014: 3.07%

The tariff review document of 17 April 2012 envisages that in the period 2012-2015 the Operator makes investments of 951.8 million euros, broken down as follows:

€ millions	2012	2013	2014	2015	Total
Investments from which no return on capital invested is due	50.00	50.00	150.00	150.00	**400.00**
Investments from which a return on capital invested is due	152.03	139.27	126.21	134.29	**551.80**
TOTAL	**202.03**	**189.27**	**276.21**	**284.29**	**951.80**

The above investments must be in addition to those deriving from assessment of the MALL parameter, which must be completed by the Operator without recognition in the tariff. These total approximately 21 million euros distributed on a straight-line basis over the period 2012 to 2017 (around 3.5 million euros per year).

The Area Authority - through the STO - sent the text of the Resolution envisaging average tariff increases and annexed documents to the Ministry for the Environment and to the AEEG.

With reference to tariff adjustments, note that up to and including 31 December 2011 ACEA Ato2 recognised the sum of 53.6 million euros. This amount, compared with the total adjustments recognised by the Area Authority (94 million euros) in the review document described above generates a deviation in ACEA Ato2's favour of approximately 40 million euros, which was recorded as revenue in 2012.
In fact, resolution 585/2012 confirms the inclusion of prior adjustments within the restriction on guaranteed revenues (VRG) provided they are approved by the applicable parties by 30 April 2012.

With regard to the FoNI (New investments advance fund) tariff component set forth in AEEG Resolution 585/2012, the Company estimated the allocation restriction established by article 7 of said resolution at 2.7 million euros.

With reference to the effects of ruling no. 335/2008, it should be noted that on 3 October 2011, the Operational-Technical Secretariat of the ATO 2 Authority sent ACEA Ato2 the appropriate document which makes provision for the quantification of the unitary deductible expenses in relation to untreated waste, whose elimination requires investments in treatment plants.
This quantification was performed for each plant, taking into account **(i)** the date of acceptance (in relation to management takeover of the Municipality in question), **(ii)** the date of elimination of the untreated waste following implementation of the investment made for that purpose.
As a result of said quantification for the 16 October 2003 - 15 October 2008 period, users will be entitled, upon specific request to be made on the basis of defined methods, to the reimbursement as follows:

- in the case of users not relating to untreated waste analytically identified by the STO and the operator, the reimbursement, for each year of the treatment tariff applied to the user multiplied by the consumption in cubic metres billed,
- in the case of users relating to untreated waste analytically identified by the STO and the operator, the reimbursement, for each year of the treatment tariff applied to the user, less expenses relating to each year for the corresponding year and the corresponding waste, multiplied by the consumption in cubic metres billed.
-

In the event in which the deductible expense is higher than the treatment tariff, the user is not entitled to any reimbursement.
As regards the tariff portion due by 16 October 2008, users not served by waste treatment must pay for the treatment service:

- in the case of users not relating to untreated waste analytically identified by the STO and the operator, no amount will be charged,
- for users associated with the untreated sewer systems as analytically identified by the STO and the operator, the tariff indicated in the STO notice multiplied by the cubic metres consumption billed. If this tariff proves higher than the waste treatment tariff in force in the Municipality for the year in question, the user will pay the latter tariff.

The maximum total amount of potential reimbursements is around 11 million euros before deductible costs.
The Area Authority must also identify the methods and timescales of repayments, as well as the related tariff coverage.

For information regarding the requirements of abrogated article 23-bis and the effects on the expiries of the ACEA Ato2 concession, expiring on 31 December 2032, please see the section dedicated to the referendums conducted on 12 and 13 June 2011.

Lazio – ACEA Ato5 S.p.A.
(Ato5 – Southern Lazio - Frosinone)

ACEA Ato5 provides integrated water services on the basis of a thirty-year agreement signed on 27 June 2003 by the company and Frosinone Provincial Authority (representing the Authority for the ATO comprising 86 municipalities). In return for award of the concession ACEA Ato 5 pays a fee to all the municipalities based on the date the right to manage the related services is effectively acquired.
The management of the integrated water service in the territory of ATO 5 - Southern Lazio-Frosinone involves a total of 85 municipalities (management still remains to be surveyed in the municipalities of Atina, Paliano and Cassino Centro Urbano) for a total population of around 480,000 inhabitants, about 460,000 inhabitants supplied and a number of end users equal to around 188,214.
No new acquisitions were formalised in the period.
The Mayor's Conference of 14 January 2009 approved the exit from the ATO5 – Southern Lazio of the municipality of San Biagio Saracinisco; a formal document for the handover of the integrated water services was then signed on 6 October 2009.
The agreement requires that the price charged to each municipality should converge towards the price applied throughout the ATO within three years of management, and as of that same year there will be a tariff review every three years that takes account of the operating costs incurred and the investments made. On application of the price for each year the average tariff is adjusted to the total inflation rate, deriving from target annual inflation rates for each year since award of the contract.
Throughout the concession term the operator is responsible for the maintenance and upgrading of all assigned assets and of any assets subsequently constructed in compliance with the provisions of the Area Plan. New plants constructed in accordance with the Area Plan, which forms an integral part of the agreement, remain the exclusive property of the company and, pursuant to art. 35 paragraph 4 of the agreement, on expiry of the concession or in the event of its early termination, the company shall be paid an indemnity equal to the value of the assets yet to be depreciated. Such assets regard networks or portions thereof, plants and the related equipment constructed in accordance with investment plans.

As regards the effects of Constitutional Court sentence 335/2008, survey activities are basically complete: the portion of the water treatment tariff debited in the 2003-2008 period from active end users connected solely to the sewerage network amounted to 1.7 million euros. This amount does not take into account the estimated deductible charges due from end users according to the provisions of article 8-sexies, Law no. 13 of 28 February 2009 and article 5 of the Ministry of the Environment Decree of 30 September 2009, published in the Official Gazette on 8 February 2010, which the Area Authority is obliged to calculate. This amount therefore represents the maximum estimated rebates which ACEA Ato5 must pay following Area Authority identification of the quantification, methods and timescales of the rebates and the tariff coverage.
As regards the obligations set forth by the legislation to be fulfilled by the Area Authority, in January 2012, the Regional Administrative Court of Latina upheld the appeal filed by Consumer Association CODICI regarding the non-implementation of Constitutional Court ruling no. 335/2008 by the Area Authority.
Specifically, in accepting the appeal filed by Codici the Regional Administrative Court ascertained default by the AATO for not having implemented the powers of substi-

tution pursuant to art. 152 of the Environmental Code and "declared that the regional government was obliged to remedy the situation in no more than thirty days from the date of notification of this decision. Only in the event of further inertia the powers of substitution shall be exercised, within an additional thirty days, by the Minister for the Environment and Protection of Land and Sea by appointing a special Commissioner.

As a result of the events mentioned in relation to applied tariff legitimacy, regarding which reference should be made to the section "*Update on major disputes and litigation*", in its bills the company applied the tariff that was published for 2005 until 31 December 2011, in compliance with the authority's instructions. However, it assesses its revenue on the basis of the minimum volumes guaranteed by the plan underlying the invitation to tender valued at the real average tariff, equal to that of the bid plus forecast and compound inflation.

By contrast, for the year 2012, on the basis of "Decree note no. F66 of 8 March 2012 - Determination of the integrated water service tariff applicable for 2012 in ATO 5 Southern Lazio-Frosinone" of the Commissioner for deeds appointed by the Regional Administrative Court of Latina, ACEA Ato5 will bill on the basis of the average real tariff and the associated tariff structure defined "*in compliance with the regulations and applicable contractual relations*".
More specifically, "*this was carried out to quickly deal with a service economic-financial imbalance, caused by the failure to update the tariff based on the trend in inflation and forecasts in the area plan and management agreement. Therefore, determination of the real average tariff is limited to restabilising normal contractual conditions of continuity of management and does not take into account the difference between planned and actual investments and, in general, area plan forecasts and the actual trend in the management of previous years given these obligations are to be fulfilled during the review phase.*" "*However, this does not involve any prejudice with respect to additional and subsequent reviews of area planning which will be adopted by the Commissioner for deeds, in which all obligations deriving from the ordinary and extraordinary review will be fulfilled*".
The Commissioner for deeds has reconstructed the trend in the tariff curve from 2003 to 2012 to current values, applying the cumulative inflation factor for each year of operations to the real average tariff values envisaged in the original Area Plan. Consequently, the real average tariff for 2012 was identified by the commissioner for deeds on the basis of the original area plan, at 1.359 /m3.
On 28 June the Commissioner prepared a Report - F 129/2012 - on the "choice of criteria, tariff verification and management for the years 2006 to 2011, estimate of the adjustments and service levels". After reapplying the powers assigned under Sentence 529/2011 and subsequent administrative action implemented, the Commission verified (i) the real average tariff and related planning documents from 2006 and (ii) the operating performance 2006-2011.
To summarise, 56.6 million euros were estimated in favour of the company, to be taken into account in defining the values for the new Area Plan and 32.7 million euros not recoverable on review, but valid for the Area Authority as a result of A.ATO Instruction no. 3/2010 in which the real average tariff for 2005 was established for 2010. The amount recognised to the company excludes the related portion of the concession fee, the review of which by the S.T.O. of ATO 5 is not yet complete.
On 4 June, with Note prot. F124, the Commissioner formally resigned from his position.
At the hearing held on 26 July, the Lazio Regional Administrative Court, Latina section, accepted the resignation and, by Order no. 607/2012, appointed the President of the AEEG as the new Commissioner for deeds (or an official that he delegates), who shall conclude the procedure within six months from the administrative notification or notice of the aforementioned Order.
The Company notified the AEEG of the aforementioned order on 13 August 2012 and, therefore, the six-month term expired on 13 February 2013.

On 20 December 2012, the new Commissioner for deeds requested a three-month extension on the deadline set forth in the Order, deeming that for the activities assigned to him to be fruitfully concluded, more time would be needed than that set forth in the aforementioned Order, besides being subject to the prior issue by the Authority of the new temporary tariff method for 2012 and 2013. The Judge set the deadline of 31 May 2013 for completion of the proceeding with Order no. 143 of 24 January 2013.

Revenues for the year 2012 amount to a total of approximately 55 million euros. This calculation was done in line with the criteria of AEEG resolution no. 585 of 28 December 2012 (and relative annex), also making use of the calculation model provided by that Authority on its website. That estimate also includes the amount of 10.8 million euros, which represents the difference between the maximum growth set forth in article 7.1 of the aforementioned resolution - that of the Standardised Method plus planned inflation rates (6.5%) - and the amount of the VRG determined as indicated above. Article 7.1 provides that that spread should be subject to a dedicated AEEG enquiry, in order to "*...ascertain, with the involvement of the Area Authorities, the data provided, the correct application of the temporary tariff method and the efficiency of the metering service...*". The same article also sets forth that the surplus compared to the maximum growth shall be recovered as an adjustment component in the subsequent tariff period.

Campania – GORI S.p.A. (Sarnese Vesuviano)

GORI provides integrated water services in 76 municipalities in the provinces of Naples and Salerno, on the basis of a thirty-year agreement signed on 30 September 2002 by the company and the Sarnese Vesuviano Area Authority. In return for award of the concession GORI pays a fee to the grantor (the Sarnese Vesuviano Area Authority) based on the date the right to manage the related services is effectively acquired. The perimeter managed has remained essentially unchanged compared to the previous year, since the process of acquiring management is, by now, complete. In fact, there are 76 municipalities managed, and that is, all of those falling within ATO no. 3 of the Campania Region.

2011 Tariff measures

On 2 August 2011, by means of resolution no. 5, the General Meeting of the Sarnese Vesuviano Area Authority (EASV) approved, with a prior amendment, the proposed tariff plan of EASV's Board of Directors, as approved by said Board of Directors on 30 December 2010 with resolution no. 34. In particular, said General Meeting resolved, among other things:

- to invite GORI to sign a streamlining plan for the management of the integrated water service of A.T.O. 3 which involves an amount of total tariff costs relating to 2011 (operating costs, modernisation and return on already invested capital) of no more than 130 million euros (Group share 48.2 million euros). The resolution of the Board of Directors of December 2010 envisaged an amount of revenues equal to 136 million euros (Group share 50.4 million euros),
- to approve the following tariff system, deemed suited to cover the aforementioned total tariff costs, with the exception of equalisation upon approval of the tariff system following the review of the area plan in progress:
  - tariff basins: the division of municipalities of ATO 3 is confirmed as the two tariff areas as per Resolution no. 9 of the General Meeting of 10 July 2009, with the following tariff system:
    - Basic basin "A" tariff: Basic tariff = /m3 1.3210
    - Basic basin "B" tariff: Basic tariff = /m3 1.1719
  - Tariff structure coefficient before domestic use bracket: 0.6 which cancels and replaces the corresponding coefficient of 0.5 in the tariff structure approved by means of resolution no. 9 of the general meeting of 10 July 2009,
  - The average area value of the basic tariffs in force in "basin A" and "basin B" pursuant to resolution no. 9 of the general meeting of 10 July 2009 stands at 1.2795 /m3 (it was set at 1.3210 /m3 in the resolution of the Board of Directors in December 2010).

The aforementioned Meeting Resolution no. 5/2011 was challenged before the Campania Regional Administrative Court in Naples which, accepting the appeal, cancelled the resolution by sentence no. 1809 of 18 April 2012. In particular, as the overall reason for cancellation the sentence first of all points out the failure to reach the decision-making quorum required under the Articles of the Area Authority General Meeting to adopt the aforementioned resolution no. 5.

Both the Authority and GORI have challenged sentence no. 1809/2012 through an appeal filed with the Council of State, also requesting that an injunction order be issued to suspend the effects of the sentence until a final decision on the merits is reached.

In any event the company immediately arranged for the various public institutions involved - Area Authority, Campania Regional Government and the AEEG - to be in-

formed of the delicate nature of the issue and requesting urgent action to avoid financial crises.
In this respect it should be noted that the company asked:

- the Area Authority to call its decision-making bodies to: (i) restore the tariff resolution cancelled by the Regional Administrative Court, (ii) complete the review of the Area Plan in such a way as to finally solve all tariff issues, (iii) approve the agreement already reached with the Campania Regional Government regarding the regularisation of relations with GORI and the Authority;
- in the event of persisting inertia by the Authority, the exercise of powers of substitution by the Campania Regional Government and the AEEG with regard to regional and national regulations, respectively.

Therefore by notice no. 17029 of 5 June 2012 and based on claims submitted by GORI, the AEEG deemed "*[...] necessary, in order to assess any grounds for action by the Authority, to first obtain all documentation concerned, useful information and figures relating to the calculation and updating of tariffs for the integrated water service in the ATO in question for the period 2007-2012 [...]*" and then requested that "*[...] the Area Authority submit to the AEEG all documentation concerned, useful information and figures relating to the calculation and updating of tariffs for the integrated water service in the Sarnese Vesuviano 3 ATO in Campania for the period 2007-2012, with particular reference to the following aspects: a. the methods for defining the tariff structure for 2008-2012, with specific regard to preliminary inquiries conducted to ascertain correspondence between the tariffs applied and the Real Average Tariff envisaged in the current Area Plan; b. the methods used to examine and deal with claims submitted by the operator in the period 2008-2012, with particular regard to the aforementioned issue of tariff structure adequacy; c. the method for determining the tariff approved by Resolution no. 5 of the General Meeting of the Sarnese Vesuviano Area Authority of 2 August 2011, that discussed in the Campania Regional Administrative Court sentence no. 1809 of 18 April 2012 [...]*".

As a result of the AEEG request, the Area Authority began the procedure for determining the 2012 tariffs, requesting the necessary information from the company in notice no. 5103 of 28/6/2012.
Note also that, on the basis of the appeal submitted by the company and the Sarnese Vesuviano Area Authority, the Council of State has suspended the effects of the Campania Regional Administrative Court sentence that had cancelled the aforementioned Resolution no. 5/2011 of the Sarnese Vesuviano Area Authority, adjourning discussion of the merits to 18 December 2012. It should be emphasised that the Council of State's suspension order upon the Regional Administrative Court's sentence allowed billing to once again apply the tariffs decided in Resolution no. 5/2011, with obvious benefits from a financial point of view. The company is awaiting the Council of State's ruling.

2012 Tariff measures

On 27 October 2012, the Area Authority's General Meeting approved the proposals made by that Authority's Board of Directors on 12 October. The decisions made concern:

- the new tariff system for 2012 which envisages an annual revenue level of 127.3 million euros (Group portion 47.2 million euros),
- the procedure for determining tariff adjustments recorded by GORI with reference to the years 2003-2011; that procedure resulted in **(i)** the recognition of receivables for tariff adjustments, until 2008, to the extent corresponding to what was already posted to the relative financial statements (a total of 75.4 million euros, with a Group portion of 27.9 million euros) and **(ii)** the recognition, for 2009, 2010 and 2011 of 73.5 million euros (Group portion: 27.2 million euros), taking into consideration the Regional Administrative Court's cancellation of the 2011 tariff approved by the Area Authority's General Meeting on 2 August 2011. Therefore, the Area Authority's General Meeting verified tariff adjustments for the 2003-2011 period totalling 148.9 million euros (Group portion: 55.2 million euros), 13.1 million euros (Group portion: 4.9 million euros) higher than the amount reported up to and including 31 December 2011,
- the approval of the draft agreement with the Campania Regional Government, aimed at normalising relations relative to the wholesale water supply and waste water collection and treatment services provided through regionally managed plants.

As part of the enquiry ordered by the Area Authority, which recalculated the adjustments described above, new criteria aimed at defining the cost components at the basis of the tariff determination were identified, also taking into consideration the consulting documents issued in the meantime by the AEEG. The most significant change regarded the treatment of portions of loans to be repaid to the municipalities, taken out to construct integrated water service infrastructure: those costs, with reference to the portion ascertained, have been included in operating costs while, on the basis of previous tariff determination procedures, they were classified as long-term costs. That changed classification resulted in the recognition of a net extraordinary expenditure of 9.1 million euros (Group portion 3.4 million euros).

On 25 January 2013, the Company was sent notice of an appeal before the Campania Regional Administrative Court in Naples by the Campania Federconsumatori Association for the cancellation of the part of Sarnese Vesuviano Area Authority resolution no. 5 of 27 October 2012 which approves the tariff regime for the year 2012 and the part which approves the corrective measures for the recovery of lost revenues accrued in previous years, by means of corresponding tariff increases to be included in future tariffs.

The company is proceeding with the appearance before the court, confident from the fact that the AEEG has also asked the Area Authority to adopt the tariff measures requested many times.

Relations with the Campania Regional Government

With regard to the definition of the framework agreement for the normalisation of relations between the Regional Government (and, on its behalf, with the regional operator Acqua Campania S.p.A.), the Area Authority and GORI in relation to wholesale water supply services and the collection and treatment of waste water provided through regionally operated plants, an agreement was reached on this framework after intense work by the Technical Round Table set up by the Regional Government. The draft agreement - approved by both the company's Board of Directors and the Board of Directors and General Meeting of the Area Authority - establishes:

- the waiver of all pending litigation and the express recognition by the Area Authority and GORI of the amount payable accrued as due to the Regional Government, with subsequent reconciliation between the Regional Government's accounts and those of GORI, and recognition by the Area Authority and GORI of the regional tariffs approved by Regional Government resolution no. 2196 of 27/06/2003 (later replaced and superseded by Regional Government resolution no. 1488 of 25/09/2009),
- the express reduction by the Regional Government of the regional debt (calculated on the aforementioned approved tariffs), and at the same time the reduction of tariff adjustments accrued by GORI,
- the definition of a twenty-year plan to repay the residual debt owed by GORI to the Regional Government, with annual instalments gradually increasing to a standard amount,
- the commitment of the Operator to contractualise end users for regional water abstraction services and the collection and treatment of waste water,
- emergence from and subsequent definition of the issue regarding waste treatment services provided by the Regional Government in favour of ATO 3 via the district treatment systems (also outside ATO 3), on the assumption that - to date - no such amount has been calculated or billed: as part of the inquiries conducted by the Regional Government with the Area Authority and GORI, in fact, the users served by the district treatment systems were identified,
- the transfer to GORI of water abstraction and district treatment systems infrastructures covered by ATO 3 and, at present, still regionally operated, and the transfer of staff (approximately 400) employed in such regional works;
- the commitment from GORI to establish a newco, controlled by the same Company, to which all regional works and related staff are transferred. Over a period of 6 years, the newco must then ensure efficiency improvements on the regional works, the costs of which will gradually be transferred to the integrated water service tariff: for the first 3 years they will be borne in full by the Regional Government, and thereafter gradually charged back to the integrated water service by 30%, 60% and 100% over years 4 to 6;
- the Area Authority commitment, within the limits of its new attributions, to propose the adoption of

tariff measures needed to allow GORI to pay the current payable and the instalments of the aforementioned repayment plan, in particular in the case of a plan to recover the remaining tariff adjustments correlated with the repayment plan in question,

Currently, we are awaiting approval of the aforementioned draft agreement, which could be changed, in terms of some formal and substantial aspects, compared to that approved by the aforementioned General Meeting of the Area Authority.

Ruling no. 335 of 2008

In relation to the problems concerning ruling no. 335 of 2008, it should be noted that, on 2 August 2011, the General Meeting of the Area Authority, by means of resolution no. 6, approved the lists of users not served by water treatment plants and the associated amounts to be reimbursed, authorising GORI to carry out the relevant publication and go ahead with the subsequent reimbursement to entitled parties, with reference to the period running from 16/10/2003 to 15/10/2008, in compliance with the provisions of the Decree of the Ministry of the Environment dated 30 September 2009 and art. 2033 of the Italian Civil Code. The resolution in question also established that the charges deriving from the application of ruling no. 335/2008 must be covered, on a priority basis, by the residual amounts allocated to the provisions set up in accordance with art. 14 of Law no. 36/1994 and subsequent amendments and additions and pertaining to the integrated water service operator (GORI); in the event in which said sums are insufficient to cover the expenses to be reimbursed, additional extraordinary tariff measures must be implemented beforehand - also as an exception to limit "k" set out by the Standardised Method - which ensure the required economic-financial funding. In 2011, the charges recorded as a result of the aforementioned ruling concerned the write-off of receivables relating to water treatment amounts not due, for an amount of around 3.3 million euros (Group share of 1.2 million euros), fully covered by using the sums as per the provisions of art. 14. In 2012, investigation activities continued concerning the cases received following the issue of procedures by the Area Authority with resolution no. 6 of 2 August 2011 and, in particular all credit notes were issued for those utilities which had a credit relative to the undue water treatment portion and refunds were made to approximately 365 end users.

Bridge loan

With regard to problems relating to the bridge loan, note that by notice no. 17548 of 6 March 2012, GORI asked BIIS for a technical extension until 30 June 2012 on the 40 million euros bridge loan maturing 30 June 2011, attaching a specific debt rescheduling proposal prepared at the bank's request and based on certain instructions given by the bank, which envisages repayment with a first amortisation instalment on 31 December 2012 and final maturity of 30 June 2018. In this respect the bank replied that it had submitted the proposal to its decision-making bodies. In order to define relations with BIIS and reschedule the 40 million euro debt, imminent developments are pending in the much hoped for framework agreement with the Campania Regional Government and the Extraordinary Commissioner of the Sarnese Vesuviano Area Authority (formerly the Sarnese Vesuviano Area Authority).

In order to overcome the uncertainties faced by GORI, in 2011 ACEA decided to allocate a provision of 44.1 million euros, of which 4.9 million euros has been used as a result of recognition in GORI's 2011 financial statements, recently approved by the shareholders' meeting, of revenue amounting to 108 million euros rather than the amount established (130 million euros) by the resolution of 2 August 2011 cancelled by the Campania Regional Administrative Court in April 2012.

Revenues for the year 2012 amount to a total of approximately 127.2 million euros (Group portion 47.1 million euros).

This calculation was done in line with the criteria of AEEG resolution no. 585 of 28 December 2012 (and relative annex).

Toscana – Acque S.p.A.
(Ato2 – Basso Valdarno)

The management agreement, which entered into force on 1 January 2002 with a twenty-year duration, was signed on 28 December 2001. In accordance with that agreement, the Management Body took over the ex-

clusive integrated water service of ATO 2, comprising all the public water collection, abstraction and distribution services for civil use, sewage systems and the treatment of urban 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 prior to award of the related contracts.

According to the provisions of the concession, on 22 December 2008 the general meeting of the Area Authority approved the tariff review for the years 2005-2007, in which checks were performed on the actual volume of investments made, operating costs, revenue generated, the amounts billed and the technical and organisational standards achieved. Based on the results of these checks, the adjustment was calculated (positive for the operator) for lost revenues for 2005-2007, given more than 0.5% lower than those forecast in the Area Plan.

Penalties were also applied during the revision, as provided for in the Agreement, for the failure to achieve certain technical and organisational standards.

During the second tariff review, the new Investment Plan was defined, later described in detail in the new three-year operating plan for 2008-2010 approved by the Authority in March 2009.

The third tariff review for the years 2008-2010 was approved by the Authority's general meeting of 6 December 2011. During this review, checks were performed on the actual volume of investments made, the operating costs, revenue and inflows achieved, the extent of volumes billed and the technical and organisational standards achieved. Based on the results of these checks, the adjustment was calculated (positive for the operator) for lost revenue for 2008-2010, recognition in the tariff of lost collections recognised as a loss in the 2008-2010 financial statements and rebate claims from eligible parties made up to 31/12/2010 as a result of Constitutional Court sentence 335/2008. The rebates due to be paid by Acque in the period 2011-2013 total a little over 0.3 million euros. The third review also arranged for operating costs to increase from 2012 onwards, and penalties were applied as envisaged in the agreement for failure to reach certain technical and organisational standards.

The tariff review was accompanied by the review of the Area Plan which was performed on two separate scenarios. The first (2026 Plan) envisages a 5-year extension to the concession (until 2026), with an increase in investments of approximately 250 million euros in the period 2011-2026. The second (2021 Plan) envisages total investments that remain unchanged compared to the original plan and already financed, but with remodelling to ensure that the period 2011-2013 coincides with that of the previous scenario, followed by a decrease in the remaining period.

In the 2011-2013 three-year period, roughly 40 million euros more in investments are expected than in the original plan.

The 2026 Plan will only become effective following:

- approval by the current Lenders
- verification of the financeability of said plan

In the event the above conditions are met, the 2021 Plan will become effective.

The two plans only differ as regards the part relating to investments while they are consistent in all other aspects, including the tariff to be applied in the first three-year period (2011-2013).

Plan 2021, which makes provision in the first three-year period for higher amortisation due to the lower duration of financial amortisation, so that limit K of the increase in the fixed tariff set by the Normalised Method at 5% is not exceeded, envisages the reduction of the fee paid to the municipalities with recovery in subsequent years.

Following adoption of the AATO Resolutions two appeals were filed as follows:

- An appeal filed by Federconsumatori Utenti Toscana against AATO 2 and Acque challenging the legitimacy of Resolution 12 by which AATO 2 extended the duration of the concession to Acque to 2026 and requesting its cancellation,
- An appeal filed by the Forum Toscano dei Movimenti per l'Acqua and a number of individuals resident in ATO 2 against the AIT, AATO 2 and Acque is more wide-ranging than that mentioned previously, challenging - amongst other things - the legitimacy of Resolutions 12 and 13, requesting their cancellation and also challenging the fact that in the tariff reviews Resolutions 12 and 13 take into account the return on capital invested component despite the results of the June 2011 referendum.

With Decree of the President of the Regional Council no. 87 of 4 April 2012, a regional state of emergency was declared with respect to the entire regional territory, pursuant to art. 11 paragraph 2 letter a) of Regional Law 67/03, due to the water crisis situation. That situation was particularly felt in the area managed by the company, leading to a significant increase in operating costs, with particular reference to costs for transport with tanker trucks.

In October 2006, the Operator signed a contract with a pool of banks which provides for a total loan of 255 million euros to cover the financial needs of the investment plan from 2005 to 2021 estimated at around 670 million euros. The actual drawdown at 31 December 2012 was 212 million euros.

With regard to the impact of Constitutional Court sentence 335/2008, relating to the legitimacy of billing the tariff component covering waste water treatment to end users in areas where there are no treatment plants or where the plants are inactive, from October 2008 the company stopped including the waste water treatment component in bills for end users identified as falling within this category. The Area Authority intervened to ensure application in 2009 of the Average Tariff provided for in the Area Plan.
In 2010, the lists of end users entitled to rebates were published on the websites of Acque and the Area Authority. In the same year, the Authority approved guidelines to carry out repayments, according to which these will be made following the request of the user and the five-year prescription will be calculated as of the date the request was submitted. According to this resolution, the total potential debt not time barred at December 2010 amounts to approximately 6.5 million euros (Group share 2.9 million euros).
At December 2010, 1,139 claims had been submitted by eligible users, for a total of 0.4 million euros to be reimbursed taking into account deductible charges. The Authority will include this amount in the tariff review and the rebates are expected to be paid in the three-year period 2011-2013. Further claims were later received to reach a total of around 43,000 for which the rebates have not yet been decided by the Authority.

Revenues for the year 2012 amount to a total of approximately 101.2 million euros (Group share 45.5 million euros), including adjustments of so-called pass-through items (i.e. electricity). This calculation was done in line with the criteria of AEEG resolution no. 585 of 28 December 2012 (and relative annex).
The company did not include the amount of the FNI (New Investments Fund) component, which is estimated at roughly 5.1 million euros (Group share 2.3 million euros), within the period's revenues, since on the basis of the provisions of resolution 585/2012, that component must be expressly recognised by the Area Authority which establishes if and to what extent that form of advance should be included in the tariff.
With regard to the other FoNI (New investments advance fund) tariff components set forth in AEEG Resolution 585/2012, the Company estimated the allocation restriction established by article 7 of said resolution at roughly 2 million euros (Group share 0.9 million euros).

Tuscany – Acquedotto del Fiora S.p.A. (Ato6 – Ombrone)

Based on the agreement signed on 28 December 2001, the operator (Acquedotto del Fiora) is to supply integrated water services on an exclusive basis in ATO 6, consisting of public services covering the collection, abstraction and distribution of water for civil use, sewerage and waste water treatment.
The concession term is twenty-five years from 1 January 2002.
In August 2004, ACEA – via the vehicle, Ombrone S.p.A. – completed its acquisition of a stake in the company.
In December 2011 the Area Authority approved the new Tariff Review for 2008-2010 and the review of the 2011-2026 Area Plan and Investment Plan, in line with the principles of sustainability and medium/long-term economic and financial balance. In this context and as invited some time ago by the company, the Area Authority took the opportunity to reduce remaining discrepancies between the operator planning (Economic-Financial Plan for project financing) and regulator planning (the Authority's Economic-Financial Plan).
The volumes of water sold, included by the Authority in the new Area Plan are, therefore, in line with Acquedotto del Fiora expectations.

According to the provisions of the Decree of the Commissioner for the Tuscan Water Authority Conference, District 6 Ombrone no. 1 of 05/01/2012, the average tariff applicable by Acquedotto del Fiora for 2012 is 2.106 euros per cubic metre, including planned inflation and net of the rebates to eligible end users of part of the water treatment charge pursuant to art. 7, Ministerial Decree 30/09/2009.

With regard to the impact of Constitutional Court sentence 335/2008, relating to the legitimacy of billing the tariff component covering waste water treatment to end users in areas where there are no treatment plants or where the plants are inactive, the company took immediate action to implement the AATO indications. Therefore from October 2008 the water treatment component has no longer been billed in known cases covered by this situation and in 2009 the Area Authority took action on the tariffs to guarantee application of the envisaged average tariff.
On this issue the Area Authority General Meeting resolution no. 13 of 29/11/2010 approved the Extraordinary Review for rebates to users not served by water treatment of the water treatment tariff not payable under the aforementioned Ministerial Decree of 30/09/2009. The Area Authority reviewed the Plan tariff up to 2014 to guarantee rebates to eligible users.

In financial terms, on 5 March 2012 the Operator signed an extension for a further 18 months, i.e. to September 2013, to the bridge loan agreement, which increased from 80 million euros to 92.8 million euros after disbursement of a further 12.8 million euros. The operator is also continuing work on the definition of a project financing transaction to support the company's financial needs on expiry of the concession, guaranteeing the implementation of the entire Investment Plan.

Revenues for the year 2012 amount to a total of approximately 76.6 million euros (Group share 30.6 million euros), including adjustments of so-called pass-through items (i.e. electricity). This calculation was done in line with the criteria of AEEG resolution no. 585 of 28 December 2012 (and relative annex).
The companies did not include the amount of the FNI (New Investments Fund) component, which is estimated at roughly 5.7 million euros (Group share 2.3 million euros), within the period's revenues, since on the basis of the provisions of resolution 585/2012, that component must be expressly recognised by the Area Authority which establishes *if and to what extent that form of advance should be included in the tariff*.
With regard to the other FoNI (New investments advance fund) tariff components set forth in AEEG Resolution 585/2012, the Company estimated the allocation restriction established by article 7 of said resolution at roughly 1 million euros (Group share 0.4 million euros).

Tuscany – Publiacqua S.p.A.
(Ato3 – Medio Valdarno)
The management agreement, which entered into force on 1 January 2002 with a twenty-year duration, was signed on 20 December 2001. In accordance with that agreement, the Management Body took over the exclusive integrated water service of ATO 3, comprising all the public water collection, abstraction and distribution services for civil use, sewage systems and the treatment of urban waste water. The Area includes 49 municipalities, of which 6 managed via agreements inherited from the previous operator, Fiorentinagas. In return for award of 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 a stake in the company.
Please note that, on 17 December 2010, the general meeting of the Area Authority approved the 2010-2021 tariff development. The Board of Directors was entrusted by the General Meeting to draw up the new Chapter 6 of the Area Plan, containing comments and details concerning the approved tariff profile, as well as the tables of the economic-financial plan set out in art. 149, paragraph 4 of Legislative Decree no. 152/2006.

With resolutions no. 4 and no. 32 of 2011 and no. 8 of 2012, the Board of Directors of the Area Authority and the Regional water authority approved the area plan, the economic-financial plan and the action plan, respectively for 2010-2021.

As noted previously, Publiacqua filed an appeal against those deeds with the Regional Administrative Court of Tuscany. The appeal is based on various factors such as the lack of jurisdiction (given the object of the resolution is a matter for the General Meeting and not the Board of Directors), the non-adjustment of the analysis of service criticalities and investment objectives, and, therefore, incompleteness of the document, also shown by the absence of the definition of investments to be carried out. The Regional Administrative Court section I has not yet set the date for the first hearing.

Also in the regulatory area, in 2011 Conviri (Supervisory Committee for the Use of Water Resources) also filed a second-instance appeal with the Council of State against the Regional Administrative Court of Florence's judgment which, by ruling 6863 of 23 December 2010, cancelled that Committee's resolution no. 3 of 16 July 2008. The resolution challenged the legitimacy of the settlement agreed by the Area Authority and Publiacqua. This was designed to resolve numerous disputed items that, in the end, gave rise to the payment of 6.2 million euros to the operator. Ruling no. 5788 of the Council of State of 27/10/2011 overturned the judgment of the Regional Administrative Court of Tuscany, therefore accepting Conviri's requests.
Publiacqua filed an appeal before the Supreme Court against the aforementioned sentence, which is set to be discussed on 26 March 2013. Note that the sentence has so far had no effect whatsoever on relations with the regional water authority: the company considers that the ineffectiveness of the transaction of March 2007 determines the revival of all original claims formulated by the Area Authority in 2006 and therefore requested to reopen the proceeding to review all items. With decree no. l6/2012, the Director of the Tuscan Water Authority resolved to temporarily exclude from 2013 tariffs sums inherent to the adjustment relative to the settlement deed, and re-opened the proceeding to verify the entirety of the items requested by Publiacqua, after which it will be possible to assess the resolution of the transaction.

Lastly, note that following completion of the inspection to ascertain the accounting methods for the investment costs, by letter dated 9 March the Regional Water Authority informed the operator of its intention to recognise only actual costs incurred by Ingegnerie to provide the various services to Publiacqua, therefore introducing a change to the current regulatory system, envisaged in the agreement, and not agreed with the operator. On this topic, an appeal was therefore lodged for the cancellation of the note of the Tuscan Water Authority Conference no. 3 Medio Valdarno prot. no. 1187/3/12 of 9 March 2012, sent on a subsequent date, concerning "The services assigned to Ingegnerie Toscane s.r.l. - 2011 inspection results" and with a subsequent appeal on additional grounds the note of the Tuscan Water Authority Conference no. 3 Medio Valdarno prot. no. 2907/12 of 14 May 2012, sent on a subsequent date, was also challenged. This latter note concerned "Response to Publiacqua's letter of notice of 03/04/2012 (prot. 15342) on the services assigned to Ingegnerie Toscane s.r.l.". The first hearing date has not yet been set.

In January 2012, the general management for protection of the area and water resources concluded the preliminary check on the proper drafting of the ordinary review of the Area Plan of ATO 3 Medio Valdarno, publishing it on Conviri's website.
Certain provisions were made in the decision; the main ones in terms of the impact on the company's economic-financial capacity are as follows:

- amendment to the calculation method for the real average tariff, excluding profit sharing, i.e. the system for distributing operating economies achieved in the three years prior to the review between operator and user,
- exclusion from the tariff calculation of the component of the return on invested capital relating to fixed assets in progress with subsequent damage on the actual coverage of costs connected with the realisation of the works,
- modification of the term within which the operator has the right to update actual revenues within a maximum of three years,
- elimination of the recognition of losses on receivables up to a maximum of 2% per annum which determine a deviation between the forecast and actual collection,
- elimination of extraordinary contingent assets and liabilities from the cost calculation,
- modification of the system for the calculation of

the compensation due to the operator at the end of the assignment, therefore a matter which does not fall within the scope of the evaluation of the Plan as it involved in the composition of the average tariff, excluding the monetary revaluation of non-amortised capital,

- exclusion from the tariff calculation of components of amortisation and remuneration of connections carried out in the 2005-2007 period and not covered by grants.

Lastly, it should be noted that said preliminary enquiry concluded with the disapproval of the fees to municipalities which are not linked to the actual coverage of instalments of previous mortgages taken out for water works The rulings, many of which were subject to Conviri verification in other area plans without similar reprehension, concern issues that are not defined in sector regulations but which form part of the parties' powers to reach agreements. Against this decree Publiacqua filed a self-protection claim and on 2 April 2012 filed an appeal for cancellation of the report on findings.

By Decree no. 3265/TRI/Di/viri the Ministry reopened the investigation on new elements for assessment submitted by the Tuscan Water Authority by notice no. 1061/2012. In particular, the investigation was reopened on issues concerning assets in progress, impairment of receivables and the recognition of concession fees to the Municipalities. Publiacqua submitted a claim to the Ministry to reopen proceedings on the full series of provisions applied, also in the light of AEEG resolution 585/2012 which appears to recognise the legitimacy of the points challenged by the Ministry.

The Ministry then decided to combine the two proceedings and, acknowledging the provisions of art. 21, paragraph 19 of Legislative Decree 201/2011, to transfer the proceeding for the review of the provisions to AEEG which, by resolution of 15 November 2012, initiated the preliminary enquiry to complete the verification of the Ato 3 Medio Valdarno area plan, for which dedicated supplementary briefs were prepared.

With regard to ruling 335/2008, the Area Authority provided for 10.2 million euros to be allocated in order to cover rebate claims of the water treatment tariff by users not connected to a treatment plant or connected to a plant that is temporarily inactive. This amount covers approximately 50% of the maximum amount estimated to be reimbursed (21.6 million euros, including VAT). If this tariff amount is lower than that actually paid by the operator to the users, the difference shall be used to reduce adjustments on past lost revenues. If the claims exceed expectations, the operator may request an adjustment in the subsequent Review. The payment of rebates began in June 2012.

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.

Revenues for the year 2012 amount to a total of approximately 167.9 million euros (Group share 67.2 million euros), including adjustments of so-called pass-through items (i.e. electricity). This calculation was done in line with the criteria of AEEG resolution no. 585 of 28 December 2012 (and relative annex).

The company did not include the amount of the FNI (New Investments Fund) component, which is estimated at roughly 18.9 million euros (Group share 7.6 million euros), within the period's revenues, since on the basis of the provisions of resolution 585/2012, that component must be expressly recognised by the Area Authority which establishes *if and to what extent that form of advance should be included in the tariff*. Please note that this non-recognition also includes the part that Publiacqua has already billed with the 2012 tariff applied to customers: that decrease is allocated as a reduction to receivables for bills to be issued.

With regard to the other FoNI (New investments advance fund) tariff components set forth in AEEG Resolution 585/2012, the Company estimated the allocation restriction established by article 7 of said resolution at roughly 5.2 million euros (Group share 2 million euros).

Tuscany – GEAL S.p.A., Azga Nord S.p.A. and Lunigiana Acque S.p.A. (Ato 1 –Tuscany Nord)

GEAL S.p.A.

GEAL S.p.A. manages integrated water services in the municipal territory of Lucca.

In 2011, on conclusion of a long dispute [1] with the Area Authority and also following the repeal of art. 23-bis of Law Decree 112/2008, converted into Law 133/2008 as amended and supplemented with Presidential Decree 113/2011 incorporating the results of the referenda of 12 and 13 June 2011, GEAL fully consolidated its operations in the Municipality of Lucca, under the current regulatory framework guaranteeing operational continuity until the natural expiry on 31 December 2025 of the concession agreement.

Therefore in a context of new and more tranquil relations with the Area Authority following the end of the dispute, on 29 December 2011 GEAL signed a Memorandum of Understanding with the Authority and the Municipality of Lucca awarding the water service which transferred planning power to the Area Authority (in any event to be exercised jointly with the Municipality of Lucca) and control of operations in the municipality of Lucca, with the introduction for GEAL of the tariff method based on the Decree of the Ministry of Public Works of 01.08.1996 (called the Standardised Tariff Method - MTN), replacing that no longer applicable by law (art. 10, paragraph 28 of Law Decree 70/2011, converted to Law 106/2011) based on resolutions of the Interdepartmental Committee for Economic Planning (CIPE), so that the company is guaranteed the conditions for growth and development.

On 30 April 2012, in implementation of the content of the Memorandum of 29 December 2011, the Tuscan Water Authority Conference no. 1 "Toscana Nord" (formerly AATO 1) issued Decree of the Commissioner no. 18, approving the municipality of Lucca's area plan containing the integrated water service tariff determined according to the criteria pursuant to the aforementioned Decree of the Ministry of Public Works of 01.08.1996, and Decree of the Commissioner no. 16 of 30 April 2012, approving the 2012 - 2014 Investments Operating Plan, for a total amount of 25,639,951 euros, including 8,488,297 euros generated by public grants related to assets.

Although formally approved on 30 April 2012, the new tariff was applied to users beginning on 1 August 2012 after obtaining the favourable opinion - through the institution of silence/assent - of the Ministry of the Environment regarding the Area Plan prepared by the Tuscan Water Authority.

On 31 October 2012, the company sent the Tuscan Water Authority and AEEG statements with data and information concerning integrated water services, requested by AEEG with resolution 347/2012/R/IDR of 02.8.2012.

This information forms the basis for calculating the water tariff for the years 2012 and 2013 on the basis of the Temporary Tariff Method (MTT) approved by AEEG with its resolution 585/2012/R/IDR of 28.12.2012.

As it currently stands, and for all operators, the applicable Area Authority (for GEAL, the Tuscan Water Authority) is checking the data acquired from the company and making the relative calculations in compliance with the MTT to prepare a proposal for the new tariff for the years 2012 and 2013 by 31.03.2013, which must be definitively approved by AEEG.

The draft of the new concession agreement was prepared with the municipality of Lucca to ensure its consistency with the provisions of the Memorandum of 29.12.2011, and it must be approved by the Authority's decision-making bodies presumably within the first four months of 2013.

Furthermore, on 27.02.2012, all appeals concerning the issue of the so-called "tax moratorium" were combined and discussed at the Florence Regional Tax Committee, which accepted the claims of the Tax Authorities, although limited to the principal component and not interest, therefore deeming the Office's calculation of those amounts erroneous, as claimed by GEAL. The Tax Authorities filed an appeal before the Supreme Court. Without prejudice to the dispute under way, the company has settled all of its obligations with the Tax Authorities with regard to this issue.

1 *The dispute was launched given that Area Authority no. 1 "Toscana Nord" (North Tuscany), by means of the resolutions of its consortium meeting nos. 18 and 19 of 25.11.2004, had included the municipal area of Lucca, whose water service is managed by GEAL, in the perimeter subject to the assignment to the company GAIA, the latter wholly owned by Local Authorities (excluding the Municipality of Lucca).*

Lunigiana Acque S.p.A. in liquidation

As noted, Lunigiana Acque has been placed in liquidation after the resolution of the extraordinary shareholders' meeting of 28.07.2011, recorded in the Massa Business Register on 02.08.2011.

After that date, the company continued managing the Integrated Water Service in the municipalities of Aulla, Podenzana and Tresana until 31.03.2012, as established by the shareholders.

On 1 April 2012 GAIA S.p.A., in-house operator of integrated water services for a large part of the Area since 1 January 2005, took over management from Lunigiana Acque, as set forth by ATO no. 1 "Toscana Nord", which is now the Tuscan Water Authority following the entry into force of Regional Law 69/2011.

Relations between GAIA and Lunigiana Acque have been governed by a business unit lease agreement signed on 30.03.2012, which envisaged its definitive transfer by 30.09.2012.

A transfer which has not yet taken place due to the Tuscan Water Authority's failure to complete the enquiry process regarding the non-amortised assets of Lunigiana Acque to be transferred for payment to the new operator and to be recognised in the tariff to the latter.

On this point, GAIA submitted requests to extend the term for signing the business unit transfer agreement pending the completion of the Authority's preliminary enquiry process, the first on 01.10.2012 and most recently, since the enquiry had still not been completed, on 21.12.2012.

In particular, the last request asked to postpone signing the agreement to the end of February 2013, without prejudice to additional extensions.

The liquidators decided to accept that request, since no tools are objectively available other than the launch of a dispute, which was not the preferable choice due to opportunity reasons and in any event trusting that the situation would develop in a positive manner.

In that regard, on 17.12.2012 the Tuscan Water Authority formally asked Lunigiana Acque for more details on the non-amortised assets transferred to GAIA, in addition to the information already sent to the company - at that Authority's request - on 25.09.2012 and 02.10.2012. That request, deemed indispensable by the AIT for the completion of the preliminary enquiry, was punctually answered on 23.01.2013.

Currently, we have become aware of the positive outcome of the preliminary enquiry by the Authority based on communications (at the moment only informal) from the Tuscan Water Authority and GAIA.

For this reason, it is deemed that there are no further elements to prevent the formalisation of the disposal agreement between Lunigiana Acque and GAIA and that therefore that agreement can be signed shortly.

The liquidators also continued the debt collection activity and, as a result, the payment of amounts due to suppliers to the extent possible.

In particular, all amounts due to Lunigiana Acque from the municipalities of Aulla, Podenzana and Tresana have been collected.

Moreover, there was a large-scale notice of injunction orders to delinquent (former) customers.

AZGA Nord S.p.A. in liquidation

As noted, AZGA Nord has been placed in liquidation after the resolution of the extraordinary shareholders' meeting of 15.12.2010, recorded in the Massa Business Register on 20.12.2010.

Although the company is in liquidation, it has remained and still is fully operative, as resolved by the shareholders, while waiting for the competent Authority to assign a new party to manage integrated water services in the municipality of Pontremoli.

The Authority of ATO no. 1 "Toscana Nord", now the Tuscan Water Authority following the entry into force of Regional Law no. 69/2011, intends to proceed with directly assigning the service to GAIA, in-house operator of integrated water services for a large part of the Area since 1 January 2005. This transaction has not yet been completed due to the opposition of the municipality of Pontremoli.

For the purpose of complete information, it should be noted that the liquidators are aware of recent direct contact between the municipal Administration, the Tuscan Water Authority and GAIA, aimed at analysing the conditions for the transfer of management to GAIA.

From the operating perspective, there is nothing significant to note since the management of aqueduct, sewerage and waste water treatment services by AZGA Nord has proceeded regularly with no critical issues worthy of mention.

Please note that the company has satisfied the obligations to send AEEG the considerable quantity of data and information requested from all integrated water service operators by Authority resolution no. 347 of 02.08.2012, by 15.11.2012, as extended (only for operators, like AZGA Nord, which adopt a tariff method based on CIPE resolutions) by resolution no. 412 of 11.10.2012.

Umbria – Umbra Acque S.p.A. (Ato 1 – Umbria 1)

On 26 November 2007 ACEA S.p.A. was definitively awarded the tender called by the Area Authority for selection of the minority private business partner of Umbra Acque S.p.A. The tender procedure requires the successful bidder to subscribe a 11.335% increase in the share capital of Umbra Acque S.p.A. post-increase and to purchase 4,457,339 shares owned by outgoing private shareholders (ACEA already holds a stake in Umbra Acque through its subsidiary Crea), corresponding to 28.665% of the share capital of Umbra Acque S.p.A. post-increase.
Before the end of 2007, ACEA completed the subscriptions of the share capital increase and the purchase of shares owned by outgoing private shareholders, thus acquiring ownership of 40.00000257% of the share capital of Umbra Acque S.p.A.

By means of General Meeting decision dated 21/02/2011, the Area Authority approved 2011 tariffs, by establishing a 1.25% increase, plus the planned inflation rate of 1.5%. Therefore, the overall increase is 2.75%.

The current Area Plan was approved by the General Meeting of Representatives in 2004, though substantially retaining the format of the previous plan approved in 2002. In 2008 Umbra Acque underlined the need to carry out a total review of the current Plan, in consideration of both the new national (Legislative Decree 152/2006 as amended) and regional regulations (Regional Plan for water protection in Umbria, Sewage Directive, Regional Plan for Umbria aqueducts and Regional Law no. 25/09 "Rules for the protection and safeguarding of water resources") – according to which the programme of works included in the existing Area Plan will be adjusted to achieve the predefined objectives concerning water quality and aquifer protection – and in the light of the increase in several cost items (in particular, electricity consumption costs) that prevent achievement of the economic-financial balance as set out in the Standardised Method. During 2011 these additional costs increased further due to both new cost items not included in the current Plan and the increase in tariffs for the services used by the company.

In April 2012 the Authority completed its controls on the tariff period 2003-2007, recognising an adjustment in favour of the company for approximately 7 million euros. The right to receive such amounts, already recognised to the financial statements in previous years, is therefore formally confirmed by the Mayors' Conference.

The Company is currently in a dispute with the Consumer Associations concerning the guarantee deposit. In this context, an initial, precautionary and temporary measure was issued by the sole judge at the Court of Perugia regarding the urgent action for an injunction lodged by Federconsumatori against Umbra Acque. With said measure, issued during a precautionary phase which is therefore still characterised by summary cognizance, the single judge ruled affirming the existence of the oppressive/unfair aspects of articles 21 and 21-bis of the Aqueduct Service Management Regulation resolved by the applicable Area Authorities, prohibiting the company from using the relative clauses.
This measure has numerous censurable features, given that sufficient consideration was not given to the details of the arguments punctually raised before the court by the Company and the public law profile of the issue, which concerns provisions that were issued by the applicable Area Authorities and that the operator is required to apply.
In particular, with that sentence the judge qualified the Regulation as a "framework contract", thereby not recognising its nature as an actual public legislative instrument which the operator must apply in governing relations with end users, and therefore completely extraneous to the sphere of private agreements, and even considered the guarantee deposit as if it were any amount requested for fees/indemnities/other payments, therefore not recognising its function as a guarantee of the exact future fulfilment of obligations to the end user based on the exercise of the regulatory power of the municipalities within the ATI.

An analysis of the measure brings to light that the guarantee deposit was considered on the basis of a "compensation or penalty clause", it was deemed that its application causes "an increase in the service price", and the "justified grounds" were not found in the contract.
In the order, there is no mention of the fact that the deposited amount is returned, in addition to legal interest, when specific conditions are fulfilled, or of the stated function of being guaranteed the punctual and accurate execution of the contract, as clearly set forth in art. 21 of the Regulation.

The correct consideration of the nature and function of this deposit would have made it possible to definitively exclude the existence of unfair profiles which were instead erroneously attributed to the provisions of the Consumption Code pursuant to art. 33 paragraph 2, letters f), m) and o).
Therefore, also in consideration of the effects which that measure could have on other pending disputes on this topic as well as the potential restitutory effects, the Company intends to prevent the consolidation of a ruling with that content, which was therefore challenged before the applicable courts, both during the precautionary stage with the current lodging of a complaint before the Court of Perugia en banc and, possibly, in the subsequent phase concerning the merits, characterised by more detailed cognizance.

Related Party Transactions

ACEA GROUP AND ROMA CAPITALE

Trading relations between ACEA Group companies and Roma Capitale include the supply of electricity and water and provision of services to the Municipality.
Among the principal services are the management, maintenance and upgrading of public lighting facilities and, with regard to environmental–water services, the maintenance of fountains and drinking fountains, the additional water service, as well as contract work.
Such relations are governed by appropriate service contracts and the supply of water and electricity is conducted on an arm's length basis.
ACEA and ACEA Ato 2, respectively, provide public lighting and integrated water services under the terms of two thirty–year concession agreements. Further details are provided in the section "*Service concession arrangements*".
With regard to public lighting, the Group provides public lighting services on an exclusive basis within the Rome area. As part of the thirty-year free concession granted by the Municipality of Rome in 1998, the economic terms of the concession services are currently governed by a service contract signed by the parties, effective as of May 2005 until the concession expiry (31 December 2027). On 15 March 2011, ACEA and Roma Capitale signed a supplemental agreement effective as of the beginning of the year.
The supplements regard the following elements:

- alignment of the term of the service contract with the expiry of the concession (2027), given that the contract is merely additional to the agreement;
- annual update of the compensation concerning consumption of electricity and maintenance;
- annual increase in the lump-sum payment with regard to the new lighting points installed.

Moreover, the investments for the service can be (i) required and financed by the Municipality or (ii) financed by ACEA: in the first case, such works will be paid based on a price list agreed by the parties (and subject to review every two years) and will result in a percentage decrease in the ordinary fee. In the second case, the Municipality is not bound to pay surcharge; however, ACEA will be awarded all or part of the saving expected in both energy and economic terms according to pre-established methods.

Moreover, it has been established that qualitative/quantitative parameters shall be renegotiated in 2018.
Upon natural or anticipated expiry, ACEA will be awarded an allowance corresponding to the residual carrying amount, which will be paid by the Municipality or the incoming operator if this obligation is expressly set out in the call for tenders for the selection of the new operator.
The contract sets out a list of events that represent a reason of early termination of the concession and/or resolution of contract by the will of the parties. Among these events, reference is made to newly arising needs attributable to the public interest including that set out in Article 23-bis of Law Decree 112/2008, repealed following the referenda of 12 and 13 June 2011, according to which ACEA has the right to receive an allowance according to discounted result of a defined percentage of the annual contractual amount multiplied by the number of years until expiry of the concession.
Based on the fact that the supplementary agreement exceeds the reference thresholds set out by the Company with regard to Related party transactions, it was analysed by the Board of Directors and approved during the meeting held on 1 February 2011, having obtained the favourable opinion of the Committee for related party transactions.

The current contract, as amended by the supplemental agreement, involves a lump-sum payment which pays a compensation for ordinary operations, ongoing and extraordinary maintenance and the supply of electricity.
The annual payment, calculated on the basis of lighting points as at 31 December 2011, amounts to 49.1 million euros and is billed in monthly instalments with payment set at 60 days.
The new constructions and investments contribute to the increase in the lump-sum figure due to the annual accrual calculated according to the capital allowance mechanism envisaged for the plants underlying the specific operation as well as the percentage reduction of the ordinary fee due by Roma Capitale, the amount of which is defined in the technical-economic project document.
A variable interest rate is applied to the invested capital.
As a local authority, Roma Capitale has the power to regulate municipal taxes and duties that the Group companies are required to pay and which fall under its territorial jurisdiction. However, the Group is not solely liable for any such taxes and duties with respect to other companies operating in the municipality.

The reciprocal receivables and payables – with regard to payment terms and conditions – are governed by each single contract:

a) for the public lighting service contract, payment shall take place within sixty days of receipt of the invoice and, in case of delayed payment, the legal interest rate will be applied for the first sixty days, after which the default interest rate will be applied, as set out from year to year by a Decree of the Ministry of Public Works and the Ministry of Economy and Finance,
b) with reference to all other service contracts, the payment term for Roma Capitale as regards service contracts is sixty days of receipt of an invoice, and in case of late payment the parties have agreed to apply the current bank rate at the time,
c) for the supply of electricity and water to Roma Capitale (solely with reference to regulated market users), it is envisaged that Roma Capitale makes an advance payment of 90% within 40 days of receiving a summary list of the invoices issued by Group companies. Moreover, Roma Capitale must settle the remaining balance by June of the following year. In the case of late payment for electricity or water, interest is payable to the extent permitted under the terms of prevailing AEEG provisions,
d) the prices applied to sales of electricity to free market users are in line with the commercial policies of Acea Energia. Payment terms are sixty days and, in case of delay, a default interest rate will be applied,
e) the terms of payment for the ACEA Group relating to fees for the water services concession and the

rental on its head office premises are set at thirty days from receipt of the invoice, and in the case of late payment interest shall be paid in accordance with the current bank rate at the time.

For further information regarding relations between the ACEA Group and Roma Capitale, reference should be made to the disclosures regarding receivables and payables in note 23.

The following table shows details of revenues and costs for 2012 of the ACEA Group (compared with those for the same period of the previous year) deriving from the most significant financial relations.

€ thousand	Revenues		Costs	
	31.12.2012	31.12.2011	31.12.2012	31.12.2011
Supply of fresh water	30,646	28,821		
Sewerage service	0	0		
Supply of electricity	28,881	18,655		
Public lighting service contract	49,136	44,002		
Public lighting contract interest	1,513	3,484		
Water maintenance service contract	1,140	615		
Monumental fountain service contract	1,140	615		
Concession fee			20,655	20,297
Rental expenses			253	54
Taxes and duties			5,223	3,108

2012 was a year of discontinuity with respect to the past since, following the joint works and analyses with the Roman government offices, it was possible to achieve a significant overall reduction in amounts receivable and payable, with reference to both ordinary management and the Administration established by the Central Government (a Settlement Agreement was executed with the latter on 21 December 2012). Please see the notes for details on the impacts of those transactions, while a summary statement of the movements in receivables and payables is provided below.

€ thousand	31.12.2011	Settlement with admin. established by Central Govt	Collections/ Payments	Accruals 2012	Total
Receivables	292,737	(81,856)	(174,937)	152,609	188,553
Payables	148,785	(36,483)	(104,937)	54,248	61,613

ACEA GROUP AND ROMA CAPITALE GROUP

The ACEA Group also maintains trading relations with other companies, special companies (aziende speciali) and bodies owned by Roma Capitale, concerning the supply of electricity and water.

The supply of services to entities owned by the Roma Capitale Group is conducted on an arm's length basis. The prices applied to sales of electricity to free market users are in line with the sales policies of Acea Energia.

In 2012, transactions were implemented with ATAC and AMA to reconcile the respective receivables and payables. Those activities led to (i) signing a 12.9 million euro repayment plan with AMA, for the net balance of credit and debit positions at 31/10/2012 and (ii) reaching an agreement with ATAC on a 46.3 million euro repayment plan.

After these negotiations, in December the Group collected a total of 10.6 million euros (5.4 million euros from ATAC and 5.2 million euros from AMA) and, on the basis of the agreement signed, paid AMA 1.4 million euros in payables for TARI.

Please note that ATAC paid 2.6 million euros in January.

With regard to the electricity supply, please recall that ATAC is no longer served by Acea Energia as of 1 February 2012 while, for AMA, the repayment plan envisages a termination of the supply on 31/03/2013.

The following table shows amounts (in thousands of euros) for revenues, costs, receivables and payables deriving from relations between the ACEA Group and entities owned by the Roma Capitale Group.

	Revenues		Costs		Receivables		Payables	
€ thousand	**31.12.12**	**31.12.11**	**31.12.12**	**31.12.11**	**31.12.12**	**31.12.11**	**31.12.12**	**31.12.11**
Cotral Group	180	50	0	0	112	196	0	0
Trambus	0	0	0	0	0	135	7	77
AMA	9,913	3,974	1,485	1,248	10,517	7,377	0	1,813
ATAC	5,718	8,836	0	4	43,410	42,429	1	19
Palaexpò	0	0	0	0	0	0	0	0
Musica per Roma	45	43	50	0	77	62	61	0
Risorse per Roma	14	10	0	0	598	208	0	0
Rome Opera House	21	23	0	0	0	0	0	0
Bioparco S.p.A.	15	17	0	0	1	8	0	0
TOTAL	**15,905**	**12,953**	**1,535**	**1,252**	**54,715**	**50,415**	**69**	**1,909**

The following table summarises receivables and payables due from and to entities owned by the Roma Capitale Group.

€ thousand	**31.12.2012**	**31.12.2011**	**Increase/ (Decrease)**
Trade receivables	149,065	210,475	(59,928)
Trade payables	60,812	134,705	(96,171)
Net balance of trade items	**88,253**	**75,770**	**36,243**
Loans	94,203	132,678	(41,332)
Borrowings	869	15,989	5,784
Net balance of financial items	**93,333**	**116,689**	**(47,116)**
NET BALANCE	**181,586**	**192,459**	**(10,873)**

THE ACEA GROUP AND ITS MAIN ASSOCIATES

Up until 31 December 2011, i.e. the natural expiry date of the business unit lease, **Marco Polo** carried out facility management services. From 1 January 2012 the aforementioned business unit returned to ACEA, including the staff and the facility management activities involved.

The following table shows amounts (thousands of euros) for revenues, costs, receivables and payables deriving from relations between the ACEA Group and the company Marco Polo.

	Revenues		Costs		Receivables		Payables	
€ thousand	**31.12.2012**	**31.12.2011**	**31.12.2012**	**31.12.2011**	**31.12.2012**	**31.12.2011**	**31.12.2012**	**31.12.2011**
Marco Polo	**1,056**	**2,363**	**95**	**11,611**	**2,135**	**3,138**	**8,504**	**15,946**

ACEA GROUP AND MAIN GDF-SUEZ GROUP COMPANIES

At the reporting date, essentially all purchase and supply agreements signed under the terms of the Framework Agreement had expired, although they continued to have some effects in 2012 with regard to energy and gas purchases.

Furthermore, on 18 February 2013, ACEA and GSEI also signed a Settlement Agreement aimed at settling, pursuant to art. 1965 of the Italian Civil code, the reciprocal positions generated by the closing of debt and credit items, some of which resulted from the termination of the joint venture agreement in March 2011. As a result of that Agreement, the items recognised and subject to the settlement were finally and definitively settled between the parties.

The following table shows amounts (in thousands of euros) of the most significant revenues, costs, receivables and payables deriving from relations between the Acea Group and principal companies in the GdF-Suez Group.

	Revenues		Costs		Receivables		Payables	
€ thousand	**31.12.12**	**31.12.11**	**31.12.12**	**31.12.11**	**31.12.12**	**31.12.11**	**31.12.12**	**31.12.11**
Electrabel	0	4,146	0	14,907	0	0	250	228
Gas de France Suez Energia I.	1,426	53,166	45,910	953,038	4,057	5,247	11,648	160,429
Gas de France Suez Energia Italia loans	0	0	0	547	0	0	0	0
Rosen	0	6	0	74	0	0	0	0
Laborec	0	0	0	0	0	0	0	0
Gas de France	0	0	0	16	0	0	103	383
Gas de France Suez Produzione	73	4,045	0	137	73	1,539	0	0
Roselectra	419	321	0	0	5	130	0	0
Tirreno	0	204	14,969	0	0	60	0	0
TOTAL	**1,918**	**61,887**	**60,879**	**968,720**	**4,135**	**6,976**	**12,000**	**161,040**

Update on major disputes and litigation

SOCIAL SECURITY ISSUES

INPDAP (National Social Insurance Institute for Civil Servants) contributions.

The Group employs staff registered with both INPDAP and INPS pension funds. Certain contribution rates applied by the two entities differ greatly; these include those for family benefit payments, for which INPDAP applies a rate of that is 3.72 percentage points higher than that applied by INPS.

In response to the failure to pass legislation bringing the pension and social security contributions into line, the Group companies decided that from November 2002 it would pay such contributions at the lower rate. On the other hand, the underlying legal basis is rather unclear: INPS circular no. 103 of 16 June 2002 reiterated that, whilst awaiting clarification from the Ministry of Economy and Finance and the Ministry of Labour, the rate of 6.20% applied to staff registered with the INPDAP pension fund, reduced to 4.15% for 2011 (although the differential of 3.72 percentage points with respect to staff registered with the INPS pension fund remained unchanged) was to be considered provisional.

In terms of legal action, ACEA, ACEA Distribuzione, ACEA Ato2, Laboratori and ACEA Luce, after appealing through the administrative courts, started legal action. The judgements handed down at first instance during the second half of 2006 found in favour of Laboratori and ACEA Luce (the latter being an ACEA Group company at the time), whilst the appeals submitted by ACEA, ACEA Distribuzione and ACEA Ato2 were turned down.

The second instance proceedings, launched by the companies or INPS in cases where the latter objected to the first instance rulings, met with the same unfavourable ruling for ACEA Group companies.

Appeals were submitted to the Supreme Court for Laboratori, Acea Energia (formerly AceaElectrabel Elettricità spa) and Acea Produzione (through succession of relations established by transferred company AceaElectrabel Produzione).

A similar problem regards contributions for maternity benefits, where the difference in the cost to companies, based on taxable pay, is 0.57 percentage points higher for staff covered by INPDAP compared with those covered by INPS. The ACEA Group applied a reduced rate as of October 2003 for said contribution too. It should be noted that as regards said contribution legislation was introduced with Law Decree no. 112 of 25/6/2008 converted with amendments into law no. 133 of 6/8/2008, where paragraph 2 of article 20 regulates, effective from 1 January 2009, uniformity of contributions for private employers across the board.

ACEA, ACEA Ato2, ACEA Ato5, ACEA Distribuzione, Arse, Acea Energia and Acea Produzione filed appeals which, although turned down, gave rise to the presentation of an appeal request which also ended unfavourably for said parties. Appeals lodged by Laboratori and ACEA Luce met with favourable outcomes, while under appeal these companies also met with an unfavourable outcome.

Following a series of unfavourable outcomes for Group companies, a Court of First Instance (in Brescia) has upheld the position taken by a former municipalised utility, recognising the company's right to pay the above contributions at the reduced rate and declaring the tax demands issued by INPS to have no basis in law. The court's opinion appears to be substantially in line with the arguments adopted in the appeals submitted by Group companies.

The Group made the necessary allocations to cover the risk related to these problems.

As a result of enforcement actions implemented by INPS through Equitalia for the sole purpose of avoiding the effects of the seizures performed pursuant to art. 48-bis of Presidential Decree 602/1973, in November 2011, ACEA, ACEA Ato2, ACEA Distribuzione, Acea Energia and Laboratori broke the payment requests issued by INPS relating to unpaid contributions totalling 15.6 million euros down into instalments.

The lack of legislative intervention, the negative and prolonged legal progress of the cases undertaken, and problems relating to the impossibility of obtaining the regular single insurance contribution payment certificate (DURC) for Group companies caused the company's top management to implement actions to resolve the dispute by recognising the debt.

Meetings were held with INPS and Equitalia in the last quarter of 2012 in order to quantify the overall amount of indebtedness, and it was deemed opportune to request new payment extensions.

Beginning from December 2012 wages and salaries, the CUAF rate was aligned with what was requested by INPS. During that same month, an extension of the payment of INPS tax demands in 72 instalments was requested and received from Equitalia regarding ACEA, ACEA Distribuzione and ACEA Ato2, for a total of 4.1 million euros. The extension also regarded, to a small extent, payment requests not issued by INPS.

An analogous request was sent to INPS at the end of December for the debts assessed and not recorded in the delinquent tax list; in this case, the extension into 24 instalments obtained regarded, besides the Companies mentioned above, Laboratori, for a total of 16.2 million euros.

Please note that payment extension interest (accounted for without using the provision previously established) must be added to the cost so quantified, relative to the principal amount (contributions) and fines calculated until acceptance of the petition for payment in instalments.

For the other Group companies, it was decided to make a single payment for the debt recorded in the delinquent tax list (Equitalia) or still in the administrative phase (INPS).

Finally, activities are currently being planned to request the payment of the tax demands or debit advices which were previously "suspended" at the initiative of INPS or following legal action. In relation to the above, the Law Office that has handled the legal defence of Group companies over the years was requested to initiate the activities needed to formally conclude the dispute.

Health insurance contributions

The case concerns certain health insurance contributions levied at a rate of 2.22% on the salaries of blue collar workers. Acea argues that the obligation of INPS to pay certain sickness benefits, which is the reason underlying the employer's obligation to pay the contribution involved in this dispute, is expressly excluded by art. 6, paragraph 2 of Law no. 138 of 11 January 1943 in cases where the payment of this benefit is assured by law or by collective labour agreements by the employer or other bodies, to an extent either equal to or greater than what is established by collective labour agreements.

However, INPS started to request payment of the contribution from the entry into force of Law no. 41 of 28 February 1986 (1986 Finance Act), which reformed the health and social welfare contribution system, reducing the rate for the sickness benefit, abolishing the additional rate of the old sickness contribution, establishing the contribution for the National Health Service and the welfare contribution.

This initiative led to a great deal of legal activity involving the companies which considered the contribution undue, with favourable and unfavourable outcomes to said proceedings.

By means of Supreme Court (joint session) ruling no. 10232 of 27 June 2003, promoted by INPS, the principle diametrically opposed to the one provided for by law was sanctioned, making the contribution due from companies of a solidaristic rather than welfare nature.

However, companies are still awaiting legislation which would fully regulate the previous one, realised with the issue of law no. 133 of 6 August 2008, converting Law Decree 112/2008.

The law definitively provided an authentic interpretation of the second paragraph of article 6 of law no. 138 dated 11 January 1943, establishing that employers are not obliged to pay health insurance contributions in cases where they have, by law or under the provisions of a collective labour agreement, paid sick pay, thus amending previous periods and providing for the payment obligation to take effect from 1 January 2009.

Therefore, ACEA Group companies started to pay health insurance contributions from January 2009; the provision set aside relates to the period running from the date of the change to collective agreement regulations to the date law no. 133 of 2008 was issued.

In fact, the new contracts for electricity sector personnel of August 2006 and for gas-water personnel of April 2007 regulated the sickness benefit paid by companies as a supplement to indemnities paid by the insurers (INPS) to the provider and paid, by said companies, at the normal salary payment dates.

Unemployment and mobility contributions

This is the contribution companies have to pay due to INPS, to finance the income support fund for workers that have become unemployed; it is decidedly insurance-related in nature, for which only the previously insured provider has the right to performance.

The obligation exists toward all employees in general, with some exceptions, e.g. for those who benefit from the guarantee of job security (art. 40 no. 2 of Royal Decree no. 1827/35) given they are employees of public administrations, public companies or exercise public services where the element of stability is based on norms regulating the legal status and remuneration of personnel or ensured, upon request, by a provision from the Ministry of Labour.
Despite altering the legal and economic nature of the company since 1999, the requirement of job stability was however met by the collective labour agreement applied to personnel, which for companies operating in both the electricity and water services segments consisted of the national collective labour agreement of 9/7/1996 for employees working in local electricity companies.
Stipulation of the sole agreement of the electricity sector in July 2001, and the subsequent succession and interpretation agreement of April 2002 and the agreement of contractual migration from electricity to water, in July 2001 too, led to periods without job stability before the companies adopted regulations aimed at restoring the requirement of employment stability.
Favourable first and second instance rulings were appealed by INPS.

TAX ISSUES

Tax moratorium

The appeals filed by ACEA against the notices of findings of April 2009 were rejected by the Provincial Tax Commission.
By sentence of 20 June 2012, the tax law judge also ordered the Tax Authorities to reimburse sums paid by ACEA following adoption of the tax amnesty pursuant to art. 9, Italian Law 289/2002 for 1998 and 1999.

SAO tax inspection

In November 2008, the competent Tax Authorities notified the company, and the former Parent Company EnerTAD S.p.A., assessment no. 872080100477, which amended the tax return for IRES purposes for the 2004 tax period and for an amount - to be borne by the Company - of 2.3 million euros for taxes, net of any fines. The illegalities challenged arise from the application of Article 14, paragraph 4-bis of Law no. 537 of 24 December 1993. The company rejected the reconstruction of the Office by appealing before the Provincial Tax Commission. The Tax Commission, with ruling issued following the hearing held in March 2010, accepted the appeal lodged by the Company, thus cancelling the aforementioned assessment notice. In March 2011, the Tax Authorities appealed the aforementioned ruling. The company arranged to implement all defensive activities. In ruling no. 189/04/12 issued on 21 May 2012 and filed on 15 November 2012, the Umbria Regional Tax Commission rejected the appeal, and ordered the Tax Authorities to pay legal costs.
In December 2009 the Milan Tax Authorities notified SAO S.p.A., today SAO S.r.l., as a company formerly belonging to the tax consolidation ERG Renew S.p.A. (former Enertad S.p.A.), assessment notice no. R1P098F01180/2009, relating to IRES for the 2004 tax period. By said assessment notice, the tax return - form CNM 2005 - submitted for the 2004 tax period by the consolidating company ERG Renew S.p.A. (former EnerTAD S.p.A.) was amended for IRES purposes; said notice follows assessment no. 872080100477 issued by the Orvieto Tax Authorities by which the tax return submitted by SAO S.r.l. for the same 2004 tax period was amended. The company has filed an appeal.
In October 2011, the Milan Tax Commission referred the case to the new delinquent tax list, pending the definition of the proceedings pending before the Terni Provincial Commission.

It is believed that the actions of the tax authorities mentioned above are illegitimate, and that the risk of having to pay the full amount is remote, which previous shareholder Enertad, now Erg Renew, will be obliged to pay on the basis of the guarantees issued as part of the purchase/sale agreement regarding the shares of the direct parent company A.R.I.A. S.r.l., formerly Tad Energia Ambiente S.p.A., reaffirmed by the recent award of the Board of Arbitrators.

It should also be noted, for the purposes of completeness, that in January 2009 the company challenged measure no. 2008/27753 of 27 November 2008 by which the competent Tax Authorities suspended the disbursement

of a VAT rebate claimed by the company for the 2003 tax period. Said rebate, totalling 1.3 million euros, was recognised by the Inland Revenue, even though for precautionary reasons due to the above assessments its disbursement was suspended. The Tax Commission, with Ruling issued following the hearing held in March 2010, upheld the appeal lodged by the company, thus cancelling the cited measure against the aforementioned ruling. The Tax Authorities submitted an appeal in September 2010. The proceedings are in progress. It should be noted that the receivable involved in the cited VAT reimbursement was settled via payment in July 2010. The assignee presented an appeal with a simultaneous request for discussion at a public hearing, for the cancellation of measure 73747/2011 with which the Terni Provincial Department of the Tax Authorities declared the transfer of said VAT credit from SAO to said assignee to be unacceptable. By sentence no. 52/04/12 issued on 3 October 2011 and filed on 26 March 2012, the Perugia Regional Tax Commission rejected the appeal filed by the Tax Authorities, with reimbursement of costs. The Tax Authorities has filed an appeal with the Supreme court.

Tax inspection on Marco Polo

On 23 June 2010, the Tax Authorities notified the associated company Marco Polo of a Report of Findings relating to the general tax inspection started in March 2010. The irregularities found by the Tax Authorities totalled 6.4 million euros, (plus interest and fines) and essentially concern objections to the equalisation calculation method of fees due to Shareholders of ACEA and AMA, based on the service contracts stipulated.

In April 2012 the company accepted the findings in agreement with the Tax Authorities, which led to the recognition of higher taxes amounting to 0.4 million euros, including penalties and interest. The more significant findings were then cancelled by the tax authorities.

ARSE tax inspection

On 14 June 2012, the Company was delivered a Report on Findings from the Italian Financial Police - Rome Tax Police Department following its inspection to check the correct use of the tax suspension provisions under the VAT tax warehouse system pursuant to article 50-bis of Law Decree no. 331 of 30 August 1993 ("**VAT Warehouses**"), relating to certain assets imported by the company in 2009, 2010 and 2011.

Based on the alleged abusive use of the aforementioned system by the company, the inspectors charged the company with failure to pay VAT on imports - for 2009, 2010 and 2011 - amounting to 16,198,714.87 euros.

On 6 August 2012 the company submitted a defence brief pursuant to art. 12, paragraph 7, of Law no. 212 of 27 July 2000 concerning the findings contained in the aforementioned Report on Findings.

The issue relating to the concepts of simulated warehouses and the introduction of goods to the country is particularly well-known and debated, and has been the subject of numerous papers on practices issued by the Customs Authority and several cases of legal intervention.

The company considers that all the factual and legal conditions envisaged in the regulation on the use of VAT Warehouses, as interpreted by the relevant administrative bodies, were fully satisfied and therefore the aforementioned Report on Findings is without grounds.

With regard to VAT warehouses, please also note that, as concerns the particular case of the provision of services for the assets held at the VAT warehouses (case set forth in letter h) of art. 50-bis of Law Decree no. 331/1993), art. 34, paragraph 44 of Law Decree no. 179 of 18 October 2012 recently amended art. 16, paragraph 5-bis of Law Decree no. 185 of 29 November 2008 (on the authoritative interpretation of letter h) of art. 50-bis noted above) establishing, for that case, that VAT must be deemed definitively paid if, when the merchandise is taken from the VAT warehouse for marketing within the country, the regulations set forth in paragraph 6 of art. 50-bis of Law Decree 331/93 are correctly implemented, or the reverse charge procedures pursuant to art. 17, paragraph 2, of Presidential Decree no. 633 of 26 October 1972 are correctly applied.

GORI tax inspection

In 2011, the Tax Authorities carried out an inspection for the year 2008. At the end of the inspection, inspectors contested the payment of roughly an additional 1 million euros in taxes with the company (plus interest and fines).

In respect of the irregularities identified, the company is evaluating whether to lodge an appeal against the assessment notice, which has not yet been notified as yet, or, alternatively, to formulate a tax settlement proposal in accordance with art. 6, paragraph 1, of Legislative Decree no. 218/97.
In December 2012, as a direct consequence of the tax inspection noted above, the company was sent a notice of assessment relative to 2007 which claimed higher taxable bases with respect to IRES, for 2.9 million euros, IRAP, for 2.8 million euros and VAT, for 0.1 million euros. On 13 February 2013, the company submitted a request for a tax settlement.

Sarnese Vesuviano tax inspection

On 7 February 2012, Provincial Office I of the Rome Tax Authorities launched a general inspection (IRES, IRAP and VAT) for 2009 against Sarnese Vesuviano.
The inspection terminated on 4 May 2012 with a Report on Findings served upon the company: the only finding charged by the inspectors concerns the undue deduction for IRES and IRAP purposes of amortisation on share usage rights, pursuant to art. 109, paragraph 8 of the Consolidated Income Tax Act. The higher tax deductions amounted to 0.5 million euros.
On 31 May 2012 and exercising the right granted under art. 5-bis, Italian Legislative Decree 218/1997, Sarnese Vesuviano filed a claim for full adoption of the notice of findings procedure.
On 11 September 2012, the company received the settlement notice for the amount of 180 thousand euros for the higher taxes ascertained, including reduced penalties.

ARIA (formerly EALL) tax inspection

On 17 February 2012, the Terni Tax Police Department of the Guardia di Finanza launched a general inspection (IRES, IRAP and VAT) against EALL for the years 2010/2011 until its merger into ARIA. A request for the 2009 inspection to be extended to VAT was submitted during the course of the inspection.
On 26 April 2012, ARIA S.r.l., as incorporating company of EALL, was served a notice of findings report containing the following findings:

- deductions pursuant to Tremonti ter;
- undue deduction of VAT on the disposal of ash and waste.

Regarding the first of these findings, the inspectors pointed out the incorrect calculation for 2009 of a negative income component, but at the same time recognised the amount due for 2010.
In the opinion of the company this finding does not result in higher taxes as the higher payments made for 2009 fully cover the higher taxes ascertained. It should be remembered, in fact, that the Tremonti ter subsidy was challenged by the Tax Authorities in relation to its aggregation with green certificates and the CIP6, and by virtue of this initial interpretation the subsidy was first excluded and subsequently higher payments were made.
Regarding the second finding, the inspectors charged the company with unlawful deduction in 2009, 2010 and 2011 of part of the VAT on services received for the disposal of ash and waste. In practice the company had received invoices indicating the standard VAT rate rather than the subsidised rate.
The notices of assessment relative to VAT for the years 2009 and 2010 were received in November. The company submitted a request for a tax settlement for the year 2010, while it paid 297 thousand euros for the higher taxes ascertained regarding 2009, including reduced penalties.

ACEA Distribuzione tax inspection

On 19 December 2012, the Tax Authorities sent ACEA Distribuzione an official notice of access to begin a general inspection concerning direct taxes and VAT for the 2010 tax period.

OTHER PROBLEMS

ACEA Ato5 - Tariff

Due to the significant shift in actual operating costs compared to those set forth in the Area plan, in 2006, the company asked the Authority of ATO 5 - Southern Lazio - Frosinone for the recognition of higher actual costs incurred by the Company.
With Resolution 4/2007, the Area Authority partially rec-

ognised the total amount of higher operating costs incurred by the company and also heavily penalised - for 6,896,000.00 euros - the Operator for inadequate investments in 2003-2005.

After the aforementioned resolution, the enquiry launched by Co.Vi.Ri occurred, at the end of which Resolution no. 7 of 1.12.2008 was issued, providing findings on the Area Authority's determination of the tariff. Those dual positions were then defined within the scope of a settlement deed between the A.ATO and the company, approved with resolution of 2007 and subsequently signed by the parties.

However, the complex situation of integrated water service management in ATO 5 of the Province of Frosinone did not end there given that, in response to the Co.Vi. Ri. resolution noted above, the Mayors' Conference of the municipalities of ATO 5 decided, in Resolution no. 3 of 27.1.2009, "to not appeal to the Regional Administrative Court for the cancellation of Co.Vi.Ri. decision no. 7 of 1.12.2008" and "to immediately initiate the procedure aimed at compliance with all requirements set forth by Co.Vi.Ri".

The aforementioned procedure concluded - after a good 12 months - with Mayor's Conference resolution no. 5 of 21.12.2009, in which the AATO ordered "*to cancel Mayor's Conference resolution no. 4 of 27.02.2007*".

As a result, with the goal of preventing a long dispute that could have negative effects for the interests of end users and the best service management, ACEA Ato5 initiated the attempt at mediation envisaged in the Agreement, which however ended with no result since the AATO was not willing to seek out any settlement of the issue which was suitable to ensure service continuity, to protect the fair expectations of end users.

Therefore, the company - deeming the aforementioned resolution seriously and irremediably illegitimate - proceeded with challenging it before the applicable Lazio Regional Administrative Court.

Among other elements, given the inaction of the AATO with respect to the adoption of the deeds for which it is responsible, in note prot. 7269 of 31.03.2010, the company sent an express request for participation in the procedure, requesting:

- "to be promptly informed in advance concerning the possible solutions, in order to be able to represent its interests pursuant to and with the procedures set forth by the law";
- "to be informed whether, to date, Presidential Resolution no. 1 of 5.03.2008 has been cancelled";
- "to be informed of the proposal prepared "by the competent bodies, with the support of the Operational-Technical Secretariat" relative to the "real average tariff for the years 2006, 2007, 2008 and 2009 calculated on the basis of laws and the contract (...)";
- "to be informed of what the Mayors' Council had decided concerning the aforementioned proposal";
- "to be informed of the date, time and place of the Mayors' Conference - which, in any case, should take place "by and not after 31 March 2010" - at which the proposal approved by the Mayors' Council should be presented";
- "to be informed of the temporarily authorised tariffs which the Operator must apply for billing purposes".

Completely disregarding the aforementioned petition, the Area Authority - with Mayors' Conference resolution no. 3 of 8 April 2010 - set forth "*for 2010, the temporary application of the real average tariff in force in 2005 and the associated tariff structure, pursuant to Presidential Resolution no. 1 of 14 March 2006, without prejudice to any subsequent adjustments to be applied non-retroactively*".

The company immediately highlighted the illegitimacy of the aforementioned resolution given that it:

- was passed by the Area Authority in complete breach of the participation rules established by Law 241/1990 as amended and without carrying out any enquiry that could make it possible to assess the suitability of the tariff based on the individual items of the tariff and, therefore, in a manner completely inconsistent with the procedure outlined in the Standard Method;
- the 2010 tariff based on the 2005 tariff was not even adjusted for planned inflation and, therefore, is greatly lower than that determined for 2010 during the tender.

In light of the foregoing considerations, ACEA Ato5 - without prejudice to the outcome of the dispute underway concerning the 2006-2009 tariff - sent a notice to the Area Authority warning it to promptly revise Area planning with regard to the current regulatory period and, in this context, to calculate the definitive 2010 tariff in compliance with current applicable regulations.

After all, even Co.N.Vi.R.I. highlighted the illegitimacy of the 2010 tariff, observing that "*it is not correct to apply the real average tariff from the year 2005 in 2010*" and requesting that the same Area Authority "*adopt the applicable measures applying the real average tariff set forth in the Area Plan for the year 2010.*"

Subsequently, said Co.N.Vi.Ri. - by means of resolution no. 39 of 21 July 2010 – further clarified that the Area Authority is obliged to resolve, on an annual basis, a real average tariff which, "*multiplied by the volume than can be provided, determines the total revenues which ensure the Operator has the possibility of carrying out the forecast investments*" with the result that "*a real average tariff not in line with the Area Plan would not allow the Operator to make the forecast annual investments*".

In this context the company - although deeming the actions of the Area Authority to be seriously illegitimate - immediately reported and repeatedly highlighted, to both the Administrations involved in the issue for various reasons and the end users, that it was willing to come to an agreement on solutions, even temporary, which would ensure the regular running of the service pending the settlement of the disputes underway, committing to proceed with the relative adjustments in favour of end users if the illegitimacy of the tariff increases set forth were effectively ascertained.

In this context, the company – in the belief that a solution to the problem can no longer be put off and while awaiting a resolution of the ongoing dispute – notified all bodies and natural persons of the Area Authority (President, Operational-Technical Secretariat, Mayors) of an extra-judicial demand so that they would, within 30 days:

- calculate the definitive 2010 tariff - correcting and updating the temporary tariff - in compliance with the applicable regulations in force;
- conclude the Area planning review procedure for the 2011-2012-2013 regulatory period in compliance with regulations in force on the topic while also determining the 2011 tariff;
- in the calculation indicated in the point above, take into account the damage and problems resulting from the delay in adopting this determination, therefore identifying the means and measures for remedying those damages.

The same deed was also sent to Co.N.Vi.R.I. and to the Lazio Regional Government so that, insofar as each is responsible, they could pass measures aimed at discouraging the continuation of the ongoing illegitimate situation.

At the same time, the Company assigned lawyers to assess the prospect of terminating the Agreement due to breach of the Area Authority which, in any case, would have had to be resolved on in advance by the applicable bodies of the Company and the Parent Company.

In the meantime, the President of the Area Authority called, first on 29 December 2010 and then on 10 January 2011, the Mayors' Conference, to which it proposed (i) to make the 2005 tariff definitive for 2010, (ii) to enforce the guarantee and initiate the procedure aimed at terminating the management agreement and (iii) to take legal action to cancel the settlement deed.

The meeting did not pass a resolution due to lack of a quorum, and it was therefore called to meet again on 24 January 2011 in order to resolve on the same Agenda as in the previous meetings. Subsequently, the AATO President sent his report to all control bodies.

ACEA Ato5 then assigned the Company's lawyers to prepare a notice to perform against the AATO President. The appeal was promptly submitted, the hearing was held in May 2011 and, on 20 June 2011, the sentence was published whereby the Lazio Regional Administrative Court, Latina section, upheld the appeal filed by the company and "*... by effect, ordered Area Authority 5, as per art. 117 of Italian Legislative Decree 104 of 02.07.2010, to conclude the proceedings for determining the integrated water service tariff by the deadline of 120 days from the notification or communication by administrative procedure of the aforementioned decision*".

Furthermore, in upholding the specific request put forth by the company, the Regional Administrative Court also appointed a Commissioner for deeds - if the awarding Authority continued not to act - represented by the Chairman of Co.N.Vi.Ri., so that the procedure in question could be completed, with that Administration bearing the relative expenses.

Following the AATO's inaction, on 9 March 2012 the measure of the Commissioner for deeds was disclosed (Decree no. F66 of 8 March 2012), on the "Determination of the integrated water service tariff applicable for 2012 in ATO 5 Southern Lazio – Frosinone" which set the Real Average Tariff for 2012 at € 1.359 m3.

On 9 May 2012, the appeal of A.ATO 5 was filed for

the cancellation of said measure of the commissioner, along with a request for suspension.

At the hearing on 7 June, with Order no. 187/2012, the Regional Administrative Court rejected the appeal lodged by A.ATO 5 since "*it lacks fumus boni juris in relation to the first and third grounds for appeal, while it lacks periculum in mora in relation to the second grounds (taking into consideration an item associated with the return on invested capital in calculating the tariff) [...]*".

The A.ATO appealed that Order before the Council of State which, following the hearing held on 26 September 2012, with Order no. 3831/2012, rejected the appeal, deeming that "*the execution of the challenged decree of the commissioner "is not suitable to cause serious and irreparable damage pending the definition of the trial proceedings*" and deeming, in particular, that "*the establishment, contained in the commissioner resolution in question, of the allocation of tariff amounts collected by the operator as return on invested capital constitutes [...] a precautionary measure aimed at reconciling the interests in question so as to exclude the fulfilment of the requirement of periculum in mora*".

As part of his duties, on 28 June the Commissioner for deeds prepared a Report on the "*choice of criteria, tariff verification and management for the years 2006 to 2011, estimate of the adjustments and service levels*". After re-applying the powers assigned under Sentence 529/2011 and subsequent administrative action implemented, the Commission verified **(i)** the real average tariff and related planning documents from 2006 and **(ii)** the operating performance 2006-2011. To summarise, 56.6 million euros were estimated in favour of the company, to be taken into account in defining the values for the new Area Plan and 32.7 million euros not recoverable on review, but valid for the Area Authority as a result of A.ATO Instruction no. 3/2010 in which the real average tariff for 2005 was established for 2010.

The amount recognised to the company excludes the related portion of the concession fee, the review of which by the S.T.O. of AATO 5 is not yet complete.

The A.ATO submitted an appeal on additional grounds in the proceedings under general registry no. 402/2012, pending before the Latina Regional Administrative Court, requesting the cancellation of the Report of the Commissioner for deeds on the stage of completion of works.

To date, the appeal has not yet been filed and, in any case, the suspension of the aforementioned Report has not been requested.

After the resignation of the Commissioner for deeds on 4 June 2012, the Lazio Regional Administrative Court identified the President of AEEG (or his representative) as the new Commissioner for deeds, who shall have the task of concluding the procedure, the deadline of which was set for 31 May 2013 after the Commissioner requested an extension.

Note that at 31 December 2011 ACEA Ato5 had allocated a provision for liabilities amounting to approximately 30 million euros, which could be subject to decrease following finalisation of the procedure to identify the methods and timing for recovery of the adjustments quantified by the Commissioner for deeds in the document of 28 June 2012.

ACEA Ato5 – Enforcement of guarantee

As regards the enforcement of the surety of 2,843,622.02 euros carried out by A.ATO 5 on 14 December 2011, having assessed the risk of future repeated, groundless and arbitrary enforcements, the company initially decided not to proceed with re-establishing the underlying guarantee, while awaiting the definitive decisions of the Commissioner for deeds. This should also be viewed in light of in-depth judicial-legal evaluations which showed that the failure and/or delay in respect of reconstitution of the aforementioned guarantee is the equivalent of the mere non-fulfilment of a contractual obligation on the part of the Integrated Water Service Operator, not entailing any penalty and not envisaged as one of the reasons for termination of the Management Agreement.

However, following repeated contacts and negotiations, Unicredit reformulated its request in a manner more favourable to the company, involving the acquisition only by the shareholder ACEA of a company back-to-back surety guarantee in the amount of 2,843,622.02 euros, so that the guarantee in favour of the A.ATO was subsequently re-established and reissued.

ACEA Ato5 - Injunction Order requested for credit collection on the settlement agreement of 2007

With regard to the 10.7 million euro credit for higher costs incurred in the 2003-2005 period, pursuant to the Settlement agreement of 27 February 2007, on 14 March 2012, ACEA Ato5 lodged an appeal for an injunction order concerning the credit recognised by the A.ATO to the company.

Accepting the appeal, the Court of Frosinone issued Injunction Order no. 222/2012, enforceable immediately, notice of which was served to the Area Authority on 12 April 2012.

By notice dated 22 May 2012, the AATO sent notice of its opposition to the injunction order, requesting the cancellation of the order and, as a precautionary measure, the suspension of its provisional enforcement. Moreover, as a counterclaim, it submitted a claim for the payment of concession fees totalling 28,699,699.48 euros.

ACEA Ato5 appeared before the court in the proceedings against the injunction order, challenging the adversary's demands and in turn formulating a counterclaim for the payment of the entire amount of higher costs incurred by the Operator and originally requested, totalling 21,481,000.00 euros.

Following the hearing on 17 July 2012, the Judge - in an Order filed on 24 July - suspended the temporary enforcement of the injunction order, and postponed to a later date the discussion of the merits of the issue.

At the following hearing, the A.ATO filed a claim pursuant to art. 186-bis of the Code of Civil Procedure, for the issue in its favour of an order for the immediate payment of the amounts allegedly owed by the company which - in its opinion - ACEA Ato5 had not challenged in court, totalling 20,574,632.55 or, alternatively (subtracting the amount not due because of the inoperativity of the Atina, Cassino Centro and Paliano plants), 20,144,137.06 euros, or as a last alternative, 9,444,137.06 euros (that is, the preceding amount, minus the amount subject to the injunction order).

At the request of the company's lawyers, the judge postponed the hearing for the discussion of the aforementioned claim and granted ACEA Ato5 the possibility of submitting its comments until ten days before the aforementioned hearing.

Subsequently, during the oral hearing the company highlighted that the sums requested by the A.ATO have always been fully contested in terms of the existence and the amount, not only in these proceedings bit also in prior disputes and more generally within the scope of the relationship with the Area Authority and, therefore, the requirement of "no challenge" needed to accept the A.ATO's claim is not fulfilled.

In that regard, the judge rejected AATO 5's request for the issue of an order for payment of the sums that the same Authority alleged were not challenged in court, specifying that ACEA Ato5 had contested in court the collectability of the concession fees and that, therefore, the conditions for issuing issue the requested measure were not satisfied.

GORI – Dispute over water supplies

The dispute with **A.R.I.N. S.p.A.** (ARIN) continues in relation to the cost of water supplies provided in favour of ATO 3. ARIN is the 100% subsidiary of the Municipality of Naples, in whose area it operates the water service under the in-house providing model. The Municipality of Naples forms part of the area covered by ATO 2 "Naples-Volturno" in the Campania region. ARIN - on the basis of very old concession agreements (some even dating back to the Bourbon reign) - uses its own source of supply and also purchases water from the Campania Regional Government. ARIN currently makes direct arrangements to supply water wholesale to certain municipalities, to GORI and even to the Regional Government. The anomaly found, and for which the ongoing dispute between ARIN and GORI arose, consists of the fact that ARIN applies a tariff of 0.47376 euros per cubic metre (around three times the current regional tariff) to sub-suppliers: municipalities, GORI and the Region. In fact, while the tariff applied by the Regional Government is 0.1821 €/m3, the tariff applied by ARIN to the Campania Regional Government is instead 0.47376 €/m3 (approximately triple the regional tariff in force and roughly 10 times more than the tariff of the aforementioned former agreement, if applied) with a significant margin on the exchange of the resource. Vice versa, ARIN should be applying the tariff for water distributed wholesale in compliance with the EU and national cost orientation principle, i.e. with the aim of recovering only "actual costs" incurred to distribute the water, also given the fact that ARIN is not entitled to

sell water wholesale. As already mentioned, the tariff of 0.47376 euros per cubic metre is charged by ARIN also for supply to GORI, as the tariff for inter-ATO supply has not yet been established according to law (the duty of the Campania Regional Government and the Area Authority). In that regard, please note that art. 11 of Regional Law no. 14/1997 (law implementing the Galli Law) sets forth that: "*Any interference between the integrated water services of different ATOs, with particular regard to the transfer of resources and the common use of infrastructures, are governed by dedicated agreements between the Area authorities on the basis of the instructions provided by the Regional council*".

However, to date, the Regional council has not yet provided instructions. It should be specified in any case that this situation obviously brings about an increase in the cost on the integrated water service tariff of ATO no. 3, with repercussions on end users in the municipalities of that ATO.

The above considerations were extensively reported and discussed at a Services Conference called for this purpose by the Sarnese Vesuviano Area Authority, during which it was considered - following the outcome of a special technical investigation - that the operating costs for abstraction works are considerably lower than the tariff applied by ARIN. In fact, the management costs of the abstracting works incurred by ARIN, would not exceed 0.1 euro/m3 in consideration of the fact that wholesale water transport/distribution takes place by gravity and, that is, without the need to incur the typical and significant costs (mostly energy costs) of "pumping" the water. Moreover, it does not appear to be justifiable that the municipality of Naples determines tariffs (applied by ARIN) which impact the end users of other municipalities and even of another ATO (ATO no. 3, precisely).

For these reasons, it is recalled, a dispute is ongoing between ARIN and GORI, which involves 9 proceedings pending before the Naples Court of Appeal, the Court of Naples and the Court of Nola.

Furthermore, the recent tariff instructions and measures adopted by the AEEG call into question the tariff system applied by ARIN (and approved by the municipality of Naples).

In relation to the dispute between the **Campania Regional Government** and its operator Acqua Campania S.p.A. ("**Acqua Campania**"), as one party, and the Area Authority and GORI as the other party, it should be remembered that this is essentially focused on the dispute regarding the exact calculation of the price of water and, in more general terms, the services provided (fresh water supply and treatment plant management) by the Campania Regional Government and/or Acqua Campania to ATO 3 and to the transfer of works/infrastructures currently managed by the Regional Government, though falling in the territory covered by ATO 3 and the responsibility of the integrated water service of that ATO. 26 proceedings are currently pending before the Court of Naples and the Court of Torre Annunziata, corresponding to claims brought by Acqua Campania to order amounts due for water supply services provided in favour of ATO 3. More recently, and for the same reasons, a writ of summons was served by Acqua Campania with a claim ordering payment of approximately 148 million euros as the amount due for the water service provided from 1 January 2005 to 31 December 2010.

Note that on 22 May 2012 Division IV of the Court of Naples issued sentences 6010/12 and 6037/12 which accepted the claims of Acqua Campania against the municipalities of Castello di Cisterna and Egidio Monte Albino, respectively, and also against GORI and the Area Authority. It therefore seems reasonable to assume that the Court considered the absence of an agreement between the Campania Regional Government and GORI to be a nullifying element for the purpose of the decision.

In any event, pending the definition of the agreement to regularise and normalise relations between the Regional Government, the Commissioner of the Sarnese Vesuviano Area Authority and GORI, note that the Memorandum of Understanding of 15 December 2006 between the Campania Regional Government, the Area Authority and GORI specifically established, amongst other things, that the Campania Regional Government, also pursuant to art. 1381 of the Italian Civil Code, must "*... hold the Area Authority and GORI harmless - limited to the period following actual start-up of management of the integrated water service by GORI in each municipality - (i) in relation to any right and/or claim and/or charge, also through its operator and/or agent ACQUA CAMPANIA S.p.A., for any purpose or reason, made against the Area Authority and/or GORI S.p.A. and/or other Authority (Local or Special Entity) regarding and with respect to services provided by the Regional Government and/or ACQUA CAMPANIA*

S.p.A. in any manner referring to the integrated water service, and (ii) in relation to any prejudice arising from legal action brought by ACQUA CAMPANIA S.p.A. against the Area Authority and/or GORI S.p.A. and/or other Authorities (Local or Special Entity) again with regard to services provided by the Regional Government and/or ACQUA CAMPANIA S.p.A. in any manner referring to the integrated water service; 2.2. to obtain from ACQUA CAMPANIA S.p.A. the waiver of all legal action (and the waiver by special powers of attorney established of joint liability pursuant to art. 68 of the Professional Law) pending before the Court of Naples ... and before the Court of Torre Annunziata ...".

Lastly, it should be emphasised that negotiations are at an advanced stage to overcome this dispute for the purpose of normalising relations. In fact it is expected that the respective administrative bodies approve the framework agreement governing relations between the Campania Regional Government, the Area Authority and GORI which, amongst other things, envisages the full conclusion of the aforementioned dispute.

Further details on this issue are provided in the section "*Service concession arrangements*".

The signing of the aforementioned agreement, after approval from the administrative bodies of the parties involved, along with conclusion of the issue of the BIIS loan and determination of the tariffs which make it possible to obtain adequate financial resources to pay the amounts due to the Campania Regional Government through Acqua Campania, should allow GORI to guarantee its going concern assumptions.

Currently, the approval of the draft agreement is still pending, and it could be changed, in terms of some formal and substantial aspects, compared to that approved by the aforementioned General Meeting of the Area Authority.

Therefore, in order to overcome these significant uncertainties, in 2011 ACEA decided to allocate a provision for liabilities which amounts to 39.2 million euros at 31 December 2012.

GORI - Dispute with the Commissioner appointed for the social-economic-environmental emergency in the Sarno river water basin

On 29 March 2011, the Appointed Commissioner for the social-economic-environmental emergency in the Sarno river water basin obtained injunction order no. 371/2011 issued by the Campania Regional Administrative Court (Naples), ordering the Area Authority and GORI - as jointly liable - to pay the sum of 5.5 million euros, plus accessory costs, to the Appointed Commissioner as sums due for their part of the loan for which they were deemed liable under the terms of the Memorandum of Understanding signed on 19 March 2004 between the appointed Commissioner, the Campania Regional Government, the Area Authority and GORI. Though this was duly challenged, by sentence no. 6003 of 21 December 2011 the Campania Regional Administrative Court (Naples) confirmed injunction order no. 371/2011.

Consequently, the Area Authority and GORI filed an appeal before the Council of State, which on 24 April 2012 issued order no. 1620/12 which suspended the effects of the sentence challenged until a decision was made on the merits. Currently, the appointed Commissioner has not yet requested that a hearing be set for the discussion of the merits.

A.R.I.A.

In January 2013, some owners of real estate located in the region surrounding the area occupied by the San Vittore del Lazio waste-to-energy plant served the company with a writ of summons for compensation for damages, in the amount of 3.5 million euros, claiming a series of issues related to the functioning of the plant (noise emissions, violations of the right to views, night-time light pollution, excessive transit of heavy vehicles, electricity supply irregularities, bad smelling fumes, and others), requesting that the company be sentenced to compensate property and other damages, to provide fair compensation in favour of the claimants to the extent set forth, unless determined at a higher amount during the proceedings, for moral damages, as well as other damage items to be quantified during the proceedings, in addition to legal interest and inflation adjustment and with the award of costs. The hearing is set for 2 May 2013. The company is preparing the necessary defensive actions.

In January 2013, the company appealed before the Lazio Regional Administrative Court for the cancellation of Ministry of Economic Development (MSE) Decree of 20 November 2012 on "New methods for determining the avoided cost of fuel component (CEC), pursuant to measure Cip 6/92 and determining the value of the CEC adjustment for 2011", as well as all underlying, resulting and in any case connected deeds, including the AEEG proposal adopted with resolution PAS 9/10, note prot. no. GSE/P20120233904 by the national grid operator of 21/12/2012, received on 3 January 2013, and concerning the "Updating of prices for electricity transferred to the national grid operator in 2010, 2011 and 2012 under the allocated transfer agreements pursuant to Measure CIP no. 6/92", as well as the Procedure pursuant to art. 3, paragraph 5, of Ministry of Economic Development Decree of 20 November 2012, published by the national grid operator on 25 January 2013.

The determination of the CEC set forth in that Ministerial Decree, which caused a reduction in the energy sale price under the CIP 6/92 regime beginning in 2010, was deemed illegitimate by the company and other operators as concerns various aspects which include, inter alia, the violation of the legitimate confidence of operators in the stability of the economic conditions of CIP 6/92, also with particular reference to so-called "pre-chosen initiatives" as well as the violation of the principle of certainty of juridical and legal relations.

With Opinion 535/2012/EEL of 13 December 2012, the AEEG sent a proposal to the Ministry of Economic Development for the definition of the methods for updating the advance and adjustment values of the Avoided Cost of Fuel (CEC), pursuant to Measure CIP 6/92, taking into account some evolutions in the gas market.

In summary, the proposal sets forth that:

- the component relative to the value of natural gas raw materials (CECgas) is calculated on the basis of the value of gas exchanged for the purpose of balancing;
- the component relative to the transport costs (CECtrasp) is revised net of the portion relative to transport fees incoming to the gas network and the variable prices applied to the volumes injected;
- the component relative to the wholesale marketing margin (CECcom) is removed.

The proposal developed by the AEEG pursuant to art. 30, paragraph 15 of Law no. 99 of 20 July 2009 is not binding for the Ministry, which is responsible for the final decisions concerning the updating procedures. If the updating criteria defined in the proposal are applied already beginning from the 2012 tariff adjustment, this could cause a negative impact on 2012 revenues estimated at approximately 2.3 million euros.

During 2003, a company, acting on behalf of a consortium of municipalities, brought an action against incorporated company E.A.L.L. aiming at obtaining the payment of damages (9.9 million euros) for an alleged breach of contract by incorporated company EALL. During 2005, the Consortium, which had in the meantime been converted into a joint-stock company, brought an action supporting the claims put forward by the original plaintiff. With ruling no. 300/2010 of 27/04/2010, the Court rejected the appeal filed in by the plaintiff and the Consortium, and forced the counterparty to pay the legal costs borne by the company. The aforementioned Consortium, now a joint-stock company, challenged the aforementioned ruling. The company appeared before the court. The hearing for the presentation of closing statements at the Rome Court of Appeal has been set for June 2016.

In April 2011, the contractor of the works relating to the contract for the execution of civil works on the first line of the San Vittore del Lazio plant, signed in December 1997, submitted a request for arbitration for the recognition of the amounts relating to the reservations appended to the 9th SAL (progress report) of June 2002. The sum requested in relation to the aforementioned reservations is equal to around 1.2 million euros. The Board of Arbitration has been installed and has started its activities, ordering, inter alia, the appointment of an expert witness, whose activities are ongoing. The company, through its appointed legal representative, is preparing all necessary defence actions. The activities relating to the appointed expert witness have been completed.

In March 2011, GSE S.p.A. requested a total of 1.1 million euros plus VAT from incorporated company EALL S.r.l., deeming the final quantification of the number of green certificates issued to said company for the years 2006, 2007, 2008 and 2009 to be incorrect. In May 2011, the company submitted an appeal to the competent Regional Administrative Court, requesting cancellation of the GSE S.p.A. provision. The cost is allocated to the Group's provisions for liabilities.

Antitrust Authority investigation of the acquisition of Publiacqua

On 28 November 2007, ACEA was notified of the Antitrust Authority's ruling, in which, following an enquiry which lasted around eighteen months on potential violations on the part of ACEA, Suez Environnement and Publiacqua regarding competition regulations (art. 101 EU Treaty, formerly art. 81 of Treaty of Rome - anti-competitive agreements) in relation to the joint acquisition of a 40% stake with SUEZ, in Publiacqua, ATO operator in Florence, it essentially:

- deemed that a horizontal agreement existed between ACEA and SUEZ in the integrated water services sector, which is managed by a public-private partnership in which the private partner is selected via a tender process;
- ruled that the parties should take actions to avoid repetition of the sanctioned behaviour, with the Authority to be notified of the nature of such actions within 90 days, and also amend the rules governing the partnership regarding the part deemed to be in violation of competition regulations;
- ordered ACEA and SUEZ to pay fines of 8.3 million euros and 3 million euros, (the difference in the amounts derives from their respective turnovers in the relevant sector in Italy).

ACEA filed an appeal against this order before the Lazio Regional Administrative Court, which on 7 May 2008 announced the related sentence, finding in ACEA's favour and cancelling all the rulings and the fine imposed. Details of the sentence, upholding all of the appellant's arguments, were published at the end of June.

In the corresponding enforcement, on 11 June 2009, the Ministry of Economy and Finance ordered the return of the penalty of 8.3 million euros paid by ACEA in February 2008.
On 24 September 2012, the Council of State, to which an appeal had been submitted by the Antitrust Authority (AGCM) against the Regional Administrative Court decision which had cancelled the AGCM measure requiring ACEA (and Suez Environnement) to pay a penalty of 8.3 million euros (and 3 million euros), handed down its ruling.
The Council of State cancelled the ruling of the Regional Administrative Court, to which ACEA had appealed, and rejected the cross-appeal filed by ACEA.
ACEA paid the 8.3 million euro fine in November 2012. Fault was found with the Council of State decision on the basis of legal doctrine, due to its opposition to EU regulations on competition, and the company is assessing the means by which it can further have its claims heard.

ACEA Luce

By means of deed notified on 7 February 2011, the companies Manutencoop Facility Management ("MFM") and SMAIL (formerly ACEA Luce) submitted an request for arbitration against ACEA and ARSE, pro-quota sellers of 100% of the share capital of ACEA Luce: the applicants are requesting a ruling against ACEA and ARSE due to the (alleged) non-fulfilment or negligence as regards contractual obligations and, therefore, the termination of the purchase contract and subsequent return of the sum paid (3 million euros), plus additional costs, and compensation for damages of roughly 7 million euros.

In support of the requests, MFM essentially believes that the elevated number of claims raised by said party after the transfer, due to an alleged breach of the contractual guarantees, would demonstrate actual divergence between the facts in the summary obtained and the contents of first the due diligence and later the contract.
In checking the claim notices presented by the acquiring party subsequent to the acquisition, ACEA and ARSE, have, in some cases, accepted responsibility for the facts revealed therein, by paying, or undertaking to pay at the time the associated obligation assumes a definitive nature, some amounts, although modest in said context. However, in the majority of the cases, the inferred liability was challenged and rejected.
Otherwise, the purchase contract for the equity interest envisages, on one hand, that the financial compensation constitutes the only solution actionable by the acquiring parties in the event of an incomplete or incorrect declaration and, on the other, that the associated liability of the grantors is restricted to a maximum limit of 1,250,000 euros, to be enforced in accordance with the methods and timeframes better detailed in said act. However, ACEA actioned, by way of a counterclaim, its receivables due from SMAIL for around 6.5 million euros, deriving from electricity provided and still not paid.

In September 2012, the parties signed a settlement deed aimed at settling the dispute: on the basis of that deed, SMAIL paid ACEA 5.7 million euros in October, as the difference between ACEA's receivable for the supply of electricity and the total amount of the sums recognised for the final settlement of all claims or demands of MFM/SMAIL generated by the execution of the former Acea Luce agreement.
The arbitration award was definitively abandoned with each party bearing their respective legal costs and MFM/SMAIL waived any additional claim or demand.

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

These proceedings were launched by E.ON. Produzione S.p.A., as successor to ENEL regarding a number of concessions for the abstraction of public water from the Peschiera water sources for electricity production, to obtain an order against the jointly and severally liable defendants (ACEA, ACEA Ato2 and AceaElectrabel Produzione) for payment of the subtension indemnity (or compensation for damages incurred due to illegitimate subtension), which remained frozen in respect of that defendant in the 1980s, amounting to 48.8 million euros (plus the sums due for 2008 and later) or alternatively payment of the sum of 36.2 million euros.
The question of the amount and the assumptions appears to be based on dubious grounds and, in any case, the early stage of the proceedings does not allow for forecasts.
The only significant development of note is the decision of the TRAP (Regional Court of Public Waters), before which a ruling is pending regarding the matter in question, to arrange for CTU (court-appointed expert) as regards the values of subtension for branching off, and subsequent reduction in hydroelectric production, and indemnities due. The expert's report shows a calculation according to which the claims actioned in the proceedings, even when unfounded - which is dubious, because the documents containing the metering parameters of the compensation are still deemed to be applicable and effective - would be greatly altered, substantially reducing the amount of equalisation already estimated by the company.

Vianini Lavori Arbitration

Vianini Lavori S.p.A. (in a temporary consortium with the French STEREAU) proposed a formal request for arbitration with reference to works to build the South Rome biofiltration plant, carried out entirely with public funds, to request that ACEA and ACEA Ato2 be ordered to pay over 8 million euros for reservations.
The request is in and of itself indefensible due to the inadmissibility and ungrounded nature of the reservations, since the counterclaim of ACEA - that filed a formal appearance before the court - will blame the temporary consortium for the significant deficiencies in the building of the plant, which decreased its functionality.
The arbitration is currently underway, and the Board has been made responsible for the critical examination of the appointed expert's report, with the placement before the court of the notes drawn up by the expert witnesses.

ACEA/SASI Proceedings

In ruling 6/10, TRAP (Regional Court of Public Waters) accepted the request submitted by ACEA against the Società Abruzzese per il Servizio Integrato S.p.A. (SASI) for the compensation for damages from the illegitimate withdrawal of water from the Verde river. ACEA was awarded 9 million euros, plus interest accrued from 14 June 2001 until 30 July 2013 as compensation for damages.

The sentence, which is not temporarily executive, was appealed by SASI before the TSAP and ACEA filed a cross-appeal. The proceedings are ongoing.

A.S.A. – Acea Servizi Acqua

By means of summons notified in autumn 2011, ACEA was summoned to court to respond to the presumed damages that its even more strongly alleged non-compliance with unproven and inexistent obligations which are assumed to have been adopted under the shareholders' agreement relating to subsidiary A.S.A. – Acea Servizi Acqua – would have produced for minority shareholders of the latter, and their respective shareholders. The claim appears to be manifestly devoid of merit, and inadmissible in practice. In fact, firstly, the plaintiffs are lacking legal standing, given bearers of only indirect and mediated interests; in this regard, full reading of the text of the contract invoked rules out burdening the companies in the ACEA Group with the obligation of assigning contracts and works to its subsidiary, an assignment which is, by contrast, indicated as an "objective" of the company and not the shareholders. Therefore, it is not believed that too large a claim of more than 10 million euros merits consideration.

The proceedings remain in the preliminary phase.

It should also be noted that, in the meantime, informal contacts have begun for a possible amicable resolution to the dispute, although it is still early to express an opinion on the outcome and content, and that approximately half of the ASA workers have contested before the labour court judge the de facto and legal conditions of their working relationships, requesting the recognition of the ulterior motives of the disposal of their pertinent business complex by the assignor Smeco Lazio to ASA, in place of the expected transfer to Acea ATO2; also requesting contractual standardisation and any pay differences, as well as the stabilisation of some irregular relationships. Given that the fate of these proceedings is evidently related to possibly reaching a settlement agreement on the entire ASA situation - since the agreement would give rise to the removal of the current status of liquidation, and indeed the industrial revitalisation of ASA - the workers' requests (which indirectly affect the other workers as well) are currently subject to an internal enquiry (the hearing is set for April), based on the industrial outlook of the company. Contacts have begun with the counterparties in this regard as well.

Dispute with Call Centre workers (former COS)

With Resolution no. 2 of 16.1.2004, the Acea Spa Chief Executive Officer assigned Cos, Communication Services Spa the "call overflow service" of the Acea Spa Group company call centre through a negotiated procedure pursuant to art. 13, paragraph 1, letter d of Legislative Decree 158/95. On 19.1.2004 Acea Spa and Cos – Communication Services Spa signed the Service agreement governing the services of the assigned activity;

that agreement was terminated, after a nine-month extension, on 30.9.2005. A dispute arose on the nature of the aforementioned agreement between ACEA and COS and a number of the company's workers (73) contested its legitimacy before the court, requesting the verification of the existence, or the establishment, of an employment relationship with Acea Spa, beginning from the first day of work on the contract in question. The claims had differing results: 49 of them were decided, to the detriment of the company, by ruling of Judge Delle Donne; another 21 were rejected by ruling of Judge Rosa; and finally, another two were upheld by Judge Di Paola. An appeal was submitted against all rulings. The case law trend with respect to analogous cases (besides the varying outcomes of the proceedings which directly regard the company, there are at least two other extremely similar incidents being discussed before the Roman judicial bodies, which have until now had an unfavourable outcome for the employers), together with an analysis of the operating requirements of Acea8cento and the repercussions that the pending dispute had on the latter, have led the company to seek out, more than once, an amicable agreement with the workers. At the request of the Board of Directors, numerous settlements were therefore stipulated, either on

an exclusively financial basis, so the worker would waive the claims after receiving a lump-sum compensation payment, or to obtain their willingness to begin working at Acea8cento, accepting the terms and conditions of its Company Agreement. This made it possible to decrease the risk linked to the dispute (for pay and contribution differences, interest and possible penalties) to only the six "unyielding" positions on which a Court of appeal decision is expected to be issued in the coming months. Moreover, it should be recalled that ACEA SpA no longer carries out the activity subject to the contract, to which the plaintiffs would need to be assigned if successful in court.

Sorical dispute

The subsidiary Acea Energia was awarded a tender at the end of 2010 for the supply of electricity on the free market in favour of Sorical, a mixed public-private company that manages the wholesale water supply in the Calabria Region. The contract was regularly executed by AE, while the customer immediately began to accumulate conspicuous overdue payments, enough to cause AE to reschedule the debt already in summer 2011. Additional, subsequent payment delays led to the negotiation of a new repayment agreement, at the end of 2011, which was then repudiated by Sorical. Indeed, with evident self-serving and delaying purposes, that company called AE before the court to have it sentenced for alleged supply irregularities. AE appeared before the court and made a counterclaim for the balance of amounts billed and unpaid, totalling roughly 24 million euros, plus interest and accessory costs pursuant to the law. The judge issued an injunction order in favour of AE for approximately one-third of the sum, which went unchallenged, pending the continuation of the proceedings. In the meantime, AE disconnected its supply to Sorical, and the latter was placed under the regime subject to additional safeguards, while its shareholders resolved on its placement in liquidation. In recent months, various initiatives have been initiated for the coercive or amicable collection of AE's receivable.

Alessi Costruzioni dispute

A dispute before the administrative judge brought by the company for damages resulting from its unjustified exclusion from a European tender procedure ended favourably for the company. After in-depth debates, the judge accepted the claims of the claimant on the topic of the commissioning body's liability; but it greatly limited the extent, from the original 1.7 million euros claimed to just 57,000 euros in the effective sentence, given the assessed re-employment of the resources in the meantime.

Volteo Energie

ARSE submitted a claim for an injunction order against the company, to which only partially paid PV panels were supplied. The remaining exposure is approximately 2 million euros. The counterparty opposed the immediately notified claim, and also submitted claims for compensation for alleged production gaps in the supply. While the proceedings continue - and without prejudice to the fact that any faults in the panels can be charged back to the manufacturer - the judge issued the injunction order during the proceedings for approximately two-thirds of the amount ordered, which caused Volteo Energie to immediately formulate settlement offers, currently being assessed.

Roma Capitale dispute

A dispute on various matters between ACEA and Roma Capitale concerning different interpretations of some provisions of the regulations for street cables in force in the years from 2002 to 2009 has been pending since 2005.

The dispute concerns three topics:

1. The application of penalties for the delay in returning the areas involved by the installation of plants
2. The amount due for the cost to remedy deterioration
3. The objections to the tax demands with which Roma Capitale intended to coercively collect the sums due for the application of the two previous institutions: penalties and costs.

Currently, 33 disputes have been settled (on various grounds) for a total of 6,281,974.84 euros, with no outlays for ACEA; the settlement in appeal in favour of ACEA of 6 disputes totalling 2,468,073.00 euros, for which recourse to the Supreme Court by the municipality is not expected.

Milano '90 dispute

This issue concerns Milano '90's failure to pay 5 million euros due for the balance of the sale price of the area in the municipality of Rome with access from via Laurentina no. 555, formalised on 28 February 2007 and with a subsequent supplementary deed of 5 November 2008. With the supplementary deed, the parties agreed to change the fee from 18 to 23 million euros, while eliminating the earn out, setting 31 March 2009 as the payment deadline.

Given the purchaser's failure to act, the procedure aimed at collecting the amounts due was initiated, by preparing a notice warning Milano '90 to pay and, through the deposit of a claim for an injunction order which, on 28 June 2012, was granted in a temporarily executive form.

Therefore, the aforementioned Injunction Order was notified on 3 September 2012 and on 23 November, it was delivered to the Judicial Officer for third-party seizures, for the coercive collection of the amounts due.

Today, the objection by Milano '90 is pending before section X of the Court of Rome. An additional proceeding within this case was established pursuant to art. 649 of the Code of Civil Procedure, aimed at suspending the temporary execution of the challenged Injunction Order. The Judge deemed it suitable to suspend the executive efficacy of the Injunction Order.

The grounds of the claim of ACEA is based on the documents provided.

Trifoglio dispute

This issue concerns the breach by Trifoglio of its obligation to pay the balance of the amount due (10.3 million euros), pursuant to the sale contract regarding the so-called Autoparco property, which should have been paid on 22 December 2011.

In consideration of Trifoglio's breach, a notice was served aimed at signing a deed to voluntarily terminate the sale agreement of 22 December 2010, and then to file a claim before the Court of Rome, pursuant to art. 702-bis of the Code of Civil Procedure. The hearing for the appearance of the parties before the court set for 13 November 2012 was postponed to 30 April 2013 following Trifoglio's call of a third-party to appear before the court (Piano Assetto C9 Stazione Ostiense Consortium).

In the meantime, ATAC Patrimonio filed a claim for the termination of the sale agreement of 22 December 2010 for the portion for which it is responsible.

Additional disclosures on financial instruments and risk management policies

CLASSES OF FINANCIAL INSTRUMENT

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

31 December 2012	Financial instruments held for trading at fair value	Loans and receivables	Available-for-sale financial instruments	Carrying amount	Notes
Non-current assets	**0**	**32,959**	**4,716**	**37,675**	
Other investments			4,716	4,716	18
Financial assets due from the Parent Company, subsidiaries and associates		30,899		30,899	20
Financial assets due from third parties		2,060		2,060	20
Current assets	**0**	**2,073,523**	**0**	**2,073,523**	
Trade receivables due from customers		1,346,848		1,346,848	23
Trade receivables due from related parties		99,983		99,983	23
Other current assets: fair value measurement of contracts for difference and commodity swaps with changes recognised in equity (*)		2,352		2,352	23
Other current assets: fair value measurement of contracts for difference and commodity swaps with changes recognised in the income statement (*)		498		498	23
Other current assets: electricity and company-specific equalisation		17,543		17,543	23
Other current assets: subsidiaries		30,376		30,376	23
Financial assets due from the Parent Company, subsidiaries and associates		71,787		71,787	23
Financial assets due from third parties: derivatives designated as hedges with changes recognised in equity (**)		0		0	23
Financial assets due from third parties: derivatives not designated as hedges with changes recognised in the income statement (**)		0		0	23
Financial assets due from third parties		80,438		80,438	23
Cash and cash equivalents		423,698		423,698	23
TOTAL FINANCIAL ASSETS	**0**	**2,106,482**	**4,716**	**2,111,197**	

(*) This refers to the fair value measurement of contracts to purchase or sell commodities that qualify for application of IAS 39, with changes recognised through the income statement or in shareholders' equity.

(**) This refers to interest rate swaps, with changes in fair value recognised in shareholders' equity or through the income statement as shown in the table.

31 December 2012	Financial instruments held for trading	Liabilities at amortised cost	Carrying amount	Notes
Non-current liabilities	**0**	**2,211,609**	**2,211,609**	
Bonds		1,011,123	1,011,123	27
Bank borrowings (non-current portion)		1,200,487	1,200,487	27
Financial liabilities due to related parties		0	0	27
Current liabilities	**0**	**2,189,108**	**2,189,108**	
Bank borrowings		753,850	753,850	30
Payables due to third parties		41,512	41,512	30
Financial liabilities due to factoring companies		94,407	94,407	30
Financial liabilities due to third parties: derivatives designated as hedges with changes recognised in equity (**)		29,467	29,467	30
Financial liabilities due to third parties: derivatives not designated as hedges with changes recognised in the income statement (**)		1,053	1,053	30
Financial liabilities due to subsidiaries and associates		1,638	1,638	30
Trade payables due to suppliers		1,193,080	1,193,080	30
Trade payables due to the Parent Company, subsidiaries and associates		74,081	74,081	30
Other current liabilities: fair value measurement of contracts for difference and commodity swaps with changes recognised in equity (*)		0	0	30
Other current liabilities: fair value measurement of contracts for difference and commodity swaps with changes recognised in the income statement (*)		21	21	30
TOTAL FINANCIAL LIABILITIES	**0**	**4,400,718**	**4,400,718**	

(*) This refers to the fair value measurement of contracts to purchase or sell commodities that qualify for application of IAS 39, with changes recognised through the income statement or in shareholders' equity.

(**) This refers to interest rate swaps, with changes in fair value recognised in shareholders' equity or through the income statement as shown in the table.

FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

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

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

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

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

TYPE OF FINANCIAL RISKS AND RELATED HEDGING POLICIES

The ACEA Group's activities expose it to a variety of financial risks, including interest rate and price risk.

The Group uses derivative instruments to hedge certain risk exposures, whilst such derivative or similar instruments are not generally used or held solely for trading purposes.

Foreign exchange risk

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

As regards the 20 billion yen private placement, the exchange rate risk is hedged through a cross currency swap described in the section on interest rate risk.

Market risk

The Group is exposed to market risk, represented by the risk that the fair value or future cash flows of a financial instrument fluctuate as a result of market price movements, above all in relation to the risk of movements in the prices of commodities in which the Group trades.

Acea Energia Holding, through the Risk Control Unit, ensures the analysis and measurement of exposure to market risks, interacting with the Energy Management Unit and Acea Energia, in line with the guidelines of ACEA's Internal Control System and with the Risk Management Manuals of ACEA's Energy Industrial Area.

Risk analysis and management is performed according to a Risk Management process which involves the execution of activities throughout the entire year, on the basis of different frequencies (annual, monthly and weekly). The execution of those activities is distributed between the Risk Control Unit and the Risk Owners.

In particular:

- on an annual basis, measurements of risk indicators, i.e. limits, must be defined, which must be complied with in the management of the portfolio. These activities are the responsibility of the Risk Committee which approves the Risk Control proposal;
- on a monthly basis, the Risk Control Unit is required to check the portfolio's exposure to risk and check compliance with the limits defined. As required by the Internal Control System, the Risk Control Unit is responsible for sending ACEA's Internal Audit Department the required information in the proper format.

The risk limits of the Energy Industrial Area are defined in such a way as to:

- minimise the overall risk of the entire area,
- guarantee the necessary operating flexibility in trading and hedging activities,
- reduce the possibility of over-hedging deriving from the variation in expected volumes for the definition of hedges.

Market risk is distinguished from price risk, i.e. the risk related to the variation in commodity prices, and volume risk, i.e. the risk connected with the variation in volumes produced and sold.

Risk analysis and management objectives are as follows:

- to protect the primary margin, also through the reduction of volatility,
- to protect the primary margin against unforeseen and unfavourable short-term shocks in the energy market which affect revenues or costs,
- to stabilise the primary margin in the time necessary to re-adjust activities in line with permanent changes in the energy market,
- to identify, measure, manage and represent the exposure to risk of all ACEA operating companies in the Energy Industrial Area,

- to reduce risks through the preparation and application of adequate internal controls, procedures, information systems and expertise,
- delegate risk owners with the job of defining the necessary strategies for hedging individual risks, in respect of pre-established minimum and maximum levels.

The evaluation of risk exposure involves the following activities:

- aggregation of the commodities and structure of the risk books,
- identification of the hedging markers, breakdown of positions, restructuring based on the hedging markers and entry of the restructured positions in the risk books,
- assessment of the basis risk, or natural risk deriving from imperfect hedging of lower level hedging markers,
- creation of reference scenarios (prices, indexes).

Derivative transactions are entered into for the purpose of hedging the risk of fluctuations in commodity prices and in compliance with the provisions of Risk Management Manuals for the Energy Industrial Area.
In terms of the Group's commitments for the coming year, in order to stabilise cash flows in relation to the composition of its sale and purchase portfolio, almost all existing hedging activities carried out have the principal purpose of cash flow hedges, since the effectiveness of the hedge is demonstrable. Only a limited number of transactions are not classified under this option, and as a result are measured at fair value. The financial instruments used fall under swaps and contracts for difference (CFD). It should be noted that the hedges effected on the purchases portfolio were conducted with the leading operators in the electricity market and the financial sector.

Acea Energia Holding designates the hedge in respect of commitments to buy and sell electricity. The company prepares specific documentation demonstrating the prospective effectiveness of the hedge. This is done via simulation of what are assumed to be representative movements in the forward price curve for the respective indices, and the related comparison between movements in the fair values of the actual and hypothetical derivative instruments, where the latter represents a derivative financial instrument with contract terms matching those applicable to the physical contract. Power portfolio transactions qualify as effective when the hedging relationship, calculated on the basis of the ratio in absolute terms of movements in the actual derivative instrument and those in the hypothetical derivative instrument, lies within a range of 80%-125%, as defined by IAS 39. The retrospective and prospective effectiveness test applied to these transactions at the end of the year confirmed the hedging relationship.

However, should the derivative instrument, at the time of execution, be designated as a hedge of purchases of electricity in the form of contracts for difference (CFD), the company does not prepare specific documentation demonstrating the effectiveness of the hedge. In fact, the Group treats CFDs as financial instruments, which are activated when the relevant contractual condition is met, i.e. when at a certain hour of a certain day the price on the electricity exchange is higher or lower than the strike price (reference parameter). As a result, these transactions do not qualify as contracts that may be defined as hedging physical underlying transactions pursuant to IAS 39.
Gains and losses resulting from the management of market risk using these contracts are, in the case of both CFDs and derivative instruments, measured at fair value with the differences recorded in the income statement. The fair value of the CFDs at the end of 2012 with an impact on the income statement is null, while the effective portion is a negative 1,759 thousand euros.

The portfolio of financial instruments accounted for under hedge accounting, which represents the main component of the entire portfolio, is perfectly balanced in terms of the risks from the underlying assets in the hedge. The remaining financial instruments not accounted for under hedge accounting, despite not fully satisfying the requirements of IAS 39 for hedge accounting (cash flow hedge), are however, exposed to risk factors in contrast to those affecting physical portfolios for purchase/sale, in such a way as to balance their potential variations with a view to "operational" hedging in line with company guidelines.

Shown below is all the information necessary for the description of transactions entered into, aggregated by index hedged with validity effective as of 1 January 2013

Indexes	Purpose	Purchases/Sales	*Fair Value in € thousand*	Amount to shareholders' equity	Amount to income statement
ITRemix	Hedge power portfolio	electricity purchase/sale	136	136	0
GRP911	Hedge power portfolio	electricity purchase/sale	1,607	1,607	0
GRP913	Hedge power portfolio	electricity purchase/sale	44	44	0
ITEC	Hedge power portfolio	electricity purchase/sale	536	536	0
PUN	Hedge power portfolio	electricity purchase/sale	(1,760)	(1,760)	0
IPE_BRENT	Hedge power portfolio	electricity purchase/sale	(21)	0	(21)
EEX	Hedge power portfolio	electricity purchase/sale	171	171	0
CONSIP	Hedge power portfolio	electricity purchase/sale	2,151	2,151	0
			2,864	**2,885**	**(21)**

In March 2009, the IASB issued an amendment to IFRS 7, introducing a series of changes aimed at adequately meeting the need for greater transparency resulting from the financial crisis and linked to elevated uncertainty over market prices. These changes included the establishing of the fair value hierarchy. In particular, the amendment defines three levels of fair value (IFRS 7, parag. 27A):

- **level 1**: if the financial instrument is listed on an active market;
- **level 2**: if the fair value is measured using evaluation techniques that assess parameters, other than listings of the financial instrument, observable from the market;
- **level 3**: if the fair value is calculated using evaluation techniques that assess parameters not observable on the market.

It should be noted that, as regards the types of commodity whose fair value is calculated,

- for derivatives on single commodities (PUN - unique national price - standard base load products, Peak/Off Peak, …) the fair value level is 1 given they are listed on active markets,
- for complex indexes (ITRemix, PUN profiled products, ….) the fair value level is 2 given these derivatives are the result of formulas containing a mix of commodities listed on active markets.
- For certain components of complex indexes, the fair value level is 3 as they do not derive from listing on active markets but, instead, estimates.

Liquidity risk

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

As at 31 December 2012, the Parent Company held committed and uncommitted lines of credit totalling 865.5 million euros and 645 million euros, respectively. No guarantees were issued to obtain said credit lines.

The committed lines of credit are revolving and have terms of between twelve months and three years from subscription. A total of (i) 100 million euros of said credit lines is available until the first quarter of 2013, (ii) 45 million euros until 31 December 2013, (iii) 100 million euros until 31 December 2014, (iv) 400 million euros until 31 December 2015; the contracts entered into provide for the payment of a fee for non-use plus an upfront fee paid at the time the credit lines are opened.

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

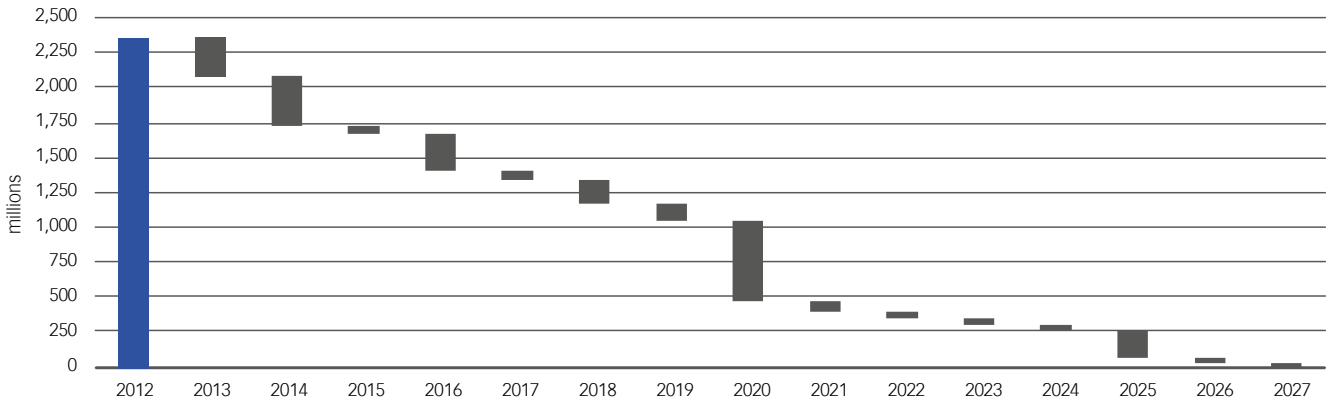
there is also a utilisation fee linked to the amount disbursed.
Furthermore, as at 31.12.2012, it should be noted that ACEA has an additional medium/long-term committed credit line of 100 million euros in place, stipulated in December 2012, with a utilisation period of 12 months and a maximum duration of 15 years from disbursement, which has not been used as at the close of the financial year.

The abundance of lines (committed and revocable) allowed the parent company to handle temporary increases in short-term requirements with no impact on operations.
At the end of the year, ACEA had no loans - term deposits and similar transactions - unlike last year when that value totalled 79.2 million euros.

With reference to some water companies operating in Tuscany and Campania it should be pointed out that:

- Publiacqua: 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,
- Gori: the bridge loan of 40 million euros, disbursed by BIIS, expired on 30 June 2011, and at the current state of play, it is working with the Area Authority to transform the loan into a long-term mortgage. By notice no. 17548 of 6 March 2012, GORI asked BIIS for a technical extension until 30 June 2012 on the expired loan, attaching a debt rescheduling proposal prepared at the bank's request, to further reduce the loan repayment period, which envisages repayment with a first amortisation instalment on 31 December 2012 and final maturity of 30 June 2018. In this respect the bank replied that it had submitted the proposal to its decision-making bodies. In order to define relations with BIIS and reschedule the 40 million euro debt, imminent developments are currently pending in the much hoped for framework agreement with the Campania Regional Government and the Extraordinary Commissioner of the Sarnese Vesuviano Area Authority (formerly the Sarnese Vesuviano Area Authority).
- Acquedotto del Fiora signed an extension of the bridge loan for a further eighteen months (expiry: September 2013) and obtained an increase of 12.8 million euros, increasing the loan to 92.8 million euros.

The graph below depicts the future development of all debt maturities, forecast based on the situation at the end of the year.



INTEREST RATE RISK

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

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

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

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

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

In fact, an analysis of the consolidated debt position shows that the risk the ACEA Group is exposed to is mainly in the form of fair value risk, composed as at 31 December 2012 of fixed rate borrowings (64%). With reference to the current portfolio make-up, the Group is partly exposed to the risk of fluctuation in future cash flows and, by contrast, to a greater extent than changes in fair value.

The current mix of fixed and floating rate debt and also taking account of the trend still expected in market interest rates, in a predominantly recessionary macroeconomic phase essentially not tending towards sudden rises, has made it possible to take advantage of lower short-term rates to a large extent, thus mostly balancing the high spreads still applied by the credit system as a result of notable events linked to the worsening in guaranteed returns on the debt of certain sovereign European states, including Italy. The possibility of executing some floating-to-fix hedging activities in the future to reposition the fixed-floating mix is still an option, as soon as market outlooks make that repositioning opportune.

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

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

The Group currently uses derivative instruments to hedge interest rate risk exposure for the following companies:

- Acque has swapped the interest rate on 80% of the loan obtained at the end of 2006 for a fixed rate. The company executed two different swap contracts with the same notional value,
- ACEA:
  - swapped the 100 million euros loan obtained on 27 December 2007 for a fixed rate. The swap, a plain vanilla IRS, was stipulated on 24 April 2008, effective as of 31 March 2008 (date of drawdown of the underlying loan) and expires on 21 December 2021,
  - completed a cross currency transaction to transform to euro – through a plain vanilla DCS swap – the currency of the private placement (yen) and the yen rate applied to a fixed euro rate through a plain vanilla IRS swap,

- Umbra Acque swapped a medium/long term loan for a fixed rate.

All the derivative instruments taken out by ACEA and listed above are non-speculative and their negative fair values are 12.7 million euros and 10.8 million euros, respectively.

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

Bank Loans:	**Amortised cost**	**RISK-FREE FV**	**Increase/ (Decrease)**	**RISK ADJUSTED FV**	**Increase/ (Decrease)**
	(A)	**(B)**	**(A)-(B)**	**(C)**	**(A)-(C)**
Bonds	1,011,123	1,127,439	(116,316)	1,046,969	(35,846)
fixed rate	372,462	476,430	(103,968)	411,859	(39,397)
floating rate	822,791	834,736	(11,945)	830,765	(7,973)
floating rate to fixed rate	270,683	271,398	(714)	270,861	(177)
TOTAL	**2,477,059**	**2,710,003**	**(232,944)**	**2,560,453**	**(83,394)**

Sensitivity analysis has been carried out on medium/long-term financial liabilities using stress testing, thus applying a constant spread over the term structure of the risk-free interest rate curve (for the Euro area at 31 December 2012). The following table shows overall movements in terms of the fair value of liabilities based on parallel shifts (positive and negative) between –1.5% and +1.5%.

CONSTANT SPREAD APPLIED	**MOVEMENTS IN PRESENT VALUE (€M)**
-1.50%	(136.6)
-1.00%	(89)
-0.50%	(43.6)
-0.25%	(21.6)
0.00%	0.0
0.25%	21.2
0.50%	42
1.00%	82.2
1.50%	120.9

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

CREDIT RISK

ACEA has issued credit policy guidelines which identify the different strategies which reflect the Customer-Centric philosophy: through flexibility criteria and on the strength of the activities managed, as well as customer segmentation, credit risk is managed by taking into account both the customer type (public and private) and the non-uniform behaviour of individual customers (behavioural scores).

The key principles on which the risk management strategies are based are as follows:

- definition of the customer cluster categories through the abovementioned segmentation criteria;
- standard cluster management in ACEA Group companies, based on the same risks and commercial characteristics, of defaulting end users;
- collection methods and instruments used;
- uniformity of standard criteria regarding the application of default interest;
- division into instalments of credit;
- definition of the necessary responsibilities/authorisations for any exceptions.
- adequate reporting and training of dedicated staff.

With regards to electricity distribution activities the wholesalers represent credit risk: billing of the latter relates to the transportation of electricity on the distribution network and services performed for end customers.

The key principles on which the credit risk management strategies are based are as follows:

- homogeneous management of sellers' receivables, deemed of equal risk,
- uniformity of standard criteria for the application of default interest;
- mitigation of credit risk through the signing of a guarantee by sellers;
- adequate monitoring through credit ageing reports;
- training of dedicated staff.

Credit management starts with the "behavioural score" or knowledge of the individual reseller through the constant analysis of payment attitudes/habits and is subsequently broken down into a series of targeted actions ranging from phone collection activities carried out in-house, reminders sent electronically, sending of notice letters via registered post, as provided under resolution ARG/elt 4/08, to termination of the transportation contract.

As regards *sales of electricity*, credit risk was measured beforehand, especially in relation to the sale of gas and electricity to industrial and business customers.

The activity was performed in accordance with Credit Risk Policy Manual rules, through an in-house process involving the evaluation of credit reliability, assignment of an internal rating and recognition of the maximum limits of financial exposure to the counterparty.

CUSTOMER EVALUATION

As regards Acea Energia, by launching the new "CREDIT CARE" application for credit management, in July 2012, it complied with the Credit Policy Guidelines issued by the holding company Acea S.p.A. and in force since 1 January 2012.

The main purpose of the Guidelines is to guarantee:

- compliance with regulations, commercial policies and technical restrictions;
- within the scope of the economic and financial targets of Group companies, in the framework of a company-consumer relationship oriented toward reciprocal respect, good faith, transparency and fairness;
- limiting payment delays, the insolvency of customers supplied, the growth in the credit exposure in general and debt collection costs, minimising partial or total losses on Group company receivables.

Besides setting out the general rules that the Group companies should follow, the Guidelines envisage the breakdown of customers into clusters:

- by sector (public/private);
- by market segment;
- by business type;
- by creditworthiness.

The Guidelines also identify:

- standard payment methods and conditions;
- rules on intercompany receivables;
- supplier rules for debt collection activities;
- procedures for impairment, disposal, recognition of losses and cancellation of receivables.
- legal debt collection procedures.

With regards to the **supply of water**, the implementation of credit risk management strategies started with a macro-distinction between public sector end users (municipalities, public administrations, etc.) and private sector end users (industrial, commercial, condominium, etc.), given that said categories present different levels of risk, in particular:

- low risk of insolvency and high risk of late payment for public sector end users,
- variable risk of insolvency and late payment risk for private sector end users.

As regards credits due from public sector end users, which account for over 30% of the past due receivables, they are converted to cash through the without-recourse factoring to financial partners and a residual portion is managed directly through the offsetting of receivables/payables or by means of settlement agreements.

Credit management for private sector end users, which represent approximately 70% of the past due receivables, starts with behavioural scores or "*knowledge in terms of the probability of default of each individual customer through the constant analysis of payment attitudes/habits*", and is subsequently implemented through a series of targeted actions ranging from reminder letters, assignment to specialised companies for credit recovery via phone collection, to detachment of the defaulting end users and receivable factoring transactions.

The water segment is also characterised by a significant amount of invoices to be issued which are determined by the characteristics of the business.

The following table summarises the different types of receivable described in Note 22 – Trade receivables.

Situation at 31 December 2012	Total receivables	Due	Past-due for >	0-30 days	30-90 days	90-180 days	over 180 days
Current assets							
Outstanding amounts due from customers (A + B)	**1,205,986**						
Total amounts due from customers (A + B + C)	**1,072,099**						
End users for bills issued: (A)	**708,716**	**9,221**	**6,871**	**4,372**	**2,093**	**215**	**191**
Networks	16,092	9,221	6,871	4,372	2,093	215	191
Energy	382,612		0				
Energy Generation	*2,622*	*1,315*	*1,307*	*283*	*262*	*719*	*44*
Sales	*379,990*	*151,433*	*228,557*	*18,291*	*57,455*	*26,885*	*125,927*
Development and Special Projects	0		0				
Water	310,012		0				
Lazio - Campania	*250,992*	*57,258*	*193,734*	*13,850*	*14,365*	*25,579*	*139,940*
Tuscany-Umbria	*59,020*	*11,816*	*47,204*	*9,346*	*7,683*	*4,210*	*25,966*
Environment and Energy	0		0				
Corporate	0		0				
End users for bills to be issued: (B)	**497,270**	**497,270**					
Networks	30,939	30,939					
Energy	174,555	174,555					
Energy Generation	*0*	*0*					
Sales	*174,555*	*174,555*					
Development and Special Projects	0	0					
Water	291,776	291,776					
Lazio - Campania	*268,664*	*268,664*					
Tuscany-Umbria	*23,112*	*23,112*					
Environment and Energy	0	0					
Corporate	0	0					
Provisions for impairment of receivables: (C)	**(133,887)**						
Networks	(5,700)						
Energy	(62,086)						
Energy Generation	*0*						
Sales	*(62,086)*						
Development and Special Projects	0						
Water	(66,101)						
Lazio - Campania	*(53,042)*						
Tuscany-Umbria	*(13,059)*						
Environment and Energy	0						
Corporate							

Situation at 31 December 2012	Total receivables	Due	Past-due for >	0-30 days	30-90 days	90-180 days	over 180 days
Current assets							
Outstanding amounts due from customers (A + B)	**297,672**						
Total amounts due from customers (A + B + C)	**274,750**						
End users for bills issued: (A)	**195,415**	**8,928**	**109,616**	**5,118**	**26,451**	**8,468**	**69,578**
Networks	37,712	3,233	34,479	513	17,528	869	15,570
Energy	31,306		0				
Energy Generation	*1,861*	*1,861*	*0*				
Sales	*29,445*	*893*	*28,552*	*16,897*	*1,203*	*4,178*	*6,273*
Development and Special Projects	1,062		1,062		149	30	883
Water	45,565		0				
Lazio - Campania	*35,601*	*766*	*34,835*	*(70)*	*1,013*	*2,545*	*31,347*
Tuscany-Umbria	*6,120*	*1,581*	*4,539*	*1,183*	*364*	*238*	*2,754*
Overseas Water Services	*3,844*	*640*	*3,204*	*1,743*	*841*	*620*	*0*
Environment and Energy	36,996	5,091	31,905	4,550	7,467	6,909	12,980
Corporate	42,774	604	42,170	56	1,307	662	40,145
End users for bills to be issued: (B)	**102,257**	**77,395**					
Networks	12,388						
Energy	57,829	57,829					
Energy Generation	*10,039*	*10,039*					
Sales	*47,790*	*47,790*					
Development and Special Projects	148						
Water	19,566	19,566					
Lazio - Campania	*10,832*	*10,832*					
Tuscany-Umbria	*4,225*	*4,225*					
Overseas Water Services	*4,509*	*4,509*					
Environment and Energy	8,000						
Corporate	4,326						
Provisions for impairment of receivables: (C)	**(22,922)**						
Networks	(1,391)						
Energy	(982)						
Energy Generation	*0*						
Sales	*(982)*						
Development and Special Projects	(444)						
Water	(17,754)						
Lazio - Campania	*(8,789)*						
Tuscany-Umbria	*(8,461)*						
Overseas Water Services	*(504)*						
Environment and Energy	(1,192)						
Corporate	(1,159)						

Commitments and contingencies

CORPORATE LIENS, SURETIES AND GUARANTEES

As at 31 December 2012, these amounted to 559,217 thousand euros (377,039 thousand euros at 31 December 2011). The change compared with the end of the previous financial year mainly derives from:

- the raising of a Global Guarantee of 25,000 thousand euros issued in March 2012 in favour of Egl Italia in the interests of Acea Energia Holding S.p.A. as a back-to-back guarantee on electrical energy trading transactions agreed or to be agreed between the parties;
- the setup of Global Guarantees for 15,000 thousand euros and 35,000 thousand euros issued in March 2012 in favour of Barclays Bank and BNP Paribas, respectively, in the interests of Acea Energia Holding as back-to-back guarantees on transactions agreed or to be agreed between the parties under the terms of the ISDA Master Agreement reached. Note that during the year the guarantee in favour of BNP was released in the sum of 17,937 thousand euros;
- the setup of the guarantee in favour of Deutsche Bank AG for 10,000 thousand euros, issued in August 2012 in the interests of Acea Energia Holding as back-to-back guarantees on transactions agreed or to be agreed between the parties under the terms of the ISDA Master Agreement reached on 25 July;
- the raising of the guarantee in favour of Iren Mercato S.p.A. in the amount of 8,000 thousand euros for the precise fulfilment of the EFET agreement stipulated in July 2012 between the beneficiary company and Acea Energia Holding;
- the pledge of 2,701 thousand euros on the bank guarantee issued in the interests of Acea Distribuzione and 1,501 thousand euros granted in the interests of Acea Ato2 in favour of Roma Capitale in relation to the agreement on the implementation of works under the "Technology Project" for the new multi-service cabling networks in Via Tiburtina and surrounding streets;
- the raising of bank guarantees for a total of 4,127 thousand euros issued by BBVA on behalf of ARSE to guarantee agreements for the planning, supply and installation of PV plants in the municipalities of Scalea, Villapiana, Cassano and Orsomarso;
- the bank guarantee of 431,717 euros issued in favour of Umbria Distribuzione Gas SPA on behalf of Acea Energia to guarantee the natural gas distribution service provided by Acea Energia;
- the raising of the guarantee of 49,000 thousand euros in favour of Enel Trade in the interests of Acea Energia Holding as a back-to-back guarantee on electrical energy trading transactions;
- the extension to 2,606 euros of the guarantee issued in favour of Italgas SpA in the interests of Acea Energia in October 2010;
- the extinction of the surety of 3,425 thousand euros issued by ACEA with regard to the selection of a partner for Publiacqua in the Municipality of Florence;
- the setup of the bank guarantee issued by the Bilbao Vizcaya Argentaria bank in favour of the national grid operator for the precise fulfilment of the obligation of the company A.R.I.A. S.r.l. to return the amount of 1,295 thousand euros to the national grid operator.

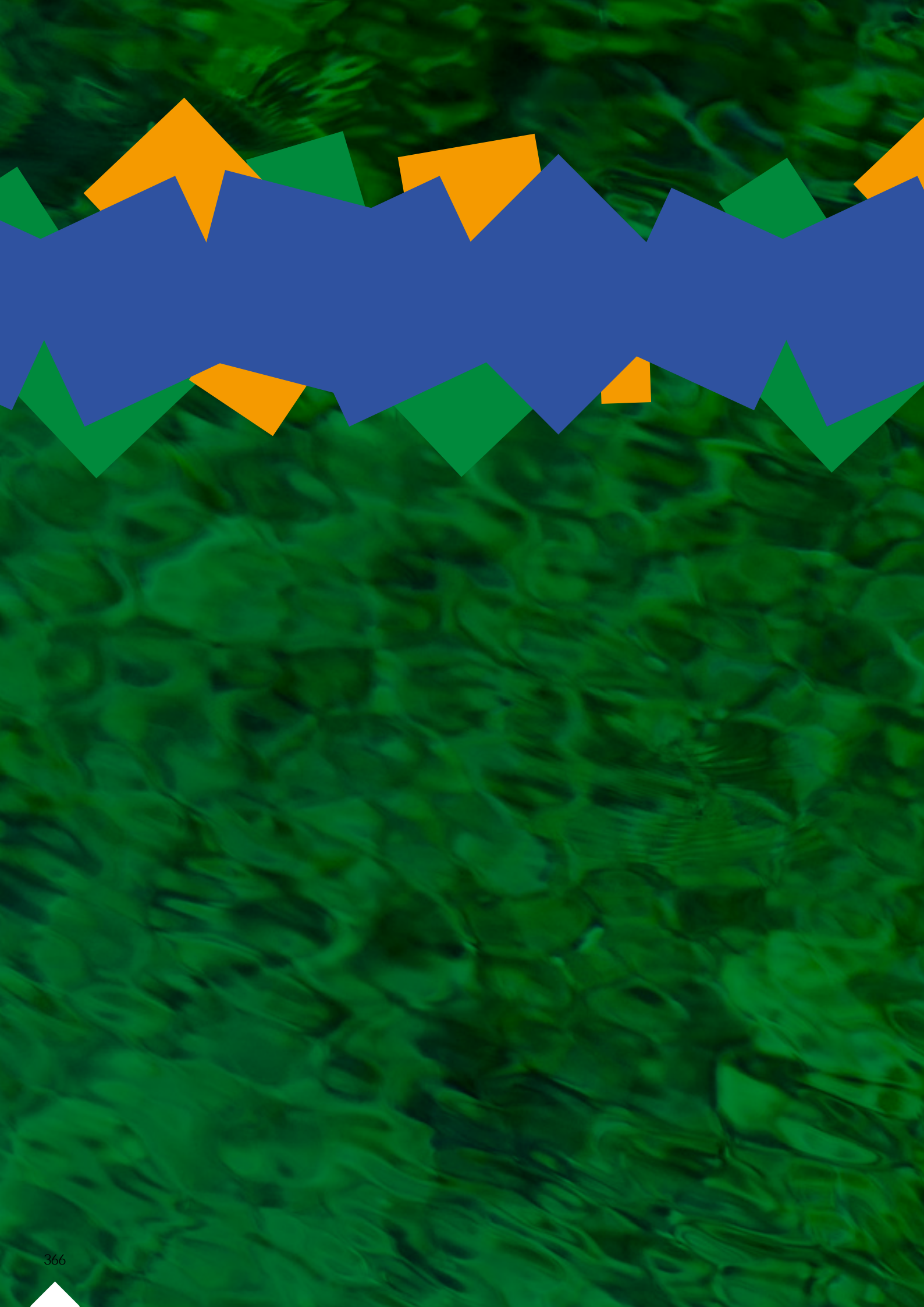
Among the corporate liens, sureties and guarantees in place at 31 December 2012, worthy of mention are:

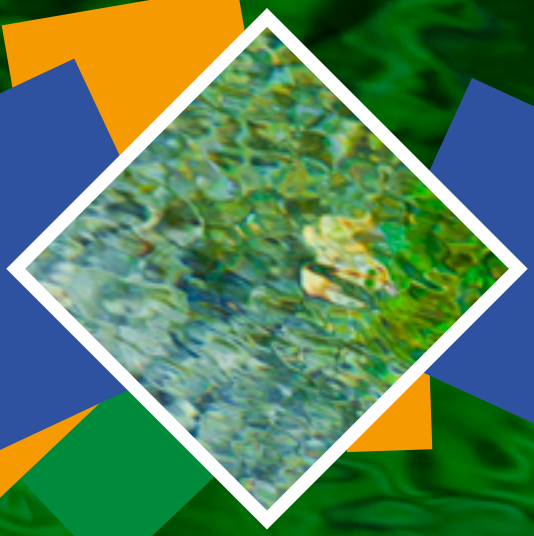
- 425 thousand euros for the back-to-back guarantee issued for Acea Energia Holding for the new office lease contract;
- 41,090 thousand euros for the bank guarantees issued by Acea Energia, mostly in favour of Terna relative to the electricity dispatch service contract;
- 53,666 thousand euros in the form of a bank guarantee issued by ACEA to Cassa Depositi e Prestiti in relation to refinancing of the loan issued to ACEA Distribuzione. This is a sole guarantee giving the lender first claim and covering all obligations linked to the original loan (493 million euros). The sum of 53,666 thousand euros refers to the guaranteed portion exceeding the loan originally disbursed (439 million euros);
- the issue of a bank guarantee for 120,000 thousand euros issued in January 2012 by Cassa Depositi e

Prestiti in the interests of the European Investment Bank for the loan agreement signed between Acea SpA and the EIB on 14 September 2009;

- a surety of 7,747 thousand euros issued by ACEA Ato2 to the Area Authority, guaranteeing the correct fulfilment of the obligations undertaken as part of the concession agreement. This surety runs out on 6 August 2007 and is renewable;
- 1,471 thousand euros issued by ACEA to Aquaser to guarantee the credit line granted to Solemme;
- 3,783 thousand euros issued in favour of ARIA SPA, which replaced EALL following the merger by incorporation on 1 August 2011, to Terna as a guarantee for the hedging of direct and indirect risks and charges deriving from works that the latter will have to carry out for the connection to the national grid of the San Vittore del Lazio waste-to-energy plant;
- 46,185 thousand euros to the Inland Revenue, to guarantee the splitting into instalments of the sums due as a result of tax settlements of Acea Energia (9,158 thousand euros) and ACEA S.p.A. (37,027 thousand euros);
- 50,000 thousand euros in favour of Acea Energia and in the interests of Enel Distribuzione S.p.A. as a back-to-back guarantee for the transport of electricity;
- 68,277 thousand euros in favour of the Acquirente Unico and in the interests of Acea Energia S.p.A. as a back-to-back guarantee relating to the electricity sale agreement signed between the parties;
- 2,844 thousand euros for the surety, required by article 31 of the Technical Regulations, issued by UNICREDIT in the interests of Acea Ato5 in favour of the AATO, calculated on 10% of the three-year average of the Financial-Tariff Plan of the AATO's Area Plan.
- 5,936 thousand euros issued by insurance companies on behalf of Aria Srl in favour of the Umbria Regional Government (1,320 thousand euros) to guarantee authorisation for management of the Paliano plant, and the Lazio Regional Government (3,829 thousand euros) for authorised operations on lines I and II of the San Vittore plant in Lazio;
- 2,099 thousand euros for the surety in favour of the Lazio Regional Government issued by Assicurazioni Generali on behalf of Aria srl for the share capital increase guaranteed following higher annual and daily quantities of Lines II and III authorised by the Lazio Regional Government with Decree 1305477 of 20 August 2012
- 21,424 thousand euros issued by insurance institutions on behalf of SAO: (i) in favour of the Province of Terni for the management of landfill operations and post-closure operations (15,492 thousand euros) and waste disposal (3,157 thousand euros) and (ii) in favour of suppliers to back contracts (2,775 thousand euros).

Sureties issued also include those issued by ACEA to Sidra S.p.A., totalling 6,830 thousand euros, in relation to a contract to carry out a "Project to repair water leaks in the Catania distribution network" and sureties amounting to 5,165 thousand euros issued to the Sarnese Vesuviano Area Authority in order to take part in the tender process to select a partner to take an interest in G.O.R.I. S.p.A.





Consolidated Financial Statements

at 31 december 2012

Annexes

A. List of consolidated companies

B. Reconciliation of shareholders' equity and statutory profit – consolidated

C. Remuneration of Directors, Statutory Auditors and Key Managers

D. Information provided pursuant to CONSOB Ruling no. 60642933

E. Segment information: statement of financial position and income statement

F. Financial Highlights of Companies accounted for under Proportionate Consolidation

A. List of consolidated companies

Name	Registered office	Share capital	% interest	Group's consolidated interest	Method of Consolidation
ACEA Distribuzione S.p.A.	P.le Ostiense, 2 - Rome	345,000,000	100.00%	100.00%	Line-by-line
ACEA Ato2 S.p.A.	P.le Ostiense, 2 - Rome	362,834,320	96.46%	100.00%	Line-by-line
Acea Reti e Servizi Energetici S.p.A.	P.le Ostiense, 2 - Rome	300,120,000	100.00%	100.00%	Line-by-line
Acque Blu Arno Basso S.p.A.	P.le Ostiense, 2 - Rome	8,000,000	69.00%	100.00%	Line-by-line
Acque Blu Fiorentine S.p.A.	P.le Ostiense, 2 - Rome	15,153,400	69.00%	100.00%	Line-by-line
Ombrone S.p.A.	P.le Ostiense, 2 - Rome	6,500,000	84.57%	100.00%	Line-by-line
LaboratoRI S.p.A.	Via Vitorchiano – Rome	2,444,000	100.00%	100.00%	Line-by-line
ACEA Ato5 S.p.A.	Viale Roma -Frosinone	120,000	94.48%	100.00%	Line-by-line
Sarnese Vesuviano S.r.l.	P.le Ostiense, 2 - Rome	100,000	99.16%	100.00%	Line-by-line
CREA S.p.A. (in liquidation)	P.le Ostiense, 2 - Rome	2,678,958	100.00%	100.00%	Line-by-line
Crea Gestioni S.r.l.	P.le Ostiense, 2 - Rome	100,000	100.00%	100.00%	Line-by-line
Gesesa S.p.A.	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	1,516,174	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.	Piazza del Commercio no. 21 - 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)	3,050,000	84.21%	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
Acea8cento S.p.A.	P.le Ostiense, 2 - Rome	120,000	100.00%	100.00%	Line-by-line
Acea Gori Servizi Scarl	Via ex Aeroporto s.n.c. località Area "Consorzio Sole" - Pomigliano d'Arco Line-by-line	1,000,000	69.82%	100.00%	Line-by-line
Acea Illuminazione Pubblica S.p.A.	P.le Ostiense, 2 - Rome	120,000	100.00%	100.00%	Line-by-line
Acea Produzione S.p.A.	P.le Ostiense, 2 - Rome	5,000,000	100.00%	100.00%	Line-by-line
Acea Energia Holding S.p.A.	Via dell'Aeronautica, 7 – Rome	153,500,000	100.00%	100.00%	Line-by-line
Acea Energia S.p.A.	P.le Ostiense, 2 - Rome	45,000,000	100.00%	100.00%	Line-by-line
Acea Servizi Acqua S.r.l. (in liquidation)	P.le Ostiense, 2 - Rome	10,000	70.00%	100.00%	Line-by-line
Acque Blu S.r.l. (in liquidation)	Via U.Bassi, 34 - Montecatini Terme	10,000	55.00%	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

Name	Registered office	Share capital (in Euro)	% interest	Group's consolidated interest	Method of Consolidation
Acque SpA	Via Garigliano, 1- Empoli	9,953,116	45.00%	45.00%[1]	Proportionate
Acque Industriali Srl	Via Bellatalla, 1- Pisa	100,000	100.00%	45.00%[2]	Proportionate
Acque Servizi Srl	Via Bellatalla, 1- Pisa	400,000	100.00%	45.00%[4]	Proportionate
Consorcio Agua Azul SA	Los Pinos 399 – 27 Lima - Peru	17,380,827	25.50%	25.50%	Proportionate
Umbria Energy SpA	Via B. Capponi, 100- Terni	1,000,000	50.00%	50.00%[3]	Proportionate
Voghera Energia Vendita SpA in liquidazione	Largo Toscanini, 5 – Voghera (PV)	250,000	50.00%	50.00%[5]	Proportionate
Elga Sud SpA	Via Montegrappa, 6 – Trani	250,000	49.00%	49.00%[5]	Proportionate
Ecogena SpA	P.le Ostiense, 2 - Rome	4,000,000	51.00%	51.00%[4]	Proportionate
Ecomed Srl	P.le Ostiense, 2 - Rome	50,094	50.00%	50%	Proportionate
Publiacqua SpA	Via Villamagna 90/c - Florence	150,280,057	40.00%	40.00%[5]	Proportionate
Publiutenti Srl	Via N. da Uzzano 4 - Florence	100,000	100.00%	40.00%[6]	Proportionate
Gori SpA	Via Dante, 1 – Torre Annunziata	44,999,971	37.05%	37.05%[7]	Proportionate
Umbra Acque SpA	Via G. Benucci,162 (PG)	15,549,889	40.00%	40.00%	Proportionate
A.P.I.C.E Srl (in liquidazione)	P.le Ostiense, 2 - Rome	83,113	50.00%	50.00%	Proportionate
Intesa Aretina Scarl	Via B. Crespi, 57 - Milan	18,112,000	35.00%	35.00%	Proportionate
Nuove Acque SpA	Patrignone Loc. Cuculo - Arezzo	34,450,389	46.16%	16.16%[8]	Proportionate
Ingegnerie Toscane Srl.	Via Villamagna 90/c - Florence	100,000	43.01%	43.01%	Proportionate
Consorcio AZB-HCI (Conazul)	Cal. 21 Nro. 751- San Sidro, Lima - Peru	750,786	60.00%	60.00%	Proportionate
Acquedotto del Fiora SpA	Via Mameli,10 Grosseto	1,730,520	40.00%	40.00%[9]	Proportionate

The following companies are consolidated using the equity method:

Name	Registered office	Share capital (in Euro)	% interest
SI(E)NERGIA S.p.A.	Via Fratelli Cairoli, 24 – Perugia	132,000	42.08%
Cesap Vendita Gas S.p.A.	Via del Teatro, 9 – Perugia	80,000	42.08%
Azga Nord S.p.A. (in liquidation)	P.zza Repubblica – Pontremoli (Massa Carrara)	217,500	49.00%
Geal S.p.A.	Viale Luporini, 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 - Rome	10,000	33.50%
Amea S.p.A.	Via San Francesco d'Assisi 15 C - Paliano (Fr)	1,689,000	33.00%
Arkesia S.p.A.	Via Garibaldi 7/E –Paliano (FR)	170,827	33.00%
Citelum Napoli Pubblica Illuminazione scarl	Via Monteverdi, 11 - Milan	90,000	32.18%
Eur power S.r.l.	Largo Virgilio Testa,23 - Rome	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%
Sienergy Project Srl	Via Fratelli Cairoli, 24 - Perugia	40,000	21.46%

B. Reconciliation of shareholders' equity and statutory profit – consolidated

	NET PROFIT		SHAREHOLDERS' EQUITY	
€ thousand	**31.12.2012**	**31.12.2011**	**31.12.2012**	**31.12.2011**
BALANCES IN ACEA'S STATUTORY FINANCIAL STATEMENTS	**87,060**	**108,636**	**1,331,684**	**1,306,430**
Goodwill deriving from comparison of fair value of shareholders' equity and net profit with carrying amounts	95,079	73,360	105,744	141,535
Higher depreciation and amortisation in consolidated financial statements	(1,619)	(2,886)	(17,701)	(16,082)
Elimination of effects of business combination of entities under common control	(1,591)	(1,591)	(1,591)	(1,591)
Elimination of tax effects, including those from previous years	(6,710)	(6,710)	33,813	40,523
accounted for using the equity method	1,748	1,878	47,989	46,241
Elimination of dividends	(130,560)	(119,355)	0	0
Acea ATO2 Acea Distribuzione Acea Energia and ARIA goodwill	35,112	34,090	(243,685)	(278,797)
Elimination of extraordinary items	(1,135)	(1,464)	(1,135)	(1,464)
BALANCES IN CONSOLIDATED FINANCIAL STATEMENTS	**77,383**	**85,958**	**1,255,118**	**1,236,795**

C. Remuneration of Directors, Statutory Auditors and Key Managers

BOARD OF DIRECTORS

Name and Surname	Office	Effective	Termination	Expiry of office
Giancarlo Cremonesi	Chairman	29/04/2010		(1)
Marco Staderini	CEO	29/04/2010		(1)
Paolo Giorgio Bassi	Director	29/04/2010		(1)
Francesco Caltagirone	Director	29/04/2010		(1)
Jean Louis Chaussade	Director	29/04/2010		(1)
Giovanni Giani	Director	29/11/2011		(1)
Paolo di Benedetto	Director	29/04/2010		(1)
Luigi Pelaggi	Director	29/04/2010		(1)
Andrea Peruzy	Director	29/04/2010		(1)

(1) Until approval of the financial statements for the year ended 31 December 2012

Name and Surname	Office	Remuneration of position held	Non-monetary benefits	Bonuses and other incentives (2)	Other remuneration [2]	Total
Giancarlo Cremonesi	Chairman	36			264	300
Marco Staderini	CEO	36	1		287	324
Paolo Giorgio Bassi	Director	36			51	87
Francesco Caltagirone	Director	36			41	77
Jean Louis Chaussade	Director	36			0	36
Giovanni Giani	Director	36			34	70
Paolo di Benedetto	Director	36			55	91
Luigi Pelaggi	Director	36			92	128
Andrea Peruzy	Director	36			96	132

(2) Amounts paid in 2012

The non-monetary benefits granted to the CEO include supplementary pension provision and health insurance.

KEY MANAGERS

2 *The item "other remuneration" includes, for the Chairman and CEO, the fees pursuant to art. 2389, paragraph 3, of the Italian Civil Code. For the other directors, said item includes the fees for participating in Committees (fee for the fulfilment of office and/or attendance fees).*

Fees paid to executives with strategic responsibilities during the year amount to:

- salaries and bonuses (including contributions) 2,214 thousand euros,
- non-monetary benefits 98 thousand euros.

Remuneration paid to key managers is established by the Remuneration Committee based on average levels of pay in the labour market.

Said executives with strategic responsibilities also enjoy non-monetary benefits including supplementary pension, health insurance and unlimited use of company cars.
The information set forth above includes data relative to the General Manager, Paolo Gallo.

BOARD OF STATUTORY AUDITORS (ELECTED 29 APRIL 2010)

NAME	POSITION		REMUNERATION (€000)			
NAME AND SURNAME	**OFFICE HELD**	**TERM OF OFFICE**	**REMUNERATION OF POSITION HELD (2)**	**NON-MONETARY BENEFITS**	**BONUSES AND OTHER INCENTIVES**	**OTHER REMUNERATION**
Enrico Laghi	Chairman	(1)	211	0	0	36
Corrado Gatti	Statutory auditor	(1)	140	0	0	0
Alberto Romano	Statutory auditor	(1)	145	0	0	0
TOTAL BOARD OF STATUTORY AUDITORS			**496**	**0**	**0**	**36**

(1) Until approval of the financial statements for the year ended 31 December 2012

(2) Represents remuneration accrued in 2012

D. Information provided pursuant to CONSOB Ruling no. 6064293

	31.12.2012	Of which related party transactions	Impact	31.12.2011	Of which related party transactions	Impact
Consolidated net revenue	3,592,421	214,205	5.96%	3,272,740	258,219	7.9%
Consolidated net revenue	**3,592,421**	**214,205**	**5.96%**	**3,272,740**	**258,219**	**7.9%**
Total cost of materials and overheads	2,914,897	92,175	3.16%	2,543,545	773,189	30.4%
Total cost of materials and overheads	**2,914,897**	**92,175**	**3.16%**	**2,543,545**	**773,189**	**30.4%**
Gross Operating Profit	**677,524**	**122,030**	**18.01%**	**729,195**	**(514,971)**	**-70.6%**
Amortisation, depreciation, provisions and impairment charges	395,919		0.00%	421,238		0.0%
Operating profit/(loss)	**281,605**	**122,030**	**43.33%**	**307,958**	**(514,971)**	**-167.2%**
Total finance (costs)/income	(120,554)	1	0.00%	(118,422)	33	0.0%
Total profit/(loss) on investments	862		0.00%	9,295		0.0%
Profit/(loss) before tax	**161,912**	**122,031**	**75.37%**	**198,830**	**(514,938)**	**-259.0%**
Taxation	86,052		0.00%	60,737		0.0%
Net profit/(loss) from continuing operations	**75,860**	**122,031**	**160.86%**	**138,093**	**(514,938)**	**-372.9%**
Net profit/(loss) from discontinued operations	**9,440**			**(46,921)**	**(21,636)**	**46.1%**
NET PROFIT/(LOSS) FOR THE PERIOD	**85,300**	**122,031**	**143.06%**	**91,172**	**(536,574)**	**-588.5%**

RELATED PARTY TRANSACTIONS PURSUANT TO CONSOB RESOLUTION NO. 15519 OF 27 JULY 2006

ASSETS	31.12.2012	Of which related party transactions	Impact	31.12.2011	Of which related party transactions	Impact
Property, plant and equipment	2,066,439			2,021,364		
Investment property	2,933			2,993		
Goodwill	147,082			151,244		
Concessions	1,730,591			1,553,946		
Other intangible assets	77,730			115,067		
Investments in subsidiaries and associates	16,415			14,795		
Other investments	4,716			4,686		
Deferred tax assets	358,160			353,648		
Financial assets	32,959	30,899	93.8%	19,939	18,033	90.4%
Other assets	58,484			63,189		
NON-CURRENT ASSETS	**4,495,509**	**30,899**	**0.7%**	**4,300,870**	**18,033**	**0.4%**
Inventories	41,983			66,106		
Trade receivables	1,477,207	190,744	12.9%	1,510,012	269,944	17.9%
Other current assets	135,774			189,518		
Current tax assets	85,562	57	0.1%	57,089	60	0.1%
Current financial assets	152,225	71,787	47.2%	172,768	123,732	71.6%
Cash and cash equivalents	423,698			321,022		
CURRENT ASSETS	**2,316,450**	**262,588**	**11.3%**	**2,316,514**	**393,736**	**17.0%**
Non-current assets held for sale	**6,722**					
TOTAL ASSETS	**6,818,680**	**293,487**	**4.30%**	**6,617,384**	**411,768**	**6.22%**

RELATED PARTY TRANSACTIONS PURSUANT TO CONSOB RESOLUTION NO. 15519 OF 27 JULY 2006

LIABILITIES	31.12.2012	Of which related party transactions	Impact	31.12.2011	Of which related party transactions	Impact
Shareholders' equity						
share capital	1,098,899			1,098,899		
legal reserve	165,087			113,731		
other reserves	(433,220)			(375,802)		
profit (loss) pertaining to previous years	346,968			314,009		
profit (loss) for the period	77,383			85,958		
Total Group shareholders' equity	**1,255,118**			**1,236,795**		
Shareholders' equity attributable to minority interests	77,291			74,661		
Total shareholders' equity	**1,332,409**			**1,311,457**		
Staff termination benefits and other defined benefit plans	105,298			104,776		
Provisions for liabilities and charges	272,401			250,892		
Borrowings and financial liabilities	2,211,609			2,298,916		
Other liabilities	278,663			278,415		
Provisions for deferred tax liabilities	97,217			98,826		
NON-CURRENT LIABILITIES	**2,965,188**			**3,031,825**		
Trade payables	1,267,161	92,864	7.3%	1,344,785	331,215	24.6%
Other current liabilities	299,661			286,441		
Borrowings	891,407	1,638	0.2%	540,645	16,005	3.0%
Tax payables	61,510	68	0.1%	102,232	80	0.1%
CURRENT LIABILITIES	**2,519,739**	**94,569**	**15.27%**	**2,274,102**	**347,300**	**15.27%**
Liabilities directly associated with assets held for sale	**1,344**					
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**6,818,680**	**94,569**	**1.39%**	**6,617,384**	**347,300**	**5.25%**

RELATED PARTY TRANSACTIONS PURSUANT TO CONSOB RESOLUTION NO. 15519 OF 27 JULY 2006

	31.12.2012	Of which related party transactions	31.12.2011	Of which related party transactions
Non-current financial assets/(liabilities)	2,060		1,907	
Intercompany non-current financial assets/(liabilities)	30,899	30,899	18,033	18,033
Non-current borrowings and financial liabilities	(2,211,609)		(2,298,916)	
Net medium-/long-term debt	**(2,178,650)**	**30,899**	**(2,278,976)**	**18,033**
Net long-term debt (Discontinued operations)				
Cash and cash equivalents and securities	423,771		321,093	
Short-term bank borrowing	(753,850)		(448,889)	
Current financial assets/(liabilities)	(56,898)		(26,787)	
Intercompany current financial assets/(liabilities)	70,149	70,149	107,727	107,727
Net short-term debt	**(316,828)**	**70,149**	**(46,855)**	**107,727**
Net short-term debt (Discontinued operations)				
TOTAL NET DEBT	**(2,495,478)**	**101,048**	**(2,325,831)**	**125,760**

RELATED PARTY TRANSACTIONS PURSUANT TO CONSOB RESOLUTION NO. 15519 OF 27 JULY 2006

	31.12.2012	Related parties	Impact	31.12.2011	Related parties	Impact
Cash flow from operating activities						
Profit before tax from continuing operations	161,912			198,830		
Profit before tax from discontinued operations	12,165			(39,738)		
Amortisation/depreciation	259,032			250,453		
Revaluations/impairment charges	82,675			(2,044)		
Movement in provisions for liabilities	21,545			50,179		
Net movement in staff termination benefits	(4,231)			(12,554)		
Realised gains	1,953			0		
Net financial interest expense	120,554			120,574		
Income taxes paid	(107,528)			(139,540)		
Cash generated by operations before movements in working capital	**548,078**			**426,160**		
Increase in current receivables	(49,186)	(79,203)	161.03%	(289,129)	13,866	(4.80%)
Increase/decrease in current liabilities	(72,595)	(238,364)	328.35%	314,398	129,155	41.08%
Increase/(decrease) in inventories	23,895			6,322		
Movement in working capital	***(97,886)***			***31,591***		
Change in other assets/liabilities for the year	**19,370**			**(124,780)**		
TOTAL CASH FLOW FROM OPERATING ACTIVITIES	**469,562**			**332,972**		
Cash flow from investing activities						
Purchase/Sale of property, plant and equipment	(303,859)			(86,311)		
Purchase/sale of intangible assets	(248,362)			(380,155)		
Investments	4,098			(13,210)		
Purchase/sale of investments in subsidiaries	0			0		
Proceeds/payments deriving from other investments	(1,825)	(39,078)	2141.60%	230,233	(137,655)	(59.79%)
Dividends received	823	823	100.00%	2,048	2,048	100.00%
Interest income received	30,780			22,609		
TOTAL	**(518,344)**			**(224,787)**		
Cash flow from financing activities						
Repayment of mortgages and long-term borrowings	(213,708)			(41,552)		
Provision of mortgages/other medium/long-term borrowings	100,000			0		
Decrease/increase in other short-term borrowings	436,226	(14,367)	(3.29%)	237,019	(98,430)	(41.53%)
Interest expenses paid	(123,247)	1	(0.00%)	(119,622)	580	(0.48%)
Dividends paid	(47,813)	(47,813)	100.00%	(159,530)	(159,530)	100.00%
TOTAL CASH FLOW	**151,458**			**(83,685)**		
Cash flows for the year	***102,676***			***24,500***		
Cash and cash equivalents at beginning of period	***321,022***			***296,522***		
Cash and cash equivalents at end of period	***423,698***			***321,023***		

E. Segment information: statement of financial position and income statement

2011 STATEMENT OF FINANCIAL POSITION

€ thousand	GENERATION	DISTRIBUTION	SALES	PUBLIC LIGHTING	ITALIAN WATER SERVICES	OVERSEAS
Investments	11,240	103,600	11,250	0	229,700	200
Segment assets						
Property, plant and equipment	160,775	1,356,688	2,234	0	62,563	2,061
Intangible assets	1,304	116,938	33,500	0	1,739,304	7,906
Non-current financial assets accounted for using the equity method						
Non-current financial assets						
Other non-current trading assets						
Other non-current financial assets						
Inventories	2,926	16,601	0	7,068	13,656	1,831
Trade receivables due from third parties	10,864	142,288	642,359	10,666	489,451	6,160
Trade receivables due from Parent Company	0	4,596	38,903	37,349	76,674	0
Trade receivables due from subsidiaries and associates	0	13,517	32,988	224	7,520	92
Other current trading assets						
Other current financial assets						
Cash and cash equivalents						
Total assets	**175,869**	**1,650,629**	**749,983**	**55,307**	**2,389,168**	**18,050**
TOTALE ATTIVITÀ	**175.869**	**1.650.629**	**749.983**	**55.307**	**2.389.168**	**18.050**

ENGINEERING	CORPORATE	ENVIRONMENT	PV POWER	TOTA ASSETS	CONSOLIDATION ADJUSTMENTS	GROUP TOTAL
400	10,500	20,600	25,400	412,956	0	412,956
1,814	55,419	204,580	143,488	1,989,623	34,723	2,024,346
290	10,393	9,576	0	1,919,211	(98,945)	1,820,267
					14,795	
						4,685
						416,837
						19,940
0	(0)	2,806	23,706	68,594	(2,489)	66,106
22,636	27,977	77,189	63,662	1,493,252	(188,561)	1,304,691
72	8,865	105	0	166,564	(6,504)	160,060
60	53,659	140	0	108,200	(62,939)	45,261
						246,607
						172,768
						321,022
24,873	**156,313**	**294,395**	**230,857**	**5,745,444**	**(324,714)**	6,617,384
24.873	**156.313**	**294.395**	**230.857**	**5.745.444**	**(324.714)**	**6.617.384**

2011 STATEMENT OF FINANCIAL POSITION

€ thousand	GENERATION	DISTRIBUTION	SALES	PUBLIC LIGHTING	ITALIAN WATER SERVICES	OVERSEAS
Segment liabilities						
Trade payables due to third parties	**11,434**	**169,461**	**516,132**	**73,416**	**430,766**	**1,682**
Trade payables due to Parent Company	725	15,796	56,547	0	66,958	567
Trade payables due to subsidiaries and associates	0	3,468	824	8,537	10,277	15
Other current trading liabilities						
Other current financial liabilities						
Staff termination benefits and other defined-benefit plans	1,857	28,471	4,576	3,754	37,892	221
Other provisions	1,428	15,842	3,257	1,799	145,308	690
Provisions for deferred tax liabilities						
Other non-current trading liabilities						
Other non-current financial liabilities						
Shareholders' equity						
Total liabilities and shareholders' equity	15,444	233,039	581,335	87,506	691,202	3,174
TOTALE PASSIVITÀ E NETTO	**15.444**	**233.039**	**581.335**	**87.506**	**691.202**	**3.174**

ENGINEERING	CORPORATE	ENVIRONMENT	PV POWER	TOTAL	CONSOLIDATION ADJUSTMENTS	GROUP TOTAL
2,092	**61,720**	**39,369**	**58,637**	**1,364,708**	**(179,733)**	**1,184,975**
497	31,395	877	0	173,361	(40,565)	132,796
323	16,785	534	0	40,763	(13,750)	27,014
						388,673
						540,645
2,552	23,551	1,901	0	104,776	0	104,776
2,355	70,680	19,293	0	260,650	(9,758)	250,892
						98,826
						278,415
						2,298,916
						1,311,457
7,818	204,131	61,974	58,637	1,944,259	(243,806)	6,617,384
7.818	**204.131**	**61.974**	**58.637**	**1.944.259**	**(243.806)**	**6.617.384**

2011 INCOME STATEMENT

€ thousand	GENERATION	DISTRIBUTION	SALES	TRADING/ ENERGY MANAGEMENT	PUBLIC LIGHTING	ITALIAN WATER SERVICES
Third party revenues	9,999	196,841	261,037	34,383	4,176	768,023
Inter-segment sales	18,552	246,245	1,804,307	6,799	77,890	5,408
Staff costs	4,597	61,420	16,442	2,271	11,163	123,591
Energy purchase	5,814	63,757	1,946,486	30,744	0	263
Sundry materials and overheads	7,071	80,622	53,917	10,238	64,938	342,481
Gross operating profit/ (loss)	**11,068**	**237,286**	**48,499**	**(2,070)**	**5,966**	**307,096**
Amortisation/ depreciation	**15,682**	**118,570**	**26,676**	**1,354**	**2**	**156,361**
Operating profit/(loss)	***(4,614)***	***118,716***	***21,823***	***(3,424)***	***5,964***	***150,734***
Finance (costs)/income						
Profit/(loss) on investments		144	7,458			39
Profit/(loss) before tax	***(4,614)***	***118,716***	***21,823***	***(3,424)***	***5,964***	***150,734***
Taxation						
Net profit/(loss) from continuing operations						
Net profit/(loss) from discontinued operations	**(6,616)**		**22**	**3,525**		
NET PROFIT/(LOSS)						

OVERSEAS	ENGINEERING	ENVIRONMENT AND ENERGY	PV POWER	CORPORATE	GROUP TOTAL	CONSOLIDATION ADJUSTMENTS	CONSOLIDATED TOTAL
36,093	751	84,037	67,380	89,387	1,552,106	(69,271)	1,482,835
178	22,964	75	0	5,355	2,187,774	(397,868)	1,789,906
10,678	8,669	8,739	504	47,648	295,722	(17,468)	278,254
0	0	1,165	0	442	2,048,671	(341,416)	1,707,255
16,896	7,095	42,530	55,655	77,291	758,733	(200,697)	558,036
8,697	**7,951**	**31,677**	**11,221**	**(30,639)**	**636,752**	**92,443**	**729,195**
1,773	**980**	**31,195**	**1,970**	**66,700**	**421,264**	**(26)**	**421,238**
6,924	***6,970***	***482***	***9,251***	***(97,339)***	***215,488***	***92,469***	***307,958***
							(118,422)
1,653					9,295		9,295
6,924	***6,970***	***482***	***9,251***	***(97,339)***	***215,488***	***92,469***	***198,830***
							60,737
							138,093
			4,362		**1,293**	**(48,214)**	**(46,921)**
							91,172

2012 STATEMENT OF FINANCIAL POSITION

€ thousand	GENERATION	DISTRIBUTION	SALES	ENERGY MANAGEMENT	PUBLIC LIGHTING	ITALIAN WATER SERVICES
Investments	19,259	101,727	7,306	545	0	223,100
Segment assets						
Property, plant and equipment	173,035	1,351,619	632	1,466	0	69,250
Intangible assets	9,907	30,236	92,195	695	5,172	2,134,757
Financial assets measured at equity						
Non-current financial assets						
Other non-current trading assets						
Other non-current financial assets						
Inventories	2,656	13,480	0	0	9,492	12,132
Trade receivables due from third parties	15,437	195,193	562,204	49,415	19,499	580,076
Trade receivables due from Parent Company	1,950	3,967	53,406	22	17,147	46,286
Trade receivables due from subsidiaries and associates	0	0	25,475	67,154	176	5,784
Other current trading assets						
Other current financial assets						
Cash and cash equivalents						
Non-current assets held for sale						
TOTAL ASSETS						

OVERSEAS	ENGINEERING	CORPORATE	ENVIRONMENT	PV POWER	TOTAL	CONSOLIDATION ADJUSTMENTS	GROUP TOTAL
253	991	122,343	37,483	165	514,846	0	513,172
1,095	2,165	169,998	265,919	32,629	2,067,807	1,564	2,069,372
7,735	117	8,758	(14,855)	0	2,274,717	(319,313)	1,955,404
							16,415
							4,716
							416,644
							32,959
820	0	0	3,193	209	41,983	0	41,983
7,850	21,917	26,103	61,760	32,704	1,572,158	(225,310)	1,346,848
0	29	504	199	0	123,511	(29,161)	94,350
0	0	58,604	277	0	157,469	(121,460)	36,009
							221,337
							152,225
							423,698
				6,722	6,722		6,722
							6,818,680

2012 STATEMENT OF FINANCIAL POSITION

€ thousand	GENERATION	DISTRIBUTION	SALES	TRADING	ENERGY MANAGEMENT	PUBLIC LIGHTING
Segment liabilities						
Trade payables due to third parties	17,667	248,413	321,020	0	163,679	66,099
Trade payables due to Parent Company	1,761	24,287	85,969	0	191	2,800
Trade payables due to subsidiaries and associates	0	1,220	70	0	17,764	3,668
Other current trading liabilities						
Other current financial liabilities						
Staff termination benefits and other defined-benefit plans	1,937	30,197	3,840	0	253	1,602
Other provisions	1,379	6,470	7,826	0	169	813
Provisions for deferred tax liabilities						
Other non-current trading liabilities						
Other non-current financial liabilities						
Liabilities directly associated with assets held for sale						
Shareholders' equity						
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY						

ITALIAN WATER SERVICES	OVERSEAS	ENGINEERING	CORPORATE	ENVIRONMENT	PV POWER	TOTAL	CONSOLIDATION ADJUSTMENTS	GROUP TOTAL
443,444	1,439	2,689	74,672	59,038	14,597	1,412,758	(219,678)	1,193,080
43,653	141	477	20,516	410	399	180,604	(119,860)	60,743
4,111	15	45	12,417	569	0	39,880	(26,542)	13,338
								361,171
								891,407
37,398	225	2,597	25,302	1,958	0	105,310	(12)	105,298
163,470	524	2,472	39,932	31,543	1,633	256,231	16,171	272,401
								97,217
								278,663
								2,211,609
					1,344	1,344		1,344
								1,332,409
								6,818,680

2012 INCOME STATEMENT

€ thousand	GENERATION	DISTRIBUTION	SALES	ENERGY MANAGEMENT	PUBLIC LIGHTING	ITALIAN WATER SERVICES
Third party revenues	33,123	214,223	334,267	808,153	42,686	843,874
Inter-segment sales	20,824	230,638	1,933,668	157,829	35,372	4,953
Staff costs	4,408	59,296	18,058	1,654	10,417	121,983
Energy purchase	6,475	72,217	2,134,158	965,211	0	295
Sundry materials and overheads	11,677	82,528	76,104	9,087	59,931	398,228
Gross operating profit/(loss)	**31,388**	**230,819**	**39,614**	**(9,970)**	**7,711**	**328,321**
Amortisation/depreciation	10,363	113,268	50,293	1,552	0	154,218
Operating profit/(loss)	**21,025**	**117,551**	**(10,679)**	**(11,522)**	**7,710**	**174,103**
Finance (costs)/income						
Profit/(loss) on investments		592	(5)			(525)
Profit/(loss) before tax						
Taxation						
Profit/(loss) from discontinued operations						
NET PROFIT/(LOSS)						

OVERSEAS	ENGINEERING	ENVIRONMENT	PV POWER	CORPORATE	GROUP TOTAL	CONSOLIDATION ADJUSTMENTS	CONSOLIDATED TOTAL
38,393	351	110,059	28,659	12,060	2,465,849	(851,322)	1,614,528
0	26,594	109	41	94,800	2,504,829	(526,936)	1,977,893
12,707	9,041	8,729	575	55,742	302,609	(20,541)	282,069
0	0	1,653	9,553	424	3,189,986	(1,105,783)	2,084,204
15,527	7,467	50,448	14,205	75,455	800,657	(252,032)	548,625
10,159	**10,437**	**49,338**	**4,368**	**(24,761)**	**677,426**	**98**	**677,524**
1,770	1,215	30,303	2,287	32,944	398,214	(2,295)	395,919
8,389	**9,222**	**19,035**	**2,081**	**(57,704)**	**279,212**	**2,393**	**281,605**
							(120,554)
669	(9)			139	862		862
							161,912
							86,052
			5,296		**5,296**	**4,144**	**9,440**
							85,300

F. Financial Highlights of Companies accounted for under Proportionate Consolidation

€ thousand	Acque	Acque Industriali	Acque Servizi	Publiutenti	Publiacqua	Gori	Voghera Vendite	Umbria Energy
Income statement								
Total net revenues	54,717	2,938	10,078	15	73,801	55,277	8,516	69,321
Total operating costs	30,722	2,377	9,188	93	49,407	44,898	8,418	68,790
Gross Operating Profit	23,996	561	890	(78)	24,394	10,378	99	531
% of Revenues	0	0	0	(0)	0	0	0	0
Amortisation, depreciation and impairment charges	(17,403)	(224)	(336)		(18,491)	(12,143)	(2,252)	(353)
Operating profit/(loss)	**6,592**	**338**	**554**	**(78)**	**5,903**	**(1,764)**	**(2,153)**	**179**
Net profit/(loss) for the period	**2,122**	**232**	**383**	**(57)**	**3,661**	**(1,071)**	**(2,503)**	**134**
Statement of Financial Position								
Net invested capital	**125,055**	**1,843**	**3,665**	**(158)**	**104,657**	**37,530**	**(717)**	**4,296**
Current assets	30,724	1,426	7,834	78	36,291	127,780	6,292	21,664
Current liabilities	(33,897)	(1,012)	(4,307)	(232)	(43,732)	(114,467)	(7,056)	(17,917)
NET CURRENT ASSETS/(LIABILITIES)	***(3,173)***	***414***	***3,526***	***(155)***	***(7,441)***	***13,313***	***(764)***	***3,747***
Non-current assets	174,171	1,620	710	0	171,348	70,934	154	1,195
Non-current liabilities	(45,943)	(191)	(571)	(3)	(59,250)	(46,717)	(107)	(646)
NET NON-CURRENT ASSETS/ (LIABILITIES)	***128,228***	***1,429***	***138***	***(3)***	***112,098***	***24,217***	***47***	***549***
Shareholders' equity	***(20,388)***	***(783)***	***(2,129)***	***69***	***(70,164)***	***(22,879)***	***2,306***	***(1,170)***
Net funds/(debt)	**(104,667)**	**(1,059)**	**(1,535)**	**89**	**(34,492)**	**(14,650)**	**(1,589)**	**(3,126)**
Current financial assets	7,729	97	539	89	2,093	3,434	75	678
Current financial liabilities	(2,507)	(339)	(2,004)		(1,554)	(18,084)	(1,664)	(3,803)
TOTAL NET CURRENT FINANCIAL ASSETS/(LIABILITIES)	***5,222***	***(242)***	***(1,464)***	***89***	***539***	***(14,650)***	***(1,589)***	***(3,126)***
Non-current financial assets					10			
Non-current financial liabilities	(109,889)	(817)	(71)		(35,042)			
TOTAL NET NON-CURRENT FINANCIAL ASSETS/(LIABILITIES)	***(109,889)***	***(817)***	***(71)***	***0***	***(35,032)***	***0***	***0***	***0***

Elga Sud	Ecogena	Overseas	Umbra Acque	Apice	Ecomed	Intesa Aretina	Nuove Acque	Ingegnerie Toscane srl	Acquedotto del Fiora
7,116	1,421	2,777	25,120	0	56	266	7,847	8,709	32,130
7,103	1,229	903	18,917	25	3	290	4,837	6,519	21,049
12	192	1,874	6,203	(25)	53	(24)	3,011	2,190	11,081
0	0	0	0	(413)	0	(0)	0	0	0
(130)	(216)	(534)	(5,215)	0		(38)	(1,503)	(250)	(6,442)
(118)	**(24)**	**1,339**	**988**	**(25)**	**53**	**(62)**	**1,508**	**1,940**	**4,639**
(40)	**(92)**	**733**	**147**	**(28)**	**47**	**429**	**658**	**1,308**	**1,659**
514	**5,263**	**8,750**	**24,502**	**(6)**	**(162)**	**6,780**	**16,804**	**6,054**	**53,900**
3,826	3,090	313	16,311	22	19	190	2,652	9,411	14,550
(3,336)	(2,757)	(124)	(18,255)	(28)	(184)	(568)	(2,281)	(6,411)	(16,368)
490	***334***	***189***	***(1,944)***	***(6)***	***(165)***	***(379)***	***371***	***3,000***	***(1,818)***
54	7,432	8,593	43,887	0	3	7,159	20,698	3,529	74,330
(30)	(2,502)	(32)	(17,442)				(4,265)	(475)	(18,613)
24	***4,929***	***8,561***	***26,446***	***0***	***3***	***7,159***	***16,433***	***3,054***	***55,717***
(112)	***(1,791)***	***(6,641)***	***(7,942)***	***43***	***(72)***	***(7,250)***	***(6,248)***	***(3,584)***	***(13,087)***
(401)	**(3,471)**	**(2,008)**	**(16,560)**	**(37)**	**233**	**470**	**(10,556)**	**(2,470)**	**(40,813)**
0	999	906	696		272	470	1,346	(636)	1,261
(402)	(1,104)	(78)	(7,710)	(37)	(39)		(22)	(1,834)	(37,196)
(401)	***(105)***	***827***	***(7,014)***	***(37)***	***233***	***470***	***1,324***	***(2,470)***	***(35,935)***
	427		250					0	0
	(3,792)	(2,835)	(9,795)				(11,881)		(4,879)
0	***(3,366)***	***(2,835)***	***(9,545)***	***0***	***0***	***0***	***(11,881)***	***0***	***(4,879)***

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Independent auditors' report
pursuant to art. 14 and 16 of Legislative Decree n. 39 dated January 27, 2010
(Translation from the original Italian text)

To the Shareholders
of ACEA S.p.A.

1. We have audited the consolidated financial statements of ACEA S.p.A. and its subsidiaries, (the "ACEA Group") as of and for the year ended December 31, 2012, comprising the statement of financial position, the income statement, the statement of comprehensive income, the statement of changes in shareholders' equity, the statement of cash flows and the related notes. The preparation of these financial statements in compliance with International Financial Reporting Standards as adopted by the European Union and with art. 9 of Legislative Decree n. 38/2005 is the responsibility of the ACEA S.p.A.' s management. Our responsibility is to express an opinion on these financial statements based on our audit.

2. We conducted our audit in accordance with auditing standards recommended by CONSOB (the Italian Stock Exchange Regulatory Agency). In accordance with such standards, we planned and performed our audit to obtain the information necessary to determine whether the consolidated financial statements are materially misstated and if such financial statements, taken as a whole, may be relied upon. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, as well as assessing the appropriateness of the accounting principles applied and the reasonableness of the estimates made by management. We believe that our audit provides a reasonable basis for our opinion.

   The consolidated financial statements of the prior year are presented for comparative purposes. As described in the notes, according to IFRS 5, management has reclassified certain comparative figures related to the income statement of the prior year, with respect to the figures previously presented and audited by us, on which we issued our auditors' report dated April 12, 2012. We have examined the methods used to restate the comparative figures and the related information presented in the notes, for the purpose of expressing our opinion on the consolidated financial statements as of and for the year ended December 31, 2012.

3. In our opinion, the consolidated financial statements of the ACEA Group at December 31, 2012 have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union and with art. 9 of Legislative Decree n. 38/2005; accordingly, they present clearly and give a true and fair view of the financial position, the results of operations and the cash flows of the ACEA Group as of December 31, 2012 and for the year then ended.

Reconta Ernst & Young S.p.A.
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4. We draw the attention to the following matters:

- With reference to the subsidiaries GORI S.p.A. and ACEA ATO5 S.p.A., the management has disclosed in the notes the reasons which requires the provision recognized in the prior year to be mantained. This is due to the situation of persistent continuing uncertainty affecting GORI S.p.A.'s operations and, with regard to ACEA ATO 5 S.p.A., the uncertainty relating to the fee adjustments' recovery.

- With the enactment of Law n. 214 of December 22, 2011, the Regulatory Authority for Electricity and Gas ("AEEG") has the function of regulating, controlling and monitoring water services. With resolution n. 585/2012/R/idr of December 28, 2012 ("Resolution"), the AEEG approved the Transitional Tariff Methodology ("MTT") for determining 2012 and 2013 tariffs. The management has disclosed in the notes and in the report on operations the main aspects introduced by the Resolution and, in particular, that integrated water services revenues were calculated based on the Restriction on Guaranteed Revenues ("VRG") of the operators, which represents the best estimate, calculated on the basis of elements available to date, as provided by the AEEG. Such estimates should be confirmed in the tariff proposals that the Area Authorities must complete by 31 March 2013 and definitively approved by the AEEG by 30 June 2013.

- The ACEA Group carries on significant transactions with related parties, whose nature and extent are described in the notes to the financial statements.

5. The management of ACEA S.p.A. is responsible for the preparation of the Report on Operations and the Corporate Governance and Ownership Structure Report in accordance with the applicable laws and regulations. Our responsibility is to express an opinion on the consistency with the consolidated financial statements of the Report on Operations and the specific section on Corporate Governance and Ownership Structure Report, regarding the information included therein in compliance with art. 123-bis paragraph 1, letters c), d), f), l), m) and paragraph 2, letter b) of Legislative Decree n. 58/1998, as required by the law. For this purpose, we have performed the procedures required under Auditing Standard 001 issued by the Italian Accounting Profession (CNDCEC) and recommended by CONSOB. In our opinion, the Report on Operations and the information presented in the Corporate Governance and Ownership Structure Report in compliance with art. 123-bis paragraph 1, letters c), d), f), l), m) and paragraph 2), letter b) of Legislative Decree n. 58/1998, are consistent with the consolidated financial statements of the ACEA Group as of December 31, 2012.

Rome, March 25, 2013

Reconta Ernst & Young S.p.A.
signed by: Filippo Maria Aleandri, partner

This report has been translated into the English language solely for the convenience of international readers

Certification of consolidate financial statements in accordance with art.154-bis of Legislative Decree 58/98
(Translation from the original Italian text)

1. The undersigned, Marco Staderini, as Chief Executive Officer, and Iolanda Papalini, as Executive Responsible for Financial Reporting of the company ACEA S.p.A., taking also account of provisions envisaged by Art.154-bis, paragraphs 3 and 4, of the Legislative Decree n°58 of 24 February 1998, hereby certify:

    - the consistency to the business characteristics and
    - the effective application

    of the administrative and accounting procedures for preparing the consolidated financial statements at 31 December 2012.

2. To this purpose, no significant issues were recorded.

3. It is also certified that:
    - ✓ the consolidated financial statements:
        a) were drawn up in compliance the applicable international accounting standards recognised in European Community in accordance with EC regulation 1606/2002 of the European Parliament and the Council, of 19 July 2002,
        b) are consistent with the underlying accounting books and records,
        c) give a true and correct view of the operating results and financial position of the issuer and the overall of companies included in the consolidation,
    - ✓ the report on operations includes a reliable analysis of the operational performance and result, as well as the situation of the issuer and the companies included in the scope of consolidation, together with a description of the main risks and uncertainties to which they are exposed.

Rome, 25 March 2013

signed by: Marco Staderini, The CEO

signed by: Iolanda Papalini, The Executive Responsible for Financial Reporting

This report has been translated into the English language solely for the convenience of international readers

Corporate governance and ownership structure report

pursuant to article 123-bis
Finance Consolidation Act (TUF)

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1. Issuer's profile

This report (hereafter "Report") shows the corporate governance system adopted by ACEA S.p.A. ("ACEA" or the "Company").
The corporate governance system of ACEA complies with the Corporate Governance Code of listed companies promoted by Borsa Italiana, with the most recent version published in December 2011 (hereinafter referred to as the "Code"). This corporate governance system was also guided by the relevant CONSOB recommendations, and more generally, by international best practices.
The corporate governance system adopted by ACEA is basically aimed at creating value for its shareholders over the medium-long term, aware of the social relevance of the Group's business and the need therefore to adequately take account of all the interests involved in running its business.
ACEA's corporate governance structure is arranged according to the traditional organisational model and consists of the following bodies: General meeting of shareholders, Board of Directors (assisted by the Committees set up as part of the same Board), Board of Statutory Auditors and Auditing Firm.
Within this structure, the Board is in charge of management and also works as a collective unit and through specific committees that have the power to make recommendations and give advice to ensure that the necessary controls to monitor the company performance are in place; it works in association with the Board of Statutory Auditors, a body that is not part of the Board, which has independent duties and powers and is appointed on the basis of fulfilling the professional competence, reputation and independent requirements established by law and forming part of the articles of association.
The information in this Report refers to 2012, and some specific matters were updated to 8 March 2013, the date it was approved by the Board of Directors.

2. Ownership structure information

(art. 123 bis TUF, par. 1)

A) SHARE CAPITAL STRUCTURE *(as per art. 123-bis TUF par. 1 letter a)*

The Company's share capital, which is 1,098,898,884.00 euros, fully issued and paid up, is divided into 212,964,900 ordinary shares with a nominal value of 5.16 euros each; 51% of the share capital is held by Roma Capitale, while the remaining 49% of the shares have been listed on the electronic equity market (MTA) organised and managed by Borsa Italiana since 16 July 1999.
There are no shares with limited voting rights or without voting rights, except for 416,993 treasury shares with suspended voting rights, in accordance with art. 2357-ter of the Italian Civil Code.

B) RESTRICTIONS ON STOCK TRANSFERS *(as per art. 123-bis TUF par. 1, lett. b)*

There are no restrictions on stock transfers, except for individual restrictions for individual shareholders.

C) RELEVANT EQUITY HOLDINGS *(as per art. 123-bis TUF par. 1, lett. c)*

Direct or indirect relevant equity holdings, as per art. 120 TUF, are listed in Table 1 based on the information reported as at xx March 2013 on the CONSOB site, notices sent in accordance with the same article.

D) STOCKS WITH SPECIAL RIGHTS *(as per art. 123-bis TUF par. 1, lett. d)*

No shares were issued that grant special control rights.

E) EMPLOYEE EQUITY HOLDINGS: MECHANISM OF EXERCISING VOTING RIGHTS *(as per art. 123-bis TUF par. 1, lett. e)*

In compliance with what is set forth by art. 13 of the Articles of Association, in order to facilitate the collection of proxies from shareholders who are employees of the

Company or its subsidiaries, who adhere to shareholders' associations which meet the requisites dictated by the effective applicable regulation, appropriate spaces have been made available for notification and for carrying out the proxy collection process.

F) RESTRICTIONS ON VOTING RIGHTS *(as per art. 123-bis TUF par. 1, lett. f)*

Art. 6 of the Articles of Association restricts an equity investment to 8% of the share capital, with the sole exception of Roma Capitale (previously the Municipality of Rome); the Company shall be notified if this limit is exceeded. This limit shall be considered reached, both in direct and indirect terms, as better specified in paragraphs 2 and 3 of the cited article and as described below in the "General Meeting" chapter of this Report. If it is violated, the shareholder shall be prohibited to exercise the voting right for shares exceeding the indicated measure and, in the event that a resolution was made with the determining vote originating from the shares exceeding that percentage, the resolution shall become contestable.

G) SHAREHOLDERS' AGREEMENTS *(as per art. 123-bis TUF par. 1, lett. g)*

As far as the Company is aware, there are no shareholder agreements as per art. 122 TUF, special vetoes or any other arrangements involving special influence on decisions not directly related to shareholdings in the Company.

H) CHANGE OF CONTROL CLAUSES *(as per art. 123-bis TUF par. 1, lett. h) and regulatory provisions concerning tender offers (as per art. 104, paragraph 1-ter, and 104-bis, paragraph 1)*

Acea S.p.A. – Astrim S.p.A. Agreement of 25 June 2007 (Ecogena JVA)

The agreement, still in force, regards the establishment of a joint company for the realisation and management/maintenance of co-generative/regenerative power generation facilities in small heat pump plants with geothermal integration.

Art. 9.6 sets forth that if, while the contract is effective, an Astrim competitor (in specific sectors) becomes involved in Acea's share structure, moreover gaining ownership of proxies even if not necessarily holding a position of control, and if the Parties have not found a solution by an established date, Astrim can begin an exit process pursuant to art. 17 of the same JVA.

Art. 17 regulates the sales proposal phase of one party regarding the other and the effect is alternatively: i) pro quota division; ii) sale of one's own quota; iii) acquisition of the remaining quota.

Both cases shall lead to the dissolution of the JV.

The articles of association do not include any provision concerning tender offers.

I) AUTHORITY TO INCREASE SHARE CAPITAL AS PER ART. 2443 OF THE ITALIAN CIVIL CODE OR AUTHORITY HELD BY DIRECTORS TO ISSUE PARTICIPATORY FINANCIAL INSTRUMENTS AND AUTHORISATIONS FOR THE PURCHASE OF TREASURY SHARES *(as per art. 123-bis TUF par. 1, lett. m)*

As at 31 December 2012, and also at the date of this report, the BoD does not hold the authority to increase share capital or to purchase Company treasury shares.

Moreover, as already indicated, as of today the Company holds 416,993 treasury shares with suspended voting rights in accordance with art. 2357-ter of the Italian Civil Code, remaining from purchases of treasury shares, authorised by a resolution made by the ordinary general meeting on 23 October 1999, amended by a resolution made by the ordinary general meeting on 29 April 2000, re-approved with ordinary general meeting resolution on 31 October 2001 and supplemented by a resolution made by the ordinary general meeting of 30 April 2002.

L) MANAGEMENT AND CO-ORDINATION *(as per art. 2497 et seq. of the Italian Civil Code)*

Art. 2497 et seq. of the Italian Civil Code is not applicable since ACEA autonomously defines its own strategic policies and is endowed with full organisational, management and business autonomy, not being subject to any management and co-ordination activity.

3. Compliance

(as per art. 123-bis, par. 2, lett. a), TUF

ACEA subscribes to the Corporate Governance Code promoted by Borsa Italiana S.p.A and which can be consulted on the Internet site of Borsa Italiana www.borsaitaliana.it.
The company provides disclosure on its governance system and its compliance with the Code through a Report issued on a yearly basis, drafted also in accordance with article 123-bis of the TUF; it notes the degree of compliance with the standards and application established by the Code along with international best practice.
The Report is made available to the Shareholders on an annual basis with the documentation provided for the Shareholders' Meeting to approve the financial statements, and it is also duly published on the Internet site of the Company (www.acea.it) under the "Corporate Governance" section.
Significant amendments were made to the Corporate Governance Code in December 2011, to be applied by the end of the financial year starting in 2012.
The methods for incorporating what is set forth by the Code are illustrated in the various Sections of the Report, and more specifically in chapters 7, 9 and 10.

4. Board of Directors

4.1 Appointment and replacement (art. 123-bis, par.1, lett. l), TUF)

The appointment and replacement of Directors are regulated by the effective regulation, as incorporated and integrated, within the allowed limits, by the Articles of Association, prepared in adherence to and compliance with the requisites of the Code for listed companies.
According to the Company's Articles of Association, the Board of Directors consists of a number of members not lower than five and not higher than nine, appointed by the ordinary general meeting of shareholders (which determines the number within these limits) for a period not exceeding three years, who can be re-elected at the expiration of their term.
Directors may be elected who possess the requirements according to the law and regulatory provisions.
The appointment of the directors is governed by art. 15.1 of the Articles of Association, amended at a board meeting on 24 January 2013 in order to comply with Law 120/2011 and regarding gender balance.
This article establishes the following:

- the criteria regarding gender balance as established by law must be complied with in the composition of the Board;
- for Directors, the election is made based on the lists in which the candidates shall be listed in numerical order in accordance with the positions be filled; each list is required to indicate at least two candidates who qualify as independent in accordance with the law; the first independent candidate shall not be placed beyond the second position on the list and the second candidate not beyond the fourth position;
- appointments are made as follows:

  "A. half plus one of the directors to be appointed shall be taken from the list which obtained the majority of votes ("Majority Shareholder List"), in numerical order, rounding down to the lesser unit in the event of a fractional number;

  B. without prejudice to compliance with legal regulations and the Articles of Association provisions regarding limits of relation with the majority shareholder list, the remaining directors shall be taken from the other lists. To this end, the votes that the lists receive shall be divided, for each list, subsequently by 1, 2, 4 and 8 up to the number of directors to be elected. The quotients obtained in this way shall be progressively assigned to the candidates of each of those lists, according to the list order respectively assigned to the candidates. The quotients so allocated to the candidates from the various lists shall be arranged in a single decreasing ranking. Those who have obtained the highest quotients shall be electedi.

  In the event that more than one candidate obtains the same quotient, the candidate from the list that did not elect any director or which

elected the lowest number of directors shall be appointed.

In the event that none of these lists has yet appointed a director, or all have appointed the same number of directors, from among these lists, the candidate from the list that received the highest number of votes shall be appointed. In the event that the list votes are equal, and the quotients are equal, a new vote shall be carried out by the entire general meeting, and the candidate who receives a simple majority of votes shall be appointed.

In any case, if only one regular list is presented other than the majority shareholder list, the candidates shall be elected from this one, according to the order of presentation".

The election mechanism introduced guarantees the appointment of at least one director representing the minority shareholders as well as the appointment of the minimum number of independent directors in accordance with law (one if the Board has less than seven members, two if the Board has more than seven members) as per art. 147-ter, par. 4 TUF.

The lists shall be submitted twenty-five days before the date set for the first meeting by the Shareholders who alone or together with other shareholders, represent at least one percent of the shares entitled to vote at the ordinary general meeting.

No party can be a candidate in more than one list and each shareholder has the right to vote for only one list. The lists of candidates shall be deposited at the registered office and the Company shall ensure that they are publicised and published in three national daily newspapers, at its own expense.

TERMINATION OF DIRECTOR:

In accordance with art. 15.3:"If during the financial year a Director appointed according to the list system described above is no longer able to perform his/her function, the Board shall replace him/her, through co-optation pursuant to Article 2386 of the Italian Civil Code, with the first non elected of the list to which also the retired Director belonged in accordance with prevailing law regarding gender balance, or, in case such list does not have any other candidate, with the first candidate among the non elected ones, irrespective of his/her original list. if the retiring Director belonged to a list different from the Majority List, the non-relation requirement with the Majority List shall not be observed. If the retiring Director meets all independence requirements, and/or belongs to the lesser represented gender group, and because of his or her retirement, the number of independent directors and/or the number of directors that belong to the lesser represented gender is reduced to below the minimum number required by law, the first unelected candidate on the list to which the retiring Director meeting the independence requirements pursuant to the law and/or that is the same gender as the retiring director shall be co-opted. Directors so appointed shall remain in office until the first subsequent general meeting."

REPLACEMENT OF DIRECTOR:

In accordance with art. 15.4 "When appointing Directors to replace any Directors who stepped down during the year, by majority vote the meeting will choose the Director to be replaced, in accordance with prevailing law on independence and gender balance, where possible, from the unelected candidates on the list that the outgoing Director formed part of, who had confirmed his or her candidature in writing at least ten days prior to the date scheduled for the meeting, along with the statements regarding the fact that there are no reasons for which he or she would be ineligible or there would be any incompatibly, and that the requirements provided by prevailing law of the Articles of Association for the position were fulfilled.

If the Director cannot be replaced using this method, a resolution must be passed by majority vote, however in accordance with requirements regarding minority representation and minimum number of independent Directors.

The Directors appointed in this manner will remain in office for the same duration as the other Directors.

If, for any reason, the number of Directors in office is reduced to less than half, the entire Board of Directors will be understood to have been terminated, and the Meeting must be called at the earliest opportunity to re-establish it. However, the Board will remain in office to carry out ordinary administration duties only, until the Meeting

has decided on its re-establishment, and at least half of the new Directors have been accepted for the position at least."

MAJORITIES REQUIRED TO MAKE CHANGES TO THE ARTICLES OF ASSOCIATION

In accordance with article 12 of the Articles of Association, to make changes to the articles of associations, the Extraordinary shareholders' meeting resolves with the majorities set forth by law.

4.2 Composition (as per art. 123-bis, par. 2, lett. d, TUF)

The 9-member Board of Directors shall remain in office up to the date of the General Meeting called to approve the financial statements for the 2012 financial year. The Board is composed of the following members as at 31 December and up to now: Giancarlo Cremonesi (Chairman), Marco Staderini (CEO), Paolo Giorgio Bassi, Luigi Pelaggi, Andrea Peruzy, Francesco Caltagirone, Paolo di Benedetto, Jean Louis Chaussade and Giovanni Giani.
Of the aforesaid directors in office, 2 are executive Directors (the Chairman and the CEO), to which the Board has delegated individual management authorities, while the remaining 7 Directors are non-executive and do not have individual management authority.
The following provides a summarised personal and professional profile of the Directors in office as at 31 December 2012:

Giancarlo Cremonesi: born 16 April 1947 in Rome, a law and political science graduate, registered in the Register of lawyers of Rome. He is currently the President of the Chamber of Commerce of Rome, President of Confservizi, member of CNEL [State Institute of Economy and Labour], member of the board of management of Assonime, member of the executive junta and the Listed Companies Committee of Federutility. He was the Chairman of ACER and a member of the Commission for the Future of Rome the Capital.
Elected in accordance with list no. 1 presented by the Municipality of Rome (containing: no. 1 Giancarlo Cremonesi, no. 2 Paolo Giorgio Bassi, no. 3 Marco Staderini, no. 4 Luigi Pelaggi, no. 5 Andrea Peruzy); the related appointment proposal obtained 74.317% of favourable votes.

Marco Staderini: born 11 July 1946 in Rome, a civil engineering graduate, he was the deputy chairman of Monte dei Paschi Capital Services Banca per l'Impresa and Director of RAI. He held the position of CEO-General Manager and then Chairman of Lottomatica.
Elected in accordance with list no. 1 presented by the above-mentioned Municipality of Rome. Appointed Chief Executive Officer in the Board of Directors meeting of 3 May 2010.

Paolo Giorgio Bassi: born on 15 April 1950 in Ferrara, has a degree in Sociology, with physics and business administration studies completed in France and the United States. Has been the director of several companies in the financial sector. He was also Chairman of Banca Popolare di Milano. Until 2006 he was a lecturer in Economics and company organisation at the degree course in IT, Faculty of Science, Mathematics, Physics and Nature of the Università degli Studi di Milano/Bicocca.
Elected in accordance with list no. 1 presented by the above-mentioned Municipality of Rome.

Luigi Pelaggi: born in Catanzaro on 30 September 1954, a law graduate. Lawyer and Councillor of the Minister for the Environment and the protection of the territory and sea. He was head of the Technical Secretariat of the Minister for the Environment and the protection of the territory and sea and Chairman of the "Commission for the evaluation of investments and for support to the planning and management of environmental actions – COVIS". He is a member of the Board of Directors of Sogesid S.p.A. and Special Commissioner for the emergency in the Aeolian Islands. He carried out, for leading Italian companies, consultancy activities for "Institutional Relations", with special reference to energy and environmental issues.
Elected in accordance with list no. 1 presented by the above-mentioned Municipality of Rome.

Andrea Peruzy: born in Rome on 7 June 1962, a law graduate, he is a member of the Board of Directors in companies operating in the industrial, financial and real estate sector.

Elected in accordance with list no. 1 presented by the above-mentioned Municipality of Rome.

Francesco Caltagirone: born in Rome on 29 October 1968. Currently Chairman of the Board of Directors of Cementir Holding, Deputy chairman of the Board of Directors of Banca Antonveneta S.p.A and Director in the following S.p.A.s: Banca Finnat Euramerica, Caltagirone and Caltagirone Editore.
Elected on the basis of list no. 2 presented by Fincal SpA, owner, at the time of the shareholders' meeting for the appointment, of 3.897% of the share capital (containing no. 1 Francesco Caltagirone, no. 2 Paolo di Benedetto, no. 3 Marco Maria Bianconi, no. 4 Mario Delfini) and who obtained the vote in favour by 13.0077% of the voters with a quotient of 19,216,739.

Paolo di Benedetto: born on 21 October 1947 in Rome, a law graduate with a diploma in administration, lawyer. He was Chief Executive Officer of BancoPosta Fondi SGR, from 2003 to 2010 a CONSOB member and a temporary lecturer in stock market law at the University LUISS in Rome and the University of Rome Tor Vergata. Presently he is the Chairman of the Fondo Nazionale di Garanzia among the brokers and a board member of Banca Finnat Euramerica S.p.A. and of Cementir Holding SpA.
Elected in accordance with list no. 2 presented by the above-mentioned Fincal SpA, with a quotient of 9,608,369.5.

Jean Louis Chaussade: born on 2 December 1951 in Chalons-sur–Marne (France), engineer, is the Chief Operating Officer in Suez Environnement Company and is a Member of the Supervisory Board of GDF Suez.
Elected in accordance with list no. 3 presented by Ondeo Italia SpA, owner of 4.99% of the share capital at the date of the appointment meeting (containing no. 1 Jean Louis Chaussade, no. 2 Aldo Chiarini, no. 3 Giovanni Giani, no. 4 Jean-Francois Carriere, no. 5 Mauro Alfieri, no. 6 Agostino Scornajenchi, no. 7 Luca Manna, no. 8 Luca Valerio Camerano, no. 9 Olivier Jacquier) which obtained 11.5324% of the favourable votes, with a quotient of 17,037,192.

Giovanni Giani: born in Lecco on 14 January 1950, engineer, he is the Chairman and CEO of Ondeo Italia, the Italian holding company of Suez Environnement.
Co-opted by the Board of Directors of ACEA on 29 November 2011, replacing the resigning Aldo Chiarini, pursuant to art. 2386 of the Italian Civil Code, paragraph 1 and article 15, paragraph 3, of the Articles of Association, as the first of the unelected from the list presented by the shareholder Ondeo Italia during the General Meeting on 29 April 2010. Elected at the Shareholders' Meeting of 4 May 2012.

MAXIMUM POSITIONS HELD IN OTHER COMPANIES

The BoD in its session on 23 March 2011, subject to the favourable opinion of the Internal Audit Committee (now the Risk and Control Committee), resolved that the maximum number of positions that each Director can hold in listed companies is 10, including the one held in ACEA, so that maximum availability to carry out the role is ensured.
The nature of Directors' responsibilities requires that they have sufficient time to pursue their duties: the nature and number of other positions held by serving Directors must permit them to perform their duties to the best of their ability.
From the communications made by the directors of the company, as well as the assessments made by the Board of Directors, most recently during the meeting on 8 March 2013, it emerged that each of ACEA's directors holds a number of tasks in the administration and control bodies of other listed companies, which is compatible with the maximum number resolved in the above mentioned meeting.
Chart 1 attached at the foot of this Report contains a list of the positions of director or statutory auditor held by each Director in other companies listed on regulated markets, including foreign markets, in financial, banking, insurance or large companies.

4.3 Role Of The Board Of Directors

The Board of Directors of the Company plays a key part in the corporate governance. In consideration of its role, the Board of Directors meets on a regular basis and operates in order to ensure that it carries out its functions

as efficiently as possible.

More specifically, in accordance with the law, the Articles Of Association and the decisions made by the Board (with specific reference to the most recent decisions adopted in December 2012 whereby the Guidelines of the Internal Control and Risk Management System were approved), the Board of Directors is in charge of the following:

- to establish the strategic and general management guidelines and development areas for the Company; economic and financial co-ordination of group activities by approving multi-year strategic plans including guidance on Group development, investment plans, financial plans, and annual budgets; making and disposing of equity investments, excluding infra-group transactions;
- to define the nature and level of risk that can be taken in accordance with the strategic goals of the Company;
- to approve and change internal regulations for what concerns the Company's general organisational structure, the Group's macrostructure and any significant changes;
- to appoint the General Manager;
- to establish specific Committees within it, to appoint the members and establish the duties when approving the respective organisational rules;
- to adopt the Organisation and Management Model pursuant to Italian Legislative Decree 231/2001 and appoint the Supervisory Body;
- as far as ACEA is responsible, designate directors and statutory auditors for significant subsidiaries, understood as those listed on regulated markets and those which require capital commitments, shareholder financing or guarantees of more than 10 million euros;
- to attribute and revoke CEO delegations, defining their limits and methods of exercise;
- to reserve and exercise the authority on behalf of Acea and its subsidiaries for amounts of more than 7.5 million euros if in line with the budget, and over 1 million euros if not included in the budget;
- to establish, upon proposal by the appropriate Committee and in consultation with the Board of Statutory Auditors, the remuneration of the Chairman, the CEO and the other Directors that carry out specific duties, and the amount due to the members of the Board Committees, and payment for top management;
- subject to the opinion of the Risk and Control Committee (hereinafter also "RCC"), details of which can be found in chapter 10, define the guidelines for the Internal Control and Risk Management System in such a way that the principal risks to which Acea and the main Group companies are exposed are correctly identified, and adequately measured, managed and monitored, and also determine the nature and level of risk that can be taken in accordance with the strategic goals of the Company;
- to assess the adequacy of the organisational, administrative and accounting structures of ACEA and its strategic subsidiaries, with particular reference to the Internal Control and Risk Management System (hereinafter "ICRMS");
- to assess general business performance (art. 2381 of the Italian Civil Code), taking specifically account of information received by the delegated bodies and by periodically comparing the results achieved with the expected ones;
- appoint and terminate:
  - subject to the approval of the RCC, upon proposal by the Director in charge of the Internal Control and Risk Management System, and having consulted the Board of Statutory Auditors, the Head of the Audit Department, ensuring that he or she has adequate resources to meet responsibilities and establishing the remuneration in accordance with company policies;
  - if the general meeting has not provided for this and considering the Board of Statutory Auditors' judgement, an executive responsible for financial reporting (as per Articles of Association art. 22-ter) and supervising the adequacy of authorities and resources for exercising the tasks attributed to him;
- approve, on an annual basis, the work plan of the Head of the Audit Department, having consulted with the Board of Statutory Auditors and the Director in charge of the ICRMS;
- evaluate, in consultation with the Board of Statutory Auditors, the results provided by the external auditors in any suggestion letter and in the report on the fundamental issues that emerge during the

external audit;

- evaluate, on an annual basis, the adequacy of the Internal Control and Risk Management System with respect to the Company's characteristics and in accordance with the risk profile assumed, and illustrate the main characteristics of the ICRMS in the Corporate Governance Report, expressing its assessment, subject to the opinion of the Risk and Control Committee on its adequacy;
- based on the activities carried out by Board Committees, assess and approve all matters for which they have been assigned responsibility;
- establish corporate procedures for personal or confidential third-party data treatment and preparing an annual security programme document (as per Italian Legislative Decree 196/2003);
- adopt the procedures necessary to protect the health of workers and appointing parties to oversee occupational safety (as per Legislative Decree 81/2008);
- work to establish continuous dialogue with shareholders founded on a reciprocal understanding of roles;
- promote initiatives aimed at favouring the broadest possible participation of shareholders in general meetings and facilitating the exercise of shareholder rights;
- at least once a year, make a self-assessment of the function of the Board and its Committees, including with respect to their size and composition;
- at least once a year, evaluate the independence of its non-executive members.

The Board of Directors has provided for fulfilling the aforesaid tasks in these ways, among others:

- evaluated the general performance during 2012, when preparing the accounting reports [draft financial statements for the year and consolidated financial statements as of and for the year ended 31 December 2011; half-year financial reports; intermediary directors' report for the 1st and 3rd quarter of the financial year], particularly taking into consideration information received from delegated bodies, as well as periodically comparing the results achieved with those budgeted;
- adapted the guidelines of the Internal Control System to reflect the most recent version of the Corporate Governance Code (December 2011 edition), as will be shown in the paragraphs that deal with this, calling them the guidelines of the Internal Control and Risk Management System.

In addition, after year end, on 24 January 2013, the Board of Directors resolved to amend the Articles of Association to reflect the regulations introduced by Law 120/2011 regarding gender balance, introducing the general principle of compliance with prevailing law into articles 15 and 22, with respect to the composition and replacement of the Board of Directors and the Board of Statutory Auditors.

On 8 March 2013, the BoD:

- evaluated the adequacy of the Internal Control and Risk Management System, as well as the adequacy of the organisational, administrative and general accounting structure of the Company and of the subsidiaries with strategic importance, with particular reference to the Internal Control and Risk Management System, considering the ICRMS of Acea to be suitable as a whole to pursue company objectives;
- carried out, as an integral part of the aforesaid evaluation process, a self-assessment of the composition and operations of the Board and its internal Committees. This evaluation regarded the independence, structure and composition of the Board of Directors, the operations of the Committees and the Board and the information flows received by the Board and by its Committees in exercising their functions. To fulfil the evaluation tasks, the Board made use of the set of information collected while carrying out its own policy-making and supervision activities established by the reference regulation and, through specific Internal Audit Committee activities (now the Control and Risk Committee), the contribution of management and the Head of internal control (now the Head of the Audit Department).

  Particularly, we note the adequacy of the structure and its makeup, both regarding the size and the ratio between executive, non-executive and independent directors, and regarding the competencies located therein and that we have arrived at a similar result regarding the committees.

  The results are also positive with reference to the maximum number of offices held by directors and the consequent availability for the time necessary to effectively fulfil their responsibilities within Acea.

FUNCTION

In compliance with the terms provided for by law and with the timetable, the Board meets regularly, organising itself and operating so as to guarantee that it will effectively and efficiently carry out its functions.

During 2012 the Board of Directors held 9 meetings, each lasting about 3 hours on average, with the regular participation of the directors and the attendance of the Board of Statutory Auditors.

The participation of each director in the Board meetings is reported in Table 2.

For 2013, four BoD meetings for the approval of period financial reports have been planned and communicated to the market. To date, 3 meetings have been held.

The Board works in accordance with an operations regulation which has been in effect since 22 April 2003, and governs the methods for guaranteeing timely and complete pre-meeting disclosures; the regulation provides that resolution proposals and disclosures should be sent to the business segment secretary, together with all the useful documentation checked by the General Manager and the Managers for the specific subjects, at least 10 calendar days before the date set for the Board's session. The segment then submits these without delay to the CEO for approval, for the purpose of drafting the Agenda.

For this purpose, the General Manager must receive the resolution proposals from the Managers for the specific subjects at least 15 days prior to the BoD meeting.

At least 6 days before the date set for the Board's session, the business segment secretary submits the resolution proposals and disclosures along with the draft Agenda, already seen by the CEO, to the BoD Chairman for approval.

The Chairman draws up the Agenda, also inserting proposals and topics within his sphere of responsibility, which, at least 3 days before the date set for the Board session, is transmitted to the individual Directors and to the members of the Board of Statutory Auditors, together with all of the documentation prepared by the Company's units.

Company (or Group company) managers or consultants may be invited to participate in the phase of discussing the points of the Agenda, but they must exit the meeting before the Board makes a resolution.

4.4 Delegated Bodies

CHIEF EXECUTIVE OFFICER

In compliance with art. 20 of the Articles of Association, the Board has delegated to the Chief Executive Officer all powers of management, signature, legal and court representation as well as all related powers, within certain limits.

As decided at the BoD meeting of 3 May 2010, the Chief Executive Officer will:

- perform his duties based on long-term plans and annual budgets approved by the Board and assuring and verifying compliance with operating guidelines. Those powers have been delegated to the Chief Executive Officer for ACEA and its subsidiaries, with respect to transactions of 7.5 million euros or less (tender contracts, purchases, leases, disposals, participation in tenders, etc.) if in line with the budget and up to 1 million euros if it is outside of the budget; for Group subsidiaries working in the electric energy and gas markets, the authorities granted to the CEO include: i) issuing guarantees or other sureties for up to 12 million euros if budgeted and up to 2 million euros if not budgeted; ii) issuing all guarantees or other obligatory sureties to the AEGG [Italian Electric Energy and Gas Authority], GME [Energy Market Manager, Terna SpA and the Single Buyer;
- organisational and procedural implementation of the Parent Company's operations in compliance with guidelines approved by the Board of Directors;
- preside over and coordinate the Management Committee, a Consulting Committee that is comprised of Company managers, and is responsible for monitoring the Group's operating performance and individual areas of business, as well as any failures to meet targets;
- ensures the correct management of corporate information. Please refer to chapter 5 "Market Disclosures of Company Information" for more details".

Furthermore, with resolution of 15 September 2009, the CEO was granted the role of executive director responsible for supervising the operations of the internal

control system, allocating him the tasks indicated in paragraph 10.
With approval of the guidelines of the Internal Control and Risk Management system of 20 December 2012, the Chief Executive Officer still has this duty as conferred by the aforesaid resolution.

CHAIRMAN

Pursuant to art. 20 of the Articles of Association, the Chairman is the Company's legal representative and signatory and, furthermore, may convene and chair Board and General Meetings.
With a resolution made on 3 May 2010, the Board delegated certain institutional policy and control duties to the Chairman, granting him the corresponding management delegations, particularly:

- monitoring Group operations and verifying the implementation of Board resolutions and corporate governance rules;
- verifying corporate activities and procedures with respect to the quality of services provided and received, environmental impact and social sustainability;
- supervising the BoD secretary and all related activities, including the co-ordination of the Board secretaries for subsidiaries.

The BoD's activities are co-ordinated by the Chairman, who calls board meetings, sets their agendas and chairs the meetings, ensuring that the directors are provided with the documentation and information necessary in a timely manner - except for in necessary or urgent cases - so that the Board can express a knowledgeable opinion on the subjects submitted for examination.

JOINT AUTHORITIES OF THE CHAIRMAN AND CHIEF EXECUTIVE OFFICER

With a BoD resolution on 3 May 2010, joint proxy was also granted to the Chairman and the CEO, in the event of proven urgency and necessity, with the right to implement acts normally reserved to the BoD regarding contract work, purchases, company transformation, participation in tenders and issuing of guarantees when urgency does not allow for calling the BoD. In the first subsequent meeting they are required to inform the Board, which shall verify that the requirements of necessity and urgency were fulfilled, to appoint the members of the Board of Statutory Auditors and the members of the Board of Directors of the subsidiaries, and most significant associated companies, intended as the following:

a) listed on regulated markets or with publicly traded shares pursuant to art. 116 of Legis. Decree 58\98 of the Consolidated Finance Act;
b) that require capital commitments, shareholder loans or guarantees of more than 10 million euros.

In addition, the Chairman and the CEO will appoint the members of the Board of Statutory Auditors and the Boards of Directors of Group Companies of Acea S.p.A. that are not considered to be the "most significant".

GENERAL MANAGER

The General Manager, Mr. Paolo Gallo, appointed by the BoD pursuant to art. 20 of the Articles of Association, took office on 1 February 2011.
The Chief Executive Officer granted the same, by special power of attorney, in compliance with the resolutions of the BoD, the powers of ordinary management of the Parent company and the individual businesses, excluding the activities reserved to him.
The General Manager works, within the limits of his/her responsibility and within the scope of the order by the CEO, long-term plans and annual budgets approved by the Board of Directors.
The powers granted to the General Manager are exercised for ACEA and its subsidiaries with a spending limit of 5 million euros (tender contracts, purchases, leases, disposals, participation in tenders, etc.) if in line with the budget and up to 500,000.00 euros if outside the budget; for Group subsidiaries working in the electric energy and gas markets, the authorities granted to the General Manager include: i) issuing guarantees or other sureties for up to 8 million euros if budgeted and up to 1.5 million euros if not budgeted; ii) issuing all guarantees or other obligatory sureties to the AEGG [Italian Electric Energy and Gas Authority], GME [Energy Market Manager, Terna SpA and the Single Buyer.

BOARD DISCLOSURES

Pursuant to art. 20 of the Articles of Association and in compliance with legal dispositions, the BoD, as well as

the Board of Statutory Auditors, shall receive constant and exhaustive disclosures from the Chairman and the CEO regarding activities carried out while exercising proxies, reported on an at least quarterly basis in a dedicated report regarding the general business performance and its foreseeable outlook. Particularly, for what concerns all of the more important transactions carried out in the context of their own authorities (including therein any atypical transactions or transactions with related parties, whose approval is not reserved to the BoD), the Chief Executive Officer and the Chairman shall refer to the Board about the characteristics of those transactions, the subjects involved and any relation to the Group, the methods of determination and the related economic and equity effects.

4.5 Other Executive Directors

There are no other executive directors.

4.6 Independent Directors

As at 31 December 2012 and to date, there are 5 independent non-executive directors in the Board of Directors, specifically: Paolo Giorgio Bassi, Luigi Pelaggi, Andrea Peruzy, Paolo di Benedetto, and Jean Louis Chaussade (see table 2).

The procedure followed by the Board to verify the independence provides for the existence of the requirement to be declared by the Director when presenting the list as well as at the time of accepting the appointment, and to be ascertained by the Board of Directors in the first meeting following the appointment. The independent director also undertakes to promptly communicate to the Board of Directors the occurrence of any situation that make this requirement cease to apply.

The directors were assessed as independent pursuant to law and art. 3 of the Corporate Governance Code.

No different parameters to those set out in the Corporate Governance Code were used in evaluation of the Director independence requirements.

Therefore, based on the information provided by the individual subjects concerned or in any case available to the Company, immediately after the appointment, in March 2011, in March 2012, and, most recently, in March 2013, the Board of Directors certified the existence of the requirement of independence included in the Corporate Governance Code for the above mentioned Directors.

The Board of Statutory Auditors, in compliance with the provisions contained in art. 3 of the Code, checked that the criteria and procedures adopted by the Board of Directors to assess the independence of its members had been correctly applied.

The Independent Directors met on 8 March 2013 and expressed their own independent evaluation on the BoD's operations, judging its organisation to be positive, furthermore expressing appreciation for the comprehensive organisational structure of the ICRMS, the general performance of business and management independence.

4.7 Lead Independent Director

On 8 March 2013, as in previous years, the BoD confirmed that the requisites set forth by the Code of Conduct for establishing a lead independent director position are still unfulfilled, taking into account that the Chairman of the Board does not hold the main role of company manager (chief executive officer) nor does he have a controlling interest in the company's share capital.

5. Market disclosures of company information

Since September 2006, upon proposal of the CEO, ACEA's BoD has adopted a Regulation for the internal management and market disclosure of company documents and information, which can be consulted on www.acea.it (in the corporate governance section), which:

- establishes the methods of processing and distributing company information within the Group;
- establishes the confidentiality obligations for the Company's employees who come into possession of information whose imprudent dissemination could be damaging to the Company's and/or its shareholders' assets; establishes the Company's obligation, in certain circumstances, to provide timely and full information to the markets;

The regulations also govern announcements of Price Sensitive information in order to avoid distortions and misstatements.

A list of persons who have access to Privileged Information has been kept since the same year, as per art. 115-bis of the Finance Consolidation Act (TUF). Privileged Information for these purposes is defined as information, pursuant to art. 181 of the TUF, which is not in the public domain, and relates directly or indirectly to ACEA and/or its Subsidiaries and that, if made public, would have a material effect on the price of the Company's shares.

In addition, an Internal Dealing Code was adopted in compliance with the provisions of art. 114 paragraph 7 of the Finance Consolidation Act (TUF) which, upon request of relevant parties who assign the relative task, sets forth that ACEA may make legal notifications on their behalf regarding transactions on financial instruments related to the Company which they have carried out or which people closely related to them have carried out, if these transactions, where the amount is equal to or higher than 5,000.00 (five thousand/00) euros by 31 December of each year; the transactions where the total amount does not reach more than 5,000.00 (five thousand/00) euros by the end of the year are not communicated after each notification.

6. Committees within the board

(as per art. 123-bis, par. 2, lett. d, TUF)

The BoD has established two internal committees with proposal and consulting functions: the **Risk and Control Committee** and the **Appointment and Remuneration Committee**.

The composition, duties and functioning of the committees are regulated by specific regulations, approved by the BoD.

The Committees comprise not less than three non-executive directors, the majority of whom are independent.

On 11 November 2010 the BoD also created the Committee to inspect Transactions with Related Parties (OPC), according to the procedure approved by the same BoD, in compliance with the "Regulation containing provisions regarding transactions with related parties" pursuant to Consob resolution no. 17221 of 12 March 2010 as amended, which took effect as of 1 January 2011 (see paragraph 11).

7. Appointment and remuneration committee

In accordance with the new edition of the code, on 20 December 2012 the Board of Directors of Acea replaced the pre-existing Remuneration committee with the new Appointment and Remuneration Committee, and added to their duties, as described in the guidelines to the Internal Control and Risk Management System.

The Appointment and Remuneration Committee comprises four directors as of 31 December 2012, of whom the Chairman, the independent and non executive member are the following: Paolo di Benedetto (Chairman), Luigi Pelaggi and Andrea Peruzy, Giovanni Giani (non-independent) – whose appointment to the Committee was decided by the Board of Directors on 11 May 2012 to replace the outgoing Director, Jean Louis Chaussade.

The Committee, whose term of office will expire upon approval of the 2012 financial statements, does not currently include members with knowledge and experience on accountancy and financial matters.

During 2012, the Committee held 4 meetings, in which minutes were regularly taken and the members regularly participated. They lasted for an average of 2.00 hours each.

Within the range of duties assigned to it, the Appointment and Remuneration Committee makes recommendations and advises the Board of Directors, monitoring application of the criteria and decisions adopted by the Board. More specifically:

a) it formulates opinions for the Board of Directors with reference to its size and composition and make recommendations regarding the professional figures that should be included as members of the Board, the maximum number of duties a director or statutory auditor should have in order to ensure the effective participation of the Directors in the Committees formed within the Board, the presence and significance of any activities carried out by each director that could represent competition to the company;
b) proposes policies to the Board of Directors regarding remuneration of the directors and the managers with key responsibilities, promoting sustainability in the medium-long term, and considering that the fixed component and the variable component must be adequately balanced in accordance with the key objectives and the risk management policies for executive directors or those with specific duties, and to the extent necessary, for the managers with key responsibilities;
c) periodically evaluate the adequacy, overall consistency and actual application of the remuneration policies for the directors and managers with key responsibilities in accordance with the information provided by the CEO and make recommendations to the Board of Directors to that end;
d) present proposals or express opinions to the Board of Directors regarding the remuneration of the executive directors and the other directors that carry out specific duties, and establish the performance objectives related to the variable component of their remuneration;
e) monitor application of the decisions made by the Board, and more especially checking that they achieved their performance goals.

The Directors shall not participate in Committee meetings in which proposals to the BoD are formulated regarding its own remuneration.

The Committee can have access to the necessary information for carrying out its tasks, including through corporate departments, and using external consultants within the terms defined by the BoD.

During 2012, the Committee:

1. Examined and approved the annual Report on the activities carried out by the Remuneration Committee;
2. Examined and approved the Remuneration Report in accordance with art. 123-ter of Legis. Decree no. 58 of 24 February 1998;
3. Authorised payment of the final bonuses within the MBO 2011 incentive system for the top managers of the group – Chairman, CEO and General Manager;
4. Proposed to formalise the assignment of the MBO 2012 goals for the top managers, considering, with respect to the economic-financial indicators, the provisions of the document "MBO 2012 Assignment - Top managers and MBO 2012 Assignment - Managers and Executives";
5. Examined and acknowledged the recruitment of the CFO as per the documents held on file.
6. greed with the initiative "IL SISTEMA DI GESTIONE DELLE PERSONE ACEA-*Performance & Leadership Management*" as a new management and evaluation system for Managers and Executives in the Acea Group.

8. Remuneration of directors

The fees received by the Directors and the comprehensive fees received by Managers with key responsibilities over the course of the financial year are shown in the document "Remuneration Report" approved by the BoD on 8 March 2013 which will be submitted to the Shareholders' General Meeting in April 2013, pursuant to art. 123-ter TUF.

Payment for the members of the Board of Directors is established by the General Meeting, and additional payments for members of the Committees with consulting and proposal functions established within the BoD is set by the Board itself, upon proposal of the Appointment and Remuneration Committee and acknowledging the opinion of the Board of Statutory Auditors.

Specifically regarding the BoD currently in office, the General Meeting of 29 April 2010 confirmed 36,152 euros annually gross as the remuneration due to each Director, other than the reimbursement of expenses necessary for carrying out the tasks of their office.

The overall amount due to the Chairman and the CEO, in accordance with art. 2389, par. 3 of the Italian Civil Code, and what was set out by the General Meeting of 29 April 2010 and approved by the BoD.

On 12 May 2010, upon proposal by the Appointment and Remuneration Committee and in association with the Board of Statutory Auditors, the Board decided on the remuneration due to the CEO and the Chairman, in accordance with the same terms as the previous contracts.

Currently, a significant part of remuneration for Company Executive Directors and Managers with key responsibilities is linked to the economic results that the Company achieves and, possibly, to reaching specific goals which are previously indicated by the Board itself.

Furthermore, the payment of a long-term (three-year) monetary incentive from 2010 to 2012 for the CEO and other senior management (the top managers) is determined, with specific reference to the total shareholder return and Acea's share performance compared with a basket of comparables. This type of monetary incentive is basically the same as by the Long Term Incentive Plan for 2007-2009 in terms of set-up and bonus calculation procedures; the only difference was the replacement of the net profit indicator with the gross operating profit.

It is a monetary type scheme that envisages a cash payment, calculated as a percentage of Gross Annual Remuneration, to be paid at the end of the reference period in accordance with the achievement of pre-established economic and financial targets. The aim of the Plan is to provide an incentive to management to pursue the economic/financial results of the Group in the interest of the shareholders.

The current payment system is described in detail in both the remuneration policies and in the amount paid to the top management of the Group in the "Remuneration Report".

In short the remuneration system currently provides for the fixed part of the remuneration to be combined with a significant part of the remuneration linked to achieving specific performance targets, as expressly requested by the Corporate Governance Code.

The Long Term Incentive Plan – LTIP – which second 2010-2012 cycle has just ended - actually envisages a postponement mechanism for the entire bonus with respect to the time of accrual, for a timescale deemed suitable and in line with the company's risk profile: the bonus may be disbursed at the end of the three-year reference period for the achievement of the economic financial objectives preset in the Plan. It is currently being discussed whether to set up a new Long Term Incentive Plan - The LTIP has always been based on a postponement mechanism.

This policy is illustrated in detail and adopted as part of the mentioned "Remuneration Report", which will be available on the web site www.acea.it and subject to advisory vote of the Shareholders' General Meeting which will be called to approve the 2012 financial statements in April 2013.

Non-executive directors' remuneration is not linked to the economic results achieved by the Company, and is commensurate with the commitment required of them, and their participation in one or more Committees; the participation in Internal Committees with consulting and proposal functions will be paid with amounts established by the BoD, upon proposal of the Appointment and Remuneration Committee and in association with the Board of Statutory Auditors. None of the non-executive Directors participates in share incentive plans.

DIRECTOR INDEMNITY IN THE EVENT OF RESIGNATION, DISMISSAL OR TERMINATION OF CONTRACT FOLLOWING A TAKE-OVER BID ***(art. 123-bis, par. 1, lett. i, TUF)***

With reference to the salaries due to directors in the event that relations are terminated, if relations with the Chairman are terminated early by the Company (basically termination of his position without just cause) with respect to expiry of the mandate established by the General Meeting on 29 April 2010, he will have the right to the entire annual fixed and variable amounts that would have been due to him up to the natural expiry of the mandate.

His annual salary is paid in deferred monthly instalments; with respect to the variable portion, an "annual variable gross payment of up to a maximum of 40% of his annual remuneration, in accordance with the achievement of the management and income goals established by the Remuneration Committee for the reference year" is provided for.

To date, there are no incentive plans based on financial instruments or to pay in cash.

There are currently no agreements in place that provide for non-monetary benefits for directors that have terminated their appointments, or to create consultancy contracts for a period following termination of the work relationship, or there are no agreements that provide for payment for non-competition commitments (non-competition agreements).

9. Risk and control committee

The Board of Directors di Acea SpA assigned the duties of the previously existing Internal Audit Committee to the Risk and Control Committee on 20 December 2012.

The Committee comprises non-executive directors, most of whom are independent and the Chairman is chosen from among these. The composition and functioning of the committees are regulated by a specific regulation, approved by the BoD.

The following directors are members of the Committee: Paolo Giorgio Bassi (Chairman), Francesco Caltagirone, Andrea Peruzy, Luigi Pelaggi, Giovanni Giani.

The Director Paolo Giorgio Bassi has accounting and finance experience which was retained adequate by the Board when he was appointed.

The Committee has met 5 times; the Chairman of the Board of Statutory Auditors, Prof. Enrico Laghi, also participated in the meetings and the other statutory auditors can also participate. In addition to Directors who are members of the Committee and the Chairman of the Board of Statutory Auditors, the Chairman and the Chief Executive Officer have the right to participate in meetings. Upon invitation by the Committee, other parties also attended to explain single points of the agenda.

Minutes were regularly taken during the Committee meetings, which lasted 2 hours each on average.

In assisting the BoD, the Committee :

- expresses its prior opinion to the BoD to fulfil the duties assigned to it under the Code;
- provides its binding opinion on decisions regarding the appointment, revocation, remuneration and provision of resources of the Head of the Audit Department;
- jointly with the Director in charge of the drawing up of accounting and corporate documents, the external auditor and the Statutory Auditors, assesses the correct use of accounting criteria for the preparation of the consolidated financial statements;
- expresses its assessment of specific aspects inherent to identifying principal business risks;
- examines the periodic reports that regard the evaluation of the Internal Control and Risk Management System and any significant reports issued by the Audit Department;
- monitors the independence, adequacy, efficiency and effectiveness of the Audit Department;
- it may ask the Audit Department to check specif-

ic operating areas, notifying the Chairman of the Board of Statutory Auditors of this;
- reports to the Board, on the activity performed and the adequacy of the ICRMS, at least on a half-yearly basis, on the occasion of the approval of the half-year and annual financial reports.

In 2012, Committee operated as the Internal Audit Committee and carried out the duties of the Internal Audit Committee as set out in the 2006 version of the Corporate Governance Code and the internal Regulations approved by the BoD of Acea on 29 March 2010; it had meetings with the General Manager, the managers of the Industrial Areas and the Corporate Departments regarding the performance of the businesses, and with the Audit Department managers with respect to the Internal Control and Risk Management System.
The Committee had access to information and the company Departments necessary for carrying out its tasks and was able to make use of external consultants, with respect to the Internal Control and Internal Auditing systems, accounting, legal and tax standards, or other types, if necessary to carry out its duties.
The Board of Directors confirmed the allocation of an annual budget of 25,000.00 euros for the Committee in order to enable it, where necessary, to hire external consultants to support the activities of each Committee.

10. Internal control and risk management system

The Internal Control and Risk Management System of ACEA, an essential element in the Group Corporate governance system, is a process that is based on the best practices and standards of the Corporate Governance Code and comprises a set of rules, policies, procedures and organisational structures aimed at permitting the identification, measurement, management and monitoring of the main risks, in order to identify potential events that could influence the achievement of the corporate goals and to manage risk within acceptable limits. This system is integrated into the more general organisational and corporate governance structure adopted by Acea SpA.
Upon proposal of the Chairman, with the support of the Risk and Control Committee (previously the Internal Audit Committee), the Board of Directors approved the document "Guidelines for the Internal Control and Risk Management System" in its meeting of 20 December 2012, which amends the previous "Guidelines of the Internal Audit System" to bring them in line with the new edition of the Corporate Governance Code, with the aim of:
- providing guidelines to the various parties implementing the ICRMS in order to ensure that Acea and its subsidiaries act consistently with the risk profile identified by the Board of Directors and are able to manage any events that could prevent the corporate goals from being achieved;
- providing guidelines to ensure coordination between the departments involved in the ICRMS;
- identifying the standards and responsibilities for governance, management and monitoring of the risks related to the company business.

In 2012, in accordance with the principles stated in the previous guidelines governing the Internal Audit System, approved by the BoD on 20 March 2010, the Company continued to improve both the control environment and the supervision and monitoring of risk.
In February 2012, upon the proposal of the Ethics Committee, the BoD approved a new edition of the Ethics Code which streamlined the previous regulations on ethics in force in Acea for over ten years, introducing new or more clearly defined ethical principles for everybody who works in the interest of the company. At the same time as the new Ethics Code was adopted, a model to manage signs that indicate behaviour that breaches the principles set out in the Code was introduced (known as

whistle blowing), providing for confidential contact channels and suitable protection for the whistle blowers. Both the Ethics Code and the whistle blowing procedures were distributed internally and outside the company and specific training was given to the employees.
The operational risk committee was established in June 2012 for the Industrial Energy Area, to supervise and monitor market, credit, operational and legal risks resulting from the purchase and sale of energy commodities, and during the year, the control activities were implemented through creation of a model structured to continuously measure and monitor the exposure to market risks.
The BoD approved an "antitrust compliance" Group management rule in December 2012, along with "antitrust compliance corporate guidelines" that set out the corporate principles and philosophy behind them, referring internal and external collaborators to the various responsibilities and illustrating the basic principles on antitrust rules.

Comprehensive internal control and risk management system

A) ROLES AND TASKS OF VARIOUS ICRMS PARTIES

The governance and implementation of the comprehensive ICRMS require the involvement of parties with different business roles (governance and control bodies, business structures, management and employees).
For a description of the roles and tasks of the Bodies, please see the specific sections of this report (BoD, Internal Committees, CEO, Head of Audit Department, Director in charge, Supervisory Body).
The role of the Ethics Committee is described in paragraph 17, "Further corporate governance procedures."
The Group's management has the responsibility to define, implement and maintain an effective risk management process that is able to carry out plans and reach strategic objectives. In their daily operations, Acea S.p.A.'s Industrial Areas and Corporate Departments are each specifically responsible for implementing actions which enable reaching expected business results and for managing related risks.
Employees have the responsibility to work in compliance with internal and external regulations, procedures and management directives, and, also with the support of appropriate training courses, to increase their skills and professionalism necessary for effectively carrying out controls, as defined in the Group's internal control system.

B) RISK MANAGEMENT SYSTEM

The risk management system adopted by ACEA provides for distributed responsibility and involvement of parties at **every level of the organisation**.
More specifically, the risk management process implemented in ACEA includes the **identification, evaluation, mitigation and monitoring of risks**.

- **The identification**: Given the specificity of the business and its sector, the risk categories which are most relevant for the Group are identified, and an internal risks taxonomy is defined.
- **Evaluation** is based on measuring the impact and probability of occurrence of the events which may generate risks and opportunities for the company and uses a structured Control Risk Self-Assessment (CRSA) model with the goal of defining the main risks, the **intervention priorities and mitigation policies** to bring residual risk back to a level which is considered acceptable by the top management. The Head of the Audit Department (**Head of Internal Control**) participates actively in the evaluation process with the support of the **Risk Control and Internal Control** organisational unit of the Parent Company.

Responsibility for the controls is arranged into three complementary levels:

- **First level controls**, aimed at ensuring the correct execution of business processes in order to prevent and manage risks by opportune mitigating actions, whose responsibility is granted to regular **operational structures**;
- **Second level controls**, aimed at verifying that the controls defined for carrying out business operations are effective and operative through continuous monitoring activities with the purpose of ensuring that the risk mitigating actions are adequately identified and implemented within the organisation

by those responsible for implementing them;

- **Third level controls**, assigned to the **Audit Department**, are made up of independent assessments on the design and functioning of the comprehensive ICS, and on the monitoring over the implementation of improvement plans defined by management. The Audit Department reports on a hierarchical basis to the Board of Directors and is not responsible for any operational activities. It reports to the Chairman, the CEO, the Risk Control Committee and the Board of Statutory Auditors on the functioning, adequacy and effectiveness of the ICRMS. The Department operates in accordance with an audit plan defined with risk-based methodologies which were approved by the Chairman and the Internal Audit Committee in 2012.

C) INTERNAL CONTROL SYSTEM QUALIFYING ELEMENTS

Pervasive ICS elements

A fundamental highlight of Acea's control system is the pervasive elements which make up the infrastructural foundation of the system itself; among these the following aspects merit particular attention:

- the definition of ethical values and criteria of conduct, which should inspire the behaviour of employees and all those who operate in pursuit of the company's goals, is ensured by the provisions of the new edition of the Ethics Code approved by the BoD of Acea SpA and its subsidiaries in 2012 and communicated within and outside the company;
- the roles and responsibilities as well as relations between corporate Departments are defined clearly within the adopted organisational structure, signatory powers and internal delegations are consistent with the hierarchical level, the supervised organisational unit and the assigned goals.
  To this end, organisational charts and other organisational devices, the organisation and management model as per Italian legislative decree 231/01, business procedures and the delegations and authorities system are formalised, updated in a timely manner and adequately distributed and communicated; the streamlining of the internal organisation continued in 2012 in order to reinforce the role of governance, position and control of the holding; procedures were also issued for the "definition and update of the organisational and regulatory system" that classified the internal organisational and regulatory documents and the relative responsibilities with respect to their definition, update and approval.

Central monitoring supervision for particular risk categories

Central monitoring supervision for particular risk categories represents the method by which it is possible to view risks and the related control systems across different internal processes within the Group. The main areas subject to central monitoring supervision are described below.

- **Financial risks.** The approach of the Acea Group to managing the interest rate risk is based on the type of asset structure and the stability of the Group's cash flow; the activity, entrusted to the Administration, Finance and Control Segment, is therefore essentially prudent and aims to hedge borrowing costs and stabilise cash flows deriving from ordinary activities. The primary objective, considering the needs expressed in the strategic plan, is the optimisation of the Group' cost of debt and the related limitation of the effects caused by the exposure to the interest rate risk while identifying the optimal combination between fixed and variable rates. The risk appetite and the related limits are defined by the Board of Directors, through the approval of the single financing operations affecting the interest rate risk and any hedging transactions.
- **Market Risks.** With regard to the commodity risks of the Energy Area, 2012 was marked by the creation of a specific project, which the Risk Control Unit of Acea Energia Holding took charge of, and which concluded with the preparation of internal guidelines and procedures that must be adopted by the operational companies of the Area, and with the implementation of a model to continuously monitor the exposure to risk. The Risk Operational Committee of the Energy Area, headed by the General Manager, checks that the risk management

policies are fully and correctly applied and that the pre-established exposure limits are complied with.

- **Credit risk.** The company adopted a "Credit Policy" in January 2012 to control and monitor the risk resulting from customer receivables; it establishes the guidelines relating to customer credit management within the Acea Group. The Credit Management Unit operates in this area, and is in charge of processing the credit management policies, checking their accurate implementation and monitoring the credit and outstanding trend for all the customers of the Group in accordance with the guidelines.
- **Security and asset protection risks.** Within the macrostructure of the company, the powers of the "Safety and Protection" Department were established, which will have to guarantee the following, in line with the strategic guidelines of the Group:
  - defining and controlling the implementation of policies regarding occupational health and security and physical (physical company structures) and logical (intangible assets) protection of company assets through the development and supervision of specific control models;
  - together with the competent business Segments, drawing up the Group's management regulations and the relative operating processes aimed at guaranteeing respect for compliance regulations and effective laws;
  - developing and governing the Quality Management System.

  With a BoD resolution on 22 February 2012, the Security and Protection Department manager, was also assigned the role of principal in accordance with law 81/08, granting him the necessary authorities and resources.
- **Compliance risks as per Italian Legislative Decree 231/2001.** The Organisation and Management Model was adopted, a description of which can be found in paragraph 10.3.
- **Regulatory Risks.** The main businesses of the Acea Group form part of regulated segments, since they are based on the use of networks and provide essential services. It is therefore of fundamental importance to adequately supervise the regulatory risks in order to pursue the Group goals. Therefore, the Regulatory Department is operative within the organisational structure of Acea SpA, and reports directly to the General Manager. This department aims to minimise the regulatory risk by monitoring the evolution of the regulatory framework and identifying the related consequences on the planned objectives and the company processes. In addition, in agreement with the relevant companies and Departments, it has the task of identifying the measures to be adopted to valorise any opportunities, mitigate the effects of any negative consequences, and ensure full compliance of the company activities to the provisions of the Watchdog.
- **Financial disclosure process risks.** The supervision of risks is one of the responsibilities of the executive responsible for financial reporting (par. 10.5). An Internal Control and Risk Management System has been adopted, and is described in the paragraph below.

D) INFORMATION FLOW SYSTEM

Structured information flows are defined to the top management and between the Company's Bodies by units in charge of monitoring special types of risk that are significant for the achievement of the company goals, with the aim of supporting the Board in its comprehensive evaluation of the control system, facilitating the effective exchange of information between various Company bodies and making the information collected by the centralised monitoring structures supervisors, and available in an organised and concise way.

E) COMPREHENSIVE EVALUATION OF ICRMS ADEQUACY

Please refer to paragraph 4.3 on the Board of Directors.

Risk management and internal control system of the financial disclosures process (art. 123-bis, par. 2, lett. b), TUF)

Within the sphere of the Internal Control System, the "Group Management and Control Model pursuant to Law 262" is particularly important as regards financial disclo-

sure, and it was implemented when the Group's Internal Control System was adapted to what is required by Law 262/2005. More specifically, in 2007 Acea undertook a journey of adaptation to the requirements set forth by Law 262/2005 aimed at planning an effective Group Internal Control over Financial Reporting (ICFR) System, which is subject to continuous improvement and adaptation to the evolution of company activities and which can enable the executive responsible for financial reporting (ER) and the CEO of Acea S.p.A. (Acea) to issue the reports required by art. 154-bis of the TUF.

This system is defined as the set of activities for identifying risks/controls and defining specific procedures and tools adopted by Acea to ensure with reasonable certainty that the objectives of reliability, accuracy, integrity and timeliness as regards financial reporting shall be reached.

The Model defines the guidelines, the methodological references and the responsibilities for the establishment, evaluation and maintenance of the ICFRs.

The Model is developed under the assumption that ICFR is part of the broader Internal Control System (ICS), an essential element of Acea's corporate governance, and that the reliability of the information communicated to the market on the company's position and results is a fundamental element for all stakeholders.

The Model is made up of a set of documents, approved by Acea's Board of Directors on 20 February 2008, distributed to the Group companies, which define all of the fundamental aspects of the system:

- ER Regulation;
- Guidelines for Model implementation;
- Periodic Group reporting for implementing the information flow.

The Model is supplemented by a specific set of documents made up, inter alia, of the Group's accounting principles manual and the Guide for closing the consolidated accounts, including detailed operating instructions, with the goal of establishing a periodic flow of financial information exchange on standard and shared bases.

The Internal Control and Risk Management system have been implemented in relation to the Group's financial reporting, also through subsequent adaptations, moreover considering the guidance supplied by some category bodies regarding the Director in charge's activities, particularly:

- *Andaf Position Paper: "The executive responsible for financial reporting*";
- *AIIA Position Paper "Internal Audit's contribution in implementing a good corporate governance process and in organising information flow with the Executive responsible for financial reporting*i;
- Guidance issued by Italian Manufacturers' Federation "Guidelines for carrying out the activities of the executive responsible for financial reporting pursuant to art. 154-bis TUF).

Main characteristics of the current risk management and internal control system in relation to the financial reporting process.

The Model defines reference guidelines for instituting and managing the administrative and accounting procedures system (see activity/risks/controls matrices) for Acea and for the significant consolidated companies for the purpose of Law 262 (companies), regulating the main phases and responsibilities.

a) Phases

Definition of the scope of analysis. Acea annually updates the scope of analysis of the administrative-accounting control systems and monitoring of underlying processes to guarantee that this is able to cover risks regarding the financial reporting of the most significant account items within the consolidation perimeter.

The scope of analysis is initially determined based on the weight of each Group Company on the consolidated financial statements, taking into account the relevance that significant accounts and administrative–accounting processes linked with them have on the same; subsequently the results of that analysis are integrated with qualitative considerations to take into account both the Group structure and the characteristics of specific financial statements items.

***Analysis of risks and process controls*.** The approach that Acea has adopted allows for identifying "key" points of risk and control which are considered significant in reference to the consolidated financial statements. To this end, control objectives and the relative risks are defined for each process and activity; or:

- assertion of financial statements: an element which needs to be complied with in reporting

company affairs for the purpose of representing them in a true and correct way in the financial statements;
- theoretical risk: risk identified at an "inherent level", so, not taking into account the existence and effective operation of specific control techniques aimed at eliminating the risk itself and at reducing it to an acceptable level;
- specific control objective: objective which must be guaranteed by carrying out control activities.

Specifically, the financial statements considered within the Model are:
- *Existence and occurrence* (the company's assets and liabilities exist at a certain date and the recorded transactions represent events which actually occurred during a specific period);
- *Completeness* (all of the transactions, assets and liabilities to be represented have been effectively included in the financial statements);
- *Rights and obligations* (the company's assets and liabilities represent the company's rights and obligations, respectively, at a certain date);
- *Valuation and reporting* (the assets, liabilities, net shareholders' equity, revenues and costs are posted in the financial statements at their correct value, in accordance with generally accepted accounting principles);
- *Presentation and disclosure* (the financial statements items have been correctly named, classified and demonstrated).

For each specific risk/control objective, the so-called key controls are identified, which allow for reporting the existing control systems (manual/automatic controls; preventive/subsequent) in relation to each material process, aimed at enabling meeting the control objective and effectively mitigating the risk.

Evaluation of controls against identified risks. The evaluation of the **control plans** entered into administrative and accounting procedures is aimed at analysing how individual control activities are structured and defined in relation to the objective of covering the risk of committing errors in the financial statements. The evaluation is carried out taking into account the objective that the control aims to satisfy; in other words, if the risk is mitigated (control "adequate/inadequate").

The Lines of Business are responsible for evaluating control plans, starting from the hierarchical level above the control manager up to the Delegated Administrative Body level in the case of Group companies.

The evaluation of **control operations** found within administrative and accounting procedures is also in turn subject to specific analysis by the Lines. Indeed, for controls whose plan is evaluated as adequate, it is necessary to proceed with evaluating their operations ("operative/non-operative" control).

The control operation, certified by the Lines, is corroborated by implementing independent monitoring carried out through an ER periodic testing plan. The testing plan is defined according to priority and rotation based on which a specific underset of controls to be tested is selected for each reference period, in order to examine the main controls used in the procedures.

The ER implements a process of sharing and distributing the results of testing activities so that reference management can implement the necessary corrective actions in their own units.

Corrective interventions plan. Where, based on the analyses carried out by the lines, the "key" controls do not exist, are not documented or are not carried out correctly according to company procedures, the managers of the involved organisational unit up to the level of the Delegated Administrative Bodies for Group companies shall define and carry out a remedial plan, indicating the timescales and responsibilities for carrying out corrective actions. The corrective plan is submitted to the ER in order to comprehensively evaluate the system and co-ordination of the actions to take, and it shall be updated every six months by the responsible parties.

Corrective interventions plan. Where, based on the analyses carried out by the lines, the "key" controls do not exist, are not documented or are not carried out correctly according to company procedures, the managers of the involved organisational unit up to the level of the Delegated Administrative Bodies for Group companies shall define and carry out a remedial plan, indicating the timescales and responsibilities for carrying out corrective actions. The corrective plan is submitted to the ER in order to comprehensively evaluate the system and co-ordination of the actions to take, and it shall

be updated every six months by the responsible parties.

Comprehensive evaluation. To allow for Acea's ER and CEO to issue the statements necessary pursuant to art. 154-bis of the TUF, a system of internal "chain" certifications, more extensively described in the next paragraph, has been instituted with the objective of ensuring a suitable internal formalisation of responsibilities for the adequacy and effective application of administrative and accounting procedures, to prepare and communicate the plan for corrective actions, where applicable, and to update the procedures (please see point b) Roles and Responsibilities).

The comprehensive evaluation is therefore based on a complex evaluation process which considers:

- the evaluation of the design of existing controls and the evaluation of their functioning, carried out by Acea's management and by the Delegated Administrative Bodies of the companies, together with implementation of the corrective plans;
- the analysis of test's results;
- the final analysis of areas for improvement which emerge with reference to their importance for financial statements reporting.

Where it is retained necessary within the scope of the evaluation process, the adopted methodology indicates that it is possible to design and carry out compensatory controls and verifications. Significant gaps which may emerge shall be communicated to the supervisory bodies, according to the methods set forth by the ER Regulation.

b) Roles and Responsibilities

The Model is based on the clear internal allocation of responsibilities for planning, evaluating and maintaining the ICFR over time, without prejudice to the ER and Delegated Administrative Body responsibilities assigned by legal regulations. To this end, Reporting instituted within the Acea Group is based on an internal "chain" system of certifications which has the goal of ensuring adequate internal formalisation of responsibilities for the adequacy and effective application of administrative and accounting procedures, monitoring the corrective actions plan, where applicable, and capturing in a timely manner any changes in control which are the responsibility of the lines and change factors/risks which emerged during the course of normal process operations and could influence the ICFR's adequacy.

The ER and CEO evaluation process, based on which the financial statements are issued according to the Consob model, therefore sets forth internal reporting (reporting forms) issued by the Managers of relevant Acea processes and by the Delegated Administrative Bodies for the companies. Specifically, through Reporting, Acea has regulated roles and responsibilities, activities to be carried out for each involved party, the calendar, instructions for filling out the reporting forms and methods for updating administrative and accounting procedures.

The model has identified the main actors in the financial reporting process, other than the ER and the Delegated Administrative Bodies, with their relative responsibilities.

- The **Control Manager** is the party responsible for carrying out and attesting to the execution of controls within his scope of responsibility to the Subprocess Manager according to the methods and timing set forth by the administrative and accounting procedures, and for providing the informational basis of the reporting flow;
- The **Subprocess Manager** is the party responsible for a correlated set of operating activities necessary for reaching one specific control objective; he is responsible for carrying out the comprehensive evaluation of the design and functioning of controls in relation to the applicable subprocess; furthermore, he is responsible for updating and ensuring the implementation of the corrective actions plan.
- The **companies 262 Administrative Reference Point** represents the reference point at the Group companies for all activities necessary for allowing ACEA's ER to issue the attestation; he is responsible for consolidating all information received from subprocess managers and assembling the comprehensive evaluation of the design and functioning of controls for reference companies, submitting it to the company's delegated administrative body.
- The **companies' Delegated Administrative Body** is responsible for evaluating the company's control design and functioning and sending the internal attestation to the ER, according to the defined format, together with the appropriately validated corrective actions plan, moreover com-

municating any change factors/risks which have taken place in the reference period and could affect the ICFR's adequacy.

Finally, with reference to the other governance and controls Bodies within and outside of the Group, Acea has established a virtuous process of information exchange from and to the ER, structured and formulated for the purpose of favouring a comprehensive view to those bodies of the Internal Control System which is as extensive as possible.

10.1 Director in charge of the internal control and risk management system

The BoD of Acea identified the Chief Executive Officer as the person in charge of the company and in charge of maintaining an effective Internal Control and Risk Management System and gave him the authority to implement the guidelines of the Internal Control and Risk Management System.

In 2012, the CEO, including with the support of the Audit Department, identified the main company risks, considering the businesses that Acea and its subsidiaries are involved in, and implemented the guidelines defined by the Board on 29 March 2010, providing for the planning, implementation and management of the ICRMS and continuously verifying its comprehensive adequacy, effectiveness and efficiency. In addition, he ensured the system has been adapted in line with changes in the operating environment and in the legal and regulatory context and requested the Audit Department to check specific operational areas and compliance with the internal rules and procedures in implementing the company operations.

10.2 HEAD OF THE AUDIT DEPARTMENT

At the proposal of the CEO, and acknowledging the assessment of the Internal Audit Committee (now Risk and Control Committee), with a resolution dated 15 September 2009, ACEA's BoD nominated Attorney Giuseppe Del Villano as the Head of the Audit Department, the Person in charge of Internal Control, providing for his appointment and the definition of his remuneration in line with company policies. The Board will ensure that there are adequate resources assigned to this department to fulfil its duties on an annual basis.

With approval of the Internal Control And Risk Management System guidelines dated 20 December 2012, as provided for under the current Corporate Governance Code, the position of Head of Internal Control has been replaced by the Head of the Audit Department, who takes on a central role in the coordination of the ICRMS, checking its function and adequacy, and ensuring that the CEO provides support in identifying and prioritising the main risks to Acea SpA and its subsidiaries. In addition, the Audit Department is in charge of the general review of the risk analysis process implemented by the second level control structures provided for within the organisation, and coordinating the information flows that feed the monitoring of the overall ICRMS by the control Bodies and the control structures put in charge of specific risk categories (see Chapter 10 "Internal Control and Risk Management System").

The Head of the Audit Department is not responsible for operational areas nor is he subject to the hierarchical structure of operational area Managers since he reports to the Board of Directors; he has direct access to all the information needed to carry out his duties.

The Audit Department carried out the following activities in 2012 in accordance with the duties described:

- checked both on a continuous basis and in accordance with specific necessities, and in compliance with international standards, the effectiveness and suitability of the ICRMS through an audit plan, approved by the Internal Control Committee and based on a structured process of analysis and prioritisation of the main risks of Acea SpA and its subsidiaries;

- prepared regular reports containing adequate information on the work carried out, on the suitability of the ICRMS, the methods used to manage risk, and compliance with the plans established to reduce risk, and sent them to the Chairman of the Board of Statutory Auditors, the Risk and Control Committee, the Board of Directors and the CEO;
- prepared timely reports on particularly significant events and sent them to the Chairman of the Board of Statutory Auditors, the Risk and Control Committee, the Board of Directors and the CEO;
- checked the reliability of the information systems including the accounting systems within the scope of the processes included in the audit plan;
- provided support to the Risk and Control Committee for preparation of the ICRMS guidelines approved by the BoD on 20 December 2012;
- supported the Supervisory Bodies of the subsidiaries for amendment of the Organisation and Management Model pursuant to Legis. Decree 231/01 as amended;
- provided support to the Ethics Committee for preparation of the new edition of the Ethics Code approved by the BoD on 22 February 2012;
- coordinated the work for the disclosure and internal training on the contents of the Ethics Code;
- coordinated the training on Legis. Decree 231/01 as amended;
- proposed approval of the CEO and subsequently applied the whistle blowing management procedures;
- defined the guidelines for preparation of "risk based" reporting by the Audit Department aimed at including the principle of the centrality of risk in the control system contained in the Corporate Governance Code in effect;
- provided support to management in the identification and evaluation of the main risks to Acea SpA and its subsidiaries, through a structured process carried out using the Control Risk Self Assessment method, and reported the facts that emerged from the analysis to the Risk and Control Committee and the Board of Statutory Auditors.

The Head of the Audit Department has adequate financial resources to carry out his duties with 25,000 euros made available in 2012.

10.3 Organisational model as per Italian Legislative Decree 231/2001

By adopting the Organisation and Management Model pursuant to Legis. Decree 231/2001 ("MOG"), Acea intends to comply with the provisions of this law in accordance with the principles that it was modelled on, the Corporate Governance Codes and the recommendations of the Supervisory and Control Authorities, and to make the control system and Corporate Governance systems more effective, especially with respect to the objective of preventing the predicate crimes governed by the Decree.

Acea adopted the following general goals by adopting the Organisation and Management Model:

- awareness of the activities that are subject to the risk of significant criminal activity with respect to the Company (activities at risk) and awareness of the methods and procedures that govern the activities at risk;
- disclosure, personal acquisition and express declaration supporting a corporate culture that is based on legality, aware that any behaviour that contravenes the law, regulations, corporate governance rules, instructions of the supervisory and control authorities or internal provisions will be expressly censured by the Company;
- disclosure, personal acquisition and declaration supporting a culture of control that monitors achievement of said goals.

Acea's Organisation and Management Model was approved in 2004 and subsequently updated with dedicated project initiatives that involved the management of the Group and the subsidiaries and the Audit Department. The Organisation and Management Model was drawn up following a thorough analysis of the Company's activities, with the aim of identifying potential risks of committing unlawful acts provided under Legis. Decree 231/01. The model consists of a set of general principles, rules of conduct and specific control standards, to ensure, as far as possible, that the unlawful acts provided for are prevented from being committed.

In relation to the various criminal offences and related activities identified, the Organisation and Management Model identifies the corporate, functional and instru-

mental processes, monitors the areas of activities at risk of crime, and refers to the main organisational and control principles to which the organisational system must respond and which the recipients must comply with when carrying out their activities within the scope of functional and instrumental company processes.
The Supervisory Body ("SB"), established in accordance with Italian Legislative Decree 231/01, has full and independent authorities of initiative, intervention and control over the functioning, effectiveness and observance of the Organisation and Management Model, in order to prevent the risk of offences which could imply the Company's administrative responsibility. The SB supervises the Organisation and Management Model's effectiveness and adequacy by monitoring its progress and proposing the necessary updates to the BoD. In addition, it has the task of notifying the relevant Acea bodies of any breaches of the Organisation and Management Model which could imply responsibility of the Company.
As at 31 December 2012, the Supervisory Body is made up as follows: Paolo di Benedetto (Chairman), Enrico Laghi (Deputy Chairman), Andrea Peruzy, Luigi Pelaggi (both independent directors), Antonio Caporale (Secretary of the Board of Directors of Acea S.p.A.) and Giuseppe Del Villano (Head of the Audit Department).
Adequate financial resources are available for the Supervisory Body to carry out its tasks; in 2012, 25,000 euros was available.
As provided by Acea's Organisation and Management Model, for the purposes indicated in the Decree, and after having identified the activities subject to the risk of crime and the most suitable measures to prevent them, the subsidiaries adopted an Organisation and Management Model that reflected the principles and contents of the Model adopted by the Parent Company. The Organisation and Management Model of Acea and the ones adopted by the subsidiaries were updated during 2012, incorporating the new version of the corporate Ethics Code.
In order to guarantee full implementation of the Organisation and Management Model by Acea and its subsidiaries, in accordance with the Decree and/or consolidated case law, the following was done:

- the information flows to the Supervisory Body were redefined and re-organised, to permit the monitoring of significant and relevant operations falling under the areas defined to be at risk of crimes being committed pursuant to Legis. Decree 231/01. This information was gathered and managed for the main Group companies through a specific information support and comes together with risk indicators that are able to highlight potentially abnormal transactions.
- communication and training courses relating to Legis. Decree 231/2001 were developed, along with the specific Company Model, the new Ethics Code and the environmental regulations.

Following the increase in the list of predicate administrative offences pursuant to Law no. 190 of 6 November 2012 - entitled "Provisions for the prevention and suppression of corruption and illegality in the public administration" and in effect since 28 November 2012 - the Organisation and Management Model of Acea and its Subsidiaries will be updated to take account of the new predicate crimes.

10.4 Auditing firm

The General meeting of shareholders, which met on 29 April 2008, granted the 9-year assignment of auditing the half-year report, annual financial statements and the consolidated financial statements to the company Reconta Ernst & Young S.p.A., expiring in 2016, along with the audit throughout the year of regular corporate accounting and correct reporting of operational transactions in ACEA's accounting entries.

10.5 Executive responsible for financial reporting

On 13 November 2006, ACEA changed its Articles of Association to adopt the figure of Executive in charge, introduced by the regulator with Law 262/05, which requires his appointment by the BoD.
On 3 September 2012 the Board of Directors of Acea appointed Iolanda Papalini, previously Head of the Administration and Financial Statements Unit, as Executive

Responsible For Financial Reporting pursuant to Law 262/2005.

This position had been held by Giovanni Barberis, previously Administration Manager of Finance and Control of the Company from 9 July 2009 to the date of his resignation.

The Executive in charge is responsible for establishing and maintaining the Internal Control System on Financial Reporting and for issuing a dedicated certification according to the model distributed by CONSOB, together with the CEO.

More specifically, she will have the following duties, pursuant to the Regulations approved by the BoD on 20 February 2008:

- prepares adequate administrative and accounting procedures for drawing up the financial statements, the consolidated financial statements and the consolidated half-year report;
- ensures that the financial statements are drawn up in compliance with applicable international accounting principles;
- ensures that the Company's deeds and communications to the market and related accounting disclosures, as well as interim disclosures, correspond to the documented results, the registers and the accounting entries;
- ascertains, together with the Internal Audit Committee, (a) the propriety of the accounting policies adopted, and, (b) their suitability for the preparation of consolidated financial statements.

The appointed Executive in charge, together with the CEO, issued the certification report pursuant to art. 154-bis of TUF, without noting any significant elements.

11. Directors' Interests And Transactions With Related Parties

The procedure for transactions with related parties, issued in accordance with article 2391-bis of the Italian Civil Code was adopted in compliance with the principles set by the "Regulation containing provisions regarding transactions with related parties" pursuant to Consob resolution no. 17221 of 12 March 2010 as amended and which took effect from 1 January 2011.

It is applied to transactions carried out directly by Acea, or by its subsidiaries with direct individual control and/or indirectly, with related parties.

The transactions are divided out as follows, in accordance with the amount involved:

- *transactions of major significance*, in which at least one of the significance indicators in Annex 3 of the aforesaid Consob resolution no. 17221 of 12 March 2010 as amended, is higher than the 5% threshold for which approval is reserved to the BoD of Acea SpA;
- low amount transactions with a value of no more than 100,000.00 euros (one hundred thousand);
- transactions of lower significance, which includes all transactions with related parties not included in the transactions of major significance or in the low amount transactions.

Prior to approval of transactions of major significance or of lower significance with related parties, the procedure provides that a special committee for transactions with related parties should express its opinion on the interests of the company in carrying out the transaction, and on its advantages and the substantial fairness of the relative terms. To date, the Committee for Transactions with related parties comprises the three following independent directors: Paolo Giorgio Bassi, as co-ordinator, Luigi Pelaggi and Andrea Peruzy.

If one or more of the members of the Committee for transactions with related parties is related, non related independent directors that are members of the Board of Directors will join the committee. If not, the transactions with related parties will be approved subject to the non-binding opinion of an independent expert in the transactions of lower significance, or subject to the binding opinion of an independent expert in the event of transactions of major significance.

Please refer to the "Rules and Values" menu and the "Corporate Governance" sub-menu of the Internet site www.acea.it for more information".

12. Appointment of statutory auditors

According to the requirements of law and the company's Articles of Association, the Board of Statutory Auditors is composed of three auditors and two alternates, appointed by the ordinary general meeting of shareholders for a period of three years, who can be re-elected at the expiration of their term.

The criteria regarding gender balance as established by law must be complied with in the composition of the Board of Statutory Auditors.

The Board of Statutory Auditors is elected in compliance with art. 22 of the Articles of Association, also amended at the Board meeting of 24 January 2013. The same procedures apply as those for the appointment of directors. Half plus one of the eligible auditors and one alternate are taken from the list which obtained the majority of votes, in the progressive order as they are presented on the list, rounding down in the event of a fractional number.

For the other members of the Board of Statutory Auditors, those who obtained the first and second highest quotient from the minority lists shall be appointed Auditor and Alternate Auditor; in accordance with the rules set forth by art. 15 and 22 of the articles of association, if there is an equal quotient, the person from the minority shareholder list which obtained the most votes shall be appointed Auditor. In any event, at least one Auditor shall be appointed by the minority shareholders. If an Auditor resigns during the year, he/she shall be replaced by an alternate from the same list as the Auditor to be replaced.

For the appointment of the members of the Board of Statutory Auditors who have not been elected, for any reason, under the terms indicated in the preceding Paragraphs, the General Meeting shall pass a resolution with the majority of votes provided for by the law.

The General Meeting shall elect the Chairman from within the group of Auditors appointed by the minority shareholders.

Therefore, as of now, this elective system requires that the lists be presented by shareholders who, alone or together with other shareholders, represent at least 1% of the share capital. The lists shall be presented to the registered office, and ACEA is responsible for publishing them in three daily national newspapers.

13. Structure and function of the board of statutory auditors

(as per art. 123-bis, par. 2, lett. d, TUF)

The current Board of Statutory Auditors was appointed by the ordinary general meeting of 29 April 2010, and shall expire at the approval of the financial statements for the year 2012.

During the meeting held to make the appointments, three lists were presented: List no. 1 presented by the Municipality of Rome with three candidates, Alberto Romano, Corrado Gatti and Leonardo Quagliata, List no. 2 presented by the shareholder FINCAL Spa with two candidates, Enrico Laghi and Carlo Schiavone; List no. 3 presented by the shareholder ONDEO ITALIA Spa with five candidates, Gianluca Marini, Franco Biancani, Davide Carelli, Roberto Ammendola and Stefano Bassi. 74.1601% of voters voted for List no. 1, 13.0043% voted for List no. 2 and 11.5327% of voters voted for List no. 3.

According to the appointments made at that meeting and as described in Table no. 3, the Board of Statutory Auditors comprises the following members and a brief summary of their experience is provided below, pursuant to art. 144-decies of the CONSOB Regulations for Issuers:

- **Enrico Laghi, Chairman, elected with a quotient of 19,211,099**. Registered on the Register of Auditors, the Register of Chartered Accountants of Rome and member of the Technical Consultants of the Court of Rome. He is currently a lecturer in corporate economics at the University of Rome, La Sapienza, is a member of the Standards Advice Review Group of the European Commission, a consultancy body on international accounting standards; he is also a council member of the Italian Accounting Management Body;
- **Alberto Romano, auditor.** An Economics and Commerce graduate from the University of Parma, chartered accountant. Registered on the Register of Auditors and the Register of Accountants;
- **Corrado Gatti, auditor.** An Economics and Commerce graduate from the University of Rome. Registered on the Register of Auditors. Associate Professor of Economics and Corporate Management at the University of Rome, "La Sapienza";
- **Gianluca Marini, alternate auditor, elected with a quotient of 17,037,192**. An Economics and Commerce graduate from the University of Rome, chartered accountant. Registered on the Register of Auditors and the Register of Accountants; he has lectured in finance at the Luiss Guido Carli University of Rome;
- **Leonardo Quagliata, alternate auditor.** An Economics and Commerce graduate from the University of Rome, chartered accountant. Registered on the Register of Auditors and the Register of Accountants.

The auditors are chosen from people who are qualified as independent and shall act autonomously and independently also as regards the shareholders who elected them.

In Acea, an auditor is considered independent in accordance with the law and art. 3 of the Code.

After the appointment of an auditor who is qualified as independent and subsequently at least once a year, based on the information provided by the involved party or in any case available to Acea, the Board of Statutory Auditors shall evaluate the relations which could be or appear to be able to compromise that auditor's independent judgement.

This is done via the Board of Statutory Auditors' direct participation in the meetings and via the receipt, prior to such meetings, of material illustrating items on the meeting's agenda in the form and with the same timing as applied to the documentation made available to Directors.

The Board of Statutory Auditors exercises its powers and fulfils its duties set out by current provisions.

In carrying out its activity, the Board of Statutory Auditors co-ordinated with the Audit department mainly through periodic meetings which discussed the independent monitoring work plan and the results of the main operations carried out throughout the year.

Moreover, the Board co-ordinated with the Risk and Control Committee through the participation of its Chairman in meetings.

During the financial year, the Board met 9 times, with each meeting lasting an average of 2 hours.

As at the date of this report, the Board has met 3 times, and each meeting lasted for an average of 2 hours.

14. Relations with shareholders

(as per art. 123-bis, par. 2, lett. a), TUF)

The main information concerning the Company, its performance and related events is promptly disclosed to the market and the applicable Supervisory Authorities, and is made available in a document at the Company's registered office and on its website www.acea.it, where continuously updated information is posted and is kept without any time limit.

ACEA's organisational structure includes an Investor Relations department which reports to the CEO; the manager is Ms. Elvira Angrisani.

At the time of the approving of the annual, half-year and quarterly results and the Industrial plan and upon the occurrence of any price-sensitive operation, the Company organises special conference calls with institutional investors and financial analysts.

In 2012 the following were held:

- meetings and conference calls with analysts who cover Acea's shares;
- conference calls and presentations to the financial community timed to coincide with approval of the annual and interim results;
- presentations for Italian and international institutional investors;
- numerous one-to-one meetings with Italian and international institutional investors (approximately 40 meetings).

In addition, in order to ensure that the Shareholders and Investors are provided with timely information, the corporate documents, press releases, notices and other corporate information is published on the Company Internet site (www.acea.it)

15. General meetings

(as per art. 123-bis, par. 2, lett. c, TUF)

The functioning regulation of the general meeting is contained in ACEA S.p.A.'s Articles of Association, and, other than referring to legal requirements, dedicates articles 10, 11, 12, 13 and 14 to the general meeting of shareholders.
Specifically, as at 31 December 2012, and to date, art. 10 sets forth the methods of calling the General Meeting, indicating at 10.3 that "Without prejudice to the power of convening a meeting established by specific provisions of law, the Shareholders' Meeting, both ordinary and extraordinary, shall be convened by the Board of Directors through notice which shall contain the day, the venue and the time of the meeting and the agenda of the business to be transacted. In paragraph 4 of the same article, it is furthermore confirmed that the notice may be given also outside of the registered office, provided it is in Italy.
"*Notice must be given on the Internet site of the Company, and on the Official Gazette of the Republic of Italy, or on the Il Sole - 24 Ore newspaper in compliance with the terms established be prevailing law. There may be calls for meetings following the second call. The notice of a meeting may foresee, for different days, the second, third and possible subsequent meetings to be held in the event of a failure to reach a quorum according to the law in each of the previous meetings"* (art. 10.4 of the Articles of Association).
Art. 11.1 sets forth that the *"General Meeting is convened at least once a year to approve the financial statements within 120 days from the close of the corporate year, or within 180 days from the above mentioned close if the conditions under art. 2364 of the Italian Civil Code apply."*
Art. 11.2 sets forth that *"the Extraordinary General Meeting shall be convened any time it is necessary to pass a resolution which the law reserves to its competence."*
Art. 11.3 indicates that *"both the ordinary and extraordinary general meetings shall be convened when so requested by a number of Shareholders representing the percentages set forth in the laws in force, which Shareholders, must also the topics to discuss when making the request, or when the request is made by the Board of Statutory Auditors or its members as foreseen by the law.*
Additionally, the number of Shareholders representing the percentages set out in the dispositions of the law in force may request, in accordance with the terms established by prevailing law, to add to the items on the agenda, indicating the further topics to discuss in the request. The Shareholders' Meeting may not be convened nor the supplement request to the published agenda considered upon the request of the Shareholders to transact business in respect of which the passing of resolutions may only take place upon the proposal of the Directors or on the basis of a project or a report to be prepared by them".
Article 12 of the Articles of Association expressly sets forth that the majorities necessary for validating the ordinary and extraordinary general meeting's constitution and resolutions be those set forth by the law.
Article 13.1 of the General Meeting rules establishes that *"the right to participate at the General meetings and exercise of the right to vote will be confirmed by a notification to the issuer, made by the intermediary, in accordance with the accounting records, in favour of the party who has the right to vote in accordance with the methods and terms provided by prevailing law."*
Art. 13.2 instead sets forth that it is possible for any shareholder entitled to intervene at the meeting to be represented pursuant to the law.
Furthermore, the same paragraph of article 13 sets forth that *"with the exception of Roma Capitale, or subsidiaries thereof, which have acquired the capacity of Shareholders, the voting right may not be exercised for more than 8% of the share capital, even by proxy"*.
In this regard, it is necessary to highlight article 6 of the articles of association which instead sets forth that: *"with the exception of Roma Capitale and any subsidiary thereof which becomes a Shareholder, no Shareholder may hold an equity interest in the Company greater than the 8% of the share capital. In the event of breach, the relevant shareholder may not exercise the voting rights on the shareholding that exceeds said limit, and the resolutions passed with the decisive vote of such exceeding shares which are not entitled to cast votes pursuant to this Art. 6 may be rescinded pursuant to article 2377 of the Italian Civil Code. The shares which are not entitled to cast votes are in any case computed to determine a quorum for the meeting"*. (art. 6.1 of the Articles of Association)
"The aforesaid limit also applies to the interests held by the group to which each Shareholder belongs, there deeming to be a group in respect of:

- *that formed by the persons, whether natural or legal, which directly or indirectly control, are controlled by or fall under common control with the shareholder;*

- *that formed by entities connected to the shareholder, even though not having corporate form;*
- *that formed by persons, whether natural or legal, which directly or indirectly, explicitly or by means of conclusive behaviour, have entered into or otherwise adhere to arrangements of the kind described in article 122 of the Italian Legislative Decree 58/98, to the extent that such arrangements concern at least 8% of the voting share capital.*

Control and connection, for the purposes of this article 6, shall be deemed to exist in the instances laid out in article 2359 of the Italian Civil Code." (art. 6.2 of the Articles of Association)

Point no. 3 of article 6 sets forth that the limit pursuant to art. 6 point 1 applies also with reference to:

- *"shares held by the family of the shareholder, where family shall be deemed to include the shareholder itself, its non-divorced spouse and the co-living and/or tax-deductible children;*
- *shares beneficially held by a natural or legal person through controlled entities, trustees, intermediaries;*
- *shares directly or indirectly held, as pledge or usufruct, in the event that the voting right vests upon the pledgee or the usufructuary;*
- *shares being subject to repo arrangements, to be considered in respect of both parties thereto."*

Point 4 of article 6 furthermore sets forth that *"whoever holds shares in excess of the 8% of the share capital shall notify such circumstance to the Company in writing within twenty days of completion of the transaction through which the threshold was crossed".*

Another restriction set by article 6 in point number 5 is that which sets forth that *"those Shareholders who have not participated in approving the resolutions concerning the introduction or removal of the restrictions on the transfer of the shares shall not be entitled to withdraw".*

Article 13.3 sets out: *"In order to facilitate the collection of proxies from shareholders who are employees of the Company or its subsidiaries, associates who adhere to shareholders' associations that meet the requisites dictated by the effective applicable regulations, in accordance with the terms and procedures established by the Board of Directors directly or through its authorised persons, appropriate areas will be made available for notification and carrying out the proxy collection process.*

If the proxy is made via computer, in accordance with the procedures provided by prevailing law, each time, notification of the aforesaid proxy may be made by using the company Internet site in accordance with the methods provided in the meeting notice."

On 3 November 2000, the General Shareholders' Meeting approved the adoption of Regulations of General Meetings of Acea SpA's shareholders (available at the registered office or on the web site at www.acea.it). The approved Regulation is the result of detailed studies of texts prepared by various study Commissions established in different trade associations, and is particularly inspired by the studies carried out by Assonime. Specifically, article 7.3 of the aforesaid regulation regulates the methods by which the shareholders' right to speak on the subjects set for discussion is guaranteed:

"The request to intervene on individual agenda topics can be presented at the chair's (of the general meeting) table from the moment that the general meeting is established and until when the general meeting's Chairman has closed the discussion on the relative agenda topic. In inviting people to speak, by regulation, the General Meeting Chairman follows the order in which the intervention requests were made. Each shareholder can make just one intervention on each agenda topic, within the time limit of ten (10) minutes."

During the general meeting, the Board of Directors reported on activities carried out following company programmes. This obviously provides the shareholders with correct information about the elements necessary to ensure that they can make informed decisions on topics reserved to the meeting's competence.

The Board of Directors considers General Meetings to be of great importance to investor relations. The Directors, therefore, act to the best of their ability to encourage and facilitate as wide a participation as possible in General Meetings.

During the 2012 financial year, and as of today, significant changes in the capitalisation of ACEA shares and in the composition of its company structure which damage the prerogatives of minority interests have not taken place.

In accordance with article no. 15 of the Articles of Association, the General Meeting shall determine the number of directors to be elected (from 5 to 9).

Also in accordance with the same article, it is the absolute responsibility of the General Meeting to appoint Directors.

16. Further corporate governance practices

(as per art. 123-bis, par. 2, lett. a), TUF)

ETHICS COMMITTEE

With a Board of Directors resolution on 26 July 2001, the Ethics Committee was established, assigned full and independent authorities of action and delegated control to supervise the implementation and observance of the behavioural principles and rules expressed in the code of ethics adopted by Acea.

The composition and functioning of the Committee are regulated by specific regulations approved by the BoD.

The members of the Committee are the following as at 31 December 2012: Andrea Peruzy (Chairman), Francesco Caltagirone and two externally appointed members, Cesare San Mauro and Andrea Mondello, both appointed in the BoD meeting of 14 June 2011.

In accordance with the responsibilities attributed by the Code of Ethics and the mentioned Regulation, the Committee spreads awareness of the Code of Ethics within the Group; heightens the awareness of managers and employees of Acea S.p.A. to ethical matters; assists Acea in ensuring correct application of the Code of Conduct standards and criteria; develops and spreads awareness of the procedures necessary to ensure the aims and compliance with the Code principles; controls any breach of the standards of conduct of the Code, and propose penalties in accordance with the work contracts. Finally, the Committee prepares a report on the work carried out, to be sent to the Supervisory Body, the Board of Directors, the Risk and Control Committee and proposes any amendments needed to improve the Code principles.

On 22 February 2012, the BoD of Acea Spa, upon proposal of the Ethics Committee, decided to adopt a new edition of the Ethics Code, which was defined upon completion of the project to review the Acea's rules concerning ethics, with the objective of integrating the Values Charter, the previous Ethics Code and the Code of Ethics on Contract Work into a single document, as well as introduce new or improved ethical principles for all those who work in the interest of Acea SpA.

The new edition of the Ethics Code was published internally and made available outside the Company and training was given on it in order to increase the awareness of ethics issues on the part of managers and employees. A specific whistle blowing procedure was also adopted in 2012 to deal with notifications of alleged breaches of the Code's standards. The results of internal checks made by the Audit Department on whistle blowing notifications were monitored by the Ethics Committee.

The BoDs of the subsidiaries adopted the new edition of the Ethics Code that forms an attachment to the Organisation and Management Models.

In addition, in 2012, and in order to encourage actual application of the sustainability principle enshrined in the new edition of the Ethics Code, the Committee provided addresses and recommendations to the Acea SpA structures in order to define the sustainability objectives and report on them in the 2012 Sustainability Report, approved by the Board of Directors of Acea SpA at the same time as the annual financial report at 31 December 2012.

When carrying out its duties, the Committee will coordinate its work with the work of the Supervisory Body.

17. Changes since year-end close

Changes which occurred after year-end close and until today's date have been described in the specific sections.

On behalf of the Board of Directors
The Chairman

Giancarlo Cremonesi

TABLE 1: INFORMATION ON OWNERSHIP STRUCTURE

SHARE CAPITAL STRUCTURE

	No. Shares	% w.r.t. share capital	Borsa Italiana automated stock market Listing	Rights and obligations
Ordinary shares	212,964,000	100%	49%	
Shares with limited voting rights	------			
Shares without voting rights	------			

OTHER FINANCIAL INSTRUMENTS
(attributing the right to subscribe newly issued shares)

	Listed (indicate the markets) / unlisted	No. of instruments in circulation	Category of shares for the service of conversion/ financial year	No. of shares for the service of conversion/ financial year
Convertible Bonds	-----	-----		
Warrant Bonds	------	-----		

RELEVANT SHAREHOLDINGS
From the Consob site dated 14 March 2013

Declarant		Share % of the ordinary capital	Share % of the voting capital
Roma Capitale		51%	51%
GDF Suez SA	Ondeo Italia S.p.A%	6.524%	11.515%
	Gdf Suez Energia Italia SpA	4.991%	
Caltagirone Francesco Gaetano	Gamma S.r.l.	1.033%	16.361%
	Viapar S.r.l.	2.923%	
	Fincal SpA	7.513%	
	So.fi.cos. S.r.l.	2.886%	
	Viafin S.r.l.	2.006	

TABLE 2: STRUCTURE OF THE BOARD OF DIRECTORS AND COMMITTEES AS AT 31/12/2012

BOARD OF DIRECTORS
Required quorum for the presentation of lists at the last appointment: 1% of the shares with voting rights

Office	Members	In office since	In office up to	List (M/m) (1)	Exec.
Chairman	Giancarlo Cremonesi	GM 29/04/10	31/12/2012	M	X
CEO	Marco Staderini	GM 29/04/09 BoD 03/05/10 (CEO)	31/12/2012	M	X
Director	Paolo Giorgio Bassi	GM 29/04/10	31/12/2012	M	
Director	Andrea Peruzy	GM 29/04/10	31/12/2012	M	
Director	Luigi Pelaggi	GM 29/04/10	31/12/2012	M	
Director	Francesco Caltagirone	GM 29/04/10	31/12/2012	m	
Director	Paolo di Benedetto	GM 29/04/10	31/12/2012	m	
Director	Jean Louis Chaussade	GM 29/04/10	31/12/2012	m	
Director	Giovanni Giani*	Co-opted on 29/11/11 GM 04/05/12	31/12/2012	m	

(1) (M/m indicates that the member was appointed from the majority list (M) or the minority list (m).

(2) No. of presences at the meetings of the BoD and the committees respectively (no. of presences/ no. of meetings carried out during the effective period in which the involved party was in office).

(3) An "X" is placed in this column if the BoD member belongs to the committee.

** The Director Giovanni Giani was appointed as a Member of the Appointment and Remuneration Committee on 11 May 2012, to replace the Director, Jean Louis Chaussade*

					Risk and Control Committee		Appointments and Remuneration Committee	
Non-Exec.	**Indep. acc. to Code**	**Indep. acc. to TUF**	**(2)**	**(3)**	**(2)**	**(3)**	**(2)**
			9/9				
			9/9				
x	x	x	9/9	X	5/5		
x	x	x	9/9	X	5/5	x	4/4
x	x	x	9/9	X	5/5	x	4/4
x			9/9	X	4/5		
x	x	x	8/9			x	4/4
x	x	x	3/9			x	0/2
x			9/9	X	4/5	x	2/2

TABLE 3: STRUCTURE OF THE BOARD OF STATUTORY AUDITORS AS AT 31.12.2012

BOARD OF AUDITORS
Required quorum for the presentation of lists at the last appointment: 1% of the shares with voting rights

Office	Members	In office since	In office up to	List (M/m)* (1)	Independence according to Code	** (2)	Number of other Positions (3)
Chairman	Enrico Laghi	29/04/10	31/12/2012	m	x		4
Statutory auditor	Alberto Romano	29/04/10	31/12/2012	M	x		1
Statutory auditor	Corrado Gatti	29/04/10	31/12/2012	M	x		
Alternate auditor	Gianluca Marini	29/04/10	31/12/2012	m	x		
Alternate auditor	Leonardo Quagliata	29/04/10	31/12/2012	M	x		

(1) (1) M/m indicates that the member was appointed from the majority list (M) or the minority list (m).

(2) (This column indicates the participation of the auditors in the Board of Statutory Auditors meetings (no. of presences/no. of meetings held during the effective period in which the involved party was in office).

(3) This column indicates the number of positions of director or auditor covered by the concerned party reported in accordance with art. 148-bis TUF. The complete list of positions is attached,in accordance with art. 144-quinquiesdecies of CONSOB Issuer's Regulation, to the report on supervisory activity, prepared by the auditors in accordance with article 153, paragraph 1 of the TUF.

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CHART 1. COMPOSITION OF THE ACEA BOARD OF DIRECTORS AND POSITIONS HELD BY DIRECTORS IN OTHER COMPANIES

Role	Name	Position	Other positions
Chairman	Giancarlo Cremonesi	Executive Director	Chamber of Commerce (Ch.) Imprebanca SpA (D) Ag. Regionale Sviluppo Lazio Spa (D)
Chief Executive Officer	Marco Staderini	Executive Director	Compagnia San Paolo (D)
Director	Luigi Pelaggi	Independent Director	----------
Director	Paolo Giorgio Bassi	Independent Director	Eurocastle Investment Ltd (D) Ciccolella Spa (D) Mid Industry Capital Spa (Ch) Equita Sim Spa (D) Centrale Attività Finanziarie SpA (CEO)
Director	Paolo Di Benedetto	Independent Director	Banca Finnat Euramerica (D) Fondo Nazionale di garanzia (Ch) Cementir Holding SpA (D)
Director	Jean Louis Chaussade	Indipendent Director	Suez Environnement Company (Gen. Man. and Dir.)
Director	Andrea Peruzy	Indipendent Director	Carivit (D) Amundi RE Italia SGR SpA (D)
Director	Giovanni Giani	Non-independent director	----------
Director	Francesco Caltagirone	Non-independent director	Cementir Holding SpA (Chair. and Man. Dir.) Cimentas A.S. (D) Cimbeton A.S. (D) Aalborg Portland A.S. (D) Banca Finnat Euramerica SpA (D) Caltagirone SpA (D) Caltagirone Editore SpA (D)

* *Positions held in companies with which Acea has established and operates a structural partnership, in order to pursue alliances that do not restrict management of the Company.*

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