2016

INTERIM REPORT ON OPERATIONS OF THE ACEA GROUP AT 31 MARCH 2016

acea

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Colosseo · Roma

INTERIM REPORT ON OPERATIONS OF THE ACEA GROUP

ACEA ORGANISATIONAL MODEL

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

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

ENVIRONMENT SEGMENT

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

ENERGY SEGMENT

The ACEA Group is a major *operator* in Italy in the sale of electrical energy and offers innovative and flexible solutions for the supply of electrical energy and natural gas to consolidate its position as a *dual fuel* operator. Acea operates in all market segments, offering its services to families and major companies alike, always striving to improve the quality of its services in particular as far as *web and social* channels are concerned. Finally, the Group operates in the energy generation sector, running hydroelectric and thermoelectric plants in Lazio, Umbria and Abruzzo.

WATER SEGMENT

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

NETWORKS SEGMENT

The ACEA Group is a major operator in Italy with over 11 TWh of electricity distributed in Rome, where the Group manages the distribution network providing services for 1.6 million delivery points. The Group also manages the public and artistic lighting of the capital providing power for over 189,000 lighting points, applying solutions that strive to become more and more efficient with a lower environmental impact every year. By 2020 we plan to replace 100 thousand light bulbs with the same number of led bulbs. The Acea Group is committed to energy efficiency projects and the development of new technologies, such as *smart grids* and electric mobility, through particularly innovative pilot projects.

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

ACEA HOLDING

WATER

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

ENERGY

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

ENVIRONMENT

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

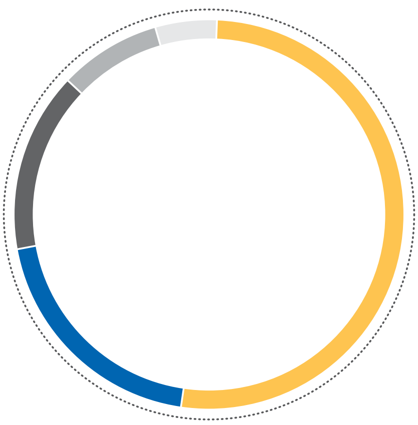
NETWORKS

100%	Acea Distribuzione
100%	Acea Illuminazione Pubblica

OTHER SERVICES

100%	Acea ElaboRi

The share capital of ACEA S.p.A. at 31 March 2016 is broken down as follows:



51%
Roma Capitale

12,48%
Suez

18,64%
Market

2,02%
Norges Bank

15,86%
Caltagirone

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

CORPORATE BODIES

Board of Directors

Catia Tomasetti	Chairman
Alberto Irace	CEO
Francesco Caltagirone	Director
Massimiliano Capece Minutolo del Sasso	Director
Diane D'Arras	Director
Giovanni Giani	Director
Elisabetta Maggini	Director
Roberta Neri	Director
Paola Antonia Profeta	Director

Board Of Statutory Auditors[1]

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

Executive Responsible for Financial Reporting

Demetrio Mauro

[1] Appointed by the Shareholders' Meeting of 28 April 2016.

SUMMARY OF RESULTS

Economic Data (million euros)	31.03.16	31.03.15	Increase/ (Decrease)	% Increase/ (Decrease)
Consolidated net revenue	713.7	761.6	(47.9)	(6.3%)
Consolidated operating costs	513.4	589.9	(76.5)	(13.0%)
Income/(Costs) from equity investments of a non-financial nature	6.9	5.7	1.2	20.9%
- of which: EBITDA	34.0	33.7	0.4	1.2%
- of which: Amortisation, depreciation, impairment charges and provisions	(22.2)	(22.6)	0.3	(1.5%)
- of which: Financing activities	(2.1)	(2.1)	0.0	(0.5%)
- of which: Taxation	(2.8)	(3.3)	0.5	(14.1%)
EBITDA	**207.2**	**177.4**	**29.8**	**16.8%**
EBIT	**123.6**	**104.1**	**19.4**	**18.7%**
Net profit (loss)	**69.2**	**53.5**	**15.6**	**29.2%**
Profit/(loss) attributable to non-controlling interests	2.3	3.0	0.8	(24.9%)
Net profit/(loss) attributable to the Group	**66.9**	**50.5**	**16.3**	**32.4%**

EBITDA per Operating Segment (million euros)	31.03.16	31.03.15	Increase/ (Decrease)	% Increase/ (Decrease)
ENVIRONMENT	**13.3**	**12.8**	**0.5**	**4.3%**
ENERGY	**32.6**	**31.5**	**1.0**	**3.2%**
Production	9.3	10.7	(1.4)	(12.8%)
Sales	23.2	20.8	2.4	11.5%
WATER:	**80.7**	**74.4**	**6.3**	**8.5%**
Overseas	0.4	3.2	(2.8)	(86.5%)
Lazio - Campania	72.4	63.0	9.4	14.8%
Tuscany-Umbria	6.2	6.6	(0.4)	(6.7%)
Engineering	1.7	1.5	0.2	12.0%
NETWORKS	**80.6**	**60.0**	**20.6**	**34.3%**
ACEA (Corporate)	**0.0**	**(1.3)**	**1.3**	**100.0%**
Total EBITDA	**207.2**	**177.4**	**29.8**	**16.8%**

Statement of financial position data (million euros)	31.03.16	31.12.15	Increase/ (Decrease)	31.03.15	Increase/ (Decrease)
Net Invested Capital	**3,830.2**	**3,606.1**	**224.1**	**3,692.3**	**137.9**
Net Debt	**(2,173.9)**	**(2,010.1)**	**(163.8)**	**(2,139.6)**	**(34.3)**
Consolidated Shareholders’ Equity	**(1,656.4)**	**(1,596.1)**	**(60.3)**	**(1,552.7)**	**(103.7)**

Net Debt per Operating Segment (million euros)	31.03.16	31.12.15	Increase/ (Decrease)	31.03.15	Increase/ (Decrease)
ENVIRONMENT	**187.9**	**187.7**	**0.2**	**185.7**	**2.3**
ENERGY	**315.3**	**287.1**	**28.2**	**397.8**	**(82.5)**
Production	126.0	130.7	(4.7)	136.1	(10.0)
Sales	189.3	156.4	32.9	261.7	(72.4)
WATER	**602.1**	**537.3**	**64.8**	**495.1**	**107.1**
Overseas	(2.1)	(2.1)	(0.0)	(5.1)	3.0
Lazio - Campania	587.5	522.1	65.5	496.7	90.8
Tuscany - Umbria	0.4	0.2	0.2	(6.1)	6.5
Engineering	16.4	17.2	(0.8)	9.5	6.8
NETWORKS	**637.4**	**581.7**	**55.8**	**631.5**	**5.9**
ACEA	**431.1**	**416.3**	**14.7**	**429.6**	**1.5**
Total	**2,173.9**	**2,010.1**	**163.8**	**2,139.6**	**34.3**

Investments per operating segment (million euros)	31.03.16	31.03.15	Increase/ (Decrease)
ENVIRONMENT	**1.6**	**0.9**	**0.7**
ENERGY	**11.8**	**5.4**	**6.4**
Production	8.9	2.5	6.4
Sales	3.0	2.9	0.1
WATER:	**41.7**	**32.0**	**9.7**
Overseas	0.0	0.0	0.0
Lazio - Campania	41.4	31.9	9.5
Engineering	0.3	0.1	0.2
NETWORKS	**39.6**	**29.9**	**9.8**
ACEA (Corporate)	**2.3**	**3.8**	**(1.5)**
Total	**97.0**	**71.9**	**25.1**

REFERENCE CONTEXT

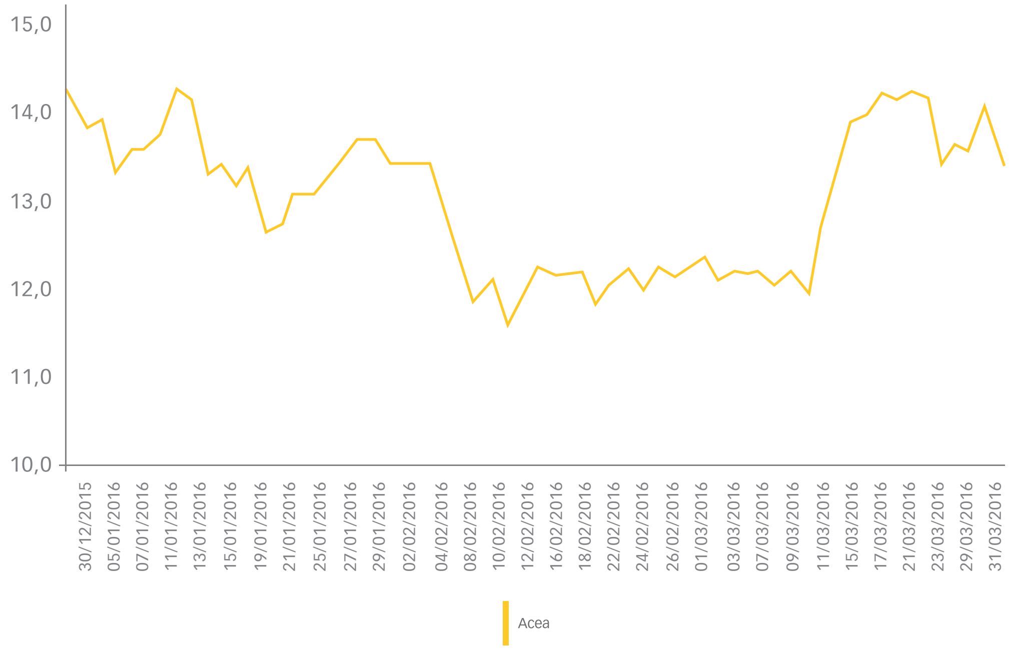
Performance of the equity markets and the ACEA share
In the **first quarter of 2016** all equity markets experienced high **volatility** and heavy **losses** especially until mid-February.

In Italy, in the period under analysis, the Milan Stock Exchange "underperformed" the European stock exchanges, performing as follows: **FTSE Italia All Share -14.8%, FTSE MIB -15.4% and FTSE Italia Mid Cap -10.3%.**

ACEA SHARE PERFORMANCE

In the first three months of the year, **ACEA** reported a **5.3%** loss. The share price stood at 13.45 euros at 31 March 2016 (capitalisation: 2,864.4 million euros). The highest value of 14.25 euros was recorded on 21 March with a low of 11.8 euros recorded on 11 February.

During the period, **average daily traded volumes were higher than 82,000**, (lower than those of the first quarter of 2015).



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

	% increase/ (decrease) 31.03.16 (compared to 31.12.15)
Acea	**-5.3%**
FTSE Italia All Share	-14.8%
FTSE Mib	-15.4%
FTSE Italia Mid Cap	-10.3%

Around 30 reports/notes were published on ACEA's share in the first quarter of 2016.

ENERGY MARKET

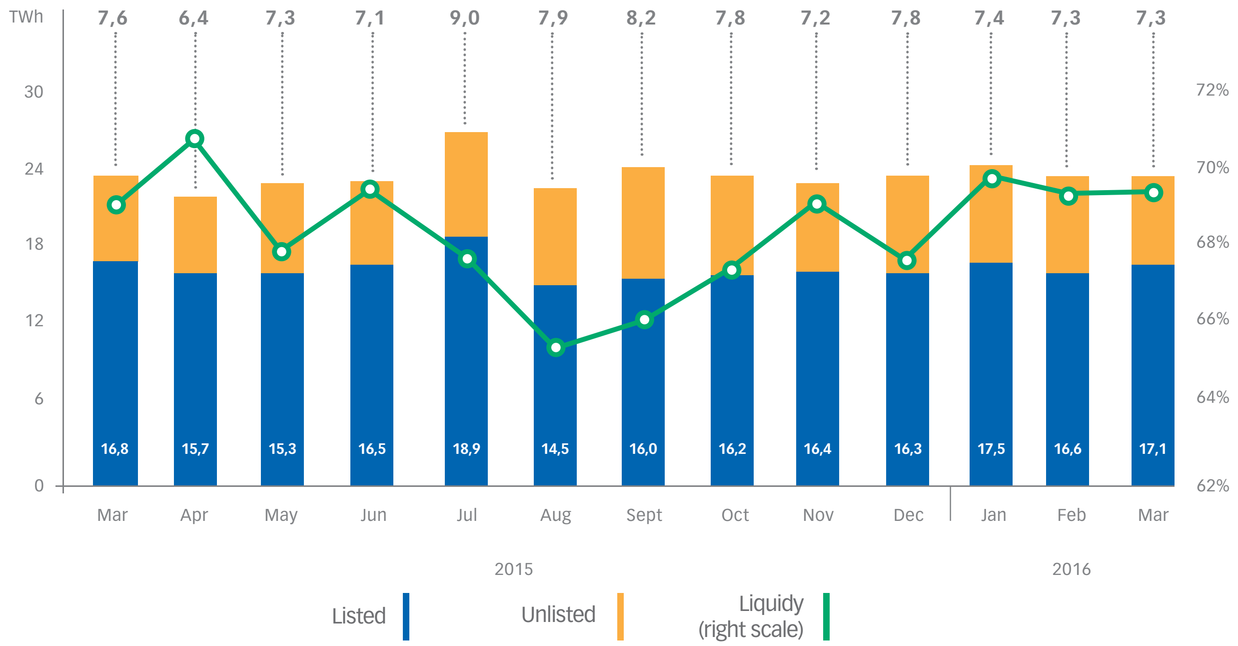
Electricity demand in Italy in the first quarter of 2016 (77,632 GWh)[2] decreased by 1.5% compared to the same period in the previous year. In non-calendar terms the decrease was 2.3%. 83.3% of electricity requirements were covered by national (Italian) production and the remaining share of 16.7% was covered by imports from abroad (balance of imports 4.2% compared to the first quarter of 2015).
In this context, net national production (65,309 GWh) decreased by 0.7% compared to the first quarter of 2015. Except for hydroelectric power (-17.6%) and photovoltaic power (-11.3%), there was an increase in all Italian production sources, in particular: wind power (+11.1%), thermoelectric (+2.5%) and geothermal production (+3.5%).

GWh	31.03.16	31.03.15	% increase/ (decrease) 2016/2015
Net Production			
- Hydroelectric	7,907	9,592	(17.6%)
- Thermoelectric	46,175	45,058	2.5%
- Geothermal	1,489	1,438	3.5%
- Wind power	5,772	5,195	11.1%
- PV Power	3,966	4,473	(11.3%)
Total Net Production	**65,309**	**65,756**	**(0.7%)**
Imports	14,459	14,636	(1.2%)
Exports	1,530	1,137	34.6%
Balance of Imports	**12,929**	**13,499**	**(4.2%)**
Pumping systems consumption	**606**	**450**	**34.7%**
Electricity Demand	**77,632**	**78,805**	**(1.5%)**

Electrical energy traded on the day-ahead market was stable compared to the prior year (+0.1%) at 24.5 million MWh. Electricity traded on the Power Exchange (17.1 million MWh) increased by +1.8% year on year, while OTC trade on the PCE and nominated on the DAM dropped to 7.4 million MWh (-3.4%). Market liquidity increased by 1.1% compared to the first quarter of 2015, reaching the value of 69.8%.

[2] Source: Terna – March 2016, monthly report on the electricity system.
[3] Source: Energy Market Operator (GME) - March 2016, GME Newsletter.

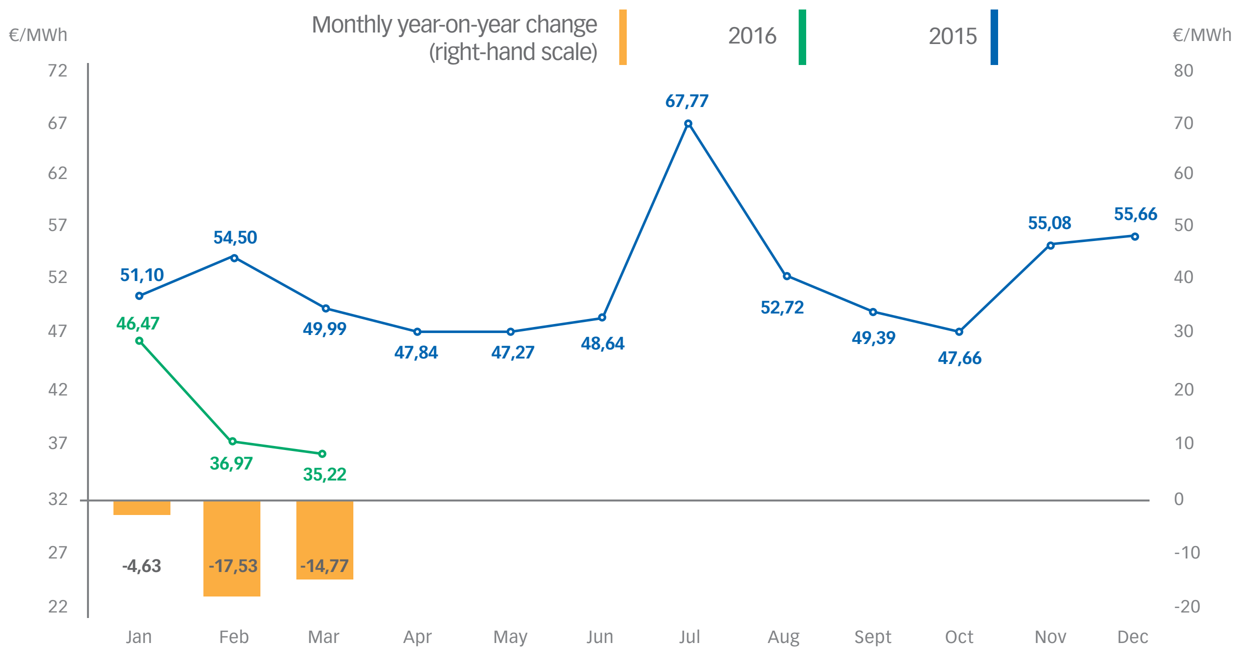
Liquidity on the DAM[3]



The average purchase price of electricity on the power exchange (PUN) reached 35.22 €/MWh, a decrease of 1.75 €/MWh (-29.5% yoy), reporting, for the second month in a row, the lowest price ever recorded since the start of the organized market. An analysis by time bands shows an yoy decrease of 18.02 €/MWh (-31.9%) at peak times and 12.97 €/MWh (-28.0%) off-peak, with prices respectively standing at 38.47 €/MWh, a new record low, and 33.43 €/MWh, second lowest value ever. The peak/*base-load ratio was* down from a year ago reaching 1.09.

Price declines are widespread throughout the country where the zonal selling price is at its lowest in all areas except Sicily.

National Single Price (PUN)[3]

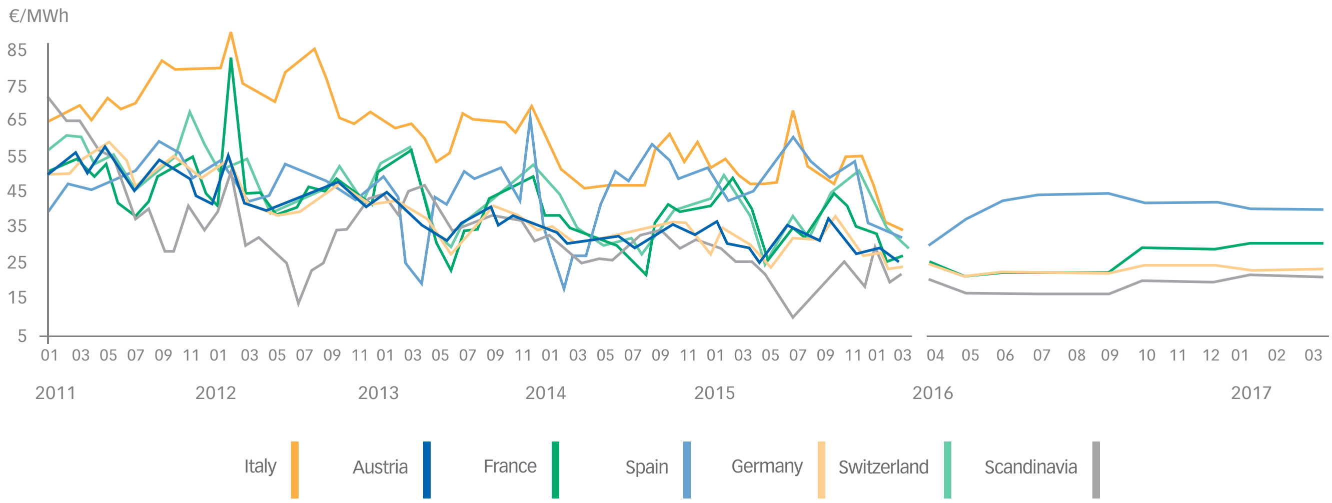


There have been widespread signs of recovery on the power exchanges, although the prices reported are significantly lower compared to the same period last year (22/29 €/MWh, + 1/+ 11%, -13/-38%). As regards Italy, the respective value is lower on a monthly basis and its minimum value is updated since the establishment of Ipex (35 €/MWh, -5/-30%). Within the IBMC1, the opposing tendencies shown by the North and French prices reduce the relative differential (34 €/MWh, -2%; 27 €/MWh, +6%) and, more generally, there has been a small increase in the convergence rate on the three borders. On the futures markets next delivery prices are generally lower than current values.

In the European power exchanges volume trends are heterogeneous; the size of trades managed by Nord Pool continues to increase on an annual basis, and the same is also taking place on the Italian stock exchange (Nord Pool 36 TWh, +11%; Ipex 18 TWh, + 5%), while the Epex pool declines by 2%, driven by the drop of the larger exchange within this group.

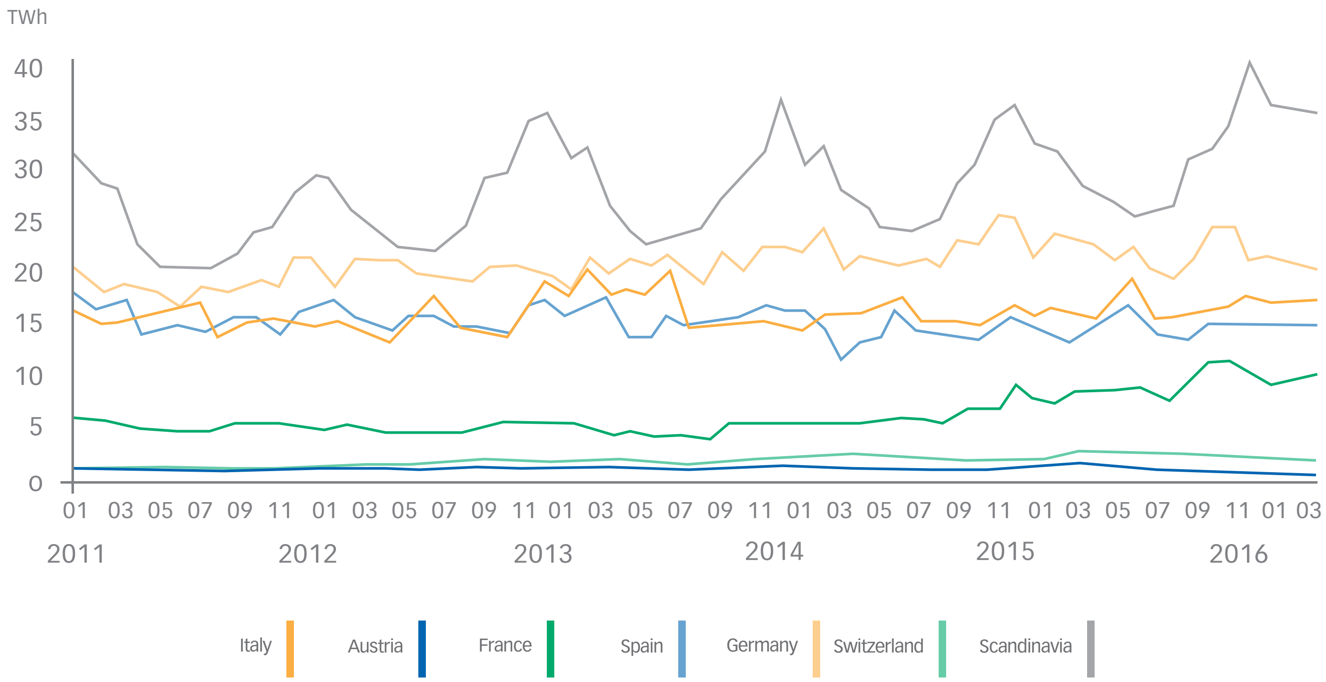
[3] Source: Energy Market Operator (GME) - March 2016, GME Newsletter.

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



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

Area	Volume (TWh) Mar 16	Var M-1 (%)	Var M-12 (%)
ITALY	17.6	+ 3 %	+ 5 %
FRANCE	9.8	+ 11 %	+ 34 %
GERMANY	20.0	- 6 %	- 15 %
SPAIN	14.7	+ 0 %	+ 8 %
SCANDINAVA	35.7	+ 0 %	+ 11 %
AUSTRIA	0.7	- 5 %	- 7 %
SWITZERLAND	2.0	+ 12 %	+ 10 %



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

REGULATIONS AND TARIFFS

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

AEEGSI WATER SERVICES ACTIVITIES

Resolution 42/2016/R/Idr - Regulation of the metering service as part of the Integrated Water Service, in the second regulatory period

Through this consultation the AEEGSI provided initial guidelines on the regulation of the metering service provided as part of the Integrated Water Service (SII), pursuing the following objectives:

- objective determination of water consumption by users (efficient management through an accurate water control and ability to provide correct price signals, enabling users to monitor their own consumption and achieve water and financial savings objectives);
- calculation of pollution produced by users (ensuring the presence of efficient measuring devices that can track the volume of wastewater discharged into drains and flowing into waste treatment plants);
- Water protection and waste reduction;
- increasing users' awareness (effective knowledge of actual consumption, ease of timely access to their own specific consumption data which must be accurate, reliable and significantly related to periods of service use).

The document then analyses the general taxonomy, the organizational structure and the contents of the metering service as part of the Integrated Water Service (SII), both as regards the management of the process (i.e. metering activities necessary for the efficient management of systems and networks) and as regards the management of users (i.e. all the activities for the management of meters installed at users' premises).

As for the responsibility of the metering service, the Authority explicitly provides that it is to be attributed to the entity entrusted with operation of the service. proposals for regulating the water balance for the aqueduct service, with consultation on two balance models, aimed at determining water losses respectively in the abstraction and distribution sector. For all volumes that contribute to the development of the water balance, the service operators have to make an annual notification to the Authority.

The Authority also confirmed its intention to continue designing and updating appropriate metering service efficiency indicators for aqueduct activities, illustrating the 12 indicators defined (3 related to process meters and 9 to user's meters).

The Authority intends to carry out further verifications regarding the validity of data provided, with specific reference to data on the metering service, in the event of specific investigations triggered by the exceeding of the limit set for the tariff multiplier. For this purpose, the document provides for a consultation on a methodology for determining the estimation error made in calculating users' volumes.

Finally a consultation was also envisaged as regards registration and communication obligations of metering service data and information underlying the calculation of the indicators presented, regardless of the size of managed operations.

In the Authority's intentions the final measure should be issued within the month of April 2016, with staged application of the provisions as of the the entry into force of the measure, and full application of the rules becoming effective on 1 January 2017.

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

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

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

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

Resolution 137/2016/R/com - New Consolidated Accounting Unbundling Regulation (TIUC) provisions on unbundling obligations for the water sector.

With this Resolution, the AEEGSI supplemented the current accounting unbundling framework provided by the TIUC (Consolidated Accounting Unbundling Regulation) for the electricity and gas sector by introducing accounting unbundling obligations for operators of the Integrated Water System (SII) and related notification obligations. The measure, which follows an extensive consultation process (82/2013/R/com, 379/2015/R/idr and 515/2015/R/idr) and *focus groups* with stakeholders, thus completes the accounting unbundling regulatory framework, adopting a new version of the TIUC, which contains the previously applicable provisions for *energy* services, and the new provisions introduced for the water sector.

The resolution provides that the accounting unbundling regime of the water sector applies to all SII operators operating the service under agreements that comply with the applicable regulations. Specifically, with reference to the water service, it envisages an ordinary regime applicable to SII operators serving more than 50,000 inhabitants and also for multi-ATO operators and for larger operators (as identified by the Area Authorities) which, while not directly supplying the service to end users, provide collection or abstraction, drinking water and/or waste treatment services. The regulatory framework confirms the introduction of the geographical-territorial breakdown of the SII accounting unbundling, at ATO level, in order to enable the detection of all the economic and financial data for each of the SII services, which are necessary to ensure its application.

The new provisions on accounting unbundling of the Integrated Water Service will be applied as from 2016, which will be considered as an experimental year in the water sector; therefore, the first unbundling data collected are not expected to be used for the tariff approval of 2018. SII operators may prepare the separated annual accounts for the years 2016 and 2017 according to the simplified unbundling accounting regime, except for multiATO operators and any operators who are required to prepare the separated annual accounts under the ordinary regime for the electricity and gas sector. Given the time necessary for the adjustment of IT and management facilities, it will be possible, limited to the 2016 financial year, and only for the water sector, to make use of ex-post allocation criteria of accounting items at the activity level, departing from the principle of hierarchy of sources which is applicable in the ordinary accounting unbundling regime.

Lombardy Regional Administrative Court judgments on actions brought by certain Operators

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

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

In response to those questions the Panel of experts stated that, overall, the methodology contained in Resolution (and the individual parameters adopted in Art. 18 of Annex A to the Resolution) refers to a large extent to the *WACC* methodology and, as such, it is certainly reliable, reasonable and consistent with the know-how of the industrial economy, and is also in line with the regulatory practice in Italy and abroad.
Finally the Panel of experts did not detect in the formulas and parameters any duplication of risk factors already considered in other parts of the Resolution and considered that the coefficients, specifically determined, do not involve any unreasonable overestimation of the risk factor within the risk hedging component.

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

AEEGSI ELECTRICITY ACTIVITIES

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

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

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

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

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

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

The measure assigns to the Integrated Information System (SII) the responsibility to verify the simultaneous existence of dispatching and transport contracts, as a necessary condition for accessing the transmission and distribution services provided by the regulation: as of 1 June 2016, Terna and the distribution companies are required to promptly notify the SII of any contract entered into or terminated.

Accordingly, the Integrated Information System (SII) (and no longer the distributor) will be responsible for:

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

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

The document sets out the Authority's guidelines in relation to the suppression of the protected categories market, provided for in the Competition Bill, effective as of 1 January 2018.

The outlined reform process will be gradual and will start in 2017, with the intent to promote:

- the evolution of the protected categories market towards a true "universal service", aimed at ensuring continuity of service for all customers temporarily without a free market supplier (Protected categories market reform*);*
- a voluntary exit path of end customers from current price safeguards, through a transitional phase to the free market (*Similar protected regime).*

Compared to the initial guidelines, the AEEGSI also intends to include household customers in the measure (and not just small businesses).

Specifically, with regard to the *Protected categories market,* the AEEGSI intends to amend:

- the contractual conditions, with regard to the rules on security deposits, payment by instalments and withdrawal from the contract;
- the economic conditions of supply, confirming that the fees will be defined *ex ante,* therefore on the basis of quarterly price estimates, envisaging, however, that the calculation of the amounts to be recovered - arising from the difference between estimated and actual amounts - will be made on a quarterly basis and not on a half-year basis as it is current practice.

With regard to the introduction of *Similar protected regime,* however, the Authority proposed a new system configuration with the voluntary participation of customers and suppliers and a centralized access management: a third party (administrator) will therefore be appointed to identify the eligible free market suppliers and to manage the contact between customer and seller. This tool, will interfere as little as possible with the dynamics of the free market: the possibility to enter into a *Similar protected regime* contract will only be permitted once, and only to customers included in the reformed protected categories market, will have a one year term as of the *switching* date and may not be renewed.

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

Resolution 92/2016/R/gas - start of procedure for defining measures in the field of insurance in favour of gas end customers

By this measure, combined with the consultation document **93/2016/R/gas - Provisions regarding insurance for gas end customers** (expiring 15 April 2016), the Authority initiated a procedure for the adoption of measures aimed at ensuring continuous insurance coverage to gas end customers, expiring on 31 December 2016, through the activation of a new insurance policy with effect from 1 January 2017.

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

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

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

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

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

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

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

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

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

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

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

TREND OF OPERATING SEGMENTS

FINANCIAL RESULTS BY SEGMENT

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

31 March 2016	Environment	Energy				Water				
Million euros		Generation	Sales	Intra segment eliminations	Segment Total	Italian Water Services	Overseas	Engineering	Intra segment eliminations	Segment Total
Revenue	32	16	451	(7)	460	164	1	8	(7)	167
Costs	19	7	427	(7)	428	86	1	6	(7)	86
Grosso operating profit	**13**	**9**	**23**	**0**	**33**	**79**	**0**	**2**	**0**	**81**
Depreciation and accumulated impairment charges	7	5	15	0	20	25	0	1	0	26
Operating profit/(loss)	**6**	**4**	**8**	0	**12**	**54**	**0**	**0**	**0**	**54**
Capex	2	9	3	0	12	41	0	0	0	42

31 March 2016	Networks				Other		Consolidated Total
Million euros	Distribution	Public Lighting	Intra segment eliminations	Segment Total	Corporate	Consolidation adjustments	
Revenue	133	15	(1)	148	28	(114)	721
Costs	52	16	(1)	67	28	(114)	513
Gross operating profit	**81**	**(1)**	**0**	**81**	**0**	**0**	**207**
Depreciation and accumulated impairment charges	22	0	0	22	8	0	84
Operating profit/(loss)	**59**	**(1)**	**0**	**58**	**(8)**	**0**	**124**
Capex	39	0	0	39	2	0	97

31 March 2015	Environment	Energy				Water				
Million euros		Generation	Sales	Intra segment eliminations	Segment Total	Italian Water Services	Overseas	Engineering	Intra segment eliminations	Segment Total
Revenue	31	18	532	(11)	539	154	6	6	(5)	161
Costs	18	7	511	(11)	507	84	3	4	(5)	86
Grosso operating profit	**13**	**11**	**21**	**0**	**32**	**70**	**3**	**2**	**0**	**74**
Depreciation and accumulated impairment charges	7	5	15	0	20	21	0	0	0	21
Operating profit/(loss)	**6**	**6**	**6**	0	**12**	**49**	**3**	**1**	**0**	**54**
Capex	1	2	3	0	5	32	0	0	0	32

31 March 2016		Networks			Other		Consolidated Total
Million euros	Distribution	Public Lighting	Intra segment eliminations	Segment Total	Corporate	Consolidation adjustments	
Revenue	113	17	1	(1)	27	(119)	767
Costs	55	15	0	(1)	28	(119)	590
Gross operating profit	**58**	**2**	**1**	**0**	**(1)**	**0**	**177**
Depreciation and accumulated impairment charges	21	0	0	0	5	0	73
Operating profit/(loss)	**37**	**2**	**1**	**0**	**(6)**	**0**	**104**
Capex	30	0	0	0	4	0	72

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

ENVIRONMENT OPERATING SEGMENT

Operating figures and financial results for the period

Operating figures	Meas. Unit	31.03.16	31.03.15	Increase/ (Decrease)	% Increase/ (Decrease)
Waste transferred to WTE	kTon	93	85	8	10.0%
Waste transferred to RDF production plant	kTon	0	0	0	0.0%
Electrical Energy transferred	GWh	66	63	3	3.4%
Waste coming into Orvieto plants	kTon	27	22	5	21.2%
Incoming waste Compost Plant	kTon	59	65	(6)	(8.9%)
Ash and waste produced by WTE	kTon	18	14	4	27.9%

Financial results (million euros)	31.03.16	31.03.15	Increase/ (Decrease)	% Increase/ (Decrease)
Revenue	32.2	30.7	1.5	5.0%
Costs	18.9	17.9	1.0	5.5%
Gross operating profit	13.3	12.8	0.5	3.9%
Operating profit/(loss)	6.5	5.7	0.8	14.1%
Average number of staff	228	221	7	3.3%
Capex	1.6	0.9	0.7	77.8%
Net debt	187.9	185.7	2.2	1.2%

Financial results (million euros)	31.03.16	31.12.15	Increase/ (Decrease)	% Increase/ (Decrease)
Net debt	187.9	187.7	0.2	0.1%

This Segment closed the first quarter of 2016 with EBITDA at 13.3 million euros, an increase of 0.5 million euros on the same period of 2015. This performance, while considering the prolonged unavailability of the Kyklos plant (- 0.2 million euros) and lower margins from Aquaser (- 0.5 million euros), represents an increase of 4.3% mainly due to better performance of ARIA (+ 0.7 million euros) and SAO (+ 0.6 million euros) due to the greater amount of energy produced and incoming waste following the entry into operation of the new Orvieto waste treatment plant.

The average number of staff as at 31 March 2016 was 228, seven more than the same period of the previous year. The increase is mainly due to ARIA (+ 12) and Aquaser (+ 4).

Capital expenditures stood at 1.6 million euros, up compared to those of the same period last year (0.9 million euros) mainly due to the renovation of San Vittore line 1.

Net debt in the Segment stood at 187.9 million euros, substantially in line with that at year-end 2015.

Operating review

ARIA

Terni waste-to-energy plant (UL1)

The Terni waste-to-energy plant produces electricity from renewable sources, specifically in a *pulper* paper mill waste-to-energy plant.

The first quarter of 2016 was characterized by the high performance of the plants, both in terms of incoming waste and of electrical energy produced and sold to the grid. This result was also made possible by a significant number of contracts signed for *pulper* delivery, thereby meeting the requirements of the plant for the full year 2016.

As regards the authorizations for the Terni waste to energy plant, it should be noted that, in relation to the application submitted by the Company concerning the extension of waste categories (EWC codes) that can be treated for energy recovery, the relevant regional bodies have completed the initial analysis of the documentation submitted, setting the next session of the Services Conference on 10 May 2016.

In addition, the experimentation (which lasted 6 months) approved by the Terni Provincial Authority can to an end. In this experiment the Company attempted to optimize the system for reducing atmospheric emissions. Consequently the Company applied for authorisation to permanently introduce said plant optimization.

As more fully described in the 2015 Consolidated Financial Statements, the verification process initiated by the National Grid Operator (GSE) in November 2015 was successfully completed in February 2016, with consequent recognition and collection of the green certificates accrued by the plant until the end of 2015.

Paliano RDF production plant (UL2)

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

As known, in June 2013 this plant was hit by a large fire and partly destroyed; in order to resume RDF/SSF production as soon as possible, the Company already began the procedure for selecting the contractor who will rebuild the plant. The work done up to now and the additional procedural authorisations obtained by the Company will make it possible to reopen the analysis procedure to obtain Integrated Environmental Authorisation for plant operation.

Again with reference to this plant and the surveys performed following the above-mentioned accident, the environmental surveys have been completed in accordance with planning time estimates approved by the competent Area authorities. The last surveys performed in the first quarter of 2016 confirmed there was no contamination resulting from the fire, despite the analytical results of groundwater analysis will require further verification in accordance with the ordinary procedures set out by the Consolidated Environment Act.

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

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

The plant operating data confirmed the positive trend of processes also from an environmental standpoint, which take into account: **(i)** the implementation by the Lazio Region of the provisions set out in art. 35 of Law no. 164/2014, on urgent measures for the implementation at national level of an adequate and integrated municipal waste management system, and **(ii)** the continued compliance with emission limits and the prescribed operating conditions.

Measure No. G00063 of 13 january 2016, notified on 26 january 2016, granted the new Integrated Environmental Authorization valid for 8 years from 24 July 2013 to 24 July 2021. This authorisation completes the procedure for renewing the Authorisation for construction and operating the plant, meaning significant rationalisation in terms of authorisation requirements for the San Vittore del Lazio plant.

Note that the procedure in question will also make it possible to begin some additional work on the industrial site to improve the quality of communal and staff areas.

Concerning the *revamping* of Line 1, reconstruction proceeded in a regular way and it is therefore plausible to confirm the planned conclusion of work in 2016.

Finally, again in the first quarter 2016, the Company started an exchange with GSE for verification of the RES 6296 position related to lines 2 and 3 of the plant. The process is in full swing and existing issues are progressively being identified and resolved and will plausibly be concluded by the end of June 2016.

SAO

SAO owns the plant located in the municipality of Orvieto for treating and reclaiming municipal and special waste; in particular, on the same site there is a non-hazardous waste dump, currently being cultivated, and a non-separated biological mechanical waste treatment plant for the valorisation of organic waste from separate collection.

The economic performance in the first quarter of 2016 is characterized by the entry into operation of the new plant which enabled the application of the tariffs for the comprehensive municipal waste management received from the relevant area, and to receive organic waste and vegetation from recycling produced by some municipalities of the same ATI and of external regions.

The table below shows the significant events occurred during the first quarter of 2016:

- on 11 January the phase for the acceptance test of the *revamping* works of the Orvieto waste management plant was started, during which a number of critical issues related to process management were detected. The Company has applied to the relevant authorities for an extension of the time necessary to bring it into full operation,
- on 20 January the Regional Coordinating Committee on Environmental Assessments met to express an assessment on the lack of final opinion by some of the parties summoned to the EIA conference and the dissent expressed by a non-governmental Administration in relation to the project “Morphological adaptation of the site and optimization of volumes and summit capping” of the open landfill (2nd gully) submitted in August 2014. At this time no notification has yet been received from GSE on conclusion of the analysis,
- on 12 February 2016, the GSE informed the Company that the document review process initiated on 13 November 2015, in accordance with the principles

of efficiency, cost effectiveness and proper administrative action, will merge into the selection process for the recognition of incentives, initiated at the request of the Company at the end of 2015, for the waste treatment plant subject to *revamping*. In this respect, the documentation received by the GSE during the aforementioned verification activities, will also be analysed,

- on 31 March, SAO and ICQ Holding submitted a jointly signed application to the GSE for the transfer of ownership of the biogas to energy plant powered by the biogas produced in the Orvieto's landlfill.

AQUASER GROUP

Aquaser

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

KYKLOS

Kyklos operates in the waste treatment sector. It produces and markets mixed compost conditioners; in particular it operates in the areas of Campoverde in Aprilia on the basis of a Single Authorisation for special non-hazardous waste treatment and recycling plants obtained from the Province of Latina with a maximum capacity of 66,000 tonnes/year.
Having obtained the release from seizure, the additional required measures resumed and are currently being completed in order to restore the functioning of the entire composting plant and related equipment (down for nearly 18 months) and the testing of the waste management plant for the leachates produced by the plant. Maintenance operations are aimed at ensuring the re-opening of the plant to incoming waste during the second quarter of 2016. At the same time a list of prices was published, resulting from the tender procedure carried out for the construction of a warehouse dedicated to finished product storage: to this end, preparatory activities are currently ongoing regarding the final award of the contract and the site preparation. On the other hand, the tender process (launched in March) aimed at the construction of the sub-segment concerning anaerobic digestion and composting authorized for the expansion of the plant capacity up to 120,000 tons/year.

ISA

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

SOLEMME

Solemme operates in the waste recycling sector, composting organic waste, in particular sludge from civil waste treatment and producing mixed compost conditioners.
The Company has two Local Units in which two plants are located: (i) the Monterotondo Marittimo composting plant which is included in the Grosseto Provincial Authorities' Waste management plan; and (ii) the Sabaudia plant which recycles and disposes of waste on the basis of the Integrated Environmental Authorisation issued by the Lazio Regional Authority.
With regard to the Monterotondo Marittimo plant, the procedure for obtaining the IEA was declared completed, after five meetings, by the Services Conference which, on 6 April 2016, gave a favourable opinion for the issuing of the IEA.

ENERGY OPERATING SEGMENT

Operating figures and financial results for the period

Operating figures	Meas. Unit	31.03.16	31.03.15	Increase/ (Decrease)	% Increase/ (Decrease)
Energy Produced (hydro + thermal)	GWh	106	153	(47)	(30.7%)
Energy Produced (photovoltaic)	GWh	2	0	2	100.0%
Electrical Energy sold - Free	GWh	1,434	1,680	(246)	(14.7%)
Electrical Energy sold - Protected	GWh	737	821	(85)	(10.3%)
Electrical Energy - No. Free Market Customers (P.O.D.)	N/000	304	339	(35)	(10.4%)
Electrical Energy - No. Protected Market Customers (P.O.D.)	N/000	965	1,014	(49)	(4.8%)
Gas Sold	Msm^3	55	62	(7)	(11.4%)
Gas - No. Free Market Customers	N/000	150	156	(7)	(4.2%)

Financial results (million euros)	31.03.16	31.03.15	Increase/ (Decrease)	% Increase/ (Decrease)
Revenue	460.4	538.8	(78.4)	(14.6%)
Costs	427.8	507.2	(79.4)	(15.7%)
Gross Operating Profit	32.6	31.6	1.0	3.2%
Operating profit/(loss)	12.2	11.7	0.5	4.3%
Average number of staff	553	531	22	4.1%
Capex	11.8	5.4	6.4	117.6%
Net debt	315.3	397.8	(82.5)	(20.7%)

Financial results (million euros)	31.03.16	31.12.15	Increase/ (Decrease)	% Increase/ (Decrease)
Net debt	315.3	287.1	28.2	9.8%

This Segment closed the first quarter of 2016 with EBITDA at 32.6 million euros, substantially in line with the same period of 2015 (+1.0 million euros).
The increase is the result of contrasting effects that concern both the production companies (- 1.4 million euros) and the sales companies (+ 2.4 million euros). Specifically, please note:

- + 2.8 million euros in Acea Energia,
- - 2.0 million euros in Acea Produzione.

The improvement in **Acea Energia** is the result of the combined effect of the margin in the protected categories market (+ 3.9 million euros compared to the same period of 2015) and that of the Free Market (- 2.2 million euros compared to 2015). The reasons for these changes are attributable respectively: **(i)** the effect of the revision of the tariff for the sale of electricity (RCV) defined by AEEGSI Resolution 659/2015, which introduced, as of 1 January 2016, the marketing and sale remuneration component for separate companies supplying up to 10 million withdrawal points for end users, and **(ii)** lower volumes sold in the B2B segment, partially offset by higher margins in the mass market segment.
The deterioration of performance by **ACEA Produzione** is due to a reduction in the energy margin as a result of the price trend and a slight reduction in the quantities produced by the hydroelectric segment and the district heating segment, which produced lower revenues than in the same period of 2015 also due to the mild winter.

In terms of staff, at 31 March 2016 the average number of employees was 553, 22 more than the same period of the previous year. This effect is entirely attributable to Cesap Vendita Gas which is consolidated on a line-by-line basis as of the second quarter of 2015.

Capital expenditures in the period stood at 11.8 million euros, an increase of 6.4 million euros mainly due to capital expenditures incurred by Acea Produzione for the plant *revamping* works at the Hydroelectric Power Station of Castel Madama, and for functional and static upgrading works of power tunnels from the reservoir of the San Cosimato dam as well as the extension of the district heating network in the Mezzocammino district in the south of Rome.

Net debt at the end of the quarter amounted to 315.3 million euros, an increase compared to the end of the previous year mainly due to the increase in working capital of Acea Energia.

Operating review

ENERGY MANAGEMENT

Acea Energia is responsible for performing the "*Energy Management*" necessary to Group operations, particularly with regard to sales and production.
The Company also liaises with the Energy Market Operator and with TERNA. In relation to the institutional entity Terna, the Company is the input Dispatch User for Acea Produzione and other companies in the ACEA Group. It performed the following main activities in the period:

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

In the first quarter of 2016, Acea Energia purchased a total 2,010 Gwh of electricity from the market, of which 1,983 Gwh through bilateral agreements and 27 Gwh through the Power Exchange, essentially for resale to free market end users and the residual part for the optimization of energy flows and purchases portfolio.

ELECTRICITY PRODUCTION

The **Acea Produzione** production system comprises a series of power generating plants with a total installed capacity of 344.8 MW, including five hydroelectric plants (three in Lazio, one in Umbria and one in Abruzzi), two so-called "mini hydro" plants in Cecchina and Madonna del Rosario, two thermoelectric plants - Montemartini and Tor di Valle (the latter fitted with a combined cycle module for steam turbine extraction and an open-cycle turbogas module providing cogeneration for the district heating in the Torrino Sud, Mostacciano and Torrino-Mezzocammino districts of Rome). The photovoltaic plants purchased from the Company following the total demerger of Acea Reti and Servizi Energetici must be added to this, with a total installed power of 8.5 MWp.
Through its directly owned plants, in the first quarter

of 2016 the Company achieved a production volume of 108.1 GWh of which (i) 101.6 GWh from hydroelectric plants, (ii) 0.6 GWh from mini hydro plants, (iii) 3.9 GWh from thermoelectric production and (iv) 2.0 GWh from PV production.
In the district heating segment, through the Tor di Valle plant's cogeneration unit, Acea Produzione supplied 2,819 end users located in the Torrino Sud, and Mostacciano districts (located in the southern part of Rome) with 72.2 GWht.

The **hydroelectric segment** recorded production of 102.2 GWh which was lower than the budget based on the ten-year historical expected average (-11.8%) due to a prolonged drought winter (amongst the driest of the last century), even more evident for the Mandela and Orte run-of-river plants (-5.1% overall); in this regard in should be noted that the Castel Madama power plant is currently undergoing *revamping* works as well as functional and static upgrading works of the power tunnels from the reservoir of the San Cosimato dam, which is also undergoing consolidation works affecting the dam body and rock-dam contact that began on 30 July 2015. Also the St. Angelo power plant with 36.9 GWh recorded a sharp drop compared to the expected ten-year average (-25.3%); finally, in the first quarter of 2016 the average water inputs of the Aventino (4.5 m3/s) and Sangro(16.7 m3/s) rivers were respectively -50% and -36% compared to the average of the three prior years 2013-2015. The average power output in the period was of 16.8 MW with the lakes of Casoli and Bomba that respectively closed the year ended 31 March 2016 at 252.56 and 254.24 meters above sea level.

The company's **thermoelectric production** stood at 3.7 GWh at 31 March 2016.
2016 was confirmed a difficult period throughout the thermoelectric production sector, as previously mentioned. For the Company, this mainly had an impact on production in the combined cycle section of the Tor di Valle plant, no longer able to withstand the impact of the market, which is also made worse by a continuing drop in market prices.
With regard to the plant modernization project, in 2015 the company that will be in charge of the construction of the new plant was identified, while in the month of March 2016 the process for identification of the company that will carry out all the site preparation operations was completed.
2016 was the nineth year of operation of the Montemartini plant as a generating unit essential to the security of the National Electricity System, pursuant to AEEGSI Resolution No. 111/06, as part of the National Electricity System Security Plan – Emergency Plan for the City of Rome.

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

ELECTRICITY AND GAS SALES

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

During the first quarter of 2016, the sale of electricity on the Protected Categories market came to 737 GWh, a reduction of 10.3% compared to the same period of the prior year. The number of withdrawal points totalled 965,227 (1,014,006 at 31 March 2015).
Sale of electricity on the Free Market amounted to 1,340 GWh for Acea Energia and 96 GWh for the retail *Joint Venture*, for a total 1,434 GWh, a decrease of 14.7% on the same period of 2015. The reduction mainly concerned the B2B segment and derives from a strategy of consolidation and growth in the small business and mass market segments.
Furthermore, Acea Energia sold 55 million standard cubic metres (sm3) of gas to end users and wholesalers corresponding to 149,853 redelivery points (there were 156,367 on 31 March 2015) including those of the *Joint Ventures* equal to 30,037.

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

- with reference to the preliminary investigation opened by the Competition Authority (Ref. PS/9815), which resulted in a fine of 600 thousand euros, on 1 February 2016 the Company filed an appeal with the Regional Administrative Court,
- regarding the procedure initiated by AEEGSI with Resolution 111/2015/S/eel, during the market test, which expired on 21 January 2016, a customer submitted observations to which Acea Energia has to reply by May 5. At the outcome, the final resolution will be published and the commitments will become mandatory,
- with reference to the preliminary investigation opened by the Competition Authority (Ref. PS/9354), during the first quarter the Company delivered the required documentation and the investigation closing date was set at May 12,
- on 26 February 2016, Acea Energia has appealed to the Lombardy Regional Administrative Court against Resolution 659/2015/r/eel.

Cogeneration

Ecogena operations focused on two areas: the technical-economic monitoring of operating plants, and new projects under construction.
In January 2016 the construction of the new trigeneration plant for the EUR "Europarco" complex in Rome was completed and operation of the plant was started. The supply of energy service to the "Cinecittà World" system resumed with the opening of the 2016 season. The energy supply service has been contracted for a period of 15 years. At the same time, in order to create intra-group synergies, the contract with Acea Produzione for running and servicing the Cinecittà World plants came into effect. Finally, building work continued in the areas dedicated to the construction of the new "Laurentino" shopping centre, in the Laurentina/Tor Pagnotta district of Rome; the energy service is expected to be activated in the last quarter of 2017. Lastly, a marketing campaign targeted at some of Acea Energia's major customers, mainly in the business segment continues, to promote the Company's energy efficiency services.

WATER OPERATING SEGMENT

Operating figures and financial results for the period

Operating figures	Meas. Unit	31.03.16	31.03.15	Increase/ (Decrease)	% Increase/ (Decrease)
Water Volumes	Mm^3	103	106	(3)	(2.8%)
Electrical Energy Consumed	GWh	99	98	1	1.0%
Sludge Disposed of	kTon	39	46	(7)	(15.2%)

Financial results (million euros)	31.03.16	31.03.15	Increase/ (Decrease)	% Increase/ (Decrease)
Revenue	160.2	155.1	5.1	3.3%
Costs	86.4	86.4	0.0	0.0%
Income/(Costs) from equity investments of a non-financial nature	6.9	5.7	1.2	20.3%
Gross Operating Profit	80.7	74.4	6.3	8.5%
Operating profit/(loss)	54.3	53.5	0.8	1.4%
Average number of staff	2,252	2,396	(144.0)	(6.0%)
Capex	41.7	32.0	9.7	30.3%
Net debt	602.2	495.1	107.1	21.6%

Financial results (million euros)	31.03.16	31.12.15	Increase/ (Decrease)	% Increase/ (Decrease)
Net debt	602.1	537.3	64.8	12.1%

The Segment's EBITDA at 31 March 2016 totalled 80.7 million euros, up 6.3 million euros on the first quarter of 2015. The change was mainly due to the result obtained by ACEA Ato 2 (+ 7.9 million euros) and to higher results of equity consolidated companies (+ 1.1 million euros). Conversely, the foreign companies' contribution to EBITDA was negative (- 2.8 million euros) mainly related to the closing of orders referred to AguaAzul Bogota.
With reference to the revenues of ACEA Ato 2 SII, the increase is entirely attributable to the tariff increase estimated on the basis of the rules contained in Resolution 664/2015.

Staff costs amounted to 20.3 million euros, decreasing 1.1 million euros compared to the same period of 2015.
The average number of employees at 31 March 2016 was down by 144; this was related to the foreign subsidiary AguaAzul Bogota that completed a number of contracts in Central America.

Net debt of the Segment at 31 March 2016 was 602.2 million euros, down 64.8 million euros compared to 31 December 2015. This increase is partly due to higher capital expenditures for the period and in part to the increase in net working capital.

Capital expenditures of the Segment were 41.7 million euros and were mainly attributable to Acea Ato 2 for over 36 million euros. The main capital expenditures concerned the water supply network, waste treatment plants and the Acea2.0 application map.

OPERATING REVIEW

LAZIO - CAMPANIA AREA

ACEA Ato2

The Integrated Water Service in ATO 2 Central Lazio - Rome started on 1 January 2003. The ATO gradually took over services from the Municipalities and 78 of the total 112 services in the ATO are currently still run entirely by the Municipalities. During 2015 the management of the drinking water services in the municipalities of Colleferro, Valmontone and Manziana was acquired as well as the waste treatment and sewerage service in the municipalities of Rocca di Papa and Rocca Prioria, thus completing the management of the integrated water service in these municipalities. Finally, the integrated water service is currently being acquired for the municipalities of Bracciano, Civitella San Paolo, Labico, Morlupo and Rignano Flaminio.

At 31 March 2016 the overall situation in the territory managed was as follows:

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

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

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

The company provides the full range of **drinking water distribution** services (collection, abstraction, retail and wholesale distribution). Water is abstracted from sources on the basis of long-term concessions.
Water sources supply approximately 3,700,000 residents in Rome and in more than 111 Municipalities in the Lazio region, via five aqueducts and a system of pressurised pipes. Three further sources of supply provide non-drinking water used in the sprinkler system of Rome.
The sewerage service comprises a sewer network of about 6,200 km (including approximately 4,088 km of network serving the municipality of Rome) and more than 300 km of trunk lines, without counting the connections to the sewage system.
The company manages the waste treatment system and pumping stations that serve the network and sewage trunk lines.
In the first quarter of 2016 the main **waste treatment plants** treated approximately 130 million m3 of waste water. Sludge, sand and grating production for all managed plants in the same period was over 37.3 thousand tonnes, a decrease of around 16% compared to the same period last year.
At 31 March 2016, the Company manages a total of 565 **sewage pumping stations**, including 173 in the municipality of Rome, and a total of 179 waste treatment plants, including 33 in the Municipality of Rome.
With reference to the problems concerning the seizure of waste treatment plants, with reference to the pending proceedings regarding the Roma Est waste treatment plant, on 22 April 2016 a notice of conclusion of preliminary investigations was notified.

Revenues for the period amounted to a total 130.5 million euros inclusive of estimated pass-through item adjustments and the increase calculated by the Area Authority as a consequence of the change in the area of operations. They have been estimated in accordance with Resolution 664/2015/R/idr on the basis of best estimates of the various tariff components.

With regard to the Acea2.0 project, in the first quarter of 2016 the *Work Force Management roll out* plan was completed which saw the involvement of around 600 operating staff as per the project plan, and work was also allocated for the single contract second lot.
As of January 2016 the system implementations provided by the*roadmap* were completed, which led to the introduction of new functionalities.
Structural improvements were also made to enable the inclusion of other ACEA Group companies, with *go live* expected during the second quarter of 2016. These include the *go live* of Acea Ato 5, which provides for significant synergies with ACEA Ato 2, such as the set up of a single *dispatching*operations room.
Lastly, following AEEGSI Resolution 655/2015/R/idr regulating commercial quality and introducing new operating processes and new indicators, the *roadmap* initially provided had to be reviewed with simultaneous start of a project analysis phase which involved the major water companies and which will lead to a definition of the adjustments and innovations to be implemented in Acea2.0 with effect from 1 July 2016, date of entry into force of the regulatory requirements.

ACEA Ato5
ACEA Ato5 provides integrated water services on the basis of a thirty-year agreement signed on 27 June 2003 by the company and Frosinone Provincial Authority (representing the Authority for the ATO comprising 86 municipalities). In return for being awarded the concession, ACEA Ato5 pays a fee to all the municipalities based on the date the related services are effectively acquired.
Integrated water service operations in the territory of ATO 5 Lazio-Frosinone involves a total of 85 municipalities (operations must still be surveyed for the municipalities of Atina, Paliano and Cassino town centre as regards water services only) for a total population of around 470,000 inhabitants, about 460,000 inhabitants supplied and a number of end users equal to around 185,700.
As regards the acquisition of plants related to the IWS management in the municipality of Paliano, as the Company did not receive any response from the municipal administration regarding the formal notice to immediately transfer the plants no later than 30 days after receipt of the said formal notice, on 18 February 2016 Acea Ato 5 filed an appeal before the Lazio Regional Administrative Court - Latina Section against the Municipality of Paliano and AMEA in order to obtain: **(i)** ascertainment of the breach by the municipality and the appointment of a Special Commissioner, and in the alternative **(ii)** the full delivery of the works, goods and facilities and compensation for damage suffered as a result of negligent breach of the deadline for completing the proceedings. The hearing is scheduled for 12 May 2016.
With regard to the non-acquisition of the plants in the Mu-

nicipality of Cassino, the decision is pending before the State Council with which the Company has filed an application for compliance with ruling 2614/2015.

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

The sewerage-purification system comprises a network of sewers and trunk lines connected to waste treatment terminals. The company manages 203 sewage pumping plants and 110 biological waste treatment plants, as well as 15 Imhoff tanks and 3 percolating filters.
Following the recognition and related assessment of users connected to the sewerage system (as a result of Constitutional Court Sentence No. 335/2008), it emerged that the coverage of this service is equal to approximately 68% of aqueduct users.

With reference to the **tariff**, for the first quarter of 2016 the Company applied the decisions taken by the Mayor's Conference of 14 July 2014, within the limits of a 9% increase on 2014. The documentation necessary to define the tariffs for the second regulatory period 2016-2019 in accordance with Resolution 664/2015/R/idr, was provided to the Area Authority.
Revenues for the first quarter of 2016 totalled 18.6 million euros, including adjustments of the pass-through items, and represent the best estimate made on the basis of Resolution 664/2015/R/idr.
It should be noted that the financial recovery of the differences accrued in the first regulatory period will be done in compliance with Resolution No. 51/2016, from 2019.

As for prior adjustments for the period 2006 – 2011, quantified by the appointed Commissioner as equal to 75.2 million euros, note that the 26 June 2015 sentence of the Lazio Regional Administrative Court – Latina District, rejected the appeal filed by the ATO 5 for the annulment of the Commissioner's Decree, judging it to be "*devoid of legal basis*". The judgment is currently pending, following the hearing of 7 April 2016 for discussion of the merits.

GORI
The Company manages the Integrated Water Service throughout the entire territory of ATO No. 3 Sarnese Vesuviano in the Campania Region (76 municipalities) with a surface area of 897 Km2 and a population of approximately 1.44 million inhabitants.
A total 4,386 Km of water network is currently managed, consisting of 350 Km of primary abstraction network and 4,030 Km of distribution network, and a 2,300 Km drainage system.
GORI currently manages 9 water sources, 71 wells, 158 tanks, 98 water pumping stations, 156 waste water pumping station and 11 waste treatment plants, including small plants for smaller settlements.
The Company provides integrated water services on the basis of a thirty-year agreement signed on 30 September 2002 by the Company and the Sarnese Vesuviano Area Authority.

With regard to the relevant events occurred in the period, it should be noted that:
- on 4 March 2016, the AEEGSI notified the Company the Communication of Findings and the conclusion of the procedure initiated by Resolution 380/2014/R/idr for the adoption of sanctions and prescriptive measures for violations of the integrated water service regulation, substantially confirming the allegations contained in the said resolution;
- On 10 March 2016 the procedure for the approval by AEEGSI of the ATO3 tariff proposals was finally completed, with the publication of the resolution 104/2016/R/idr contaning: *"Approval, for the purpose of determining the adjustments under the tariff method for the second regulatory period, MTI-2, of the tariff proposed by the Sarnese Vesuviano Area Authority for the 2012-2015 period"*.

Revenues for the first quarter of 2016 totalled 39.6 million euros, (Group 14.6 million euros) and represent the best estimate made on the basis of Resolution 664/2015.

GESESA
The Company operates in ATO 1 Calore Irpino which promotes and develops the initiative for the management of the Integrated Water Service in Municipalities in the Province of Avellino and Benevento. The Company manages the Integrated Water Service of 20 Municipalities in the Province of Benevento with a population of approximately 125,000 inhabitants and 55,000 users. Sewerage and waste water treatment services are supplied to around 80% of the users. Currently, the Authority, controlled by the Extraordinary Commissioner in accordance with Decree of the Regional Government No. 813/2012, has not yet appointed a Sole operator to manage the Integrated Water Service.
ATO 1, within the scope of a more extensive question concerning the planning and management of Water Resources in the Campania Region, recently implemented the guidelines for the Mission Structure on the Planning and Management of Water Resources, aimed at promoting the common cause of the ex-Area Authorities to find a Sole operator that answers to the same Authorities. This, also in consideration of the amendments introduced by Law 164/2014 Art. 7; to Decree 152/2006, with particular reference to art. 147 and 172 and the 2015 Stability Law.

Following the approval of Regional Law 15/2015 on the reorganisation of the Campania Integrated Water Service and the letters sent by the ATO1 Commissioner urging the aggregation of the two biggest operators in the territory, the Company sent its *due diligence* to Alto Calore Servizi, the current operator for the Province of Avellino and some Municipalities in the Province of Benevento. Such a situation could lead to a first step to be completed by the end of April 2016, involving the temporary transfer of the management, and then be completed on 1 January 2017. In the alternative, a competitive tender could be launched for awarding the contract.

TUSCANY - UMBRIA AREA

Acque
The management agreement, which came into force on 1 January 2002 with a twenty-year duration, was signed on 28 December 2001. In accordance with said agreement, the Operator took over the exclusive integrated water service of ATO 2, comprising all public water collection, abstraction and distribution services for civil use, sewage systems and the treatment of waste water. The Area includes 55 municipalities. In return for award of the concession, Acque pays a fee to all the municipalities, including accumulated liabilities incurred under previous concessions awarded.

With reference to the **extension of the concession to**

2026, on 29 February 2016 the Company received a letter of consent to the extension of the service concession to 2026 from the agent bank of the loan signed in 2006. Consequently, on 10 March 2016, after obtaining authorization from the Tuscany Water Authority, the Board of Directors of Acque authorized the CEO to sign the letter of consent and the agreement modifying the loan agreement entered into in 2006.
In addition on 6 April 2016, Acque and the Tuscany Water Authority signed the document by which the amendment to the water service concession has become effective with the new expiration in 2026 compared to the previous expiration set in 2021. The amending agreement includes certain additional obligations with respect to the loan agreement entered into in 2006.
More specifically, the Company will now have to provide the agent bank with an annual certification signed by the legal representative and by the independent auditors stating, inter alia, that the ADSCR (Annual Debit Service Cover Ratio) parameter calculated with reference to the year end is in accordance with the contractual covenants. More specifically, as of 31 December 2015, if the certified ADSCR parameter is equal to or greater than 1.1, the Company may distribute dividends up to a maximum amount of 3.0 million euros in addition to the dividends received from its investments in other companies which continue to be available for distribution to shareholders.
If, on the contrary, the ADSCR parameter measured and certified is less than 1.1, the company may only distribute to shareholders the dividends received from its investments in other companies. An early repayment of the debt in the years 2017, 2018 and 2019 is also envisaged. The amount to be reimbursed shall be the lesser of 50% of cash surplus at year end and 6.0 million euros. The amount paid in advance will reduce the capital repayments for the subsequent years until maturity, on a pro-rata basis.

As regards **tariffs,** as of 1 January 2016, pursuant to the provisions of AEEGSI Resolution 664/2015 art.9.1 Paragraph a) which approves the 2016-2019 tariff method, the Company applied the 2016 tariff increase to the tariff structure, as provided by the last Economic-Financial Plan (PEF) approved by AEEGSI through resolution 402/2014. The tariffs may be subject to adjustment following the adoption of the final tariffs by the Tuscany Water Authority and AEEGSI.
Revenues for the period, including adjustments for pass-through items, totalled 34.2 million euros, (Group share 15.4 million euros) and represent the best estimate made on the basis of Resolution 664/2015.

Publiacqua

The management agreement, which came into force on 1 January 2002 with a twenty-year duration, was signed on 20 December 2001. In accordance with said agreement, the Operator took over the exclusive integrated water service of ATO 3, comprising all public water collection, abstraction and distribution services for civil use, sewerage systems and waste water treatment plants. The Area includes 49 municipalities, of which 6 managed via agreements inherited from the previous operator, Fiorentinagas. In return for awarding the concession, the Operator pays a fee to all the Municipalities, including accumulated liabilities incurred prior to the awarding of the related contracts.
In June 2006, ACEA - via the vehicle Acque Blu Fiorentine S.p.A. – completed its acquisition - of an interest in the company.

As regards **tariffs,** as of 1 January 2016, pursuant to the provisions of AEEGSI Resolution 664/2015 art.9.1 Paragraph a) which approves the 2016-2019 tariff method, the Company applied the 2016 tariff increase to the tariff structure, as provided by the last Economic-Financial Plan (PEF) approved by AEEGSI through resolution 402/2014. The tariffs may be subject to adjustment following the adoption of the final tariffs by the Tuscany Water Authority and AEEGSI.
Revenues for the period, including adjustments for pass-through items, totalled 56.2 million euros, (Group share 22.5 million euros) and represent the best estimate made on the basis of Resolution 664/2015.

In terms of **funding sources**, on 30 April 2015 the Company took on a 50 million euros loan with the European Investment Bank (EIB) which matures at the end of 2020. 42.5 million euros in bilateral loans were paid off, while another two bilateral loans of 30 million euros each were extended to 30 June 2016.
During the first half of 2016, the Company analysed the binding offers made by the banks in view of taking out a loan that covers the financial needs of Publiacqua until the end of the concession. It was therefore decided to divide the loan in equal parts between the two banks that had submitted the best bid. On 30 March 2016 the Agreement between the parties was entered into; a first amount of 60.0 million euros on Tranche A was drawn down to reimburse the bilateral loans previously entered into and an amount of 340 thousand euros was drawn down from tranche B to pay the envisaged commissions.

Acquedotto del Fiora

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

As regards **tariffs,** in the absence of a tariff Tool tested and validated by the Area Authority, the Company calculated the best estimate of the SII revenues (VRG), starting from the parameters and algorithms set out in AEEGSI Resolution 664/R/idr of 28 December 2015.
Revenues in the first quarter of 2016 amounted to a total of 22.5 million euros, including adjustments of pass-through items (Group share 9.0 million euros). The contraction in revenues is essentially due to the absence of the FNI Foni component in the tariff for the current year. For 2016 only the AmmFoni component is envisaged, i.e. the component that refers to the amortization of stratified contributions for tariff purposes as required by Resolution 664/R/idr.

Umbra Acque

On 26 November 2007 ACEA was definitively awarded the tender called by the Area Authority of Perugia ATO 1 for selection of the minority private business partner of Umbra Acque S.p.A. (concession expiry 31 December 2027). A stake in the company (40% of the shares) was acquired on 1 January 2008.
The company performed its activities in all 38 Municipalities constituting ATOs 1 and 2.

For the first quarter 2016, the price charged to users is set out in Resolution no. 2 of 29 April 2014 of the ATO 1 and 2 Single Meeting, as per AEEGSI Resolution no. 252/R/idr of 29 May 2014 which approved the tariff proposals for 2014 and 2015 providing for tariff multipliers respectively of 1.126 and 1.195.

Revenues in the first quarter of 2016, including adjustments of pass-through items, amounted to a total 14.9 million euros (Group share 6.0 million euros) including the FoNI component equal to 0.4 million euros (Group share 0.16 million euros) used entirely to provide tariff subsidies to low income families.

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

NETWORKS OPERATING SEGMENT

Operating figures and financial results for the period

Operating figures	Meas. Unit	31.03.16	31.03.15	Increase/ (Decrease)	% Increase/ (Decrease)
Electrical Energy distributed	GWh	2,536	2,618	(82)	(3.1%)
Energy produced by photovoltaic plants	GWh	0	2	(2)	(100.0%)
Energy Efficiency Bonds sold/cancelled	No.	0	0	0	0.0%
No. Customers	N/000	1,620	1,626	(6)	(0.3%)
Km of Network	Km	29,971	29,774	197	0.7%

Financial results (million euros)	31.03.16	31.03.15	Increase/ (Decrease)	% Increase/ (Decrease)
Revenue	147.8	129.8	18.0	13.9%
Costs	67.2	69.8	(2.6)	(3.7%)
Gross Operating Profit	80.6	60.0	20.6	34.3%
Operating profit/(loss)	58.2	39.0	19.2	49.2%
Average number of staff	1,316	1,344	(28)	(2.1%)
Capex	39.6	29.9	9.8	32.8%
Net debt	637.4	631.5	5.9	0.9%

Financial results (million euros)	31.03.16	31.12.15	Increase/ (Decrease)	% Increase/ (Decrease)
Net debt	637.4	581.7	55.8	9.6%

EBITDA at 31 March 2016 was 80.6 million euros, an increase of 20.6 million euros, compared to the first quarter of the previous year.
The change in EBITDA is a direct result of the increase in revenues of ACEA Distribuzione following the publication of AEEGSI Resolution 654/2015/R/eel, which amends, for the fifth regulatory period, starting 1 January 2016, the remuneration mechanism of capital invested by electricity distribution companies by eliminating the so-called *regulatory lag* and providing for a remuneration that replaces the 1% *WACC* provided in the fourth regulatory period valid for the years 2012-2015.
Resolution 654/2015 is precisely the instrument through which the regulator changes the "time" parameter in the mechanism for the calculation of the tariff applicable by the distributor. More simply, it eliminates the two-year waiting period and finally considers the investments in the basis for calculating the regulatory invested capital. Therefore, it does not involve a change in the remuneration model of ACEA Distribuzione activities.
As a result of the regulatory changes, the right of the distributor to recognition of the expenses related to investments made in a given year (return on invested capital and depreciation rate) arises, from an accounting point of view, together with the implementation of the investments and the start of the depreciation process. This results in recognition of a revenue attributable to the first quarter of 22.5 million euros, of which 19.8 million euros attributable to investments made in previous years.
Conversely, the public lighting segment contribution to the Area EBITDA was negative (- 2.3 million euros), mainly due to the result of Acea Illuminazione Pubblica (- 1.9 million euros) which reflected decreased works carried out in the period.
Staff costs showed a reduction of 1.3 million euros compared to the first quarter of 2015 partly as a result of a reduction in staff; the average number of staff at 31 March 2016 was 1,316, down by 28 compared to the same period last year.

Net debt at the end of the reporting period stood at 637.4 million euros, an increase of 55.8 million euros compared to the end of 2015, mainly due to ACEA Distribuzione (+ 50.8 million euros). This increase is due in part to higher capital expenditures and partly to the increase in net working capital.

Segment capital expenditure stood at 39.6 million euros, an increase of 9.8 million euros. The main capital expenditures concern the works on the HV, MV and LV network as well as a series of extension works on the MV networks and extraordinary maintenance on aerial cables.

Operating review

ELECTRICITY DISTRIBUTION

Energy report
As shown in the following table, at 31 March 2016 ACEA Distribuzione injected 2,706.8 GWh into the network with a 3.30% decrease compared to the same period of 2015.

GWh	1st quarter of 2016	1st quarter of 2015	% Increase/ (Decrease)
Source A.U.	707.1	802.7	(11.91%)
Imports	96.9	95.9	1.12%
Market subject to additional safeguards	804.1	898.6	(10.52%)
Free market	1,902.0	1,900.1	0.10%
Underlying distributors	0.7	0.6	18.51%
General total	**2,706.8**	**2,799.3**	**3.30%**

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

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

With regard to the first point, the AEEGSI has changed the manner for offsetting the regulatory lag, recognizing the new investments made both for Distribution and for measurement (no retroactivity).
The criterion based on the increase of the investment rate of return granted to new investments, or 1% (year t-2), has been replaced by the recognition in the capital base (RAB) also of the investments made in the year t-1, evaluated on the basis of pre-final data. These data will be used for the calculation of the reference provisional tariffs published by 30 April and will then be replaced by actual data for the determination of the final reference tariffs published by February of the following year.
The AEEGSI recognizes in year t only the return on capital for assets that came into operation in year t-1, without recognizing the related depreciation charge.
With reference to depreciation recognized in the tariff, the new regulation increases the useful life of certain regulatory assets, such as HV electric lines (increased from 40 to 45 years), MV and LV lines and “users connection points” (from 30 to 35 years).
The rate of return on net capital (WACC), whose calculation parameters were published in Resolution 654/2015/R/eel, is 5.6% for the distribution service on the investments made until 31 December 2015 .
In terms of operating costs, the new company-based tariff covers the specific costs by means of a national average cost adjustment coefficient, calculated by the AEEGSI on the basis of actual company costs and on the basis of scale variables.
These costs, when calculating the company-based tariff for 2016, according to the definitions of Resolution No. 654/2015, are supplemented by flat rate connection contributions acknowledged throughout Italy, and will be considered as other grants and no longer deducted from operating costs.
Furthermore, the flat rate connection contributions of each company are deducted directly from the invested capital considering them as equal to MV/LV assets with an acknowledged regulatory useful life of 35 years.

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

- the portion of the tariff covering operating costs will be updated using the *price cap* mechanism (with a productivity recovery target of 1.9%);
- the part intended to provide a return on invested capital will be updated on the basis of the gross fixed investment deflator, movements in the volume of services provided, gross investments started up and differentiated according to the voltage level and the rate of variation linked to increased returns designed to provide incentives for investments;

- the part intended to cover depreciation will be updated, using the gross fixed investment deflator, movements in the volume of services provided and the rate of variation linked to the reduction in gross invested capital as a result of disposal, discontinuation and end of life and the rate of variation associated with gross investments that have become operational.

The AEEGSI confirms the mechanism, already introduced in the third regulatory period, of higher remuneration of certain categories of investments entered into operation until 2015, but does not specify whether this mechanism will be confirmed in the new cycle.
As regards sale activities, the AEEGSI introduces a single reference tariff that reflects both the costs for managing the network service and marketing costs, with recognition of the specific capital costs also for investments in marketing activities.

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

The general equalisation mechanisms for distribution costs and revenue for the regulatory cycle in force are:
- equalisation of distribution service revenue;
- equalisation of revenue from the supply of electricity to domestic customers;
- equalisation of transmission costs;
- equalisation of the difference between actual and standard losses.

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

The tariffs covering the metering service are updated, as for the distribution service, by *price cap* mechanisms for the part covering operating costs (with a productivity recovery target of 1%) and by the deflator, change in invested capital and rate of change in volumes for the part covering invested capital and depreciation. The rate of return on metering capital is equivalent to that of the distribution service.

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

Energy efficiency objectives
The goal of ACEA Distribuzione for the year 2016 amounts to 242,924 EEBs and as provided by Ministerial Decree of 28 December 2012, the Company will have cancel at least 60% of this value, i.e. 145,754 EEBs by May 2017.
By 31 May 2016, ACEA Distribuzione will also cancel 60% of its obligation for 2015, or 120,881 EEBs, whose preliminary cancellation unit value is 108.13 euro, as per above resolution.

AEEGSI Supervision
In the light of **Resolution 110/2016/S/eel** published on 4 April 2016, the AEEGSI approved and made mandatory the commitments proposed by ACEA Distribuzione as part of the penalty proceedings initiated **by resolution 300/2013/S/eel** of 8 July 2013, concerning metering aggregation for for the purpose of determining the physical and economic items of the dispatching service.
The above proposal provided for:
- assumption and discharge of the financial burden recognized by the electrical system to dispatching users with withdrawal points in the ACEA Distribuzione area, for which the settlement of payables pertaining to the year 2011 was suspended and paid with delay due to mismatches between physical volumes measured and billed, otherwise imposed on the *uplift fee;*
- compensation to dispatching users of compensation in an amount of 1,000 euro for each monthly hourly aggregate communication referred to the year 2011 which proved to be inconsistent with the measurement data billed, assessed upon notification of the adjustment to Terna on 20 May 2012.

As a result, the amounts due to Terna (≈ 1.5 M €) and to dispatching users (≈ 0.5 M €) will be quantified and paid.

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

PUBLIC LIGHTING
In the first quarter of 2016 Acea Illuminazione Pubblica installed a total of 274 lighting points for Roma Capitale and third party customers.
It should be noted that, during the period the 'DEL'AMOR' project was started by publishing the calls for offers for the supply and installation of the structures; the project concerns the implementation of an energy efficiency plan for Roma Capitale public lighting, funded by the Rome Administration, based on the replacement of the lighting fittings from the current High Pressure Sodium to LED. To date, with regard to the replacement of HPS fittings into LED fittings, the Company is awaiting approval of the LED plan by the City of Rome.
With regard to activities to restore original operating con-

ditions, after numerous cables were stolen, over 35 km of new copper-clad aluminium cables were laid. This new technology, already experimented last year, which uses less copper with the aluminium means the two metals can only be separated in an industrial process.

CORPORATE

Equity and financial results for the period

Financial results (million euros)	31.03.16	31.03.15	Increase/ (Decrease)	% Increase/ (Decrease)
Revenue	27.6	26.7	0.9	3.5%
Costs	27.6	28.0	(0.4)	(1.4%)
Gross Operating Profit	0.0	(1.3)	1.3	(100.0%)
Operating profit/(loss)	(7.7)	(5.9)	(1.8)	30.5%
Average number of staff	636	655	(19)	(2.8%)
Capex	2.3	3.8	(1.5)	(38.4%)
Net debt	431.0	429.6	1.4	0.3%

Financial results (million euros)	31.03.16	31.12.15	Increase/ (Decrease)	% Increase/ (Decrease)
Net debt	431.0	416.3	14.7	3.5%

In first quarter of 2016 ACEA's EBITDA substantially broke even; the increase of 1.3 million euros compared to 31 March 2015, essentially reflects the combined effect (s) of greater intra-group revenues and (ii) a reduction of costs of materials and overheads and staff costs.

The average number of staff at 31 March 2016 was 636, down compared to last year (655). Please be informed that in the first quarter of 2016 provisions were set aside to cover voluntary redundancy and early retirement plans. At the end of the *reporting period* the related provision amounted to 4.7 million euros.

Net debt at 31 March 2016 increased by 14.7 million euros to 431.0 million euros, compared to the end of 2015. This change results from **(i)** higher financial receivables from subsidiaries more than offset by the reduction in cash and cash equivalents and **(ii)** by less favourable exchange rate (+ 3.8 million euros) and *fair value valuations* of financial instruments.

Within the scope of the Acea2.0 project, ACEA and the Area companies entered into a contract for the implementation of major initiatives for (transversal and business) technological development by setting up a joint venture. The above contract contains economic – financial rules and regulations on participation.

FORM AND STRUCTURE

GENERAL INFORMATION

The Interim Report on Operations at 31 March 2016 of the ACEA Group was approved by Board of Directors' resolution on 12 May 2016.

COMPLIANCE WITH IAS/IFRS

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

BASIS OF PRESENTATION

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

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

ALTERNATIVE PERFORMANCE INDICATORS

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

1. for the ACEA Group, the *gross operating profit* (or EBITDA) is an operating *performance* indicator and from 1 January 2014 also includes the condensed result of equity investments in jointly controlled entities for which the consolidation method changed when international accounting standards for financial reporting IFRS10 and IFRS11 came into force. The *gross operating profit* is calculated by adding the item "Amortisation, depreciation, provisions and impairment charges" to the Operating profit;
2. *net financial position* is an indicator of the ACEA Group's financial structure, obtained by adding together Non-current borrowings and financial liabilities net of Non-current financial assets (loans and receivables and securities other than equity investments), Current borrowings and other Current liabilities net of Current financial assets, Cash and cash equivalents;
3. *net invested capital* is the sum of "Current assets", "Non-current assets" and Assets and Liabilities held for sale, less "Current liabilities" and "Non-current liabilities", excluding items taken into account when calculating the *net financial position.*

USE OF ESTIMATES

In application of IFRS, preparation of the Interim Report on Operations required 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 the annual financial statements, unless there are signs of impairment that call for immediate impairment testing.

EFFECTS OF THE SEASONALITY OF TRANSACTIONS

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

The Interim Report on Operations is not subject to auditing.

CONSOLIDATION POLICIES, PROCEDURES AND SCOPE

CONSOLIDATION POLICIES

Subsidiaries

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

Joint ventures

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

Associates

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

CONSOLIDATION PROCEDURES

General procedure

The financial statements of the Group's subsidiaries, associates and *Joint ventures* are prepared for the same accounting period and using the same accounting standards as those adopted by the Parent Company. Consolidation adjustments are made to align any dissimilar accounting policies applied.
All Intragroup balances and transactions, including any unrealised profits on Intragroup transactions, are eliminated in full. Unrealised losses are eliminated unless costs cannot be subsequently recovered.
The carrying amount of investments in subsidiaries is eliminated against the corresponding share of the shareholders' equity of each subsidiary, including any adjustments to reflect *fair values* at the acquisition date. Any positive difference is treated as "goodwill", while any negative difference is recognized through profit or loss at the acquisition date.
The minority interest in the net assets of consolidated subsidiaries is shown separately from shareholders' equity attributable to the Group. This interest is calculated on the basis of the percentage interest held in the *fair value* of assets and liabilities recognised at the original date of acquisition and in any changes in shareholders' equity after that date. Losses attributable to the minority interest in excess of their portion of shareholders' equity are subsequently attributed to shareholders' equity attributable to the Group, unless the minority has a binding obligation to cover losses and is able to invest further in the company to cover the losses.

Business combinations

Acquisitions of subsidiaries are accounted for under the acquisition method. The cost of the acquisition is determined as the sum of the fair value, at the date of exchange, of the assets acquired, the liabilities incurred or acquired, and the financial instruments issued by the Group in exchange for control of the acquired company.
The identifiable assets, liabilities and contingent liabilities of the acquired company that meet the conditions for recognition under IFRS3 are accounted for at fair value on the date of acquisition, with the exception of non-current assets (or disposal groups), which are classified as held for sale under IFRS5 and accounted for at fair value net of costs to sell.
If the business combination is achieved in stages, the fair value of the investment previously held has to be remeasured and any resulting gain or loss is recognized in profit or loss.
The purchaser has to recognise any contingent consideration at *fair value*, on the date of acquisition. The change in *fair value* of the contingent consideration classified as asset or liability is recognized according to the provisions included in IAS 39, in the income statement or in other comprehensive income. If the contingent consideration is classified in equity, its value is remeasured until its extinction is booked against equity.
Goodwill on acquisition is recognised as an asset and initially valued at cost, represented by the excess of the cost of the acquisition over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities acquired. This goodwill is not amortised, but is tested for *impairment*. If, on the other hand, the Group's interest in the *fair value* of the identifiable assets, liabilities and contingent liabilities exceeds the cost

of the acquisition, the relevant amounts are re-determined. If the Group's interest in the resulting fair value of the identifiable assets, liabilities and contingent liabilities still exceeds the cost of the acquisition, the difference is immediately recognised in the Income statement.
For every business combination, the purchaser must value any minority stake in the acquired entity at *fair value* or in proportion to the share of the minority interest in net identifiable assets of the acquired entity.

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

Non-current assets and liabilities are classified as held for sale, in accordance with the provisions of IFRS5.

Consolidation of foreign operations

All the assets and liabilities of foreign operations denominated in a currency other than the euro are translated using the exchange rates at the end of the reporting period.
Revenue and costs are translated using average exchange rates for the period. Any translation differences are recognised in a separate component of Shareholders' equity until the investment is sold.
Foreign currency transactions are initially recognised at the spot rate on the date of the transaction. Foreign currency assets and liabilities are translated at the exchange rate at the end of the reporting period. Translation differences and those arising on disposal of the foreign operation are recognised under financial management in the income statement.

Basis of consolidation

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

A) Changes in basis of consolidation

The scope of consolidation at 31 March 2016 has not changed compared to the consolidated annual accounts.

B) Unconsolidated investments

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

CONSOLIDATED INCOME STATEMENT

€ thousand	31.03.16	of which with related parties	31.03.15	of which with related parties	Increase/ (Decrease)
Revenue from sales and services	704,115		744,967		(40,852)
Other revenue and proceeds	9,560		16,615		(7,055)
Consolidated net revenue	**713,675**	**25,958**	**761,582**	**38,902**	**(47,907)**
Staff costs	55,912		58,829		(2,917)
Costs of materials and overheads	457,479		531,043		(73,565)
Consolidated Operating Costs	**513,390**	**10,520**	**589,872**	**9,498**	**(76,482)**
Net income/(costs) from commodity risk management	**0**		**0**		**0**
Income/(Costs) from equity investments of a non-financial nature	**6,890**		**5,701**		**1,189**
Gross Operating Profit	**207,174**	**15,438**	**177,410**	**29,404**	**29,764**
Amortisation, depreciation, provisions and impairment charges	83,584		73,279		10,305
Operating profit/(loss)	**123,589**	**15,438**	**104,131**	**29,404**	**19,458**
Financial income	3,787	324	5,491	86	(1,703)
Financial costs	(24,806)	2	(29,301)	0	4,495
Income/(Costs) from equity investments	473		(67)		539
Profit/(loss) before tax	**103,043**	**15,764**	**80,254**	**29,490**	**22,789**
Taxation	33,884		26,706		7,178
Net profit/(loss)	**69,160**	**15,764**	**53,548**	**29,490**	**15,611**
Profit/(loss) attributable to non-controlling interests	2,281	15,764	3,040	29,490	(758)
Net profit/(loss) attributable to the Group	**66,878**	**15,764**	**50,509**	**29,490**	**16,370**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

€ thousand	31.03.16	31.03.15	Increase/ (Decrease)
Net income for the period	**69,160**	**53,549**	**15,611**
Profit/(Loss) from translation of financial statements expressed in a foreign currency	**(635)**	**511**	**(1,146)**
Effective portion of profits/(losses) on hedging instruments ("cash flow hedges")	(5,393)	10,848	(16,241)
Tax effect of other gains/(losses) on hedging instruments ("cash flow hedges")	1,303	(2,983)	4,287
Profit/(Loss) From the Effective Portion on Hedging Instruments net of tax effect	**(4,089)**	**7,865**	**(11,955)**
Reserve for exchange differences	(3,782)	(17,386)	13,604
Tax reserve for exchange differences	908	4,781	(3,874)
Gains/losses from exchange rate difference	**(2,874)**	**(12,605)**	**9,731**
Actuarial gains/losses on employee benefits recognized in equity	(1,509)	824	(2,333)
Tax effect of other actuarial gains/ (losses) on employee benefits	439	(224)	663
Actuarial Profit/(Loss) on defined benefit pension plans net of tax effect	**(1,069)**	**600**	**(1,669)**
Total components of other comprehensive income, net of tax effect	**(8,669)**	**(3,629)**	**(5,039)**
Total comprehensive income/loss	**60,491**	**49,919**	**10,572**
Total comprehensive income (loss) attributable to:			
Group	58,278	47,002	11,277
Non-controlling interests	2,213	2,918	(705)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ASSETS	31.03.16	of which with related parties	31.12.15	of which with related parties	Increase/ (Decrease)
Property, plant and equipment	2,098,500		2,087,324		11,176
Investment property	2,682		2,697		(15)
Goodwill	155,374		155,381		(6)
Concessions	1,542,186		1,520,304		21,882
Other intangible fixed assets	106,994		104,696		2,298
Equity investments in subsidiaries and associates	254,089		247,490		6,599
Other equity investments	2,644		2,750		(105)
Deferred tax assets	279,425		274,577		4,848
Financial assets	32,179	29,109	31,464	29,109	715
Other assets	38,627		39,764		(1,136)
NON-CURRENT ASSETS	**4,512,703**	**29,109**	**4,466,446**	**29,109**	**46,257**
Inventories	29,537		26,623		2,914
Trade receivables	1,169,804	154,612	1,098,674	157,905	71,130
Other current assets	154,484		130,675		23,809
Current tax assets	62,809	0	75,176	0	(12,367)
Current financial assets	110,164	95,210	94,228	80,593	15,936
Cash and cash equivalents	557,312		814,653		(257,341)
CURRENT ASSETS	**2,084,111**	**249,822**	**2,240,030**	**238,498**	**(155,919)**
Non-current assets held for sale	497		497		0
TOTAL ASSETS	**6,597,310**	**278,931**	**6,706,972**	**267,607**	**(109,662)**

Amounts in € thousand

LIABILITIES	31.03.16	of which with related parties	31.12.15	of which with related parties	Increase/ (Decrease)
Shareholders' equity					
share capital	1,098,899		1,098,899		-
statutory reserve	87,908		87,908		(0)
other reserves	(347,688)		(350,255)		2,567
retained earnings/ (losses)	675,298		512,381		162,917
profit (loss) for the year	66,878		174,992		(108,113)
Total Group shareholders' equity	**1,581,295**	**0**	**1,523,924**	**0**	**57,370**
Non-controlling interests	75,075		72,128		2,946
Total shareholders' equity	**1,656,369**	**0**	**1,596,053**	**0**	**60,316**
Staff termination benefits and other defined benefit plans	110,438		108,630		1,808
Provision for liabilities and charges	197,916		189,856		8,060
Borrowings and financial liabilities	2,680,972		2,688,435		(7,463)
Other liabilities	186,582		184,100		2,482
Provision for deferred taxes	87,374		87,059		316
NON-CURRENT LIABILITIES	**3,263,282**	**0**	**3,258,079**	**0**	**5,204**
Trade payables	1,141,776	146,615	1,245,257	157,020	(103,481)
Other current liabilities	267,727		306,052		(38,325)
Borrowings	189,756	36,083	259,087	35,931	(69,331)
Tax Payables	78,301	0	42,346	0	35,955
CURRENT LIABILITIES	**1,677,560**	**182,698**	**1,852,741**	**192,951**	**(175,182)**
Liabilities directly associated with assets held for sale	99		99		0
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**6,597,310**	**182,698**	**6,706,972**	**192,951**	**(109,662)**

Amounts in € thousand

CONSOLIDATED STATEMENT OF CASH FLOWS

€ thousand	31.03.16	of which with related parties	31.03.15	of which with related parties	Increase/ (Decrease)
Cash flow from operating activities	**814,653**		**1,017,967**		**(203,314)**
Profit before tax from continuing operations	103,043		80,254		22,789
Depreciation/amortisation	58,590		52,226		6,364
Revaluations/impairment charges	5,855		12,779		(6,924)
Increase/(decrease) in provisions for liabilities	8,060		(588)		8,648
Net increase/(decrease) in staff termination benefits	(84)		(1,204)		1,120
Net financial interest expense	21,019		23,811		(2,792)
Cash flow generated by operating activities before changes in working capital	**196,483**		**167,277**		**29,206**
Increase in current receivables	(83,037)	(3,293)	(44,115)	(6,452)	(38,922)
Increase/decrease in current payables	(103,481)	(10,404)	(87,472)	(2,072)	(16,009)
Increase/(decrease) in inventories	(2,914)		(2,650)		(264)
Change in working capital	**(189,433)**		**(134,237)**		**(55,195)**
Change in other assets/liabilities during the period	(51,482)		12,938		(64,420)
TOTAL CASH FLOW FROM OPERATING ACTIVITIES	**(44,432)**		**45,978**		**(90,409)**
Purchase/sale of property, plant and equipment	(42,754)		(32,192)		(10,562)
Purchase/sale of intangible fixed assets	(51,171)		(41,457)		(9,714)
Equity investments	597		5,605		(5,008)
Proceeds/payments deriving from other financial investments	(16,651)	14,617	(20,480)	20,659	3,829
Interest income received	6,400		9,154		(2,754)
TOTAL CASH FLOW FROM INVESTMENT ACTIVITIES	**(103,578)**		**(79,370)**		**(24,208)**
Non-controlling interests in subsidiaries' capital increase	(175)		0		(175)
Repayment of borrowings and long-term loans	(31,693)		(136,035)		104,342
Decrease/increase in other short-term borrowings	(69,331)	152	56,497	(3,913)	(125,828)
Interest expense paid	(8,132)		(13,394)		5,262
TOTAL CASH FLOW FROM FINANCING ACTIVITIES	**(109,331)**		**(92,932)**		**(16,399)**
Cash flows for the period	**(257,341)**		**(126,324)**		**(131,017)**
Net opening balance of cash and cash equivalents	**814,653**		**1,017,967**		**(203,314)**
Net closing balance of cash and cash equivalents	**557,312**		**891,642**		**(334,330)**

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

€ thousand	Share capital	Statutory reserve	Other reserves	Profit for the period	Total	Non-controlling interests	Total shareholders' equity
Balances as at 01 January 2015	**1,098,899**	**176,119**	**15,381**	**140,167**	**1,430,566**	**71,825**	**1,502,391**
Net profit (loss)				174,992	174,992	6,553	181,545
Other comprehensive income (losses)				6,592	6,592	1,236	7,829
Total comprehensive income (loss)	**0**	**0**	**0**	**181,584**	**181,584**	**7,789**	**189,374**
Appropriation of result for 2014			140,167	(140,167)	0	0	0
Distribution of dividends			(95,647)		(95,647)	(5,477)	(101,123)
Change in basis of consolidation			7,421		7,421	(2,009)	5,412
Other Changes		(88,211)	88,211		0	0	0
Balances as at 31 December 2015	**1,098,899**	**87,908**	**155,533**	**181,584**	**1,523,924**	**72,128**	**1,596,053**

€ thousand	Share capital	Statutory reserve	Other reserves	Profit for the period	Total	Non-controlling interests	Total shareholders' equity
Balances as at 01 January 2016	**1,098,899**	**87,908**	**155,533**	**181,584**	**1,523,924**	**72,128**	**1,596,053**
Net profit (loss)				66,878	66,878	2,281	69,160
Other comprehensive income (losses)				(8,600)	(8,600)	(69)	(8,669)
Total comprehensive income (loss)	**0**	**0**	**0**	**58,278**	**58,278**	**2,212**	**60,491**
Appropriation of result for 2015			181,585	(181,584)		0	0
Distribution of dividends							
Change in basis of consolidation			(908)		(908)	734	(175)
Other Changes							
Balances as at 31 March 2016	**1,098,899**	**87,908**	**336,209**	**58,278**	**1,581,295**	**75,075**	**1,656,369**

NOTES TO THE CONSOLIDATED INCOME STATEMENT

The following is a comment to the performance of the period; the figures at 31 March 2016 are compared with those for the same period of the previous year.

Rif. Nota		31.03.16	31.03.15	Increase/ (Decrease)	% Increase/ (Decrease)
1	Revenue from sales and services	704.1	745.0	(40.9)	(5.5%)
2	Other revenue and proceeds	9.6	16.6	(7.1)	(42.5%)
	Consolidated net revenue	**713.7**	**761.6**	**(47.9)**	**(6.3%)**
3	Staff costs	55.9	58.8	(2.9)	(5.0%)
4	Costs of materials and overheads	457.5	531.0	(73.6)	(13.9%)
	Consolidated Operating Costs	**513.4**	**589.9**	**(76.5)**	**(13.0%)**
5	**Net income/(costs) from commodity risk management**	**0.0**	**0.0**	**0.0**	**0.0%**
6	**Income/(Costs) from equity investments of a non-financial nature**	**6.9**	**5.7**	**1.2**	**20.9%**
	Gross Operating Profit	**207.2**	**177.4**	**29.8**	**16.8%**
7	Amortisation, depreciation, provisions and impairment charges	83.6	73.3	10.3	14.1%
	Operating profit/(loss)	**123.6**	**104.1**	**19.5**	**18.7%**
8	Financial income	3.8	5.5	(1.7)	(31.0%)
9	Financial costs	(24.8)	(29.3)	4.5	(15.3%)
10	Income/(Costs) from equity investments	0.5	(0.1)	0.5	(809.2%)
	Profit/(loss) before tax	**103.0**	**80.3**	**22.7**	**28.4%**
11	Taxation	33.9	26.7	7.2	26.9%
	Net profit/(loss)	**69.2**	**53.5**	**15.7**	**29.2%**
	Net profit/(loss) from discontinued operations				
	Net profit/(loss)	**69.2**	**53.5**	**15.7**	**29.2%**
	Profit/(loss) attributable to non-controlling interests	2.3	3.0	(0.8)	(24.9%)
	Net profit/(loss) attributable to the Group	**66.9**	**50.5**	**16.4**	**32.4%**

Amount € millions

CONSOLIDATED NET REVENUE

As at 31 March 2016 these amounted to 713.7 million euros (761.6 thousand euros at 31 March 2015), recording a decrease of 47.9 million euros (-6.3%) over the same period of the previous year. The breakdown is as follows:

€ millions	31.03.16	31.03.15	Increase/ (Decrease)	% Increase/ (Decrease)
Revenue from sales and services	704.1	745.0	(40.9)	(5.5%)
Other revenue and proceeds	9.6	16.6	(7.1)	(42.5%)
Consolidated net revenue	**713.7**	**761.6**	**(47.9)**	**(6.3%)**

1. Revenue from sales and services - 704.1 *million euros*
This item reported a total decrease of 40.9 million euros (- 5.5%) compared to 31 March 2015. The reduction is mainly attributable to the decrease in revenues from electricity sales, partially offset by the growth of revenues from electricity distribution and integrated water services, as can be seen from the table below.

€ millions	31.03.16	31.03.15	Increase/ (Decrease)	% Increase/ (Decrease)
Revenue from electricity sales and services	478.4	525.0	(46.6)	(8.9%)
Revenue from gas sales	29.5	34.0	(4.5)	(13.2%)
Revenue from the sale of certificates and rights	6.4	5.9	0.5	8.1%
Revenue from the Integrated Water Service	150.0	139.8	10.1	7.2%
Revenue from Overseas Water Services	1.1	2.2	(1.1)	(48.5%)
Revenue from biomass transfer and landfill operations	10.7	8.9	1.8	20.5%
Revenue from services to customers	21.1	21.7	(0.6)	(2.9%)
Connection fees	7.0	7.4	(0.5)	(6.1%)
Total	**704.1**	**745.0**	**(40.9)**	**(5.5%)**

REVENUE FROM ELECTRICITY SALES AND SERVICES

Revenue from electricity sales and services amounted to 478.4 million euros and, excluding intercompany eliminations, essentially included the following items:

€ millions	31.03.16	31.03.15	Increase/ (Decrease)	% Increase/ (Decrease)
Electricity sales	387.5	462.1	(74.6)	(16.1%)
Transport and metering of energy	75.0	47.2	27.8	59.0%
Energy sales from WTE	10.9	10.7	0.2	1.5%
Electricity and heat generation	3.3	4.0	(0.7)	(17.2%)
Cogeneration	1.4	0.9	0.6	64.6%
Energy from photovoltaic plants	0.2	0.1	0.1	65.1%
Total revenue from electricity sales and services	**478.4**	**525.0**	**(46.6)**	**(8.9%)**

The decrease, amounting to 46.6 million euros overall, is primarily related to the following events:

- A 74.6 million euros reduction in revenue from the sale of electrical energy as a result of lower quantities sold on the free market, reflecting the optimization of Acea Energia portfolio, and changes in prices.
  The sale of electricity on the protected categories market showed a 10.3% decline year on year. The sale of electricity on the free market decreased over the same period last year by 14.7%. The reduction mainly concerned the B2B segment and derives from a strategy of consolidation and growth in the small business and mass market segments. The reduction of revenues resulting the decline in quantities sold is partly mitigated by the revision of the tariff for the sale of electricity (RCV) defined by AEEGSI Resolution 670/2015;
- the increase in revenues from electricity transport and metering in the free and protected markets results in

part from tariff changes and in part by the recognition of 22.5 million euros following the changes introduced by AEEGSI Resolution 654/2015; for more details please see section *"Performance of Operating Segments - Networks Segment"*.

REVENUE FROM GAS SALES

They decreased by 4.5 million euros mainly due to lower volumes sold by Acea Energia (-11.39%). In addition, in 2015 Acea Energia, through its subsidiary Umbria Energy, acquired Cesap Vendita Gas, a company operating in Umbria which reported revenues of 1.7 million euros for the period.

REVENUE FROM THE SALE OF CERTIFICATES AND RIGHTS

This item mainly refers to revenue from green certificates: **i)** Acea Produzione for 5.2 million euros (+ 0.3 million euros) incurred in relation to the energy produced by the Salisano and Orte power plants, and **ii)** ARIA for 1.1 million euros (+ 0.2 million euros) from the Terni and San Vittore WTE plants.

REVENUE FROM THE INTEGRATED WATER SERVICE

These revenues are almost exclusively produced by the companies that manage the service in Lazio and to a lesser extent those operating in Campania, as shown in the table below.

€ millions	31.03.16	31.03.15	Increase/ (Decrease)	% Increase/ (Decrease)
ACEA Ato2	129.3	120.9	8.4	6.9%
ACEA Ato5	17.0	16.2	0.8	5.1%
Crea Gestioni	1.0	1.0	0.1	7.3%
Gesesa	2.6	1.8	0.8	46.2%
Revenue from the Integrated Water Service	**150.0**	**139.8**	**10.1**	**7.2%**

The increase of 10.1 million euros is mainly the result of the tariff increases for the period estimated on the basis of the rules contained in AEEGSI Resolution 664/2015, pending approval of the tariff proposals by the Regulatory Agencies.

REVENUE FROM OVERSEAS WATER SERVICES

They amounted to 1.1 million euros, a decrease compared to 31 March 2015 of 1.1 million euros, due to the completion of orders started in previous years and to the effect of the exchange rate.

REVENUE FROM SERVICES TO CUSTOMERS

They amounted to 21.1 million euros, down by 0.6 million euros; their breakdown is provided below:

€ millions	31.03.16	31.03.15	Increase/ (Decrease)	% Increase/ (Decrease)
Public Lighting - Rome	13.8	14.1	(0.3)	(1.8%)
Public Lighting - Naples	1.2	1.5	(0.3)	(18.5%)
Revenue from services requested by third parties	2.9	3.1	(0.3)	(8.7%)
Intercompany services	1.6	1.5	0.1	5.3%
PV power	0.1	0.1	0.1	92.3%
GIP revenue	1.6	1.5	0.0	2.8%
Revenue from services to customers	**21.1**	**21.7**	**(0.6)**	**(2.9%)**

The change stems from lower revenues from works for third parties of ACEA Ato 2 and from lower public lighting revenues in the municipalities of Rome and Naples.

REVENUE FROM BIOMASS TRANSFER AND LANDFILL OPERATIONS

€ millions	31.03.16	31.03.15	Increase/ (Decrease)	% Increase/ (Decrease)
A.R.I.A.	6.7	5.7	1.1	18.8%
SAO	2.5	2.1	0.3	16.5%
Aquaser	1.1	0.8	0.3	39.6%
Solemme	0.3	0.2	0.1	31.4%
Revenue from biomass transfer and landfill operations	**10.7**	**8.9**	**1.8**	**20.5%**

CONNECTION FEES

They decreased by 0.5 million euros. These fees are broken down as follows:

- free and protected markets: 4.2 million euros (- 0.1 million euros compared to 31 March 2015),
- water market: 0.7 million euros (- 0.4 million euros compared to 31 March 2015).

2. Other revenue and income - 9.6 *million euros*
They recorded a decrease of 7.1 million euros. Broken down as follows:

€ thousand	31.03.16	31.03.15	Increase/ (Decrease)	% Increase/ (Decrease)
Contributions from Entities for Energy Efficiency Certificates	0.0	3.2	(3.2)	(100.0%)
Non recurring gains	1.1	5.1	(4.0)	(79.2%)
other revenues	2.4	2.4	0.0	0.0%
Reimbursement for damages, penalties, compensation	1.6	1.5	0.1	5.8%
Feed-in-tariff	0.8	0.7	0.1	10.6%
Government grant (Prime Ministerial Decree of 23/04/04)	1.0	1.1	0.0	0.0%
Regional grants	0.5	0.5	0.0	0.0%
Income from end users	0.6	0.7	(0.1)	(16.1%)
Seconded staff	0.6	0.4	0.2	36.4%
Property income	0.4	0.4	0.0	0.0%
IFRIC 12 margin	0.4	0.3	0.1	16.0%
Recharged cost for company officers	0.3	0.2	0.1	53.7%
Other revenue and proceeds	**9.6**	**16.6**	**(7.1)**	**(42.5%)**

The change was mainly due to the following effects:
(i) in the first quarter of 2016 no right accrued to tariff contributions on energy efficiency bonds as ACEA Distribuzione did not purchase any bonds,
(ii) lower non-recurring revenues of 4.0 million euros, mainly due to the recognition in Agua Azul Bogotá in the first quarter of 2015 of an extraordinary income of 3.4 million euros, mainly related to the closure of litigation with the municipal administration.

CONSOLIDATED OPERATING COSTS

As at 31 March 2016 these amounted to 513.4 million euros (589.9 million euros at 31 March 2015), recording a decrease of 76.5 million euros (-13.9%) over the same period of the previous year. The breakdown is as follows:

€ millions	31.03.16	31.03.15	Increase/ (Decrease)	% Increase/ (Decrease)
Staff costs	55.9	58.8	(2.9)	(5.0%)
Costs of materials and overheads	457.5	531.0	(73.6)	(13.9%)
Consolidated operating costs	**513.4**	**589.9**	**(76.5)**	**(13.0%)**

3. Staff costs - 55.9 *million euros*
The increase in staff costs, inclusive of capitalised costs, amounted to 1.0 million euros and was mainly influenced by the higher staff costs in the Water Segments.

€ thousand	31.03.16	31.03.15	Increase/ (Decrease)	% Increase/ (Decrease)
Staff costs including capitalised costs	78.9	77.9	1.0	1.2%
Capitalised costs	(23.0)	(19.1)	(3.9)	20.4%
Staff costs	**55.9**	**58.8**	**(2.9)**	**(5.0%)**

Capitalized costs recorded an increase of 3.9 million euros, determined by the net effect of higher capitalized costs recorded primarily in Acea Ato 2 (+ 1.8 million euros), Acea Distribuzione (+ 0.8 million euros) and the Parent Company (+ 0.8 million euros). This increase reflects the efforts and commitment of the Group's staff to the complex project for the change of information systems and business processes (ACEA 2.0).

Performance by Operating Segment, net of capitalised costs, is shown in the following table:

€ millions	31.03.16	31.03.15	Increase/ (Decrease)	% Increase/ (Decrease)
Environment	3.1	2.8	0.4	13.8%
Energy	6.8	6.9	(0.1)	(2.2%)
Water	20.3	21.4	(1.1)	(5.4%)
Networks	13.3	14.6	(1.3)	(8.8%)
Parent Company	12.4	13.1	(0.7)	(5.3%)
Total staff costs	**55.9**	**58.8**	**(2.9)**	**(5.0%)**

The amounts for period are shown in the tables below.

	Average number of employees		
	31.03.16	31.03.15	Increase/ (Decrease)
Environment	228	221	7
Energy	553	531	22
Water	2,252	2,396	(144)
Lazio-Campania	*1,813*	*1,799*	*14*
Overseas	*267*	*430*	*(163)*
Engineering and services	*172*	*167*	*5*
Networks	1,316	1,344	(28)
Parent Company	636	655	(19)
TOTAL	**4,985**	**5,147**	**(161)**

	End-of-period number of employees		
	31.03.16	31.03.15	Increase/ (Decrease)
Environment	230	220	10
Energy	554	530	24
Water	2,254	2,444	(190)
Lazio-Campania	*1,813*	*1,799*	*14*
Overseas	*269*	*478*	*(209)*
Engineering and services	*172*	*167*	*5*
Networks	1,315	1,344	(29)
Parent Company	637	654	(17)
TOTAL	**4,990**	**5,192**	**(202)**

4. Cost of materials and overheads - 457.5 *million euros* (-13.9% compared to 31 March 2015, when it amounted to 531.0 million euros).
This item reported an overall decrease of 73.6 million euros

€ million	31.03.16	31.03.15	Increase/ (Decrease)	% Increase/ (Decrease)
Electricity, gas and fuel	371.9	446.1	(74.1)	(16.6%)
Services	54.1	57.1	(3.0)	(5.3%)
Concession fees	11.6	10.5	1.1	10.1%
Cost of leased assets	6.9	6.1	0.8	11.8%
Materials	6.7	5.6	1.1	19.3%
Other operating costs	6.3	5.6	0.7	12.9%
Consolidated operating costs	**457.5**	**531.0**	**(73.6)**	**(13.9%)**

ELECTRICITY, GAS AND FUEL

The item shows a decrease of 74.1 million euros. The breakdown is provided below.

€ thousand	31.03.16	31.03.15	Increase/ (Decrease)	% Increase/ (Decrease)
Purchase of electricity	245.4	284.5	(39.1)	(13.7%)
Transport of electricity and gas	118.0	147.3	(29.4)	(19.9%)
Gas purchase	8.1	10.9	(2.8)	(25.5%)
White certificates	0.0	3.2	(3.1)	(98.4%)
Green certificates and Co2 rights	0.4	0.2	0.2	100.0%
Electricity, gas and fuel costs	**371.9**	**446.1**	**(74.1)**	**(16.6%)**

This change primarily reflects the net effect of:

- lower costs for the procurement of electricity and gas for both the protected market and the free market and the related transport costs. This reduction reflects the combined effect of lower electricity sold, due to the diversification of the customer portfolio, and the different quantity/price mix in the months and time brackets,
- the reduction in the costs of white certificates bought by ACEA Distribuzione to meet regulatory energy efficiency requirements.

SERVICES AND CONTRACT WORK

These amounted to 54.1 million euros, broken down as follows:

€ millions	31.03.16	31.03.15	Increase/ (Decrease)	% Increase/ (Decrease)
Technical and administrative services	10.9	12.7	(1.8)	(13.9%)
Contract work	8.8	9.7	(0.9)	(9.1%)
Disposal and transport of sludge, slag, ash and waste	6.6	5.9	0.7	11.1%
Other services	6.9	7.1	(0.2)	(2.6%)
Payroll services	3.6	3.9	(0.3)	(9.1%)
Insurance costs	2.7	3.3	(0.6)	(18.2%)
Electricity, water and gas consumption	1.7	2.2	(0.5)	(23.8%)
Internal use of electricity	1.7	1.8	(0.1)	(5.6%)
Intragroup services	1.6	2.0	(0.4)	(20.0%)
Telephone and data transmission costs	1.3	1.4	(0.1)	(7.2%)
Postal expenses	1.5	1.1	0.4	36.4%
Maintenance fees	1.7	1.0	0.7	70.0%
Cleaning, transport and porterage	1.1	1.0	0.1	10.0%
Advertising and sponsorship costs	0.7	1.1	(0.4)	(36.3%)
Corporate bodies	0.7	0.8	(0.1)	(12.6%)
Meter readings	0.7	0.6	0.1	16.8%
Bank charges	1.2	1.0	0.2	20.0%
Travel and accommodation expenses	0.4	0.2	0.2	100.0%
Seconded staff	0.2	0.3	(0.1)	(33.3%)
Printing costs	0.1	0.0	0.1	100.0%
Costs for services	**54.1**	**57.1**	**(3.0)**	**(5.3%)**

There was a decrease in the costs incurred for contract work, mainly by ACEA Ato 2, and in the cost for technical and administrative services, especially in the Energy segment (- 2.2 million euros). Conversely, maintenance costs, the cost for the transport and disposal of sludge and postage expenses increased.

CONCESSION FEES

Concession fees totalled 11.6 million euros (+11.1 million euros) and referred to companies that manage Area Authorities under concession in Lazio and Campania. The following table shows a breakdown by Company, compared to the same period of the previous year.

€ millions	31.03.16	31.03.15	Increase/ (Decrease)	% Increase/ (Decrease)
ATO2	9.8	8.7	1.1	12.6%
ATO5	1.6	1.7	(0.1)	(2.3%)
Gesesa	0.1	0.1	0.0	0.0%
Concession fees	**11.6**	**10.5**	**1.1**	**10.1%**

The increase is mainly due to Acea Ato 2 (+ 1.1 million euros) as a result of both the acquisition of new municipalities and the increase of the fee due to Roma Capitale.

COST OF LEASED ASSETS

The item amounted to 6.9 million euros, up 0.7 million euros compared to the same period of the previous year. The breakdown by Operating Segment is provided below:

€ millions	31.03.16	31.03.15	Increase/ (Decrease)	% Increase/ (Decrease)
Environment	0.2	0.2	0.0	0.0%
Energy	1.1	1.0	0.1	15.1%
Water	1.5	1.3	0.2	22.1%
Networks	1.5	1.2	0.3	29.4%
Parent Company	2.5	2.6	(0.1)	(3.9%)
Total	**6.9**	**6.1**	**0.7**	**11.8%**

This item includes lease payments of 2.7 million euros and charges relating to other fees and rentals for 3.5 million euros.

MATERIALS

The cost for the purchase of materials amounted to 6.7 million euros and represents the cost of materials used during the period net of capital expenditures, as shown in the table below.

€ millions	31.03.16	31.03.15	Increase/ (Decrease)	% Increase/ (Decrease)
Purchase of materials	15.5	12.0	3.5	28.9%
Change in inventories	(2.9)	(2.4)	(0.5)	21.4%
Change in inventories	**12.6**	**9.7**	**3.0**	**30.8%**
Capitalised costs	(6.0)	(4.1)	(1.9)	46.6%
Materials	**6.7**	**5.6**	**1.1**	**19.3%**

The costs for materials incurred by the operating segments are detailed below.

€ millions	31.03.16	31.03.15	Increase/ (Decrease)	% Increase/ (Decrease)
Environment	1.0	1.1	(0.1)	(2.1%)
Energy	0.4	0.2	0.2	74.5%
Water	2.9	2.4	0.5	22.6%
Networks	2.0	1.7	0.3	19.0%
Parent Company	0.4	0.3	0.1	35.1%
Costs for materials	**6.7**	**5.6**	**1.1**	**19.3%**

OTHER OPERATING COSTS

They amounted to 6.3 million euros and their breakdown is shown in the table below:

€ millions	31.03.16	31.03.15	Increase/ (Decrease)	% Increase/ (Decrease)
Taxes and duties	3.4	2.9	0.5	18.8%
Damages and outlays for legal disputes	0.6	0.5	0.1	15.2%
Contributions paid and membership fees	0.4	0.5	(0.1)	(20.0%)
General and administrative expenses	1.5	0.7	0.9	127.4%
Non recurring losses	0.4	1.1	(0.7)	(60.8%)
Other operating costs	**6.3**	**5.6**	**0.7**	**12.9%**

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

At 31 March 2016 the change in the *Fair Value* measurement of financial contracts is equal to 0 million euros. The portfolio of financial instruments under *Hedge* Accounting was the predominant component of the overall portfolio. All information useful in describing the transactions performed, aggregated by hedged index or providing the measurement of the hedge portfolio with an indication of the type of accounting applied is provided below.

Swap	Purpose	Purchases/Sales	Fair Value in € million	Amount recognised in shareholders' equity	Amount recognised in income statement
ITRemix	Hedge power portfolio	electricity purchase/sale	0.1	0.1	0.0
ITEC	Hedge power portfolio	electricity purchase/sale	0.0	0.0	0.0
PUN	Hedge power portfolio	electricity purchase/sale	(4.6)	(4.6)	0.0
CONSIP	Hedge power portfolio	electricity purchase/sale	0.1	0.1	0.0
			(4.4)	**(4.4)**	**0.0**

For further details please refer to the section *"Additional disclosures on financial instruments and risk management policies"* in the 2015 Consolidated Financial Statements. Please note that the assessment of counterparty risk carried out in accordance with IFRS 13 does not affect the effectiveness test carried out on the instruments measured under *Hedge Accounting* rules.

6. Income/(Costs) from equity investments of a non-financial nature - 6.9 *million euros*

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

€ millions	31.03.16	31.03.15	Increase/ (Decrease)	% Increase/ (Decrease)
GROSS OPERATING PROFIT	34.0	33.7	0.3	1.2%
Amortisation, depreciation, impairment charges and provisions	(22.2)	(22.6)	0.3	(1.5%)
Total profit/(loss) on investments	0.0	0.1	(0.1)	(108.6%)
Financial items	(2.1)	(2.2)	0.1	(5.2%)
Taxation	(2.8)	(3.3)	0.5	(14.1%)
Income from equity investments of a non-financial nature	**6.9**	**5.7**	**1.2**	**20.9%**

The companies' valuation is detailed below:

€ millions	31.03.16	31.03.15	Increase/ (Decrease)	% Increase/ (Decrease)
Consorcio Agua Azul	0.3	0.3	0.0	0.0%
Nuove Acque and Intesa Aretina	0.2	0.1	0.1	100.0%
Acquedotto del Fiora	0.7	1.0	(0.3)	(35.0%)
GORI	0.3	(1.3)	1.6	(124.0%)
Ingegnerie Toscane	0.2	0.2	0.0	0.0%
Acque Group	1.2	2.0	(0.8)	(40.0%)
Publiacqua	4.0	3.3	0.7	19.2%
Umbra Acque	(0.1)	0.1	(0.2)	n.s.
Total	**6.9**	**5.7**	**1.2**	**20.9%**

7. Amortisation, depreciation, impairment charges and provisions - 83.6 *million euros*

Compared to the previous year this item increased by 10.3 million euros. The breakdown is as follows:

€ millions	31.03.16	31.03.15	Increase/ (Decrease)	% Increase/ (Decrease)
Amortisation and depreciation	58.6	52.2	6.4	12.2%
Provision for impairment of receivables	13.2	18.4	(5.2)	(28.2%)
Provision for liabilities and charges	11.8	2.6	9.2	353.8%
Amortisation, depreciation, impairment charges and provisions	**83.6**	**73.3**	**10.3**	**14.1%**

AMORTISATION AND DEPRECIATION

€ millions	31.03.16	31.03.15	Increase/ (Decrease)	% Increase/ (Decrease)
Depreciation	31.6	30.7	0.8	2.8%
Amortization	27.0	21.5	5.5	25.6%
Depreciation/amortisation	**58.6**	**52.2**	**6.4**	**12.2%**

The increase in amortization of intangible assets, amounting to 4.0 million euros, is mainly due to the growth of water sector investments, and also includes the costs for the adjustment to regulatory changes and the tariff updates on invested capital. The increase in depreciation of tangible assets was mainly influenced by capital expenditures made in the period and the entry into operation of certain assets.

IMPAIRMENT CHARGES AND LOSSES ON RECEIVABLES

This item amounted to 13.2 million euros, a decrease of 5.2 million euros, mainly in the Water Area (- 3.8 million euros) and the Energy Area (- 1.4 million euros). The lower provisions are a direct consequence of improved performance in the collection of trade receivables.
The breakdown by operating segment is provided below:

€ millions	31.03.16	31.03.15	Increase/ (Decrease)	% Increase/ (Decrease)
Environment	0.0	0.2	(0.2)	(100.0%)
Energy	11.4	12.7	(1.4)	(10.7%)
Water	0.3	4.1	(3.8)	(92.7%)
Networks	0.7	0.8	(0.1)	(15.1%)
Parent Company	0.9	0.6	0.3	48.1%
Total	**13.2**	**18.4**	**(5.2)**	**(28.2%)**

PROVISIONS

At 31 March 2016 they amounted to 11.8 million euros; their breakdown by type is as follows:

€ thousand	31.03.16	31.03.15	Increase/ (Decrease)	% Increase/ (Decrease)
Legal	0.4	0.2	0.2	95.1%
Regulatory risks	0.7	0.7	0.0	0.0%
Contributory risks	0.1	0.0	0.1	198.1%
Early retirements and redundancies	8.5	0.6	7.9	n.s.
Total	**9.8**	**1.5**	**8.3**	**n.s.**
Ifric 12 restoration charges	2.0	1.1	0.9	80.2%
Total Provisions	**11.8**	**2.6**	**9.2**	**353.8%**

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

€ millions	31.03.16	31.03.15	Increase/ (Decrease)	% Increase/ (Decrease)
Environment	(0.1)	0.0	(0.1)	(100.0%)
Energy	1.0	0.7	0.3	42.9%
Water	5.7	1.6	4.1	n.s.
Networks	2.0	0.4	1.6	n.s.
Parent Company	3.2	0.0	3.2	100%
Total	**11.8**	**2.6**	**9.2**	**353.8%**

The increase of 9.2 million euros is mainly due to higher provisions: (i) for voluntary redundancies and early retirements for 7.9 million euros. This provision represents the amounts necessary to cover the staff reduction program through voluntary redundancy and early retirement procedures for Group staff; (ii) for restoration costs as a result of higher capital expenditures by the water companies (+ 0.9 million euros), and (iii) for legal risks (+ 0.2 million euros).

8. Financial income - 3.8 *million euros*

€ millions	31.03.16	31.03.15	Increase/ (Decrease)	% Increase/ (Decrease)
Interest on loans and receivables	0.9	0.6	0.3	42.5%
Bank interest income	0.3	0.8	(0.4)	(55.9%)
Interest on trade receivables	2.2	3.3	(1.1)	(33.9%)
Interest on other receivables	0.2	0.0	0.2	n.s.
Financial income from discounting to present value	0.2	0.0	0.2	0.0%
Financial income from measurement of fair value hedges	(0.1)	0.0	(0.1)	n.s.
Other income	0.0	0.8	(0.8)	(100.0%)
Financial income	**3.8**	**5.5**	**(1.7)**	**(31.0%)**

The change in this item is due mainly to the recognition of lower financial income from the Acea Energia customers (- 1.5 million euros).

9. Financial cost - 24.8 *million euros*

€ millions	31.03.16	31.03.15	Increase/ (Decrease)	% Increase/ (Decrease)
Costs (Income) on *Interest Rate Swaps*	0.5	0.7	(0.2)	(31.2%)
Interest on bonds	16.7	17.3	(0.5)	(3.1%)
Interest on medium/long-term borrowings	4.6	6.8	(2.2)	(32.9%)
Interest on short-term borrowings	0.1	0.8	(0.7)	(81.8%)
Default interest and interest on deferred payments	0.2	0.6	(0.4)	(68.5%)
Interest cost net of actuarial gains and losses	0.5	0.5	0.0	0.0%
Factoring fees	1.8	2.3	(0.5)	(23.8%)
Interest on payments by instalment	0.1	0.1	0.0	0.0%
Other financial charges	0.0	0.1	(0.1)	100.0%
Interest payable to end users	0.1	0.1	0.0	0.0%
Foreign exchange gains (losses)	0.1	0.0	0.1	100.0%
Financial expenses	**24.8**	**29.3**	**(4.5)**	**(15.3%)**

The average overall *"All in"* cost of the ACEA Group's debt at 31 March 2016 stood at 3.18% against 3.00% in the same period last year.

10. Income and costs from Equity Investments - 0.5 *million euros*

€ millions	31.03.16	31.03.15	Increase/ (Decrease)	% Increase/ (Decrease)
Income from investments in associates	0.5	0.3	0.2	41.8%
(Costs) from investments in associates	0.0	(0.4)	0.4	(100.0%)
(Costs)/Income from investments	**0.5**	**(0.1)**	**0.5**	**809.2%**

The assessments mainly concern the following companies: Aguas de San Pedro, Geal, Sogea and Umbria2.

11. Taxation for the period - 33.9 *million euros*

The estimate of tax payables for the period, calculated in accordance with IAS34, is 33.9 million euros compared to 26.7 million euros year on year.
The breakdown is essentially as follows:

- Current taxes: 35.5 million euros (25.9 million euros as at 31 March 2015),
- Net deferred/(prepaid) taxes: 2.1 million euros (0.8 million euros as at 31 March 2015).

The overall increase recorded in the period, equal to 7.2 million euros, mainly derives from an increase in profit before tax.
The table below shows the breakdown of taxes for the period and the correlated percentage weight calculated on consolidated pre-tax profit.

€ millions	2016	% Increase/ (Decrease)	2015	% Increase/ (Decrease)
Profit before tax from continuing and discontinued operations	103.0		80.3	
Expected tax charge at 27.5% on profit before tax	28.3	27.5%	22.1	27.5%
Net deferred taxation	(4.0)	(3.9%)	(0.9)	(1.1%)
Permanent differences	0.7	0.7%	(2.2)	(2.8%)
IRES for the period	25.0	24.3%	19.0	23.7%
Tax Assets	2.0	1.9%	1.7	2.1%
IRAP (regional income tax)	6.9	6.7%	6.0	7.5%
total taxes	**33.9**	**32.9%**	**26.7**	**33.3%**

The tax rate for the period was 32.9% (33.3% as at 31 March 2015).

12. Earnings per share

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

€ thousand	31.03.16	31.03.15	Increase/ (Decrease)
Net profit attributable to the Group (€/000)	66,878	50,509	16,370
Net profit attributable to ordinary equity holders of the Group (€/000) (A)	66,878	50,509	16,370
Weighted average number of ordinary shares for the purpose of determining earnings per share			
- basic (B)	212,964,900	212,964,900	0
- basic (C)	212,964,900	212,964,900	0
Earnings per share (€)			
basic (A/B)	0.3140	0.2372	0.0768
diluted (A/C)	0.3140	0.2372	0.0768

NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Notes Ref	STATEMENT OF FINANCIAL POSITION ACEA GROUP	31.03.16	31.12.15	Increase/ (Decrease)	% Increase/ (Decrease)
	NON-CURRENT ASSETS AND LIABILITIES	**3,901.3**	**3,868.6**	**32.7**	**0.8%**
13	Property, plant and equipment and intangible assets	3,905.7	3,870.9	34.8	0.9%
14	Equity investments	257.2	250.2	7.0	2.8%
15	Other non-current assets	318.0	314.3	3.7	1.2%
16	Staff termination benefits and other defined benefit plans	(110.4)	(108.6)	(1.8)	1.7%
17	Provisions for liabilities and charges	(195.1)	(187.1)	(8.1)	4.3%
18	Other non-current liabilities	(274.1)	(271.2)	(2.9)	1.1%
	NET WORKING CAPITAL	**(71.1)**	**(262.5)**	**191.4**	**(72.9%)**
19	Current receivables	1,169.8	1,098.7	71.1	6.5%
20	Inventories	29.5	26.6	2.9	10.9%
21	Other current assets	217.3	205.9	11.5	5.6%
22	Current payables	(1,141.8)	(1,245.3)	103.5	(8.3%)
23	Other current liabilities	(346.0)	(348.4)	2.4	(0.7%)
	INVESTED CAPITAL	**3,830.2**	**3,606.1**	**224.1**	**6.2%**
24	**NET DEBT**	**(2,173.9)**	**(2,010.1)**	**(163.8)**	**8.1%**
	Medium/long-term loans and receivables	32.2	31.5	0.7	2.3%
	Medium/long-term borrowings	(2,681.0)	(2,688.4)	7.5	(0.3%)
	Short-term loans and receivables	107.4	91.5	15.9	17.4%
	Cash and cash equivalents	557.3	814.7	(257.3)	(31.6%)
	Short-term borrowings	(189.9)	(259.2)	69.3	(26.8%)
25	**Total shareholders' equity**	**(1,656.4)**	**(1,596.1)**	**(60.3)**	**3.8%**
	FUNDING	**(3,830.2)**	**(3,606.1)**	**(224.1)**	**6.2%**

Amount € millions

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

As at 31 March 2016, the ACEA Group's statement of financial position recorded an increase in invested capital of 224.1 million euros (+ 6.2%) compared to 31 December 2015. This is the result of the increase in net fixed assets (+ 32.7 million euros) and the change in net working capital (+ 191.4 million euros).

Non-current assets and liabilities - 3,901.3 *million euros*
Compared to 31 December 2015, this item showed an overall increase of 32.7 million euros (+ 0.8%); a breakdown of the item is shown below.

13. Property, plant and equipment/intangible assets - 3,905.7 *million euros*
This item increased by 34.8 million euros (+ 0.9%) compared to the end of the previous year.
Investments amounting to 97.0 million euros and 58.6 million euros in depreciation and amortization contributed to the change.

The table below shows the level of capex made in the first three months of 2016 by Operating Segment, compared to those for the same period of 2015.

Capital expenditures per operating segment (million euros)	31.03.16	31.03.15	Increase/ (Decrease)
ENVIRONMENT	**1.6**	**0.9**	**0.7**
ENERGY	**11.8**	**5.4**	**6.4**
Production	8.8	2.5	6.3
Sales	3.0	2.9	0.1
WATER:	**41.7**	**32.0**	**9.7**
Overseas	0.0	0.0	0.0
Lazio - Campania	41.4	31.9	9.5
Tuscany-Umbria	0.0	0.0	0.0
Engineering	0.3	0.1	0.2
NETWORKS	**39.6**	**29.9**	**9.8**
ACEA (Corporate)	**2.3**	**3.8**	**(1.4)**
Total	**97.0**	**71.9**	**25.1**

The **Environment Segment** increased the level of capital expenditures (+ 0.7 million euros) with specific reference to SAO and ARIA for revamping works respectively on the waste treatment plant and on the line I of the San Vittore WTE plant in Lazio.

The **Energy Segment** reported an increase of 6.4 million euros, attributable to the increase in investments by Acea Produzione for **(i)** revamping works on plants at the Castel Madama Hydroelectric power plant, for **(ii)** the upgrading of the power tunnels from the reservoir of the San Cosimato dam and **(iii)** the extension of the district heating network in the Mezzocammino district.

The **Water segment** incurred higher capital expenditures compared to the same period last year of 9.7 million euros, with specific reference to ACEA Ato 2, for works carried out on the water supply network, the waste treatment plants and the Acea2.0 program.

The **Networks Segment** recorded higher capital expenditures (+ 9.8 million euros) as a result of expansion, renewal and upgrading activities for the managed systems as well as activities relating to the Acea2.0 program.

14. Equity investments - 257.2 *million euros*
Compared to 31 December 2015, equity investments increased by a total of 7.0 million euros primarily reflecting the valuation of companies consolidated using the equity method in accordance with IFRS 11.

15. Other non-current assets - 318.0 *million euros*

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

€ millions	31.03.16	31.12.15	Increase/ (Decrease)	% Increase/ (Decrease)
Deferred tax assets	279.4	274.6	4.8	1.7%
Receivables from others	38.2	39.3	(1.1)	(2.9%)
Accrued income and prepayments	0.4	0.5	(0.1)	(0.2%)
Other non-current assets	**318.0**	**314.3**	**3.7**	**1.2%**

16. Staff termination benefits and other defined-benefit plans - 110.4 *million euros*

The stock at 31 March 2016 recorded an increase of 1.8 million euros, mainly as a result of the provision and the rate used (from 2.03% in 2015 to 1.4% for the first three months of 2016).

17. Provisions for liabilities and charges - 195.1 *million euros*

€ thousand	31.12.15	Utilisations	Provisions	Reclassifications/ Other changes	31.03.16
Legal	20.2	(0.7)	0.4	0.0	19.9
Tax	4.3	(0.3)	0.0	0.0	4.0
Regulatory risks	54.2	0.0	0.7	0.0	54.9
Investees	1.3	0.0	0.0	0.0	1.3
Contributory risks	6.5	(0.2)	0.1	0.0	6.4
Early retirements and redundancies	3.5	(2.0)	8.5	(0.1)	9.8
Post mortem	23.0	0.0	0.0	0.0	23.0
Insurance excess	1.2	0.0	0.0	0.0	1.2
Other liabilities and charges	21.6	(0.5)	0.0	0.1	21.2
Subtotal Provisions for Liabilities and Charges	**135.8**	**(3.7)**	**9.8**	**0.0**	**141.8**
Provisions for restoration charges	51.3	0.0	2.0	0.0	53.3
Total Provisions for Liabilities and Charges	**187.1**	**(3.7)**	**11.8**	**0.0**	**195.1**

The main changes refer to:

- the provision set aside to deal with the charges arising from the voluntary redundancy and early retirement procedure increasing by 6.3 million euros, net of uses, compared to 31 December 2015,
- the provision for restoration charges increasing by 2.0 million euros as a result of allocations made in 2016 related to the costs required to keep the water service infrastructure in good condition,
- to the regulatory risk provision, which increases by 0.7 million euros, mainly due to higher charges for extra fees of the Bacino Imbrifero Montano on the Sangro River, on the basis of Law 228/2012, as well as for an increase in fees due to the Abruzzo Regional Government, in accordance with Regional Law No. 38 of 22/10/2013.

18. Other non-current liabilities - 274.1 *million euros*

This item recorded an increase of 2.9 million euros (+ 1.1%) compared to 31 December 2015. This item consists of:

€ millions	31.03.16	31.12.15	Increase/ (Decrease)	% Increase/ (Decrease)
Advances from end users and customers	113.7	110.7	3.0	2.7%
Provision for deferred taxes	87.4	87.1	0.3	0.4%
Capital grants and those for water connections	44.4	44.7	(0.3)	(0.8%)
Accrued liabilities and deferred income	28.5	28.7	(0.2)	(0.6%)
Other non-current liabilities	**274.1**	**271.2**	**2.9**	**1.1%**

Advances includes: **i)** the amount of security deposits subject to adjustment by water companies with a 2.8 million euros increase mainly attributable to ACEA Ato5 for 1.5 million euros; **ii)** the amount of advances relating to liabilities for advances on energy consumption, mainly 1.7 million euros attributable to Acea Energia, paid by customers in the Protected Categories market, that bear interest at the conditions set by the AEEGSI regulation (Resolution No. 204/99).

The deferred tax provision recorded an overall increase of 0.3 million euros mainly attributable to ACEA Distribuzione.

Capital grants and those for **Water connection** showed a net overall decrease of 0.3 million euros. The grants are accounted for in liabilities and progressively recognised in the income statement each year over the duration of the investment to which the grant is connected. The amount recognised as income is determined on the basis of the useful life of the asset to which it refers.

Accrued liabilities and deferred income, amounting to 28.5 million euros, mainly refer to grants received, recognised in the income statement by an amount equal to the depreciation generated by the associated capital expenditure. In particular, this item includes the contribution received by ACEA Distribuzione for the replacement of electromechanical meters with electronic meters (AEEGSI Resolution No. 292/06).

Net working capital - 71.1 *million euros*

€ millions	31.03.16	31.12.15	Increase/ (Decrease)
Current receivables	**1,169.8**	**1,098.7**	**71.1**
- due from end users/customers	*1,074.5*	*1,005.1*	*69.4*
- due from Roma Capitale	*64.6*	*63.7*	*0.9*
Inventories	**29.5**	**26.6**	**2.9**
Other current assets	**217.3**	**205.9**	**11.5**
Current payables	**(1,141.8)**	**(1,245.3)**	**103.5**
- due to Suppliers	*(1,000.8)*	*(1,092.3)*	*91.5*
- due from Roma Capitale	*(134.5)*	*(147.3)*	*12.7*
Other current liabilities	**(346.0)**	**(348.4)**	**2.4**
Net working capital	**(71.1)**	**(262.5)**	**191.4**

19. Current receivables - 1,169.8 *million euros*

€ millions	31.03.16 (a)	31.12.15 (b)	Increase/ (Decrease) (a-b)	31.03.15 (c)	Increase/ (Decrease) (a-c)
Receivables from customers	1,074.5	1,005.1	69.4	1,186.9	(112.4)
Amounts due from Roma Capitale	64.6	63.7	0.9	74.8	(10.2)
Amounts due from subsidiaries and associates	30.7	29.9	0.8	29.7	1.0
Current receivables	**1,169.8**	**1,098.7**	**71.1**	**1,291.4**	**(121.6)**

Receivables from end users and customers

Compared to the previous year and to 31 March 2015, they respectively increased by 69.4 million euros and decreased by 112.4 million euros. The table below shows the changes by Operating Segment compared to the same period of 2015 and to the end of the previous year:

€ millions	31.03.16			31.12.15			Increase/ (Decrease)		
	End users (a)	Customers (b)	Total	End users (c)	Customers (d)	Total	End users (a)-(c)	Customers (b)-(d)	Total
Environment	0.0	40.3	40.3	0.0	29.7	29.7	0.0	10.6	10.6
Energy	436.9	85.9	522.7	426.8	78.5	505.3	10.1	7.4	17.4
Water	421.0	31.8	452.8	381.3	30.4	411.7	39.7	1.3	41.0
Networks	22.2	29.8	52.0	22.4	7.3	29.7	(0.2)	22.5	22.3
Corporate	0.4	6.4	6.7	0.0	28.6	28.7	0.4	(22.3)	(21.9)
Total	**880.5**	**194.0**	**1,074.5**	**830.6**	**174.5**	**1,005.1**	**49.9**	**19.5**	**69.4**

€ millions	31.03.16			31.03.15			Increase/ (Decrease)		
	End users (a)	Customers (b)	Total	End users (c)	Customers (d)	Total	End users (a)-(c)	Customers (b)-(d)	Total
Environment	0.0	40.3	40.3	0.0	31.5	31.5	0.0	8.8	8.8
Energy	436.9	85.9	522.7	569.3	85.7	655.1	(132.5)	0.1	(132.4)
Water	421.0	31.8	452.8	389.5	31.6	421.1	31.5	0.1	31.6
Networks	22.2	29.8	52.0	10.6	34.0	44.7	11.6	(4.3)	7.3
Corporate	0.4	6.4	6.7	0.0	34.5	34.5	0.4	(28.2)	(27.8)
Total	**880.5**	**194.0**	**1,074.5**	**969.5**	**217.4**	**1,186.9**	**(89.0)**	**(23.4)**	**(112.4)**

Please note that in the first three months of 2016 receivables were sold without recourse for a total amount of 389.6 million euros. The breakdown by Operating Segment is provided below:

€ millions	31.03.16	Public Administration
Energy Segment	128.7	0.0
Water Segment	156.2	6.4
Networks Segment	104.7	9.7
Total	**389.6**	**16.1**

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

- in the **Environment Segment** the stock of total receivables increased by 10.6 million euros, mainly resulting from the increase in receivables in ARIA (+ 8.5 million euros) and SAO (+ 1.9 million euros),
- the **Energy Segment** recorded an increase in receivables vis à vis both users and customers of 17.4 million euros compared to the level recorded on 31 December 2015; this increase was mainly due to the net effect of higher receivables in Acea Energia (+ 15.7 million euros) and Umbria Energy (+ 2.7 million euros) offset by lower receivables in Voghera Energy Vendite (- 1.8 million euros),
- In the **Water Segment** total receivables increased by 41.0 million euros. This trend mainly concerns the water management companies in Lazio and Campania with specific reference to ACEA Ato 2 (+ 31.8 million euros) and Acea Ato 5 (+ 6.6 million euros),
- In the **Networks Segment** total receivables increased by 22.3 million euros. The change is solely attributable to ACEA Distribuzione due to the effects of the regulatory changes contained in AEEGSI Resolution 654/2015/R/eel. For more detail, please see the comments on the performance of the business segments
- the **Parent Company** recorded a decrease of 21.9 million euros, mainly due to the reclassification of the corresponding debt (20.5 million euros) under the receivables vis à vis the Vatican State, in order to increase the comparability of trade receivables and trade payables.

Receivables are shown net of the **Provision for impairment of receivables** which at 31 March 2016 amounted to 319.5 million euros compared to 320.2 million euros at the end of last year.

Receivables from the Parent Company Roma Capitale
Trade receivables due from Roma Capitale totalled 74.1 million euros at 31 March 2016 (72.2 million euros at 31 December 2015).
The total amount of receivables (including short-term and medium/long term financial receivables resulting from the public lighting contract) was 160.0 million euros compared to 142.8 million euros at the end of the previous year.
The following table presents an analysis of receivables and payables, including those of a financial nature, between ACEA Group and Roma Capitale.

Amounts due from Roma Capitale	31.03.16	31.12.15	Increase/ (Decrease)
Utility receivables	47.7	46.8	1.0
Contract work and services	17.8	17.7	0.1
Other receivables: seconded staff	0.2	0.2	0.0
Total services billed	**65.7**	**64.7**	**1.1**
Grants receivable	2.4	2.4	0.0
Total services requested	**68.1**	**67.1**	**1.1**
Receivables for bills to be issued: Public Lighting	3.2	2.6	0.6
Receivables for bills to be issued: other	2.7	2.5	0.2
Total services to be billed	**5.9**	**5.1**	**0.8**
Advances	0.0	0.0	0.0
Total trade receivables	**74.1**	**72.2**	**1.9**
Financial receivables for Public lighting services	**86.0**	**70.6**	**15.4**
Financial receivables for billed Public lighting services	70.3	61.0	9.3
Financial receivables for Public lighting services to be billed	15.7	9.6	6.1
Total receivables due within one year (A)	**160.0**	**142.8**	**17.3**

Amounts due to Roma Capitale	31.03.16	31.12.15	Increase/ (Decrease)
Electricity surtax payable	(15.2)	(15.2)	(0.0)
Concession fees payable	(105.7)	(99.3)	(6.4)
Total trade payables	**(121.0)**	**(114.6)**	**(6.4)**
Total payables due within one year (B)	**(121.0)**	**(114.6)**	**(6.4)**
Total (A) - (B)	**39.1**	**28.2**	**10.9**
Other financial receivables/(payables)	**(6.2)**	**(6.2)**	**0.0**
From Parent Company City of Rome for dividends	(35.3)	(35.3)	0.0
Medium/long term financial receivables for Public lighting services	29.1	29.1	0.0
Other trade receivables/(payables)	**(23.0)**	**(20.7)**	**(2.3)**
Net balance	**9.9**	**1.3**	**8.6**

In the first quarter there were no offsetting or collections; therefore, the change in receivables and payables was substantially determined by the items accrued in the period.

Receivables from associates and joint ventures
The balance of 30.7 million euros reflects an increase of 0.8 million euros.
They mainly refer to receivables due from subsidiaries consolidated using the equity method.

20. Inventories - 29.5 *million euros*

They recorded an increase of 2.9 million euros compared to 31 December 2015; the changes by Operating Segments are summarized in the following table:

€ millions	31.03.16	31.12.15	Increase/ (Decrease)	% Increase/ (Decrease)
Environment	3.9	3.7	0.2	4.4%
Energy	1.8	1.6	0.2	10.9%
Water	7.2	7.1	0.1	1.5%
Networks	16.4	13.9	2.5	17.7%
Parent Company	0.3	0.3	0.0	0.0%
Inventories	**29.5**	**26.6**	**2.9**	**10.9%**

21. Other current assets - 217.3 *million euros*

The item in question recorded an overall increase of 11.5 million euros, or 5.6%, compared to the previous year; the breakdown is provided below:

€ millions	31.03.16	31.12.15	Increase/ (Decrease)	% Increase/ (Decrease)
Receivables from others	132.7	117.9	14.8	12.6%
Accrued income and prepayments	21.8	12.8	9.0	70.0%
Tax receivables	62.8	75.2	(12.4)	(16.5%)
Other current assets	**217.3**	**205.9**	**11.5**	**5.6%**

Other receivables amounted to 132.7 million euros, an increase of 14.8 million euros. They mainly comprise:

- 24.6 million euros for amounts due from the Equalisation Fund for Energy equalization (12.2 million euros at 31 December 2015) with an increase of 12.3 million euros attributable to the general equalization of the first quarter of 2016,
- 34.9 million euros of receivables from the Equalization Fund accrued by Acea Energia and mainly attributable to the effects of AEEGSI Resolution 670/2014/R/eel which defined the national unpaid ratio at 24 months;
- 4.2 million euros for receivables for security deposits,
- 12.6 million euros for receivables from the Equalisation Fund for energy efficiency bonds accrued in connection with the purchase, by ACEA Distribuzione, of energy efficiency bonds to meet regulatory requirements.

Accrued income and prepayments amounted to 21.8 million euros (12.8 million euros at 31 December 2015) and mainly refer to rent on public land, lease payments and insurance.

Tax receivables, amounted to 62.8 million euros (- 12.4 million euros) and mainly include IRES and IRAP tax receivables for 31.2 million euros and VAT receivables for 16.8 million euros.

22. Current payables - 1,141.8 *million euros*

€ millions	31.03.16	31.12.15	Increase/ (Decrease)	% Increase/ (Decrease)
Amounts due to third-party suppliers	1,000.8	1,092.3	(91.5)	(8.4%)
Amounts due to the parent company Roma Capitale	134.5	147.3	(12.7)	(8.7%)
Amounts due to associates	3.5	2.2	1.3	54.1%
Trade payables due to Subsidiaries	3.0	3.5	(0.5)	(12.6%)
Current payables	**1,141.8**	**1,245.3**	**(103.5)**	**(8.3%)**

Amounts due to third-party suppliers
Trade payables amounted to 1,000.8 million euros (1,092.3 million euros at 31 December 2015). The following table provides the breakdown by operating segment:

€ millions	31.03.16	31.12.15	Increase/ (Decrease)	% Increase/ (Decrease)
Environment	39.9	46.8	(6.9)	(14.7%)
Energy	357.7	398.4	(40.7)	(10.2%)
Water	230.0	272.1	(42.1)	(15.5%)
Networks	309.0	310.9	(1.9)	(0.6%)
Parent Company	64.1	64.1	0.0	0.0%
Trade payables	**1,000.8**	**1,092.3**	**(91.5)**	**(8.4%)**

The decrease compared to 31 December 2015 is essentially due to lower payables recognized by the companies: (i) in the Energy segment, primarily due to the diversification of the customer portfolio of Acea Energia (46.1 million euros), (ii) in the Water Segment, especially Acea Ato 2 (44.0 million euros).

Amounts due to Parent Company Roma Capitale
They amounted to 134.5 million euros and their reduction of 12.7 million euros is mainly due to the effect of the reclassification as trade receivable of the 20.5 million euros debt, which cannot be claimed as it is related to receivables from the Vatican State. This reclassification was made to ensure comparability of trade receivables and payables.

Payables to associates and joint ventures
The balance of 6.5 million euros was 0.8 million euros higher than that at 31 December 2015 and mainly refers to payables arising from the public lighting service provided by the associate *Citelum Napoli Pubblica Illuminazione*, in the Municipality of Naples.

23. Other current liabilities - 346.0 *million euros*
They show a decrease of 2.4 million euros. The following table shows the main items making up the balance:

€ millions	31.03.16	31.12.15	Increase/ (Decrease)	% Increase/ (Decrease)
Other current liabilities	256.8	287.8	(31.0)	(10.8%)
Tax Payables	78.3	42.3	36.0	84.7%
Amounts due to social security institutions	6.1	18.1	(12.1)	(66.6%)
Amounts due to end users for tariff restrictions	0.2	0.2	0.0	0.0%
Payables arising from commodity derivatives	4.4	(0.4)	4.8	n.s.
Accrued liabilities and deferred income	0.3	0.3	0.0	0.0%
Other current liabilities	**346.0**	**348.4**	**(2.4)**	**(0.7%)**

The **Other Current Liabilities** amounted to 256.8 million euros, and were mainly made up of payables to the Equalisation Fund (39.8 million euros), concession fees payable (54.8 million euros), amounts due to staff (45.6 million euros) and collections subject to verification (58.4 million euros).
Compared to 31 December 2015 there was a reduction of 31.0 million euros, predominantly due to lower payables to the Equalisation Fund (- 49.9 million euros, especially in Acea Distribuzione), partly offset by higher payables to employees (+ 12.8 million euros).

Tax payables amounted to 78.3 million euros (42.3 million euros at 31 December 2015) and mainly include 30.0 million euros in VAT tax payable for the period and 21.0 million euros in IRES and IRAP tax payable.

Social security and welfare payables amounted to 6.1 million euros (18.1 million euros at December 2015); their breakdown by Operating Segment was as follows:

€ millions	31.03.16	31.12.15	Increase/ (Decrease)	% Increase/ (Decrease)
Environment	0.3	0.7	(0.4)	(55.3%)
Energy	0.7	1.9	(1.2)	(61.5%)
Water	2.3	6.3	(4.0)	(63.5%)
Networks	1.4	5.7	(4.3)	(75.0%)
Parent Company	1.3	3.4	(2.2)	(63.6%)
Total	**6.1**	**18.1**	**(12.1)**	**(66.6%)**

Payables from commodity derivatives included the fair value of a number of financial contracts entered into by Acea Energia. At 31 March 2016 this figure was 4.4 million euros compared to - 0.3 million euros in the same period of 2015.

24. Net financial position - (2,173.9) *million euros*

Group debt at 31 March 2016 recorded an overall increase of 163.8 million euros, from 2,010.1 million euros at the end of 2015 to 2,173.9 million euros.
This change is mainly due to the increase in net working capital resulting from the cumulative effect of the growth of current receivables, the reduction of payables and the increase in capital expenditures, including as regards the digitalisation associated with the Acea2.0 project.

€ millions	31.03.16	31.12.15	Increase/ (Decrease)	% Increase/ (Decrease)
Non-current financial assets/(liabilities)	3.0	2.4	0.7	28.9%
Parent company non-current financial assets/(liabilities)	29.1	29.1	0.0	0.1%
Non-current borrowings and financial liabilities	(2,681.0)	(2,688.4)	7.4	(0.3%)
Net medium/long-term debt	**(2,648.8)**	**(2,657.0)**	**8.2**	**(0.3%)**
Cash and cash equivalents and securities	557.3	814.6	(257.3)	(31.6%)
Short-term bank borrowings	(59.4)	(58.7)	(0.7)	1.2%
Current financial assets/(liabilities)	(76.7)	(147.7)	71.0	(48.1%)
Parent company and associates current financial assets/(liabilities)	53.7	38.7	15.0	38.8%
Net short-term debt	**474.9**	**646.9**	**(172.0)**	**(26.6%)**
Total net financial position	**(2,173.9)**	**(2,010.1)**	**(163.8)**	**8.1%**

Net medium - long term debt - (2,648.8) *million euros*

With regard to this component, it should be noted that:

- Parent company financial assets/(liabilities) stood at 29.1 million euros and include financial receivables from Roma Capitale for works completed to adapt systems to safety and regulatory standards and new constructions as envisaged in the addendum to the Public Lighting contract,
- non-current payables and financial liabilities totalled 2,681 million euros, recording a decrease of 7.5 million euros compared to 2,688.4 million euros of the previous year, and can be broken down as follows:

€ millions	31.03.16	31.12.15	Increase/ (Decrease)	% Increase/ (Decrease)
Bonds	1,897.0	1,904.0	(7.0)	(0.4%)
Medium/long-term borrowings	783.9	784.4	(0.5)	(0.1%)
Medium/long-term borrowings	**2,681.0**	**2,688.4**	**(7.5)**	**(0.3%)**

Bonds - 1,897.0 *million euros*
This item includes:

- 604.0 million euros (inclusive of accrued interest and the contract related costs) relating to the 10-year fixed rate bond issued by ACEA in July 2014, as part of the Euro Medium Term Notes (EMTN) programme of 1.5 billion euros. Interest accrued during the period amounted to 3.9 million euros,
- 603.3 million euros (including accrued interest) referring to a 5-year bond issued by ACEA at the beginning of September and maturing 12 September 2018. The fair value of hedging derivatives on this debt was positive and equal to 0.9 million euros. Interest accrued during the period amounted to 5.6 million euros,
- 499.3 million euros (including accrued interest) refer to a 10-year bond issued by ACEA in March 2010 and maturing 16 March 2020. Interest accrued during the period amounted to 5.6 million euros,
- 190.4 million euros (including accrued interest and *fair value* of the hedge) relating to the *Private Placement*. The *Fair Value* of this hedge was a negative 33.5 million euros and has been allocated to a specific equity reserve. The exchange rate difference - positive by 8.8 million euros - calculated at 31 March 2016 on the hedged instrument, was allocated to a translation reserve. The exchange rate at 31 December 2016 amounted to 127.9 euros against 131.07 euros at 31 December 2015. Interest accrued during the period amounted to 1.1 million euros,

Medium/long term borrowings - 783.9 million euros (including short-term portions - 834.0 *million euros*)
They recorded a total decrease of 0.5 million euros, compared to 784.4 million euros in 2015. The following table shows medium/long–term and short-term borrowings by term to maturity and type of interest rate:

Bank Loans:	Total Residual Debt	Due by 31.03.17	falling due between 31.03.17 and 31.03.22	Due after 31.03.22
fixed rate	312.9	25.6	88.5	198.8
floating rate	463.5	15.9	251.7	195.8
floating rate to fixed rate	57.5	8.4	40.8	8.3
Total	**834.0**	**50.0**	**381.0**	**402.9**

The *fair value* of ACEA hedging derivatives was a negative 6.9 million euros, decreasing 0.1 million euros compared to 31 December 2015 (negative 7.0 million euros).

For medium/long-term borrowings and bonds conditions, please refer to the Consolidated Financial Statements for the year ended 31 December 2015.

Net short-term debt - 474.9 *million euros*
The short-term component was positive and compared to the end of 2015 there was a reduction of 172.0 million euros mainly due to the reduction in Parent company cash and cash equivalents.

Short-term bank borrowings totalled 59.4 million euros, essentially in line with 2015.

The balance of **Financial assets and (liabilities)** at 31 March 2016 determines an increase in debt of 76.7 million euros, with a decrease of 71.0 million euros compared to 2015 mainly due to the reduction in payables to *factor*s in relation to factoring transactions.

Parent company and associates non-current financial assets/(liabilities) record a decrease in borrowings of 53.7 million euros and mainly include the net (financial) exposure to Roma Capitale (50.7 million euros).

At 31 March 2016 the Parent Company held unused *uncommitted* credit lines totalling 809 million euros. No guarantees were issued to obtain these credit lines.
Finally, as part of the *EMTN* programme of 1.5 billion euros, approved in 2014, ACEA can issue bonds for a total 900 million euros until 2019.

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

- Fitch's 'BBB+'
- Moody's "Baa2".

25. Shareholders' equity - (1,656.4) *million euros*
The changes occurred during the period, amounting to 60.3 million euros, are detailed in the table below; they mainly derive from profit accrued for the period.

SIGNIFICANT EVENTS DURING THE PERIOD

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

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

SIGNIFICANT EVENTS AFTER THE END OF THE REPORTING PERIOD

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

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

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

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

OPERATING (AND FINANCIAL) OUTLOOK

The results achieved by ACEA Group at 31 March 2016 are higher than expected and, therefore, the guidance for the year 2016 is confirmed.

In the following months the ACEA Group will continue the efforts to rationalise and increase the efficiency of both corporate processes and operational processes in all business segments. These goals will be pursued also through the extensive development of IT systems so that by 2016 the Company can manage networks and provide services in a truly innovative way.

The technological development and the change in customers' habits and expectations have created the need for a deep-rooted change in ACEA which is not just technological, but also in organisational and cultural terms. The name of this change is Acea2.0.

The digitalisation of processes started in 2015 is a real *business transformation* which involves the reorganisation of business with a major focus on the people who are requalified and totally dedicated to the process of change.

Acea 2.0 represents a revolution in the way we work, turning the Company into a *mobile office* with *customer-oriented* processes.

The introduction of *Workforce Management* will increase productivity, reduce losses, with increasing attention being paid to environmental sustainability and safety at work; in addition it will improve the quality of *operations* and of the service we offer to our customers, through streamlined, faster processes, that cut across the various structures involved.

To meet the challenges of the modern world we will be making major investments in digital technologies to redesign our approach to customer relations, with the ultimate goal of providing high value added services, through channels that ensure simpler interaction and self service modes of operation.

This project is proof of the Company's will to make major investments which, without affecting the solidity of the Group's financial structure, have an immediate positive impact on performance, on EBITDA and on both billing and collecting.

With this process of change and modernisation ACEA will create a Group where competitiveness and the central role played by the customer, become a focus for growth.

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

The ACEA Group's financial structure is solid for years to come, as, at 31 March 2016, the entire debt is characterised by long-term maturities with an average lifespan of about 6.6 years. 71.6% of debt is fixed rate in order to ensure protection against any increases in interest rates as well as any financial or credit volatility.

STATEMENT BY THE EXECUTIVE RESPONSIBLE FOR FINANCIAL REPORTING IN ACCORDANCE WITH THE PROVISIONS OF ARTICLE 154-BIS, PARAGRAPH 2, OF LEGISLATIVE DECREE. 58/1998

Pursuant to article 154-bis, paragraph 2 of the Consolidated Law on Finance, the Executive responsible for financial reporting, Mr. Demetrio Mauro, hereby states that the accounting information contained in this Interim Report on Operations at 31 March 2016 corresponds to the accounting documents, books and records.

ANNEXES 1:
LIST OF CONSOLIDATED COMPANIES

Name	Registered Office	Share capital (€)	% interest	Group's consolidated interest	Method of consolidated
Environment Segment					
ARIA S.r.l.	Via G. Bruno 7 - Terni	2,224,992	100.00%	100.00%	Line-by-line
Aquaser S.r.l.	Via dei Lecceti, 16 - Volterra (PI)	3,900,000	88.29%	100.00%	Line-by-line
Innovazione Sostenibilità Ambientale S.r.l.	Via Ravano K.m. 2,400 - Pontecorvo (FR)	91,800	51.00%	100.00%	Line-by-line
Kyklos S.r.l.	Via Ferriere - Nettuno n. km 15 - Latina	500,000	100.00%	100.00%	Line-by-line
S.A.O. S.r.l.	Loc. Pian del Vantaggio 35/B - Orvieto (TR)	7,524,400	100.00%	100.00%	Line-by-line
Solemme S.p.A.	Località Carboni in Monterotondo Marittimo (GR)	761,400	100.00%	100.00%	Line-by-line
Energy Segment					
Acea Energia S.p.A.	P.le Ostiense, 2 - Roma	10,000,000	100.00%	100.00%	Line-by-line
Acea Produzione S.p.A.	P.le Ostiense, 2 - Roma	5,000,000	100.00%	100.00%	Line-by-line
Acea8cento S.r.l.	P.le Ostiense, 2 - Roma	10,000	100.00%	100.00%	Line-by-line
Cesap Vendita Gas S.r.l.	Via del Teatro, 9 - Bastia Umbra (PG)	10,000	100.00%	100.00%	Line-by-line
Ecogena S.p.A.	P.le Ostiense, - Roma	6,000,000	100.00%	100.00%	Line-by-line
Elga Sud S.p.A.	P.le Ostiense, 2 - Roma	250,000	100.00%	100.00%	Line-by-line
Parco della Mistica S.r.l.	P.le Ostiense, 2 - Roma	10,000	100.00%	100.00%	Line-by-line
Umbria Energy S.p.A.	Via B. Capponi, 100 - Terni	1,000,000	50.00%	100.00%	Line-by-line
Voghera Energia Vendita S.p.A. *(in liquidation)*	Largo Toscanini n.5 - Voghera (PV)	250,000	100.00%	100.00%	Line-by-line
Acea Energia Management S.r.l.	P.le Ostiense, 2 - Roma	50,000	100.00%	100.00%	Line-by-line
Water Segment					
ACEA Ato2 S.p.A.	P.le Ostiense, 2 - Roma	362,834,320	96.46%	100.00%	Line-by-line
ACEA Ato5 S.p.A.	Viale Roma - Frosinone	10,330,000	98.45%	100.00%	Line-by-line
Acea Dominicana S.A.	Avenida Las Americas - Esquina Mazoneria, Ensanche Ozama -Santo Domingo	644,937	100.00%	100.00%	Line-by-line
Acea Gori Servizi S.c.a.r.l.	Via ex Aeroporto s.n.c. località Area "Consorzio Sole" - Pomigliano d'Arco	1,000,000	69.82%	100,00%	Line-by-line
Acea Servizi Acqua S.r.l. *(in liquidation)*	P.le Ostiense, 2 - Roma	10,000	70.00%	100.00%	Line-by-line
Acque Blu Arno Basso S.p.A.	P.le Ostiense, 2 - Roma	8,000,000	76.67%	100.00%	Line-by-line
Acque Blu Fiorentine S.p.A.	P.le Ostiense, 2 - Roma	15,153,400	75.01%	100.00%	Line-by-line
Aguaazul Bogotà S.A.	Calle 82 n. 19°-34 - Bogotà - Colombia	1,482,921	51.00%	100.00%	Line-by-line
Crea Gestioni S.r.l.	P.le Ostiense, 2 - Roma	100,000	100.00%	100.00%	Line-by-line
CREA S.p.A. *(in liquidation)*	P.le Ostiense, 2 - Roma	2,678,958	100.00%	100.00%	Line-by-line
Gesesa S.p.A.	Z.I. Pezzapiana lotto 11/12 - Benevento	534,991	57.93%	100.00%	Line-by-line
Lunigiana S.p.A. *(in liquidation)*	Via Nazionale 173/175 – Massa Carrara	750,000	95.79%	100,00%	Line-by-line
Ombrone S.p.A.	P.le Ostiense, 2 - Roma	6,500,000	99.51%	100,00%	Line-by-line
Sarnese Vesuviano S.r.l.	P.le Ostiense, 2 - Roma	100,000	99.16%	100.00%	Line-by-line
ACEA Elabori S.p.A.	Via Vitorchiano - Roma	2,444,000	100.00%	100.00%	Line-by-line
Networks Segments					
ACEA Distribuzione S.p.A.	P.le Ostiense, 2 - Roma	345,000,000	100.00%	100.00%	Line-by-line
Acea Illuminazione Pubblica S.p.A.	P.le Ostiense, 2 - Roma	1,120,000	100.00%	100.00%	Line-by-line

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

Name	Registered Office	Share capital (€)	% interest	Group's consolidated interest	Method of consolidated
Environment Segment					
Ecomed S.r.l.	P.le Ostiense, 2 - Roma	10,000	50.00%	50.00%	Equity Method
Water Segment					
Acque S.p.A.	Via Garigliano,1- Empoli	9,953,116	45.00%	45.00%	Equity Method
Acque Industriali S.r.l.	Via Bellatalla,1 - Ospedaletto (Pisa)	100,000	100.00%	45.00%	Equity Method
Acque Servizi S.r.l.	Via Bellatalla,1 - Ospedaletto (Pisa)	400,000	100.00%	45.00%	Equity Method
Acquedotto del Fiora S.p.A.	Via Mameli,10 Grosseto	1,730,520	40.00%	40.00%	Equity Method
Consorcio Agua Azul S.A.	Calle Amador Merino Reina 307 - Lima - Perù	17,379,190	25.50%	25.50%	Equity Method
GORI S.p.A.	Via Trentola, 211 – Ercolano (NA)	44,999,971	37.05%	37.05%	Equity Method
Ingegnerie Toscane S.r.l.	Via di Villamagna 90/c - Firenze	100,000	42.52%	42.52%	Equity Method
Intesa Aretina S.c.a.r.l.	Via B.Crespi, 57 - Milano	18,112,000	35.00%	35.00%	Equity Method
Nuove Acque S.p.A.	Loc.Cuculo - Arezzo	34,450,389	46.16%	16.16%	Equity Method
Publiacqua S.p.A.	Via Villamagna - Firenze	150,280,057	40.00%	40,00%	Equity Method
Umbra Acque S.p.A.	Via G. Benucci, 162 - Ponte San Giovanni (PG)	15,549,889	40.00%	40.00%	Equity Method

The following companies are also consolidated using the equity method:

Name	Registered Office	Share capital (€)	% interest
Environment Segment			
Amea S.p.A.	Via San Francesco d'Assisi 15C - Paliano (FR)	1,689,000	33.00%
Arkesia S.p.A. *(in liquidation)*	Via S. Francesco D'Assisi, 17 - Paliano (FR)	170,827	33.00%
Coema	P.le Ostiense, 2 - Roma	10,000	33.50%
Water Segment			
Azga Nord S.p.A. *(in liquidation)*	Piazza Repubblica Palazzo Comunale - Pontremoli (MS)	217,500	49.00%
Geal S.p.A.	Viale Luporini, 1348 - Lucca	1,450,000	28.80%
Sogea S.p.A.	Via Mercatanti, 8 - Rieti	260,000	49.00%
Aguas de San Pedro S.A.	Las Palmas, 3 - San Pedro (Honduras)	6,162,657	31.00%
Umbriadue Servizi Idrici S.c.a.r.l.	Strada Sabbione zona ind. A72 - Terni	100,000	34.00%
Le Soluzioni	Via Garigliano,1 - Empoli	250,678	30.50%
Networks Segments			
Citelum Napoli Pubblica Illuminazione S.c.a.r.l.	Via Monteverdi Claudio, 11 - Milano	90,000	32.18%
Sienergia S.p.A. *(in liquidation)*	Via Fratelli Cairoli, 24 - Perugia	132,000	42.08%
Sinergetica S.r.l.	Via Fratelli Cairoli, 24 - Perugia	10,000	21.46%
Sinergetica Gubbio S.r.l.	Via Fratelli Cairoli, 24 - Perugia	15,000	35.77%
Sienergy Project S.r.l.	Via Fratelli Cairoli, 24 - Perugia	40,000	23.85%
Sienergas Distribuzione S.r.l.	Via Fratelli Cairoli, 24 - Perugia	20,000	42.08%
Umbria Distribuzione Gas S.p.A.	Via Bruno Capponi 100 – Terni	2,120,000	15.00%

ANNEXES 2:
SEGMENT REPORTING

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

- generation and sales refer to the Energy Segment which, from an organizational standpoint, is responsible for the companies Acea Energia, Acea Energy Management, Acea8cento, Umbria Energy, Voghera Energia Vendite in liquidation, Elga Sud, Acea Produzione, Ecogena, Parco della Mistica and Cesap Vendita Gas,
- distribution and public lighting (Rome and Naples) refer to the Networks segment which, from an organisational standpoint, is responsible for ACEA Distribuzione and Acea Illuminazione Pubblica,
- analysis and research services refer to the Engineering and Services Department, which, from an organizational standpoint, is responsible for Acea Elabori,
- Overseas Water Services refer to the Water segment which, from an organizational standpoint, is also responsible for the water companies operating abroad,
- Italian Water Services refer to the Water segment which, from an organizational standpoint, is responsible for the water companies operating in Lazio, Campania, Tuscany and Umbria, and for AceaGori Servizi,
- environment refers to the Environment segment which, from an organizational standpoint, is responsible for the Companies of the ARIA Group and the Aquaser and Solemme Group.

2015 statement of financial position

€ thousand	Environment	Generation	Sales	Italian water services	Overseas	Engineering	Distribution	Public Lighting	Corporate	Group total	Consolidation adjustments	Consolidated Total
Investments	**25,895**	**15,247**	**15,335**	**202,474**	**424**	**1,548**	**154,331**	**1,841**	**11,769**	**428,864**		**428,864**
Property, plant and equipment	245,366	191,184	6,710	20,737	1,998	2,994	1,466,147	926	157,314	2,093,376	(3,355)	2,090,021
Intangible Assets	33,887	6,561	129,876	1,932,604	560	159	56,934	3,618	13,509	2,177,709	(397,328)	1,780,381
Non-current financial assets measured at equity												247,490
Non current financial assets												2,750
Other non-current trading assets												314,341
Other non-current financial assets												31,464
Inventories	3,708	1,632		7,034	35		7,136	7,078	0	26,623		26,623
Trade receivables from third parties	59,755	28,377	559,808	410,288	1,621	33,691	108,137	9,177	23,111	1,233,966	(228,853)	1,005,113
Trade receivables from Parent Company	156	4,899	36,227	46,839		114	4,068	62,689	624	155,617	(91,939)	63,679
Trade receivables from subsidiaries and associates	312		4,476	9,562					90,102	104,451	(74,569)	29,882
Other current trading assets												205,852
Other current financial assets												94,228
Cash and cash equivalents												814,653
Non-current assets held for sale		497								497		497
Total assets												**6,706,972**

2015 statement of financial position

€ thousand	Environment	Generation	Sales	Italian water services	Overseas	Engineering	Distribution	Public Lighting	Corporate	Group total	Consolidation adjustments	Consolidated Total
Segment liabilities												
Trade payables to third parties	51,865	15,932	453,950	402,551	476	3,324	303,640	12,170	63,753	1,307,662	(215,398)	1,092,264
Trade payables to Parent Company	2,147	2,029	20,742	152,000		827	22,349	663	20,521	221,278	(74,018)	147,259
Trade payables due to subsidiaries and associates	301		4,540	619	224			64,995	25,044	95,723	(89,989)	5,734
Other current trading liabilities												348,397
Other current financial liabilities												259,087
Staff termination benefits and other defined benefit plans	3,531	2,449	4,160	28,369	233	3,090	34,143	2,820	29,847	108,642	(12)	108,630
Other provisions	26,999	8,906	21,121	69,897		590	6,995	344	31,592	166,444	23,412	189,856
Provision for deferred taxes												87,059
Other non-current trading liabilities												184,100
Other non-current financial liabilities												2,688,435
Liabilities directly associated with assets held for sale		99								99		99
Shareholders' equity												1,596,053
Total liabilities and shareholders' equity												**6,706,972**

Income Statement as at 31 March 2015

€ thousand	Generation	Distribution	Sales	Public Lighting	Italian water services	Overseas	Engineering	Environment	PV power	Corporate	Group total	Consolidation adjustments	Total Consolidated
Revenue	17,892	112,946	531,937	16,805	148,278	5,652	6,013	30,711	961	26,654	897,849	(136,267)	761,582
Cost	7,181	55,212	511,070	15,222	84,082	2,713	4,479	17,938	267	28,004	726,168	(136,297)	589,872
Income/(Costs) from equity investments of non-financial nature			(27)	0	5,440	294	0	(6)	0	0	5,701	0	5,701
EBITDA	**10,711**	**57,734**	**20,839**	**1,583**	**69,635**	**3,233**	**1,533**	**12,768**	**694**	**(1,350)**	**177,381**	**29**	**177,410**
Depreciation/ amortisation	4,628	20,935	15,233	79	20,663	45	160	7,020	0	4,515	73,279	0	73,279
Operating profit/(loss)	**6,083**	**36,799**	**5,606**	**1,504**	**48,972**	**3,188**	**1,374**	**5,747**	**694**	**(5,865)**	**104,102**	**29**	**104,131**
Financial (costs)/ income													(23,811)
(Costs)/ Income from investments		(286)	(33)		245	238		0		(231)	(67)		(67)
Profit/(loss) before tax													**80,254**
Taxation													26,706
Net profit (loss)													**53,548**

Statement of financial position as at 31 March 2016

€ thousand	Environment	Generation	Sales	Italian water generation	Overseas	Engineering	Distribution	Public Lighting	Corporate	Group total	Consolidation adjustments	Consolidated Total
Investments	1,559	8,875	2,958	41,430	0	252	39,349	289	2,326	97,037	0	97,037
Property, plant and equipment	240,221	195,552	6,562	16,360	1,991	2,907	1,484,756	944	155,809	2,105,103	(3,920)	2,101,183
Intangible Assets	28,528	8,103	129,406	1,959,246	720	287	57,976	3,852	13,766	2,201,883	(397,328)	1,804,554
Non-current financial assets measured at equity												254,089
Non current financial assets												2,644
Other non-current trading assets												318,007
Other non-current financial assets												32,179
Inventories	3,870	1,810	0	7,155	22	-	10,035	6,645	0	29,537	0	29,537
Trade receivables from third parties	67,503	28,682	570,114	451,496	1,121	35,399	137,453	9,589	394	1,301,751	(227,237)	1,074,514
Trade receivables from Parent Company	192	2,960	32,065	51,398	0	91	3,885	8,120	649	99,359	(34,733)	64,626
Trade receivables from subsidiaries and associates	328	0	3,118	9,726	0	0	0	0	96,029	109,201	(78,537)	30,664
Other current trading assets												217,339
Other current financial assets												110,164
Cash and cash equivalents												557,312
Non-current assets held for sale	-	497	-	-	-	-	-	-	-	497	-	497
Total assets												**6,597,310**

Statement of financial position as at 31 March 2016

€ thousand	Environment	Generation	Sales	Italian water generation	Overseas	Engineering	Distribution	Public Lighting	Corporate	Group total	Consolidation adjustments	Consolidated Total
Segment liabilities												
Trade payables to third parties	43,710	21,277	425,614	353,959	564	3,058	304,687	10,347	63,784	1,227,001	(226,248)	1,000,753
Trade payables to Parent Company	2,139	1,812	21,530	158,137	-	975	24,941	774	0	210,309	(75,798)	134,512
Trade payables due to subsidiaries and associates	-	-	2,529	527	294	-	-	11,410	24,496	39,255	(32,744)	6,511
Other current trading liabilities										-		346,028
Other current financial liabilities										-		189,756
Staff termination benefits and other defined benefit plans	3,670	2,478	4,276	29,008	234	3,163	34,672	2,880	30,057	110,438	-	110,438
Other provisions	26,861	9,479	20,824	73,783	0	1,590	8,637	336	32,989	174,499	23,416	197,916
Provision for deferred taxes										-		87,374
Other non-current trading liabilities										-		186,582
Other non-current financial liabilities										-		2,680,972
Liabilities directly associated with assets held for sale	-	99	-	-	-	-	-	-	-	99	-	99
Shareholders' equity					-					-	-	1,656,369
Total liabilities and shareholders' equity												**6,597,310**

Income Statement as at 31 March 2016

€ thousand	Environment	Generation	Sales	Italian water generation	Overseas	Engineering	Distribution	Public Lighting	Corporate	Group total	Consolidation adjustments	Consolidated Total
Revenue	32,242	16,355	450,716	157,891	1,184	7,640	133,056	15,662	27,593	842,337	(128,663)	713,675
Costs	18,923	7,018	427,487	85,942	1,045	5,924	51,727	16,412	27,613	642,090	(128,700)	513,390
Income/(Costs) from equity investments of a non-financial nature	(8)			6,600	297					6,890		6,890
EBITDA	**13,311**	**9,337**	**23,228**	**78,550**	**436**	**1,717**	**81,329**	**(750)**	**(20)**	**207,138**	**37**	**207,174**
Depreciation/amortisation	6,727	5,229	15,146	25,017	61	1,344	22,354	35	7,633	83,545	39	83,584
Operating profit/(loss)	**6,584**	**4,108**	**8,082**	**53,533**	**375**	**373**	**58,974**	**(784)**	**(7,653)**	**123,593**	**(2)**	**123,589**
Financial (costs)/income												(21,019)
(Costs)/Income from Equity Investments				322	197				(47)	473		473
Profit/(loss) before tax												103,043
Taxation												33,884
Net profit/(loss)												**69,160**

2016

INTERIM REPORT ON OPERATIONS
OF THE ACEA GROUP
AT 31 MARCH 2016

ACEA SPA
Registered office
Piazzale Ostiense 2 – 00154 Rome

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

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05394801004

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