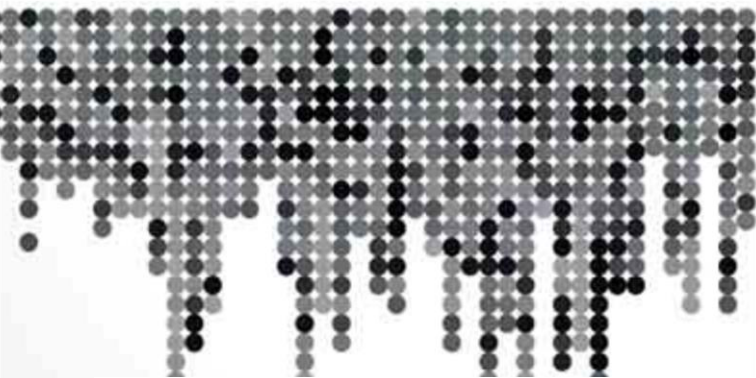
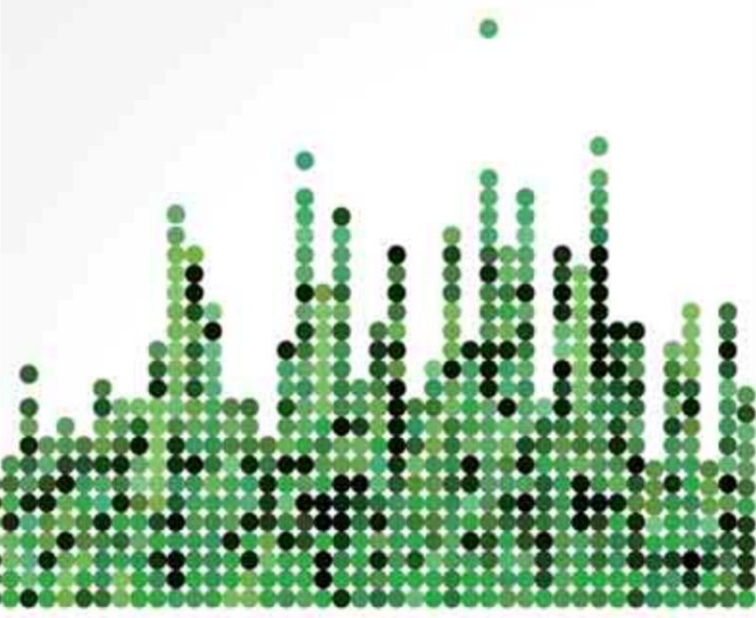


2014 ANNUAL REPORT AND ACCOUNTS





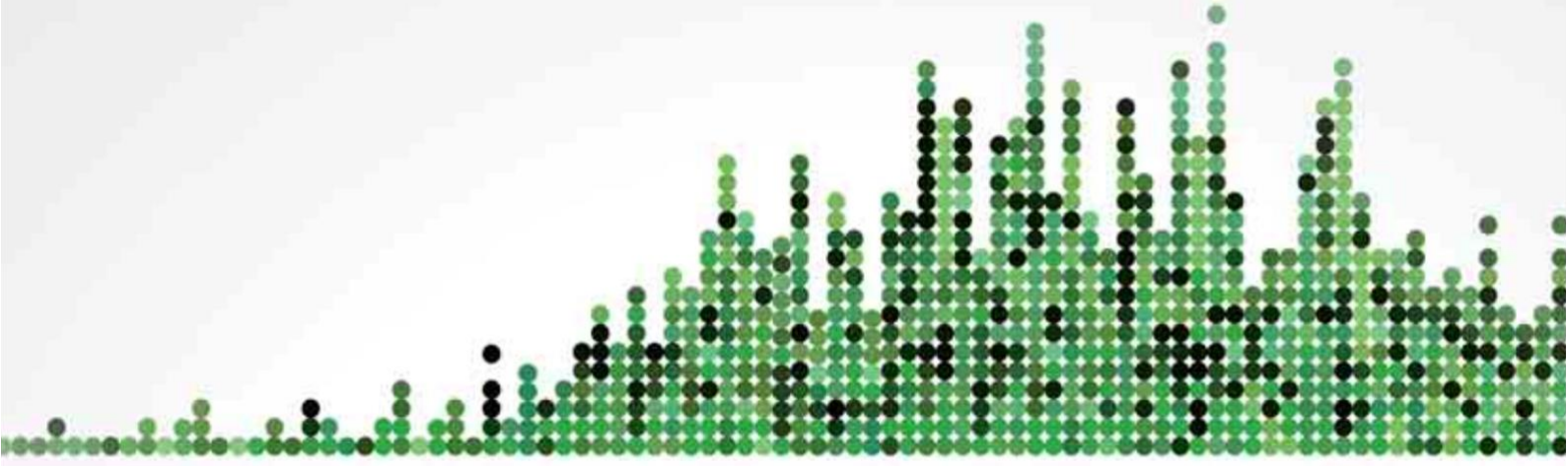
Acquirente Unico S.p.A.

Sole shareholder per Art. 4 Italian Legislative Decree no.79/99
Gestore dei Servizi Energetici (Management of Energy Services)
– GSE S.p.A.
Share Capital € 7,500,000.00 fully paid

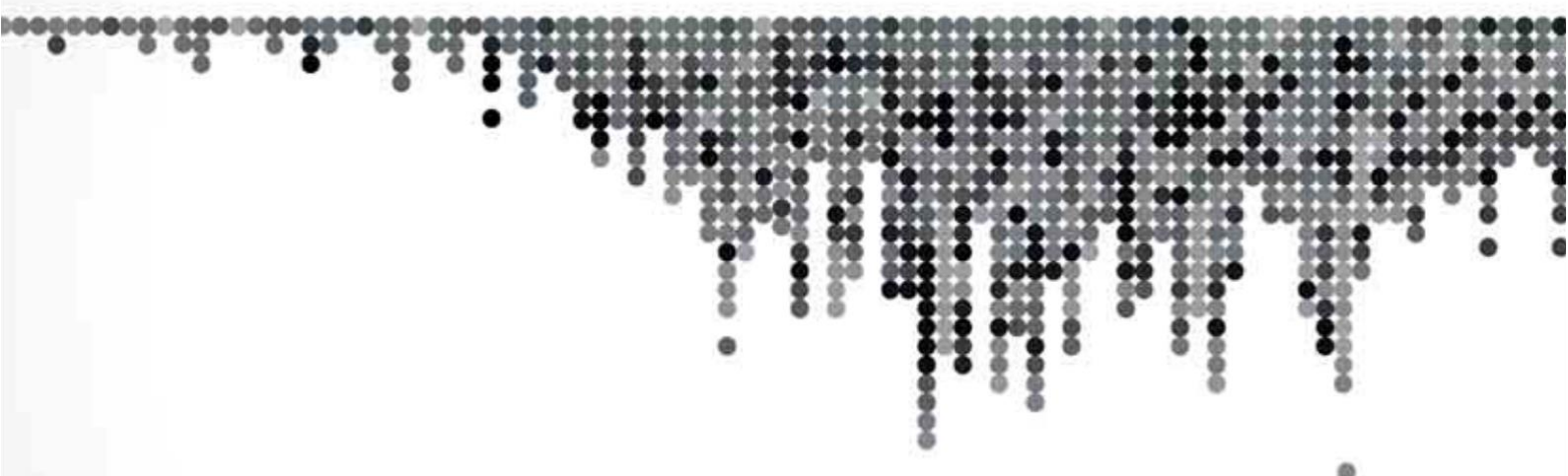
Registered office:

Via Guidobaldo Del Monte, 45 – 00197 Rome
Tel.: 06.8013.1 – Fax: 06.8013.4086

Company Register of Rome
VAT No. and Tax Code no. 05877611003
Rome R.E.A. (Economic and Administrative Register of the
Chamber of Commerce) no. 932346



2014 ANNUAL REPORT AND ACCOUNTS



ENERGY

Acquirente Unico (AU) is a public limited company of the Gestore dei Servizi Energetici (Energy Services Management) S.p.A. group, which is tasked with ensuring the supply of electricity to households and small businesses in terms of affordability, continuity, security and efficiency of service. Its activities consist of the purchase of electricity and the sale to operators (distributors or retailers) who supply the Protected Market, according to the directives of the Italian Ministry for Economic Development and in accordance with the resolutions issued by the Italian Electricity, Gas and Water Systems Authority.

PROTECTION

Through the actions of AU, demand from small consumers benefits from the method of purchase and price formulation, similar to those of larger consumers and with greater individual negotiating power. In this manner the entire consumer demand contributes to making the wholesale market trade efficient. AU determines in fact, through its sale prices to the operators, a reference point also for the offers on the open market, contributing to the process of liberalising the electricity industry. With the evolution of energy markets, activities with management through the Integrated Information System have expanded and the responsibility has been given to the Italian Central Stockholding Entity (OCSIT) within the framework of the law on emergency oil stocks.

INFORMATION

AU manages, on behalf of the Electricity, Gas and Water Systems Authority, both the Energy Consumer Help Desk (since 1 December 2009) to inform consumers about their rights and support them in resolving disputes with suppliers as well as the Energy Customers' Conciliation Service (since 1 April 2013) to settle disputes between end users and operators of electricity and gas services, helping them to identify the best solutions for both parties.

CONTENTS

Directors' Report to shareholders	6
Corporate structure	9
MANAGEMENT REPORT	11
Principal regulations and reference sources	12
Enhanced protection service	12
Protection Service	12
Supply of last resort - Gas	13
Energy Consumer Help Desk	13
Energy Consumer Conciliation Service	14
Integrated information system	14
Retail Market Monitoring	15
Italian Central Stockholding Body - OCSIT	15
Economic framework	16
The international economy	16
The national economy	16
Financial performance	18
Summary financial statements	18
Principal management information	27
Activities in energy markets	28
Total electricity demand	28
Electricity demand for enhanced protection service	28
Oil consumption and price trends	28
Euro/Dollar exchange rate trends	28
Electricity price trends	29
Electricity supply	31
Purchases portfolio	32
Energy supply costs	33
Transfer of electricity to companies operating in the enhanced protection service	34
Operator and final consumer support activities	37
Electricity Consumer Help Desk	37
Call Centre	39
Complaints	39
Quality System	40
Electricity consumer conciliation service	40
Integrated Information System	42
Monitoring system for retail electricity and natural gas energy markets	44



Users and Consumers Work Group activities	45
Italian Central Stockholding Body (OCSIT)	46
Other corporate management activities	49
Human resources	49
Staff development	49
Training to support skills development	51
Corporate information systems	51
Litigation management	56
Tax	57
Business Outlook	62
Energy Supply	62
Support activities for operators and final consumers	62
Significant facts after close of the financial year	64
Other information	65
SHAREHOLDERS' FUNDS	67
ASSETS	68
LIABILITIES	69
PROFIT & LOSS ACCOUNT	71
PROFIT & LOSS ACCOUNT	72
NOTES TO THE FINANCIAL STATEMENTS	75
Structure and content of the financial statements	76
Accounting principles and valuation criteria	77
Shareholders' equity	110
Assets	81
Liabilities	88
Memorandum accounts	95
Profit & loss account	97
Other information	110
REPORTS	113
Italian Supervisory Board Report	114
Independent Auditors' Report	121
Certification of the Financial Statements pursuant to Art. 26 of the Articles of Association	122

DIRECTORS' REPORT TO THE SHAREHOLDERS

During 2014 AU continued its institutional activities developing, in the context, important functions in the areas of operations.

2014 represented for the Company a particularly challenging year with respect to the dual challenge it was faced with: on one hand the development of new activities, as required by the laws of the industry and by implementation provisions, on the other hand, achieving the objectives of containing the operating costs required by a spending review referred to in Italian decree law no. 66/2014, as converted.

2014 was, in fact, the first year in which the company, in its capacity as the Italian Central Stockholding Entity (OCSIT) ensured the obligations of holding emergency oil stocks in accordance with Italian legislative decree no. 249/12.

As a consequence of the enactment, at the beginning of the year, the official guidelines of the Ministry for Economic Development, consistent with its industrial plan, OCSIT has bought petroleum products to guarantee the first day of emergency stocks. It was for this purpose that relative storage capacity was acquired. With regard to the of the product purchases financial resources were used which were made available by the awarding bank by public tender, with which the Company has also signed a contract for specific funding.

Also the Integrated Information System, the database that contains approximately 43 million pick-up points and the contact details of final customers, has strengthened its activities, extending to the natural gas industry, with the input to and updating of the Central Official Register (RCU). There also continued the management of processes for the electricity industry, with further implementations.

As regards the Energy Consumer Help Desk, 2014 was the second year of operation of the new Project 2013-2015, approved by the Electricity, Gas and Water Systems Authority (hereinafter the "Authority"). The Authority has also introduced more measures to increase the effectiveness of the Help Desk activities, in the contexts of strengthening the online communication channels and ensuring the maintenance of adequate levels of service quality, as well as the reduction of management costs.

The Authority has moreover renewed, until 31 December 2015, the pilot

phase of the settlement service for energy customers, and by also adopting measures for the enlargement of access and the optimisation of Service flows.

While dealing with these commitments, in an effort which has covered the entire Company structure, the target of the aforementioned decree law has been met, which imposes for the year 2014 a reduction of at least 2.5% in the operating costs, compared to the 2013. The Board of Directors has decided to distribute to the shareholder a dividend with a value equal to the cost savings achieved, net of what has already been distributed in September 2014.

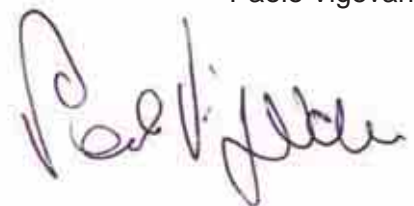
AU has furthermore launched over several years the process of reducing the cost of operation, through efficiency actions that have in general resulted in a reduction in operating costs per capita of about 34% (compared to 2009).

To conclude, there follow some considerations on the of electricity supply activity. AU, in this context, has worked in a reference context characterised by a weak economic climate.

The demand for electricity in the country has registered a further decline, equal to -3% compared to 2013. The average price (PUN) of the Power Exchange has seen a significant decrease (-17,3%) compared to the previous year, consumption in the enhanced protection market in 2014 has declined by 12%, the reduction in consumption is to be attributed mainly to the economic crisis, but also to the continuation of the move by customers onto the free market. The number of customers served under enhanced protection by the end of 2014 remains significant, being equal to 24.8 million, of which 20.8 million are residential customers and 4 million SMEs. The annual switching rate stood at 4.5%, while the data on re-entry into enhanced protection, about 300,000 users in total in 2014, is in line with the trend that began in 2008.

Also for the year 2014 Acquirente Unico has confirmed its fundamental benchmark role for the market and aggregator of demand for small consumers. The results of the actions of AU are also reflected in the objective as reported by the Authority in the last monitoring of prices in the retail market.

Chairman and Managing Director
Paolo Vigevano





CORPORATE STRUCTURE

Board of directors (2012-2014)

Chairman and Managing Director

Dr. Paolo Vigevano

Directors

Mr. Stefano di Stefano

Dr.. Franco Terlizese

Board of auditors (2014-2016)

Chairman

Dr. Paola Ferroni

Effective auditors

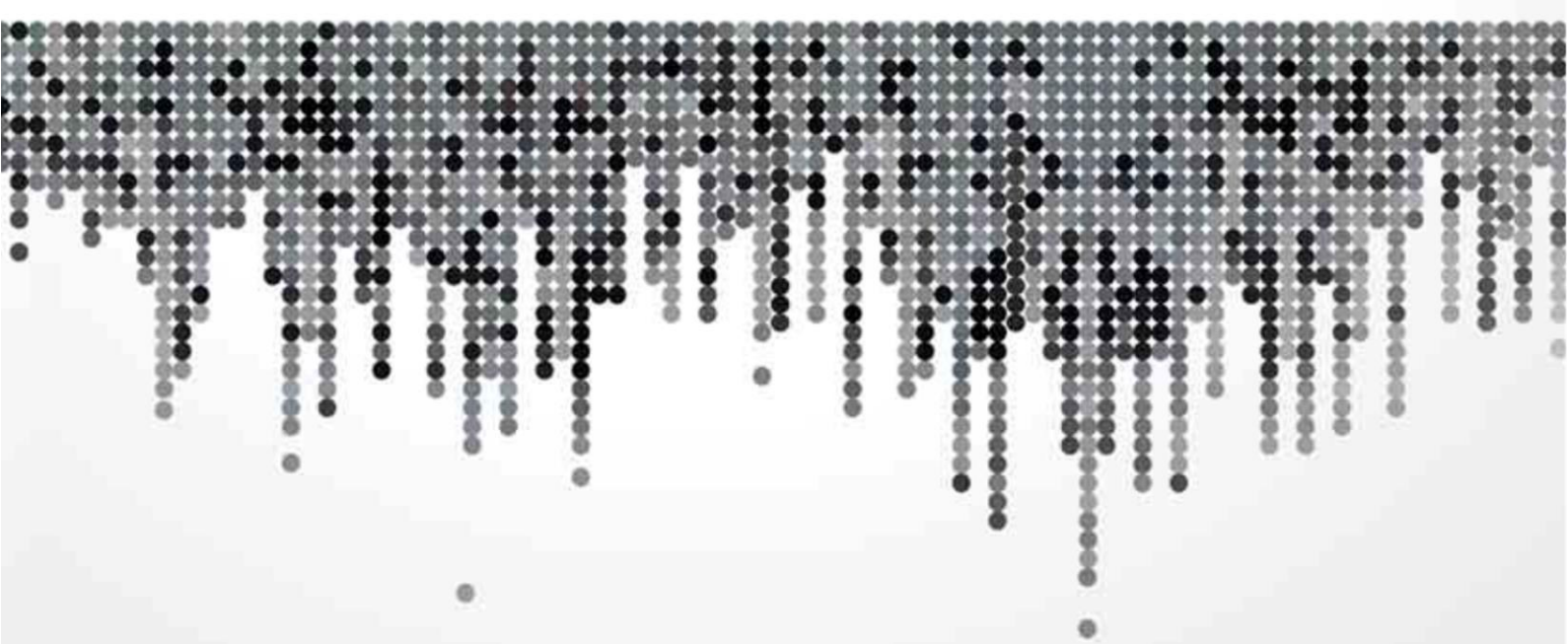
Mr. Ciro Piero Cornelli

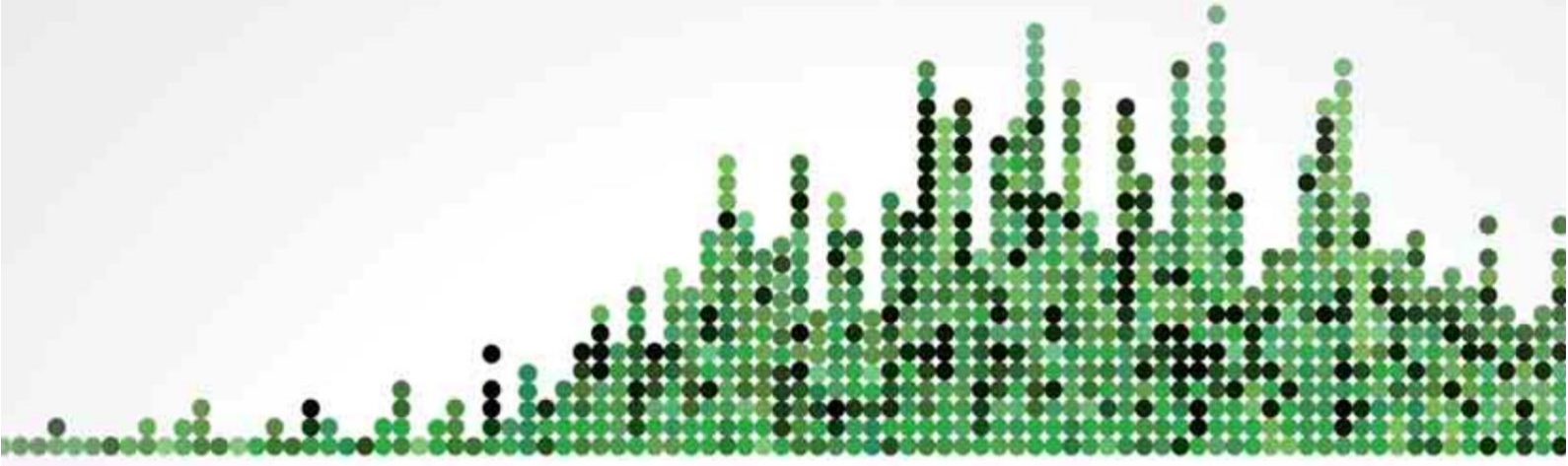
Dr. Linda Ottaviano

Supplementary auditors

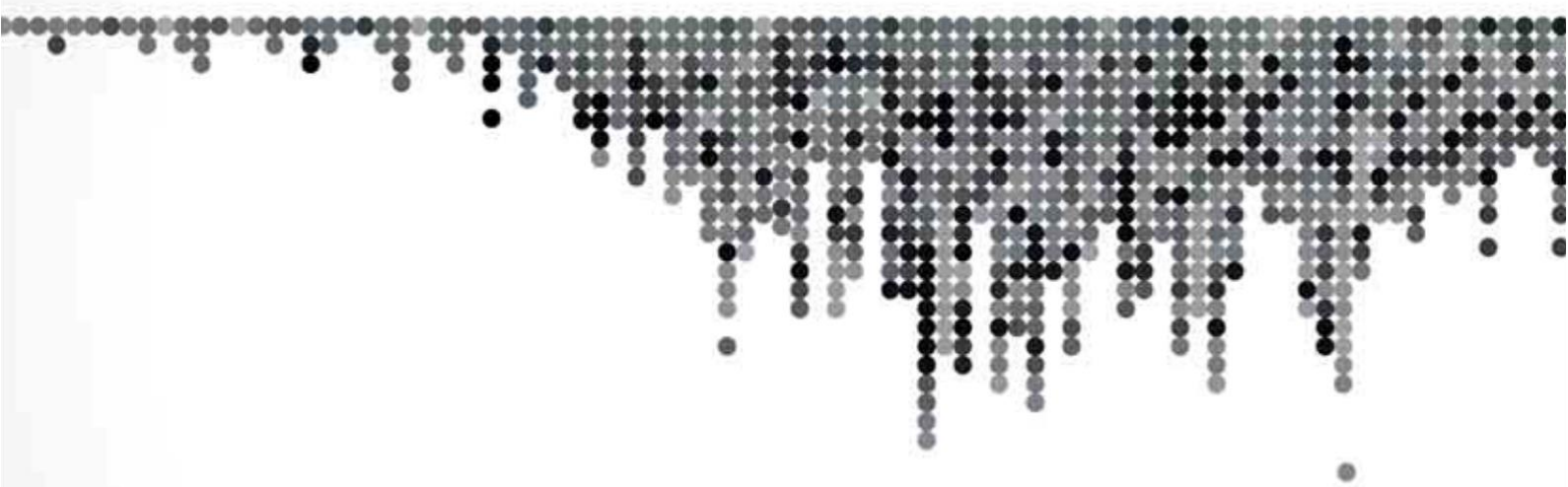
Dr. Corrado Checcherini

Dr. Silvia Genovese





MANAGEMENT REPORT



MAIN REGULATORY ELEMENTS AND AREAS OF REFERENCE

Acquirente Unico S.p.A. (hereinafter "AU") - a company wholly owned by Gestore dei Servizi Energetici- GSE S.p.A. (hereinafter "GSE") - was established pursuant to Italian Legislative Decree no.79 of 16 March 1999, in order to ensure the supply of electricity to eligible customers.

From 1 July 2007, with the completion of the liberalisation of the retail sale of electricity, as a result of Italian law no. 125 of 3 August 2007, for conversion with amendments to Decree Law no. 73 of 18 June 2007 (hereinafter "Law no. 125/2007"), all end-users of electricity, and in particular also civilian or domestic users, have the right to freely choose their electricity supplier. In the light of this innovation, Italian law no. 125/07 introduced the services of the sale of electricity under enhanced protection and safeguards.

Enhanced protection service

The enhanced protection service is targeted at residential customers and businesses with fewer than 50 employees with an annual turnover not exceeding Euro 10 million (hereinafter the "small customers" or "protected customers") who decide not to go onto the free market. The service is provided by enhanced protection, which can be a special sales company, in the territories in which the distribution company is supplying at least 100,000 end users, or the same distribution company in other cases; The procurement function continues to be performed by AU and the financial conditions of the service are indicated by the Electricity, Gas and Water Systems Authority (the "Authority").

AU, in accordance with the directives of the Authority, gives operators the electricity supply to protected customers, ensuring the balance of its accounts, according to the provisions of Article 4, paragraph 6 of the aforementioned Legislative Decree no. 79/99. Legislative decree no. 93 of 1 June 2011 (Leg. Dec. no. 93/11), confirmed the enhanced protection of small customers, providing for possible adjustments over time, in response to the monitoring of developments in the retail market and the existence of effective competition.

Safeguard Service

Safeguard service is intended for end users not entitled to enhanced protection in the event that they may be without a seller on the open market or not having selected one.

The Authority, in implementing the decree of the Italian Ministry for Economic Development of 23 November 2007, has assigned to AU the task of organising and carrying out the contractual procedures for the selection of companies that provide the service, in accordance with the provisions of the Authority.

In implementing the directives of the Authority, AU undertook in November 2013 the tendering procedures for allocating safeguarding services in progress, the duration of which has been extended from two to three years after the decree of the Italian Ministry for Economic Development of 6 November 2013, with effect from 1 January 2014.

Supplies of last resort - Gas

Subject to the changes introduced by Legislative Decree no. 93/11, the service provision of last resort for vulnerable customers who are temporarily without a gas supplier, is provided to customers who are entitled to the protection service (domestic customers - including condominiums with consumption of no more than 200,000 cubic meters per year, utilities related to public service activities, other customers with consumption of no more than 50,000 cubic meters per year) by operators selected on the basis of competitive procedures run by AU.

The decree of the Italian Minister of Economic Development of 31 July 2014, in the implementation of the provisions of Legislative Decree 164/00, as subsequently amended and supplemented, defined the guidelines for the Authority in order to identify the criteria and methods for the supply of natural gas, as part of the service of last resort, for the thermal years 2014-2015 and 2015 to 2016. The ministerial decree, among other things, determined that the Authority determines the appropriate guidelines for AU for selecting, via public tender, the supplier of last resort (FUI), to be concluded in time for the service to be operational from 1 October 2014.

The Authority has therefore issued guidelines to AU for the trial of procedures of public evidence, for the period 1 October 2014 – 30 September 2016, for the identification of suppliers of last resort as well as default service providers that Acquirente Unico has conducted during September 2104.

Energy Consumer Help Desk

Law no. 99/09 provides that the Authority can rely on AU to strengthen activities to protect energy consumers, also with reference to the functions referred to in Article 2, paragraph 12, letters l) and m) of the Italian law dated 14 November 1995 no. 481. Legislative Decree no. 93/11, implementing Directives 2009/72/EC and 2009/73/EC, provided, among other things, that the Authority will ensure the efficient handling of complaints and settlement procedures for end users, against sellers and distributors of natural gas and electricity, using AU.

According to these laws, the Authority has entrusted AU, starting from 1 December 2009, with the management of availability of a Help Desk for the energy consumer (hereinafter "Help Desk"), approving, to that end, the project pre-arranged by AU, operating until 31 December 2012, and the procedures for recognising and covering costs.

With the approval of the proposed update of the Help Desk operational project for the three year period 2013-2015, the Authority has also recognised the role of the Help Desk in the light of implementing Community framework provisions for the area referred to in Italian Legislative Decree no. 93/11, with reference to the effective handling of customer complaints by end users against distributors and retailers of electricity and natural gas.

In the implementation of the requirements of the Authority, at the end of the first year of implementation of the operational plan for the period 2013-2015, AU has sent to the Authority the monitoring report on the volumes and performance of the Help Desk, with a view to any modifications to the project.

Also following this report, the Authority introduced in June 2014 further measures to increase the effectiveness of the activities related to the handling of complaints by the Help Desk, with regard to the presentation of the complaint, the quality and completeness, the responses of operators and the accountability of the Help Desk, by an amendment to the current regulations governing the activities of the Help Desk relating to the handling of complaints. The entry into force of each measure has been amended over time, also to allow the appropriate modifications to information systems.

Energy consumers settlement service

The energy consumers settlement service was established by the Authority, on the basis of the provisions of Italian Law no. 99/09 and by Legislative Decree no. 93/11, for the effective treatment of disputes end users against sellers and distributors of electricity and/or natural gas. This service joins the existing remedies, to provide end users with efficient, expeditious and inexpensive dispute resolution procedures.

For the implementation and management of the Service, the Authority has provided the availability of AU and approved the project operations prepared by it and regulations on how to cover the costs, for an initial pilot phase of 12 months, starting from 1 April 2013 and for a period, renewable by the Authority. At the end of the pilot phase, the Service sent a report to the Authority for the verification of its activities. The Authority welcomed the operation of the service and its impact on the industries concerned, has set the renewal of the pilot phase for the period from 1 April 2014 until 31 December 2015, in line with the duration of the project of the Service itself and in respect of the total budget approved by the Authority.

In a subsequent ruling in December 2014, at the conclusion of the consultation launched in July 2014, the Authority adopted measures for widening access and optimising the Energy Customers Settlement Service flows, together with increased efficiency in the already operating mechanisms in alternative dispute resolution.

Integrated information system

The Italian Decree Law of 8 July 2010, no. 105 converted into Law on 13 August 2010, no. 129, (hereinafter "Law no. 129/10") established at AU the Integrated Information System (SII) for the management of information flows related to the electricity and gas markets, based on a database of collection points and identification data of end users.

In implementing this law, the Authority has established:

- general criteria for the operation of the SII;
- the covering of costs;
- the principle of the separation of accounts of foreign economic and financial activities related to the management of the SII with respect to the other activities of the Company;
- the first information flows to manage.

The functionalities of the SII were subsequently extended to the management of information related to the consumption of electricity and gas by end users and, therefore, data on related measures of consumption, by the Italian Decree Law of 24 January 2012, no. 1, converted into Law 24 March 2012, no. 27, in line with what is reported by Antitrust in the matter.

Within the general framework of process automation in the electricity industry, AU manages - also - the indemnity system, provided by the Authority to ensure compensation to the operator of the sale, in case of non-collection of the debt related to the bills of the last months of delivery of supply, before the effective date of switching. The indemnity system has been operational since 2011.

In the context of the definition of system processes that are intended to entrust the management of the SII, the Authority, in 2014 defined:

- the verification process, as part of the SII, in the link between the Collection Point (POD) and the contact details of the final customer as the owner of the point ("pre-check");
- the transfer process or contract of acquisition of ownership of a collection point activated by one user, using the SII;
- the characteristics and mode of implementation of the initial phase of accreditation, the first input and updating of the RCU within the SII for the natural gas sector.



- Measures undertaken at the start of the trial of the data management measures within the SII, with reference to collection points with hourly treatment.

These provisions are complemented by those adopted in 2013 by the Authority concerning the determination and provision, through the SII, relevant for the purposes of monthly settlement and the handling of adjustments to the attribution of personal data on collection points to dispatching users on the part of distributors.

Retail Market Monitoring

From 1 January 2012 the retail monitoring system has commenced operation, introduced by the Authority in order to verify the operating conditions of the sale of electricity and gas to households and small customers, the degree of openness, competitiveness and market transparency and the level of participation and satisfaction of end users.

The Integrated Retail Monitoring Text (TIMR), approved by the Authority for this purpose, has provided for, among other things, the availability of AU, during the collection of data provided by persons required to participate in the monitoring.

In particular, the activities carried out by AU in this area concern the operational phase of extracting basic data, supplied by the responsible parties, as well as support to the monitoring of the retail market. The method for covering the costs incurred by AU is regulated by the Authority itself.

Italian Central Stockholding Body - OCSIT

In order to implement EU Directive 2009/119/EC, which establishes the obligation for Member States to hold a minimum quantity of stocks of crude oil and/or petroleum products, the Italian government issued Legislative Decree no. 249 of 31 December 2012, published in Official Gazette no. 22 of 26 January 2013 and in force since 10 February 2013.

The measure, among other things, attributed to AU the functions and activities of the Italian Central Stockholding Entity (OCSIT), providing in particular that OCSIT is to acquire, hold, sell and transport "specific" stocks (finished products referred to in a list defined by the regulations) and can also organise and provide a service of storage and transport of emergency and commercial oil stocks.

As determined by the said decree, the costs and expenses incurred by the Company in the performance of OCSIT are covered by the contribution determined by the Italian Ministry of Economic Development, in consultation with the Ministry of Economy and Finance, payable by the parties responsible, as identified annually by the Ministry of Economic Development, on the basis of what was released for consumption in the last year of energy products listed in Annex C, Section 3.1, paragraph 1 of Regulation (EC) No. 1099/2008.

The OCSIT is subject to the supervision of the Italian Ministry of Economic Development, which shall determine the guidelines for the exercise of the function. By application of 31 January 2014, the Ministry of Economic Development then adopted the guidelines to which the Company must adhere to for the operational start-up of OCSIT, also on the basis of the business plan that has been forwarded to the Ministry.

The Italian inter-ministerial decree of 13 November 2014, issued pursuant to Legislative Decree no. 249/12, determined the amount of the provisional contribution for 2014 and how to define what balance is to be paid by listed responsible parties, including on the basis of information provided by the Company.

ECONOMIC SITUATION

International economy

The growth in global economic activity in 2014 was moderate, with a slight increase over the previous year. According to the analysis by the Bank of Italy¹ (On OECD and Consensus Economics), the very heterogeneous global economic conditions prevented a higher resumption of activity. The international economic activity has strengthened in the second half, mainly due to the good performance of the United States, driven by rising domestic consumption.

According to the latest OECD estimates, global gross domestic product increased by 3.3% on average in 2014, while growth in OECD countries was 1.7%². In emerging countries the economic cycle has shown to be very inconsistent. In India, growth remained robust, and has even accelerated in the last quarter of the year. In China, instead, for the first time there was an annual growth in effective GDP (7.3%) slightly below the stated target (7.5%). The weakness of investment curbs GDP growth in Brazil, with the economic activity remaining sluggish. The situation in Russia is different: the sanctions imposed by the West at the end of July, the sudden fall in the price of crude oil and the Rouble crisis have further reduced the confidence of consumers and businesses, leading to a deterioration in economic and financial conditions.

The trend in gross domestic product in advanced economies followed different routes. In the United States there has been an acceleration in economic activity; UK growth has even exceeded expectations, also thanks to the recovery in consumption. In the Euro area growth has, however, remained modest, with uncertain prospects, partly because of a decrease in investment.

Despite good performance in the second half of the year, international trade flows are estimated up 3.1% in the year, less than global GDP growth and the historical average.

In the Euro area, in the middle of 2014, inflation measured by the harmonised index of consumer prices recorded a fall (-0.2%³), driven by lower energy prices (-6.3%).

The conditions of financial markets in the Euro area remained stable, also because of a more expansionary monetary policy. The tensions in sovereign debt of the area have regarded almost exclusively Greece, also because of political instability. Late in the year, the monetary authorities of the major emerging countries have adopted divergent monetary policies, according to the situations of their respective economies.

The Italian national economy

Inflation in 2014 stood at an average of 0.2% (harmonised index of consumer prices), sharply down compared to 1.3% in 2013⁴.

In 2014, in Italy there is an estimated contraction in GDP (adjusted for calendar effects) of 0.4%⁵. The slight rise in consumer spending failed to offset the decline in investment (-1%).

Exports fell in the second half of the year, due to sluggish demand in the Euro countries. On the other hand, sales in other markets have enabled an overall increase in exports, driven by the transport, electronics and, especially, pharmaceutical industries.

Industrial production, during the whole of 2014, recorded a modest decrease. The exchange rate decline, especially in the second half, allowed Italian companies to increase competitive conditions (as measured by producer prices of manufactured goods). Household consumption has been driven mainly by the purchase of durable goods. Among them, there was a gradual recovery in car registrations. The climate index

1. Bank of Italy, Economic Bulletin no.1, January 2015

2. OCSE, Economic Outlook, no. 96, November 2014

3. Bank of Italy, Economic Bulletin no.1, January 2015, page 12

4. Bank of Italy, Economic Bulletin no.1, January 2015, page 27

5. Bank of Italy, Economic Bulletin, January 2015, page 39



of consumer confidence was down, however, after a strong recovery began in 2013 and reached its peak in the first half of 2014: the fall is due to pessimism on the future development of the economy, especially due to negative expectations on the labour market.

Household consumption has been driven mainly by the purchase of durable goods. Among them, there was a gradual recovery in car registrations. The climate index of consumer confidence was down, however, after a strong recovery began in 2013 and reached its peak in the first half of 2014: the fall is due to pessimism on the future development of the economy, especially due to negative expectations on the labour market.

Employment registered a slight recovery during the year, but due to the increase in labour supply has not translated into a reduction in unemployment: as at December 2014 the unemployment rate stood at 12.9%, up 0.2% over last year.

Among young people aged between 15 and 24 years, the unemployment rate reached 42%⁶.

Finally, according to the calculations by Banca d'Italia there is expected in 2015 a recovery in GDP of around 0.4%⁷, mainly boosted by the depreciation in the currency against the dollar and a fall in oil prices.

6. ISTAT, Employment and unemployment, Provisional data, 30 January 2015

7. Bank of Italy, Economic Bulletin, January 2015,

FINANCIAL PERFORMANCE

Summary Financial statements

The income statement and balance sheet for the financial year 2014 are shown in the schedules set out in the following pages, obtained by reclassifying the statutory accounting statements prepared in accordance with the Italian Civil Code. In addition to the reclassified schedules detailed analytical data are presented, concerning:

- operating costs, separately for the six macro-areas that comprise the activities of AU;
- the result of financial management;
- the determination of gross pre-tax profit.

The main operating highlights, finally, are summarised in an overall synthesis.

Comparative income statement.

Table I. RECLASSIFIED INCOME STATEMENT 2014 (Euro thousand)

	2014	2013	Variance
INCOME:			
- Income from energy sales for companies serving the enhanced protection	4,965,068	5,964,661	(999,593)
- Income from hedging contracts	130	-	130
- Other Income from energy	33,409	34,110	(701)
- Income to cover Help Desk costs	8,219	8,465	(246)
- Income to cover SII costs	4,526	3,931	595
- Income to cover Retail Monitoring costs	213	147	66
- Income to cover Settlement Service costs	262	258	4
- Income to cover OCSIT costs	1,988	635	1,353
- Income to cover OCSIT costs	1,597	2,051	(454)
a) Total operating income	5,015,412	6,014,258	(998,846)
COSTS:			
- Purchases of energy	4,119,561	5,154,496	(1,034,935)
- Costs of hedging contracts	31,798	27,854	3,944
- Purchases of energy-related services	836,659	805,945	30,714
Total energy costs	4,988,018	5,988,295	(1,000,277)
- Other purchases of consumables	22	41	(19)
- Labour costs	12,327	11,719	608
- Provision of Services	8,873	9,251	(378)
* Services by the parent company	2,384	3,051	(667)
* Other services (including related costs of storage)	6,489	6,200	289
- Leases	2,253	2,041	212
* Charges for oil product storage service	665	-	665
* Other	1,588	2,041	(453)
- Contribution to AEEG operation	1,670	2,120	(450)
- Sundry costs	308	294	14
b) Total costs (not including depreciation and amortisation)	5,013,471	6,013,761	(1,000,290)
c) Gross operating margin (a-b)	1,941	497	1,444
Depreciation and devaluations	1,374	869	505
Total Operating Costs	5,014,845	6,014,630	(999,785)
e) Operating income (c-d)	567	(372)	939
- Net financial income	552	1,403	(851)
Profit before extraordinary items and taxes	1,119	1,031	88
- Net extraordinary charges	(585)	(257)	(328)
Profit before taxes	534	774	(240)
Taxes on income for the year	199	411	(212)
- Current taxes	1,300	716	584
- Deferred taxes	(756)	(305)	(451)
- Advance taxes	(345)	-	(345)
PROFIT FOR THE YEAR	335	363	(28)

Income

Total operating income (Table 1) amounts to Euro 5,015,412 thousand, resulting in particular from the activity of sale of energy for companies serving Enhanced Protection (Euro 4,965,068 thousand). Income from sale of energy, in addition to covering the cost of supply of electricity and related services, include the fee for energy operation costs, in the amount approved by AEEGSI as the balancing item (EUR 10.59 million).

Of the total operating income there are also recognised other income related to energy (imbalancing fees, etc.) amounting to Eur 33,409 thousand, income from hedging contracts, amounting to Eur 130 thousand, reimbursement of operating costs, broken down by area of activity and, finally, other income.

As a whole, operating income recorded a decrease of Euro 998,846 thousand compared to the previous year. The decrease was due to lower income from the sale of electricity to enhanced protection service operators (- Eur 999,593 thousand), as a direct consequence of the decrease in the cost of electricity supply, since the economic management of electricity purchase occurs within the economic breakeven regime.

Operating costs

Total operating costs (Table 1), before depreciation, amortisation and impairment losses, amounted to Euro 5,014,845 thousand, of which € 4,988,018 thousand were for the purchase and sale of energy, Euro 26,110 thousand for operating expenses and Euro 717 thousand for running costs of petroleum products storage.

Energy **purchase costs** refer to Euro 4,119,561 thousand purchases of electricity and Euro 836,659 thousand acquisition of services related to energy (dispatching and other). These include also the cost of the hedging management, totalling Euro 31,798 thousand. This item shows, as a whole, a decrease of Euro 1,000,277 thousand compared to the previous year.

Because of the dynamics of the cost of electricity purchases, the decrease of Euro 1,000,277 thousand, shown in Tables 2 and 3, is due to the combined effect

- amounting to Euro -715,193 thousand - the reduction in transactions of physical quantities (-8,507,600 MWh, equal to -11.94% over the previous year) and, for an amount of Euro -285,084 thousand, of the decrease in the average unit cost of purchase, including services (-4.55 €/ MWh, corresponding to a variance of -5.41%).

Table 2. Costs of energy purchases (Euro thousand)

	2014	2013	Variance	Variance %
Costs of electricity supplies	4,988,018	5,988,295	(1,000,277)	-16.70%

Source: Internal reporting, Acquirente Unico.

Table 3. Variance in benchmark purchase costs

	2014	2013	Variance	Variance %
Quantity in MWh	62,726,300	71,233,900	(8,507,600)	- 11.94%
Unit cost (€/MWh)	79.52	84.07	(4.55)	- 5.41%

Source: Internal reporting, Acquirente Unico.

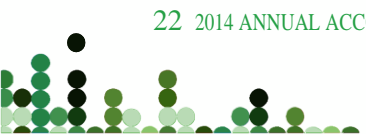
The **running costs** of Euro 26,110 thousand, resulting from the management of Electric Energy Area (Euro 11,329 thousand), The services provided by the Consumer Help Desk (Euro 8,228 thousand), the management of the Integrated Information System (Euro 4,798 thousand), the management of Retail Monitoring, Euro 213 thousand, and Conciliation Service, Euro 262 thousand, and finally from the operational implementation of OCSIT - Italian Central Stockholding Body Euro 1,28 thousand. These costs are analysed in Table 4, according to a reclassification of the financial statements that highlights them specifically for the individual areas.

Table 4. Operating costs (Euro thousand)

COSTS ATTRIBUTABLE TO THE ELECTRICITY AREA	2014	2013	Variance
LABOUR COSTS	5,336	5,420	(84)
OFFICE LOCATION AND SERVICES MANAGED BY PARENT COMPANY	1,969	2,323	(354)
ADDITIONAL SERVICES:	1,680	2,261	(581)
Administrative, legal, technical consultancy	207	585	(378)
Emoluments & reimbursement of expenses of corporate bodies	349	424	(75)
IT Services	261	174	87
Communication	217	284	(67)
General expenses	646	794	(148)
DEPRECIATION	407	454	(47)
CONTRIBUTION FROM AEEGSI OPERATION	1,670	2,120	(450)
OTHER CHARGES	267	281	(14)
TOTAL ELECTRICITY AREA	11,329	12,859	(1,530)
CONSUMER HELP DESK	2014	2013	Variance
LABOUR COSTS	5,092	5,096	(4)
OFFICE LOCATION AND SERVICES MANAGED BY PARENT COMPANY	1,787	1,977	(190)
ADDITIONAL SERVICES:	1,299	1,310	(11)
Call Centre Management in co-sourcing	340	298	42
Administrative, Legal, Technical consultancy	32	20	12
Performance of temporary and assimilated work	597	589	8
IT Services	91	92	(1)
General expenses and various purchases	239	311	(72)
DEPRECIATION	35	81	(46)
OTHER CHARGES	15	1	14
TOTAL CONSUMER HELP DESK	8,228	8,465	(237)
INTEGRATED INFORMATION SYSTEM	2014	2013	Variance
LABOUR COSTS	1,058	919	139
OFFICE LOCATION AND SERVICES MANAGED BY PARENT COMPANY	482	568	(86)
ADDITIONAL SERVICES:	2,411	2,138	273
Administrative, Legal, Technical consultancy	83	76	7
IT Services	2,151	1,830	321
General expenses	177	232	(55)
DEPRECIATION	830	333	497
OTHER CHARGES	17	12	5
TOTAL INTEGRATED INFORMATION SYSTEM	4,798	3,970	828
RETAIL MONITORING	2014	2013	Variance
LABOUR COSTS	130	111	19
OFFICE LOCATION AND SERVICES MANAGED BY PARENT COMPANY	38	35	3
OTHER SERVICES:	45	1	44
Administrative, Legal, Technical consultancy	44	-	44
General expenses	1	1	-
OTHER CHARGES	-	-	-
TOTAL RETAIL MONITORING	213	147	66
SETTLEMENT SERVICES	2014	2013	Variance
LABOUR COSTS	175	156	19
OFFICE LOCATION AND SERVICES MANAGED BY PARENT COMPANY	38	42	(4)
ADDITIONAL SERVICES:	47	60	(13)
Administrative, legal, technical performance consultancy	36	12	24
Temporary and assimilated work	-	29	(29)
IT Services	8	16	(8)
General expenses	3	3	-
DEPRECIATION	1	-	1
OTHER CHARGES	1	-	1
TOTAL SETTLEMENT SERVICE	262	258	4
OCSIT	2014	2013	Variance
LABOUR COSTS	536	17	519
OFFICE LOCATION AND SERVICES MANAGED BY PARENT COMPANY	72	53	19
ADDITIONAL SERVICES:	571	565	6
Administrative, legal, technical consultancy	91	306	(215)
Emoluments & reimbursement of expenses of corporate bodies	8	3	5
IT Services	221	51	170
Communications	9	3	6
General expenses	242	202	40
DEPRECIATION	93	1	92
OTHER CHARGES	8	-	8
TOTAL OCSIT	1,280	636	644

TOTAL OPERATING COSTS	26,110	26,335	(225)
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Source: Internal reporting, Acquirente Unico.



In 2014, operating costs decreased by Euro 225 thousand, from Euro 26,335 thousand in 2013 to Euro 26,110 thousand in 2014. The saving was recorded mainly in the Energy Area, a decrease of Euro 1,530 thousand, related to the reduction in rental costs and managed services by the parent company (- Euro 354 thousand), as a result of the renegotiation that took place with the parent company, which have benefited all areas of activity; the reduction in administrative, legal and technical consultancy (-Euro 378 thousand) and the reduction in the contribution to AEEGSI (- Euro 450 thousand), due to both the reduction in the basis of calculation of that levy (revenues from sales to electricity retailers), and to the decrease in the rate to be applied (0.28 per thousand from 0.3 per thousand in 2013). The savings also involved the Consumer Help Desk, by Euro 237 thousand, of which Euro 190 thousand for the renegotiation of the lease and related services, mentioned above, and Euro 46,000 for the reduction in depreciation. This decrease was partially offset by higher costs incurred for the management of the Integrated Information System (SII), by Euro 828 thousand, mainly due to higher costs of IT services (Euro 321 thousand) and depreciation (Euro 497 thousand), for the implementation of the activities of OCSIT, of Euro 644 thousand and, finally, for the development of the activities of the Settlement Service and Retail Monitoring (Euro 70,000 for both areas).

Finally, again as part of the operating costs, there were reported **costs in the management of stocks of petroleum products**, related to OCSIT (Euro 717,000); these costs consisted of the cost of storage service fees (Euro 665,000), by ancillary storage charges (Euro 44 thousand) and the write-downs resulting from the so-called natural product losses (Euro 8 thousand).

The reduction in the total operation costs, which occurred despite the physical increase in charges for certain areas of activity, due to the evolution of the operation (it is emphasised that for OCSIT 2014 was the year of initiation of the procurement and storage of stocks of petroleum products), is attributable to efficiency measures already initiated in previous years and continued in 2014.

As regards compliance with the provisions of the "spending review" (Art. 20 of the Italian Law of 23 June 2014, no. 89⁸), The trend in operating costs, net of accumulated amortisation and impairment losses is summarised in the following schedule:

Table 5. Operating costs analysed under the spending review (Euro thousand)

OPERATING COSTS	2014	2013	Variance	Variance (%)
Operating expenses of Electricity	4,988,018	5,988,295	(-1,000,277)	(-16.7%)
Management of petroleum product stocks	709	-	709	n.d.
Other operating costs	24,744	25,466	(-722)	(-2.8%)
TOTAL OPERATING COSTS	5,013,471	6,013,761	(-1,000,290)	(-16.6%)

Source: Internal reporting, AU.

8. "In order to pursue greater efficiency and the control of public spending, the companies with total direct or indirect State shareholding and the companies directly or indirectly controlled by the State pursuant to Article 2359, paragraph 1, no.

1) of the Italian Civil Code, whose minority shareholders are public authorities referred to in Article 1, paragraph 2, of Italian Legislative Decree 30 March 2001, no. 165, and government-owned businesses, with the exception of those whose financial instruments are listed on regulated markets, achieve, in the 2014-2015 period, a reduction in operating costs, excluding amortisation and fixed asset write-downs and make provisions for contingencies at not less than 2.5 percent in 2014 and at 4 percent in 2015. In calculating the reduction in the previous period are included the savings to be made under this Decree (paragraph 1). In order to quantify the savings mentioned in paragraph 1, reference is made to the Profit & Loss account items and their values resulting from the approved financial statements for the year 2013 (paragraph 2). [...]"

With particular regard to operating costs (net of depreciation), there was in 2014 a decrease of 2.8% from the previous year.

With regard to how operating costs are hedged, the following table shows income to cover expenses related to the **Electrical Energy Area**, bearing in mind the provisions of Resolution 116/2015/eel of AEEGSI.

Table 6. Hedging of operating costs of the Electrical Energy Area operation (Euro thousand)

METHOD FOR RECOVERING COSTS OF THE ELECTRICITY OPERATING AREA	2014
a) Operating costs for electricity purchases	11,329
b) Other income	1,268
c) TOTAL COSTS TO BE HEDGED (a-b)	10,061
METHOD OF HEDGING:	
d) Definitive amount recognised by AEEGSI	10,590
SURPLUS * (d-c)	529

*The surplus contributes to the pre-tax return on invested capital | Source: Internal reporting, AU.

With regard to the costs incurred by AU in 2014 for operating the other business areas that make up the Company, the following is noted:

- the costs of in the Authority's activities (Consumer Help Desk, Retail Market Monitoring and Conciliation Service) are covered by payments incurred that are managed by the Equalisation Fund, specifically prior to the approval of the Authority at the end of the regular statement procedures;
- the costs of the Integrated Information System are hedged, as part of the enhanced protection electricity market, through an amount due invoiced to the companies serving the enhanced protection, while the quota relating to the free market was paid directly from the Compensation Fund; with effect from October 2014, the SII debits the amount due, according to the regulations issued by AEEGSI, also applied to operators in the gas industry;
- finally, the cost of the OCSIT operation is met by the contribution billed to the petroleum operators concerned (Legislative Decree 249/2012).

Operating profit

The **Operating Gross Margin** was positive, amounting to Euro 1,941 thousand, compared with the amount of the previous year of € 497 thousand.

With depreciation and write-downs (Euro 1,374 thousand) deducted, **an Operating Profit** of Euro 567 thousand is achieved, compared to a total of EUR - 372 thousand in the previous year.

Financial management results

The results of financial management and the reasons for its performance are shown in the table below.

Table 7. Financial management results: comparison 2014 – 2013 (Euro thousand)

FINANCIAL MANAGEMENT 2014 - 2013	2014	2013	Variance
Interest income on bank current accounts	244	498	(254)
Interest and penalties for late payment from operators	394	965	(571)
Other financial income	1.069	3	1,066
Gross financial income	1.707	1,466	241
	2014	2013	Variance
Interest expense on medium-term financing	1,045	-	1,045
Interest expense on short-term borrowings	47	-	47
Other financial charges	63	(63)	-
Total financial expenses	1,155	(63)	1,092
Net financial income	552	1.403	(851)

Source: Internal reporting, AU.

In 2014, net financial income amounted to Euro 552 thousand, compared with Eur 1,403 thousand in the previous year.

It should be noted, firstly, that the financial charges on loans to OCSIT, particularly related to medium-term financing used for the supply of stocks of petroleum products, are offset by Other financial income. This item was recorded, as shown in the notes, as the share of the contribution due from petroleum operators for OCSIT charges, specifically related to the covering of financial costs incurred in the management of OCSIT.

The difference is, therefore, mainly attributable to the reduction in interest and penalties for late payment from operators in the enhanced protection service (- Eur 571 thousand), a result of the improvements made in the management of credit and, consequently, in the trend of collections.

More specifically, the contribution of credit management in achieving corporate financial effectiveness can be deduced from the dynamics of the Bad Debt Reserve. The reduction of the amount of overdue receivables as at 31.12.2014, such as improving the quality of the debts, allowed a further reduction in the Fund, with a benefit to income of Euro 639 thousand, specifically as mentioned in the Notes to the Accounts.

Much more limited was the decrease in interest income on cash and cash equivalents (current account bank balances), from Euro 498 thousand in 2013 to Euro 244 thousand in 2014, due to the reduction in market rates of return, as well as the slight decrease in the average financial deposits.

More specifically, it is noted that the benchmark one-month Euribor rate fell from 0.13% on average in 2013 to 0.02% on average in 2014.

Pre-tax profit

The pre-tax profit is Euro 534 thousand, compared to Euro 774 thousand in 2013. It follows the application of a rate of return of 5.09% on the capital of AU, as established by Resolution 116/2015/R/EEL of the AEEGSI. The calculation can be seen from the table below.

Table 8. Pre-tax profit (Euro thousand)

RETURN ON EQUITY	2014
Capital net of dividends	10,482
Rate of return on equity as a measure to AEEGSI	5.09%
Pre-tax profit	534

Source: Internal reporting, Acquirente Unico.

Profit for the year

The net profit for 2014 amounted to Euro 335 thousand, as against Euro 363 thousand for 2013. The limited variance was due to the decrease in pre-tax profit, as mentioned above, partially reduced by lower income tax liabilities.

Reclassified Balance Sheet

The reclassified Balance Sheet for the financial year 2014, compared with the year 2013 is detailed in Table 9:

Table 9. Summary of equity structure for 2014 (Euro thousand)

	31.12.2014	31.12.2013	Variance
NET ASSETS			
-Intangible Assets	3,113	1,276	1,837
-Tangible assets	75,387	308	75,079
-Financial fixed assets	270	162	108
	78,770	1,746	77,024
NET WORKING CAPITAL			
-trade debtors	915,146	1,041,265	(126,119)
-due from parent company	4,014	2,531	1,483
- receivables from Electricity Sector Equalisation Fund	5,165	5,551	(386)
-other assets	776	954	(178)
-trade creditors	(880,082)	(1,012,732)	132,650
-amounts due to parent company	(275)	(734)	459
-payable to the Electricity Industry Equalisation Fund	(111)	(57)	(54)
-other liabilities	(11,015)	(8,707)	(2,308)
Total	33,618	28,071	5,547
CAPITAL INVESTED	112,388	29,817	82,571
VARIOUS FUNDS	(2,205)	(2,551)	346
INVESTED CAPITAL NET OF FUNDS	110,183	27,266	82,917
COVERAGE			
SHAREHOLDERS' FUNDS	9,790	11,818	(2,028)
-Share Capital	7,500	7,500	-
-Legal reserve	1,083	1,065	18
-Available Reserves	872	2,890	(2,018)
-Profit for the year	335	363	(28)
NET FINANCIAL INDEBTEDNESS (AVAILABLE FUNDS)			
- Net debt to banks in the short term	22,398	15,451	6,947
- Net debt to banks in the medium and long term	78,000	-	78,000
- Cash and cash equivalents	(5)	(3)	(2)
Total	100,393	15,448	84,945
TOTAL	110,183	27,266	82,917

Capital invested

Total Assets (Euro 78,770 thousand as at 31 December 2014) presents a significant increase (Euro 77,024 thousand) over the previous year, mainly due to the start of OCSIT operations. The increase is due, in fact, to the investment in the procurement of stocks of petroleum products occurring during the year, amounting to Euro 74,247 thousand.

Net working capital of Euro 33,618 thousand, is mainly made up of loans to customers (enhanced protection service operators and, to a much lesser extent, other counterparties) amounting to Euro 915,146 thousand and amounts owed to suppliers, of Euro 880,082 thousand. Capital invested (including intangible assets) amounted to Euro 112,388 thousand, which amount is reduced to Euro 110,183 thousand, net of various provisions.

Sources

Shareholders' funds totalled Euro 9,790 thousand, including Net Profit for the financial year amounting to Euro 335 thousand.

The difference between capital employed (net of provisions) and shareholders' funds resulting primarily from net debt (including the amount of funding aimed at supplying inventory to OCSIT, equal to Euro 78 thousand), amounted to Euro 100,393 thousand at the end of 2014. It is noted that the short-term debt is due to a bank overdraft, for the non-collection of trade debtors from enhanced protection service operators, which expired in December. These debts were collected in January 2015, thus leading to the return of the debt position in question.

Principal operating data

In order to provide a summary of the operating results of AU for the financial year 2014, the main data of a financial nature are shown in Table 10.

Table 10. Summary of the principal operating data (Euro thousand)

	2014	2013	Variance (Euro thousand)	Variance %
Income from the transfer of electricity	4,965,068	5,964,661	-999,593	-16.76
Profit	335	363	-28	-7.71
Net Financial Income	552	1,403	-851	-60.66
Shareholders' Funds	9,790	11,818	-2,028	-17.16

Source: Internal reporting, AU.

ACTIVITY IN ENERGY MARKETS

Total electricity demand

In 2014, the Italian national electricity demand was 309 TWh ⁽⁹⁾, down 3% compared to 2013, even taking into account differences in temperature and working days. The monthly changes over the previous year were all negative, except for the month of September (+0.4%).

Electricity demand for the enhanced protection service

The consistency of supplies in the enhanced protection service - as a result of closures, of new connections, moves to the free market and the fall in the protected market - was reduced in 2014 to approximately 940,000 residential customers and approximately 234,000 customers for non-residential use.

The overall number of supplies present at the end of 2014 was about 24.8 million, of which 20.8 million households and 4 million homes for use other than housing. The electricity demand for the enhanced protection service in 2014 was 62.7 TWh (-11.9% compared to 2013), with a share of the total demand of 20.3% (22.1% in 2013).

Consumption and oil price trends

In 2014, the global demand for crude oil registered a slight positive change, rising to 92.4 million bbl/d, compared to 91.8 million in 2013. This is the lowest increase in the last five years, particularly due to reduced demand in the OECD countries and a slowdown in the growth in consumption from non-OECD countries. This second group has represented for the first time in 2014 just over 50% of world oil consumption, thanks to the increase in demand from Asian, Middle Eastern and African countries.

The International Energy Agency (IEA) predicted that world oil demand in 2015 would increase by about 0.9 million bbl/d, thanks to the trend of growth in consumption from non-OECD countries, with an estimated total demand of about 93.3 million bbl/d.

Crude oil prices in 2014 recorded a sharp drop in the last four months of the year the price of Brent has fallen more than 40%. This trend has also led to a sharp swing between the maximum and the minimum of the year. The price of dated Brent peaked during the year, \$111.9 /bbl in June. The minimum was recorded in December, with a price of around \$62 /bbl.

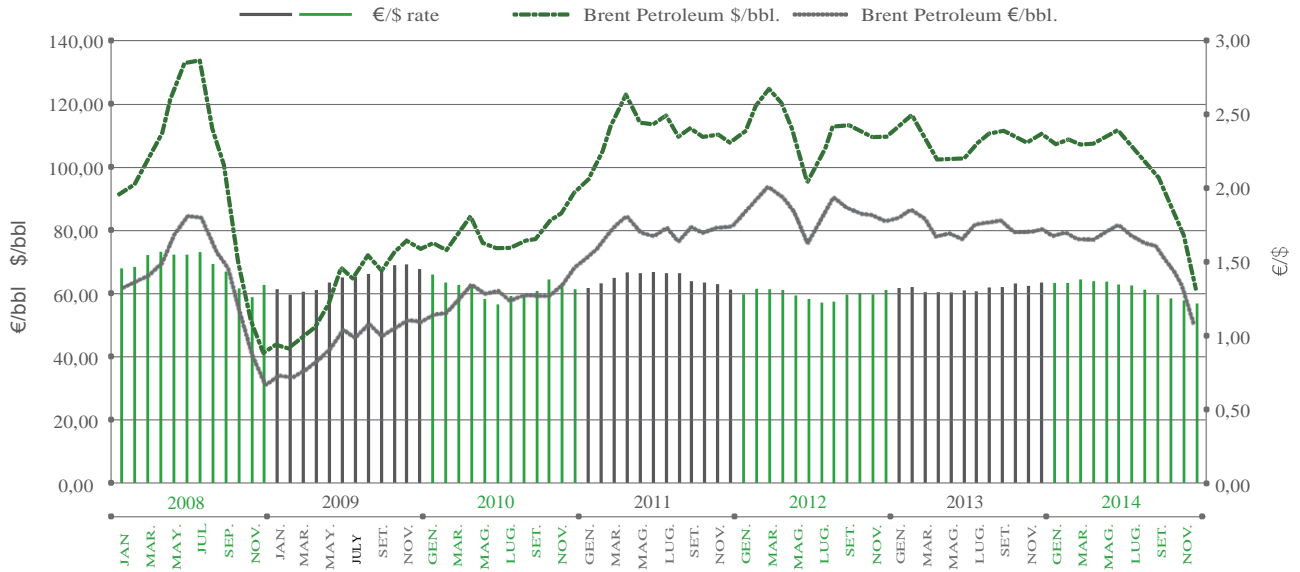
Annual average, in 2014, dated Brent was equal to \$ 99 /bbl, down to about \$10 /bbl compared to 2013 (\$109 /bbl). Brent in Euro terms decreased by 9%, from 82 to 74 €/Bbl.

Trend of the euro/dollar exchange rate

The euro/dollar exchange rate in 2014 showed a higher volatility than the previous year. During the year, it has moved from an average of about 1.36 in January to about 1.23 in December, showing a downward trend since March. The average annual rate stabilised at 1.33. The maximum was recorded in 2014, in the months of March and April, with a rate of 1.388. The minimum for 2014 was 1.23 at end-December.

9. Source Terna SpA monthly report on the electrical system at end December 2014. This report also updates the figures relative to the previous financial year

Figure 1. Price of Brent Crude Oil vs Euro/Dollar 2008-2014



Source: Brent prices (Bloomberg); EUR/USD exchange (Bank of Italy)

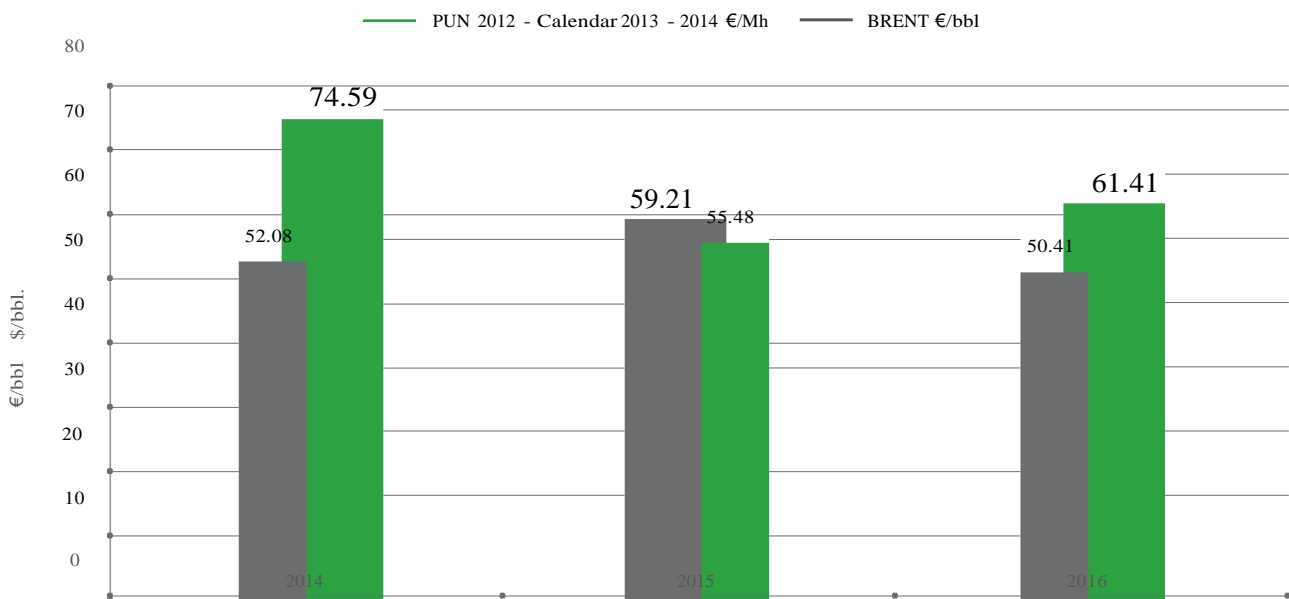
Trends in electricity prices

In 2014 the effects of the economic crisis continued to affect demand. Electricity traded in the Day-Ahead Market has suffered a significant reduction (-10.2%), after that already occurred in 2013 (-3.4%).

The liquidity in the electricity market, which in 2013 had dropped to a record low of 71.6%, settled in 2014 at a level equal to 65.9%.

2014 saw an increase in the volume of the market in term of electricity (MTE). The 2015 Annual Product baseload ended the trading period at 50.92 €/MWh. The graph in Figure 2 shows for 2014 the average value of the PUN (National average price) and the Brent Swap and, for 2015 and 2016, the average annual baseload product and its Brent Swap.

Figure 2. Trend in PUN and Brent



Source: Brent process (Bloomberg); PUN (Energy Markets Manager – GME S.p.A.)

The PUN in 2014 has decreased by 10.91 €/MWh over the previous year, thus bringing it to 52.08 €/MWh (-17.3%), representing the lowest level since 2005.

At peak hours the price marked a record low, reaching a price of 59.52 €/ MWh, a decrease of 11.45 €/MWh (-16.1%) on 2013; in off-peak, the decline was 10.57 €/MWh (-18%) with the price falling to 48.18 €/MWh. The price spike/baseload equal to 1.14, is thus confirmed in line with the low levels of the previous three years.

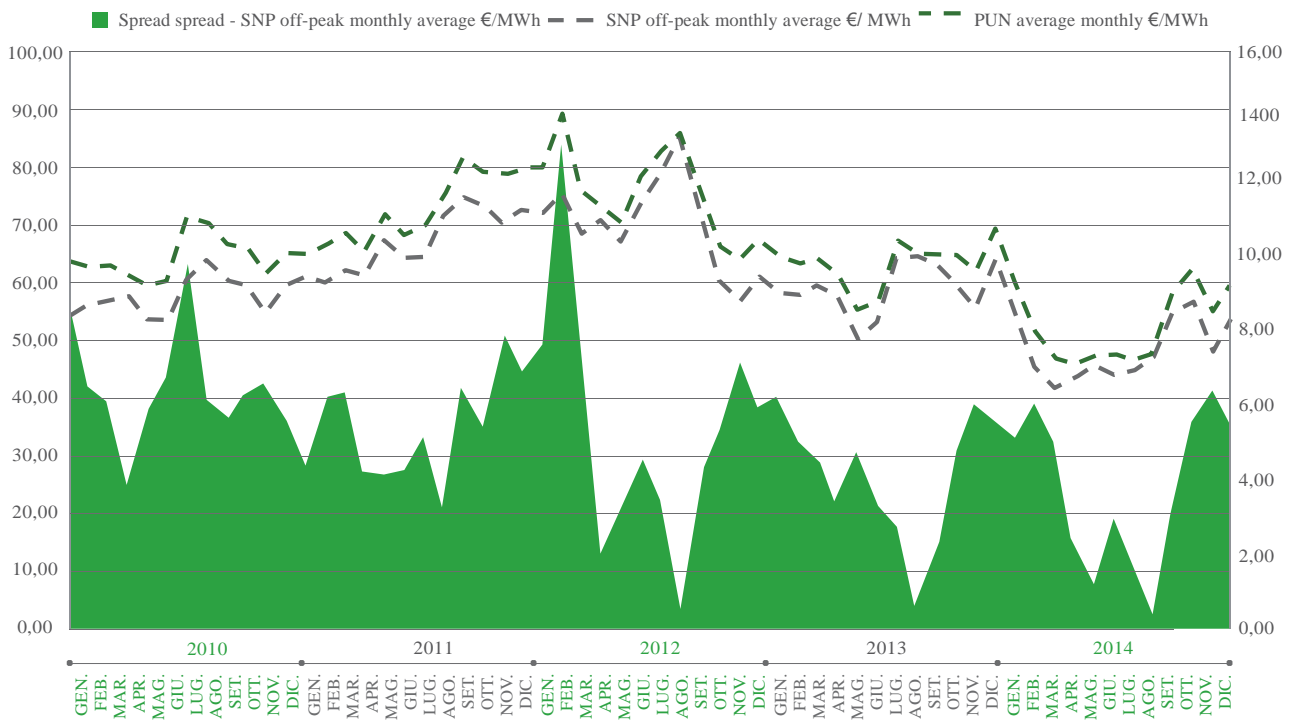
In addition, in 2014, the maximum hourly price equal to 149.43 €/MWh recorded in 2014 was the lowest level ever.

A very significant change that has affected the performance of the SNP in the last four years is highlighted in figure 3, in which are represented the average monthly SNP (all hours of the month) and the SNP in the Off-Peak hours (from 20.00 to 08.00 for the days from Monday to Friday, and all hours on Saturday and Sunday). The difference between the SNP and Off-Peak SNP amounted to 6.7 €/MWh in 2010, 5.5 €/MWh in 2011, 5.4 €/MWh in 2012, 4.05 €/MWh in 2013 and 3.89 €/MWh in 2014.

Furthermore, as regards the PUN in the F1, F2, F3 bands in the period from March 2014 to September 2014, excluding the month of April, the F2 price band was systematically higher than that in F1, confirming a phenomenon that had already occurred in the previous year. It is a trend that can be traced to weak demand for electricity compared to the availability of generation plants, especially with regard to the strong spread of production from renewable sources, in particular photovoltaics which, as is known, is the most responsible for the so-called peak shaving, namely the reduction of the PUN during rush hour.

10. SNP: Single National Price, Art. 42.2, paragraph c of the Integrated Text of the Electricity Market Rules approved by MD 19 December 2003, amended and supplemented.

Figure 3. SNP ⁽¹⁰⁾ Price change 2010-2014



Source: Gestore dei Mercati Energetici – GME S.p.A.

Electricity supply

AU supplies energy to cover the demand for the service of Enhanced Protection, through a purchase program that meets the requirements of cost-effectiveness and transparency, consistent with reference market trends.

Based on the forecasts of needs, analysing the fuels market and the trend in the prices of energy products, defines the purchase portfolio of diversifying the hedging channels.

The table below shows, by type of supply, the comparison between 2014 and 2013 of purchases for the Enhanced Protection market.

Table 11. Supply of electricity for the Enhanced Protection service in 2014 vs 2013

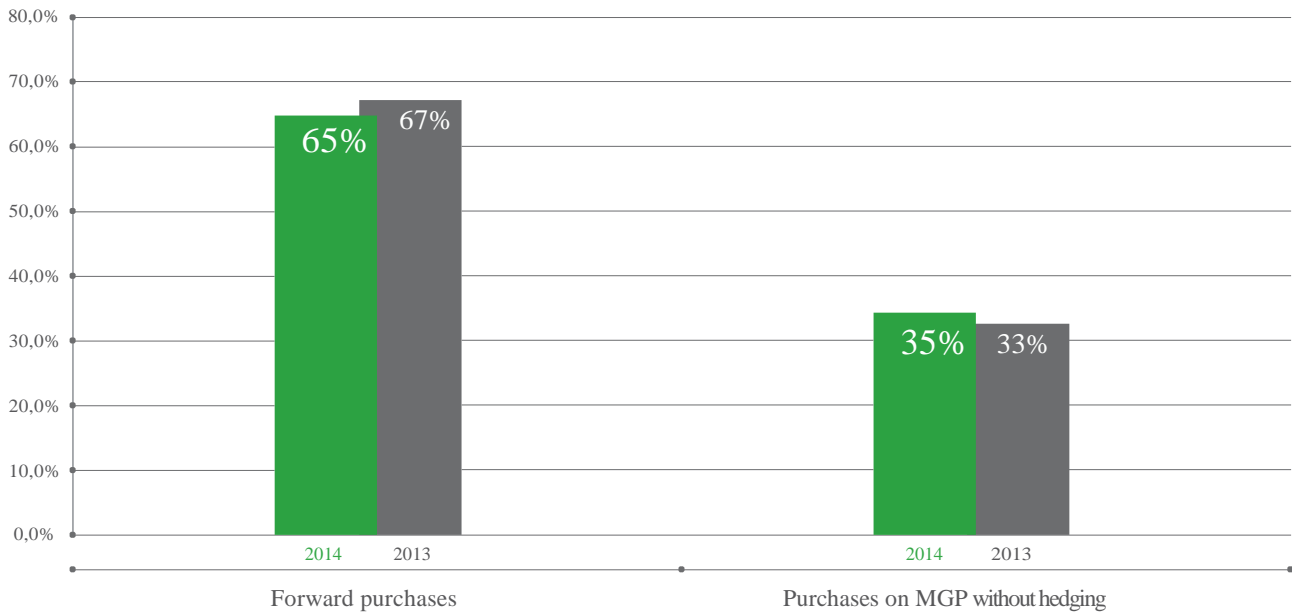
Type of supply	2014		2013		Variance (2014 vs 2013)	
	GWh	%	GWh	%	GWh	%
A) FORWARD PURCHASES						
Physical contracts:						
- national	32,981.4	52.6%	23,619.1	33.2%	9,362.3	39.6%
- MTE Futures market	4,950.8	7.9%	20,327.7	28.5%	-15,376.9	-75.6%
a.1) Total physical contracts	37,932.2	60.5%	43,946.8	61.7%	-6,014.6	-13.7%
Financial contracts:						
- virtual production capacity contracts (VPP)	2,960.9	4.7%	3,022.2	4.2%	-61.3	-2.0%
- two-way differential contracts	-	0.0%	87.6	0.1%	-87.6	-100.0%
a.2) Total financial contracts	2,960.9	4.7%	3,109.8	4.3%	-148.9	-4.8%
Total (a.1+a.2)	40,893.1	65.2%	47,056.6	66.0%	-6,163.5	-13.1%
B) PURCHASES ON MGP Electricity Exxchange						
b.1) Purchases without price risk hedging	22,425.9	35.7%	23,845.9	33.5%	-1,420.0	-6.0%
Purchases with price risk hedging						
- other differential contracts	2,960.9	4.7%	3,109.8	4.3%	-148.9	-4.8%
b.2) Total purchases with price risk hedging	2,960.9	4.7%	3,109.8	4.3%	-148.9	-4.8%
Total purchases on MGP (b.1+b.2)	25,386.8	40.4%	26,955.7	37.8%	-1,568.9	-5.8%
C) IMBALANCES	-592.7	-0.9%	-820.0	-1.1%	227.3	-27.7%
D) TERNA ADJUSTMENTS (*)	0.0	0.0%	1,151.4	1.6%	-1,151.4	-100.0%
Total energy purchases (a1+b+c+d)	62,726.3	100.0%	71,233.9	100.0%	-8,507.6	-11.9%

(*) For 2013, the data was integrated with respect to the financial statements table of the relative financial year, for information subsequently received.

Reclassifying briefly covers the requirements on the basis of the type of supply, the portfolio is divided into:

1. Forward purchases (physical national contracts; MTE Futures market; VPP differential contracts for hedging price risk on MGP purchases);
2. Purchases on the MGP without hedging.

Figure 4. Types of supply 2014 vs 2013 *



*Purchases net of imbalances. Terna adjustments were not considered.

A comparison in the types of supply portfolios reclassified in 2014 and 2013, shows an increase in purchases on MGP without hedging price risk (35% vs 33%) and an equivalent reduction in forward purchases (65% vs 67%). The average annual cost of supply (excluding costs for energy services) in 2014 was 65.65 Euro/MWh, compared with Euro 73.46/MWh in 2013.

Composition of purchase portfolio

In 2014 the decisions on diversification led to 65% hedging requirements through forward contracts and to 36% purchases on the Electricity Exchange (MGP). (gross of imbalances). The imbalance in 2014 was negative and amounted to - 0.9% of the requirements. Below is the breakdown for each type of purchase.

Energy obtained through physical contracts

The energy purchased in 2014 through physical contracts was equal to 37.932 GWh, split up as follows:

- a) National physical bilateral contracts, amounting to 32,981 GWh;
- b) Purchases on the MTE, amounting to 4,951 GWh.

National Physical Bilateral Contracts

AU has selected counterparties for bilateral contracts through national physical auctions held online via the special web portal, in order to ensure greater competition among suppliers and transparency in the selection of the successful contractor.

The energy, notwithstanding all the bilateral physical contracts stipulated for 2014, amounted to 32,981 GWh.

MTE

MTE, the futures market managed by GME, represents a further supply channel for AU. Products have been purchased through daily product trading, with the basic profile and 2014 peak totalling 4,951 GWh.

Energy supplied through the bidding system (Electricity Exchange)

AU operates daily on the Electricity Exchange, entering their bids on the Day-Ahead Market (MGP). The supply of PGMs is valued at PUN and corresponds to the portion not covered by the requirement of physical contracts.

In 2014 supplies through purchases of PGMs amounted to 25,387 GWh, of which 2,961 GWh was hedged against price through differential contracts.

Imbalances

Under AEEG Resolution no. 111/06, in 2014 the time offsets between final and binding program (purchases on the Electricity Exchange and physical contracts), to cover the energy needs of the Enhanced Protection market, totalled 593 GWh, equivalent to -0.9% of total requirements.

Differential contracts and risk management

For 2014, AU has signed contracts for the sale of virtual production capacity (VPP) amounting to 2,961 GWh, as financial instruments to hedge against price risk.

It deals with differential contracts is so-called contracts the so called "Two-way". If the difference between the market price and the strike price (multiplied by the quantity stated in the contract) is positive, the counterparty agrees to pay it to AU. If this difference is negative, the burden to pay falls on the other party AU.

In 2013 AU participated in bankruptcy proceedings initiated by Enel SpA Production, and E.on Production SpA, for the sale of virtual production capacity (as required by the resolution of AEEG ARG/elt 115/09), awarding for the 2014 - respectively - 190 MW and 135 MW of capacity with fixed-price contracts.

In addition, again out of the 2014 VPP in the auction held in 2009 by Enel SpA Production for the period 2010-2014, AU was awarded 13 MW of virtual production capacity. This contract provides a price indexed to the performance of Brent and the exchange rate. It notes in this regard that the VPP contracts in question, operating in 2014, are all due as at 31 December of that year.

For 2015 as a means to hedge against price risk AU will continue to enter into physical bilateral contracts and to supply energy on the MTE.

Costs of energy supply

Energy supply costs for 2014, including the effect of hedging contracts and other services, amounted to Euro 4,954,479 thousand, of which Euro 4,117,820 thousand was for the purchase of energy and the remaining Euro 836,659 thousand for dispatching and other service costs (Table 12).

Table 12. Energy supply costs (Euro thousand)

Energy purchase cost	31.12.14	31.12.13	Variance
Total cost of energy purchases by type including the effect of hedging	4,117,820	5,148,222	(1,030,401)
Total dispatch cost	831,445	799,941	31,504
Total cost for other services	5,214	5,994	(780)
Total costs for dispatching and other services	836,659	805,935	30,724
Total energy cost including the effect of hedging	4,954,479	5,954,157	(999,678)

Source: Internal reporting, Acquirente Unico

The sale of electricity to companies operating the enhanced protection service

Clients served in the enhanced protection service

The number of customers in enhanced protection at the end of 2014 was about 24.8 million, of which 20.8 million households and 4 million non-residential customers.

Table 13 shows the customers with enhanced protection in December 2013 and December 2014, with the relative change, while in Figures 5 and 6 on the following pages are shown the changes in consistency by customer type, from July 2007 to December 2014.

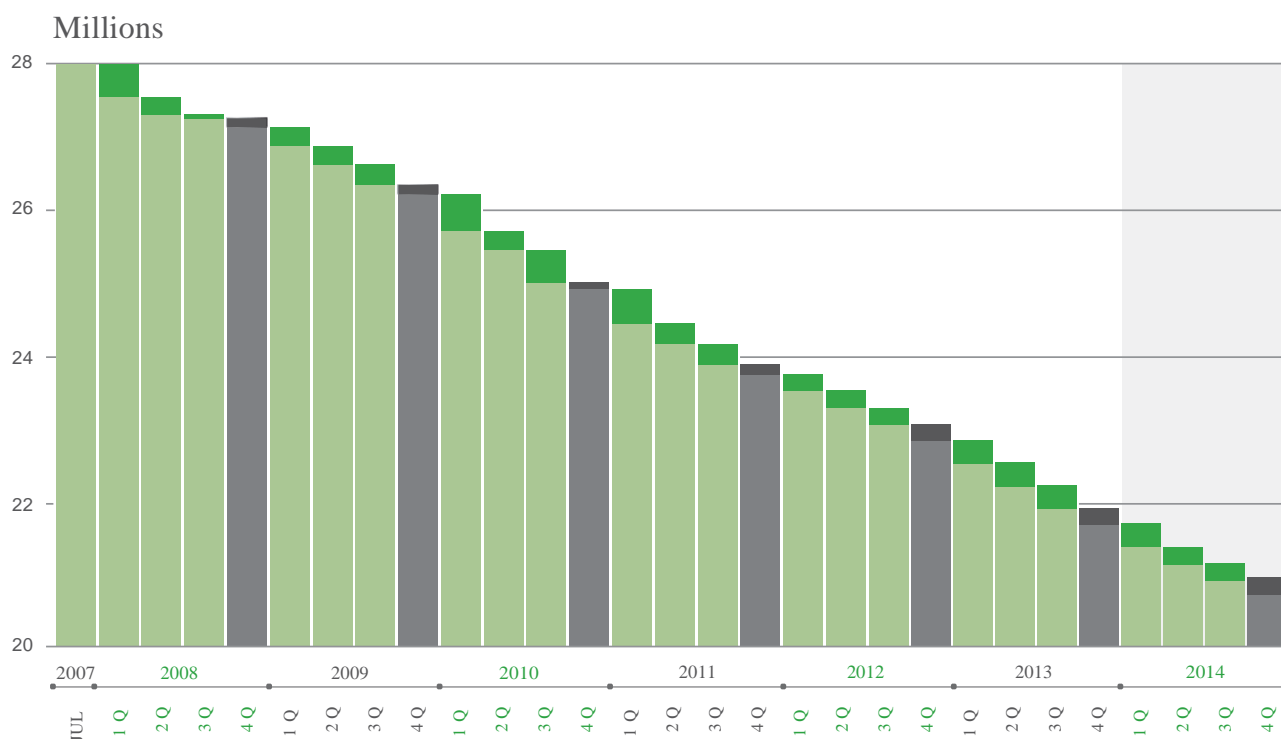
Table 13. Clients served in the enhanced protection (Millions)

	December 2013	December 2014	% Variance
Domestic	21.7	20.8	-4.1
Other uses	4.2	4	-4.8
Total	25.9	24.8	-4.2

Source: Internal reporting, AU.

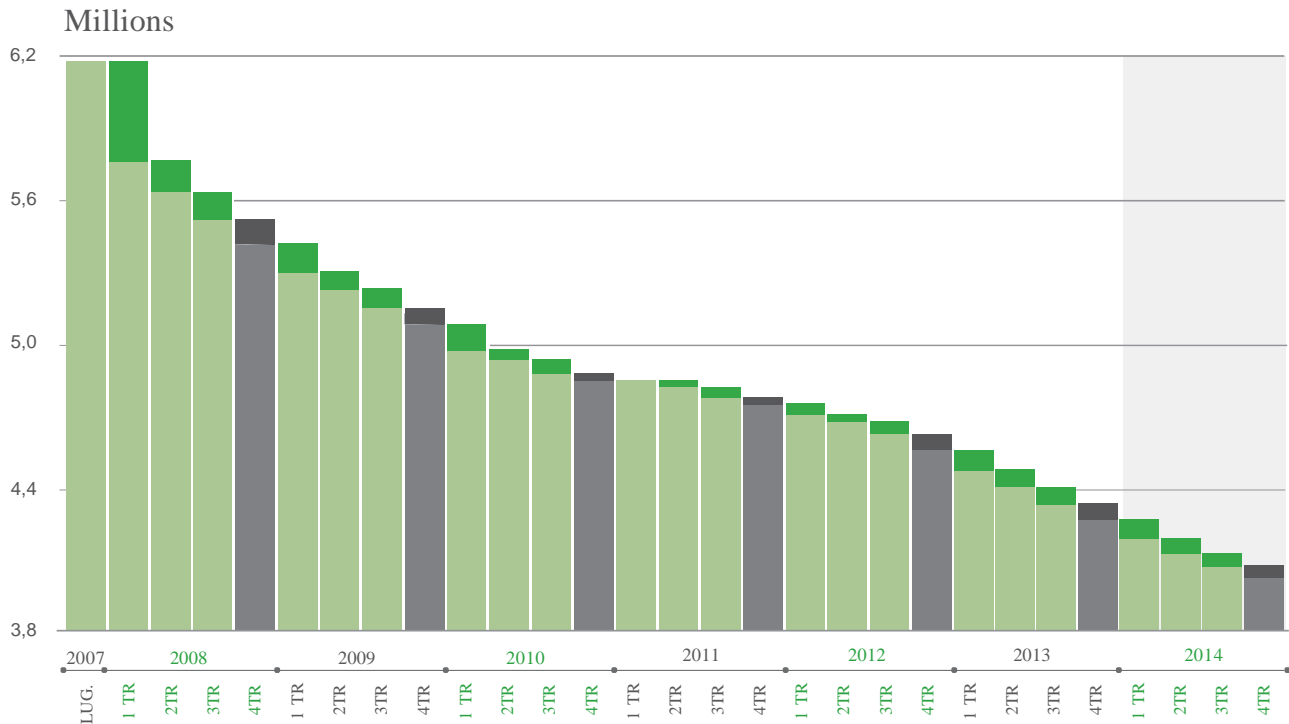
During the 2014 users of the service, as a result of closures, new connections, moves to the free market and the fall in the protected market, decreased by approximately 940,000 residential customers and approximately 234,000 customers for non-residential use.

Figure 5. Quarterly amounts of domestic customers and related changes



Source: Internal reporting, AU.

Figure 6. Quarterly amounts of BT customers for other uses and lighting and related variances



Source: Internal reporting, Acquirente Unico.

Companies operating the enhanced protection service

In 2014 the number of companies in the enhanced protection service amounts to 121 companies, remaining unchanged from the previous year.

Billing of Electricity transferred by AU

The monthly amount invoiced by AU to the users of the enhanced protection are defined according to the methodology of the "Load Profiling", as provided by AEEG resolution no. 118/03, subsequently amended by ARG/elt 107/09 (Integrated Text Settlement, TIS).

In particular, the removal of residual area attributed to the Acquirente Unico, communicated by the reference distribution companies, is divided among all of the operators in accordance with their respective energy shares directed to the clients of the protected market.

In 2014, following the settlement of balances by Terna with dispatching users, AU made balancing adjustments for all users of the enhanced protection service for the energy sold in 2013, as well as for the late adjustments for the years 2012 and earlier, back to 2008.

Disposal price

The sale price of electricity for companies serving enhanced protection is determined by the criteria set by AEEG resolution no. 156/07 and is equal to the sum of three components:

- the weighted average unit costs incurred by the Acquirente Unico in the hours included in a given time slot (F1, F2, F3), for the respective amounts of electricity;
- the unit cost incurred by AU as a dispatching user for the enhanced protection service in the hours included in the said bands;

c) the unit price recognised for AU for the business of purchase and sale of electricity for the enhanced protection market.

Table 14 shows the trend in the sale price in individual months of 2014.

Table 14. Selling prices (€/MWh)

Band	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec
F1	84.845	84.032	81.574	82.616	80.593	84.473	79.152	76.090	84.950	87.085	90.165	88.126
F2	82.042	85.508	81.363	85.499	88.039	82.154	77.897	81.448	86.628	88.720	79.935	83.906
F3	71.022	64.082	66.240	72.605	73.175	72.669	72.846	74.832	75.000	72.878	70.534	71.465
Average	79.117	76.575	76.271	79.625	79.280	79.280	76.630	77.127	82.085	82.984	80.076	80.497

Source: Internal reporting, AU.

Supplier of last resort - Gas

Based on the guidelines of the Ministry of Economic Development of 31 July 2014 and the provisions of AEEGSI, with Resolution 418/2014/R/Gas, AU has undertaken the tendering procedures for the identification of suppliers of last resort of natural gas for the thermal years 2014-2016.

Eni SpA was the winner of the tender procedure in the collection areas of Valle d'Aosta, Piedmont and Liguria; Enel Energia SpA in all the other collection areas.

Default distribution service – Gas

The default service gas distribution is aimed at guaranteeing the balance of the distribution network, in relation to the withdrawals of natural gas made directly by the end user, without a supplier, owner of the delivery point for which the conditions for the activation of the supplier of last resort are not applicable, or it is otherwise impossible to activate.

Based on the guidelines of the Italian Ministry of Economic Development of 31 July 2014 and the provisions of AEEGSI, with Resolution 418/2014/R/Gas, AU has undertaken the tendering procedures for the identification of service providers for default distribution of natural gas for the thermal years 2014-2016. Hera Comm Srl was the winner of the tendering procedure in two collection areas (Friuli Venezia Giulia, Emilia Romagna and Tuscany, Umbria, Marche); Enel Energia SpA in the remaining collection areas.

ACTIVITIES IN SUPPORT OF OPERATORS AND END USERS

Energy consumer Help Desk

2014 was the fifth year of operation of the Help Desk, which operates in accordance with the 2013-2015 Operating Plan, approved by Resolution of 26 July 2012 no. 323/2012/E/ com, and in compliance with the procedures and service levels provided by the new Help Desk rules (Resolution. 548/2012/E/com, updated on 19 June 2014 by resolution 286/2014/R/EEL).

In 2014 the Help Desk pursued the aim of consolidating its business model, according to the service level objective (SLA) agreed with the Authority, implementing actions to improve the quality and effectiveness of the support provided to end users and energy consumers-producers, for troubleshooting complaints against sellers and distributors of electricity and gas and the GSE in Italian territory.

The route taken in 2014 has permitted the achievement to a large extent of the SLA objective, despite a higher workload than estimated for the new project, confirming the Help Desk as a reference point for domestic and non-domestic consumers of electricity and gas, that can offer valuable support in quick and easy solution of disputes with operators and acquire the necessary information to know their rights, facilitating the conscious choice of their energy supplier, reducing information asymmetries in the market and making operational economies to the system, such as the reduction of litigation before the courts. Also through the preliminary investigation, The Help Desk moreover examined complaints and reports from consumers following lacking or unsatisfactory response from the operators, and supports the Authority in:

- identifying misconduct and non-compliance with local regulations by one or more operators, providing all relevant information for the analysis of the situations identified and collaborating in the organisation and closure of proceedings activated by it;
- identifying steps to integrate change or control, in order to overcome the problems that emerged in the evaluation of the reports and/or complaints.

The service, offered free of charge to end-users, energy consumers-producers, consumer associations and other delegates, concerning complaints and requests for information on the electricity and gas market in terms of *Billing, Prosumer, Contracts, Free market, Prices and rates, Connections/works, Electric and gas bonus, Gas insurance, Unsolicited contracts, Consideration of Delinquencies*, replying to requests for information on settlement procedures made available to it both by the Authority (Energy Customers Conciliatio Service), and by Consumer Associations (joint settlement). The service provided by the **Complaints Unit** is assessed according to a set of very stringent service levels (known as SLA), agreed with the Authority and capable of "measuring" case management practices and the quality of actions activated by the ATM.

In the same way the **Call Centre** has to meet SLAs provided by ARG/com no. 164/08 (TIQV) such as accessibility to the system, average operator waiting time and the level of service. This legislation, concerning companies providing the sale of electricity and gas, has been extended to the Help Desk with the aim of ensuring "best practice". This represented a significant change in the way information services to the consumer are managed.

In this context the Help Desk, through the efforts of a team of **122** employees supported by a Co-sourcer in the management of the call centre, has set up a set of organizational and technological skills and a deep understanding of the regulation of the sector and the management of relationships with all the participants in the energy market.

In 2014 the Help Desk, being strong of these skills and in close cooperation with the Authority and with the constant comparison with more than 500 operators, has managed:

- 446,500 inquiries received at the 800 166 654 toll free telephone number,
- 46,400 inquiries and reports sent by electricity and gas consumers and by consumer-producers of electricity, Associations and other delegates,
- 50,900 replies received by retailers and customers or their delegates in response to requests made by the ATM itself to get the information useful for the evaluation of the various situations.

The Help Desk has today facilitated the resolution of over 185,000 complaints received from the beginning of its activity (95% of total requests to the Complaints Unit), and in a relatively short time, equal to 50 average working days in case of the need for response from one or more operators, which are reduced to 18 days if this comparison is not needed the handling of the case. The office is required to submit monthly and quarterly reports to the Authority, detailing its achievements and identifying proposals to strengthen consumer protection.

In 2014 there was also made available on the Authority's website the performance of the main Help Desk, in accordance with the provisions of Resolution no. 286/2014/R/EEL; these results are published every six months in order to achieve maximum transparency concerning its activities.

In 2014 the Help Desk was contacted *online* by 84% of consumers and 75% of the operators, in line with the strengthening of the paperless logic that had already characterised the internal management practices over the last three years.

It should be noted that the has since 2012 run the Retailer Portals for on-line communication with operators which, starting from 2015, have become the only channel of comparison provided by the Regulation in force. The same Regulation requires the publication of the website and the Help Desk Customer Portal within the first quarter of 2015, in order to ensure maximum effectiveness, traceability and information sharing with the users of the services offered. The last quarter of 2014 was thus affected by the development of these projects, in close cooperation with the Authority and the main industry associations.

The Help Desk, while promoting the online channel, will continue to ensure multichannelling and can be contacted by e-mail, mail or fax, at the address listed in the figure below.

Figure 7. Communication channels and Help Desk tools for the Energy Consumer 2014

	Call Centre	Complaints Unit
CHANNELS	Free phone: 800 166 654*	Direct mail:
	Free Fax: 800 185 024	Energy Consumer Help Desk
	e-mail: info.sportello@acquirenteunico.it	c/o Acquirente Unico Via Guidubaldo del Monte 45- 00197 Rome
		Free Fax: 800 185. 025
		e-mail: reclami.sportello@acquirenteunico.it
	AU website: www.acquirenteunico.it	AEEG website: www.autoritaenergia.it
TOOLS	Telephone Platform	Internet Protocol
		Web Portal for interface with Operators
		Integrated Customer Response Management
	INTERNAL AND INSTITUTIONAL REPORTING (AEEG)	

Also of note, the **reporting activity** took place for the Authority, with the aim of identifying and promptly communicating the conduct of operators not complying with the principles of regulation and rules in force. In 2014 the Help Desk has provided the Authority with analysis and information on billing, both as part of the known investigations on supplies of electricity and natural gas, and in the context of prescriptive and penalty provisions aimed at overcoming violations recorded for some of the major market players.

As part of the management of ATM staff, 2014 saw the completion of training activities already initiated in 2013, which involved the entire organisation in projects aimed at acquiring the necessary skills in the management of the new services implemented during the year and the consolidation of the management skills and leadership for staff with more experience.

Call Centre – Free Phone 800 166 654

The Call Centre provides free information on the opportunities and rights of consumers in liberalised electricity and gas markets, on the procedures for obtaining social bonuses, on the conditions of and the status of claims submitted to the Authority, on the two-tier prices and on gas insurance, the prosumer and on conciliation procedures offered both by the Authority and by Consumer Associations (joint settlement). The average number of operators available to the Help Desk Call Centre amounted to 40 in 2014, divided between an AU team and a team run by the co-sourcer (ATI Gepin Spa-Gepin Contact, awarded the European tender starting from February 2013 until the end of 2015).

In 2014 the *Call Centre* handled 446,500 calls during service hours (8:00 to 18:00 weekdays), up 15% compared to 2013, as a result of the increase in requests on the free market and on gas and electricity bonus.

On average 1,800 calls/day were handled during working hours, with a peak of 3,600 calls/day in the first and fourth quarters affected by the *RAI and Radio Rai advertising campaign spots* on lighting bonuses and gas and the free phone number 800 166 654. The Call Centre Hel Desk achieved the following levels of service in 2014:

- 91.3% of service level (replies with operator/calls) vs 80% forecast by TIQV;
- 100% of accessibility to the service (telephone lines availability) vs 90% forecast by TIQV;
- 120 seconds of average operator waiting time (including messages from the automatic answering system) vs 240 according to that forecast by TIQV;
- 96% of clients satisfied with the service received (presenting “Let’s put a face to it” of the Public Service Department).

It should be noted, finally, that the Call Centre has the important function of an incubator for the new resources of the Complaints Unit, with a view to professional development and integration between the various Help Desk units.

Complaints

Complaints and **reports** from customers are entered, registered and classified by the Complaints Unit, which then creates the file, conducts an investigation and submits the appropriate information requests to the operators involved until the matter has been fully resolved. In the absence of a resolution, the complaint is sent to the Authority for appropriate action. The **Complaints Unit** operates through the following:

- 1 secretariat, which registers, creates the file and sorts incoming documents; and
- 5 complaint groups formed of specialists in the various matters and coordinated by experts. The **Secretariat** handled 181,400 documents (new complaints, reports, information requests and responses to customer/operator Help Desk requests) in 2014, with a +1% increase over the previous year, ensuring that complaints are registered and sorted into the different groups of complaints the same day they enter the Help Desk protocol.



In 2014, 46,400 new complaints were received by the five complaint groups, an increase of 6% over 2013, particularly faced with growing complaints related to contracts (35%) and billing (7%). The year also showed a significant spike in volumes in the first quarter of the year (40% of new cases versus the same period of 2013), mainly due to the social bonus, the billing process (consumption and adjustments), as well as Arrears Payments, applied via the indemnity system.

The year just ended also recorded 50,900 "returns" (replies by customers and operators to requests from the Help Desk), an increase of 7% compared to 2013.

The Complaints Unit therefore analysed and managed a total **workload** of 97,300 documents (new complaints and returns) to assist customers who requested support in 2014, an increase of 7% over 2013.

Quality System

The Help Desk Quality System monitors the qualitative and quantitative service levels of Help Desk operations, establishes and updates operating procedures and tools, manages the training time required to upgrade the skills of Help Desk staff and officials of the main Consumer Associations. It also implements special projects aimed at improving relations with external parties (authorities, consumer associations, operators, etc.) and the application of the Help Desk Regulations.

In 2014 activities of particular importance were:

- updating the Help Desk portal companies, which was followed by meetings with GSE and operator associations regarding the terms of accreditation, which became mandatory at the beginning of 2015 (Portal Regulations and User Manual approved by Resolution AEEGSI 9/14 DCCA)
- creation of a system to measure client satisfaction with the service provided by the Complaints Unit, similar to the system already in use for the Call Centre,
- Response to consultations by the Authority in the field of consumer protection (e.g., DCO 69/14-Bill 2.0, DCO 477/14-Delinquencies, DCO 52/14-heat pumps)
- Training sessions to upgrade the skills of Help Desk personnel and officials of the main associations of end users on implementation of the principal changes in the Help Desk regulation.

Energy Customer Conciliation Service

The Conciliation Service is intended to provide an extra-judicial tool for all disputes against electricity and gas retailers and distributors (except those disputes that are related solely to fiscal profiles and taxes and those involving vulnerable customers regarding the use of public service utilities), which have not been settled directly with the operator.

Participation in the Authority's Conciliation Service is voluntary. Only operators who are expressly indicated in the Authority's list are required to use the service. All other operators decide on a case-by-case basis whether they will participate, or not. Resolution 2014 605/2014/AND/com of Dec. 11 expanded the subjective scope of the service and the range of companies required to participate.

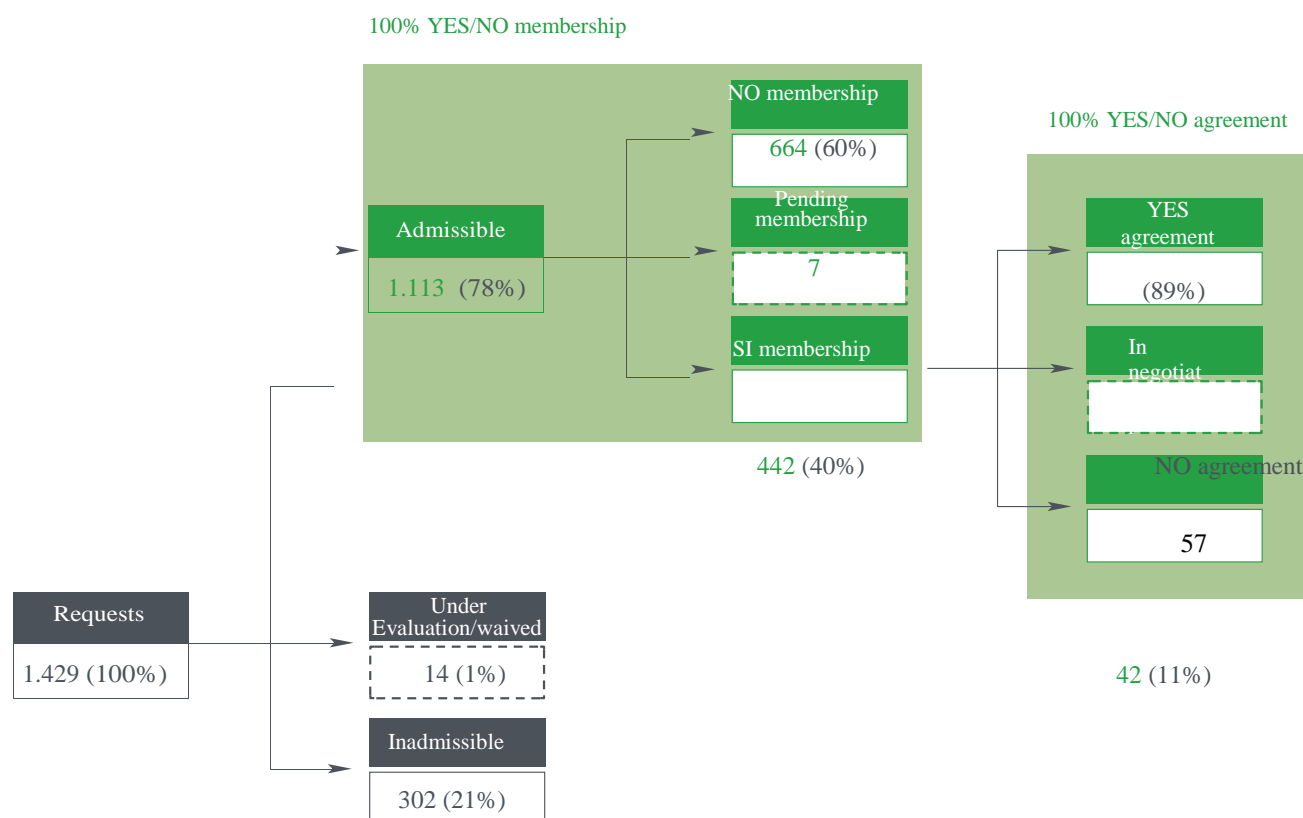
The conciliation proceedings take place electronically at no cost to the end user, in the presence of an appropriately trained mediator, in accordance with the European legislation on energy and alternative dispute resolution (ADR). The trial phase of the Conciliation Service has been extended until December 31, 2015, in order to develop measures to strengthen and expand the service, when it comes into force (see Order 4/DCOU/2014).

The service operates through a manager and two members of a Secretariat place in AU's workforce as well as 31 conciliators, selected through agreements with the Chambers of Commerce of Rome and Milan.

The Secretariat, under the supervision of the manager, deals with the organisational aspects of the service and periodically reports to the Authority and the Electricity Industry Equalisation Fund, as well as to ad hoc requests from the Associations or operators. The service received 1,429 requests for mediation in 2014, an average increase of 63% over the previous year.

Below is a summary of the volume and outcome of requests received by the Conciliation Service in 2014:

Figure 8. 2014 Service Volumes and Outcomes



Source: Internal, AU.

The figure shows the lack of a significant percentage of acceptances (60%) and a high percentage of success (89%) in accepting cases, given the voluntary basis of membership of the service.

In 2014 the Settlement Service, in its second trial year, registered 343 agreements reached on cases and a total of 502 agreements (in 2013 and 2014 cases), with an average resolution time of 63 calendar days and a record time of two weeks per agreement. Since the start of the trial phase (April 2013) to the end of 2014, more than 70 staff have been accredited to the Settlement System computer system from 33 operators, who routinely interact online in the management of conciliation cases.

The service also participated in training initiatives of the Consumer Associations (Federconsumatori, Codici, etc.) and in the presentation in Dublin, together with the Authority, of the activities carried out in front of the National Energy Ombudsmen Network, an organisation for cooperation between energy mediators active at the European level.

Integrated Information System

Context

The deregulation of the energy sector has led to the emergence of new operators and the separation of distribution from sales, thus requiring the systematic exchange of information between them. The 2014 retail electricity market had 450 active operators (including distribution companies, dispatching users, Enhanced Protection, Operators and Terna), which, on a daily basis, exchange information required to manage the market and to supply approximately 25 million enhanced-protection end users and 12 million free-market users. There are more than 40 million transactions per year in the electricity industry alone, and in view of this an effective dynamic is essential in the exchange of information flows in order to avoid errors, discrepancies and inconsistencies that could cause higher operating costs and produce a dysfunctional internal process for operators, with the inevitable repercussion on end users.

The retail natural gas market, in 2014, comprised 232 active distribution companies and 11 gas carrier companies, who sold the gas to 450 users of the gas distributed.

IIS activities in 2014 were led by extension of the system to the first gas industry processes in implementation of Resolution AEEGSI 296/2014/R/gas, published on June 19, 2014, while the electricity industry continued to develop new processes and consolidated management procedures developed in previous years.

Electricity Industry

The electricity sector, meanwhile, continued to manage the processes initiated in previous years:

- Management of the Official Central Registry (RCU), populated by approximately 43 million collection points, updated monthly as a result of a monthly average of:
 - 122 tests at approximately 24.5 million points with enhanced protection and approximately 6.5 million collection points not supplied; and
 - 267 cases, concerning the personal data of approximately 12.2 million collection points served in the free market and emergency cases;
- Management of flows of relevant information to balance the grid and forecast consumption (settlement), in compliance with the timetable and procedures set out in Resolution 57/2013/R/com. IIS has established a central role in the exchange of data in question. Since July 2013, these information flows have been transmitted in an exclusive, centralised flow to Terna and dispatching users through the IIS, based on RCU data and data specially sent by the distribution companies. The monthly management activities apply to information flows at approximately 12.2 million collection points served in the free and protected market, used to update the RCU.
- Management of adjustments made to correct attributions of collection point information for dispatching users from distributors, as regulated by Resolution 308/2013/R/com.
- Management of the Indemnity System. During the year, 287,025 cases were handled, including claims made by users (an increase of approximately 11% over the previous year). An agreement was reached with the Authority in the first part of the year regarding a methodology to check on a random-sample basis the accuracy of the data provided in the claims and systematic verification of compliance with timeliness by individual

operators involved in the process (releasing operator, receiving operator, distributor, Cash). These tests were applied on an experimental basis in the second half of 2014.

The following processes were extended during the year:

- Semiannual adjustments to manage data regarding collections from the area foreseen by TIS, to complete the processes related to the exchange of information relevant for settlement; applications that were tested and released in April 2014 were used to manage changes in May and November;
- Daily acquisition of requests for contract activation, deactivation and for cancellation due to arrears at the collection points and simultaneous updating of the RCU. The applications were tested in September, and beginning in October the Manager will oversee management of the new process, in the timescale and manner provided in resolution 82/2014/R/eel. There were approximately 735,000 status changes in the last quarter of 2014, through the end of December with an average of about 15,000 changes per day.
- Access given to the so-called pre-check within the IIS; this feature allows sellers to verify the combination of POD and the identification of the end user holder of this point in the RCU. The new feature was tested in September. Beginning in October, the Manager will oversee management of the new capabilities, doing so in the timescales and manner provided for in resolution 82/2014/R/eel. Over 15,000 company certificates were issued in the last quarter.

Gas

As for the **gas industry**, 2014 activities focused on accrediting distribution and carrier companies in order to start inputting and updating the Official Central Registry for the natural gas industry (RCU -GAS), in the timescales and manner provided for in the resolution. For this purpose:

- Technical specifications and procedures have been defined and published to accredit gas operators and distribution companies to report their personal data, in order to expand and update the RCU-GAS;
- The necessary applications to accredit new operators have been developed and tested, as well as to acquire and validate personal data from gas collection points and to implement the RCU-GAS;
- A total of 224 distribution companies have been accredited, as well as 10 carrier companies and 190 distribution users;
- The first RCU-GAS was populated with approximately 21 million active delivery points and 3 million inactive points.

Other activities

In the context of AU, in 2014 the IIS Organisational Unit also secured the necessary technical support for the Authority to define the development of processes to be managed by IIS and to use the existing technological infrastructure and software applications.

More specifically technical support was assured to allow the Authority to issue the following acts:

- Resolution 82/2014/R/eel of February 27, 2014, regarding the so-called pre-check; i.e., verification within the IIS of the link between the POD and the identification data of the holder of the end-user point and timely updating of the RCU with the outcome of requests for activation, deactivation and termination of the contract for non-payment;



- Resolution 296/2014/R/gas of 19 June 2014, which implements the initial phase of accreditation, the first inputting and updating of the RCU by extending it to include the natural gas industry within the IIS with the establishment of the RCU-GAS;
- Resolution 398/2014/R/eel of July 31, 2014, regarding measures to acquire ownership of a collection point activated by an end user (transfer), through IIS.
- Resolution 640/2014/R/eel of December 18, 2014 concerning the trial management of management data taken at the collection points. Treated on an hourly basis

As prescribed in the IIS operation, the technical specifications have been designed to implement Resolution 82/2014/R/eel published on April 29, those to implement Resolution 296/2014/R/gas published on July 16 (the accreditation process for gas operators) and September 5 (inputting and updating the RCU-GAS).

Activities also continued with regard to the operational management of technological infrastructure and the software applications designed to provide the services, ensuring the operation of all accredited operators. This rose in 2014 from 560 to 1,900 users who are active on the IIS web portal (an related to both the electricity and gas industries).

Technology evolution and security

In 2014 the information-management security system was updated in order to ensure maximum security in managing and exchanging the data handled by the IIS and to protect the confidentiality, integrity and non-manipulation of the information contained in the RCU, in accordance with the new 2013 version of ISO Standard 27001, which in November 2014 required the verification of the certifying entity in order to maintain ISO 27001-2013 certification.

Preparation of the IIS disaster recovery site (DR) was completed in 2014 in a data centre with appropriate technical and safety characteristics located on the outskirts of Rome, duplicating production infrastructure of the IIS service centre (primary site) at the new site (Disaster Recovery – DR - site) and connecting the two systems by means of high-capacity cable. The infrastructure provides the necessary service continuity to the IIS in the event of any natural disaster or any extraordinary maintenance activities on the premises, fittings and/or systems of the primary site.

Electricity and natural gas retail market monitoring system

“Retail Monitoring” activities continued in 2014 within the context of the Integrated Information System (IIS), which operates under a pooling contract on behalf of the Authority.

This area supports the Authority in the operational phase of collecting basic data. Moreover, it acts as a technical interface with operators required to participate in the retail monitoring system.

Costs related to the activity are managed independently from the Integrated Information System with an appropriate cost centre.

Twelve data collections were managed in 2014, in order to observe the non-payment phenomena, economic renegotiation and swaps in both the free and protected markets.

Data validation controls increased in 2014 for data collection assigned to AU. Support activities are expected to expand to identify specific phenomena through the performance of the subsequent processing and any necessary investigations with the subjects involved. Additionally, support was provided to the Authority in preparation of the 2012 and 2013 retail market annual report.

Activities of the Members and Consumers Working Group

The subject of consumer protection has taken on strong ethical, as well as legal and economic aspects. These fall completely within the jurisdiction of the government, which confers tasks related to market regulation. In order to offer a meeting place for policies and strategies related to electricity-market consumer rights and interests in 2006, AU formed a "Members and Consumers Working Group" (GLUC) of leading consumer organizations, representatives of small and medium-sized enterprises, and, as an observer, the Electricity and Gas Authority. The task of the GLUC is to develop proposals and to research topics of interest to small electricity consumers, to analyse prospects following the deregulation of the electricity market and to define actions for their protection. The activities of 2014 in that regard focused on empowering the consumer, through the implementation of specialization and training courses for members, managers and personnel of consumer organizations engaged in consumer protection.

The training sessions were carried out with logistical and training support of AU in collaboration with some associations, who gathered into various groups for the occasion.

The first course of 2014 was held in April in order to form Energy Association conciliators. The training project was developed with an educational curriculum comprising six modules of two hours each. These were held over two days, with a distance learning facility to avoid delays and absences of participants. Beginning with the deregulation of the electricity and gas markets, the course examined the composition of the protected market and the free market, focusing on reference prices for electricity and gas in the protected market, the role of the Energy Authority as well as AU, electric, gas and water bonuses and the tariffs. They analysed electricity and gas offered on the free market (e.g., fixed price, all-inclusive cut-price, price discounts indexed by AEEGSI, benefits, etc.). Simulations were carried out using the Offer Finder procedure. The Authority's Energy Consumer Conciliation Service and AU's Consumer Help Desk were reviewed. Finally, thanks to the synergy between companies operating in the free market, memoranda of understanding (where applicable) were presented, and the procedures and processes for submitting complaints and making applications for fair settlement.

Subsequently, AU contacted all Associations and proposed logistical and training support, doing so in response to the proposals of the organizations for matters pertaining to Consumer empowerment and in which AU, through its internal resources, could act as a leader and teacher.

The second course of 2014 was organised in October, being intended for the same purpose (training the Associations' Energy Conciliators), and the same course was scheduled for April.

A follow-up course was organised again for October in order to train the staff of the Associations



operating at the qualified contact points. The training project was developed with an educational curriculum of six modules of two hours each, held over two days in a distance-learning (residential) mode. It begins with a general update on the characteristic features of the protected and free markets (prices, bonuses, offers, etc.), the means by which to move on to the analysis and interpretation of energy bills and suggestions on how to assess the accuracy of the bills, and how to dispute abnormal bills (with practical exercises on reading and assessing a utility bill). It covers the most frequent types of complaints, including those related to switching and contracts not requested. After reviewing the operation of the Consumer Help Desk and Conciliation Service, it examined fair conciliation under Directive 2013/11/EU 21/05/2013 (Directive ADR for consumers) and Regulation 524/2013 on the ODR.

The fourth course was organised in December as a refresher course for Consumer Association managers on issues pertaining to Consumer Protection in the Free and Protected Markets.

AU has repeated to the Associations its willingness to continue with this successful cooperation in the courses scheduled for 2015.

Central Italian Storage Body - OCSIT

In accordance with EU Directive 2009/119/EC, which establishes the obligation for member states to hold a minimum quantity of stocks of crude oil and/or petroleum products, the Italian government issued Legislative Decree 249 of December 31, 2012, published in the Official Gazette No. 22 of January 26, 2013 and in force since February 10, 2013. This measure, among other things, gave AU the functions and responsibility to act as the Central Italian Storage Unit (OCSIT). More specifically, OCSIT shall acquire, hold, sell and transport "specific" stocks as well as provide a service for storage and transport of emergency and commercial oil stocks. According to the decree, the costs and expenses incurred by AU in exercising the functions of OCSIT are covered by contributions determined by the Ministry of Economic Development (MED) in cooperation with the Ministry of Economy and Finance. Such costs are paid by the responsible parties who are identified annually by the Ministry of Economic Development, based on the energy products delivered for consumption in the previous year as listed in Annex C, Section 3.1, paragraph 1 of Regulation (EC) No. 1099/2008.

Similarly, it provides that the guidelines issued by the MED on 31 January 2014, in paragraph 8 of Article 1 provide, among other things, that *"If, pursuant to the recommendations of the MED, OCSIT should proceed to sell inventory previously purchased and thereby generate a difference in value compared to that recorded for that purchase, then this amount, [...] if negative, will fully cover the contribution of Article 7, paragraphs 4 and 5 of Legislative Decree No. 249/12 [...]."*

AU, acting as OCSIT, is subject to the supervision of the Ministry of Economic Development, which shall determine the guidelines for exercising its functions. AU, in compliance with the industry plan of December 31, 2014 and acting as OCSIT, held a specific stock equal to one day's supply.

The first half of 2014, marking the start of OCSIT activities, was characterised by the predominance of regulatory aspects, preparatory to starting operations, while the second half was characterised by operations that allowed compliance with meeting the date scheduled for the start of activities, on July 1, 2014, the first day of the 2014-to-2015 storage year.

Given the regulatory context, the very significant event was, in February, the enactment by the MED of the above regulation, which confirmed the contents of the industry plan regarding the commitment to ensure the existence of five days of specific stocks by the year 2016/2017.

A competitive public tender was organized in order to find the financial resources necessary to start up OCSIT, in accordance with the Public Contracts Code. A decision was also made to begin the pre-qualification of operators. Qualified operators have signed the framework agreement for short storage and/or product capacity and have been included in a special "shortlist." Consequently, two "shortlists" have been prepared: one for suppliers of storage capacity and the other for suppliers of products. This solution allowed for the invitation to prequalified operators to participate in a subsequent public tender for the procurement of storage capacity and the purchase of products, ending with the signing of individual contracts.

Nineteen entities were prequalified in 2014 (ten for products and nine for storage), for the most part attributable to 11 groups, most of which operate in the Italian industry. The activities described were shared with the operators and approved by the AU Board of Directors in February 2014, together with the 2014 budget for OCSIT. A tender for additional insurance coverage (a comprehensive all-risks policy) was later initiated to cover petroleum products purchased from OCSIT. The Board of Directors, in May 2014, awarded the tender to acquire a loan from a major international bank, and in June the projected loan agreement was signed in the amount of 300 million euros.

Also in May 2014, following the issuance of the inter-ministerial decree setting forth the obligations for 2014/2015 and the tenders awarded for a supply of storage capacity and petroleum products, OCSIT covered 100% of its obligation for the year 2014.

Regarding the tender for the all-risks insurance for goods owned by OCSIT, contract negotiations were held without publication of a contract negotiated after announcing a tender which was then declared null and void. Consequently, the insurance policy was purchased in June from a leading international insurance company.

As of July 1, 2014 OCSIT was owner of the following products, as a result of the appropriate tender. The entire stock is located at sites of third-party providers, as per the following list:

- 72,370 tonnes of oil, of which 40,000 in the store of Arcola (SP), 30,000 in Naples and 2,370 in Cremona;
- 22,044 tonnes of gasoline, 10,000 of which are in the Cremona depot, 6,000 in Arcola (SP) and 6,044 in Volpiano (TO);
- 9,662 tonnes of jet fuel, in the Gaeta depot (LT);
- 3,171 tonnes of BTZ fuel oil (), in the depot at Cassina de Pecchi (MI).

The outlay for the payment of the oil products, which amounted to 74.2 million euros, was covered by funds provided by the lender.

In early September OCSIT attended the annual meeting of ACOMES, the world association of central storage bodies, during which it informed the other organisations of the start-up of activities and explained the plan of purchases for the coming years.

Additionally, in September there was a second advisory committee meeting in which petroleum operators were updated on the results of tenders held and forthcoming activities planned.

In the month of October the action plan to be implemented in the event of a major supply disruption was completed and sent to the MED ("Handbook for Oil-



Related Emergencies").

The publication of the Interministerial Decree of November 13, 2014 on the determination of the contribution to OCSIT made it possible to proceed with the monthly billing to operators of the advance of the 2014 contribution. The process of collecting the contribution took place on a regular basis within the period covered by the decree, allowing OCSIT to collect regular monthly instalments for the period July-November before the deadline of December 31, 2014.

Under Article 2, paragraph 1 of the above act, by the deadline of November 30, OCSIT submitted forecasts of costs and related charges for the year 2015 (2015 Budget) to the General Directorate for security of supply and energy infrastructure of the Italian Ministry of Economic Development.

From the industrial perspective, in December preliminary activities were undertaken for the operations that will be implemented in the storage year 2015/2016, which will start on April 1, 2015.

Among these are:

- Multi-year insurance coverage for all goods to be purchased;
- The procurement of storage capacity;
- The purchase of two additional days of specific stocks;
- System implementation and IT management of the new OCSIT website;
- Services related to the maintenance of emergency and specific stocks.

Regarding this last activity, it should be noted that the establishing law imposes on OCSIT the obligation, as from January 1, 2015, to notify the conditions under which it is willing to provide services to the parties responsible for the maintenance of emergency and specific stocks (so-called delegated or "ticketing" activities).

Summary of investments in emergency product stocks in 2014

The table below shows the valuation of stocks in the balance sheet at 31.12.2014, separately by type of product supplied and held, with the indication of the relative quantities according to the tax records.

Table 15. OCSIT Stocks AT 31-12-2014

PRODUCTS	QUANTITY (tonnes)	VALUE (EUR thousand)
PREMIUM UNLEADED GASOLINE	22,044	16,530
DIESEL	72,370	49,461
JET FUEL	9,662	6,903
BTZ OIL	3,165	1,353
TOTAL	107241	74247

The quantities available at December 31, 2014, as per the above table, show a decrease, albeit insignificant (by about six tonnes, equal to 0.006%) from the quantity supplied from July 1, 2014. This difference, due to natural losses, was duly replenished at the beginning of 2015.

OTHER CORPORATE MANAGEMENT ACTIVITIES

Human resources

The significant news in 2014 concerned the start of operations of the Central Italian Storage Body (OCSIT), particularly the start of the procurement activities, which began on July 1.

The other significant news concerned the Integrated Information System, for which we should mention the expansion of activities in the gas industry and the assurance of the management of the daily flow of activation and deactivation of electrical devices. In order to implement the new activities foreseen in the operating plan for 2014, a project was launched for organisational improvement and alignment which involved:

- Focus on operating areas;
- Increasing the efficiency of staff functions;
- Review of operating mechanisms;
- Redistribution of professional skills; and
- Improving internal/external cross connections.

The organisation structure resulting at the end of the project was more consistent with the functioning of AU and also useful to facilitate the management procedures related to the new accounting logic (unbundling).

As described, in the related economic effects, in the "Financial Trends" section of this report, as a result of the Law of 23 June 2014, no 89, it was necessary to step up action to ensure savings and efficiency, through measures to contain costs.

AU has adopted a series of measures primarily intended above all to reduce the variable portion of labour costs, the cost of professional and consultancy services, as well as general services (especially with regard to headquarters logistics).

In the context of the Notes to the Accounts, there is analytically shown the trend in average unit labour cost and the average workforce, in 2014 and the previous year, respectively.

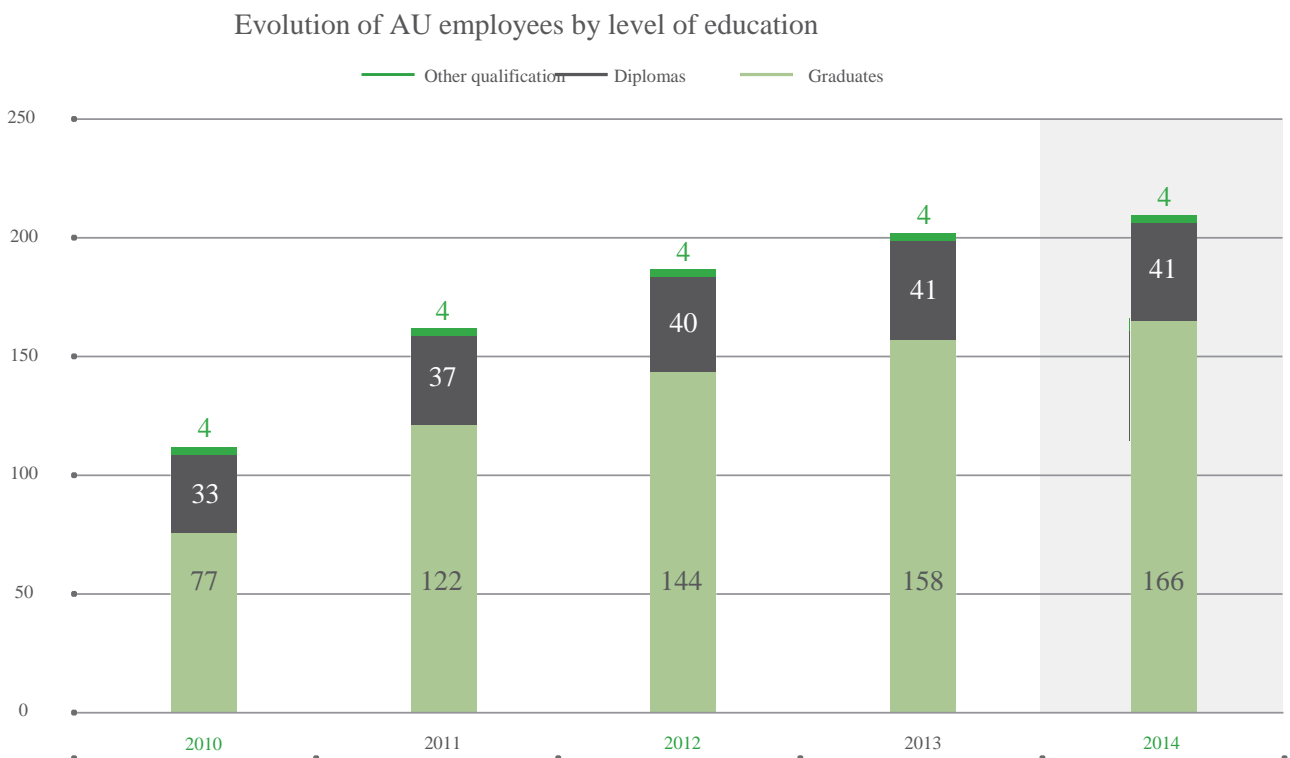
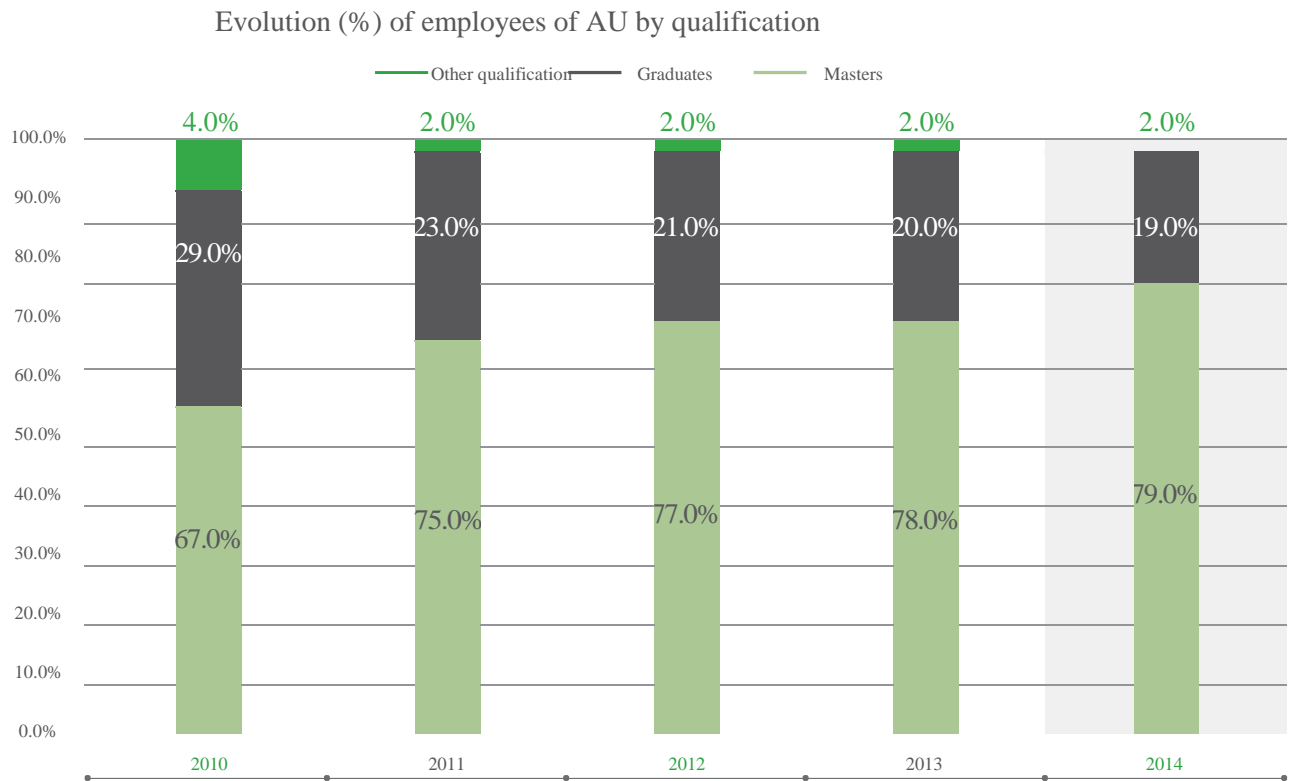
Workforce development

2014 saw an increase of eight in the number of employees (full-time employees and contractors), up from 203 on December 31, 2013 to 211 on December 31, 2014.

The increase mainly concerned the Consumer Help Desk, the Integrated Information System and OCSIT, where the emphasis was on recruitment of staff with higher education qualifications. Overall, the composition of AU's workforce at December 31, 2014, as compared to 2013, shows a 1% increase in graduates, who now account for 79% of the workforce (i.e., holders of bachelor's and master's university degrees).



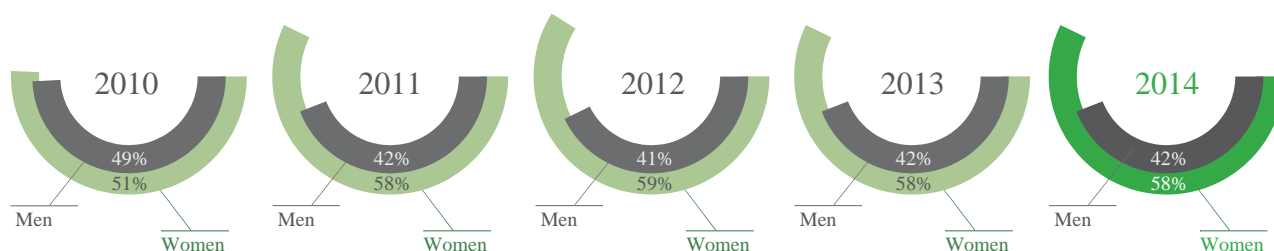
Figure 9. Employee analysis by level of education



Source: Internal AU, December 31, 2014

Additionally, in 2014 the Company has maintained a stable positive relationship of the presence of the female component, as follows:

Figure 10. Employee analysis by gender



Source: Internal AU, December 31, 2014.

Training in support of skills development

In 2014, the training in question involved:

- Programs to develop skills for the Energy Consumer Help Desk;
- English language courses;
- Compulsory training courses related to Italian Legislative Decree 231/01.

Specifically, the training initiative of the ATM for the consumer was required to effectively support the organisational development in 2014. The training initiative was placed at the centre of an evolutionary management phase in order to place the focus on the development of management skills, in addition to systematic progress with respect to service and efficiency.

The training program, organised as a classroom phase and a working project, involved 25 people for a total of 120 hours of classroom training delivered. The training modules covered the following topics: integration, negotiation, approach to problem solving and operational leadership.

Business Information Systems

Energy Area

In 2014 there was certain evolutionary maintenance works on the computing platforms "Retail Energy" and "Belvis," operating in support of the activities of management of purchase contracts and electricity consumption forecasting.

The Retail Energy platform, in particular, saw the implementation of new features designed to improve the management of purchase transactions on the "Energy Term Accounts" (PCE) and the "Electricity Forward Market" (MTE) platforms.

A major project was also launched in November for the development of a new application, in order to calculate the "transfer price" automatically and fully integrated with the Retail Energy platform. The development will allow for both the calculation of the actual price charged by AU to operators of Enhanced protection (the so-called Transfer price) and for the simulation of the price according to appropriate analysis scenarios. The project is scheduled for completion in the first half of 2015.

The Belvis system was the object of numerous development interventions during the year in order to support forecasting electricity demand to determine the daily procurement schedule. In particular, it used the new EHP software module, which had already been implemented during the previous year for consumption forecasts

as well as for predicting the Single National Price (PUN). It added a new monitoring station for weather data, and new algorithms were implemented with a view to long-term forecasts and forecasting models were updated, mainly through the systematic use of meteorological data on an hourly basis.

The last months of 2014 saw the start of a project for the updating of CoSign equipment for the management of digital signature certificates, in order to make them compliant with the new legislation. The digital signature is already being used since 2013 in a systematic way, within the system for the management of purchase orders, and to automate the flow of electronic documents by ensuring the authenticity and integrity of signed documents. During the year, the automatic system was also expanded, using internal resources, for sending and receiving Certified Mail (PEC), thereby extending its use, in addition to the areas already established for the dispatch of invoices and communications relating to tenders, to the detailed management of PEC mailbox addresses of authorised users of the service.

Energy Consumer Help Desk

In 2014 various interventions were made on the CRM system, which is used by the Help Desk for complaint management, through developments generally carried out using internal resources.

The changes essentially concern the adaptation of procedures developed over the past several years for a new version of the CRM software issued by the manufacturer. Automated procedures were also created for data extraction as well as for operational reporting and analysis.

In December a web application became operational for "Customer Satisfaction," created entirely from internal resources, in order to assess the level of satisfaction among customers who have used the services of the Help Desk. The system, at the end of the complaint case, allows the client to access an Internet portal and anonymously express his or her level of satisfaction by filling in a simple questionnaire. The results of the survey are then processed in an aggregate form for subsequent analysis.

Additionally, in the last months of the year, automated procedures were introduced to ensure new users' access to the "Company portal," the web platform for the quick, secure exchange of correspondence between the Help Desk and the Operators. These procedures were necessary following the significant increase in system users as a result of the mandatory use, starting in January 2015, of such a tool for communication between the Help Desk and the Operators.

In September a project was launched for the construction of an Internet site dedicated to the Help Desk and a web application, called "Customer portal," designed to offer end users of electricity and gas tools the ability to submit requests and complaints to the Help Desk. The portal will grant customers (or their delegates) access to a private area where they can fill in the complaint on special web pages, send it to the Help Desk, receive answers, attach the required documentation and track the progress of the case.

The release of the portal for operation is expected in the first half of 2015.

During the year, finally, a project was started on "Teleworking." In the last quarter of the year, the functional requirements were developed along with the associated technical solutions for workstations, applications and connectivity systems required for staff to carry out their normal work activities in their own home in conditions of safety and reliability. A first group of employees started teleworking operations in January 2015.

Central Storage Body (OCSIT)

During the year, work (initiated in 2013) continued on the consolidation and development of information systems to support the processes of OCSIT. There were numerous evolutionary maintenance initiatives on platforms for stock and i-Sisen, which oversee the application management of compulsory stocks and statistics on energy. Such interventions, required by the Ministry of Economic Development, mainly concerned the development of the reporting system, the review of automated flows of communications and the need to start a process of internationalisation of the stock application, through the implementation of the two languages (Italian and English) in certain websites that could be used in Europe.

The stock and i-Sisen applications, hosted at the start-up at the hardware of the infrastructure/software data centre ENEA, were migrated, in December, to the IT platform of AU, keeping the ENEA site as a backup office.

In January, an agreement was signed between GME and AU on the dispatch to AU of biodata related to tank farms acquired by GME, specifically within the platform for collecting data on the storage capacity of mineral oils (PDC-oil). Detailed data of the stores located in Italy constitute the basis for the detection of safety stocks as well as the management of supply storage of petroleum products carried out in OCSIT.

In July the operating environment was given hardware/software based on the Oracle JD Edwards ERP system. Then, in September the design, development and customisation of the ERP system were launched to support the processes of OCSIT for the management of tenders for the supply of petroleum products, the storage capacity for the management of the related purchase orders and the integration of accounting flows with the ERP system Oracle E-Business Suite managed by GSE.

The project is divided into two main areas, with the expected completion of the first phase, on the management of contracts and related cash accounting, by March 2015; and of the second phase, focused on the management of competition through an Internet portal by next June.

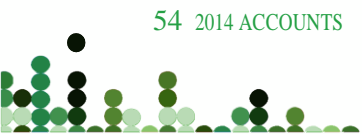
In order to launch, in the course of 2014, the process of invoicing with respect to operators, according to the ministerial decree that established the extent and manner of payment of the contribution to OCSIT, an application was produced with internal resources for the calculation of the contribution payable by each operator and the subsequent submittal of the invoice data to the ERP system of GSE. The application was tested in July and was activated for the first invoice instalment in November.

Finally, in 2014 the new website of OCSIT was introduced by ENEA, based on the same system (Drupal CMS) as used for the creation of the Internet and intranet sites of AU.

Central systems and information security

The project, started in 2013, four the consolidation of the hardware infrastructure/Software Information System AU, through the migration of applications, databases and IT services from physical server systems to the corresponding virtual systems, was completed in 2014.

The project concerned the technological modernisation and upgrading of the storage infrastructure of the type SAN (Storage Area Network), based on a special protocol for connection and a virtualisation platform, as required for consolidation



of the primary data centre installed at AU headquarters in Rome and the creation of a virtual symmetrical remote site for disaster recovery in Milan.

The process of virtualisation in the data centre has led to a significant reduction in physical systems, with clear improvements in the operational management of servers and storage, the overall safety and reliability of infrastructure ensured by redundancy and the interchangeability of the equipment, and the ability to maintain the alignment of the virtual environment for remote disaster recovery by means of storage replication.

Alongside the consolidation of the primary data centre, a solution of business continuity in cloud computing was created as an experiment. It is a replication service of the virtual infrastructure of AU to that of an Internet service provider. In this mode, the system in the provider's cloud is an extension of the "virtual" data centre of AU's production, thus increasing its availability in the event of a malfunction or partial unavailability.

Given the context of security systems and monitoring, a new software product was purchased and implemented in 2014 for managing the Log System, replacing the previous product (which is no longer supported). The new system makes it possible to collect, index, monitor, store and search both system and applied logs, doing so in a manner consistent with the security requirements provided by the Privacy Guarantor on the activities of system administrators.

Activities for risk prevention

Systems and equipment for information security within the IT infrastructure of AU take adequate measures to reduce the vulnerability of systems and mitigate the risk arising from the loss or corruption of information. They also help reduce the risk of unavailability of IT services needed to ensure sound business operations.

Generally, the information and the related automated systems management may be subject to potentially dangerous events, whether accidental or deliberate, which could cause negative consequences for the Company.

Damage to the information may lead, overall, to the loss of confidentiality, integrity and availability as well as violations of rules or laws, ultimately having a negative effect on the efficiency of operations.

The vulnerability of IT systems, as measured by the probability of a harmful event, may depend on human factors, the applications installed and the physical systems that comprise the infrastructure itself.

The countermeasures taken to reduce the risks that threaten the security and business continuity are aimed essentially at actions on business processes and employee behaviour with respect to IT systems, the functionality of the equipment and computer applications for items covered by the control and the access logging and systems hardware/software specifically dedicated to computer security.

Regarding the latter, those used in AU are essentially restricted to data backup systems, prevention systems and access control from outside and inside, storage systems and virtualisation of servers and their response to remote sites.

These include, in particular, the disaster recovery site, located more than 200 km from the primary data centre. It can intervene in the event of a disaster affecting a particularly extensive geographical area around the primary site,

while the site for business continuity, established in a metropolitan area, is designed to ensure the continuity of operation during the temporary unavailability of a subassembly of the production environment.

Studies and Research

The AU promoted studies and research in 2014, in collaboration with industry experts for the purpose of encouraging debate on the evolution of the electricity industry and making additional information available to all stakeholders.

Particularly, the research is focused both on economic issues and on behavioural aspects, to assess the choices of households and micro- and small enterprises (hereinafter SMEs).

As experienced by REF Research (Research for the Economy and Finance) in detecting of constant prices to SMEs, AU has launched a study on the evolution of the free market prices compared with the economic conditions of enhanced protection, in the light of economic variables in the context. With the collaboration of the research institute, a sample survey was also conducted aimed at determining the level of awareness of SMEs in the electricity market, considering the consumption profiles, the options contracts, the perceived quality of supply, reasons for switching suppliers and the general interest in energy issues.

It is a matter of great importance for AU, which in 2014 conducted a study in collaboration with the Episteme research company regarding the sociology of consumption, doing so in order to examine the social and cultural behaviours of domestic consumers and their approach to the market. Through an extensive market survey, with 2,000 face-to-face interviews with a representative sample of the Italian population, domestic consumer profiling was achieved with respect to the perception of the "energy value" and knowledge of market dynamics. In order to provide a more accurate method of pricing in relation to various retail markets in Europe, AU made a comparative analysis, in collaboration with a university professor and his personnel, using the methodology of the international comparison, to assess the solutions implemented in other markets in the formulation of the final price.

The research team broke down the various components of the retail price, identifying the strategic components to achieve the objectives of protecting small consumers. The results of this survey were presented at the conference in April 2014 devoted to the analysis of the Italian electricity market and the development of additional safeguards.

Finally, ten years after the launch of the Italian electricity market, AU, in coordination with RIE (the Italian abbreviation for "Industrial Research and Energy"), has produced a volume that represented the different opinions and views of opinion leaders from the academic and institutional spheres.

The aim of the work is the analysis of the evolution and outcome of electricity reforms at the dual dimensions of the European and Italian national levels. Particular attention is devoted to the issue of consumer protection and the role played by AU in the Italian electricity market, whose experience and possible future evolution are considered in the light of several factors.

The free exchange of analysis, ideas and proposals of national and international experts is an important knowledge base for the discussion taking place in Italy regarding the choices to be made, in relation to additional market safeguards and the possible evolution of its current structure in a single European energy market.



Communication Activities

The main purpose of communication was to increase the awareness of AU in its markets, with a focus on consumers.

For this purpose the "corporate identity," characterised by distinct elements that have been adopted on all AU's media, was implemented, improved and updated with purely informative material on aspects of the Company (video, brochures, leaflets, etc.).

The website is managed with the aim of optimising usability, increasing the number of contacts and consistently providing clear, complete information, in addition to enabling intuitive navigability and structured information for maximum utility. As for the corporate intranet, it has been enriched and improved to make navigation easier and more intuitive, in addition to the easy retrieval of documents and information, thus promoting internal communication, working activities, the integration of new employees and the fulfilment of legal requirements for the business.

The communication activities continued in 2014 in a systematic manner, with actions aimed at further entrenchment of knowledge and the appreciation of visibility and credibility, not only with the institutional stakeholders but also in the context of public opinion.

During the year, there was significant activity on the relationship with the media and there were 66 agency launches, 429 online articles, 133 articles in newspapers, 19 periodicals and five radio interviews.

Additionally, in order to expand the internal communication tools, a new multimedia activity has been launched in the form of short video clips to be distributed on a video circuit within the Company, featuring important news regarding the energy industry.

Moreover, the tools for the monitoring of print publications and the Internet have been enhanced, as such media have been helpful as the means to intercept, also at a local level, challenges and points of attention in the energy markets.

In 2014, AU continued its promotion of events such as conferences and seminars, in line with its communication strategy and with the evolution of internal activities.

AU has, in this context, participated in events of national and international discussion on the central issues of the electricity industry and consumer protection, doing so in order to help illustrate the main dynamics of the Italian process of liberalisation, highlighting the achievements of the model adopted in Italy with the presence of an entity such as AU, which combines consumer protection and market development.

Dispute management

Credit and dispute management with respect to companies that provide the enhanced protection service

The trade debtors of AU have been derived mainly from the sale of electricity to companies providing the enhanced protection service, on the basis of the *pro rata* contract approved by Resolution ARG/elt. 76/08. In November 2010, the Authority, with Resolution Arg/elt. 208/10, amended the *pro rata* contract, introducing the obligation of the issue of a security deposit as an alternative to guarantees. By virtue of that provision, AU may write to the competent judicial authorities to secure the release of the deposit for enhanced protection service by operators/distributors that have defaulted in the release of the collateral required by Article 10 of the *pro rata* contract. In the same resolution, the Authority specified that AU could apply the *pro rata* contract with respect to its counterparts, regardless of the actual signing of the contract.

The entities from which AU has overdue receivables are mainly municipalities (or public capital entities), holders of a distribution concession issued by the MED, against which there are remedies under the Code of Civil Procedure on the subject of enforcement proceedings.

The risk of non-collection of trade debtors by AU with respect to the enhanced-protection service operators is generally modest, either due to their nature (they are certain, liquid and payable, being regularly invoiced according to the regulatory provisions in force) and the types of legal entities liable. In the event of a default on payment at maturity, AU intervenes, preliminarily out of court, with informal contacts and reminders, and then through the courts, with appeals for an injunction. Budget allocations are always required, in view of the loans past due, in the provision for doubtful accounts, as described in the notes.

Some municipalities, as enhanced-protection service operators, have paid most of their debts in 2014, using loans to the municipalities themselves, by law, through the Italian state savings and loan entity, thereby ensuring the quantitative reduction of overdue loans.

With specific reference to the legal measures taken for recovery of debt, AU has requested an injunction against one municipality, providing enhanced protection, which has defaulted on debts due. The same operator has filed a response to the injunction. The municipality in question, through funding by the Italian state savings and loan entity, has been able to pay off the debt covered by the decree, except for the related legal fees.

Other disputes

In 2014 there is an ongoing dispute, filed in 2013 by an employee of AU and calling for the recognition of the subordinated nature of the employment relationship with the Company. According to the law firm acting for AU in this dispute, there is no objective evidence on which to estimate the probable outcome of the dispute.

In 2014 a person excluded from bankruptcy proceedings, run by AU for the identification of operators of enhanced protection services for the years 2014/2015/2016, brought an action before the Lombardy Regional Administrative Court against the decision to set aside the interlocutory application, after the Lazio Regional Administrative Court, by order, had accepted the jurisdiction the Lombardy TAR to decide on the appeal. The Lombardy Regional Administrative Court rejected the interlocutory application.

Finally, in 2014, the Company was involved in proceedings before justices of the peace for questions related to the activities of the Indemnity System. Any amounts at issue are minor.

Tax assessments

Tax audit for 2008 triggered by acceptance of the tax settlement.

On March 27, 2013 the Guardia di Finanza (Italian fiscal police), Nucleus of Rome, launched a tax audit for 2008 into the Company; the audit was completed on 31 July 2013, with the notification of the relevant formal report.

In that document the inspectors disputed, in addition to the basis of certain expenses related to service agreements with the parent company (GSE), also the eligibility of the favourable tax treatment, under IRAP, connected to the rules of

the so-called "tax wedge". The arrangement that established the benefit actually excludes the right to benefit from the above deductions from IRAP for businesses operating in specific industries (so-called "public utilities") that operate simultaneously on a concession basis and on the basis of a tariff approved by a public authority. Moreover, in the opinion of the auditors, AU does operate precisely under the concession according to the tariff, with the effect that the concessionary legislation in question had been wrongly applied.

After verification and, precisely, on September 24, 2013, the Company filed a tax settlement with the Lazio Regional Office of the Italian Revenue (hereinafter DR Lazio). Following this request, AU, exclusively *pro bono pacis*, signed with the DR Lazio, on November 12, 2013, an act of tax settlement, by which:

- DR Lazio renounced relief on deductibility of costs under contracts with the GSE;
- AU, while convinced of the groundlessness of the relief on the tax wedge, agreed to pay a minimum fine of EUR 86 for the sole purpose of avoiding disputes for 2008, making it clear that the tax settlement agreement signed did not imply in any case the acceptance of the said relief.

The tax settlement has therefore resulted in the payment of an amount of EUR 86 (the minimum penalty applicable), made on November 19, 2013.

Payments for the years 2011, 2012 and 2013

Given, however, that the question of the inclusion of the Company in the "tax wedge" remained relevant for the subsequent years after that defined in "support" (2008), the Company has decided, with respect to those years, to be prudent by a risk assessment related to the possible (but not probable) tax issue, being an opinion shared by the advisers charged with assisting in this matter.

This involved, first, the decision to operate voluntary disclosure under Article 13 of Law No. 472/1997, with payment on 27/09/2013 of the higher taxes resulting from the restatement of the liability without the benefit of the tax wedge, together with the related penalties (to the limited extent provided by law). The decision, possible only for the years 2011 and 2012, for which repentance was still allowed, on one hand prevented the application of more serious penalties arising from an investigation by the Office but, on the other hand, did not preclude a future application for the reimbursement of the taxes thus paid.

In the same precautionary spirit, AU also proceeded, on 7/11/2013 and 16/6/2014, to the payment of IRAP for 2013, calculated without the application of the benefit of the tax wedge. In this case too, it did so with potential reserve for the subsequent request of a refund.

The ruling

It should be noted that on March 24, 2014, the Company, with the intention of making its position clear, submitted to the Central Revenue Agency a specific application for a ruling, under Article 11 of Law No. 212 of 2000 (the so-called "Charter of taxpayers rights"), in order to obtain an opinion for AU with respect to the benefit of the tax wedge. Particularly, in support of the applicability of the concessionary measure in question, the Company indicated to the authorities that the planned exclusion from the scope of the tax wedge for the "concession" and "rate" activities could not be regarded as appropriate in the present case due to the following factors:

- I. The activities of AU must be classified as "free" and therefore not carried out in accordance with the concept of concession, however broad, under Article 11 of Italian Legislative Decree No. 446/1997 in order to identify the scope of exclusion of labour costs from the deduction from taxable IRAP; and
- II. The activities of AU cannot be deemed to be carried out under the tariff, especially inclusive of taxes, and therefore excluded from the deduction from taxable IRAP pertaining to a share of the labour costs. This is because the tariff system that leads to the exclusion from the benefit is exclusively that for the setting of a fee to cover the costs, inclusive of taxes.

The Italian tax authorities, by a deed dated July 7, 2014, disagreed with the solution proposed by the Company in the application, finding AU to be excluded from the tax wedge as an entity operating, according to the authorities, under a concession and tariff as already demonstrated in the report on findings to which it referred.

The notices of assessment for the years 2009 and 2010 and their appeal at the Provincial Tax Commission of Rome

Subsequently, on October 16 and November 4, 2014, two notices of assessment were delivered to the Company for the years 2009 and 2010, with which the DR Lazio found a greater IRAP taxable as a result of the rejection of the tax wedge.

Particularly, with the tax assessment for the year 2009, the Office settled higher IRAP of EUR 63,672.00 and imposed fines of the same amount (for an application amounting to EUR 127,344.00, excluding interest).

Regarding the 2010 tax year, the Italian tax authorities settled an IRAP of EUR 82,202.00 and imposed fines of the same amount (for an application in total amounting to EUR 164,404.00, excluding interest).

Against those two notices of assessment, the Company, on December 12, 2014, brought two separate appeals before the Provincial Tax Commission of Rome, also applying for the cancellation and giving the arguments already contained in the application in respect of the facilitation of Article 11 Legislative Decree No. 446/1997 to the activities of AU not exercised in concession, much less at the "rate."

The Company, in compliance with the legal requirements, also made payments due on a provisional basis, pending the judgment of first instance, equal to one third of the tax paid in the assessment. More specifically, on December 12, 2014, to pay for 2009, it paid EUR 25,047.27, and for 2010 it paid EUR 31,238.03.

Activities of the director responsible for preparing financial accounts

The activities carried out by the relevant director, as well as for the issue of the formal certification regarding the 2014 annual accounts, can be summarised as follows:

- Activities of renovation and maintenance of the overall procedural system for the processes of accounting and submitting annual accounts, in collaboration with the offices concerned;
- Preparation of the internal standard "Circular of 2014 Annual Accounts," with special rules for the Company departments involved in the process of preparing the annual accounts, together with the request to the directors of the various departments (both of AU and of the parent company, for the activities carried out under services agreements) of the letters of certification of their activities;
- Preparation of technical and operational instructions for the operations of closing the annual accounts for 2014;



- Carrying out tests on administrative processes through analysis and general procedural audits of specific accounting items, with extraction of target samples of documents. These tests were carried out, on the basis of the methodologies and checklists shared between AU and the manager in charge of the Audit Department of the GSE, by employees of that department.

Relations with the parent company and the companies it controls

AU is a company wholly owned by the Energy Services Operator - GSE SpA and the Energy Markets Operator GME SpA. During 2014, AU used the support of GSE, under special service agreements regarding the location of the headquarters and some related services, for the provision of services information and assistance and consulting work, on a continuing basis. With respect to relations with GME, in 2014, it was confirmed as the main trading partner of AU. Below we summarise the relations with the parent GSE and GME, in context of the balance sheet and profit & loss account.

Table 16. Summarises the relations between AU and GSE SpA (EUR thousand)

	2014	2013	Variations
CREDITS			
Non-trade debtors	75	142	(67)
VAT on intercompany debtors	3,939	2,389	1,550
Total credits	4,014	2,531	1,483
DEBTS			
Debts related to energy	-	228	(228)
Debts for service contract and other	275	506	(231)
Total Borrowings	275	734	(459)
REVENUES			
Other income (seconded personnel)	169	91	78
Total Revenues	169	91	78
COSTS			
Costs related to energy	-	151	(151)
Cost of service contract	3,908	5,063	(1,155)
Interest expense on intercompany current account	10	-	10
Total costs	3,918	5,214	(1,296)

Source: Internal, Single Purchaser.

Relations with GSE

The intercompany debtors for VAT, amounting to EUR 3,939 thousand, relate to loans connected with the monthly payment of VAT in December 2014. Regarding debt, the item in the amount of EUR 275,000 pertains to the intercompany service contracts.

Further details are explained in the Notes to the Accounts.

Table 17. Summary of relations between AU and GME SpA (EUR thousand)

	2014	2013	Variations
CREDITS			
Debtors for sale of energy imbalance in the program - to be invoiced	-	3	(3)
Debtors for revenues from transport capacity - CCT	-	757	(757)
TOTAL ENERGY CREDITS	-	760	(760)
TOTAL LOANS	-	760	(760)
DEBTS			
Creditors for energy purchases	732,887	882,817	(149,930)
Creditors for energy-related services	244	226	18
TOTAL LIABILITIES ENERGY	733,131	883,043	(149,912)
Creditors for services - various invoices received	4	6	(2)
Creditors for services - other invoices to be received	3	5	(2)
TOTAL OTHER LIABILITIES energy	7	11	(4)
TOTAL LIABILITIES	733,138	883,054	(149,916)
INCOME			
Income from energy sales imbalance in program	2	3,866	(3,864)
Windfall ordinary interest income on account deposits, money market green certificates	-	1	(1)
Interest income on deposits at market price of green certificates	-	1	(1)
TOTAL REVENUES	2	3,868	(3,866)
COSTS			
Costs for purchasing energy on the electricity market	4,093,313	5,130,820	(1,037,507)
Operating costs for fees	872	924	(52)
Cost of services on the market green certificates	-	3	(3)
Service costs on electricity accounts platform	297	347	(50)
(PCE) Cost of services in the electricity market	291	381	(90)
TOTAL ENERGY COSTS	4,094,773	5,132,475	(1,037,702)
Charges for different services	35	35	-
TOTAL OTHER NON-ENERGY COSTS	35	35	-
TOTAL COSTS	4,094,808	5,132,510	(1,037,702)

Source: Internal, AU

Relations with GME

In the relationship with GME, as shown in Table 17, the main balance sheet item consists of the creditor pertaining to the purchase of electricity (EUR 732,887,000), the financial settlement of which occurred in January and February 2015. The decrease in this item from 2013 amounted to EUR 149,930,000.

The main profit & loss account item is represented by costs for the purchase of energy on the electricity market, amounting to EUR 4,093,313,000.

Related parties

The Company has relations with multiple subsidiaries, either directly or indirectly through the Italian Ministry of Economy and Finance. The main transactions are conducted with the major players in the Italian energy industry, such as the Enel Group, ENI and TERN. All transactions with related parties take place at market prices in accordance with the conditions that would apply to third-party counterparts.

MANAGEMENT OUTLOOK

Energy supply

The demand from the enhanced protection market forecast for 2015 is approximately 58 TWh. The activities to cover the supply needs for 2015 began in March 2013, diversifying purchases over time, and generally they were contracted through web auctions - 13.8 TWh and a further 15.2 TWh through MTE, making a total of 29 TWh. Thus, for the year 2015 forward contracts were entered into for an energy supply below 50% of the expected demand from AU. During the year purchases will continue to be made to cover requirements.

Activities in support of operators and end users

Energy consumer help desk

The year 2015 will see the Consumer Help Desk engaged in the consolidation of the instruments and procedures provided for in Resolution 286/2014//E/COM, aimed at improving the effectiveness of complaint handling.

Additionally, during the year there will be important activities for the consolidation of web tools, such as the Operators' portal, which will progressively involve all operators who have received at least one request through the Help Desk in the last two years, as well as the new website and the new Customer portal available to all users of the Help Desk, for submission and on-line management of their requests. The Customer portal will become, in particular, the only channel of contact for consumer associations and professional delegates of retail customers and consumers and producers of energy.

During the course of 2015, for the purpose of continuously improving the service offered, the recording system for client satisfaction will be completed, which can be accessed by all consumers who have requested assistance through the Help Desk. In fact, on January 1 the recording of satisfaction was extended to cover complaints.

2015 also ends the period of use of the management of the Help Desk of AU, as approved by Resolution 323/2012/AND/COM. In the second quarter, the Help Desk will therefore be engaged in formalising the new 2016-2018 Project, in which it will be necessary to take into account changes in the industry rules and regulations, as well as the publication of the new European tender for the award of activities for a co-sourcing call centre for the same three-year period, in order to ensure the continuity of the service offered by the Free-Phone Number 800 166 654. In this regard it is noted that, by virtue of the provisions of the Authority, in the 2015-2018 strategic context, the Help Desk is expected to be involved in the rationalisation of the system of protection of end users for dealing with complaints, as well as the gradual extension of the powers of the Authority for the water service.

Settlement service for energy customers

By April 2015 Eni will begin to interact with the service. Moreover, beginning next July, all operators involved in the enhanced protection electricity market, all distributors and GSE (the latter only for the matters governed) will be required to participate in the conciliation implemented through the service. Consequently, of the introduction of mandatory status for these operators, it is estimated that the volumes of the service in 2015 will undergo a significant increase.

Additionally, in 2015, for the conclusion of the test phase scheduled for December 31, a project proposal will be sent to the Authority on the operating system for the purpose of renewing its availability over the next three years.

Integrated Information System

The most significant developments of the activities of the IIS planned in 2015 include:

- The start of the processes outlined in the consultation document of the Authority, 547/2013/R/com on the "reform of processes for switching and perfecting the contractual part of the Integrated Information System." Particularly, the implementation of Resolution 398/2014/R/el on the new transfer process;
- Testing the management of measurement data within the IIS, with reference to collection points on an hourly basis, as indicated in Resolution 640/2014/R/eel;
- The daily update of the RCU-gas, in response to activation, deactivation, switching and transfers.

In anticipation of the priority developments planned (to start with testing on registration and management measures for point-treatment times), for the first half of 2015 we anticipate the completion of the system of business continuity and the upgrading of the primary site with:

- The creation of a new environment dedicated to testing activities/trial/qualification services with operators to ensure maximum reliability of the IIS in the management of new processes;
- The expansion of memory systems (SAN) to ensure the space required for the administration of the new data flows expected.

During the implementation of new processes it is expected that close cooperation with the Authority will continue in regard to the processes of flow standardisation and re-engineering.

In 2015 work will continue on the management of tasks assigned to the IIS, the exercise of the technology infrastructure and software applications designed to provide the services.

Retail Market Monitoring system for electricity and natural gas

For 2015 the continuation of support is expected for:

- Collection management handled in the previous year, with the procedures established
- Identification of specific phenomena with the performance of the subsequent processing and any necessary investigations with the responsible entities involved.

Central Italian Storage Body - OCSIT

The early months of 2015 saw a reversal of the negative trends in the prices of petroleum products that had characterised the last part of 2014. The increase affected all four products constituting specific stocks, the responsibility of OCSIT (diesel, gasoline, fuel oil and jet fuel) with percentages varying between 10% and 20%. Nevertheless, prices remain at historically low levels and the expectations for the current year would seem to rule out a return of prices to the record levels reached in recent years. In this favourable context, OCSIT is going to fulfil its stock-holding obligations by purchasing two more days of specific stocks by April 1, 2015, the start of the new storage year.

In preparation for this event, for some time tender procedures have been launched for the acquisition of storage capacity and petroleum products. In parallel, steps have been taken to publish the call for tenders for the conclusion of insurance contracts to cover the new products that will be purchased in the coming years. The award of the related tenders is expected by the end of March.



SIGNIFICANT POST BALANCE SHEET EVENTS

A communication was submitted in February to the Italian Ministry of Economic Development on actual costs incurred in 2014 by OCSIT (so-called expenditure accounts), as necessary for determining the amount for an adjustment of the contribution. Additionally, the Ministerial Decree of 19 February 2015 established the total quantities of emergency and specific stocks to be held by the system for the stock year 2015.

Additionally, in February 2015 the Council of Ministers approved the draft law on competition, Article 47 of Law No. 99 of 23 July 2009. This draft law, among other things, stipulates the repeal of Article 35 paragraph 2 of the Legislative Decree No. 93 of June 1, 2011, as from January 1, 2018, with the intention to repeal the regime of "enhanced protection." It is stipulated at the same time that the Minister of Economic Development will take the necessary measures to ensure the gradual phase-out of that regime.

OTHER INFORMATION

Concerning the overall provision in Article 2428, paragraph 1 of the Italian Civil Code, for the description of the "principal risks and uncertainties" to which the Company could be exposed, the respective negotiations are described in the specific chapters and sections of the Management Report, which sets forth the relevant content relating to the various regulatory, operational and organisational areas dealt with.

We refer, in particular, to the following sections of the report:

- The juridical-legal regulation and its implications, particularly with respect to the regulatory laws and rules applicable, are highlighted among the "key elements of the legislation and reference areas." That section includes the main regulatory issues of each area of business activity;
- The subsection on "contracts for differences and risk management," located within the section on activities in the energy markets, outlines in synthesis the method of use of financial instruments to hedge the risk of fluctuations in the market price and provides the most important information in this regard;
- Any element of uncertainty concerning the Company's debtors is summarised in the subsection on "management of credit and disputes with the companies providing the enhanced protection service" in the section "Management of Disputes." The Notes to the Accounts also show the amount of credits, their progress, their breakdown by sub-items and the special handling of doubtful claims;
- In the subsection on "management of disputes," under "Other Disputes," there is also a description of the salient facts concerning possible legal disputes (other than those pertaining to the performance of the credit positions) and their implications, where relevant and applicable;
- The section "Tax Rulings" shows the information concerning the tax audit, performed on a claim on the year 2008 and its sequels. It is pointed out that the explanatory notes also give, for further completeness, the principal information relating to the audit in question;
- In the subsection on "business information systems" under "Central Systems and Information Security Activities to Prevent Risks," the devices dedicated to physical and logistical security are briefly described as means of ensuring the confidentiality, integrity and availability of corporate information, and functionally the prevention and containment of the risks potentially affecting information. In this area, the tools used to address situations of temporary unavailability of one or more systems are briefly described, such as the sites for disaster recovery and business continuity.

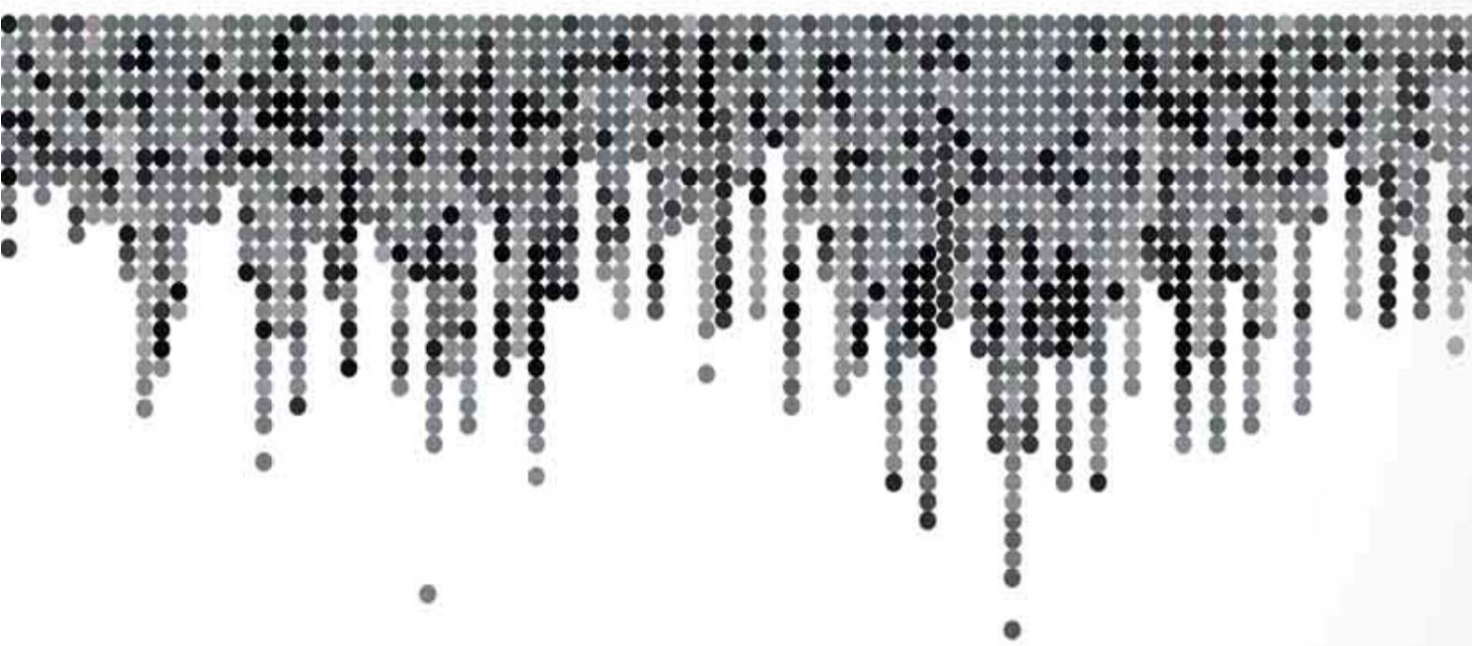
As for the details referred to in paragraph 2 of Article 2428 of the Civil Code, it should be noted that the Company has not purchased or sold during the year, either through trust companies or nominees/holding companies, any shares or common stock.

It should be noted that the Company, for the performance of its activities, has made use of a branch office located at 124 Viale Pilsudski.

It is also stated that the Company did not undertake research and development in 2014.



BALANCE SHEET YEAR 2014



LIABILITIES

Partial

Partial

Variations

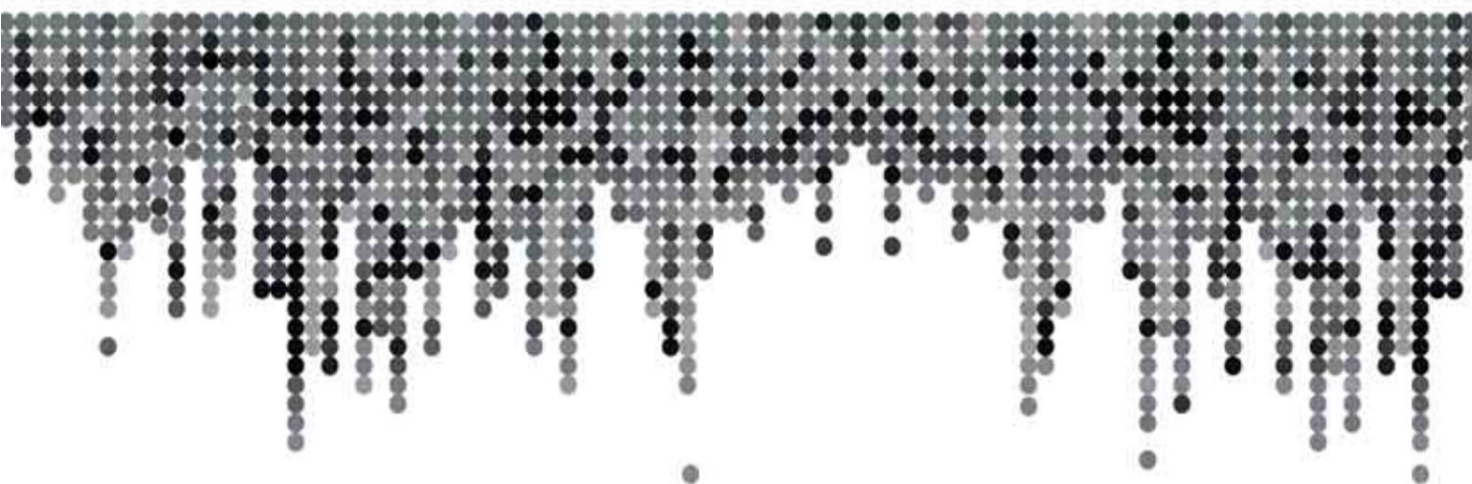
BALANCE SHEET

ASSETS	Partial		Partial		Variations
	31.12.2014 EUR	Total	31.12.2013 EUR	Total	
A) RECEIVABLES FROM SHAREHOLDERS FOR CAPITAL CONTRIBUTIONS		-		-	-
B) FIXED ASSETS					
I. Intangible Assets					
3) Industrial patents and intellectual property rights	2,040,235		950,453		1,089,782
4) Concessions, licenses, trademarks and similar rights	5,144		2,002		3,142
6) Construction in progress and advances	133,375		45,750		87,625
7) Other	934,286		278,073		656,213
		3,113,040		1,276,278	1,836,762
II. Property, plant and machinery					
4) Other assets	1,120,607		307,943		812,664
5) Construction in progress and advances	18,900		-		18,900
6) Specific stocks of petroleum products	74,247,446		-		74,247,446
		75,386,953		307,943	75,079,010
III. Financial					
Collectable within 12 months			Due within 12 months		
2) Debtors:					
d) other	23,528	269,895	14,170	162,383	107,512
		269,895		162,383	107,512
Total Assets		78,769,888		1,746,604	77,023,284
Collectable over 12 months			Due after 12 months		
C) CURRENT ASSETS					
I. Stocks					
II. Debtors					
1) Trade debtors	1,292,643	915,146,021	1,277,619	1,041,264,422	(126,118,401)
4) Parent company debtor		4,013,619		2,531,060	1,482,559
4a) Tax creditors		22,671		662,669	(639,998)
4 b) Deferred tax assets		345,569		-	345,569
5) Other		274,940		186,272	88,668
6) To CCSE		5,165,565		5,551,349	(385,784)
		924,968,385		1,050,195,772	(125,227,387)
III. Financial assets not held as fixed assets					
IV. Cash					
1) Bank and postal accounts		8,188,120		2,857,603	5,330,517
3) Cash and cash equivalents		4,678		3,298	1,380
		8,192,798		2,860,901	5,331,897
Total current assets		933,161,183		1,053,056,673	(119,895,490)
D) PREPAYMENTS AND ACCRUED INCOME					
Prepayments		132,720		104,843	27,877
Total income accruals and deferrals		132,720		104,843	27,877
TOTAL ASSETS		1,012,063,791		1,054,908,120	(42,844,329)

	31.12.2014 EUR	31.12.2013 EUR	
A) SHAREHOLDERS' FUNDS			
I. Share Capital	7,500,000	7,500,000	-
IV. Legal reserve	1,082,816	1,064,643	18,173
VII. Other reserves:			
Extraordinary reserve	872,320	2,890,624	(2,018,304)
IX. Profit for the year	335,307	363,469	(28,162)
Total shareholders' funds	9,790,443	11818736	(2,028,293)
B) PROVISIONS FOR LIABILITIES AND CHARGES			
2) including deferred charges	528,788	1,284,936	(756,148)
3) Other	1,032,464	631,201	401,263
Total provisions for liabilities and charges	1,561,252	1,916,137	(354,885)
C) EMPLOYEE SEVERANCE PAY FUND			
	643,390	634,428	8,962
	Due after 12 months	Due after 12 months	
D) CREDITORS			
4) Due to banks:			
short term	30,585,848	1,8309,380	12,276,468
medium and long term	78,000,000	-	78,000,000
7) Trade creditors	880,081,914	1,012,732,631	(132,650,717)
11) Due to parent company	275,322	734,072	(458,750)
12) Taxes payable	285,261	300,620	(15,359)
13) Payables to pension and social security	568,640	541,913	26,727
14) Other liabilities	10,151,443	7,853,607	2,297,836
15) Due to the Electricity Equalization Fund	110,456	56,831	53,625
Total liabilities	1,000,058,884	1,040,529,054	(40,470,170)
E) ACCRUED EXPENSES AND DEFERRED CHARGES			
Accrued liabilities	9,822	9,765	57
Total accruals and deferrals	9,822	9,765	57
Total liabilities	1,002,273,348	1,043,089,384	(40,816,036)
TOTAL SHAREHOLDERS' FUNDS AND LIABILITIES	1,012,063,791	1,054,908,120	(42,844,329)
MEMORANDUM ACCOUNTS			
Other:	1,432,980,542	1,374,233,135	
a) collateral and guarantees received	13,990,46456	1,374,165,456	24,881,000
b) collateral and guarantees given	33,866,407	-	33,866,407
c) Advances on severance pay	67,679	67,679	-
Commitments to suppliers	2,349,140,236	3,451,574,873	(1,102,434,637)
Assets of the parent company held at the Company	7,500,000	7,500,000	-
Current value of hedging contracts	-	(15,349,162)	15,349,162
Total memorandum accounts	3,789,620,778	4,817,958,846	(1,028,338,068)



PROFIT AND LOSS ACCOUNT YEAR 2014



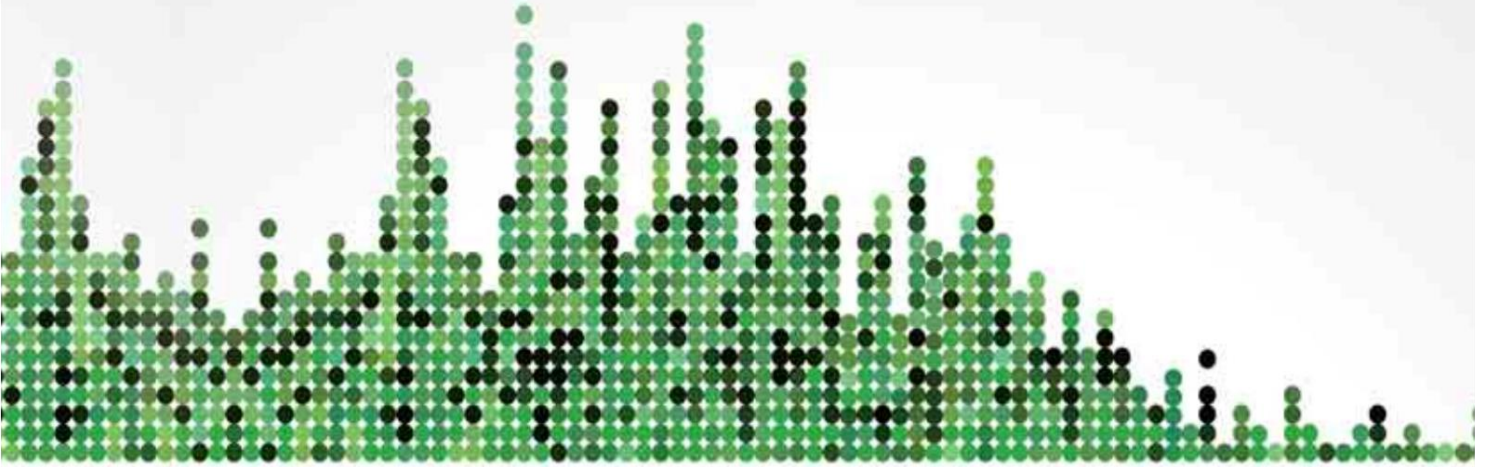
PROFIT AND LOSS ACCOUNT

	Partial	Total	Partial	Total	Variations
	2014 EUR		2013 EUR		
A) PRODUCTION VALUE					
1) Revenues from sales and services:					
a) revenues from the sale of electricity	4,965,067,747		5,964,661,279		(999,593,532)
b) revenues from hedging contracts	130,360		-		130,360
c) other revenues related to energy	33,409,234		34,109,867		(700,633)
d) revenues to cover costs operating non-energy	15,207,680		11,889,918		3,317,762
		5,013,815,021		6,010,661,064	(996,846,043)
5) Other revenues and income:					
a) contingent assets related to energy	171,366,545		148,068,472		23,298,073
b) income and other revenues	1,597,547		3,597,041		(1,999,494)
		172,964,092	151,665,513		21,298,579
Total production value		5,186,779,113		6,162,326,577	(975,547,464)
B) PRODUCTION COSTS					
6) Raw materials, supplies, consumables and goods:					
a) purchase of energy on the electricity market	4,093,313,239		5,130,820,348		(1,037,507,109)
b) costs of hedging contracts	31,798,067		27,854,273		3,943,794
c) balancing fees and other energy purchases	22,763,477		19,378,877		3,384,600
f) other	3,484,335		4,296,450		(812,115)
	22,264		41,012		(18,748)
		4,151,381,382		5,182,390,960	(1,031,009,578)
7) Services:	836,658,703		805,944,886		30,713,817
a) dispatching and services related to energy	8,873,379		9,251,389		(378,010)
b) sundry services		845,532,082		815,196,275	30,335,807
		2,252,978		2,040,850	212,128
8) Use of third party assets					
9) For employees:	8,866,573		8,430,040		436,533
a) wages and salaries	2,570,426		2,385,287		185,139
b) social security	603,081		557,514		45,567
c) termination indemnities	287,391		346,184		(58,793)
e) other costs		12,327,471		11,719,025	608,446
	1,107,570		732,234		375,336
10) Depreciation and amortization:	258,785		136,276		122,509
a) amortization of intangible assets	7,539		-		7,539
b) Depreciation of tangible fixed assets		1,373,894		868,510	505,384
c) other write-downs of fixed assets					

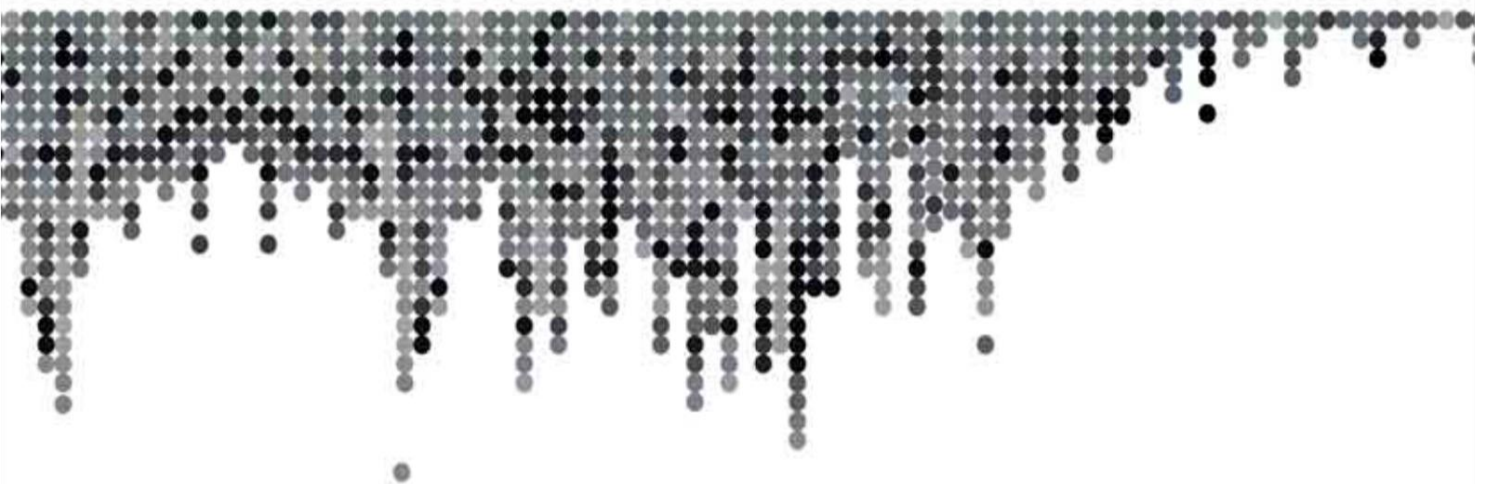


	Partial	Total	Partial	Variations
	2014 EUR		2013 EUR	
14) Other operating expenses:				
a) Contingent liabilities related to energy	171,366,545		148,068,472	23,298,073
b) other charges	1,977,914		2,414,049	(436,135)
	173,344,459		150,482,521	22,861,938
Total production costs	5,186,212,266		6,162,698,141	(976,485,875)
Difference between value and cost of production (AB)	566,847		(371,564)	938,411
C) FINANCIAL INCOME AND CHARGES				
16) Other financial income:				
a) long-term receivables	1,085		941	144
d) other income	1,706,364		1,464,899	241,465
	1,707,449		1,465,840	241,609
17) Interest and other financial charges:				
a) from parent company	10,195			10,195
b) other	1,144,939		62,769	1,082,170
	1,155,134		62,769	1,092,365
Total financial income and charges	552,315		1,403,071	(850,756)
D) IMPAIRMENT OF ASSETS FINANCIAL				
Total value adjustments to financial assets		-		-
E) EXTRAORDINARY ITEMS				
20) Income:				
-various	44,105		-	44,105
	44,105		-	44,105
21) Charges:				
-various	629,481		257,116	372,365
	629,481		257,116	372,365
Total extraordinary	(585,376)		(257,116)	(328,260)
Income before taxes (A-B C D E)	533,786		774,391	(240,605)
22) Income taxes, current and deferred				
a) current taxes	1,300,196		716,296	583,900
b) Deferred taxes	(756,148)		(305,374)	(450,774)
c) deferred tax assets	(345,569)		-	(345,569)
	198,479		410,922	(212,443)
23) Profit for the year	335,307		363,469	(28,162)





NOTES 2014



STRUCTURE AND CONTENT OF THE ACCOUNTS

The structure, composition and classification of items in the balance sheet, profit-and-loss statement and accompanying notes are consistent with the provisions of the Legislative Decree of April 9, 1991, 127 and, in particular, with the format set forth in articles 2424 and 2425 of the Italian Civil Code and the Italian Accounting Organisation (OIC) 12. Additionally, the accounts are based on the accounting principles and criteria developed by the OIC.

According to Article 2423, paragraph 5 of the Civil Code, the balance sheet and the profit-and-loss statement have been prepared in EUR, without decimal places, while in the notes, in accordance with local regulations, the values are expressed in thousands of EUR.

All assets and liabilities as at December 31, 2014 are presented alongside the corresponding amounts for the previous year, in accordance with Article 2423, paragraph 5 of the Civil Code.

During the year there have been no exceptional circumstances that required the use of the exemptions contained in Article 2423, paragraph 4 of the Civil Code. The valuation of balance-sheet items was carried out in compliance with the provisions of Article 2426 of the Civil Code.

For a better representation of the equity, financial and economic status of the Company in support of the management report, the balance sheet and the profit-and-loss account have been presented in summary form. They also provide all the information deemed necessary to give a true and fair view, even if not specifically required by law. In compliance with the provisions of Article 2423-b (Structure of the balance sheet and profit-and-loss account), some items in the accounts have been appropriately adapted and added. The most significant accounting policies adopted for preparing the annual accounts at December 31, 2014, and the contents and changes in individual items in it, are set forth below.

Finally, to complete the balance sheet and profit-and-loss account, a Cash Flow Statement has been prepared, which shows the changes in cash and cash equivalents during the year.



MAIN ACCOUNTING PRINCIPLES AND VALUATION CRITERIA

For the preparation of annual accounts for 2014, the valuation criteria set forth in Article 2426 of the Civil Code have been adopted, interpreted and supplemented by the accounting principles prepared and issued by the Italian Accounting Organisation (OIC). The accounting policies have been adjusted with the changes, additions and new items introduced in the context of the upgrade of the Italian national accounting standards in 2014, approved and definitively published by the OIC on August 5, 2014 (with the exception of OIC 24 approved on January 28, 2015).

Intangible assets

Intangible assets are stated at cost of acquisition in accordance with Article 2426, paragraph 1 of the Italian Civil Code.

The item "Industrial patent and intellectual property rights" is amortised over an estimated useful life of three years.

Concessions, licences, trademarks and similar rights relate to costs incurred for their purchase and are amortised over a period of ten years.

Other intangible assets are amortised over the period of expected future use of three years, except for the sub-item represented by the so-called up-front commission on funding for supply from the stocks of OCSIT. This fee, paid in a lump sum, is amortised on a straight-line basis over the lifetime of the loan (five years).

In the event that, regardless of the amount previously recorded, an impairment loss occurs, the asset is written down. In subsequent years, if the reasons that justified the devaluation cease to apply, the original value is restored, up to the value that the asset would have had if the impairment loss had never taken place, except for the goodwill and "charges over several years" mentioned in paragraph 5 of Article 2426 of the Civil Code.

Tangible assets

The specific stocks (OCSIT) are classified as property and equipment, as held on a permanent basis.

They are stated at acquisition cost, net of natural losses, valued at weighted average cost with any write-down for impairment loss. In the presence of a drop in current oil prices, the loss of value is generally assumed to be temporary, in that the possible realisation of the stocks would only arise in situations of extreme severity and, in particular, in the event of serious shortage of oil resources, which suggests a reasonably presumed related rise in prices.

OCSIT stocks are not subject to amortisation, as having a useful life substantially unlimited in time.

Tangible fixed assets relating to "Other assets" are stated at acquisition cost, which also includes the related costs incurred, and are depreciated on a straight-line basis using rates that are determined in relation to their possible residual utility. In particular:

- Fixed client PCs and laptops are amortised over a three-year period;
- Other assets are amortised over a five-year period.

In the event that, regardless of the previously recorded amortisation, there is an impairment loss, the asset is written down correspondingly. If

in subsequent years the reasons that justified the devaluation cease to apply, they will be restored to their original value, up to the value that the asset would have had if the impairment loss had never taken place.

The costs of ordinary maintenance, as not affecting the level or the potential use of the assets, are charged in the year they are incurred. The maintenance costs, however, with an incremental value are allocated to the related assets and depreciated over the remaining useful life of the assets.

Financial fixed assets

Financial assets include "loans to employees" for amounts loaned in accordance with the contract law in force. The item is entered at nominal value.

Debtors and creditors

Debtors are stated at the estimated realisable value and classified, according to their nature and purpose, under "Financial Investments" or "Current Assets." Creditors are stated at nominal value.

Accruals and deferrals

They are determined according to the accrual basis.

Provisions for risks and charges

Provisions for risks and charges include costs and charges of a specific nature, certain or likely, but for which, at year end, the amount and/or the date of occurrence are undetermined. The provisions reflect the best possible estimate based on the information available. Risks for which the emergence of a liability appears merely possible are indicated in special notes.

Pension provision

This is established in compliance with laws and labour contracts in force and reflects the liabilities accrued in respect of all employees at the balance sheet date, net of advances paid under the law, as well as amounts paid in supplementary pensions. Following the entry into force of the Law of December 27, 2006 No. 296 (2007 Finance Law), the benefit is reduced even for the shares transferred to the Treasury Fund set up with INPS (the Italian state social security entity).

Memorandum accounts

The valuation criteria and the content of these accounts are in accordance with Document No. 22 OIC. Specifically, the item Real and personal collateral received is recorded at nominal value.

It is pointed out that the memorandum accounts do not include the information contained and recorded in the notes.

Income and Costs

They are entered in accordance with the principle of prudence and economic attribution and are net of rebates and discounts. Revenue from services and the sale of goods is entered when the service is supplied or on transfer of ownership of the goods. Revenues and costs relating to the purchase of electricity are supplemented with appropriate accounting estimates based on the provisions of the law, the Authority for Electricity and Gas and the system for



water, in force during the reporting period. These estimates, which are typical of the activities carried out by the Company, are the result of calculations performed by the technical and commercial departments on the basis of available information, including by comparison with the main counterparties.

With reference to the purchase and sale of electricity and related services, the application of the legislation relates to AU, as well as the general principles of proper accounting for accruals and correlation between income and expenses, involving the achievement of equivalence, by means of appropriate accounting estimates, between revenues and corresponding costs. The coverage of the costs of the purchase and sale of energy complies, in particular, with the provisions of the following standards:

- Article 4, paragraph 6, of Legislative Decree No. 79/99, which provides that the balance of the accounts is ensured by AU. The principle of the balancing of AU has been, among other things, referred to by Article 4 of the Decree of the Minister of Productive Activities of December 19, 2003;
- Article 11.3, Exhibit A, of the Authority for Electricity and Gas No. 156/07, in stipulating that the criteria for determining the price of electricity sold to operators of the enhanced protection service, provides, in substance, that AU should cover its operational costs of managing the activities relating to energy.

With respect to income to cover expenses related to areas other than the management of the sale of energy and related services (Consumer Help Desk and Other Assets in Pooling by the Authority, Integrated Information System and Central Storage Body), the items are entered on:

- The assumption of the existence of official acts of the supervisory authorities that enable the recognition of an accrual of fees and their amount; and
- On the basis of the attribution of responsibility for costs in the areas concerned, while respecting equivalence with the related revenues.

Income taxes

Current taxes on income are entered with a balancing of payables/tax receivables, net of prepayments and withholdings, based on the estimated taxable income, determined in accordance with the provisions in force and taking into account the applicable tax benefits and credits.

In application of document No. 25 OIC, if any assumptions are met, deferred tax assets and liabilities recorded on the basis of the timing differences between the gross and taxable tax.

If the recalculation shows an anticipated tax cost, it is budgeted in the deferred tax assets only to the extent that there is reasonable certainty of its future recovery.

Hedging contracts for energy

The economic components, positive and negative, of the contracts concluded to hedge against fluctuations in electricity prices are recorded on an accrual basis in the profit-and-loss statement in “open balances” between the acquisition costs and sales revenues.

Under Article 2428 of the Civil Code relevant information is given in specific paragraphs of the notes and the management report pertaining to hedging contracts concluded by the Company.

The fair value of hedges as of December 31 is ultimately recorded in a specific item of the memorandum accounts.

System for keeping records of separate transactions and balances of the Integrated Information System (IIS) and the Italian Central Storage Body (OCSIT)

As envisaged by Resolution Arg/com 201/10 of the Authority for Electricity and Gas and the water system, in reference to the IIS, and Legislative Decree No. 249 of December 31, 2012, regarding OCSIT, AU adopts appropriate systems for keeping records of transactions and balances of the IIS and of OCSIT in a distinct manner, as if their activities had been performed through a separate entity.

More specifically, based on appropriate methodological models approved by the senior management of the Company, AU prepares special separate annual accounts for the IIS and OCSIT, to be submitted to the regulators, respectively for IIS within 60 days of the approval of the annual accounts, for OCSIT within 90 days of the approval of the annual accounts.

The separate annual accounts comprise, in summary, the following reports:

- The balance sheet;
- The profit-and-loss statement; and
- Accounting details and comments in the notes on the criteria and methodologies adopted.

Regarding the financial reporting information that pertains to AU SpA, the following points are noted:

- In specific chapters of the Report on Operations, there is summary information regarding the development and management of the IIS and OCSIT;
- In one table, which is also included in the Management Report, the costs of operating AU SpA, are broken down by macro-area of activities. This table specifically records operating costs attributed, by economic attribution, to the IIS and to OCSIT;
- An analysis of the respective tables of the notes to these annual accounts shows separately, where relevant and significant, the amounts of the balance sheet and income items relating to business under accounting separation.

Specifically, amounts must be reported for the stocks of products of OCSIT, recorded within fixed assets and funding for supply of the same stocks, recorded in the borrowing from banks.



BALANCE SHEET

ASSETS:

CLAIMS ON SHAREHOLDERS FOR UNPAID CONTRIBUTIONS

As at December 31, 2014, the item had a zero balance.

FIXED ASSETS: EUR 78,770,000

Intangible assets: EUR 3,113,000

The analysis of this item and movements during the year are as follows:

(EUR thousands)	Patent and intellectual property rights	Concessions, licences, trademarks and rights	Fixed assets	Other	Total in progress and advance
POSITION AT 31.12.2013					
Original cost	2,721	6	46	1,768	4,541
Amortisation	(1,771)	(4)	-	(1,490)	(3,265)
Balance at 31.12.2013	950	2	46	278	1,276
MOVEMENTS OF THE YEAR 2014					
Increases	1,938	4	98	905	2,945
Entering service	11	-	(11)	-	
Depreciation		(859)	(1)	(248)	(1,108)
Movements of the year 2014	1,090	3	87	657	1,837
POSITION AT 31.12.2014					
Original cost	4,670	10	133	2,673	7,486
Accumulated amortisation	(2,630)	(5)	-	(1,738)	(4,373)
Balance on 31.12.2014	2,040	5	133	935	3,113

The item "Industrial patent intellectual property rights" of EUR 2,040,000 relates to basic and specific software application packages, with the related evolutionary maintenance.

The increases that occurred in the year (EUR 1,938,000) are mainly attributable to investments made by the Integrated Information System (EUR 1,623,000), for the development of new features related to the implementation of the system, as well as activities aimed at building the infrastructure for disaster recovery. Further increases of the year are due to the purchase of software licences for the management of the database (EUR 159,000) and new licences acquired for the construction of the information system of OCSIT (EUR 156,000).

Concessions, licences, trademarks and similar rights (EUR 5,000) mainly include the costs incurred by the Company for registration of the OCSIT trademark (EUR 4,000).

Intangible assets in course, of EUR 133,000, relate almost exclusively (EUR 127,000) to projects not yet completed, concerning the Integrated Information System.

The *other intangible assets*, amounting to EUR 935,000, include the residual value of the upfront commission in the medium term, for supply of OCSIT oil stocks (EUR 675,000).

It also relates to the application software of the computer operating system, developed for the specific needs of AU and related customisation, mainly for the following features:

- Trading on the Power Exchange, management of physical bilateral contracts and hedging contracts;
- Calculation and prediction of sales prices;
- CRM and Company portal for the management of consumer complaints;
- Platforms for handling statistics on energy and mandatory stocks.

The increases relate primarily to the following activities:

- Upgrades to the Company's portal, dedicated to the exchange of communications between the Consumer Help Desk and Operators providing electricity and gas;
- Evolutionary maintenance of the Retail Energy and Auctions portal for the management of energy auctions in web mode;
- Evolutionary maintenance of the stock applications, for the management and monitoring of compulsory oil stocks, and i-Sisen for statistics on energy;
- Upgrades to systems and the virtual network for replication of the primary site on that for disaster recovery.

Tangible assets: EUR 75,387,000

The table below indicates the level and movements of the item.

(EUR thousands)	Stocks Ocsit	Other Assets in progress and advances	Total specific	
POSITION AT 31.12.2013				
Original cost	-	1,640	-	1,640
Accumulated depreciation	-	(1,332)	-	(1,332)
Balance on 31.12.2013	-	308	-	308
MOVEMENTS OF THE YEAR 2014				
Increases	74,255	1,071	19	75,345
Depreciation	-	(258)	-	(258)
Decrease	(8)	-	-	(8)
Movements of 2014	74,247	813	19	75,079
POSITION AT 31.12.2014				
Original cost	74,255	2,711	19	76,985
Accumulated depreciation	-	(1,590)	-	(1,590)
Decrease	(8)	-	-	(8)
Balance at 31.12.2014	74,247	1,121	19	75,387

The item primarily relates to the value of the year-end stocks of petroleum products of OCSIT, considered as a long-term investment (EUR 74,247,000).

Nevertheless, in reference to stocks of OCSIT, the increases are in essence made by the initial investment, with which the first day of stock has been supplied in the course of the year (EUR 74,247,000). They also include the value of the reinstatement of the so-called natural losses of stock (EUR 8,000) that took place during the year.

The decreases relate to the economic value of the cost of natural losses, recorded in the accounts based on the quantity of product found on December 31, from the tax records of the depots, the value of which has been determined at the weighted average cost.

Given the loan contract for supply of OCSIT stocks, it should be noted, in compliance with Article 2447 li Cod. Civ., that the sale price of stocks in question is tied exclusively to the repayment of the loan, in accordance with Article 2447-bis, paragraph 1b of the Civil Code. Under this loan agreement, the beneficiary AU has undertaken not to create or permit to subsist any encumbrance on the stocks in question.

In any case, the sale of stocks of OCSIT requires the prior authorisation by the governing Authority.

The valuation at December 31, 2014 of the stocks in question, analysed by type of product and with the indication of their amount, is set forth in a separate version of the Management Report.

In compliance with the limitation period under Article 2426, paragraph 10 of the Civil Code, the difference is set forth in the following table between the budgeted cost of stocks in question, by category of goods, and value at the end of the year.

Product stocks of OCSIT- differences between the book value at December 31, 2014 and the valuation at market price

(thousand euro)	Book value	Market value	Difference
		31/12/2014	
- Gasoline – Super Un-leaded	16,530	9,215	(7,315)
- Automotive Diesel Oil	49,461	31,339	(18,122)
- BTZ Jet fuel	6,903	4,556	(2,347)
- Heavy Fuel oil	1,353	740	(613)
Total	74,247	45,850	(28,397)

The difference that can be deduced from the model, of EUR 28,397,000, is attributable to the sharp fluctuations in the prices of petroleum products, including in particular, in the second half of 2014, those due to the evolution of the geopolitical context.

It is considered that these differences do not have a permanent character, such as to give rise to write-downs, as given their peculiar nature of "strategic" stocks any sale would be expected only in situations of extreme need, for lack of oil supplies, which therefore makes it reasonable to assume that the realisable value would be not less than the historic value.

Other assets, amounting to EUR 1,121,000, have undergone an increase of EUR 1,071,000, before amortisation, compared with December 31, 2013. The increases are related for

EUR 888,000 to the IIS (the amount is attributable to the supply of hardware for setting up the infrastructure for disaster recovery). The residual amount of EUR 183,000 breaks down as follows: EUR 144,000 relates to the hardware that makes up AU's central computer system (server systems, mass storage units and security systems) and EUR 39,000 relates to hardware of user workstations (desktop PCs, mobile PCs and accessories).

The item assets under construction relates to the adjustment of digital signature systems, whose activities were initiated in December 2014, with completion expected in February 2015.

Financial assets: EUR 270,000

Other debtors: EUR 270,000

This accounts item includes loans made to employees in accordance with the applicable contractual provisions (first home purchase, important family needs, etc.), for an amount of EUR 270,000.

The detailed table, inserted to complete the presentation of the assets, shows the amount of debtors collectible within and beyond five years.

ASSETS: EUR 933,161,000

DEBTORS: EUR 924,968,000

The indication of amounts due within and beyond five years is shown in the schedule, to complete the review of the assets.

Debtors: EUR 915,146,000

The breakdown of the balance is shown in the following table:

(EUR thousands)	31.12.2014	31.12.2013	Variations
Debtors for selling electricity to enhanced protection service operators	899,415	1,039,372	(139,957)
Loans for operators' enhanced protection fees			
Integrated Information System (IIS) protected market electricity	514	435	79
Debtors from gas operators for Integrated Information system (IIS)fees	630	-	630
Debtors from petroleum operators to cover OCSIT costs	3,525	235	3,290
Loans to Terna for imbalance amounts due	10,795	-	10,795
Differences accrued on hedging contracts	36	-	36
Accrued interest on arrears	719	803	(84)
Debts from GME for CCT revenues (Del.111/06)	-	757	(757)
Other debtors related to energy	-	790	(790)
Total debts from customers	915,634	1,042,392	(126,758)
Provision for doubtful debts	(488)	(1,127)	639
Total	915,146	104,1265	(126,119)

Debtors for selling electricity primarily relates to credit for the sale of electricity to the companies providing the enhanced protection service (EUR 899,415,000). This amount is mainly due to the establishment of the credit for attribution to November and December 2014. In relation to this credit, invoices are issued in the months of January and February 2015. These invoices have been, at the date of preparation of these Accounts, collected for more than 99%.

The item has been adjusted and supplemented, in accordance with the matching principle, in the light of the adjustments to be made. These findings are reported on

the basis of the best estimates of the volume and the amounts concerned, in compliance with the resolutions of the Authority.

This item also includes debts from Terna for balancing fees (EUR 10,795,000); loans to oil operators for contributions to cover the costs of OCSIT (EUR 3,525,000); claims for fees to cover the costs of the Integrated Information System for the portion pertaining to the enhanced protection service operators in the electricity industry (EUR 514,000) and for that for the operators in the gas industry (EUR 630,000); claims for interest for late payment (EUR 719,000) and the claims for differences on hedging contracts (EUR 36,000).

The amount of debtors is net of provisions for doubtful debts (EUR 488 thousands) for the adjustment to estimated realisable value.

This alignment follows the examination of the positions with regard to the enhanced protection service operators due at the end of the year, taking account of length of maturity due, the issue of guarantees, the instigation of lawsuits, etc.

Relative to the previous year the fund in question there has been a decrease of EUR 639,000, for the positive evolution of the debtor in the interim, with a benefit to the profit-and-loss account of the same amount.

(EUR thousands)	Amount
Fund 31.12.2013	1,127
Uses	(639)
Provisions	-
Fund 31.12.2014	488

Due from parent companies: EUR 4,014,000

This item consists mainly of the amount of the tax credit to the parent company of EUR 3,939,000 as well as debtors for other services (EUR 75,000). The trend in the last two years of the sub-items mentioned above can be taken from the following table.

(EUR thousands)	31.12.2014	31.12.2013	Variations
DUE FROM PARENT COMPANY:			
VAT on credit	3,939	2,389	1,550
Sundry services	75	142	(67)
Total	4,014	2,531	1,483

Compared with the previous year the item recorded an overall increase of EUR 1,483,000.

Tax debtors: EUR 23,000

The item is entered net of current tax liabilities, amounting to EUR 1,300,000. The decrease compared with 2013, amounting to EUR 640,000, is mainly due to compensation, in the settlement of IRES and IRAP, of the debts arising from the SOLE 2013 declaration. The item also includes the credit (EUR 142,000) entered following the submission of the application for reimbursement for not deducting IRAP on costs for employees and assimilated persons in previous years.

Tax assets: EUR 345,000

This item, related to deductible timing differences, is recorded within the limits of reasonable certainty of their future recovery.

Other debtors: EUR 275,000

The following is a detailed breakdown of the item and changes over the previous year:

(EUR thousands)	31.12.2014	31.12.2013	Variations
Advances to suppliers	5	7	(2)
Debts for repayment seconded personnel costs - AEEGSI	218	139	79
Other	52	40	12
Total	275	186	89

The item increased by EUR 89,000 compared with the previous year, mainly due to the growth of the sub-item for debts for reimbursement of costs of personnel seconded to the AEEGSI.

Debtors for the Electricity Equalisation Fund (CCSE): EUR 5,165,000

The item in question relates in essence to the amount accrued for fees, to be collected by the Electricity Equalisation Fund, aimed at covering the costs of operating activities in pooling of AEEGSI (Consumer Counter, Conciliation Services and Retail Market Monitoring) and the Integrated Information System (IIS), in the latter case with regard to the share on the free market for electricity.

The breakdown of this item is shown in the following table:

(EUR thousands)	31.12.2014	31.12.2013	Variations
DEBTOR - CCSE:			
Door	4,054	4,383	(329)
Retail Monitoring	143	75	68
Conciliation Service	82	133	(51)
IIS	864	906	(42)
Other	22	54	(32)
Total	5,165	5,551	(386)

The account decreased from the previous year in the amount of EUR 386,000.

CASH: EUR 8,193,000

The item is shown in the following table:

(EUR thousands)	31.12.2014	31.12.2013	Variations
Bank deposits	8,188	2,858	5,330
Cash and cash equivalents	5	3	2
Total	8,193	2,861	5,332

The item Bank deposits primarily includes bank balances of OCSIT amounting to EUR 6,745,000, being separately identified and used in the system of the administrative and accounting unbundling program adopted.

It should be noted that more than half of this amount, for a total of EUR 3,753,000, is attributable to the balance between the amount paid by the lending bank and the amount actually spent for the procurement of specific stocks, in the light of the final prices applied. With respect to the loan agreement concluded by OCSIT, in this case being "funding intended for a specific transaction" within the meaning of Article 2447-decies of the Civil Code, this amount shall be used only when the next purchase of stocks of petroleum products takes place, on a start of the year basis. The remainder, amounting to EUR 2,992,000, pertains to the remaining cash held by OCSIT following the collection of contributions from operators, to cover the costs of operation.

The item Bank deposits also includes the balance of the security deposit that will be released by some enhanced protection service operators (EUR 819,000), in addition to cash balances of a small amount.

Relative to 2013, the item has increased by a total of EUR 5,332,000.

ACCRUED INCOME AND PREPAID EXPENSES: EUR 133,000

The balance-sheet item consists of prepaid costs related to postage, fees for technical support for software, hardware maintenance, etc.

The amount of this item increased, compared with 2013, by the amount of EUR 28,000.

The following table shows the breakdown of loans in relation to their maturity period:

(EUR thousands)	By the year year	From 2 to 5 years following	Beyond 5 years following	Total
LOANS OF FINANCIAL ASSETS				
Other debtors	23	100	147	270
Total current debtors	23	100	147	270
RECEIVABLES				
Loans to customers	913,854	108	1,184	915,146
Debtor from parent company	4,014	-	-	4,014
Tax credits	23	-	-	23
Deferred tax assets	345	-	-	345
Credits V/CCSE	5,165	-	-	5,165
Other debtors	275	-	-	275
Total current debtors	923,676	108	1,184	924,968
TOTAL	923,699	208	1,331	925,238

Amounts due after a year relate to the portion of loans to employees, disclosed under financial assets and loans to customers covered by extension plans. It should be noted that all claims due from national counterparts are provided for.

TOTAL ASSETS EUR 1,012,064,000

LIABILITIES:

EQUITY: EUR 9,790,000

Movements in equity during 2014 are shown in the following table:

(EUR thousands)	Share capital	Legal Reserve	Other reserves	Profit for the year	Total
Balance at 31.12.2012	7,500	998	2,890	1,329	12,717
ALLOCATION OF 2012 PROFIT					
to the statutory reserve	-	67	-	(67)	-
dividend distribution	-	-	-	(1,262)	(1,262)
RESULT FOR THE YEAR 2013					
Profit for the year	-	-	-	363	363
Balance at 31.12.2013	7,500	1,065	2,890	363	11,818
ALLOCATION OF 2013					
to the statutory reserve	-	18	-	(18)	-
dividend distribution	-	-	-	(345)	(345)
Distribution to extraordinary reserve	-	-	(2,018)	-	(2,018)
RESULT FOR THE YEAR 2014					
Profit for the year	-	-	-	335	335
Balance at 31.12.2014	7,500	1,083	872	335	9,790

With respect to the individual components of equity, there is also an analysis by origin, the possibility of utilisation and the distribution of reserves:

Nature/Description (EUR thousands)	Amount	Possibility Of Use	Share available
Share Capital	7,500		
Legal Reserve	1,083	B	1,083
Other reserves - Extraordinary Reserve - distributable	872	A, B, C	872
Total	9,455		1,955

Key: A) to increase the share capital; B) to cover losses; C) for distribution to shareholders

It is also reported that in the years 2014, 2013 and 2012 reserves have been distributed for a total amount of EUR 4,909,000.

Share capital: EUR 7,500,000

The value of the share capital, which is fully paid, amounts to EUR 7,500,000 and is represented by 7,500,000 ordinary shares of nominal value of 1 EUR.

Statutory reserve: EUR 1,083,000

Other reserves: EUR 872,000

This item includes the amount of the extraordinary reserve, created from allocations in previous years.

Profit for the year: EUR 335,000

The account represents the net profit for 2014.

PROVISIONS FOR LIABILITIES AND CHARGES: EUR 1,561,000

Provision for taxes, including deferred: EUR 529,000

The provision includes tax liabilities, mainly in respect of timing differences on IRES linked to loan write-downs deducted in previous years only for tax purposes and, in addition, for interest on late payments.

Changes in the provision for deferred taxes are shown in the following table:

(EUR thousands)	Amount
Fund 31.12.2013	1,285
Uses	(794)
Provisions	38
Fund 31.12.2014	529

The uses relate to:

- The reversal of deferred taxes for the amount of default interest collected during the year (EUR 28,000);
- The recovery of charges deducted only for tax purposes in previous years (EUR 766,000). Provisions (EUR 38,000) related to taxable timing differences in future periods, related to interest on arrears for the year but not yet received.

The table below shows the changes (increases and decreases) of timing differences in the period covered by the deferred tax. These are calculated using the rates in effect (27.5% -IRES), to the extent provided by law (cf. Article 2427, paragraph 14 of the Civil Code).

Timing differences (EUR thousands)	2013	Increase	Decrease	2014
Timing differences for bad debts deducted for tax purposes only	5,364	-	(2,595)	2,769
Interest late payments	687	136	(103)	720
Total	6,051	136	(2,698)	3,489

Other funds: EUR 1,032,000

The item relates to “Fund for bonuses,” which includes costs recorded on an accrual basis. The fund in question includes charges for variable bonuses (MBO) for the Company top management and employees (executives and managers). It also relates to the estimated cost for the corporate performance bonus (PRA) and the one-off amount for employees. All costs are for the year 2014.

The appropriations are the result of the best estimates made by the competent offices of the Company, being made on the accrual basis. They pertain to the objectives and results relating to 2014, based on the principle of economic matching.

The changes in the provision in question are represented in the following table.

(EUR thousands)	Amount
Fund 31.12.2013	631
Uses	(631)
Provisions	1,032
Fund 31.12.2014	1,032

EMPLOYEE PENSION BENEFITS: EUR 644,000

The changes during the year 2014 are detailed as follows:

(EUR thousands)	Amount
Balance on 31/12/2013	635
Provisions	604
Uses	-
Other changes	(595)
Total 31/12/2014	644

The fund covers all entitlements to pension benefits accrued through December 31, 2014 for employees, due by law.

Other changes include the portion of the additional contribution of 0.50% under Article 3 of Law 297/82, for the employees’ share of TFR transferred to supplementary pension funds (FONDENEL and FOPEN), and the amount accrued in the year and transferred to the Treasury Fund set up with INPS.

LIABILITIES: EUR 1,000,059,000

Bank borrowing: EUR 108,586,000

The breakdown is as follows:

(EUR thousands)	31.12.2014	31.12.2013	Variations
DUE TO BANKS:			
short term	30,586	18,309	12,277
medium and long term	78,000	-	78,000
Total	108,586	18,309	90,277

The elements are divided as follows:

- *Short-term liabilities 30,586,000 EUR*, basically pertains to the overdraft at year-end, for the non-collection of debtors, which expired in December, from the companies providing the enhanced protection service. However, these debts were collected in early January 2015, with the payment of interest on arrears, thereby closing the bank overdraft. The amount also includes the liability pertaining to the commitment fee, equal to EUR 449,000, which matured in the period on the amounts not yet drawn from the financing for OCSIT.
- *Medium and long-term liabilities EUR 78,000*, relates to the portion of the total funding of EUR 300 million, disbursed in OCSIT for the purchase of the first day of compulsory stocks. This loan, maturing on June 30, 2019, bears interest at the semi-month Euribor plus a spread of 1.20%. It is not burdened with real or personal guarantees in favour of the lender, subject to the provision of an escrow account, to which any sales income of the stocks in question will flow. It is noted that the difference between the amount granted and the amount actually paid for the supply of the same stocks in the light of the final prices applied is separately identified in "Cash" according to the system of the administrative and accounting unbundling program adopted.

This item increased from the previous year by EUR 90,277,000, mainly due to the start of operations of OCSIT.

Trade creditors: EUR 880,082,000

The item in question, which shows a decrease of EUR 132,650,000 from the previous year, is shown in the three core sub-items that make it up. The classification below has been deemed necessary due to the full operation of OCSIT, with its effects on the assets.

Creditors for purchases of energy and related services: EUR 878,116,000

The item includes payables, against invoices already received or to be received at December 31, 2014, for a total relating to the purchase of energy and related services, through various supply channels used by the Company. The details of the various batches are summarised in the tables set forth below, giving the comparison with the corresponding figures of 2013.

(EUR thousands)	31.12.2014	31.12.2013	Variations
Liabilities for differences accrued on hedging contracts	1,521	2,227	(706)
Liabilities for spot purchases of electricity	298	294	4
Liabilities to Terna for balancing fees	1,928	2,316	(388)
Liabilities to Terna for dispatching and other energy-related services	141,238	123,187	18,051
Liabilities to GME for energy purchases	732,887	882,817	(149,930)
Payables to GME for energy-related services	244	226	18
Total	878,116	1,011,067	(132,951)

It should also be pointed out that the debts pertaining to relations with GSE are recorded under "Due to parent company."

In correspondence with the collection performance of the amounts due from customers, contracts for the electricity purchased, together with contracts for services relating to energy (dispatching, etc.), are also normally adjusted in the second month following the month of reference.

Thus, the liabilities recorded mainly relate to costs incurred for attribution to November and December 2014.

The item shows, compared with the previous year, a decrease of EUR 132,951,000, primarily related to the decrease in "Amounts owed to GME for energy purchases."

Liabilities for the purchase of petroleum products and storage services: EUR 68,000

This item pertains to invoices to be received for storage services of oil stocks provided by depositories, relating to 2014 and maturing in the months after December 31, 2014. In the previous year this item showed a zero amount, as the operational management of OCSIT started in 2014.

Other: EUR 1,898,000

(EUR thousands)	31.12.2014	31.12.2013	Variations
Liabilities to advisers and suppliers for invoices to be settled	866	506	360
Liabilities to advisers and suppliers for invoices to be received	1,032	1,159	(127)
Total	1,898	1,665	233

The item includes the amounts of liabilities to other suppliers and consultants, for invoices already received and to be adjusted, as well with respect to invoices to be received at the reporting date.

Due to parent companies: EUR 275,000

The breakdown is shown in the following table, which also exposes the changes relative to the previous year:

(EUR thousands)	31.12.2014	31.12.2013	Variations
DUE TO PARENT:			
fee for cancelling foreign GO	-	228	(228)
for service contracts and other	275	506	(231)
Total	275	734	(459)

The account decreased from the previous year to EUR 459,000.

Tax creditors: EUR 285,000

The item, which consists primarily of amounts due to the tax authorities by way of withholding tax on the payment of benefits to employees, decreased compared with December 31, 2013 by EUR 16,000. It is noted that the current tax liabilities, amounting to EUR 1,300,000, have been deducted from the tax credits.



Liabilities for pensions and social security-569 000 EUR

The item is detailed in the following table:

(EUR thousands)	31.12.2014	31.12.2013	Variations
Creditor - INPS	435	416	19
Other creditors	134	126	8
Total	569	542	27

The item includes liabilities relating to contributions paid by the Company, levied on wages paid, on charges that accrued and unpaid personnel for holidays accrued but not taken, overtime and other allowances, as well as deductions from employees.

The item increased from the previous year by an amount of EUR 27,000.

Other creditors: EUR 10,151,000

The breakdown is as follows:

(EUR thousands)	31.12.2014	31.12.2013	Variations
Payables/employees and assimilated	360	860	(500)
Advance payments for operating fees subsequent financial area Energy	2,269	3,515	(1,246)
Advance payments for operating fees subsequent years IIS	2,317	1,943	374
Advances for fees operation subsequent years OCSIT Deposit	4,367	-	4,367
interest-bearing released by the operators greater protection	820	1,507	(687)
	18	29	(11)
Total	10,151	7,854	2,297

This item primarily pertains to the share of the fees to cover operating costs, already invoiced or approved in 2014 but pertaining to future years. This amount has been allocated to specific areas of activity, specifically:

- an amount of EUR 2,269,000, it pertains to the difference between the consideration for running costs of the energy, approved in advance for 2014, amounting to EUR 12,859,000, and the resolution defined for the same year by AEEGSI Resolution No. 116/2015/R/eel (EUR 10,59,000);
- for an amount of EUR 2,317,000, it pertains to the difference between total revenue accrued in total by December 31, 2014, to cover the costs of operation of the Integrated Information System and the corresponding amount of costs accrued during the same time period, valued in line with the unbundling model adopted. This surplus will be used to supplement the sums related to future years;
- for an amount of EUR 4,367,000, finally, it pertains to the difference between total revenue approved to cover the costs of operation of OCSIT 2014, as reported by the Decree of November 13, 2014 and the related amount of the charges accrued in the same period.

The item also includes the debt recorded against the security deposit granted in order to guarantee certain providers of the protected service (EUR 820,000).

Payables to the Electricity Equalisation Fund (CCSE): EUR 111,000

Payables to the Electricity Equalisation Fund (CCSE) increased by EUR 54,000 on the previous year, as a result of two contrasting trends:

- decrease of EUR 57,000, due to the payment made in 2014 of the amount determined in the 2013 accounts, in "Account for the equalisation of the costs of buying and dispatching of electricity for the service to additional safeguards," referred to in Article 70 TIT;
- Increase of EUR 111,000 in return for payment to be made, on the same basis, for further items recorded in FY 2014.

ACCRUED COSTS AND DEFERRED INCOME: EUR 10,000

The item relates only to accrued costs of EUR 10,000, mainly related to costs for solidarity contributions to FISDE.

The item remains unchanged from the previous year.

Regarding the division of debts in relation to their residual maturity, it is specified that all liabilities listed on the balance sheet will expire within a year, except for the medium-term financing for OCSIT, whose maturity is scheduled for June 30, 2019.

The following table shows the model with the breakdown of the debts of the Company by region.

Payables by geographical area (EUR thousands)	ITALY	OTHER Country U.E.	REST of Europe	TOTAL
Due to banks	108,586	-	-	108,586
Trade payables	879,911	-	171	880,082
Due to parent	275	-	-	275
taxes payable	285	-	-	285
Payables to pension and social security	569	-	-	569
Deposits from CCSE	111	-	-	111
other debts	10,151	-	-	10,151
TOTAL LIABILITIES	999,888	-	171	1,000,059

TOTAL EQUITY AND LIABILITIES EUR 1,012,064,000

MEMORANDUM ACCOUNTS:

EUR 3,789,620,000

This item is composed of the following elements.

Collateral and guarantees received: EUR 1,399,046,000

This item primarily pertains to bank guarantees, for a guaranteed amount of EUR 1,364,744,000, issued to AU by a bank or parent company, in the interest of the companies operating the enhanced protection service that the Company invoices for electricity.

These pledges, issued under Article 10 of the contract for the sale of electricity between AU and the companies operating the service, subject to additional safeguards, as updated by Resolution ARG/n Elt. 208/10 authority, guarantee loans of AU to the Company operating the service subject to additional safeguards, in an amount of not less than one-sixth of the annual cost, including VAT, sustained by each provider in the previous calendar year, for the supply of energy to its customers in the protected market.

In this context we mention the surety of EUR 1.15 billion December 31, 2014, issued in favour of AU, on behalf of Enel Servizio Elettrico SpA, by ENEL SpA, to guarantee the obligations arising from the contract for the sale of electricity.

Among the guarantees received are also recorded, for an amount of EUR 33,854,000, guarantees issued in 2014 by energy companies, as a guarantee of the contractual obligations.

The account also includes the guarantees provided by the suppliers of goods and services other than energy, amounting to EUR 189,000, to guarantee payment of the obligations defined in the contracts with AU.

This includes, finally, mortgage on real estate, with a total guaranteed of EUR 259,000, issued by employees to the payment to them by the Company, of loans for the purchase of a first home.

Referring to the line commented here it is stated that, although, no membership required at the foot of the balance sheet, it has been considered appropriate to so indicate within the memorandum accounts, considering the peculiarities of the business and in order to make a clearer statement.

Personal guarantees given to third parties: EUR 33,866,000

This item pertains to the guarantee required by GSE to AU and provided by AU in favour of the tax office, to cover the excess of deductible tax transferred to GSE within the Group VAT, compensated under Article 6 of D.M. of 13 December 1979.

Advances on pension benefits: EUR 68,000

This item pertains to advances on pension benefits for medical costs and to purchase a first home, as well as advances received from "former Enel" employees for the purchase of securities issued by Enel.

Commitments to suppliers: EUR 2,349,140,000

As of 2014, in order to provide clearer information, it has been considered appropriate to include the commitments made by AU to suppliers for purchases of electricity for the years 2015 and 2016, also providing the corresponding figure on 31/12/2013.

Assets of the parent company with the Company: EUR 7.5 million

This is the share certificate made out to the parent company, representing 7,500,000 ordinary shares of AU SpA, with a par value of EUR 1 per share, filed with the Company.

Current value of the differential contracts

December 31, 2014, this item has a zero balance. On December 31, 2013, the item included the value of the differential contracts, amounting to a net amount of EUR 15,349,000, which showed the total estimate at "fair value" obtained using appropriate methods of valuation, of the hedging contracts on the date of their conclusion.

It is noted that the differential contracts concluded by AU all expired on December 31, 2014. Thus, the profile of the valuation at the end of those contracts, with the methodology of fair value, does not apply.

PROFIT AND LOSS ACCOUNT

PRODUCTION VALUE: EUR 5,186,779,000

Revenues from sales and services: EUR 5,013,815,000

This item includes the following sub-items.

It should be noted that revenues earned are recorded exclusively against national counterparts.

a) Revenues from sale of electricity: EUR 4,965,068,000

This item pertains to revenues from the sale of energy for companies providing the enhanced protection service, attributable to 2014, inclusive of the findings for the amounts invoiced in the first two months of 2015, attributable to November and December 2014. The amount is adjusted and supplemented by findings for sundry adjustments. Relative to 2013 there has been a decrease of EUR 999,593,000, with the performance being related, as also mentioned in the Management Report, to the performance in 2014 of the overall costs of electricity supply, including the burden of dispatching services and similar.

b) Revenues from hedging contracts: EUR 130,000

Please note that the economic components accrued on individual contracts (price differences) are presented in the profit-and-loss statement as revenue if positive and as a cost, if negative (i.e. accounting on an open account).

In relation to these contracts, it is specified that the related economic components are acquired with certainty at the balance sheet date and are subject to residual uncertainty.

This item increased from the previous year by an amount equal to EUR 130,000.

c) Other revenues pertaining to energy: EUR 33,409,000

The item pertains to the components listed in the following table, which shows the changes relative to the previous year.

(EUR thousands)	2014	2013	Variations
Revenues for balancing fees	30,536	26,042	4,494
Revenues from energy sales to GME for imbalance in program	2	3,866	(3,864)
Revenues for fees not Arbitrage	2,076	3,292	(1,216)
Revenue from sale of extra energy mesh	795	910	(115)
Total	33,409	34,110	(701)

Overall, the item, relative to the previous year, shows a modest decrease (EUR 701,000).

d) Revenues to cover costs of non-energy operations: EUR 15,208,000

The account includes the fees to cover the costs of operation of the various types of business activities. In particular this means, as appropriate, fees paid by the Electricity Equalisation Fund, or invoiced directly to operators who are debtors.

It is noted that the amount invoiced to the enhanced protection service providers, to cover operating costs in the area of energy, is included under revenues from

the sale of electricity, as it is not separately charged from the economic components of the cost for the purchase of energy and related services.

(EUR thousands)	2014	2013	Variations
Counter coverage costs for energy consumers	8,219	8,465	(246)
Cover costs Monitoring retail	213	147	66
Cover costs Conciliation Service	262	258	4
Cover costs IIS	4,526	2,384	2,142
Cover costs OCSIT	1,988	635	1,353
Total	15,208	11,889	3,319

This item increased by EUR 3,319,000 over that of the previous year, primarily to the increase of fees for coverage of the IIS and of OCSIT.

Other income: EUR 172,964,000

The item pertains to the sub-items described below.

a) Contingent assets pertaining to energy: EUR 171,367,000

The item pertains to the economic effects of adjustments related to energy, for the period 2009 (and earlier) 2013, defined on the basis of assessments made by the technical departments of the Company, based on the information available. It is included under the heading general adjustment, with an overall estimate for the assessment of balance-sheet items, registered as a consequence of the principle of a balanced economic management of electricity, as referred to in the section on accounting principles.

The following table shows the sub-items of detail for the various types existing and separately for the timing of generation of the contingent, and any changes from the previous year.

(EUR thousands)	2014	2013	Variations
YEAR 2009 AND PREVIOUS			
load profiling adjustment and various TERNA late adjustments	3,883	10,736	(6,853)
General adjustment	2,548	3	2,545
Total	112	3,701	(3,589)
YEAR 2010			
load profiling adjustment and various TERNA	6,976	3,043	3,933
General adjustment	2,818	2,240	578
Total	9,794	5,283	4,511
YEAR 2011			
load profiling adjustment and various TERNA	7,273	2,465	4,808
load profiling adjustment operators additional safeguards	4	27,726	(27,722)
General adjustment	-	152	(152)
Total	7,277	30,343	(23,066)
YEAR 2012			
load profiling adjustment and various TERNA	9,974	80,624	(70,650)
load profiling adjustment operators additional safeguards	10,294	17,378	(7,084)
other	-	1	(1)
Total	20,268	98,003	(77,735)
YEAR 2013			
load profiling adjustment and various TERNA	6,581	-	6,581
load profiling adjustment operators additional safeguards	120,899	-	120,899
other	5	-	5
	127,485	-	127,485
Total	171,367	148,069	23,298

b) Income and revenue: EUR 1,597,000

The item includes the items specifically listed in the table below, with the evidence of the relevant changes that occurred relative to 2013.

This item has decreased overall, relative to the previous year, by EUR 2,001,000.

(EUR thousands)	2014	2013	Variations
Reimbursement costs seconded personnel	393	245	148
Income and revenue	18	18	-
Contingent assets Integrated Information System (IIS) Prior year income from allowance receivables	267	1,547	(1,280)
Contingent assets for generation energy management not recurring gains	639	1,506	(867)
OCSIT	277	282	(5)
	3	-	3
Total	1,597	3,598	(2,001)

This decrease is mainly attributable to the decrease of the amount of the Contingent assets of the Integrated Information System (IIS), for EUR 1,280,000, and Contingent assets for release from allowance of EUR 867,000.

PRODUCTION COSTS: EUR 5,186,212,000

For raw materials, supplies, consumables and goods: EUR 4,151,381,000

These pertain mainly to costs for the purchase of energy through the various channels of supply that AU, consistent with the regulatory context of re-injury, uses (EUR 4,151,359,000), as per the table below. The item includes costs related to hedging for the year (contracts for difference "two-way").

It also includes purchases not related to energy (supplies, stationery, etc.), for a residual amount of EUR 22,000.

The table below shows a more detailed breakdown of costs for the purchase of electricity by type of supply, with the evidence of specific changes relative to the previous year. Details pertaining to the amount of energy transit are fully described in the related sections of the report.

(EUR thousands)	2014	2013	Variations
PURCHASE COST ENERGY			
Purchase of energy on the electricity market	4,093,313	5,130,820	(1,037,507)
Balancing fees for consumption units	22,764	19,379	3,385
CFD two-way	31,798	27,854	3,944
OTHER PURCHASES OF ENERGY			
SO-CALLED purchases Extra-shirt and various	795	910	(115)
Fees for non-arbitration	2,689	3,387	(698)
Total	4,151,359	5,182,350	(1,030,991)

It should be recorded that the main counterpart is represented by GME, for purchases of energy on the electricity market, as follows: purchases electricity on the market (MTE) of EUR 2,630,127,000 and purchases on the day-ahead market (MGP) EUR 1,463,186,000. This item of purchase records in 2014, a decrease of EUR 1,037,507,000.

As comments to the corresponding revenue item, costs and revenues accrued on the individual hedging contracts (CFDs two-way) they are presented in the profit-and-loss statement with the criterion of accounting on an open account.

Items related to hedging contracts, taken together, constitute in essence a corrective or supplementary item, as appropriate, of the burden for the purchase of energy in the Power Exchange. Therefore, the balance of income and costs from hedging contracts amounting globally to EUR 31,668,000, as per the table presented below, takes on additional representative status if interpreted to supplement the cost for the purchase of energy on the electricity market, as shown in the following prospectus:

Cost energy (EUR thousands)	Amount
Cost 2,014 Energy purchased on the stock exchange	(4,093,313)
Net CFD two-way	(31,668)
Cost energy stock exchange net of hedges	(4,124,981)

Cost of services: EUR 845,532,000

The item primarily includes charges for services related to energy (dispatching and others), amounting to EUR 836,659,000, plus costs for various services, which amounted to EUR 8,873,000. Charges for services pertaining to energy have been mainly charged by the Company Terna SpA (EUR 835,199,000).

Details on individual items in the cost of services related to energy is set forth in the following prospectus, with the comparison with the previous year:

(EUR thousands)	2014	2013	Variations
COST DISPATCHING	831,445	799,951	31,494
Consideration Procurement Resources Service in the Market for Dispatching UPLIFT	459,639	485,451	(25,812)
Consideration Coverage of costs of the essential units for Security System UESS	148,187	89,946	58,241
Consideration Coverage of Costs entered for Operation DIS	42,215	43,101	(886)
Consideration cover costs Remuneration Availability of the Production Capacity SO-CALLED	48,738	34,130	14,608
Consideration cover costs Remuneration of service Interruptibility Load INT	132,666	147,313	(14,647)
Charges dispatching Terna energy for the service Transitional safeguard	-	10	(10)
OTHER SERVICES RELATED TO ENERGY	5,214	5,994	(780)
Consideration of costs of wind power modulation Del. 5/10 AEEG TERNA	931	1,367	(436)
OTHER FEES MINORS			
Costs for aggregate consideration measures for withdrawal	2,823	2,972	(149)
TERNA costs for fees operation GME	872	924	(52)
Cost of services to GME on the green certificate market	-	3	(3)
costs for services from GME on electricity accounts platform	297	347	(50)
(PCE) Services by GME electricity market futures (OTC)	291	381	(90)
Total	836,659	805,945	30,714

With regard to the performance of the overall costs of electricity supply and related services, including the burden of covers, it is noted that they amount to EUR 4,988,018,000 and show a decrease of EUR 1,000,277,000 relative to 2013. The underlying dynamics to this decrease are presented in detail in the Management Report and summarised here.

The decrease of EUR 1,000,277,000, recorded in the tables below, is due to the combined effect, for an amount of EUR 715,193,000 of the reduction in transactions of physical quantities (-8,507,600 MWh, -11.94% relative to the previous year) and, for an amount of EUR 285,084,000, the decrease in the average unit cost of acquisition, including services (-4.55 €/ MWh, corresponding to a change of -5.41%).

Table 2. Energy purchase costs (EUR thousands)

	2014	2013	Change	Change%
Cost of electricity supplies	4,988,018	5,988,295	(1,000,277)	-16.70%

Source: Internal, Single Purchaser.

Table 3. Changes in reference purchase costs

	2014	2013	Change	Change%
Quantity in MWh	62,726,300	71,233,900	(8,507,600)	-11.94%
Unit cost (€/ MWh)	79,52	84,07	(4,55)	-5.41%

Source: Internal, Single Purchaser.

The costs for various services, amounting to EUR 8,873,000, are summarised as follows:

(EUR thousands)	2014	2013	Variations
Service contracts with the parent	2,384	3,051	(667)
services managed by different parent	545	-	545
Directors remuneration	228	289	(61)
Statutory auditors fees	60	63	(3)
Emoluments supervisory board D.Lgs.231/01	34	34	-
Compensation for the legal audit Technical, legal and notary fees, administrative services and maintenance performance computing	418	880	(462)
expenditures for communication	2,732	2,163	569
Performance for project contracts	226	287	(61)
personnel costs	557	708	(151)
Charges for service administration work	150	211	(61)
costs for external services call centre activities Delivery charges	573	618	(45)
Transportation costs and rent	340	298	42
Additional costs for the storage of stocks of OCSIT	149	154	(5)
Telephonic	69	87	(18)
Other services	44	-	44
Other minor	63	33	30
Total	8,873	9,251	(378)

Relative to the previous year the item decreased by EUR 378,000. The most significant contraction of EUR 667,000, is on the burden of service agreements with the parent company.

Leases and rentals: EUR 2,253,000

The item consists of the following two sub-items:

Fees for oil products storage services of EUR 665,000. This pertains to the cost of the fees paid to third parties for the lease of storage facilities in stocks of OCSIT. It is noted that this item, similar to what has been shown for the corresponding debit accounts, presented in 2013 a total of zero, since the operational start of OCSIT occurred in 2014.

Other: EUR 1,588,000. The sub-item consists mainly of the rent paid to the parent company for the rent of the office of the Company (EUR 1,457,000), showing a decrease of EUR 490,000 relative to the previous year, following the renegotiation of the rent for the lease.

Personnel costs: EUR 12,327,000

The items that make up the overall personnel costs are summarised in the table below, with shows changes with respect to 2013.

(EUR thousands)	2014	2013	Variations
Wages and payrolls	8,867	8430	437
Social charges	2,570	2,385	185
Pension provision	603	558	45
Other costs	287	346	(59)
Total	12,327	11,719	608

The following tables show, for the last two years and for each contractual category, the monthly changes in the workforce, the level at year end and the average level:

1.1 - 31.12.2014

	Level 31.12.2013	Jan.	Feb.	Mar.	Apr.	May	June	July	August	Sept.	Oct.	Nov.	December	Level 31.12.2014	Force Media 2014
Executives	10	11	11	11	11	11	11	11	11	11	11	11	11	11	11.00
Managers	22	22	22	22	22	22	23	23	23	23	24	24	24	24	22.92
Employees	171	173	175	177	177	178	178	178	178	178	178	177	176	176	176.75
Total	203	206	208	210	210	211	212	212	212	212	213	212	211	211	210.67

Average personnel costs in 2014 € 58,515.55 Average workforce of 2,014 personnel N ° 210.67 Personnel costs in 2014 € 12,327,470.58

1.1 - 31.12.2013

	Balance on 31.12.2012	Jan.	Feb.	Mar.	Apr.	May	June	July	August	Sept.	Oct.	Nov.	December	Level 31.12.2013	Force Media 2013
Executives	8	8	8	8	8	8	8	8	8	8	8	10	10	10	8.50
Managers	18	18	18	18	17	17	17	17	23	23	23	22	22	22	20.00
Employees	162	167	167	169	169	170	171	165	166	165	167	170	171	171	168.08
Total	188	193	193	195	194	195	196	196	197	196	199	202	203	203	196.58

Average personnel costs in 2013 € 59,614.54 Average workforce of 2013 personnel N ° 196.58 Personnel costs in 2013 € 11,719,024.78

The volume of the item increased by EUR 608,000 relative to the previous year, in relation to the growth in the average number of employees.

Depreciation and amortisation: EUR 1,374,000

The item is in essence composed of depreciation and amortisation of EUR 1,366,000.

The amortisation, calculated as already commented about the assets, concerns for EUR 1,108,000 intangible assets and for EUR 258,000 tangible assets. The item increased, relative to the previous year, to EUR 505,000.

Additionally, it includes the devaluation of stocks of products OCSIT, made due to the natural decrease recorded in the year (EUR 8,000).

Other operating costs: EUR 173,345,000

The item is divided into sub-items analysed below.

a) Contingent liabilities pertaining to energy: EUR 171,367,000

The table shown on the next page sets out in detail the contingent liabilities pertaining to energy. These items are matched, in terms of amounts, by similar revenue items recorded in non-recurring income related to energy, as a consequence of the effect of institutional management, mentioned in the section on accounting principles.

The item "general adjustment" includes the overall estimate for the assessment of balance-sheet items, registered as a consequence of the principle of a balanced economic energy management, as referred to in the section on accounting principles.

The following table records sub-items of detail regarding the various types existing, separately for the timing of the generation of the contingent liabilities for the period 2009 (and earlier) and 2013.

(EUR thousands)	2014	2013	Variations
YEAR 2009 AND EARLIER:			
load profiling adjustment and various TERNA	3,823	1,718	2,105
late adjustments	2	3,717	(3,715)
other	-	11	(11)
load profiling adjustment operators additional safeguards	2,702	8,994	(6,292)
General adjustment	16	-	16
Total	6,543	14,440	(7,897)
YEAR 2010:			
load profiling adjustment and various TERNA	9,761	4,977	4,784
load profiling adjustment operators additional safeguards	33	306	(273)
Total	9,794	5,283	4,511
YEAR 2011:			
load profiling adjustment and various TERNA	361	7,973	(7,612)
load profiling adjustment operators additional safeguards	6,916	22,218	(15,302)
other	-	152	(152)
Total	7,277	30,343	(23,066)
YEAR 2012:			
load profiling adjustment and various TERNA	4,333	52,504	(48,171)
load profiling adjustment operators additional safeguards	15,935	45,495	(29,560)
General adjustment	-	2	(2)
other	-	2	(2)
Total	20,268	98,003	(77,735)
YEAR 2013:			
load profiling adjustment and various TERNA	99,660	-	99,660
General adjustment	27,824	-	27,824
other	1	-	1
Total	127,485	-	127,485
Total	171,367	148,069	23,298

b) Other charges: EUR 1,978,000

The breakdown is as follows:

(EUR thousands)	2014	2013	Variations
Contribution to the costs of operation of AEEGSI article 2 Law 481/95	1,670	2,120	(450)
Entertainment costs	44	74	(30)
Contingent different about managing non-energy	109	41	68
Taxes	76	53	23
Buying newspapers, books and magazines etc.	7	11	(4)
Other charges	72	115	(43)
Total	1,978	2,414	(436)

The item records, as from the previous year, a decrease of EUR 436,000. This decrease is mainly attributable to the item "Contribution to the costs of operation" of AEEGSI (EUR 450,000).

DIFFERENCE BETWEEN VALUE AND COST OF PRODUCTION: EUR 567,000

The difference between value and cost of production of EUR 567,000 is attributable to the effects of Resolution No. AEEGSI. 116/2015/R/eel, which determined definitively the amount of the fee to cover the costs of operation of the Energy sector, based on the definition of an appropriate rate of return before tax of equity of AU. To facilitate the understanding of the dynamics of formation of the difference in question, the Management Report presents the following detailed models, in addition to the Model of the reclassification of the profit-and-loss statement:

- Operating costs for the specific business segment;
- Results of financing;
- Determination of the gross pre-tax result.

FINANCIAL INCOME AND CHARGES: EUR 552,000

The positive balance of financial management, equal to EUR 552,000, comprises income of EUR 1,707,000, set against charges of EUR 1,155,000. The table below shows the analysis of individual items.

Other financial income: EUR 1,707,000

The breakdown is as follows:

Term receivables: EUR 1,000

The item consists of accrued interest on loans to employees.

Other income: EUR 1,706,000

This item consists mainly of the equity-share of the OCSIT levy charged to oil operators, of EUR 1,068,000, for the coverage of costs related to the operation of OCSIT itself, particularly with regard to interest accrued on the loan for the supply of stocks.

The other income includes, for EUR 244,000, accrued interest income on bank balances held by the Company in the short term and for EUR 394,000 default interest and penalties charged to the service operators subject to additional safeguards for late payment.

Interest and other financial charges: EUR 1,155,000

The item comprises:

Interest from parent company: EUR 10,000

The item consists of interest paid to the parent company under the intercompany account agreement.

Other: EUR 1,145,000

The amount is mainly due to costs related to financing for 300 million EUR, granted to OCSIT for the purchase of specific stocks. Such borrowing costs include both interest expense of EUR 597,000, the amounts used in the period of July 1 to December 31, and the commitment fee (so-called commitment fee), equal to EUR 449,000, which matured in the same period on the amounts not yet drawn from the loan in question.

This item includes, in addition, the cost of the bank guarantee issued to guarantee VAT credits (EUR 60,000), interest expense on short-term bank debts (EUR 36,000) and other charges (EUR 3,000).

EXTRAORDINARY REVENUES: EUR 585,000

This item consists mainly of taxes attributable to prior years, including the largest amounts paid as a result of the failure to deduct the so-called IRAP tax wedge, including in the light of the assessments received for the years 2009 and 2010. It is noted that comprehensive information on this issue can be found in a special section of the Management Report.

INCOME TAXES: EUR 199,000

Details of these costs, together with the changes relative to the previous year, are summarised in the following figure:

(EUR thousands)	2014	2013	Variations
Current taxes:	1,300	716	584
IRAP	611	329	282
IRES	689	387	302
Deferred taxes:	(756)	(305)	(451)
IRES	(756)	(305)	(451)
Deferred tax assets:	(345)	-	(345)
IRES	(345)	-	(345)
Total	199	411	(212)

a) Current taxes: EUR 1,300,000

The balance of current taxes pertains to IRAP and IRES for the year.

b) Deferred: EUR 756,000

The balance is in essence determined by the use of deferred tax for the amount of default interest pertaining to previous years, collected during the year, as well with respect to the recovery of charges deducted only for tax purposes in previous years.

c) Deferred tax assets: EUR 345,000

The amount is related to deductible temporary differences that matured in 2014, on the assumption of their future recovery. The future recoverability has been evaluated on the basis of estimates and comments supplied by tax experts, through the analysis of legislation on taxation and the consequent effects on future tax bases. With specific regard to the evolution of the relevant legal context it should be noted that, as stipulated by Law 190 of 2014, known as the Law of stability for the year 2015, as of 2015, the effect of non-deductibility of labour costs from the calculation of the IRAP tax base will be neutralised.

This will remove a reason for a strong erosion of the tax base IRES, because:

- First, the future IRAP of AU, from 2015, would be clearly contracted out; and particularly
- There would not occur in the future, except limited to the reduced flat rate of 10%, the effect of the deduction of IRAP from IRES.

The "rebalancing" of the tax mix of AU, the future reduction of IRAP, and the related increase in the future tax base IRES, ultimately removes the main cause that, as a precaution, imposes a condition of doubt impediment on the absorption of deductible temporary differences with IRES new tax bases. It is considered, therefore, that the conditions are such as to enable the inclusion of the item "Deferred tax assets," as assets in the profit-and-loss statement, while fully respecting the rule of prudence and economic attribution.

Reconciliation between tax statements and theoretical tax burden

In accordance with Document No. OIC 25, the tables below illustrate, for IRES, the detail of the reconciliation between income tax from the accounts and the theoretical tax charge and the determination of the IRAP tax chargeable.

Reconciliation IRES (EUR thousands)	Taxable	IRES
Income before taxes	534	
Theoretical tax charge (27.5%)		147
Temporary differences taxable in future years	(136)	
Temporary differences deductible in future years	1,257	
Reversal of taxable temporary differences from previous years	102	
Reversal of temporary differences from previous years that differences will not reverse in future years	(643)	
TAXABLE INCOME TAX	2,507	
IRES CURRENT PROFIT AND LOSS ACCOUNTS		689

Temporary differences taxable in future years (EUR 136,000) pertain to interest on arrears for the year, but not yet received; compared with the figure of the previous year (EUR 491,000) the data shows a decrease of EUR 355,000, due to the decrease in the value of default interest not collected in the year.

Temporary differences deductible in future years (EUR 1,257,000) pertain to the remuneration of the Board of Directors for the year, but not disbursed during the year, to the amortisation of the year in excess of the deductible amount and the variable bonuses of employees ascertained in the annual accounts. The data shows an increase of EUR 544,000 in comparison to the previous year's figure (EUR 713,000).

The reversal of taxable temporary differences from previous years (EUR 102,000) pertains to interest on arrears pertaining to previous years, collected during the year; compared with the figure of the previous year (EUR 223,000) data shows a decrease of EUR 121,000.

The reversal of deductible temporary differences from previous years (EUR 643,000) is related to the compensation of the Board of Directors pertaining to previous years paid in the year (EUR 55,000), the recovery of depreciation that resulted in excess in previous years (EUR 12,000) and the variable bonuses of employees recorded in the accounts in previous years and delivered during the year (EUR 576,000); relative to the previous year (EUR 40,000) the data shows an increase of EUR 603,000. The differences that will not be reversed in future years (EUR 1,393,000) are mainly due to increases for: recovery of decreases from the EC section of the previous years (relative to the extraordinary distribution of reserves and dividends that occurred in 2014), contingent liabilities for non-deductible costs established in the year, expenditure on motor vehicles, other undocumented costs and decreases, formed by the further deduction of pension benefits, by deduction of IRAP and the taxation of non-recurring income tax previous years; compared with the previous year (EUR 229,000) the data shows an increase of EUR 1,164,000.

IRAP (EUR thousands)	Taxable	IRAP
Difference between value and cost of production	567	
Costs not relevant for IRAP	12,335	
TOTAL		
Theoretical tax (rate 4.82%)	12,902	622
Temporary differences taxable in future years		
Temporary differences deductible in future years		
Reversal of temporary differences from previous years		
Differences that will not be reversed in subsequent years	298	
Deductions	(525)	
TAXABLE IRAP	12,675	
IRAP CURRENT YEAR		611

Taxable temporary differences in future years, as well as the temporary differences deductible in future years, are not present.

The differences that will not reverse in future years are primarily due to the balance of costs for the provision of quasi-subordinate work that is not deductible for IRAP and extraordinary income not taxable for IRAP, while the deductions are related to the items required by law IRAP (Article 11 Legislative Decree No. 446/97).

It is noted that the rates used to calculate deferred and advance taxes have been as follows: (current tax rate of 27.5%) and IRAP (rate of 4.82%).

It should further be noted that (and as amply described in the referenced Management Report) as a result of the tax audit initiated in March 2013 on October

16 and November 4 of 2014, the Company received two notices of assessment for the years 2009 and 2010, with which the Lazio Regional Directorate of the Revenue Agency has established a greater tax IRAP, as a result of the denial of the applicable facility of the tax wedge.

Specifically, with the assessments pertaining to 2009 and 2010, the Office dismissed an IRAP and penalties totalling approximately EUR 300,000 (excluding interest) for the two years.

Against those two notices of assessment the Company, on December 12, 2014, brought two separate appeals before the Provincial Tax Commission of Rome, also applying for the cancellation and supporting this with the grounds already contained in the application presented in 2014 on the same matter, about the relevance of the subsidy in Article 11 Legislative Decree No. 446/1997 to the activities of AU exercised not in concession and, much less, for a "rate".

The Company, in compliance with legal requirements, has also made the payments due on a provisional basis, pending the judgement of first instance, equal to one third of the tax paid in the assessment. The residual risk (now only potential), in terms of the assessed net amount paid on a provisional basis, amounted to approximately EUR 250,000. This amount has not been accounted for as a provision to fund specific risks, given the risk assessment tax in question, recently reiterated by tax advisors as being possible, but not probable.

More specifically, the decision not to establish a special fund risk stems from the consideration of the provisions of Article 2424-bis, paragraph 3 of the Civil Code, interpreted in the light of the accounting principles, again depending on the potential risk being regarded as not probable, but possible.

NET INCOME: EUR 335,000

The profit of 2014 is given by the sum of income before taxes (EUR 534,000) and the tax expense for the year (EUR 199,000), in turn represented by the algebraic sum of the amount of current taxes and deferred taxes.

The result before taxes, in more detail, is as quantified as a result of the effects of Resolution No. AEEGSI. 116/2015/R/eel, which established the application of a rate of return on equity before tax burdens, thus leading to the result in question.

OTHER INFORMATION

With reference to Article 2497-bis, paragraph 4, we provide a summary of significant financial data of the parent company, performing direction and coordination of AU. It is also understood that the Manager of Energy Services-GSE SpA will prepare consolidated annual accounts.

Manager of Energy Services GSE SpA Annual Accounts 2013 (EUR)

BALANCE SHEET	AMOUNT
ASSETS	
DUE FROM SHAREHOLDERS FOR UNPAID FIXED ACCRUED ASSETS AND DEFERRED	-
	102,859,534
	3,517,797,456
	410,521
Total assets	3,621,067,511
LIABILITIES	
NET ASSETS:	
Share Capital	26,000,000
Stocks	103,453,501
Profit for the year	14,381,956
PROVISIONS FOR RISKS AND CHARGES	32,396,022
PROVISION FOR EMPLOYEE LIABILITIES	3,605,118
ACCRUED COSTS AND DEFERRED	3,407,445,817
	33,785,097
Total liabilities	3,621,067,511
MEMORANDUM ACCOUNTS	145,321,238,099
PROFIT AND LOSS ACCOUNT	
PRODUCTION VALUE	15,127,262,034
PRODUCTION COSTS	15,124,831,388
FINANCIAL INCOME AND COSTS	14,877,886
	-
ADJUSTMENTS TO THE VALUE OF FINANZIARIE EXTRAORDINARY	298,429
	(3,225,005)
NET INCOME	14,381,956

It is pointed out that there has been no exceptional cases requiring derogation from the rules of law pertaining to annual accounts, in accordance with paragraph 4 of Article 2423.

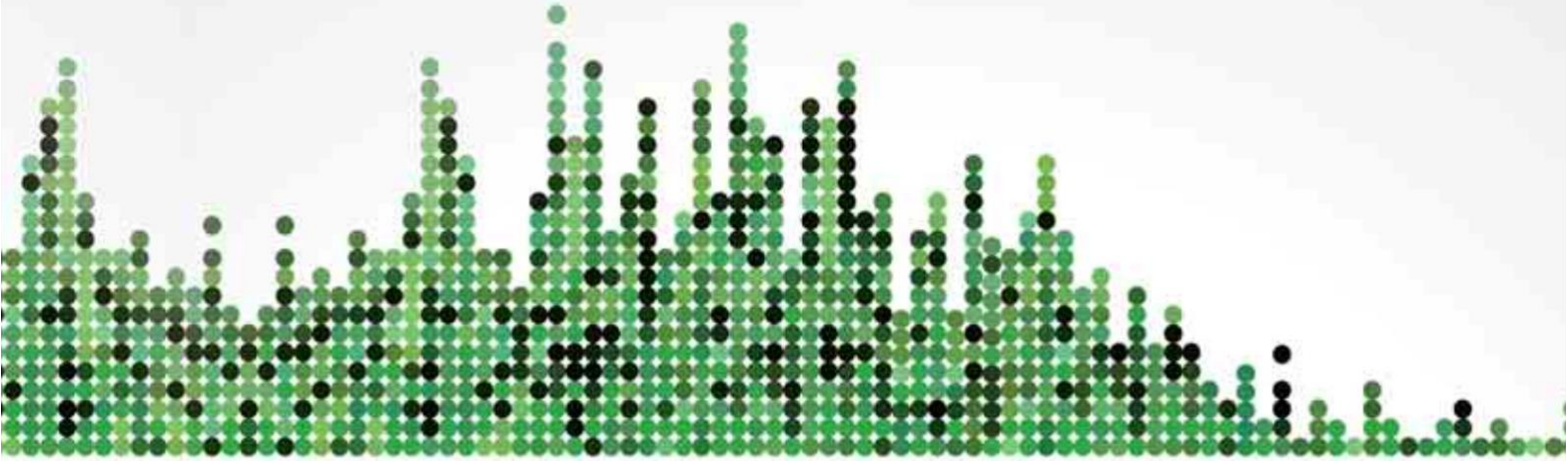
We also report the absence of the following circumstances:

- Holdings, owned directly or through a trust company or third parties, in subsidiaries and associates;
- Receivables and trade payables due after more than five years and debts secured by collateral on corporate assets;
- Financial costs recorded in the year for the values entered in the balance sheet;
- Investment income;
- Issue of bonus shares, convertible pledges or similar securities.

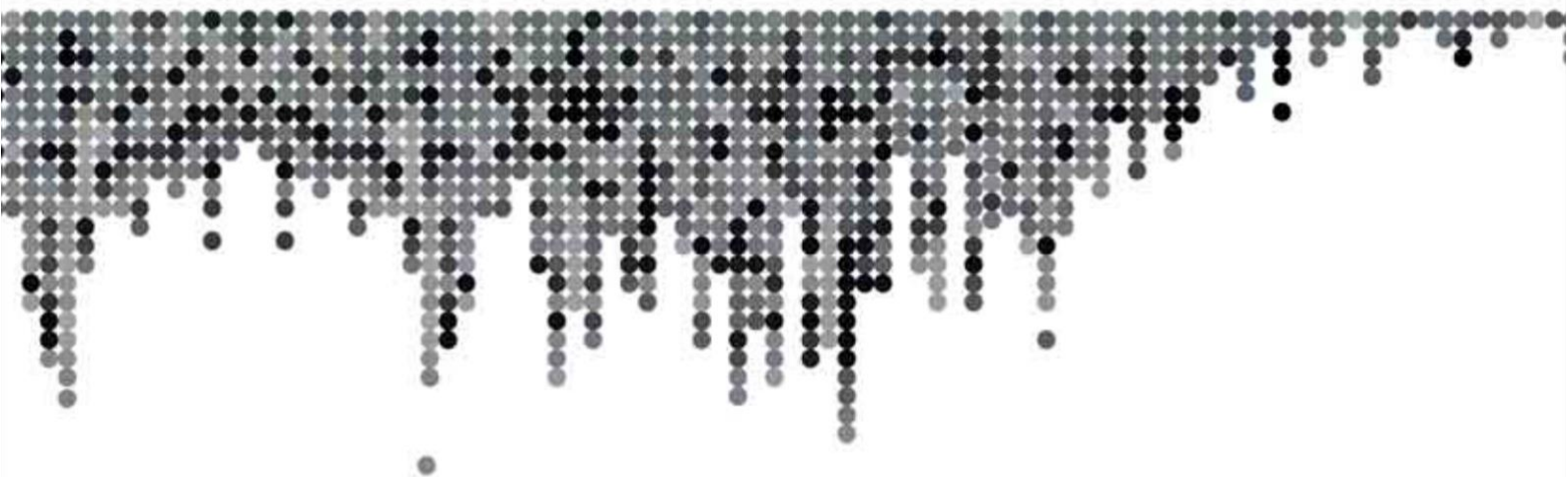
CASH FLOW

As required by accounting principle OIC 10, the following table shows the financial information:

<i>(EUR thousands)</i>	2014	2013
A. CASH FLOWS FROM OPERATING INCOME		
Net income	335	363
(loss) Income taxes	199	411
Interest expense (Interest)	1,155	63
	(1,707)	(1466)
1. Profit (loss) before income taxes, interest, dividends and plus/losses on the sale	(18)	(629)
Adjustments for non-cash items that had no counterpart in the capitaand net working		
Increase in funds	1,070	766
Employee termination benefits	604	558
Depreciation of fixed assets	1,366	868
Other adjustments for non-cash items	8	-
Total adjustments to non-cash items	3,048	2,192
2. Cash flow before changes in cash flow from bcc	3,030	1,563
Change in working capital Net Cash Flow		
Decrease (/ increase) in trade receivables	126,063	138149
Change in receivables from parent company	(1,483)	702
Change in receivables from Electricity Equalisation Fund	386	(1278)
Change in prepayments and accrued income	(27)	33
Change in trade payables	(132)	(128,192)
Change in payables to parent company	842	(459)
Changes in amounts due from Electricity Equalisation Fund	54	(2,795)
Change in accrued liabilities	-	3
Other changes in equity	3,391	10,813
Total changes in net working capital	(4,917)	14,431
3. Cash flow after changes in cash flow from bcc	(1,887)	15,994
Other adjustments		
Interest received	1,763	1,177
(Interest paid)	(646)	(63)
(Income tax paid)	(1,138)	(300)
(Use of funds)	(2,019)	(991)
Total Other Adjustments		(177)
Cash flow of operating activities (A)	(3,927)	15,817
B. CASH FLOWS FROM INVESTMENT		
Investments in intangible assets	(2,945)	(721)
Increase/(decrease) in trade payables for intangible assets	180	(136)
Investments in tangible fixed assets	(75,345)	(96)
Increase/(decrease) in trade payables for fixed assets	12	(3)
Financial fixed assets	(108)	(65)
Cash flow from investing activities (B)	(78,206)	(1,021)
C. CASH FLOWS FROM FINANCING		
Third-party funding		
(Decrease)/increase in short-term borrowing from banks		(12,472)
Turning funding	11,828	-
Equity		
Dividends paid		(1,262)
Cash flow from financing activities (C)	87,465	(13,734)
Increase (decrease) in cash (ABC)	5,332	1,062
CASH AT JANUARY 1		1,799
CASH ON DECEMBER 31	8,193	2,861



REPORTS 2014



ACQUIRENTE UNICO S.p.A.

Headquarters in Via Guidubaldo Del Monte, 45-00197 Rome
Capital EUR 7,500.000, fully paid
Register of Companies of Rome and tax code: 05877611003

**Report of the Supervisory Board to the Shareholders Meeting
under Article 2429 of the Civil Code**

The amounts are expressed in EUR.

To the Meeting of Shareholders of ACQUIRENTE UNICO S.p.A.

Dear Shareholder:

During the year ended on 31/12/2014, the Supervisory Board performed the functions provided for in Article 2403 ff of the Civil Code while also basing its activity on the Rules of conduct of the Supervisory Board recommended by the Association of Italian Accountants and Accounting Experts. The Supervisory Board for the period 2014-2016 was appointed during the meeting on November 21, 2014.

Specifically, with effect from the appointment, the Board has:

- Monitored compliance with the law and Charter and respected the principles of sound administration participating in sessions of the Meeting and Executive Board. In this respect the Supervisory Board has obtained information from the administrative body on the general performance of operations, the business outlook and the most significant transactions, in size and nature, carried out by the Company. The Board can provide reasonable assurance that the actions taken are in compliance with the law and the Articles of Association and are not manifestly imprudent, in potential conflict of interest or in contrast with the resolutions taken by the shareholders or otherwise prejudicial to the integrity of the equity;
- Evaluated and monitored-within the limits of its authority-the adequacy of the administrative and accounting system and its ability to represent correctly the actions of management, through the procurement of information on the statutory audit and examination of commercial documents. In this regard there are no particular observations to be made. We also report that within the meaning of Article 26 of the Articles of Association, which introduced the figure the Executive Responsible for the preparation of financial reports of which Art. 154-bis of Legislative Decree No. 56/93 introduced by Law 262/05, the Chief Executive Officer and the Executive Responsible have asserted, with special certification to be attached to the accounts, *"the compliance, in relation to the characteristics of the actual application, of the administrative and accounting procedures for the preparation of annual accounts for the year ending in December 2014"* and the correspondence of the annual accounts *"to the corporate books and accounting records"* and that they have been *"prepared in accordance with to the provisions of the Civil Code and Accounting Standards elaborated by the OIC and, so far as known, provide a true and correct view of the equity, economic and financial situation of Acquirente Unico S.p.A."* The above certificate confirms that *"the directors report includes a reliable analysis of the progress and results of operations and the situation of*

Acquirente Unico S.p.A., together with a description of the principal risks and uncertainties to which the Company is exposed.";

- Has maintained exchange of communications with the firms responsible for the statutory audit the accounts and no significant data or information emerged that must be included in this report;
- Has obtained information and monitored the adequacy of the organisational structure of the Company, also through the collection of information from the Directors of the individual Departments. In this respect, it has no particular observations;
- Has learned that there have not been assignments to services that could compromise the independence of the audit firm Deloitte & Touche S.p.A., which has the task of the statutory audit and certification of the accounts. The same audit firm has also been assigned the examination of the separate accounts (unbundling) of the Integrated Information System (IIS) and the Central Italian Storage Body (OCSIT);
- In order to implement the legislation on administrative liability of legal entities, companies and the association, it is noted that the Supervisory Board, in 2014, has monitored the application of the Model and the Code of Ethics by the corporate structures that oversee the processes at risk of crime, to ensure compliance with the organisational and protection procedures;
- In the year 2014 the Italian Storage Body (OCSIT) began operations and the Board notes that the Management Report includes a full description of the functions and activities of the Central Italian Storage Body (OCSIT) attributed to the Company in compliance with Legislative Decree Dec. 31, 2012, No. 249, which implemented EU Directive 2009/119/EC. As stipulated by the order of the Ministry of Economic Development (MISE), OCSIT within the period of 30 November has submitted to MISE the budget for 2015.
- During 2014 the previous Supervisory Board, in office until 20/11/2014 in extended regime, issued the following required and attributable opinions:
 - > On April 14, 2014, it gave a favourable opinion in relation to the policy adopted by the Company directors on remuneration with proxies, also in terms of achieving the objectives entrusted to directors with reference to the variable portion;
 - > on May 19, 2014, it gave a favourable opinion on the Redefining of the items of emolument for the powers granted to the Managing Director under Article 2389 third paragraph of Civil Code, in accordance with the decree of the Ministry of Economy and Finance of 24 December 2013 No. 166, by decree Law 24 April 2014 No. 66 and the opinion expressed by the State Council in 2013;
 - > On September 11, 2014, it gave a favourable opinion on the redetermination of the remuneration of the Director with special offices ex art, 2389, third paragraph, of the Civil Code, in the light of the implementation, with amendments, of Decree Law 24 April 2014 n 66, in Law of 23 June 2014 No. 89 and the Note of the Ministry of Economy and Finance of 5 July 2014;
 - > On November 6, 2014, it gave a favourable opinion on the remuneration of the Director with special powers under Article 2389, third paragraph of the Civil Code, according to the press release from the parent company GSE on remuneration policies of executive proxies.
- In the course of supervision, as described above, there were no additional facts discovered that are significant enough to require mention in this report.
In the course of the year 2014 and further until the date of issue of this report there has been no complaints under Article 2408 of the Civil Code.

The Supervisory Board has examined the draft annual accounts of the Company at 31/12/2014 drawn up by the Directors under the law and communicated them to the Auditors, together with schedules and detailed annexes, at the meeting of the Board of Directors of 2 April 2015.

The accounting document in question, prepared in accordance with the provisions of Article 2423 and following of the Civil Code, reported net income of EUR 335,307.

Summaries of the balance sheet and profit-and-loss statement are provided below.

BALANCE SHEET

ASSETS

<i>Amounts expressed in EUR</i>	<i>December 31, 2014</i>	<i>December 31, 2013</i>
Receivables from shareholders for outstanding payments due	-	-
Fixed assets	78,769,888	1,746,604
Current assets	933,161,183	1,053,056,673
Accruals and deferrals	132,720	104,843
TOTAL ASSETS	1,012,063,791	1,054,908,120

NET ASSETS AND EQUITY

<i>Amounts expressed in EUR</i>		<i>December 31, 2013</i>
Net assets		
I Capital	7,500,000	7,500,000
IV Statutory reserves	1,082,816	1,064,643
VII Other reserves (extraordinary reserves)	872,320	2,890,624
IX Profit (loss) for the year	335,307	363,469
Total equity	9,790,443	11,818,736
Provision for risks and costs	1,561,252	1,916,137
Employee pensions	643,390	634,428
Debts	1,000,058,884	1,040,529,054
Accruals and deferrals	9,822	9,765
TOTAL LIABILITIES AND EQUITY	1,012,063,791	1,054,908,120

<i>Amounts expressed in EUR</i>	<i>December 31, 2014</i>	<i>December 31, 2013</i>
Memorandum accounts	3,789,620,778	4,817,958,846

PROFIT AND LOSS ACCOUNT

<i>Amounts in EUR</i>	<i>December 31, 2014</i>	<i>December 31, 2013</i>
Production value	5,186,779,113	6,162,326,577
Costs of production	5,186,122,66	6,162,698,141
Difference between value and cost of production	566,847	(371,564)
Financial income and costs	552,315	1,403,071
Extraordinary income and costs	(585,576)	{257,115}
Result before taxes	533,786	774,391
Taxes on result for the year	198,479	410,922
NET INCOME	335.307	363,459

The following comments are made on the accounts:

- Given the fact that the Supervisory Board is not performing the statutory audit, it has supervised their general conduct and general compliance with the law with regard to form and structure and, in this regard, has no particular observations;
- The Supervisory Board has verified the rules and regulations governing the predisposition of the Management Report and, in this regard, has no comment.
- In its own report on the accounts, released on April 13, 2015, the audit firm has not raised matters that call for disclosure and has certified that in its judgement the accounts "comply with that governing their drafting, are therefore clearly stated and give a true and correct view of assets and financial situation as well as the results of operations of the Company. It has also confirmed that "the Management Report is consistent with the annual accounts."

The Supervisory Board has verified the correct fulfilment of the provisions of the "Spending Review" under Article 20 of the law of June 23, 2014, No. 89. Specifically, under paragraph 1 of Article 20 of the law it expects for 2014 the reduction in operating costs net of depreciation and a contraction of fixed assets, as well as provisions for risks, not less than 2.5%. The following is a summary of the cost savings achieved in 2014, which shows that the total operating costs and subtotal for functional costs are respectively 16.6% and 2.8% relative to 2013:

(Amounts in thousands of EUR)

TABLE OF REDUCTION OF OPERATING COSTS

OPERATING COSTS	31.12.2014	31.12.2013	Variance	Variance (%)
Operating expenses of Electricity	4,988,018	5,988,295	(-1,000,277)	(-16.7%)
Management of petroleum product stocks	709	0	709	0
Other operating costs	24,744	25,466	(-722)	(-2.8%)
TOTAL OPERATING COSTS	5,013,471	6,013,761	(-1,000,290)	(-16.6%)

Specifically, the chart below briefly describes the decrease in operating costs with respect to the profit-and-loss statement items:

(Amounts in thousands)

Functional operating costs: Review of expenditures

	31.12.2014	31.12.2013	Variance
Raw materials, supplies, consumables and goods - electricity supplies cost not included	22	41	(19)
Services - Additional costs for the storage of stocks of OCSIT not included	8,829	9,251	(422)
Leases - Additional costs for the storage of stocks not included	1,588	2,041	(453)
For employees	12,327	11,719	506
Sundry costs	1,978	2,414	(436)
Total	24,744	25,466	(722)

With respect to paragraph 3 of Article 20 Law of 23 June 2014, No. 89, the Board supports the proposal of the directors on the distribution of profits to the shareholders for EUR 149,388, equal to the cost savings achieved under paragraph 1, net of the advance issued on 30 September 2014 of EUR 572,992;

- so far as known, the Directors, in preparing the annual accounts, have made no exceptions to the provisions of the law under Article 2423, paragraph 4, of the Civil Code;
- we have not found any atypical or unusual operations and the Directors, in the report on operations and the notes, have illustrated the financial transactions, the trading and services between the group companies;
- The Supervisory Board has checked that the annual accounts present the facts and information of which it has gained knowledge in response to the performance of its duties and does not have observations.

Considering also the result of the activities carried out by the entity in charge of the statutory audit, which are explained in the audit report, the Supervisory Board feels confident in approving the annual accounts closed on 31/12/2014, in accordance with the provisions of the Board of Directors.

Finally, in February 2015 the Council of Ministers approved the draft law on tenders that provides in particular the repeal of Article 35 No. 2 of the Legislative Decree of 1 June 2011, No. 93, from January 1, 2018, with the intention to repeal the regime of the "greater protection." The measures necessary

to ensure the gradually superseding of this model will be adopted by a special decree of the Minister of Economic Development.

Rome, April 13, 2015

The President

DR. PAOLA FERRONI

Member of the Supervisory Board

DR. LINDA OTTAVIANO

Member of the Supervisory Board

DR. CIRO PIERO CORNELLI

AUDITOR'S REPORT, IN CONFORMITY

WITH ARTICLE 14 OF LEGISLATIVE DECREE 27.1.2010, No. 39

**To the shareholder of
ACQUIRENTE UNICO S.p.A.**

1. We have conducted the audit of the financial statements of Acquirente Unico S.p.A. ("the Company") for the year ended December 31, 2014. The responsibility for the preparation of the financial statements in conformity with the law governing reporting criteria is born by the Company's Board of Directors. Our responsibility is limited to the professional judgement expressed concerning the financial statements, based on our audit of the accounts.
2. Our audit was conducted according to the auditing principles issued by the National Council of Qualified Accountants and Accounting Experts (*Consiglio Nazionale dei Dottori Commercialisti e dagli Esperti Contabili*) and recommended by CONSOB. In conformity with these principles, the review has been planned and carried out in such a manner to obtain all the required information for determining if the financial statements are free from material misstatement, and if they result in being generally fair. The auditing process includes the examination, on the basis of inspection of samples, of the probative elements in support of the balances and of the information contained in the statements, as well as the evaluation of the adequacy and correctness of the accounting criteria used and of the reasonableness of the estimates provided by the Directors. We believe that the work carried out provides a reasonable basis for expressing our professional opinion.
For the auditor's opinion concerning the preceding financial statement, the data for which are presented for comparison purposes according to the governing legal provisions, we refer the reader to the report issued by our firm on April 10, 2014.
3. In our opinion, the financial statements of Acquirente Unico S.p.A. at December 31, 2014 are in conformity with the laws governing reporting criteria; the financial statements are thus prepared in a clear manner and present the Company's situation of assets, finances and economic results in a true and correct manner.
4. The responsibility for the preparation of the management report is in conformity with the legal norms regarding the duties of the Company's Board of Directors. Our responsibility is to express an opinion on the coherence of the management report included with the financial statements, as required by law. For this purpose, we have carried out the procedures indicated under accounting principle no. 001, issued by the National Council of Qualified Accountants

and Accounting Experts and recommended by CONSOB. In our opinion, the management report is consistent with the financial statements of Acquirente Unico S.p.A. as at 31 December 2014.

DELOITTE & TOUCHE S.p.A.

[illegible signature]

Domenico Falcone

Partner

Rome, 13 April 2015

Ancona, Bari, Bergamo, Bologna, Brescia, Cagliari, Firenze, Genoa, Milan, Naples, Padua, Palermo, Parma, Rome, Turin, Treviso, Verona

Legal headquarters: Via Tortona 25, 20144 Milan, Share capital: [illegible]

Tax code/Milan Commercial Register no. [illegible]; Milan Economic and Administrative Register no. [illegible]

VAT number: IT [illegible]

Member of Deloitte Touche Tohmatsu Limited

**CERTIFICATION OF THE ANNUAL ACCOUNTS IN ACCORDANCE WITH ARTICLE 26
OF THE ARTICLES OF ASSOCIATION**

1. The undersigned Paolo Vigevano, as the Chairman and Managing Director, and Paolo Lisi, as the director responsible for drafting the financial statements of Acquirente Unico S.p.A.

CERTIFY

- the fairness of the accounts in relation to the characteristics of the Company; and
- the effective application

of the administrative and accounting procedures for the preparation of the financial statements for the year ended December 31, 2014.

2. In that regard it should be noted that this certification is prepared on the basis of the activities carried out by the Director responsible during the year, as well as of a system of certification by the heads of the various company departments and, with reference to the processes carried out, on the basis of service contracts, of the holding company GSE and the heads of the related departments of the holding company. More specifically:
 - The Energy Operations Department, the Energy Consumer Facility Department, the OCSIT Unit, the Integrated Information Systems Unit, the External Relations and Market Analysis Function and the Customer Reconciliation Service, regarding the processes under their own responsibility, have certified by declarations signed by their respective Heads that the data and information necessary for the preparation of the financial statements for 2014 and the related report on the business have been correctly computed and represented;
 - The Human Resources and General Services departments of the holding company, on the basis of and within the limits of what is foreseen by the existing service contract and in relation to the processes placed under their own responsibility, have certified by a declaration signed by the respective Director that the data and information necessary for the preparation of the financial statements for 2014 and the related report on the business have been correctly computed and presented;
 - The Information Systems Department of Acquirente Unico S.p.A. and the Information Systems Department of GSE, in relation to the processes under their responsibility, have certified, by declarations signed by the respective Directors, the adequacy of the information systems, considering the phenomena that have impacted the economic, capital and financial situation of Acquirente Unico S.p.A., particularly in regard to:
 - The correct functioning of the infrastructures and the company's functional applications for the acquisition, processing and presentation of administrative and accounting information and of information which in any way feeds into the accounting system and have therefore made an impact on the disclosures in the 2014 financial statements; and
 - The existence of adequate procedures appropriate to guarantee the safeguarding of company information.

The Audit Department of GSE, upon completion of the tests carried out, at the request of the Director responsible for the administrative processes for input to the 2014 financial statements of Acquirente Unico S.p.A., has certified through the director that the procedures have been consistently followed through the effective performance of the activities and organization of the Company, and that the control points evidenced in the procedures are generally respected, and therefore provide reasonable assurance that the management elements have been fairly represented in the administrative and accounting documents.

Additionally, in regard to the posting of taxes for 2014, a certificate has been issued by the Company's tax advisor in relation to the accuracy of the related calculations.

3. It is certified, moreover, that the 2014 financial statements, which show a net profit of 335,307 euros and a net worth of 9,790,443 euros:
 - a. *Agree with the books and accounting entries; and*
 - b. *Are drawn up in accordance with the rules of the Civil Code, as well as the accounting principles developed by the OIC and, to our knowledge, are suitable for providing a true-and-correct representation of the capital, economic and financial position of Acquirente Unico S.p.A.*
4. Finally, it is certified that the management report comprises a reliable analysis of the performance and the results of the management, as well as the position of Acquirente Unico S.p.A., together with the description of the principal risks and uncertainties to which the Company is exposed.

Rome, April 7, 2015

Signed by:

President and Chief Executive Officer

Director Responsible

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