

# AEM TORINO



## AEM TORINO in Figures

- In 2005 invoiced the equivalent of 1,172 million Euro
- Group Companies: 20
- 1,548 employees

## The Company

AEM Torino is a local stock market-listed utility company operating in the electricity, gas, district heating, and integrated energy service sectors.

The AEM Torino Group offers integrated services characterized by high quality standards. Its mission is rounded out by the core values of environmental protection and a desire to promote the economic and social development of the region in which it operates. The Group is eager to consolidate its leading position in the Northwest of Italy, while also creating value for its shareholders by becoming a significant player in the national energy market.

The AEM Torino Group pursues these objectives by effectively and flexibly organizing its managerial and technical competences and by paying constant attention to the development of its workforce. The activities involved in generating electricity and heat are carried out directly by the AEM Torino holding company, via its network of 15 plants (twelve of which produce hydroelectricity and three of which are CHP - or "combined heat and power" - plants). The group has an overall installed capacity of approximately 1,600 MW (electrical) and 1,000 MW (thermal). The tasks of distributing and selling the electricity to customers around the entire Turin metro area (with its population of around 900,000) are handled by a subsidiary known as AEM Torino Distribuzione. The Group's operations in the field of gas distribution and district heating provision, meanwhile, are handled by AES Torino, a 51% joint venture with Italgas. These activities involve heating approximately 29 million cubic metres of gas for the district heating supply and conveying around 727 million cubic metres of natural gas. The Group subsidiary SIET - which works within the "Borsa Elettrica," Italy's electricity trading market - fulfills the role of intermediary with regard to the sale of electricity on the free market. In 2005 it achieved sales of approximately 8,259 GWh. Finally, AEM Torino also supplies the City of Turin with the public lighting service, the traffic light service, management of heating and electricity plants in publicly owned buildings, as well as providing Global Service management for the City's law courts.

## Project Objectives

The aim of the project was to provide AEM Torino with a financially oriented software application that would allow it to monitor commercial performance across the Group. The project was intended to deal with the areas of closing and allocation of actual figures for all aspects of management analysis for corporate bookkeeping purposes. Additionally, there was a wish to meet the challenges involved in both statutory and management consolidation of the Group companies' accounts. A further aim involved managing and monitoring the process of collecting the budget and forecast profit and loss data so that this could be fed into the financial and capital projections for the Group. The timescales to be covered included both the annual profit/loss and capital/financing budget period on the one hand and the 10-year longer-term budget - with a special focus on capital and financial aspects - on the other. Finally, after the introduction in Italy in 2001 of the new Section 310 regulations on separation of accounts in the energy sector, AEM Torino was eager to prepare its financial statements in accordance with the principles of regulatory unbundling.

## Project Scope

The broad scope of the project involved the implementation of all of the Tagetik CPM process modules, albeit in distinct phases: Closing & Allocation, Consolidation, and Budgeting & Planning of profit and loss for both capital and financial planning purposes.

The Closing & Allocation process has allowed the Group to obtain actual and forecast accounts by Business Area, Accounting Sector, and Cost Centre. It has also enabled the management reporting book to be generated, thereby providing every manager with "cross-functional" reports that they can use to gain an overview of the sources of any costs thanks by means of Activity Base Costing (ABC) principles. These reports show costs allocated to and received from other cost centres. All of the master data, organizational figures, and actual accounting figures are supplied from the SAP ERP system and from other subsystems. The definitive actual figures are then closed off within Tagetik CPM and allocated in line with the activity-based costing principles described above.

The profit and loss budgeting and planning phase has enabled all managers to monitor the data entry activities carried out by the various contributors, to verify on a daily basis any costs assigned to them by other cost centres, and to validate figures arising within their own area of responsibility.

The Financial Planning process, meanwhile, has allowed the AEM Group to draw up - with a high degree of detail - both the capital and financial budgets and to draft out ten-year financial plans for each accounting area. Any direct taxes are calculated automatically.





## Project timings

In March 2001, the AEM Group, in collaboration with Tagetik, embarked upon the first stage of the project focused on capital and financial planning, with the first data generated in June 2001. During February, the activities associated with regulatory unbundling were initiated, and the first supplements produced in March followed by the others in June. It was also in 2001 - in January, in fact - that the Tagetik-AEM team launched the project related to production of the statutory consolidated accounts. Finally, in January 2003, the tasks associated with Closing & Allocation were initiated, and this part of the application went live in time for the June half-yearly statement.

## The results

Thanks to this project, the AEM Torino Group was able to undertake a complete restructuring of its CPM activities using just one product and aided by just one partner. Managers have been satisfied with the results obtained, results that represent a considerable improvement in relation to the previous situation. Some of the functionalities now provided by Tagetik CPM rather than by the SAP ERP software have resulted in notable savings in terms of both time and costs, and have significantly increased the Group's operational flexibility.

## Future developments

During the course of 2006 the Group plans to migrate all of the Tagetik-developed applications it has in use to the new Tagetik CPM platform. This migration is motivated by both technical and organizational factors. The new system is fully web-based and - most importantly - allows all of the functions described above to be handled by means of a single product.

Tagetik is the first Italian company to become an international player in the Corporate Performance Management (CPM) market. More than 10 years of experience in the CPM market working closely with CFOs have enabled Tagetik to offer an innovative single CPM solution that leverages cross platform technology and delivers faster process cycles, powerful scalability, short implementation time and lower TCO. Tagetik CPM is the first software solution with pre-defined, yet flexible, unified financial, operational CPM and application processes such as budgeting, financial planning, closing, consolidation, financial operational reporting and analysis. With more than 250 customers and 150 employees, Tagetik shares its commitment to success with worldwide customers who provide valuable feedback, a network of reliable partners that strengthen the delivery and a dedicated team of young qualified industry experts. Tagetik's major clients include: Unicredit, Telecom, Mediaset, Barilla, De Agostini, Fininvest, Mediobanca, BNL, Snamprogetti, IFI-Ifil, Marzotto, Valentino, Banca Popolare di Milano, Impregilo, Astaldi, Gruppo Lombardini, AEM Torino, Acea, Artemide, Brembo, Bruno Magli, Cremonini, Il Sole 24ORE, Yamaha, Techint, Milan, Menarini.