

PRESS RELEASE

ACEA: BOARD OF DIRECTORS APPROVES RESULTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2017

- **EBITDA €626m** (down by 3% from €646m for 9M2016, **up 10% on adjusted basis¹**).
- **EBIT €291m** (down by 23% from €378m for 9M2016, **up 6% on adjusted basis¹**)
- **Net profit €153m** (down by 24% from €201m for 9M2016, **up 16% on adjusted basis¹**)
- **Investments €369m** (**up by 6% from €347m for 9M2016**)
- **Net debt €2,487m** (**€2,428m on adjusted basis²**, compared to €2,127m at 31 December 2016)

Rome, 27 October 2017 – The Board of Directors of Acea, chaired by Luca Lanzalone, has approved the Interim Report on Operations at 30 September 2017.

FINANCIAL HIGHLIGHTS

(€m)	9M17	9M16	% inc./ (dec.)	9M17 adjusted ¹	9M16 adjusted ¹	% inc./ (dec.)
Consolidated revenues	2,038	2,048	-1%	2,038	1,971	+3%
EBITDA	626	646	-3%	626	570	+10%
EBIT	291	378	-23%	320	302	+6%
Profit (loss) before tax	240	317	-24%	269	241	+12%
Group net profit (loss)	153	201	-24%	173	149	+16%

(€m)	9M17	9M16	% inc./ (dec.)
Investments	369	347	+6%

(€m)	30/9/17 (a)	31/12/16 (b)	30/9/16 (c)	% inc/(dec) (a/b)	% inc/(dec) (a/c)
Net debt	2,487	2,127	2,138	+17%	+16%
Adjusted net debt²	2,428	2,127	2,138	+14%	+14%
Shareholders' equity	1,793	1,758	1,682	+2%	+7%
Invested capital	4,280	3,885	3,821	+10%	+12%

ACEA GROUP RESULTS FOR 9M 2017

Consolidated revenues came to 2,038 million Euro, with a growth, on an adjusted basis, of 67 million Euro (+3%) compared to the corresponding period of 2016. The increase is mainly ascribable to the change in the scope of consolidation for a total of 50 million Euro. Lastly, we mention that at 30 September 2016 the amount pertaining to the elimination of the so-called "regulatory lag" came to 77 million Euro.

Consolidated EBITDA came to 626 million Euro, with a growth, on an adjusted basis, of 56 million Euro compared to the corresponding period of 2016. This trend is ascribable to the change in the scope of consolidation for the amount of 12 million Euro (the greatest impact deriving from Aguas de San Pedro, for 9 million Euro), the rise in tariff for the Hydro sector (+14 million Euro), and the

¹ Adjusted financial data do not include the following external components:

- for 2017, the negative impacts – amounting to 28 million Euro gross of the tax effect – produced by:
 - the sentence ruling the restored ownership of the property that houses the Car Park (9 million Euro)
 - the impairment of the Areti receivable from GALA (13 million Euro)
 - the impairment of the receivable due from ATAC (6 million Euro)
- for 2016, the positive impact (77 million Euro gross of the tax effect) resulting from elimination of the so-called regulatory lag

² Adjusted net debt, for 2017, does not include the impact deriving from the GALA affair (30 million Euro), the impact with regard to ATAC (6 million Euro) or the effects arising from adoption of the split payment (23 million Euro)

growth in marginality as regards the Energy Infrastructure sector (+42 million Euro) which benefitted from the tariff revisions and the increase in quantities produced by hydroelectric plants.

The contributions made to consolidated EBITDA by the operating segments are as follows: approximately 76% is generated by regulated businesses.

- **WATER** – the segment achieved EBITDA of 264 million Euro, posting a growth of 15 million Euro compared to the same period in 2016 (+6%). The increase essentially reflects the revised tariffs introduced from the second half of 2016.
- **ENERGY INFRASTRUCTURE** - EBITDA of 239 million Euro was up, on an adjusted basis, by 42 million Euro compared to the corresponding period of 2016.

OPERATIONAL HIGHLIGHTS	9M17	9M16 <i>pro forma</i>
Electricity production (GWh)	324	308
Electricity distributed (GWh)	7,604	7,594

- **COMMERCIAL AND TRADING** – The segment posted EBITDA of 58 million Euro, with a decrease of 13 million Euro compared to the corresponding period of 2016. The downturn was mainly due to the recognition in 2016 of revenues totalling around 10 million Euro following conclusion of the contract, entered into in March 2006, for the commercialisation of smart meters.

Electricity sales posted a reduction in EBITDA of 4 million Euro as a result of the decline in volumes and margin, particularly in the free market.

OPERATIONAL HIGHLIGHTS	9M17	9M16 <i>pro forma</i>
Electricity sold (GWh)	5,179	6,271
<i>Free market</i>	<i>3,195</i>	<i>4,235</i>
<i>Enhanced protection market</i>	<i>1,984</i>	<i>2,036</i>
Gas sold (million m ³)	65	77

- **ENVIRONMENT** – During the period, the segment posted EBITDA of 47 million Euro (+11% compared to the same period in 2016). The performance benefitted from the improved performances of the plants and the greater quantities of electricity sold, with special reference to the San Vittore facility, together with an upturn in the Aprilia composting plant operations (June 2016). We also report the positive effects of Industrial Water (+1 million Euro) and ISECO (+1 million Euro) operations which, starting respectively from 1 January and 23 February, are fully consolidated in the segment. Regarding the Monterotondo Marittimo and Sabaudia facilities, we report an 18% growth in volumes for the former and maintenance shutdown for the latter.

OPERATIONAL HIGHLIGHTS	9M17	9M16
Treatment and disposal ('000 tonnes)	819	607
WTE electricity sold (GWh)	264	208

- **OVERSEAS** (outside Italy) – EBITDA, for the first nine months of 2017, amounted to 11 million Euro (1 million Euro at 30 September 2016), due above all to the consolidation of Aguas de San Pedro.
- **ENGINEERING AND SERVICES** – the sector posted EBITDA of 15 million Euro (+7 million compared to 30 September 2016), mainly as a result of the constant growth in services carried out by the engineering and laboratory sectors, as well as the positive contribution from Facility Management operations.
- During the period, the **PARENT COMPANY** reported negative EBITDA of 7 million Euro (-9 million Euro compared to 30 September 2016), essentially reflecting the absence of the contribution from Facility Management services which, at the end of 2016, were transferred to the Engineering and Services segment.

Adjusted **EBIT**, at 320 million Euro, was up by 18 million Euro over the corresponding period of 2016. The result reflected two extraordinary events which impacted the period's margin by a total of 28 million Euro: the restored ownership of the property housing the car park, as a result of the sentence, and the assessment concerning outstanding amounts due from GALA and ATAC.

The **result from financing activities**, at the end of the first nine months of 2017, came to a negative 51 million Euro, showing an improvement of 10 million Euro. The positive performances were due to the decrease in interest on medium/long-term debt (-6 million Euro), following the liability management operation in October 2016. In fact, at 30 September 2017, the average global "all-in" cost of the ACEA Group debt was 2.6%, compared to 3.2% for the corresponding period in 2016.

Group net result, on an adjusted basis, amounted to 173 million Euro, with an increase of 24 million Euro compared to the corresponding period of 2016.

Investments carried out during the first nine months of 2017 amounted to 369 million Euro, with an increase of 6% (347 million Euro in the corresponding period of 2016), of which 86% concerned regulated businesses. More specifically, investments are broken down as follows: Water 184 million Euro, Energy Infrastructure 149 million Euro, Commercial and Trading 11 million Euro, Environment 12 million Euro, Overseas 3 million Euro, Engineering and Services 0,5 million Euro, Parent Company 10 million Euro.

Group **net financial debt** at 30 September 2017 posted an overall increase of 360 million Euro, from 2,127 million Euro at the end of 2016 to 2,487 million Euro for the first nine months of 2017. This variation is ascribable to the investments made during the period, up by 22 million Euro, to the growth in the scope of consolidation following the acquisitions carried out between the end of 2016 and the beginning of 2017, to the deterioration of Hydro segment receivables, as a result of the slowdown in recovery operations due to information system problems which were essentially resolved starting from October, and to the exposure towards GALA accrued by areti. The effects on the trends in the amount of debt are also ascribable to the adoption of the so-called "split payment", introduced by Decree Law 50/2017 and converted into Law 96/2017. On an adjusted basis, debt increases by 301 million Euro.

CONSOLIDATED RESULTS FOR THE THIRD QUARTER OF 2017

(€m)	3Q17	3Q16	% inc./ (dec.)
Consolidated revenues	665	661	+0,7%
EBITDA	212	202	+5%
EBIT	96	104	-7%
Profit (loss) before tax	76	85	-10%
Group net profit (loss)	49	51	-4%

SIGNIFICANT EVENTS DURING THE PERIOD AND AFTER THE FIRST NINE MONTHS OF 2017

On **3 August 2017**, the Board of Directors appointed Giuseppe Gola as ACEA's Chief Financial Officer and Executive Responsible for the Company's Financial Reporting, with effect from 1 September 2017.

On **3 August 2017** Acea and Open Fiber signed a Memorandum of Understanding ("MoU") setting out the terms and conditions for the start-up of a strategic industrial partnership to build a super-fast broadband electronic communications network serving the municipality of Rome. The Memorandum, which will remain in effect until 31 December 2017, assigns to Acea the role of infrastructure provider. In particular, Acea will grant Open Fiber access to infrastructure it owns (or that is available to it), supplying the cartographic data and support needed to identify the infrastructure to be used in constructing the network. Acea may also contribute to the physical construction of the network.



OUTLOOK

The results achieved by the ACEA Group at 30 September 2017 are in line with expectations. We therefore confirm our guidance for EBITDA growth in 2017, in view of the trend improvement in adjusted earnings, which is expected to continue also during the last months of the year. In terms of net debt, we confirm the indications already disclosed to the market, net of anticipated impacts of the new legislation being introduced regarding the “split payment” and the events concerning GALA and ATAC. The Group intends to carry out major investments in infrastructures which, without affecting its financial soundness, should have an immediately positive impact on performance, on EBITDA and on billing and collection processes. The financial structure of the ACEA Group is, in fact, currently solid and able to ensure future stability. As at 30 September 2017, 68% of debt is fixed rate, so as to safeguard against possible rises in interest rates and potential financial or lending volatilities; the average duration of medium/long-term borrowing, during the same period, is 6.3 years, also as a result of the EIB loan taken out for 200 million Euro, repayable in 2030. Lastly, we mention that the reduction in average cost of debt is down from 3.2% at 30 September 2016 to 2.6% at 30 September 2017, reflecting the benefits resulting from the liability management operation concluded at the end of last year.

A conference call will be held at 3.30 p.m. (Italian time) today, 27 October 2017, in order to present the results at 30 September 2017. To coincide with the start of the conference call, back-up material will be made available on the website www.acea.it.

Pursuant to Article 154 bis, paragraph 2 of the Consolidated Finance Act, the Executive Responsible for Financial Reporting, Giuseppe Gola, declares that the accounting information contained in this press release corresponds to the accounting documents, books and records.

The following schedules are attached:

- Consolidated accounts: income statement at 30/09/2017, statement of financial position at 30/09/2017, statement of changes in shareholders' equity, reclassified statement of financial position at 30/09/2017, analysis of net debt at 30.09.2017 and the statement of cash flows for the period ended 30/09/2017.

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CONSOLIDATED INCOME STATEMENT AT 30/09/2017

	30/09/2017	30/09/2016	Increase (Decrease)	Percentage Increase (Decrease)
Revenues from sales and services	1,977,267	2,002,147	(24,880)	(1.2%)
Other revenues and proceeds	60,636	45,368	15,268	33.7%
Consolidated net revenues	2,037,903	2,047,515	(9,612)	(0.5%)
Staff costs	157,793	152,620	5,173	3.4%
Cost of materials and overheads	1,272,215	1,269,630	2,585	0.2%
Consolidated operating costs	1,430,008	1,422,250	7,758	0.5%
Net income (costs) from commodity risk management	0	0	0	0.0%
Income (costs) from equity investments of a non-financial nature	17,946	20,787	(2,841)	(13.7%)
Gross operating profit	625,840	646,052	(20,212)	(3.1%)
Amortisation, depreciation, provisions and impairment charges	334,573	267,974	66,599	24.9%
Operating profit (loss)	291,267	378,078	(86,810)	(23.0%)
Financial income	14,042	11,352	2,690	23.7%
Financial costs	(65,435)	(72,605)	7,170	(9.9%)
Income (costs) from equity investments	340	148	192	130.0%
Profit (loss) before tax	240,214	316,973	(76,759)	(24.2%)
Taxation	78,600	109,444	(30,844)	(28.2%)
Net profit (loss)	161,614	207,529	(45,915)	(22.1%)
Profit (loss) attributable to non-controlling interests	9,008	6,621	2,387	36.0%
Net profit (loss) attributable to the Group	152,606	200,907	(48,301)	(24.0%)
Earnings (loss) per share attributable to Parent Company's shareholders				
Basic	0.71658	0.94338	(0.22680)	(24.0%)
Diluted	0.71658	0.94338	(0.22680)	(24.0%)
Earnings (loss) per share attributable to Parent Company's shareholders, net of Treasury Shares				
Basic	0.71798	0.94523	(0.22725)	(24.0%)
Diluted	0.71798	0.94523	(0.22725)	(24.0%)

Amounts in thousands of Euro

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 30/09/2017

ASSETS	30/09/2017	31/12/2016	Increase (Decrease)
Property, plant and equipment	2,259,438	2,210,338	49,100
Investment property	2,562	2,606	(44)
Goodwill	149,984	149,825	158
Concessions	1,763,060	1,662,727	100,332
Other intangible assets	151,993	158,080	(6,086)
Equity investments in subsidiaries and associates	275,461	260,877	14,584
Other equity investments	2,613	2,579	34
Deferred tax assets	274,374	262,241	12,133
Financial assets	40,386	27,745	12,641
Other assets	31,036	34,216	(3,180)
NON-CURRENT ASSETS	4,950,908	4,771,235	179,672
Inventories	46,970	31,726	15,243
Trade receivables	1,220,389	1,097,441	122,948
Other current assets	140,967	132,508	8,459
Current tax assets	93,483	74,497	18,987
Current financial assets	174,856	131,275	43,581
Cash and cash equivalents	441,712	665,533	(223,820)
CURRENT ASSETS	2,118,377	2,132,981	(14,603)
Non-current assets held for sale	183	497	(314)
TOTAL ASSETS	7,069,468	6,904,713	164,755

Amounts in thousands of Euro

LIABILITIES	30/09/2017	31/12/2016	Increase (Decrease)
Shareholders' equity			
Share capital	1,098,899	1,098,899	0
Legal reserve	100,621	95,188	5,433
Other reserves	(300,329)	(351,090)	50,761
Retained earnings (losses)	650,181	565,792	84,389
Profit (loss) for the period	152,606	262,347	(109,741)
Total Group Shareholders' Equity	1,701,977	1,671,136	30,842
Non-controlling interests	90,660	86,807	3,853
Total Shareholders' Equity	1,792,638	1,757,943	34,694
Staff termination benefits and other defined benefit plans	112,352	109,550	2,803
Provisions for liabilities and charges	226,180	202,122	24,058
Borrowings and financial liabilities	2,516,326	2,797,106	(280,780)
Other liabilities	186,684	185,524	1,159
Provision for deferred taxes	93,429	88,158	5,271
NON-CURRENT LIABILITIES	3,134,972	3,382,460	(247,488)
Trade payables	1,109,757	1,292,590	(182,833)
Other current liabilities	292,221	273,782	18,440
Financial debt	625,021	151,478	473,543
Tax payables	114,823	46,361	68,462
CURRENT LIABILITIES	2,141,822	1,764,211	377,612
Liabilities directly associated with assets held for sale	37	99	(63)
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	7,069,468	6,904,713	164,755

Amounts in thousands of Euro

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Share Capital	Legal Reserve	Other Reserves	Profit for the period	Total	Non-controlling Interests	Total Shareholders' Equity
Balances as at 1 January 2016	1,098,899	87,908	155,533	181,584	1,523,924	72,128	1,596,053
Net profit (loss)				200,907	200,907	6,621	207,529
Other comprehensive income (losses)				(9,765)	(9,765)	(126)	(9,891)
Total comprehensive income (loss)	0	0	0	191,142	191,142	6,496	197,638
Appropriation of result for 2015		7,280	174,304	(181,584)	0	0	0
Distribution of dividends		0	(106,274)	0	(106,274)	(4,439)	(110,713)
Change in basis of consolidation			(1,528)	0	(1,528)	700	(828)
Other changes			0	0	0	0	0
Balances as at 30 September 2016	1,098,899	95,188	222,035	191,141	1,607,264	74,885	1,682,149
Net profit (loss)				61,440	61,440	3,570	65,010
Other comprehensive income (losses)				6,428	6,428	366	6,793
Total comprehensive income (loss)	0	0	0	67,867	67,867	3,936	71,803
Appropriation of result for 2015		0	0	0	0	0	0
Distribution of dividends		0	0	0	0	34	34
Change in basis of consolidation		0	(3,996)	0	(3,996)	7,953	3,957
Other changes		0	0	0	0	0	0
Balances as at 31 December 2016	1,098,899	95,188	218,040	259,009	1,671,136	86,807	1,757,943

Amounts in thousands of Euro

	Share Capital	Legal Reserve	Other Reserves	Profit for the period	Total	Non-controlling Interests	Total Shareholders' Equity
Balances as at 01 January 2017	1,098,899	95,188	218,040	259,009	1,671,136	86,807	1,757,943
Net profit (loss)				152,606	152,606	9,008	161,614
Other comprehensive income (losses)				(1,151)	(1,151)	91	(1,060)
Total comprehensive income (loss)	0	0	0	151,455	151,455	9,099	160,554
Appropriation of result for 2016		5,433	253,576	(259,009)	(0)	0	(0)
Distribution of dividends			(131,780)	0	(131,780)	(4,326)	(136,105)
Change in basis of consolidation			11,167	0	11,167	(922)	10,245
Other changes				0	0		0
Balances as at 30 September 2017	1,098,899	100,621	351,003	151,455	1,701,977	90,660	1,792,638

Amounts in thousands of Euro

RECLASSIFIED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 30/09/2017

Statement of Financial Position	30/09/17	31/12/2016	Increase (Decrease)	Percentage Increase (Decrease)	30/09/2016	Increase (Decrease)	Percentage Increase (Decrease)
Non-current assets and liabilities	4,294,895	4,161,430	133,466	3.2%	4,007,352	287,543	7.2%
Net working capital	(14,992)	(276,560)	261,568	(94.6%)	(186,520)	171,529	(92.0%)
Invested capital	4,279,904	3,884,871	395,034	10.2%	3,820,832	459,072	12.0%
Net debt	(2,487,266)	(2,126,927)	(360,340)	16.9%	(2,138,682)	(348,583)	16.3%
Shareholders' equity	(1,792,638)	(1,757,943)	(34,694)	2.0%	(1,682,149)	(110,488)	6.6%
Total funding	4,279,904	3,884,871	395,034	10.2%	3,820,832	459,072	12.0%

Amounts in thousands of Euro

ANALYSIS OF CONSOLIDATED NET DEBT AT 30/09/2017

	30/09/2017	31/12/2016	Increase (Decrease)	30/09/2016	Increase (Decrease)
Non-current financial assets (liabilities)	2,721	2,074	647	3,077	(357)
Non-current financial assets (liabilities) due from/to Parents, Subsidiaries and Associates	37,665	25,671	11,994	29,177	8,489
Non-current borrowings and financial liabilities	(2,516,326)	(2,770,851)	254,524	(2,641,869)	125,543
Net medium/long-term debt	(2,475,940)	(2,743,106)	267,165	(2,609,615)	133,675
Cash and cash equivalents and securities	441,712	665,533	(223,820)	590,301	(148,589)
Short-term bank borrowings	(193,848)	(52,960)	(140,888)	(104,934)	(88,915)
Current financial assets (liabilities)	(380,544)	(104,386)	(276,158)	(104,641)	(275,902)
Current financial assets (liabilities) due from/to Parent and Associates	121,354	107,992	13,361	90,207	31,147
Net short-term debt	(11,326)	616,179	(627,505)	470,933	(482,258)
Total net debt	(2,487,266)	(2,126,927)	(360,340)	(2,138,682)	(348,583)

Amounts in thousands of Euro

STATEMENT OF CONSOLIDATED CASH FLOWS FOR THE PERIOD ENDED 30/09/2017

	30.09.2017	30.09.2016	Increase (Decrease)
<i>Cash flows from operating activities</i>			
Profit before tax from continuing operations	240,214	316,973	(76,759)
Amortisation and depreciation	228,295	186,865	41,430
Revaluations/impairment charges	60,471	26,785	33,687
Increase (decrease) in provisions for liabilities	22,622	15,282	7,339
Net increase (decrease) in staff termination benefits	(3)	(1,962)	1,960
Gains on disposals	0	0	0
Net financial interest expense	51,393	61,253	(9,859)
Income taxes paid	(74,157)	(49,684)	(24,473)
Cash flow generated by operating activities before changes in working capital	528,835	555,512	(26,676)
			0
Increase in current receivables	(158,611)	(79,075)	(79,536)
Increase (decrease) in current payables	(210,643)	(50,351)	(160,292)
Increase (decrease) in inventories	(6,321)	(6,419)	98
Change in working capital	(375,575)	(135,845)	(239,730)
Change in other assets/liabilities during the period	51,370	(56,039)	107,409
Total cash flow from operating activities	204,630	363,628	(158,998)
			0
<i>Cash flow from investment activities</i>			
			0
Purchase/sale of property, plant and equipment	(154,401)	(135,677)	(18,724)
Purchase/sale of intangible fixed assets	(211,200)	(212,981)	1,781
Equity investments	(7,239)	10,090	(17,328)
Proceeds/payments deriving from other financial investments	(35,257)	(24,774)	(10,484)
Dividends received	0	1	(1)
Interest income received	10,882	17,202	(6,320)
Total cash flow from investment activities	(397,216)	(346,140)	(51,076)
			0
<i>Cash flow from financing activities</i>			
			0
Non-controlling interest in subsidiaries' capital increase	0	(700)	700
Repayment of borrowings and long-term loans	(290,536)	(25,546)	(264,990)
Disbursement of borrowings/other medium/long-term loans	0	0	0
Decrease/increase in other short-term borrowings	467,519	(41,507)	509,026
Interest paid	(72,113)	(63,359)	(8,754)
Dividends paid	(136,105)	(110,728)	(25,377)
Total cash flow from financing activities	(31,235)	(241,840)	210,605
Cash flows for the period	(223,821)	(224,352)	531
Net opening balance of cash and cash equivalents	665,533	814,653	(149,120)
Net closing balance of cash and cash equivalents	441,712	590,301	(148,589)

Amounts in thousands of Euro