

PRESS RELEASE

ACEA: BOARD APPROVES 2018 HALF-YEAR RESULTS

- **EBITDA €450 million** (up by 9% compared to H1 2017)
- **EBIT €251 million** (up by 29% compared to H1 2017)
- **Group net profit €143 million** (up by 38% compared to H1 2017)
- **Investments €282 million** (up by 12% compared to H1 2017)
- **Net debt €2,570 million** (€2,421 million at 31 December 2017)

Upward revision of guidance:

- **EBITDA increase of over +5% (March 2018 guidance between +3% and +5%)**
- **Growth in investments (guidance confirmed)**
- **Net Financial Position €2.6 billion (March 2018 guidance NFP between 2.6 and 2.7 billion Euro)**

Rome, 31 July 2018 – The Board of Directors of ACEA SpA, chaired by Michaela Castelli, has approved the Half-Year Financial Report for the six months ended 30 June 2018.

FINANCIAL HIGHLIGHTS

(€ million)	H1 2018	H12017	% Var.
Consolidated revenues	1,454	1,372	+6%
EBITDA	450	414	+9%
EBIT	251	195	+29%
Group net profit (after non-controlling interests)	143	103	+38%

(€ million)	H1 2018	H1 2017	%Var.
Investments	282	252	+12%

(€ million)	H1 2018	31/12/17	% Var.
Net Debt	2,570	2,421	+6%
Net Invested Capital	4,237	4,233	-

Stefano Donnarumma, ACEA Group CEO, commented: “**The half-year report approved today shows a clear upturn in results. In fact, after a year of major steps forward at operating level, with particular reference to the increased efficiency of industrial processes, ACEA has returned to its fundamental roots, as a company whose strength lies in its infrastructures. The Group is significantly and rapidly enhancing its performances and, at the same time, is offering customers a more and more efficient and state-of-the-art service in all areas. For this reason, we have carried out an upward adjustment of our 2018 guidance. The results for the first six months of this year confirm the soundness of the 2018-2022 Business Plan, which ACEA considers a safe course to follow and to which, day by day and all together, we are devoting our utmost commitment**”.

ACEA GROUP RESULTS FOR H1 2018

Consolidated revenues at 30 June 2018 totalled 1.4 billion Euro, with an increase of 82 million Euro (+6%) compared to the first six months of 2017. The growth is primarily attributable to revenues from electricity sales and services (+61 million Euro).

Consolidated EBITDA went from 414 million Euro for the first six months of 2017 to 450 million Euro for the corresponding period in 2018, with a growth of 36 million Euro reflecting an upturn of 9%. This positive result was due above all to the performance of the water segment (+20 million Euro) and, with a significant increase in marginality, the energy infrastructures business (+19 million Euro), following the fifth regulatory cycle tariff adjustments and the rise in output by the hydroelectric facilities.

The contribution of the industrial segments to consolidated EBITDA (approximately 75% derives from regulated activities) is broken down as follows: Water 42%; Energy Infrastructures 39%; Commercial and Trading 9%; Environment 7%; Overseas 1%; Engineering and Services 2%.

- **WATER** – EBITDA for this segment, at 30 June 2018, came to 192 million Euro, with a growth of 20 million Euro compared to the first six months of 2017 (+11%). In particular, the segment’s performance reflects the positive contributions from both the trend recorded during the period by ACEA Ato2 (+7 million Euro) and ACEA Ato5 (+4 million Euro) and the companies consolidated using the equity method (+7 million Euro).
- **ENERGY INFRASTRUCTURES** - EBITDA at 30 June 2018 came to 179 million Euro, with a growth of 19 million Euro compared to the corresponding period a year earlier. This variation is mainly ascribable to the company Areti (+19 million Euro), as a result of the tariff adjustments with respect to the same period in 2017.

OPERATIONAL HIGHLIGHTS	H1 2018	H1 2017
Thermo+hydro+photovoltaic electricity generation (GWh)	298	234
Electricity distributed (GWh)	4,845	4,842

- **COMMERCIAL AND TRADING** – The segment closed the first half of 2018 with EBITDA at 44 million Euro, up by 3 million Euro compared to the corresponding period in 2017. This increase was driven by the result posted by ACEA Energia (+4 million Euro compared to the first six months of 2017).

OPERATIONAL HIGHLIGHTS	H1 2018	H1 2017
Electricity sold (GWh)	3,086	3,408
<i>Free market</i>	<i>1,852</i>	<i>2,092</i>
<i>Enhanced protection market</i>	<i>1,234</i>	<i>1,316</i>
Gas sold (million m³)	73	57

- **ENVIRONMENT** – The segment closed the first six months of 2018 with EBITDA of 32 million Euro (+1% compared to the first six months of 2017). This trend was mainly due to the positive contribution from **ACEA Ambiente** (+1 million Euro) and **Iseco** (+0.2 million Euro), partly offset by the poorer performance posted by **Aquaser** (-1 million Euro), due above all to the continued regulatory uncertainty with regard to sludge recovery operations.

OPERATIONAL HIGHLIGHTS	H1 2018	H1 2017
Treatment and disposal (^000 tonnes)	552	549
WTE electricity sold (GWh)	178	175

- **OVERSEAS** – This segment, which was set up following the organisational changes that took place in May 2017 (it previously formed part of the Water Segment), currently includes the companies managing water services in Latin America. The segment closed the first six months of 2018 with EBITDA of 7 million Euro, showing a growth compared to the corresponding period a year earlier.
- **ENGINEERING AND SERVICES** – The segment posted EBITDA of 7 million Euro, reflecting a slight downturn (-1 million Euro) compared to the corresponding period in 2017.
- In the first half of 2018, the **PARENT COMPANY** reported negative EBITDA of 12 million Euro (-6 million Euro with respect to 30 June 2017), following the downturn in service contract margins, partly compensated by the contribution to results of the margin derived from the Facility Management service acquired on 1 January 2018.

EBIT, at 251 million Euro, was up by 56 million Euro (+29%) compared to the corresponding period a year earlier. In addition to the improved performance as regards EBITDA, the growth also reflected the decrease in Bad Debt Provision appropriations following the improvement in collection performance and the reduction in provisions for liabilities, especially insofar as concerns the early retirement and mobility plan, with respect to the first half of 2017.

Regarding the **result posted by financing activities** we report that, at 30 June 2018, the global average "all-in" cost of ACEA Group debt was 2.2% compared to 2.6% for the corresponding period a year earlier; the cost increase of 11 million Euro was due above all to the higher charges on bonds connected with the two new-issue loans finalised in February 2018 under the Euro Medium Term Notes (EMTN) programme.

Group Net Profit, at 143 million Euro, showed an increase of 39 million Euro (+38%) compared to the corresponding period in 2017.

Investments carried out during the first six months of 2018 totalled 282 million Euro, of which around 91% concerned regulated activities, showing an upturn compared to 252 million Euro during the same period of 2017 (+12%). More specifically, investments were divided between: Water (156 million Euro), Energy Infrastructures (106 million Euro) and Environment (9 million Euro), with other business areas accounting for 11 million Euro.

In the first six months of 2018, **net working capital** posted a significantly improved performance with respect to the corresponding period in 2017 (+127 million Euro). More specifically, during the second quarter of this year, the change in working capital generated a cash flow of 20 million Euro.

Group **Net debt** was up overall by 149 million Euro, from 2,421 million Euro at the end of 2017 to 2,570 million Euro as at 30 June 2018.

SIGNIFICANT EVENTS DURING THE PERIOD AND AFTER 30 JUNE 2018

ACEA and Open Fiber: agreement regarding network evolution and the development of innovative services for the city of Rome

On 12 January 2018 ACEA's CEO, Stefano Donnarumma, and Elisabetta Ripa, CEO of Open Fiber, following the Memorandum of Understanding executed on 3 August 2017, signed a deal setting out the terms and conditions of the overall industrial agreement for the development of a broadband communications network in the city of Rome.



Placement of bonds for overall 1 billion Euro

On 1 February 2018 ACEA completed a 300 million Euro placement of 5-year floating rate bonds (3-month Euribor + 0.37%) and a 700 million Euro placement of 9.5-year fixed rate bonds (1.5%), under its 3 billion Euro EMTN (Euro Medium Term Notes) Programme. The Notes issue, intended exclusively for placement with Euromarket institutional investors, was well received, with requests exceeding 2.5 times the amount of Notes offered. Fitch Ratings and Moody's respectively assigned to the issue a rating of BBB+ and Baa2, in line with that of ACEA.

On 20 April 2018 the Annual General Meeting approved the 2017 Financial Statements and the payment of a dividend of 0.63 Euro per share, made payable starting from 20 June 2018, with an ex-dividend date of 18 June and record date of 19 June.

ACEA: director Michaela Castelli appointed as Chairperson of the Board of Directors

On 21 June 2018 the Board of Directors of ACEA S.p.A., whilst confirming its appreciation for the work performed by the Chief Executive Officer and with a view to ensuring continuity insofar as concerns the company's management and objectives, unanimously resolved to appoint director Michaela Castelli as Chairperson of the Board of Directors.

OUTLOOK

The results achieved by the ACEA Group as at 30 June 2018 are better than expected and therefore allow us to improve on the guidance statements previously disclosed to the market. We reiterate the Group's intention to carry out major investments in infrastructures which, without affecting the soundness of its consolidated financial structure, should have an immediately positive impact on performance, on EBITDA and on billing and collection processes. The ACEA Group's financial structure is reassuring for the coming years. As at 30 June 2018, 73% of debt is fixed rate, so as to safeguard against possible rises in interest rates and potential financial or lending volatilities. As at 30 June 2018, the average duration of medium/long-term borrowing is 5.7 years. We call attention to the reduction in average cost of debt from 2.5% at 31 December 2017 to 2.2% at 30 June 2018.

IMPROVED GUIDANCE FOR 2018

For 2018, on a like-for-like basis, ACEA forecasts:

- an increase of over 5% in EBITDA (March 2018 guidance between +3% and +5%), based on the result for 2017 (840 million Euro);
- confirmation of guidance as regards forecast growth in investments with respect to 532 million Euro in 2017, in keeping with the Business Plan;
- a net debt at the end of the year of around 2.6 billion Euro (March 2018 guidance was between 2.6 and 2.7 billion Euro).

NOTES APPROACHING MATURITY

The 600 million Euro bond (of which 270 million Euro was concerned with partial repurchase in October 2016) is due to mature on 12 September, gross annual coupon of 3.7%.

A conference call will be held at 3.30 p.m. (Italian time) today, 31 July 2018, in order to present the results at 30 June 2018. 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 30.06.2018, statement of financial position at 30.06.2018, statement of changes in shareholders' equity, reclassified statement of financial position at 30.06.2018, analysis of net debt at 30.06.2018 and the statement of cash flows for the period ended 30.06.2018.

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CONSOLIDATED INCOME STATEMENT AT 30 JUNE 2018

	30/06/18	30/06/17	Increase (Decrease)	Percentage Increase (Decrease)
Revenues from sales and services	1,390,040	1,333,002	57,039	4.3%
Other revenues and proceeds	64,238	39,482	24,756	62.7%
Consolidated net revenues	1,454,278	1,372,483	81,795	6.0%
Staff costs	109,927	109,105	822	0.8%
Cost of materials and overheads	912,967	859,848	53,119	6.2%
Consolidated operating costs	1,022,894	968,953	53,941	5.6%
Income (costs) from equity investments of a non-financial nature	18,523	10,569	7,954	75.3%
Gross Operating Profit (EBITDA)	449,908	414,100	35,808	8.6%
Amortisation, Depreciation, Provisions and Impairment charges	199,186	219,230	(20,044)	(9.1%)
Operating Profit (EBIT)	250,722	194,869	55,852	28.7%
Financial income	6,515	12,506	(5,992)	(47.9%)
Financial costs	(48,896)	(43,669)	(5,227)	12.0%
Income (costs) from equity investments	9,411	649	8,762	n.s.
Profit (loss) before tax	217,751	164,357	53,395	32.5%
Income taxes	67,093	54,020	13,073	24.2%
Net profit (loss)	150,659	110,337	40,322	36.5%
Net Profit (Loss) attributable to non-controlling interests	7,983	6,844	1,139	16.6%
Net Profit (Loss) attributable to the Group	142,675	103,492	39,183	37.9%
Earnings (Loss) per share attributable to Parent's shareholders				
Basic	0.66995	0.48596	0.18399	37.9%
Diluted	0.66995	0.48596	0.18399	37.9%
Earnings (Loss) per share attributable Parent's shareholders, net of Treasury Shares				
Basic	0.67126	0.48691	0.18435	37.9%
Diluted	0.67126	0.48691	0.18435	37.9%

Amounts in thousands of Euro

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2018

ASSETS	30/06/18	31/12/17	Increase (Decrease)
Property, plant and equipment	2,300,957	2,252,910	48,048
Investment property	2,518	2,547	(29)
Goodwill	149,921	149,978	(58)
Concessions	1,855,595	1,770,865	84,730
Other intangible fixed assets	150,223	144,121	6,103
Equity investments in subsidiaries and associates	249,179	280,853	(31,674)
Other equity investments	2,614	2,614	0
Deferred tax assets	282,226	271,148	11,079
Financial assets	36,162	38,375	(2,212)
Other assets	250,067	234,154	15,913
NON-CURRENT ASSETS	5,279,463	5,147,563	131,900
Inventories	49,199	40,201	8,997
Trade receivables	848,278	1,022,710	(174,433)
Other current assets	152,937	148,192	4,745
Current tax assets	35,764	61,893	(26,129)
Current financial assets	458,880	237,671	221,208
Cash and cash equivalents	1,200,547	680,641	519,906
CURRENT ASSETS	2,745,604	2,191,309	554,295
Non-current assets held for sale	183	183	0
TOTAL ASSETS	8,025,250	7,339,055	686,195

Amounts in thousands of Euro

LIABILITIES	30/06/18	31/12/17	Increase (Decrease)
Shareholders' equity			
Share capital	1,098,899	1,098,899	0
Legal reserve	111,948	100,619	11,329
Other reserves	(293,370)	(308,073)	14,704
Retained earnings (losses)	514,494	645,500	(131,007)
Net profit (loss) for the year	142,675	180,682	(38,007)
Total Group Shareholders' Equity	1,574,646	1,717,626	(142,980)
Non-controlling interests	91,665	93,580	(1,915)
Total Shareholders' Equity	1,666,311	1,811,206	(144,895)
Staff termination benefits and other defined benefit plans	106,741	108,430	(1,689)
Provisions for liabilities and charges	197,254	209,619	(12,364)
Borrowings and financial liabilities	3,395,892	2,745,035	650,857
Other liabilities	212,526	184,270	28,256
Deferred tax liabilities	74,187	92,835	(18,648)
NON-CURRENT LIABILITIES	3,986,601	3,340,189	646,411
Trade payables	1,155,236	1,237,808	(82,572)
Other current liabilities	308,773	277,819	30,954
Financial debt	869,956	633,155	236,801
Tax payables	38,337	38,841	(504)
CURRENT LIABILITIES	2,372,301	2,187,623	184,678
Liabilities directly associated with assets held for sale	37	37	0
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	8,025,250	7,339,055	686,195

Amounts in thousands of Euro

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Share Capital	Legal Reserve	Other Reserves	Net profit (loss) for the year	Total	Non-controlling Interests	Total Shareholders' Equity
Balances as at 1 January 2017	1,098,899	95,188	218,040	259,009	1,671,136	86,807	1,757,943
Net profit (loss)	0	0	0	103,492	103,492	6,844	110,337
Other comprehensive income (losses)	0	0	0	1,560	1,560	250	1,810
Total comprehensive income (loss)	0	0	0	105,052	105,052	7,094	112,147
Appropriation of 2016 net profit (loss)	0	5,433	253,576	(259,009)	0	0	0
Distribution of dividends	0	0	(131,780)	0	(131,780)	(4,326)	(136,105)
Change in basis of consolidation	0	0	10,918	0	10,918	(806)	10,112
Other changes	0	0	0	0	0	0	0
Balances as at 30 June 2017	1,098,899	100,621	350,754	105,052	1,655,326	88,771	1,744,097
Net profit (loss)	0	0	0	77,190	77,190	4,677	81,866
Other comprehensive income (losses)	0	0	0	(1,569)	(1,569)	152	(1,417)
Total comprehensive income (loss)	0	0	0	75,621	75,621	4,828	80,450
Appropriation of 2016 net profit (loss)	0	0	0	0	0	0	0
Distribution of dividends	0	0	0	0	0	0	0
Change in basis of consolidation	0	0	(13,413)	0	(13,413)	91	(13,322)
Other changes	0	(2)	95	0	93	(111)	(18)
Balances as at 31 December 2017	1,098,899	100,619	337,436	180,673	1,717,626	93,580	1,811,206

Amounts in thousands of Euro

	Share Capital	Legal Reserve	Other Reserves	Net profit (loss) for the year	Total	Non-controlling Interests	Total Shareholders' Equity
Balances as at 1 January 2018	1,098,899	100,619	337,436	180,673	1,717,626	93,580	1,811,206
Net profit (loss)	0	0	0	142,675	142,675	7,983	150,659
Other comprehensive income (losses)	0	0	0	9,861	9,861	274	10,135
Total comprehensive income (loss)	0	0	0	152,536	152,536	8,257	160,794
Appropriation of 2017 net profit (loss)	0	11,329	169,344	(180,673)	0	0	0
Distribution of dividends	0	0	(130,298)	0	(130,298)	(3,607)	(133,905)
Change in basis of consolidation	0	0	0	0	0	0	0
Other changes	0	0	(165,218)	0	(165,218)	(6,565)	(171,784)
Balances as at 30 June 2018	1,098,899	111,948	211,264	152,536	1,574,646	91,665	1,666,311

RECLASSIFIED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2018

	30/06/2018	31/12/2017	Increase (Decrease)	Percentage Increase (Decrease)
Non-current assets and Liabilities	4,652,775	4,514,218	138,557	3.1%
Net working capital	(416,168)	(281,472)	(134,696)	47.9%
Invested capital	4,236,607	4,232,746	3,860	0.1%
Net debt	(2,570,296)	(2,421,540)	(148,755)	6.1%
Total shareholders' equity	(1,666,311)	(1,811,206)	144,895	(8.0%)
Total funding	4,236,607	4,232,746	3,860	0.1%

Amounts in thousands of Euro

ANALYSIS OF CONSOLIDATED NET DEBT AT 30 JUNE 2018

	30/06/2018	31/12/2017	Increase (Decrease)	Percentage Increase (Decrease)
Non-current financial assets (liabilities)	2,362	2,738	(376)	(13.7%)
Non-current financial assets (liabilities) due from/to Parents, Subsidiaries and Associates	33,801	35,637	(1,836)	(5.2%)
Non-current borrowings and financial liabilities	(3,395,892)	(2,745,035)	(650,857)	23.7%
Net medium/long-term debt	(3,359,730)	(2,706,661)	(653,069)	24.1%
Cash and cash equivalents and securities	1,200,547	680,641	519,906	76.4%
Short-term borrowings	(782,913)	(544,559)	(238,354)	43.8%
Current financial assets (liabilities)	309,449	32,857	276,591	n.s.
Current financial assets (liabilities) due from/to Parent and Associates	62,351	116,181	(53,830)	(46.3%)
Net short-term debt	789,434	285,121	504,314	176.9%
Total debt	(2,570,296)	(2,421,540)	(148,755)	6.1%

Amounts in thousands of Euro

STATEMENT OF CONSOLIDATED CASH FLOWS FOR THE PERIOD ENDED 30 JUNE 2018

	30/06/18	30/06/17	Increase (Decrease)
Cash flow from operating activities			
Profit from continuing operations before tax	217,751	164,357	53,395
Amortisation and depreciation	161,830	152,525	9,305
Revaluations/Write-downs	3,943	35,115	(31,173)
Change in provision for liabilities	(12,364)	8,624	(20,988)
Net change in staff termination benefits (TFR)	(997)	(181)	(816)
Net financial interest expense	42,381	31,162	11,219
Cash flow generated by operating activities before changes in working capital	412,545	391,603	20,942
Increase in current receivables	(110,189)	(101,028)	(9,161)
Increase/decrease in current payables	(15,489)	(141,860)	126,372
Increase/(decrease) in inventories	(8,997)	(6,506)	(2,491)
Change in working capital	(134,675)	(249,394)	114,719
Change in other operating assets/liabilities	(50,103)	11,920	(62,023)
TOTAL CASH FLOW FROM OPERATING ACTIVITIES	227,766	154,128	73,638
Cash flow from investment activities			
Purchase/sale of property, plant and equipment	(113,119)	(106,711)	(6,408)
Purchase/sale of intangible fixed assets	(174,033)	(145,421)	(28,613)
Equity investments	60,175	(7,692)	67,867
Proceeds/payments deriving from other financial investments	(218,996)	3,383	(222,379)
Interest income received	8,018	8,217	(199)
TOTAL CASH FLOW FROM INVESTMENT ACTIVITIES	(437,955)	(248,223)	(189,731)
Cash flow from financing activities			
Non-controlling interest in capital increase of subsidiaries	0	(100)	100
Repayment of long-term borrowings and loans	661,216	67,746	593,470
Decrease/increase in other short-term borrowings	236,801	99,247	137,553
Interest expense paid	(53,255)	(48,226)	(5,029)
Dividends paid	(114,666)	(136,105)	21,439
TOTAL CASH FLOW FROM FINANCING ACTIVITIES	730,095	(17,438)	747,533
Cash flow for the period	519,906	(111,534)	631,440
Net opening balance of cash and cash equivalents	680,641	665,533	15,108
Net closing balance of cash and cash equivalents	1,200,547	553,999	646,548

Amounts in thousands of Euro