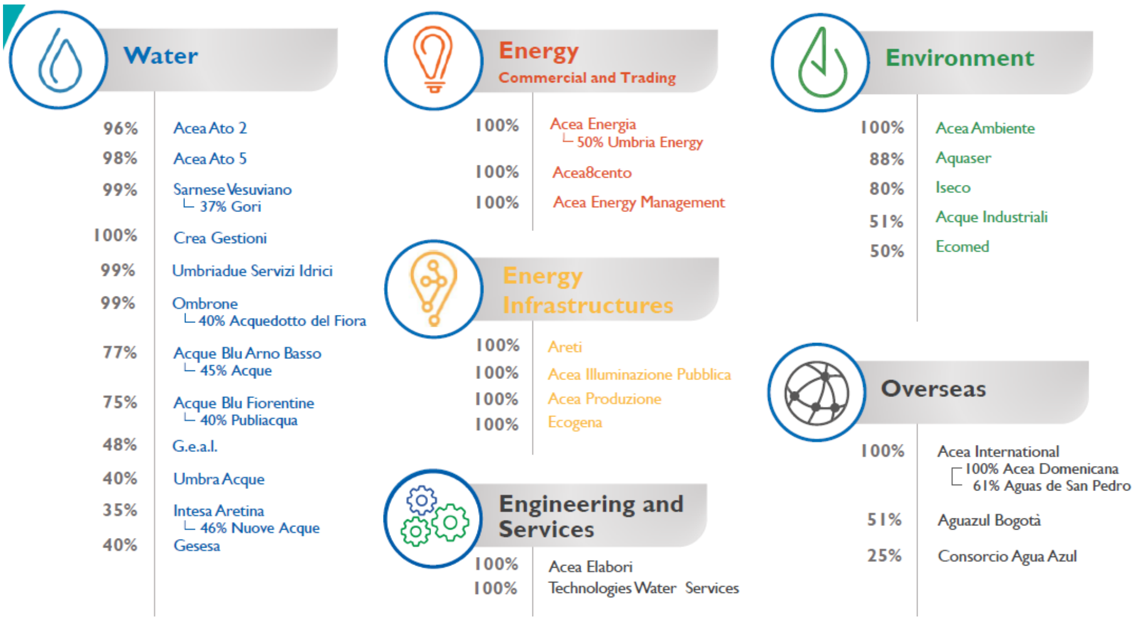
Interim Report on Operations at 30 September 2017

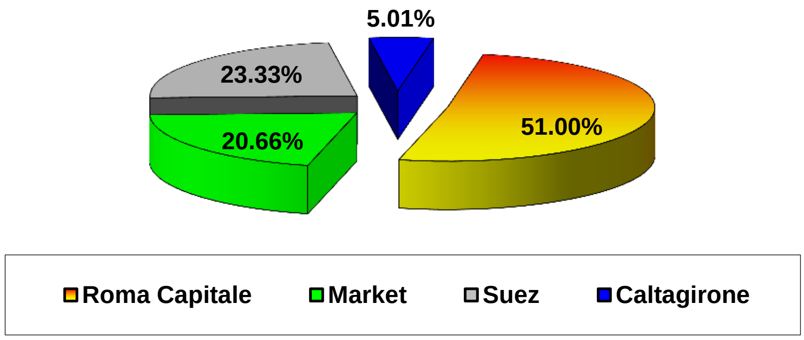
Report on Operations

ACEA Group Structure and Shareholder Base



The share capital of ACEA S.p.A. at 30 September 2017 is broken down as follows:

No change compared to the end of 2016



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

Corporate bodies

Board of Directors[1]

Luca Alfredo Lanzalone	Chairman
Stefano Antonio Donnarumma	Chief Executive Officer
Alessandro Caltagirone	Director
Massimiliano Capece Minutolo del Sasso	Director
Michaela Castelli	Director
Gabriella Chiellino	Director
Giovanni Giani	Director
Liliana Godino	Director
Fabrice Rossignol	Director

Board Of Statutory Auditors

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

Executive Responsible for Financial Reporting[2]

Giuseppe Gola

[1] Appointed by the Shareholders' Meeting on 27 April 2017
[2] Appointed by the Board of Directors meeting of ACEA on 3 August 2017 effective from 1 September 2017

Summary of Results

Income Statement Data (million Euros)	30/09/2017	30/09/2016	Increase/ (Decrease)	% Increase/ (Decrease)
Consolidated revenue	2,037.9	2,047.5	(9.6)	(0.5%)
Consolidated Operating Costs	1,430.0	1,422.3	7.8	0.6%
Income/(Costs) from equity investments of a non-financial nature	17.9	20.8	(2.8)	(13.7%)
- of which: EBITDA	105.3	104.9	0.4	0.4%
- of which: Amortisation, depreciation, impairment charges and provisions	(73.2)	(66.6)	(6.6)	9.9%
- of which: Financial activities	(5.2)	(6.2)	1.0	(16.3%)
- of which: Income/(Costs) from equity investments	0.0	(0.1)	0.1	(106.2%)
- of which: Taxation	(9.0)	(11.3)	2.3	(20.5%)
Net income/(costs) from commodity risk management				
EBITDA	**625.8**	**646.1**	**(20.2)**	**(3.1%)**
EBIT	**291.3**	**378.1**	**(86.8)**	**(23.0%)**
Net profit/(loss)	**161.6**	**207.5**	**(45.9)**	**(22.1%)**
Profit/(loss) attributable to non-controlling interests	9.0	6.6	2.4	36.1%
Net profit/(loss) attributable to the Group	**152.6**	**200.9**	**(48.3)**	**(24.0%)**

Adjusted Income Statement Data[3] (million Euros)	30/09/2017	30/09/2016	Increase/ (Decrease)	% Increase/ (Decrease)
Gross Operating Profit (EBITDA):	625.8	569.6	56.3	9.9%
Operating Profit (EBIT)	319.5	301.6	18.0	6.0%
Profit/(loss) before tax	268.5	240.5	28.0	11.6%
Net profit (loss)	182.5	156.0	26.5	17.0%
Net profit/(loss) attributable to the Group	**173.4**	**149.4**	**24.0**	**16.1%**

[3] The *adjusted* economic data does not include the following exogenous components:
- for 2017, the negative effects - totalling 28 million Euros gross of the fiscal effect - produced by:
  - the sentence which determined the readmission in ownership of the Autoparco property for 9.5 million Euros
  - the reduction in value of the receivables from *areti* for 12.5 million Euros
  - the reduction in value of the receivables from ATAC for 6 million Euros
- for 2016, the positive effect (76.5 million Euros gross of the fiscal effect) due to the elimination of the regulatory lag.

EBITDA per operating segment (million Euros)	30/09/2017	30/09/2016	Increase/ (Decrease)	% Increase/ (Decrease)
ENVIRONMENT	**46.8**	**42.0**	**4.7**	**11.3%**
COMMERCIAL AND TRADING	**57.6**	**71.0**	**(13.4)**	**(18.9%)**
OVERSEAS	**11.1**	**0.8**	**10.3**	**n.a.**
WATER	**264.0**	**248.9**	**15.1**	**6.1%**
Integrated water service	*263.8*	*248.6*	*15.2*	*6.1%*
Lazio - Campania	248.6	232.7	16.0	6.9%
Tuscany - Umbria	15.2	15.9	(0.7)	(4.6%)
Other	***0.2***	***0.3***	***(0.1)***	***(23.8%)***
ENERGY INFRASTRUCTURES	**239.0**	**273.7**	**(34.7)**	**(12.7%)**
Distribution	207.8	248.8	(41.0)	(16.5%)
Generation	28.5	24.1	4.4	18.3%
Public Lighting	2.7	0.8	1.9	n.a.
ENGINEERING AND SERVICES	**14.6**	**7.7**	**7.0**	**91.0%**
ACEA (Corporate)	**(7.3)**	**2.0**	**(9.2)**	**n.a.**
Total EBITDA	**625.8**	**646.1**	**(20.2)**	**(3.1%)**

Statement of financial position data (million Euros)	30/09/2017	31/12/2016	Increase/ (Decrease)	% Increase/ (Decrease)	30/09/2016	Increase/ (Decrease)	% Increase/ (Decrease)
Net Invested Capital	4,279.9	3,884.9	395.0	10.2%	3,820.8	459.1	12.0%
Net debt	(2,487.3)	(2,126.9)	(360.4)	16.9%	(2,138.7)	(348.6)	16.3%
Consolidated net revenue	(1,792.6)	(1,757.9)	(34.7)	2.0%	(1,682.1)	(110.5)	6.6%

Adjusted Income Statement Data[4] (million Euros)	30/09/2017	31/12/2016	Increase/ (Decrease)	% Increase/ (Decrease)
Net debt	(2,428.3)	(2,126.9)	(301.3)	14.2%

[4] The adjusted net debt includes for 2017 the impact of the GALA affair (30 million Euros), the ATAC affair (6 million Euros) and the effects of the split payment system (23 million Euros)

Net Debt per operating segment (million Euros)	30/09/2017	31/12/2016	Increase/ (Decrease)	% Increase/ (Decrease)	30/09/2016	Increase/ (Decrease)	% Increase/ (Decrease)
ENVIRONMENT	**215.5**	**173.7**	**41.8**	**24.0%**	**176.4**	**39.1**	**22.1%**
COMMERCIAL AND TRADING	**61.3**	**14.8**	**46.5**	**n.a.**	**130.8**	**(69.5)**	**(53.2%)**
OVERSEAS	**8.6**	**12.9**	**(4.4)**	**(33.8%)**	**(1.8)**	**10.4**	**n.a.**
WATER	**897.1**	**780.4**	**116.7**	**15.0%**	**730.9**	**166.2**	**22.7%**
Integrated water service							
Lazio - Campania	911.8	783.5	128.3	16.4%	731.1	180.7	24.7%
Tuscany - Umbria	(7.1)	0.0	(7.1)	0.0%	(0.1)	(7.1)	n.a.
Other	***(7.5)***	***(3.1)***	***(4.4)***	***142.7%***	***(0.1)***	***(7.4)***	***n.a.***
ENERGY INFRASTRUCTURES	**1,034.8**	**814.9**	**219.9**	**27.0%**	**749.6**	**285.1**	**38.0%**
Distribution	*899.4*	*693.3*	*206.1*	*29.7%*	*607.6*	*291.8*	*48.0%*
Generation	*123.9*	*123.6*	*0.3*	*0.2%*	*127.4*	*(3.5)*	*(2.7%)*
Public Lighting	*4.8*	*(2.0)*	*6.7*	*0.0%*	*14.7*	*(9.9)*	*(67.6%)*
ENGINEERING AND SERVICES	**14.8**	**(1.8)**	**16.6**	**n.a.**	**9.7**	**5.2**	**53.5%**
ACEA (Corporate)	**255.3**	**332.1**	**(76.8)**	**(23.1%)**	**343.1**	**(87.7)**	**(25.6%)**
Total	**2,487.3**	**2,126.9**	**360.4**	**16.9%**	**2,138.7**	**348.6**	**16.3%**

Investments per operating segment (million Euros)	30/09/2017	30/09/2016	Increase/ (Decrease)	% Increase/ (Decrease)
ENVIRONMENT	**11.9**	**30.3**	**(18.4)**	**(60.8%)**
COMMERCIAL AND TRADING	**11.2**	**17.1**	**(5.9)**	**(34.3%)**
OVERSEAS	**3.5**	**0.4**	**3.1**	**n.a.**
WATER	**183.7**	**149.2**	**34.5**	**23.1%**
Integrated water service				
Lazio - Campania	183.7	150.0	33.6	22.4%
Tuscany - Umbria	0.0	(1.3)	1.3	(100.0%)
Other	***0.0***	***0.4***	***(0.4)***	***(92.5%)***
ENERGY INFRASTRUCTURES	**148.5**	**142.2**	**6.4**	**4.5%**
Distribution	*131.8*	*119.7*	*12.1*	*10.1%*
Generation	*16.4*	*21.6*	*(5.2)*	*(24.1%)*
Public Lighting	*0.4*	*0.9*	*(0.5)*	*(52.4%)*
ENGINEERING AND SERVICES	**0.5**	**0.8**	**(0.3)**	**(39.1%)**
ACEA (Corporate)	**9.6**	**6.9**	**2.7**	**39.5%**
Total	**368.9**	**346.8**	**22.1**	**6.4%**

Summary of operations and economic and financial performance of the Group

Summary of results: economic performance

Income Statement Data (million Euros)	30/09/2017	30/09/2016	Increase/ (Decrease)	% Increase/ (Decrease)
Revenue from sales and services	1,977.3	2,002.1	(24.9)	(1.2%)
Other revenue and proceeds	60.6	45.4	15.3	33.7%
Costs of materials and overheads	1,272.2	1,269.6	2.6	0.2%
Cost of the staff	157.8	152.6	5.2	3.4%
Net income/(costs) from commodity risk management	0.0	0.0	0.0	0.0%
Income/(Costs) from equity investments of a non-financial nature	17.9	20.8	(2.8)	(13.7%)
Gross Operating Profit	**625.8**	**646.1**	**(20.2)**	**(3.1%)**
Amortisation, depreciation, provisions and impairment charges	334.6	268.0	66.6	24.9%
Operating profit/(loss)	**291.3**	**378.1**	**(86.8)**	**(23.0%)**
Financial activities	(51.4)	(61.3)	9.9	(16.1%)
Investments	0.3	0.1	0.2	130.0%
Profit/(loss) before tax	**240.2**	**317.0**	**(76.8)**	**(24.2%)**
Taxation	78.6	109.4	(30.8)	(28.2%)
Net profit/(loss)	**161.6**	**207.5**	**(45.9)**	**(22.1%)**
Profit/(loss) attributable to non-controlling interests	9.0	6.6	2.4	36.1%
Net profit/(loss) attributable to the Group	**152.6**	**200.9**	**(48.3)**	**(24.0%)**

Amounts in million Euros

The basis of consolidation has changed due to the acquisitions in 4Q 2016 and in 2017.

The following acquisitions were made in the first nine months of 2017, involving a change to the basis of consolidation with respect to both the first nine months of 2016 and the end of 2016. In particular:

- ✓ effective from 1 January 2017, the parent company has acquired 51% of **Acque Industriali** from Acque S.p.A.; this means that it is now consolidated on a line-by-line basis;
- ✓ on 8 February 2017, the transfer of the holdings in **GEAL** owned by Veolia Eaux Compagnie Generale Des Eaux SCA to ACEA was completed; the holding owned by the Group after this acquisition is 48%. The result of the consolidation of GEAL (equity method) is included under the "*Income/(Costs) from equity investments of a non-financial nature*"
- ✓ On 23 February 2017, the **TWS** (*Technologies for Water Services*) Group owned by Severn Trent Luxembourg Overseas was acquired, as was the 0.9% of **Umbriadue** owned by Severn Trent (W&S) Limited. The Group is consolidated on a line-by-line basis;
- ✓ on 1 April 2017, the holding owned by ACEA in **AceaGori Servizi** (now GORI Servizi) was transferred to GORI, thereby meaning that it is now consolidated under the equity method.

For more information, see the paragraph "Criteria, procedures and basis of consolidation".

The consolidation on a line-by-line basis of Aguas de San Pedro following the acquisition of 29.65% during the last quarter of 2016 has contributed to the change in basis of consolidation. In addition to the previously owned holding of 31%, it has been possible to take over exclusive control of the Company. Still during 2016, following the changes to the composition of the Board of Directors as regards the number of Board members appointed by ACEA, AguaAzul Bogotá is consolidated under the equity method.
It must also be noted that on 22 November 2016, ACEA International S.A., 100% owned by ACEA, was incorporated and the holdings in Aguas de San Pedro and Acea Dominicana transferred in April.

The following table shows the impact of the change in the basis of consolidation and shows the contribution of each Company net of inter-company cancellations.

million Euros	Acque Industriali	GEAL	TWS Group	ASP	AguaAzul Bogotá	Gori Servizi	Total
EBITDA	0.2	0.8	2.2	9.2	0.0	(0.1)	12.3
EBIT	(0.1)	0.8	1.3	4.9	0.0	(0.1)	6.8
EBT	(0.2)	0.8	2.5	3.5	(0.2)	(0.1)	6.4
Net Debt	(0.3)	0.8	2.5	2.2	(0.2)	(0.1)	5.0
NFP	(1.1)	0.0	0.8	(10.1)	0.0	0.0	(10.5)

The revenue from sales and services reached 2.0 billion Euros, an increase of 52 million Euros on an adjusted basis

At 30 September 2017, the revenue from sales and services amounted to 1,977.3 million Euros, an adjusted increase of 51.6 million Euros (+2.7%) compared to the same period in 2016, due to the following reasons: the change in basis of consolidation has contributed towards the increase in revenue for a total of 49.4 million Euros and, similarly, the revenue from the integrated water service and customer services have increased by 30.3 million Euros and 10.8 million Euros respectively.

The revenue from the integrated water service was affected by the tariff updates in the second quarter of 2016, including those concerning commercial quality. This item includes the better estimate of the award recognised to ACEA Ato 2 (22.5 million Euros) in the period in question. The positive change in revenue from customer services is influenced by the realisation of the LED Plan started in July 2016.

Conversely, the performance of the revenue from the sale and transport of electricity decreased in overall adjusted terms by 19.5 million Euros due to the reduction in the quantities sold on the free market (-1,092 GWh) as a consequence of the optimisation of the customer portfolio and taking into account the trends in prices and the tariff dynamics introduced in the fifth regulatory cycle (AEEGSI resolution 654/2015).

It should be recalled that in 3Q 2016, the amount of 76.5 million Euros concerning the *regulatory accounting*, amounting to 30.5 million Euros in 3Q 2017, had been included (for more details see the paragraph "*Performance of the operating segments - Energy Infrastructures Operating Segment*").

Other revenue of 60.6 million Euros

There was an increase of 15.3 million Euros, mainly due to the following opposing effects:

- ✓ the recognition of 28.6 million Euros of the contributions accrued on white certificates (TEE) in the portfolio, an increase of 23.9 million Euros compared to the third quarter of 2016; this revenue is balanced by the costs for the purchase of the TEE;
- ✓ the recognition in 3Q 2016 of the revenue (9.6 million Euros) linked to the effects of the contract signed in March 2006 for the sale of digital meters.

Cost of materials and overheads of 1.3 billion Euros, in line with 3Q 2016

This item reported a total increase of 2.6 million Euros (0.2%) compared to 30 September 2016. The change is due to opposing effects, mainly:

- ✓ lower costs for the procurement of electricity for both the protected market and the free market and the reduction in related transport costs (totalling -68.8 million Euros) as a consequence of a reduction in sales;
- ✓ greater costs for the acquisition of the white certificates by *areti* (25.3 million Euros) for fulfilling the regulatory obligation of energy efficiency;
- ✓ the increase in costs of materials due to the consolidation of the TWS Group for 4.9 million Euros and the increased acquisitions in the period by *areti* (+7.8 million Euros) mainly concerning the LED Plan;
- ✓ the increase in service costs (+29 million Euros) mainly due to the consolidation of the new companies (+15.3 million Euros) and the cost of Public Lighting in the Municipality of Rome, with specific reference to the mass replacement of light bulbs with LEDs and the management costs of the IT platform;
- ✓ the increase in other management costs (+4.4 million Euros), of which 2.7 million concerning indemnities to customers in the water sector and the remainder to the FNI quota for tariff facilitations.

Staff costs increased by 3.4%

The increase in staff costs is mainly due to the change in basis of consolidation (+7.9 million Euros), partially offset by the increase of 9.2 million Euros in the component destined for investments. This component is a consequence of the complex plan to change the Information systems and corporate processes, the last go-live of which was at the start of this year.

The average number of staff was 5,474, an increase of 494 compared to 2016. The increase is mainly attributable to the change in basis of consolidation.

million Euros	30/09/2017	30/09/2016	Increase/ (Decrease)	Increase/ (Decrease) %
Staff costs including capitalised costs	245.6	231.2	14.4	6.2%
Capitalised costs	(87.8)	(78.6)	(9.2)	11.7%
Staff costs	**157.8**	**152.6**	**5.2**	**3.4%**

The water companies in the TUC recorded losses of 2.8 million Euros due to the increase in amortisation, depreciation, impairment charges and provisions

Income from equity investments of a non-financial nature represent the consolidated result according to the *equity method* that is included among the components of the consolidated EBITDA of companies previously consolidated using the proportionate method. The breakdown of this item is provided below, while the performance of each single company is specified in the comments on the Water Operating Segment.

thousand Euros	30/09/2017	30/09/2016	Increase/ (Decrease)	% Increase/ (Decrease)
Gross Operating Profit	105.3	104.9	0.4	0.4%
Amortisation, depreciation, impairment charges and provisions	(73.2)	(66.6)	(6.6)	9.9%
Total profit/(loss) on investments	0.0	(0.1)	0.1	(106.2%)
Financial activities	(5.2)	(6.2)	1.0	(16.3%)
Taxation	(9.0)	(11.3)	2.3	(20.5%)
Income from equity investments of a non-financial nature	**17.9**	**20.8**	**(2.8)**	**(13.7%)**

EBITDA of 625.8 million Euros, an *adjusted* increase of 10%

EBITDA decreased from 646.1 million Euros at 30 September 2016 to 625.8 million Euros in 2017 with a decrease of 20.2 million Euros, equal to 3.1% (9.9% increase in *adjusted* EBITDA). This trend is due to the change in basis of consolidation for 12.3 million Euros (the main contribution comes from Aguas de San Pedro, for 9.2 million Euros). The increase, recorded under the same basis, is mainly due to the tariff dynamics in the water sector (+14.3 million Euros) followed, as regards the significant increase in marginality, by the energy infrastructures sector (+41.8 million Euros net of the regulatory income of 76.5 million Euros recognised last year) due to the tariff updates in the fifth regulatory cycle and the increase in the quantities produced by the hydroelectric plants; the Environment operating segment also showed an increase of 4.7 million Euros due to the increased quantity of electricity sold. The Commercial and Trading operating segment and the parent company showed a decrease in EBITDA, of 13.4 million Euros and 9.2 million Euros respectively, due to the reduction in marginality on the free market and the transfer of the Facility Management branch to ACEA Elabori effective from 1 November 2016, respectively.

EBIT of 319.5 million Euros (+6.0%)

The *adjusted* EBIT increased by 18 million Euros compared to 3Q 2016. The items influencing this marginality indicator were affected by two extraordinary events during the period (for a total amounting to 28.3 million Euros): the readmission under ownership of the Autoparco property after the sentence and the evaluation of the exposures towards GALA and ATAC.

million Euros	30/09/2017	30/09/2016	Increase/ (Decrease)	Increase/ (Decrease) %
Amortisation and depreciation	228.3	186.9	41.4	22.2%
Provision for impairment of receivables	78.8	47.7	31.0	65.0%
Provision for liabilities and charges	27.5	33.4	(5.9)	(17.6%)
Amortisation, depreciation, impairment charges and provisions	**334.6**	**268.0**	**66.6**	**24.9%**

The increase in **amortisations** is mainly due to the increase in investments in all operating segments and also takes into account the go live of the Acea2.0 technological platform in the main Companies in the Group. It must be pointed out that following sentence no. 11436/2017 dated 6 June 2017 of the Rome Law Courts, the sale contract for the real estate property owned by ACEA in Piazzale dei Partigiani (Autoparco) was declared null and void, accepting the demand by ACEA for the termination of contractual relations with Trifoglio and taking back ownership of the area. The asset was therefore recognised again in the equity at the accountable value at the time of sale, generating a reduction in value of 9.5 million Euros, equal to the capital gain at the time of sale at the end of 2010.
The **impairment charges** reduced by 5.9 million Euros, mainly due to the combined effect of: **i)** the reduction in impairment charges aimed at hedging regulatory risks (totalling -6.7 million Euros), **ii)** the decrease in allocations aimed at dealing with the plan to reduce staff through the adoption of voluntary redundancy and early retirement programmes for Group staff, **iii)** the increase in allocations aimed at hedging risks of a legal nature (+6.9 million Euros) and **iv)** the increase in investments in the water segment, which implied an increase in the allocations to the cost recovery provisions (+2.6 million Euros). The increase in the **depreciation** of receivables mainly concerns the companies in the water segment (+22.3 million Euros) following the evaluations based on historical analysis in relation to the age of receivables, type of recovery action taken and the status of the receivables. This item also includes the reduction in value (12.8 million Euros) of receivables for transport claimable by *areti* from GALA and, for 6.0 million Euros, those concerning ATAC. For more details, see the paragraph "*Trends in operating segments - Energy Infrastructures Operating Segment*" as regards GALA and the comments on the equity results as regards ATAC.

Financial activities improved by 9.9 million Euros

The financial activities amounted to a negative 51.4 million Euros at the end of 3Q 2017, an improvement of 9.9 million Euros. This good performance is substantially due to a reduction in interest on short and medium-long-term borrowings (-6.1 million Euros), thanks to the *liability management* transaction in

October 2016; in fact, at 30 September 2017, the average overall "*all in*" cost of the ACEA Group's debt was 2.59% compared to 3.16% for the same period in the previous year. It should also be noted that the *Post mortem* Provision for the disposal plant in Orvieto was actualised, generating a positive effect of 6.4 million Euros.

***Rate* of 32.7%, a decrease of 1.8 percentage points**

Estimated tax payables for the period, calculated in accordance with IAS34, amount to 109.4 million Euros compared to 75.1 million Euros last year. The overall decrease in the reporting period, of 30.8 million Euros,. is due to the reduction in the IRES rate
The *tax rate* for 3Q 2017 was 32.7% (34.5% at 30 September 2016).

Net Group profit increases by 17%

The net profit attributable to the Group, excluding the extraordinary events during the reporting period, was 182.5 million Euros, an increase of about 26.5 million Euros compared to 3Q 2016.

Summary of results: financial position and cash flows

Statement of financial position data (million Euros)	30/09/2017	31/12/2016	Increase/ (Decrease)	% Increase/ (Decrease)	30/09/2016	Increase/ (Decrease)	% Increase/ (Decrease)
Non-current assets and liabilities	4,294.9	4,161.4	133.5	3.2%	4,007.4	287.5	7.2%
Net working capital	(15.0)	(276.6)	261.6	(94.6%)	(186.5)	171.5	(92.0%)
Invested capital	4,279.9	3,884.9	395.0	10.2%	3,820.8	459.1	12.0%
Net debt	(2,487.3)	(2,126.9)	(360.3)	16.9%	(2,138.7)	(348.6)	16.3%
Shareholders' Equity	(1,792.6)	(1,757.9)	(34.7)	2.0%	(1,682.1)	(110.5)	6.6%
Total Funding Sources	**4,279.9**	**3,884.9**	**395.0**	**10.2%**	**3,820.8**	**459.1**	**12.0%**

Compared to 31 December 2016, the non-current assets and liabilities increased by 133.5 million Euros (+3.2%) mainly as a consequence of the increase in fixed assets (+143.1 million Euros).

The non-current assets and liabilities increased by 3.2% due to the increase in investments

million Euros	30/09/2017	31/12/2016	Increase/ (Decrease)	% Increase/ (Decrease)	30/09/2016	Increase/ (Decrease)	% Increase/ (Decrease)
Property, plant and equipment and intangible assets	4,327.2	4,184.1	143.1	3.4%	4,032.7	294.5	7.3%
Equity investments	278.1	263.5	14.6	5.6%	259.9	18.1	7.0%
Other non-current assets	305.4	296.5	9.0	3.0%	309.0	(3.6)	(1.2%)
Staff termination benefits and other defined-benefit plans	(112.4)	(109.5)	(2.8)	2.6%	(117.8)	5.5	(4.6%)
Provisions for liabilities and charges	(223.3)	(199.3)	(24.0)	12.1%	(202.4)	(21.0)	10.4%
Other non-current liabilities	(280.1)	(273.7)	(6.4)	2.4%	(274.1)	(6.0)	2.2%
Non-current assets and liabilities	**4,294.9**	**4,161.4**	**133.5**	**3.2%**	**4,007.4**	**287.5**	**7.2%**

Investments amounting to 368.9 million Euros and 228.3 million Euros in depreciation and amortisation and reductions in value contributed to the change in fixed assets.

As regards the investments made in each Operating Segment, see the following table.

Investments per operating segment (million Euros)	30/09/2017	30/09/2016	Increase/ (Decrease)	% Increase/ (Decrease)
ENVIRONMENT	**11.9**	**30.3**	**(18.4)**	**(60.8%)**
COMMERCIAL AND TRADING	**11.2**	**17.1**	**(5.9)**	**(34.3%)**
OVERSEAS	**3.5**	**0.4**	**3.1**	**n.a.**
WATER	**183.7**	**149.2**	**34.5**	**23.1%**
Integrated water service				
Lazio - Campania	*183.7*	*150.0*	*33.6*	*22.4%*
Tuscany - Umbria	*0.0*	*(1.3)*	*1.3*	*(100.0%)*
Other	**0.0**	**0.4**	**(0.4)**	**(92.5%)**
ENERGY INFRASTRUCTURES	**148.5**	**142.2**	**6.4**	**4.5%**
Distribution	*131.8*	*119.7*	*12.1*	*10.1%*
Generation	*16.4*	*21.6*	*(5.2)*	*(24.1%)*
Public Lighting	*0.4*	*0.9*	*(0.5)*	*(52.4%)*
ENGINEERING AND SERVICES	**0.5**	**0.8**	**(0.3)**	**(39.1%)**
ACEA (Corporate)	**9.6**	**6.9**	**2.7**	**39.5%**
Total	**368.9**	**346.8**	**22.1**	**6.4%**

Capital expenditures increase by 22.1 million Euros (+6.4%)

Capital expenditures in the **Environment Segment** refer to: (i) work on the sludge extraction system of the WTE plant in San Vittore in Lazio, (ii) the purchase of a warehouse for the WTE plant in Terni
and (iii) the work on the waste treatment and biogas production plant in Orvieto.

The **Commercial and Trading Segment** showed a reduction of 5.9 million Euros, mainly attributable to Acea Energia (-4.9 million Euros). This reduction is mainly due to the capital expenditures regarding Acea2.0.

The **Overseas Segment** showed a reduction of 3.1 million Euros, attributable mainly to Aguas de San Pedro, for the purchase of machinery and industrial equipment.

The **Water Segment** realised capital expenditures totalling 183.7 million Euros, an increase of 34.5 million Euros concerning ACEA Ato2 (+26.9 million Euros) and ACEA Ato5 (+7.4 million Euros) for extraordinary maintenance, refurbishment, modernisation and expansion works on the water and sewerage network and the purification plants also regarding works aimed at mitigating the lack of water resources.

The **Energy Infrastructures Segment** recorded an increase in capital expenditures of 6.4 million Euros as a result of the expansion, renovation and enhancement of the MV and LV network, work on the primary and secondary cabins and also activities concerning the Acea2.0 programme.

The **Engineering and Services Segment** recorded capital expenditures of 0.5 million Euros, mainly linked to the purchase of industrial and commercial equipment by ACEA Elabori.

Capital expenditures in the **Corporate Segment** concerned extraordinary maintenance on the remote control systems and devices for the public lighting network in the Municipality of Rome and the hardware for the Acea2.0 project.

The Group capital expenditures for Acea2.0 amounted to a total of 33.1 million Euros.

The increase in fixed assets in the reporting period was also influenced by the readmission under ownership of the Autoparco property as a result of the sentence emanated in June 2017. The property was recorded at 4.5 million Euros, which is the accountable value at the time of sale.

Equity investments increased by 14.6 million Euros compared to 31 December 2016. This increase refers mainly to the valuation of companies consolidated using the equity method as a result of the application of IFRS 11.

The **retirement provision and other defined benefit plans** increased by 2.8 million Euros, mainly as a result of the change in basis of consolidation (+3.1 million Euros) and also the rate used (from 1.31% at 31 December 2016 to 1.57% in the third quarter of 2017).

The Provision for liabilities and charges increased nu 12.0%, mainly due to the allocation of 29.5 million Euros, the majority of which was for the voluntary redundancy and early retirement procedures.

million Euros	31/12/2016	Utilisations	Allocations	Payment of Redundancy Funds	Reclassifications/ Other changes	30/09/2017
Legal	11.0	(1.6)	3.5	(0.8)	1.1	13.2
Tax	4.4	(0.4)	0.9	0.0	0.0	5.0
Regulatory risks	57.3	(3.5)	1.0	(0.8)	0.0	54.1
Investees	1.9	0.0	0.0	0.0	0.4	2.3
Contributory risks	2.7	(0.3)	0.1	0.0	0.3	2.8
Early retirements and redundancies	2.1	(5.5)	13.3	0.0	(0.4)	9.5
Post mortem	23.0	0.0	0.0	0.0	(6.4)	16.7
Insurance excess	2.0	(0.5)	0.0	0.0	0.0	1.5
Other liabilities and charges	32.5	(1.8)	1.9	(0.4)	15.0	47.2
Subtotal Provisions for Liabilities and Charges	**137.0**	**(13.6)**	**20.8**	**(2.0)**	**10.1**	**152.2**
Provisions for restoration charges	62.4	0.0	8.8	0.0	0.0	71.1
Commitments from agreements	0.0	0.0	0.0	0.0	0.0	0.0
Total Provisions for Liabilities and Charges	**199.3**	**(13.6)**	**29.5**	**(2.0)**	**10.1**	**223.3**

The other movements and reclassifications refer to: (i) 15.4 million Euros to the provisions recognised as a result of the change made by Law 208/2015 to the discipline of notes for VAT changes following the termination of the contracts for the supply of electricity, gas and water due to non-fulfilments; (ii) 6.4 million Euros to changes in the accounting estimates concerning the actualisation of the Post Mortem debt of the non-hazardous waste disposal plant in Pian del Vantaggio in Orvieto and (iii) 1.3 million Euros to the change in the basis of consolidation. The utilisations refer mainly to early retirements and voluntary redundancies of the parent company (5.5 million Euros) and the signing of the transitive deed by Acea Produzione and the Municipalities of the Imbrifero Mountain Zone for the determination of the amounts of the excess fees paid (3.5 million Euros).

million Euros	30/09/2017	31/12/2016	Increase/ (Decrease)	30/09/2016	Increase/ (Decrease)
Current receivables	**1,220.4**	**1,097.4**	**122.9**	**1,134.2**	**86.1**
- due from end users/customers	1,139.6	1,023.6	116.1	1,045.4	94.2
- due from Roma Capitale	45.4	45.6	(0.2)	63.0	(17.6)
Inventories	**47.0**	**31.7**	**15.2**	**33.0**	**13.9**
Other current assets	**234.5**	**207.0**	**27.4**	**233.0**	**1.5**
Current payables	**(1,109.8)**	**(1,292.6)**	**182.8**	**(1,194.9)**	**85.1**
- due to Suppliers	(980.7)	(1,149.2)	168.5	(1,040.8)	60.1
- due to Roma Capitale	(126.1)	(139.2)	13.2	(150.1)	24.1
Other current liabilities	**(407.0)**	**(320.1)**	**(86.9)**	**(391.9)**	**(15.2)**
Net working capital	**(15.0)**	**(276.6)**	**261.6**	**(186.5)**	**171.5**

The net working capital is a negative 15 million Euros, a decrease of 262 million Euros compared to the end of 2016

The change in net working capital compared to 31 December 2016 is due to the increase in receivables from customers, for 116.1 million Euros (of which 15.5 million Euros due to the change in basis of consolidation).
The change in receivables from customers is affected by a decrease in the stock of the Water Segment (+ 38 million Euros) and that of the Energy Infrastructures Segment (+94 million Euros). As regards the former, the receivables increased by 22.5 million Euros as a result of the effect of the recognition in ACEA Ato2 of the commercial quality award, while for the latter, the change refers mainly to GALA and the effects of the regulatory changes which have led to the recognition of the income deriving from the elimination of the regulatory lag, which at the end of 3Q 2017 amounted to 119.2 million Euros (+30.5 million Euros compared to the end of 2016) including the non-current portion of 45.3 million Euros. As regards GALA, the contract with *a*reti was terminated with effect from 26 July. The overall receivables amount to approximately 65 million Euros, subject to depreciation of 12.8 million Euros concerning the transport component only.
As regards the receivables from ATAC (8.3 million Euros), the Rome Law Courts accepted the request for arrangement with creditors submitted by ATAC on 27 September 2017, granting the term of 60 days (27/11/2017) for submitting the plan. An overall depreciation was therefore carried out for approximately 6 million Euros, 4.5 million Euros of which concerning the receivables recognised to ACEA Ato2.
It should also be noted that during September, a transaction between the companies in the ACEA Group and AMA was finalised, concerning the receivables due reciprocally as at 1 July 2017. The transaction implied the receipt of approximately 9 million Euros.
It should be noted that the receivables for bills to be issued in the Water Segment include the adjustments accrued (including quality award) by ACEA Ato2 and ACEA Ato5, totalling 186.3 million Euros (including transfers) concerning the following tariff periods:

- pre-2012 (backdated adjustment) for 5.8 million Euros;
- first regulatory period (2012-2015) for 107.9 million Euros;
- second regulatory period (2016 and 2017) for 72.5 million Euros.

On the basis of the existing regulatory framework and the resolutions of the EGA and/or AEEGSI, these amounts could be billed as follows:

- 2017: 17.5 million Euros
- 2018: 48.3 million Euros
- 2019 and later: 120.4 million Euros.

The Group recognised the adjustments without taking into account the time factor and in consideration of the reasons in the appeals against resolutions 585/2012 and 643/2013, initially accepted by the Regional Administrative Court.
The receivables from customers are shown net of the Provision for impairment of receivables, which amounted to 404.2 million Euros compared to 344.4 million Euros at the end of 2016 and 337.5 million Euros in 3Q 2016.
In the first nine months of 2017 receivables were sold without recourse for a total amount of 968.1 million Euros, of which 161.3 million Euros from the Public Administration.
The change in net working capital was also influenced by the increase in inventories for works in progress, mainly due to the consolidation of the TWS Group (+10.4 million Euros).

Roma Capitale: net receivables of 62.6 million Euros

As regards the relations with Roma Capitale at 30 September 2017, the net receivables due to the Group amounted to 62.6 million Euros, an increase compared to 31 December 2016 and 3Q 2016 receptively of 25.2 million Euros and 34.7 million Euros. The change in receivables and payables is due to the accruals in the reporting period and the effects of compensations and payments received. Specifically, ACEA paid to Roma Capitale the dividends for 2016 (67.3 million Euros) and a portion of the ACEA Ato2 concession fees (32.2 million Euros), while it received the overall amount of 66.6 million Euros, of which 23.8 million Euros for electricity and water utilities billed in 2013 and 2014 and the remainder receivables for public lighting.

The following table shows the joint amounts deriving from the relations between the ACEA Group and Roma Capitale, as regards both receivables and payables and including items of a financial nature..

Amounts due from Roma Capitale	30/09/2017	31/12/2016	Increase/ (Decrease)	30/09/2016	Increase/ (Decrease)
Services billed	60.0	57.1	2.9	67.8	(7.8)
Services to be billed	2.2	1.7	0.5	6.6	(4.4)
Total trade receivables	**62.2**	**58.8**	**3.4**	**74.4**	**(12.2)**
Financial receivables for Public lighting services	**123.4**	**108.4**	**15.0**	**94.4**	**29.0**
Total receivables due within one year (A)	**185.6**	**167.2**	**18.4**	**168.8**	**16.8**
Amounts due to Roma Capitale	**30/09/2017**	**31/12/2016**	**Increase/ (Decrease)**	**30/09/2016**	**Increase/ (Decrease)**
Trade payables due within one year (B)	**(115.2)**	**(128.0)**	**12.8**	**(139.2)**	**24.0**
Total (A) + (B)	**70.4**	**39.2**	**31.2**	**29.6**	**40.8**
Other receivables/(payables) of a financial nature	19.9	22.6	(2.7)	20.6	(0.7)
Other trade receivables/(payables)	(27.7)	(24.5)	(3.3)	(22.3)	(5.4)
Total other receivables/(payables) (C)	**(7.9)**	**(1.9)**	**(6.0)**	**(1.7)**	**(6.1)**
Net Balance	**62.6**	**37.4**	**25.2**	**27.9**	**34.7**

Current payables reduced by 14.1% compared to the end of 2016

The **current payables** reduced by 182.8 million Euros compared to the end of 2016 as a result of the reduction in suppliers' stock (-168.5 million Euros) mainly due to the optimisation of the customer portfolio of Acea Energia (and the trends in *commodities* prices) and also the introduction of the *Split Payment* regulations concerning all companies in the Group consolidated on a line-by-line basis. The change in the basis of consolidation generated increased payables to suppliers totalling 12.5 million Euros.

The Other Current Assets and Liabilities showed an overall increase of 27.4 million Euros and 86.9 million Euros respectively compared to the end of 2016.
In detail, the other assets increased by (i) 6.9 million Euros to take into account the income and costs for the year, independently of the date of receipt or payment, (ii) 19 million Euros due to the increase in the tax receivables for the periodical VAT payments.
As regards the liabilities, the increase is due to the increase in tax payables (+68.5 million Euros) as a result of the estimate of the tax charges for the period, amounting to 78.6 million Euros, and the increase in payables to the Adjustment Fund (+29.1 million Euros).

Shareholders' equity of 1.8 billion Euros

Shareholders' equity amounts to 1,792.6 million Euros. The changes occurred during the period, amounting to 34.7 million Euros, are detailed in the table below and mainly derive from the distribution of dividends, the profit accrued for the period, the change in basis of consolidation, and changes in reserves related to the *cash flow hedge* and actuarial gains and losses.

The net debt increased by 301.3 million Euros compared to the end of 2016 and 289.6 million Euros compared to 3Q 2016.

Group **debt** recorded an overall increase of 360.3 million Euros, from 2,126.9 million Euros at the end of 2016 to 2,487.3 million Euros in 3Q 2017. This change is a direct result of the capital expenditure in the period - increased by approximately 22 million Euros - and the expansion of the basis of consolidation due to the acquisitions in late 2016 and early 2017, the decrease in receivables in the Water Segment, as a result of the slowing down of recovery activities due to the problems with the informative systems, which were mainly resolved as of October, and to the exposure towards GALA of *a*reti, albeit mitigated by the action undertaken. Effects on the dynamics of the value of the debt are also due to the impact of the adoption of the *split payment* system introduced by Decree Law 50/2017, converted into Law 96/2017. The *adjusted* net debt increased by 301.3 million Euros.
It should be noted that the comparative figures have been reclassified with respect to those published for a better understanding of the changes.

million Euros	30/09/2017	31/12/2016	Increase/ (Decrease)	% Increase/ (Decrease)	30/09/2016	Increase/ (Decrease)	% Increase/ (Decrease)
Non-current financial assets/(liabilities)	2.7	2.1	0.6	31.2%	3.1	(0.4)	(11.6%)
Non-current financial assets/(liabilities) of parent companies, subsidiaries and related companies	37.7	25.7	12.0	46.7%	29.2	8.5	29.1%
Non-current borrowings and financial liabilities	(2,516.3)	(2,770.9)	254.5	(9.2%)	(2,641.9)	125.5	(4.8%)
Net medium/long-term debt	**(2,475.9)**	**(2,743.1)**	**267.2**	**(9.7%)**	**(2,609.6)**	**133.7**	**(5.1%)**
Cash and cash equivalents and securities	441.7	665.5	(223.8)	(33.6%)	590.3	(148.6)	(25.2%)
Short-term bank borrowings	(193.8)	(53.0)	(140.9)	n.a.	(104.9)	(88.9)	84.7%
Current financial assets/(liabilities)	(380.5)	(104.4)	(276.2)	n.a.	(104.6)	(275.9)	n.a.
-current financial assets/(liabilities) of parent companies and related companies	121.4	108.0	13.4	12.4%	90.2	31.2	34.6%
Net short-term debt	**(11.3)**	**616.2**	**(627.5)**	**(101.8%)**	**470.9**	**(482.2)**	**(102.4%)**
Total net financial position	**(2,487.3)**	**(2,126.9)**	**(360.3)**	**16.9%**	**(2,138.7)**	**(348.6)**	**16.3%**

Medium/long-term borrowings increased by 267.2 million Euros

As regards the medium/long-term component, the reduction of 267.2 million Euros refers mainly to the reclassification among the current liabilities of 330.4 million Euros concerning the bond loan and borrowings of 100 million Euros expiring in 2018. The change during the period is influenced by the drawing down of a medium/long-term borrowing of 200 million Euros and the line-by-line consolidation of Umbriadue, which has receivables of 14 million Euros from the related S.I.I. for a shareholders' borrowing contract. The non-current financial assets and liabilities are broken down as illustrated in the following table:

million Euros	30/09/2017	31/12/2016	Increase/ (Decrease)	Increase/ (Decrease) %	30/09/2016	Increase/ (Decrease)	Increase/ (Decrease) %
Bonds	1,690.8	2,019.4	(328.7)	(16.3%)	1,878.7	(187.9)	(10.0%)
Medium/long-term borrowings	825.5	751.4	74.1	9.9%	763.2	62.4	8.2%
Medium/long-term borrowings	**2,516.3**	**2,770.9**	**(254.5)**	**(9.2%)**	**2,641.9**	**(125.5)**	**(4.8%)**

The **bonds**, totalling 1,690.8 million Euros, decreased by 328.7 million Euros, mainly due to the reclassification of 330.4 million Euros of the bond loan expiring on 12 September 2018.

The **medium/long-term borrowings**, amounting to 825.5 million Euros, increased by 74.1 million Euros, referring to the parent company (87.4 million Euros), partly offset by *a*reti (-10.9 million Euros). The change in the parent company is mainly due to the payment on 2 May 2017 of a BEI loan amounting to 200 million Euros in the framework of the Network Efficiency III Project, partially offset by the reclassification of 100 million Euros of the short-term portion of the BEI loan expiring in June 2018.
The following table shows medium/long-term and short-term borrowings by term to maturity and type of interest rate:

Bank Loans:	Total Residual Debt	By 30.09.2018	From 30.09.2018 to 30.09.2022	After 30.09.2022
fixed rate	280.4	24.3	94.9	161.3
floating rate	643.4	117.0	160.9	365.5
floating rate to fixed rate	41.9	8.4	33.5	0.0
Total	**965.7**	**149.7**	**289.3**	**526.7**

The *fair value* of ACEA hedging derivatives was a negative 3.9 million Euros, decreasing by 1.4 million Euros compared to 31 December 2016 (negative 5.3 million Euros).

The short-term component was a negative 11.3 million Euros, decreasing by 627.5 million Euros.

Compared to the end of 2016, the short-term component reduced by 627.5 million Euros as a result of the reduction in cash and cash equivalents (-223.8 million Euros), mainly attributable to the parent company (-181.0 million Euros) and ACEA Ato2 (-48.2 million Euros) and the increase in the short-term borrowings from banks (140.9 million Euros), mainly attributable to the parent company.

It should be noted that at 30 September 2017, the Parent Company held *uncommitted* credit lines totalling 769 million Euros, 739 million Euros unused. No guarantees were issued to obtain these credit lines.

ACEA's rating

It should be noted that the long-term ratings assigned to ACEA by international rating agencies are as follows:

- Fitch's 'BBB+'
- Moody's “Baa2”.

Trend of Operating Segments

Financial results by segment

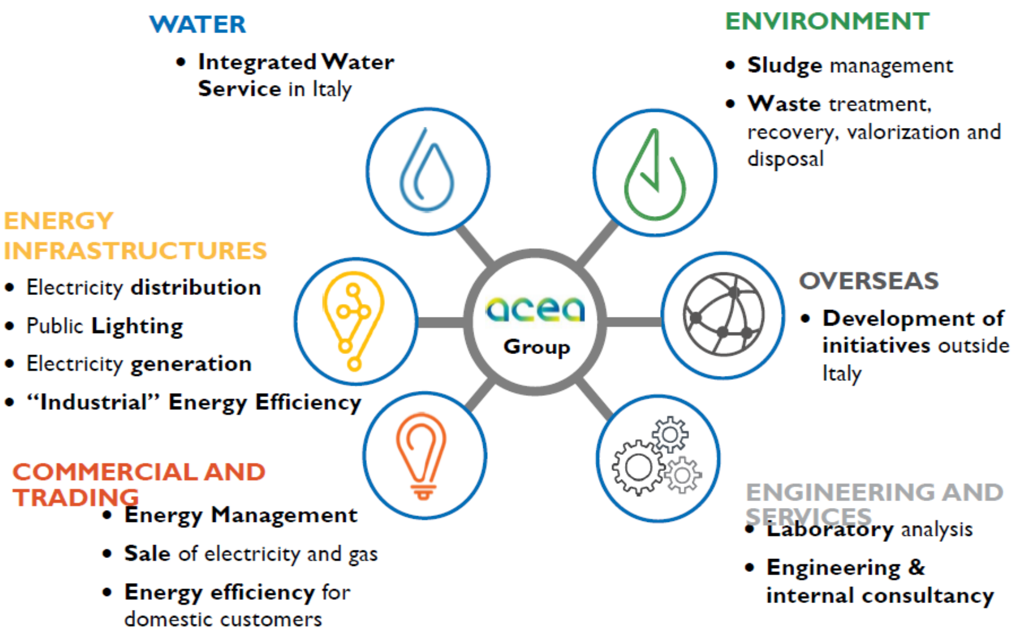
The results by segment are shown on the basis of the approach used by the *management* to monitor Group *performance* in the financial years compared in observance of IFRS 8 accounting standards. Note that the results of the "Other" segment include those deriving from ACEA corporate activities as well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

As a result of the approval of the new macro-structure, the Operating Segments - highlighted graphically below - were changed, which has led to the need to pro-form the comparative data. For more details on the changes made, see the paragraph "*Sector information*" contained in annex D to the Abbreviated Consolidated Interim Financial Statements 2017.

	Environment	Commercial and Trading	Overseas	Water	Energy Infrastructures					Engineering and Services	Other		Consolidated Total
Million Euros					Generation	Networks	IP	Adjustments	Total		Corporate	Consolidation adjustments	
Revenue	118	1,152	28	535	49	383	49	(1)	481	60	88	(407)	2,056
Costs	72	1,095	17	271	20	176	47	(1)	242	46	95	(407)	1,430
Gross operating profit	**47**	**58**	**11**	**264**	**28**	**208**	**3**	**0**	**239**	**15**	**(7)**	**0**	**626**
Depreciation and accumulated impairment charges	23	46	5	120	13	93	1	0	107	2	32	0	335
Operating profit/(loss)	**24**	**12**	**7**	**144**	**15**	**115**	**2**	**0**	**132**	**13**	**(39)**	**0**	**291**
Capex	12	11	3	184	16	132	0	0	149	0	10	0	369

30-Sept-16	Environment	Commercial and Trading	Overseas	Water	Energy Infrastructures					Engineering and Services	Other		Consolidated Total
Million Euros					Generation	Networks	IP	Adjustments	Total		Corporate	Consolidation adjustments	
Revenue	99	1,223	4	511	42	406	54	(4)	499	25	85	(378)	2,068
Costs	57	1,152	3	262	18	157	53	(4)	225	18	83	(378)	1,422
Gross operating profit	**42**	**71**	**1**	**249**	**24**	**249**	**1**	**0**	**274**	**8**	**2**	**0**	**646**
Depreciation and accumulated impairment charges	21	56	0	80	18	69	1	0	88	3	20	0	268
Operating profit/(loss)	**21**	**15**	**1**	**169**	**6**	**180**	**0**	**0**	**186**	**5**	**(18)**	**0**	**378**
Capex	30	17	0	149	22	120	1	0	142	1	7	0	347

The revenue from the Water Segment includes the summary result of equity investments (of a non-financial nature) consolidated using the equity method.



WATER
Integrated Water Service in Italy
ENVIRONMENT
Sludge management
Waste treatment, recovery, valorization and disposal
ENERGY INFRASTRUCTURES
Electricity distribution
Public Lighting
Electricity generation
"Industrial" Energy Efficiency
acea
Group
OVERSEAS
Development of initiatives outside Italy
COMMERCIAL AND TRADING
Energy Management
Sale of electricity and gas
Energy efficiency for domestic customers
ENGINEERING AND SERVICES
Laboratory analysis
Engineering & internal consultancy

Environment Operating Segment

Operating figures and financial results for the period

Operating figures	Meas. Unit	30/09/2017	30/09/2016	Increase/ (Decrease)	Percentage Increase/ (Decrease)
Waste transferred to WTE	kTon	347	281	66	23.3%
Waste transferred to RDF production plant	kTon	0	0	0	0
Electrical Energy transferred	GWh	264	208	56	26.7%
Waste coming into Orvieto plants	kTon	77	76	1	1.1%
Waste Recovered/Disposed of	kTon	395	250	145	58.2%

Income Statement results (million Euros)	30/09/2017	30/09/2016	Increase/ (Decrease)	Percentage Increase/ (Decrease)
Revenue	118.5	98.8	19.7	19.9%
Costs	71.7	56.7	14.9	26.3%
Gross Operating Profit (EBITDA):	46.8	42.0	4.7	11.3%
Operating profit (EBIT)	24.0	20.7	3.3	15.9%
Average number of staff	353	236	117	49.6%

Income Statement and balance sheet results (million Euros)	Q3 2017	Q3 2016	Increase/ (Decrease)	Percentage Increase/ (Decrease)
Revenue	38.1	31.8	6.4	20.0%
Costs	22.7	18.9	3.8	19.9%
Gross Operating Profit (EBITDA):	15.5	12.9	2.6	20.2%
Operating profit (EBIT)	7.9	4.8	3.1	64.2%
Capex	3.4	22.3	(18.9)	(84.8%)

Statement of financial position data (million Euros)	30/09/2017	31/12/2016	Increase/ (Decrease)	Percentage Increase/(Decrease)	30/09/2016	Increase/ (Decrease)	Percentage Increase/ (Decrease)
Capex	11.9	34.0	(22.1)	(65.0%)	30.3	(18.4)	(60.8%)
Net debt	215.5	173.7	41.8	24.0%	176.4	39.1	22.1%

(million Euros)	30/09/2017	30/09/2016	Increase/ (Decrease)	Percentage Increase/ (Decrease)
ENVIRONMENT Segment gross operating profit	46.8	42.0	4.7	11.3%
GROUP Adjusted* EBITDA	625.8	569.6	56.3	9.9%
As a percentage	7.5%	7.4%	0.1 p.p.	

* The Group's EBITDA is shown net of the effects from elimination of the regulatory lag

The Segment closed the reporting period to 30 September 2017 with an EBITDA of 46.8 million Euros (+11.3%). This trend is strongly influenced by the improved performance of Acea Ambiente, which benefited from the effects of the increased quantities of electrical energy transferred, with specific regard to line 1 of the San Vittore plant, for which the first parallel was carried out on 1 October 2016, and also the return to operation of the composting plant in Aprilia (June 2016) after its prolonged shutdown. The positive contribution of Acque Industriali (+1.0 million Euros) and ISECO (+0.6 million Euros), which are fully consolidated in the Segment as of 1 January and 23 February respectively, should be noted. As regards the Monterotondo Marittimo and Sabaudia plants, there was an increase of 17.8% of incoming quantities for the former, while the latter was shut down for maintenance.

The average number of staff as at 30 September 2017 was 353, 117 more than the same period of the previous year. Acea Ambiente and Aquaser contributed towards the growth in overall terms by 44 resources from the foreign market and from infra-group transfers, while the initial consolidation of Acque Industriali and ISECO led to an overall increase of 73 resources.

Capital expenditure in the segment reached 11.9 million Euros, mainly regarding the sludge extraction system at the plant in San Vittore, work on the waste treatment and biogas production system at the disposal plant in Orvieto and the purchase of a warehouse in the province of Terni. The change compared to the same period in the previous year (-18.4 million Euros) is due to the increased capital expenditure following the work carried out in the third quarter of 2016 and for the *revamping* of the plant in San Vittore owned by ARIA.

Debt in the Segment reached 215.5 million Euros, an increase compared to both the end of 2016 (+41.8 million Euros) and the same period in 2016 (+39.1 million Euros). The increase is mainly due to the dynamics of the operating *cash flow*. The contribution to this item of the companies acquired is basically nil.

Significant events during and after the third quarter

During 3Q 2017, activities were mainly aimed at finalising the necessary processes for harmonising the various industrial realities acquired through the merger by incorporation in December 2016. As regards the single local units, it should be noted that:

Paliano (UL2): following the Services Conference deliberating the release of the Integrated Environmental Authorisation, the Company sent the final project to the Authorities involved , starting the relevant construction and landscaping procedures to ensure that the worksite is opened as soon as possible. In this regard, the executive design for the work has already been awarded and the final opinion by the competent municipal administration is therefore in the final phase prior to release.

Monterotondo Marittimo (UL5): The public tender procedure for the identification of the business entity to be entrusted with the executive design and construction of the new plant configuration, expanding the current treatment capacity and developing a new energy recovery section, has been completed. Within the terms of the procedure adopted, the bids received have been evaluated and the business entity that will carry out the work has consequently been identified.
The activities of the existing plants continued regularly during the reporting period and were characterised by the implementation of the required monitoring and control activities, in line with the new Integrated Environmental Authorisation process.
By Managerial Decree no. 1175 dated 7 February 2017, received by the Company on 8 September 2017, Tuscany Region forwarded in favour of the Company the Integrated Environmental Authorisation, no. 3866 dated 8 June 2016, issued by the incorporated company Solemme.

Commercial and Trading Operating Segment

Operating figures and financial results for the period

Operating figures	Meas. Unit	30/09/2017	30/09/2016 pro forma	Increase/ (Decrease)	Percentage Increase/ (Decrease)
Electrical Energy sold - Free	GWh	3,195	4,235	(1,040)	(24.6%)
Electrical Energy sold - Protected	GWh	1,984	2,036	(52)	(2.5%)
Electrical Energy - No. Free Market Customers (P.O.D.)	N/000	317	292	25	8.5%
Electrical Energy - No. Protected Market Customers (P.O.D.)	N/000	907	946	(39)	(4.1%)
Gas Sold	Msm3	65	77	(12)	(15.1%)
Gas - No. Free Market Customers	N/000	167	148	20	13.2%

Income Statement results (million Euros)	30/09/2017	30/09/2016 pro forma	Increase/ (Decrease)	Percentage Increase/ (Decrease)
Revenue	1,152.4	1,223.5	(71.1)	(5.8%)
Costs	1,094.8	1,152.5	(57.7)	(5.0%)
Gross Operating Profit (EBITDA):	57.6	71.0	(13.4)	(18.9%)
Operating profit (EBIT)	11.7	15.4	(3.7)	(24.0%)
Average number of staff	474	474	-	n.a.

Income Statement and balance sheet results (million Euros)	Q3 2017	Q3 2016 pro forma	Increase/ (Decrease)	Percentage Increase/ (Decrease)
Revenue	374.3	386.0	(11.6)	(3.0%)
Costs	357.5	367.2	(9.7)	(2.6%)
Gross Operating Profit (EBITDA):	16.9	18.8	(1.9)	(10.3%)
Operating profit (EBIT)	2.2	(1.1)	3.3	n.a.
Capex	3.3	5.8	(2.4)	(42.2%)

Statement of financial position data (million Euros)	30/09/2017	31/12/2016 pro forma	Increase/ (Decrease)	Percentage Increase/(Decrease)	30/09/2016 pro forma	Increase/ (Decrease)	Percentage Increase/ (Decrease)
Capex	11.2	27.4	(16.2)	(59.0%)	17.1	(5.9)	(34.3%)
Net debt	61.3	14.8	46.5	n.a.	130.8	(69.5)	(53.2%)

(million Euros)	30/09/2017	30/09/2016 pro forma	Increase/ (Decrease)	Percentage Increase/ (Decrease)
Commercial and Trading Segment gross operating profit	57.6	71.0	(13.4)	(18.9%)
GROUP Adjusted* EBITDA	625.8	569.6	56.3	9.9%
As a percentage	9.2%	12.5%	(3.3 p.p.)	

* The Group's EBITDA is shown net of the effects from elimination of the regulatory lag

The Segment, responsible for the Group's *energy management* policies and the management and development of the sales of electricity and gas and related customer relations, closed the first nine months of 2017 with an EBITDA of 57.6 million Euros, a reduction of 13.4 million Euros compared to the same period in 2016.
the reduction is mainly due to **ALL** (-9.5 million Euros) due to the recognition in 2Q 2016 of revenue (amounting to 9.6 million Euros) linked to the effects produced by the contract signed in March 2006 for the sale of digital meters. This amount was the a 5 million Euros transaction in April 2017.

Acea Energia showed a reduction in EBITDA of 4.1 million Euros, which was mainly due to the increase in the cost of materials and overheads, with specific regard to customer services and extraordinary items. However, the reduction in the energy margin in overall terms (-2.1 million Euros compared to 30 September 2016) should be noted, as a result of the reduction in the **free market** margin (-8.6 million Euros), offset by the increase in the **protected market** margin (+6.1 million Euros, also as a result of the tariff increase in AEEGSI Resolution no. 816 dated 29 December 2016). The reduction in the free market margin is due to the reduction in the volumes of electricity sold (-24.6%, mainly in the B2B segment), albeit in the presence of an increase in the number of customers, with specific regard to the small business and mass market segments.

The operating profit reduced by 3.7 million Euros and recovered approximately 10 million Euros compared to the change in EBITDA, mainly due to the reduction in depreciations and impairment charges (totalling 11.8 million Euros).
As regards the number of staff, the average size at 30 September was 474 , and was unchanged compared to that for the same period last year.

Capital expenditures in the Segment amounted to approximately 11.2 million Euros, a reduction of 5.9 million Euros as a result of the *go live* of the information systems concerning the Acea2.0 project.

The net debt at the end of the reporting period reached was 61.3 million Euros, an increase of 46.5 million Euros compared to the end of last year, but a reduction of 69.5 million Euros compared to the same period in 2016. This trend is due to the dynamics of the operating cash flow, influenced by the improvement in the trends of incoming payments and the substantial zeroing of the debt payable to a water company in the Group.

Significant events during and after the third quarter

Procedure PS9815 of the AGCM for unrequested activations: at the end of last August, the Court of Justice suspended the discussion of the legal proceeding in question while awaiting the settlement of the prejudicial questions raised by the Council of State, in another proceeding, with regard to the application of the directive on improper trade practices in the electronic communications sector.
The Court of Justice rejected the request by the Lazio Regional Administrative Court for "accelerated" proceedings for the settlement of the prejudicial question.

Procedure PS9354 of the AGCM for improper trade practices: In February 2017, the Company paid the sanction imposed by the AGCM, specifying that payment did not in any way constitute acceptance of the measure and that it had not renounced legal action.
On 4 July 2017, the Company sent to the Authority a note containing some clarifications requested by the AGCM specifically concerning the process of suspension of the solicitation procedures and consequent start of the credit recovery process in the event of claims concerning billing adjustments.
On 31 July 2017, the AGCM requested further information in order to fulfil the aforementioned measure.
In a note dated 15 September 2017, Acea Energia acknowledged the aforementioned further requests of the AGCM.

Procedure A513 of the AGCM for abuse of dominant position: In July 2017, as the initial claim to access the records had been accepted by the AGCM, Acea Energia was able to view the reports received by the AGCM and which led to the start of the legal proceedings in question. In September, the Company submitted a second request to access the records, which was also accepted, enabling the Company to also view the documentation retrieved by the AGCM from the offices of some agencies providing *teleselling* services.
On 15 September 2017, a meeting was held at the offices of the AGCM between some representatives of the companies involved in the proceedings, Acea S.p.A. and Acea Energia, during which the officials of the AGCM requested clarifications on some of the inspection documents.
On 25 September 2017, Acea Energia and Acea S.p.A. submitted to the AGCM a proposal for commitments aimed at closing the proceeding for the claimed breaches.
Lastly, on 4 October 2017, Acea Energia and Acea S.p.A. gave written acknowledgement of some of the information requests made by the AGCM during the meeting held on 15 September 2017, which required further internal discussion.

Overseas Operating Segment

Operating figures and financial results for the period

Operating figures*	Meas. Unit	30/09/2017	30/09/2016	Increase/ (Decrease)	Percentage Increase/ (Decrease)
Water Volumes	Mm^3	32.9	33.2	(0.3)	(0.9%)

Income Statement results (million Euros)	30/09/2017	30/09/2016	Increase/ (Decrease)	Percentage Increase/ (Decrease)
Revenue	27.9	4.1	23.8	n.a.
Costs	16.8	3.3	13.5	n.a.
Gross Operating Profit (EBITDA):	11.1	0.8	10.3	n.a.
Operating profit (EBIT)	6.5	0.9	5.7	n.a.
Average number of staff	593	252	341	135.4%

Income Statement and balance sheet results (million Euros)	Q3 2017	Q3 2016	Increase/ (Decrease)	Percentage Increase/ (Decrease)
Revenue	9.8	1.4	8.4	n.a.
Costs	5.4	1.3	4.1	n.a.
Gross Operating Profit (EBITDA):	4.3	0.0	4.3	n.a.
Operating profit (EBIT)	2.7	0.0	2.7	n.a.
Capex	1.0	0.2	0.8	n.a.

Statement of financial position data (million Euros)	30/09/2017	31/12/2016	Increase/ (Decrease)	Percentage Increase/ (Decrease)	30/09/2016	Increase/ (Decrease)	Percentage Increase/ (Decrease)
Capex	3.5	1.5	2.0	132.9%	0.4	3.1	n.a.
Net debt	8.6	12.9	(4.4)	(33.8%)	(1.8)	10.4	n.a.

(million Euros)	30/09/2017	30/09/2016	Increase/ (Decrease)	Percentage Increase/ (Decrease)
Overseas Segment gross operating profit	11.1	0.8	10.3	n.a.
GROUP Adjusted* EBITDA	625.8	569.6	56.3	9.9%
As a percentage	1.8%	0.1%	1.6 p.p.	

* The Group's EBITDA is shown net of the effects from elimination of the regulatory lag

The Segment, incorporated following the organisational changes in May 2017 (previously included in the Water Segment) currently includes the water companies managing the water service in Latin America. In particular:

- Agua de San Pedro (Honduras), of which the Group owns 60.65% as of October 2016, date on which it was fully consolidated. The Company carries out its activities for customers in San Pedro Sula;
- Acea Dominicana (Dominican Republic), entirely owned by Acea, provides the service for the local municipality called CAASD (Corporation Aquedocto Alcantariado Santo Domingo);
- AguaAzul Bogotá (Colombia), which the Group owns 51% of, is consolidated on the basis of the *equity method* as of the 2016 financial statements, due to a change to the composition of the Board of Directors;
- Consorcio Agua Azul (Peru) is controlled by the Group, which owns 25.5% of it, and provides the water and connection service in the city of Lima.

This Segment closed the third quarter of 2017 with an EBITDA of 11.1 million Euros (0.8 million Euros at 30 September 2016), mainly as a result of the consolidation of Agua de San Pedro (+9.2 million Euros) and the exclusion from the basis of consolidation of AguaAzul Bogotá (+0.8 million Euros).

The average number of staff at 30 September 2017 was 593. The change compared to the same period last year is entirely due to the change in the basis of consolidation.

The net debt at 30 September 2017 amounted to 8.6 million Euros, an increase of 10.4 million Euros compared to the same period in 2016 as a result of the consolidation of Agua de San Pedro.

Significant events during and after the third quarter

The Overseas Operating Segment is affected by the reordering of equity investments overseas, which should lead to Acea International S.A. having a management and coordination role. This included the transfer of the equity investments held by ACEA in Acea Dominicana S.A. and in Aguas de San Pedro in favour of Acea International. These operations occurred during the first quarter.

Water Operating Segment

Operating figures and financial results for the period

Operating figures*	Meas. Unit	30/09/2017	30/09/2016 pro forma	Increase/ (Decrease)	Percentage Increase/ (Decrease)
Water Volumes	Mm^3	316	316	0	0.0%
Electrical Energy Consumed	GWh	311	287	24	8.3%
Sludge Disposed of	kTon	107	129	(23)	(17.5%)

* The values refer to the companies consolidated on a line-by-line basis

Income Statement results (million Euros)	30/09/2017	30/09/2016 pro forma	Increase/ (Decrease)	Percentage Increase/(Decrease)
Revenue	535.3	510.5	24.8	4.9%
Costs	271.3	261.7	9.7	3.7%
Gross Operating Profit (EBITDA):	264.0	248.9	15.1	6.1%
Operating profit (EBIT)	143.5	169.0	(25.5)	(15.1%)
Average number of staff	1,785	1,818	(33)	(1.8%)

Income Statement and balance sheet results (million Euros)	Q3 2017	Q3 2016 pro forma	Increase/ (Decrease)	Percentage Increase/ (Decrease)
Revenue	174.4	179.6	(5.2)	(2.9%)
Costs	83.6	89.7	(6.1)	(6.8%)
Gross Operating Profit (EBITDA):	90.7	89.9	0.8	0.9%
Operating profit (EBIT)	42.6	61.3	(18.7)	(30.5%)
Capex	61.8	47.6	14.5	30.4%

Statement of financial position data (million Euros)	30/09/2017	31/12/2016 pro forma	Increase/ (Decrease)	Percentage Increase/ (Decrease)	30/09/2016 pro forma	Increase/ (Decrease)	Percentage Increase/ (Decrease)
Capex	183.7	227.1	(43.4)	(19.1%)	149.2	34.5	23.1%
Net debt	897.1	780.4	116.7	15.0%	730.9	166.2	22.7%

(million Euros)	30/09/2017	30/09/2016 pro forma	Increase/ (Decrease)	Percentage Increase/ (Decrease)
EBITDA Water Segment	264.0	248.9	15.1	6.1%
GROUP Adjusted* EBITDA	625.8	569.6	56.3	9.9%
As a percentage	42.2%	43.7%	(1.5 p.p.)	

* The Group's EBITDA is shown net of the effects from elimination of the regulatory lag

The Segment's EBITDA amounted to 264.0 million Euros at 30 September 2017, an increase of 15.1 million Euros compared to that of the same period in 2016 (+6.1%): growth is largely determined by the tariff adjustments made as of the second half of 2016. Specifically, *performance* in the Segment is influenced by: (i) ACEA Ato2 and ACEA Ato5, which recorded increases of 18.8 million Euros and 0.8 million Euros respectively, (ii) Gori, Crea Gestioni and Publiacqua, which recorded decreases of 2.4 million Euros, 1.6 million Euros and 0.8 million Euros respectively, (iii) GEAL, due to the new consolidation for 0.8 million Euros.

Revenues for the period were valorised on the basis of the resolutions by the EGA and/or AEEGSI. As usual, they include the estimate of the adjustments for passing costs. As is known, as of the second regulatory period, tariffs may also include elements relating to commercial quality: under certain conditions, either the $Opex_{qc}$ component or the "contract quality" bonus may be paid to Operators; the latter is paid to the Operator if measuring and monitoring indicators (as of 1 July 2016) exceed the thresholds set by AEEGSI Resolution 655/2015. ACEA Ato2 revenues include the amount of 22.5 million Euros that reflects the best estimate of the quality bonus for the reporting period. It should also be noted that the commercial quality fines amounted to 2.7 million Euros. The table below summarizes the status of the tariff proposals.

The increase in revenues is also influenced by the change in the basis of consolidation (Umbriadue + 8.8 million Euros).

The average number of staff at 30 September 2017 reduced by 33, mainly as a result of the deconsolidation of the related company Gori Servizi, which reduced the number of staff in the Segment by more than 60.

The contribution to the EBITDA of the **water companies** that are measured using the equity method is shown below:

(million Euros)	30/09/2017	30/09/2016	Increase/ (Decrease)	% Increase/ (Decrease)
Publiacqua	7.1	7.9	(0.8)	(10.5%)
Acque Group	5.3	5.3	0.0	0.3%
Acquedotto del Fiora	1.7	2.5	(0.7)	(30.0%)
Umbra Acque	0.2	0.0	0.2	n.a.
Gori	0.4	2.8	(2.4)	(84.9%)
Nuove Acque and Intesa Aretina	0.4	0.5	(0.1)	(17.0%)
Acea Gori Servizi	0.0	0.0	0.0	0.0%
GEAL	0.8	0.0	0.8	100.0%
Total	**16.0**	**19.1**	**(3.0)**	**(15.9%)**

The operating profit was affected by the increase in amortisations (+13.5 million Euros), consistently with the trend in capital expenditure and the entry into operation of new functions of the Acea2.0 programme and the increase in depreciations (+22.3 million Euros). Impairment charges for the period (13.5 million Euros) increased by 4.8 million Euros.

Net debt of the Segment at 30 September 2017 was 897.1 million Euros, an increase of 116.7 million Euros compared to 31 December 2016 and of 166.2 million Euros compared to September 2016. This result is mainly due: **(i)** to ACEA Ato5 as a result of the 125 million Euros loan, drawn down for over 100 million Euros, which was granted by the parent company in June 2016 to pay the trade payables accrued mainly with the Group Companies; **(ii)** to ACEA Ato2 essentially in relation to lower collections resulting from different billing times following the entry into full operation of the new systems and the purchase of a portion of the head office in December 2016. Net debt was also influenced by capital expenditures in the reporting period.

Capital expenditures of the Segment were 183.7 million Euros and were mainly attributable to ACEA Ato2 for over 154 million Euros. The main capital expenditures concerned the water supply network, waste treatment and sewerage plants and the Acea2.0 application map.

Significant events during and after the third quarter

Status of progress of the procedure for approval of the tariffs

Company	Status
ACEA Ato2	On 27 July 2016, the Regulatory Agency (EGA) approved the tariff that includes the bonus envisaged by art. 32.1 a) of Resolution 664/2015/R/idr. Approval of Resolution 674/2016/idr granted by the AEEGSI with some changes compared to the EGA proposal; quality award confirmed.
ACEA Ato5	The Operator submitted a tariff application on 30 May 2016 requesting the inclusion of the $Opex_{QC}$. AEEGSI cautioned the EGA on 16 November 2016 and the EGA approved the tariff proposal on 13 December 2016, rejecting the request for recognition of the $Opex_{QC}$, among others. Approval by the AEEGSI is pending.
GORI	On 1 September 2016, the EGA Extraordinary Commissioner approved the tariff with the $Opex_{QC}$ as of 2017. Approval by the AEEGSI is pending.
Acque	On 5 October 2016, the Tuscany Water Authority (AIT) approved the tariff with inclusion of the bonus envisaged by art. 32.1 a) of Resolution 664/2015/R/idr. Approval by the AEEGSI is pending.
Publiacqua	On 5 October 2016, the Tuscany Water Authority (AIT) approved the tariff with inclusion of the bonus envisaged by art. 32.1 a) of Resolution 664/2015/R/idr. **On 12 October 2017, in Resolution 687/2017/R/idr, the AEEGSI approved the specific regulatory schemes proposed by the AIT for 2016-2019.**
Acquedotto del Fiora	On 5 October 2016, the AIT approved the tariff with the inclusion of the $Opex_{QC}$. **On 12 October 2017, in Resolution 687/2017/R/idr, the AEEGSI approved the specific regulatory schemes proposed by the AIT for 2016-2019.**
Umbra Acque	On 30 June 2016, the AIT approved the tariff with the inclusion of the $Opex_{QC}$. Approval was granted by the AEEGSI in Resolution 764/2016/R/idr.

Revenue from the Integrated water service

The following table indicates for each Company in the Water Segment the amount of revenue in the first nine months of 2017, valued on the basis of the tariff determination of the respective EGA or the AEEGSI. The figures include the adjustment of passing items, the Fo.NI. component, the $Opex_{QC}$ or the bonus envisaged by article 32.1 a) of Resolution 664/2015/R/idr.

Company	Revenue from the Integrated Water System (SII) (figures pro quota in million Euros)	Details (figures pro quota in million Euros)
ACEA Ato2	435.1	FNI = 19.9 AMM_{FoNI} = 4.0 Bonus = 22.5
ACEA Ato5	52.9	FNI = 2.6 AMM_{FoNI} = 0.6
GORI	48.3	AMM_{FoNI} = 0.8
Acque	52.2	AMM_{FoNI} = 2.8
Publiacqua	75.7	AMM_{FoNI} = 9.8
Acquedotto del Fiora	31.1	AMM_{FoNI} = 1.6 $Opex_{qc}$ = 0.5
Umbra Acque	22.0	AMM_{FoNI} = 0.6

ATAC

As illustrated in the paragraph on the income statement and balance sheet results of the Group, as a consequence of the arrangement with creditors of ATAC, ACEA Ato2 has assessed the partial recoverability of receivables from the Roma Capitale Company (6.1 million Euros) and recognised a depreciation of 4.5 million Euros.

Energy Infrastructures Operating Segment

Operating figures and financial results for the period

Operating figures	Meas. Unit	30/09/2017	30/09/2016 pro forma	Increase/ (Decrease)	Percentage Increase/ (Decrease)
Energy Produced (hydro + thermal)	GWh	315	299	16	5.3%
Energy Produced (photovoltaic)	GWh	9	9	0	0.0%
Electrical Energy distributed	GWh	7,604	7,594	10	0.1%
Energy Efficiency Bonds sold/cancelled	No.	146,178	120,881	25,297	(20.9%)
No. Customers	N/000	1,629	1,621	8	0.5%
Km of Network	Km	30,386	30,091	295	1.0%

Income Statement results (million Euros)	30/09/2017	30/09/2016 pro forma	Increase/ (Decrease)	Percentage Increase/ (Decrease)
Revenue	481.0	498.7	(17.7)	(3.6%)
Costs	242.1	225.1	17.0	7.6%
Gross Operating Profit (EBITDA):	239.0	273.7	(34.7)	(12.7%)
Operating profit (EBIT)	132.2	185.7	(53.6)	(28.8%)
Average number of staff	1,365	1,395	(30.0)	(2.2%)

Income Statement and balance sheet results (million Euros)	Q3 2017	Q3 2016 pro forma	Increase/ (Decrease)	Percentage Increase/ (Decrease)
Revenue	157.2	154.9	2.2	1.4%
Costs	78.2	79.4	(1.3)	(1.6%)
Gross Operating Profit (EBITDA):	79.0	75.5	3.5	4.6%
Operating profit (EBIT)	46.3	43.7	2.6	6.0%
Capex	42.9	46.0	(3.1)	(6.8%)

Statement of financial position data (million Euros)	30/09/2017	31/12/2016 pro forma	Increase/ (Decrease)	Percentage Increase/ (Decrease)	30/09/2016 pro forma	Increase/ (Decrease)	Percentage Increase/ (Decrease)
Capex	148.5	225.8	(77.3)	(34.2%)	142.2	6.4	4.5%
Net debt	1,034.8	814.9	219.9	27.0%	749.6	285.1	38.0%

(million Euros)	30/09/2017	30/09/2016 pro forma	Increase/ (Decrease)	Percentage Increase/ (Decrease)
Adjusted* EBITDA Energy Infrastructures Segment	239.0	197.2	41.8	21.2%
GROUP Adjusted* EBITDA	625.8	569.6	56.3	9.9%
As a percentage	38.2%	34.6%	3.6 p.p.	

*The EBITDA is shown net of the effects from elimination of the regulatory lag

EBITDA at 30 September 2017 was 239.0 million Euros, a decrease of 34.7 million Euros compared to the same period in 2016.
The change in EBITDA is a direct result of the recognition in 2016 of the effects of the publication of AEEGSI Resolution 654/2015/R/eel, which for the fifth regulatory period starting 1 January 2016, amends the remuneration mechanism of capital invested by electricity distribution companies, eliminating the so-called *regulatory lag* and envisaging an alternative remuneration to the 1% *WACC* increase envisaged in the fourth regulatory period valid for the years 2012-2015.

Excluding the recognition of this income item, the *adjusted* EBITDA for the third quarter of 2016 was 197.2 million Euros, 41.8 million Euros less than that for this reporting period.
As regards the EBITDA, a reduction in the energy margin (lower quantities and lower revenues for the transport service) should be noted, only partly offset by the equalisation effects from previous years. The trend for the period was also characterised by the 10 million Euros increase capitalised staff costs as a result of the different work organisation produced by Acea2.0 and the takeover of public lighting management.

With regard to the energy balance, at 30 September 2017, *a*reti had put 7,604 GWh into the network, in line with the same period in 2016.

EBITDA for the public lighting segment amounted to 2.7 million Euros, an increase of 1.9 million Euros compared to the third quarter of 2016. The change is due to the marginality deriving from the LED Plan started at the end of June 2016 on the basis of an agreement with Roma Capitale. From 1 January to 30 September 2017, about 79,000 light bulbs were replaced, with revenue totalling approximately 30.2 million Euros. It should also be noted that during the reporting period, a total of 1,265 lighting points were realised on request by both Roma Capitale (676 lighting points) and other customers (589 lighting points).

Acea Produzione and Ecogena contributed to the increase in EBITDA for a total of 4.4 million Euros, due to the increase in the energy margin (+4 million Euros) in the hydroelectricity generation segment, which recorded an increase in production of approximately 1.9%.

Staff costs showed a reduction of 11.2 million Euros compared to the third quarter of 2016, as a result of an increase in the number of hours destined for capital expenditure and a reduction in staff; the average number of staff at 30 September 2017 was 1,365, down 30 compared to the same period in 2016.

The operating profit was affected by an increase in amortisations (+10.8 million Euros) due to the increased capital expenditure, also with regard to the Acea2.0 project, and the increase in depreciation of receivables (+14.1 million Euros), with specific regard to the position with Gala. Impairment charges were in line in the two periods being compared.

Net debt at the end of the reporting period stood at 1,034.8 million Euros, showing an increase of 219.9 million Euros compared to the end of 2016 and an increase of more than 285 million Euros compared to the third quarter of 2016. The effects are mainly due to the increasing volume of capital expenditures, the increase in the pay out and the dynamics of the operating cash flow, which are also influenced by the increase in debt due to GALA.

Capital expenditures amounted to 148.5 million Euros and mainly concern the works on the HV, MV and LV network as well as a series of expansion works on the MV networks and extraordinary maintenance on overhead lines. The capital expenditure by Acea Produzione mainly concerns the plant revamping work at the Hydroelectric Station in Castel Madama, the plan for the modernisation of the Tor di Valle Station and the expansion of the district heating network in Mezzocammino in the south of Rome.

Significant events during and after the third quarter

GALA

Following the complex legal proceedings (for a description of which see that illustrated in the Shortened Consolidated Interim Financial Statements), the transport contract was terminated with effect from 26 July. The unpaid receivables of *a*reti amount to approximately 65 million Euros, including the system costs due to GSE and CSEA.
In this framework, *a*reti notified GSE and CSEA that it would pay the amounts due to each of them taking into account the amounts accrued and not received of the returns referring to GALA. It also sent to the AEEGSI a request for the implementation of urgent measures to hedge the costs of its immediate arrears with GALA and, eventually, any other sellers that may be in the same situation. With regard to its position with GSE and CSEA, *a*reti should have taken action after the payment demands received from these entities.
The failure to pay the system costs has led, specifically, to CSEA blocking the payment of the amounts accrued in favour of *a*reti for the equalisation deposits, which is the reason why the Company has decided to pay the portion immediately due (4.2 million Euros), specifying, however, that the payment must not be intended as a recognition of debt and deferring to legal channels the ascertainment of the portions due from *a*reti to CSEA of the amounts not effectively received from GALA.
As things currently stand, and taking into account the hoped-for changes to the regulatory framework, the action taken by *a*reti against GALA and the other measures aimed at mitigating the financial impacts due to the significant arrears accrued, as a prudential measure, and in the unlikely event that the agreement is not finalised, the reduction in value of the receivables of *a*reti from GALA has been recorded with regard to the transport portion accrued at 30 September 2017 (12.8 million Euros).
As regards the arrangement with creditors, to which it was admitted at the beginning of April, GASLA requested and obtained in the third quarter an extension until 11 November for submitting the plan for which the original deadline was 11 September.

Tor di Valle Station

The plan for the modernisation of the Tor di Valle station is currently under way and involves the installation of two high efficiency 9.5 MW internal combustion engines in high performance cogeneration layout. Progress is currently in line with the chronological schedule set. The commissioning of the entire plant was completed in September, and subscription of provisional acceptance is expected, in

respect of the contractual timeframes, in the first half of November 2017.
In March 2017, a variant inspection was approved for making a series of improvements to the project, aimed at increasing overall performance and enabling the realisation of an efficient system for use with the bordering Rome South purification plant. This configuration will enable the Company to directly power the electrical utilities in the purification plant through a direct interconnection.
In this context, the advance entry into operation of the first engine in a non-cogenerative set-up by 31 July 2017 was also negotiated.
This enabled to start powering the Rome South purification plant in SEU (Efficient Usage System), albeit in a partial set-up, as of 3 August 2017.

Engineering and Services Operating Segment

Operating figures and financial results for the period

Safety Activities operating figures*	Meas. Unit	30/09/2017	30/09/2016	Increase/ (Decrease)	Percentage Increase/ (Decrease)
Technical-professional check	Number of firms	167	106	61	57.5%
Worksite inspections	Number of inspections	6,421	3,638	2,783	76.5%
Safety Coordination	Number of CSE	429	58	371	n.a.

Operating figures	Meas. Unit	30/09/2017	30/09/2016	Increase/ (Decrease)	Percentage Increase/ (Decrease)
Laboratory analyses	Number	702,723	644,089	58,634	9.1%
Projects	Number	80.29	62.00	18.29	29.5%
Works management	Number	78	70	8	11.4%

Income Statement results (million Euros)	30/09/2017	30/09/2016	Increase/ (Decrease)	Percentage Increase/ (Decrease)
Revenue	60.2	25.4	34.8	137.1%
Costs	45.5	17.7	27.8	157.0%
Gross Operating Profit (EBITDA):	14.6	7.7	7.0	91.0%
Operating profit (EBIT)	12.8	4.6	8.2	176.3%
Average number of staff	317	171	145	84.8%

Income Statement and balance sheet results (million Euros)	Q3 2017	Q3 2016	Increase/ (Decrease)	Percentage Increase/ (Decrease)
Revenue	30.1	8.8	21.4	n.a.
Costs	23.5	5.8	17.7	n.a.
Gross Operating Profit (EBITDA):	6.6	3.0	3.7	124.2%
Operating profit (EBIT)	5.8	1.5	4.3	n.a.
Capex	0.1	0.1	0.0	44.2%

Statement of financial position data (million Euros)	30/09/2017	31/12/2016	Increase/ (Decrease)	Percentage Increase/ (Decrease)	30/09/2016	Increase/ (Decrease)	Percentage Increase/ (Decrease)
Capex	0.5	1.8	(1.3)	(74.1%)	0.8	(0.3)	(39.1%)
Net debt	14.8	(1.8)	16.6	n.a.	9.7	5.2	53.5%

(million Euros)	30/09/2017	30/09/2016	Increase/ (Decrease)	Percentage Increase/ (Decrease)
Engineering and Services Segment gross operating profit	14.6	7.7	7.0	91.0%
GROUP Adjusted* EBITDA	625.8	569.6	56.3	9.9%
As a percentage	2.3%	1.4%	1.0 p.p.	

* The Group's EBITDA is shown net of the effects from elimination of the regulatory lag

The Segment, incorporated following the organisational changes in May 2017, closed the first nine months of 2017 with an EBITDA of 14.6 million Euros (+7.0 million Euros compared to 30 September 2016), essentially due to the constant increase in services provided in the engineering and laboratory sectors, mainly carried out in the Water Segment by Acea Elabori and also the positive contribution of activities in the Facility Management branch transferred from ACEA at the end of last year.
The contribution to the EBITDA of TWS, consolidated for the first time as of 1Q 2017, amounted to 0.6

million Euros. The company contributed to the increase in revenue in the Segment for 12.8 million Euros.
The Segment includes Ingegnerie Toscane, with an EBITDA of 1.1 million Euros, in line with that of 3Q 2016.

The average number of staff at 30 September 2017 was 317, an increase compared to the same period in 2016 (171), due to the effects of the going concern acquired.

Capital expenditure was 0.5 million Euros, mainly concerning the IT developments of the Acea2.0 project.

The net debt at 30 September 2017 was 14.8 million Euros, an increase of 16.6 million Euros compared to the end of 2016, partly due (7.7 million Euros) to the consolidation of TWS, in addition to the increase in requirements generated by the changes in working capital, with specific regard to infra-group relations.

Significant events during and after the third quarter

In the framework of research and innovation in the water, environment and energy sectors, ACEA Elabori develop applied research projects aimed at technological innovation.
The Group companies in these sectors were active in the first nine months of 2017. In particular, from the start of the second quarter, many resources and skills were focused on extraordinary activities concerning the water emergency in Rome. These activities were aimed at recovering water resources through: (i) increasing the efficiency of water networks and (ii) recovery from supply sources. The former was broken down as follows:

- leak search activities using acoustic methods covering more than 6,000 km of the distribution network, identifying more than 1,300 leaks;
- increasing the efficiency of the network in Rome, prioritising some portions of the city with a high network input;
- defining interventions or network reconfigurations (checking water district perimeters and optimising pressure levels) which could also reduce the input levels in order to recover resources.

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As regards recovery from supply sources, a series of activities were undertaken to support the operator in overcoming the 2017 water emergency, which have led to the issuing of specific reports and the recovery of loads previously not captured/used.

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Corporate

Financial results for the period

Income Statement results (million Euros)	30/09/2017	30/09/2016	Increase/ (Decrease)	Percentage Increase/ (Decrease)
Revenue	87.7	85.1	2.6	3.0%
Costs	95.0	83.2	11.8	14.2%
Gross Operating Profit (EBITDA):	(7.3)	2.0	(9.2)	n.a.
Operating profit (EBIT)	(39.4)	(18.0)	(21.4)	118.7%
Average number of staff	587	625	(38)	(6.1%)

Income Statement and balance sheet results (million Euros)	Q3 2017	Q3 2016	Increase/ (Decrease)	Percentage Increase/ (Decrease)
Revenue	28.8	30.4	(1.6)	(5.4%)
Costs	30.3	28.1	2.2	7.8%
Gross Operating Profit (EBITDA):	(1.5)	2.4	(3.8)	(161.7%)
Operating profit (EBIT)	(10.6)	(4.2)	(6.4)	151.1%
Capex	3.7	2.2	1.5	69.8%

Statement of financial position data (million Euros)	30/09/2017	31/12/2016	Increase/ (Decrease)	Percentage Increase/ (Decrease)	30/09/2016	Increase/ (Decrease)	Percentage Increase/ (Decrease)
Capex	9.6	13.2	(3.6)	(27.6%)	6.9	2.7	39.5%
Net debt	255.3	332.1	(76.8)	(23.1%)	343.1	(87.7)	(25.6%)

(million Euros)	30/09/2017	30/09/2016	Increase/ (Decrease)	Percentage Increase/ (Decrease)
EBITDA Corporate Segment	(7.3)	2.0	(9.2)	n.a.
GROUP Adjusted* EBITDA	625.8	569.6	56.3	9.9%
As a percentage	(1.2%)	0.4%	(1.5 p.p.)	

* The Group's EBITDA is shown net of the effects from elimination of the regulatory lag

ACEA closed the third quarter of 2017 with a negative EBITDA of 7.3 million Euros (-9.2 million Euros compared to 30 September 2016), mainly due to the lack of the margin generated by the Facility Management service conferred to Acea Elabori at the end of 2016 and the revenue from the portion of the head office transferred to the subsidiaries *areti* and ACEA Ato2.

The average number of staff at 30 September 2017 was 587, down compared to the same period of the previous year (625). This reduction is influenced especially by the transfer of the Facility Management branch (55 resources transferred from ACEA to Acea Elabori).

Capital expenditure amounted to 9.6 million Euros, an increase of 2.7 million Euros compared to the same period in 2016. Capital expenditure mainly concerned the IT developments of the Acea2.0 project.

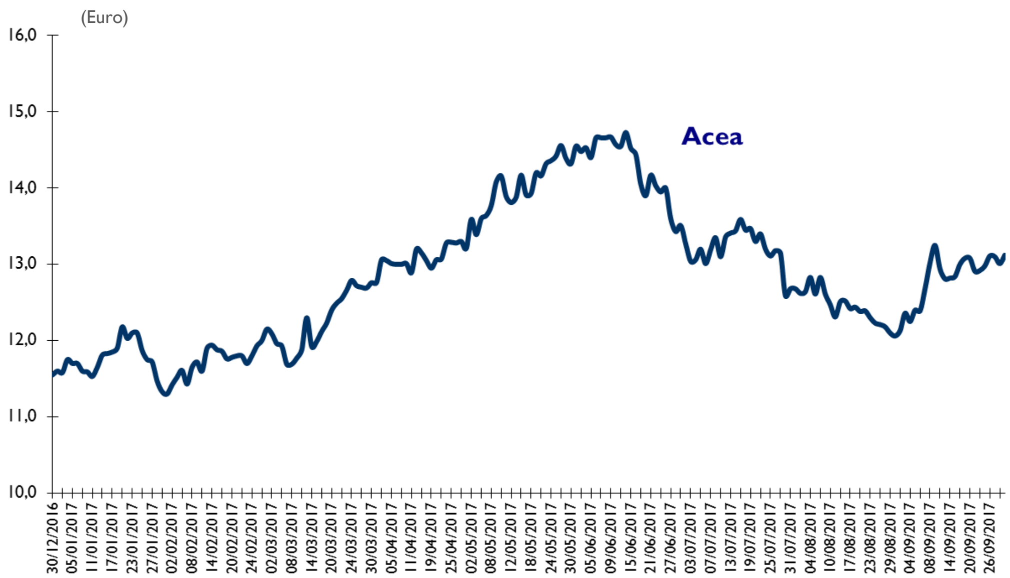
Net debt at 30 September 2017 decreased by 76.8 million Euros to 255.3 million Euros compared to the end of 2016. This change is a result of the increase in receivables from the parent company for centralised treasury services, partly offset by the increase in financial debt to respond to the requirements of the Group and ACEA, generated by the changes in working capital, including the payment of debts to suppliers and for the capital expenditure during the period

Performance of the equity markets and the ACEA share

In the first nine months of 2017, the Italian stock exchange performed better than the main European ones.

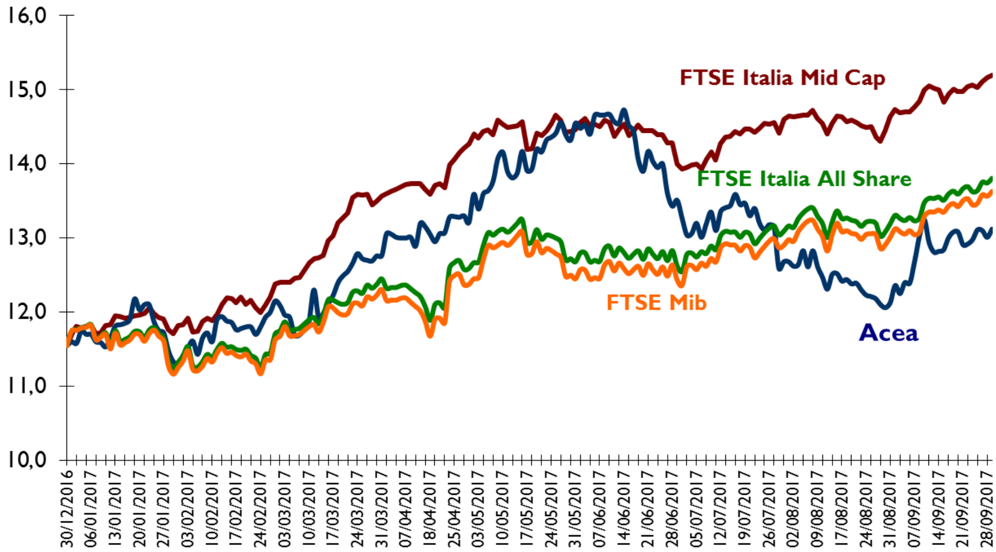
The ACEA share increased by 13.6% on the stock exchange. In detail, ACEA recorded a closing price of 13.12 Euros on 29 September 2017 (capitalisation of 2,794.1 million Euros). The highest value of 14.73 Euros was recorded on 14 June, with a low of 11.30 Euros recorded on 1 February.

During the course of the reporting period, the average daily volume of stock traded was just under 130,000 shares (approximately 115,000 shares in the same period in 2016).



(Source: Bloomberg)

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



(graph re-based to Acea figures - Source: Bloomberg)

	% Increase/ Decrease 30/09/2017 (compared to 31/12/2016)
Acea	**+13.6%**
FTSE Italia All Share	+19.5%
FTSE Mib	+18.0%
FTSE Italia Mid Cap	+31.6%

Around 135 reports/notes were published on ACEA's share from 1 January to September 2017

Significant events during the third quarter and after

Water crisis: Lazio Region ordinances

On 5 July, Lazio Region emanated presidential decree no. T00116, declaring a state of natural calamity for the entire region due to the serious water crisis caused by the absence of rainfall and as a consequence of the general difficulty in supplying water by the Municipalities. In the above decree, Lazio Region, among other things, requested that the Civil Protection Department of the Prime Minister's Office declare a state of emergency, considering the intensity of the phenomenon and the significant damage caused, with consequent financial support and the adoption of urgent and extraordinary measures by the State, aimed at dealing properly with the serious emergency.

By ordinance dated 21 July 2017, Lazio Region ordered a suspension on taking water from lake Bracciano from 28 July until the end of the year. This suspension is aimed at enabling the natural level and quality of the lake water to be restored. The same ordinance envisages that ACEA Ato2 send to the regional authority the daily water levels of the lake.

While approval of the decree on the state of natural calamity by the Council of Ministers is pending, Lazio Region decided to postpone the suspension to 1 September, enabling a minimum 400 l/s to be taken until 10 August and 200 l/s from 11 August to the end of the month.

ACEA S.p.A. The Board of Directors appoints Giuseppe Gola as Administration, Finance and Control Director

On 3 August 2017, the Board of Directors appointed, with effect from 1 September 2017, Giuseppe Gola as Administration, Finance and Control Director of ACEA S.p.A. and Executive responsible for Financial Reporting of ACEA SpA.

Acea S.p.A. and Open Fiber for the realisation of the future network in Rome

On 3 August 2017, Acea and Open Fiber signed a Memorandum of Understanding (MoU) containing the terms and conditions for beginning a strategic industrial partnership for the realisation of an ultra-broadband communications network in the Municipality of Rome. The Memorandum is valid until 31 December 2017 and outlines the role of ACEA as an infrastructure supplier. Specifically, it envisages that ACEAA grant the use of the infrastructure it owns (or in any event that it has available) to Open Fiber, providing the map details and support required to identify the infrastructures for the realisation of the network. ACEA may also contribute to the physical construction of the network. Open Fiber will (i) identify the network architecture and, should ACEA be interested in this work, provide the latter with the technical specifications for the design and construction of the works, (ii) supply *wholesale* network and trade services to ACEA (such as leasing portions of network, connections and active services) and (iii) ensure the transfer to ACEA of the technical and technological know-how required for the development of its services (remote control of the systems and/or services of a *Smart City* nature).

If ACEA so requests, the parties may incorporate a company, majority owned by ACEA, for the development of "Smart City" projects.

Lastly, a reciprocal commitment by the parties is envisaged to not begin discussions with third parties concerning the realisation of an electronic communications network in the Municipality of Rome or part of same for the entire duration of the MoU.

Operating outlook

The results of the ACEA Group at 30 September 2017 are in line with forecasts. It is expected that the trend of improvement in profit on an *adjusted* basis will continue in the last quarter of 2017, and the *guidance* for the increase in EBITDA can be confirmed for 2017.
As regards the closing forecast for the net debt, the *guidance* is confirmed excluding the impact of the introduction of the new regulation on *split payment* and the effects deriving from the GALA and ATAC affairs.

It is the Group's will to make major investments in infrastructures which, without affecting the solidity of the Group's financial structure, have an immediate positive impact on performance, on EBITDA and on both billing and collecting.
The focus will continue on implementing all the necessary measures aimed at continuously and constantly improving the billing and sales process in order to contain working capital growth and the Group's debt.

The ACEA Group's financial structure is solid for years to come. 68.0% of debt at 30 September 2017 is fixed rate in order to ensure protection against potential interest rate increases and financial or credit volatility. The average duration of the medium/long-term debt at 30 September 2017 was 6.3 years, also as a result of the 200 million Euros BEI loan expiring in December 2030. It should be noted that the average cost of debt varied from 3.16% at 30 September 2016 to 2.59% at 30 September 2017, thanks to the *liability management* operation finalised at the end of last year.

Form, structure and reference basis

General information

In relation to Legislative Decree 25/2016 implementing Directive 2013/50/EU (*Transparency* Directive), the ACEA Group, in the framework of the new legal and regulatory framework of CONSOB Resolution of 26 October 2016, has informed the market of its decision to voluntarily approve and publish the interim reports on operations in order to ensure alignment with the international best practices in the sector and with a view to maximum transparency on the market. The Interim Report on Operations at 30 September 2017 of the ACEA Group was approved by Board of Directors' resolution on 27 October 2017.

Compliance with IAS/IFRS

This Interim Report on Operations has been prepared in compliance with international accounting standards in force on the reporting date, approved by the International Accounting Standards Board (IASB) and adopted by the European Union according to the procedure in art. 6 of regulation (EC) no. 1606/2002 of the European Parliament and Council dated 19 July 2002 and pursuant to art. 9 of Legislative Decree 38/2005.

The standards consist of the International Financial Reporting Standards (IFRS) and the interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and the Standard Interpretations Committee (SIC), collectively referred to as the "IFRS".

In preparing this interim report on operations, in compliance with IAS 34 on interim financial reporting, the same standards were adopted as for the preparation of the Consolidated Financial Statements as at 31 December 2016, to which reference should be made for a more complete understanding of these statements.

Basis of presentation

The Interim Report on Operations consists of the Consolidated Statement of Financial Position, Consolidated Income Statement and Consolidated Statement of Comprehensive Income, the Consolidated Statement of Cash Flows and changes in Consolidated Equity, accompanied by the notes to the consolidated financial statements prepared according to IAS 34.

The Income Statement is classified on the basis of the nature of expenses, the Statement Of Financial Position is based on the liquidity method by dividing between current and non-current items, whilst the Statement Of Cash Flows is presented using the indirect method.

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

The figures in this Interim Report on Operations are comparable with those for the period in comparison.

Alternative performance indicators

On 5 October 2015, the *ESMA (European Securities and Markets Authority)* published its guidelines (ESMA/2015/1415) on criteria for the presentation of alternative performance indicators which replace, as of 3 July 2016, CESR/05-178b recommendations. These guidelines were acknowledged in our system by CONSOB communication no. 0092543 dated 3-12-2015.

The content and meaning of the *non-GAAP* measures of performance and other alternative performance indicators used in this document are illustrated below:

1. the *gross operating profit* (or EBITDA) for the ACEA Group is an indicator of operating performance and as of 1 January 2014 includes the summary result of the joint ventures for which the method of consolidation has been changed due to the entry into force of international accounting standards IFRS10 and IFRS11. The gross operating profit is calculated by adding to the operating profit the "Amortisation, depreciation, provisions and impairment charges" as the main non-cash items. It should be specified that the 2016 adjusted income statement data do not include the positive effect of the elimination of the regulatory lag or, for 2017, the negative effect of the readmission under ownership of the Autoparco property (following the June sentence) and that of the valuation of *a*reti's position with Gala and the Group's with ATAC;
2. the *net financial position* is an indicator of the ACEA Group's financial structure, obtained by adding together Non-current borrowings and financial liabilities net of Non-current financial assets (loans and receivables and securities other than equity investments), Current borrowings and other Current liabilities net of Current financial assets, Cash and cash equivalents; It must be noted that the adjusted net financial position does not include the impact of the GALA affair, that concerning ATAC and the effects of the application of *split payment;*
3. the *net invested capital* is the sum of "Current assets", "Non-current assets" and Assets and Liabilities held for sale, less "Current liabilities" and "Non-current liabilities", excluding items taken into account when calculating the *net financial position;*

4. the net working capital is given by the sum of the Current receivables, Inventories, net balance of other current assets and liabilities and the Current liabilities, excluding items taken into account when calculating the *net financial position*.

Use of estimates and assumptions

In application of the IFRS, the preparation of the Interim Report on Operations required management to make estimates and assumptions that affect the reported amounts of revenue, costs, assets and liabilities and the disclosure of contingent assets and liabilities as at the reporting date. The main sources of uncertainty that may impact the evaluation processes were taken into account in making these estimates.

The actual amounts may differ from such estimates. Estimates are used for the recognition of provisions for credit risk, obsolescent inventories, impairment charges incurred on assets, employee benefits, *fair value* of derivatives, taxes and other provisions. The original estimates and assumptions are periodically reviewed and the impact of any change is recognised in the income statement.

The estimates also take into account assumptions based on market and regulatory parameters and information available on the date of the financial statements. The current events and circumstances influencing the assumptions on future developments and events may change due, for example, to changes in market trends or to the applicable regulations that are beyond the control of the Company. These changes in the assumptions are also reflected in the financial statements when they arise.

In addition, it should be noted that certain estimation processes, particularly the more complex such as the calculation of any impairment of non-current assets, are generally performed in full only when drafting the annual financial statements, unless there are signs of impairment that call for immediate impairment testing.

Effects of the seasonality of transactions

For the type of business in which it operates, the ACEA Group is not subject to significant seasonality.

The Interim Report on Operations is not subject to auditing.

Some specific operating segments, however, can be affected by uneven trends that span an entire year.

Consolidation policies, procedures and basis of consolidation

Consolidation policies

Subsidiaries

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

Joint ventures

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

Associates

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

Consolidation procedures

General procedure

The financial statements of the Group's subsidiaries, associates and *Joint ventures* are prepared for the same accounting period and using the same accounting standards as those adopted by the Parent Company. Consolidation adjustments are made to align any dissimilar accounting policies applied.

All Intra-group balances and transactions, including any unrealised profits on Intra-group transactions, are eliminated in full. Unrealised losses are eliminated unless costs cannot be subsequently recovered.

The carrying amount of investments in subsidiaries is eliminated against the corresponding share of the shareholders' equity of each subsidiary, including any adjustments to reflect *fair values* at the acquisition date. Any positive difference is treated as "goodwill", while any negative difference is recognised through profit or loss at the acquisition date.

The minority interest in the net assets of consolidated subsidiaries is shown separately from the shareholders' equity attributable to the Group. This interest is calculated on the basis of the percentage interest held in the *fair value* of assets and liabilities recognised at the original date of acquisition and in any changes in shareholders' equity after that date. The losses attributable to the minority interests in excess of their portion of shareholders' equity are subsequently attributed to shareholders' equity attributable to the Group, unless the minority has a binding obligation to cover losses and is able to invest further in the company to cover the losses.

Business combinations

Acquisitions of subsidiaries are accounted for under the acquisition method. The cost of the acquisition is determined as the sum of the fair value, at the date of exchange, of the assets acquired, the liabilities incurred or acquired, and the financial instruments issued by the Group in exchange for control of the acquired company.

The identifiable assets, liabilities and contingent liabilities of the acquired company that meet the conditions for recognition under IFRS3 are accounted for at fair value on the date of acquisition, with the exception of non-current assets (or disposal groups), which are classified as held for sale under IFRS5 and accounted for at fair value net of costs to sell.

If the business combination is achieved in stages, the fair value of the investment previously held has to be re-measured and any resulting gain or loss is recognised in profit or loss.

The purchaser has to recognise any contingent consideration at *fair value*, on the date of acquisition.

The change in *fair value* of the contingent consideration classified as asset or liability is recognised according to the provisions included in IAS 39, in the income statement or in other comprehensive income. If the contingent consideration is classified in equity, its value is re-measured until its extinction is booked against equity.
The costs directly attributable to the acquisition are recognised in the income statement.
The cost of acquisition is given by recording the contingent assets and liabilities of the acquisition at the *fair value* at the date of acquisition. Any excess difference between the payment transferred, valued at *fair value* on the date of acquisition, and the amount of any minority equity investment compared to the net value of the assets and liabilities of the acquisition itself valued at *fair value* is considered as goodwill or, if negative, recognised in the income statement.
For every business combination, the purchaser must value any minority interest in the acquired entity at *fair value* or in proportion to the share of the minority interest in the net identifiable assets of the acquired entity.

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

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

Consolidation of foreign operations

All the assets and liabilities of foreign operations denominated in a currency other than the Euro are converted using the exchange rates at the end of the reporting period.
Revenue and costs are converted using average exchange rates for the period. Any conversion differences are recognised in a separate component of Shareholders' equity until the investment is sold.

Foreign currency transactions are initially recognised at the spot rate on the date of the transaction. Foreign currency assets and liabilities are converted at the exchange rate at the end of the reporting period. Conversion differences and those arising on disposal of the foreign operation are recognised under financial management in the income statement.

Basis of consolidation

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

A) Changes in basis of consolidation

The basis of consolidation at 30 September 2017 has changed compared to that in the Consolidated Financial Statements at 31 December 2016, due to the acquisition of a totalitarian share in the capital of Technologies for Water Services (TWS) S.p.A., which was consolidated on a line-by-line basis. TWS also owns 63% of Umbiradue Servizi Idrici S.c.a.r.l. which, in addition to the share already owned by the Group (36.2%) has enabled exclusive control to be gained over the company; the latter has therefore been consolidated on a line-by-line basis.

It should also be noted than on 17 March 2017, the transfer of the share (55%) held by ACEA S.p.A. in Acea Gori Servizi S.c.a.r.l. (now Gori Servizi S.r.l.) to G.O.R.I. S.p.A. was finalised (the latter also acquired the 5% share owned by the minority shareholder, and now owns 100% of the company). The Group owns 36.74% of G.O.R.I. S.p.A. (37.05% through Sarnese Vesuviano). Following this operation, Acea Gori Servizi S.c.a.r.l., previously consolidated on a line-by-line basis, is consolidated under the equity method.

It should be noted that on 2 January 2017, the parent company acquired 51% of Acque Industriali from the subsidiary Acque S.p.A., and the latter is therefore consolidated on a line-by-line basis.

Lastly, it should be noted that on 8 February 2017, the transfer of the holdings in GEAL owned by Veolia Eaux Compagnie Generale Des Eaux SCA to ACEA was completed; the holding owned by the Group after this acquisition has increased from 28.8% to 48%.

B) Unconsolidated investments

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

C) List of consolidated companies

Name	Registered office	Share Capital (in Euros)	% interest	Group's consolidated interest	Method of Consolidation
Energy Segment					
Acea Ambiente S.r.l.	Via G. Bruno 7- Terni	2.224.992	100,00%	100,00%	Line-by-line
Aquaser S.r.l.	P.le Ostiense, 2 - Rome	3.900.000	93,06%	100,00%	Line-by-line
Iseco S.p.A.	Loc. Surpian n. 10 - 11020 Saint-Marcel (AO)	110.000	80,00%	100,00%	Line-by-line
Acque Industriali S.r.l.	Via Bellatalla,1 - Ospedaletto (Pisa)	100.000	73,05%	100,00%	Line-by-line
Commercial and Trading Segment					
Acea Energia S.p.A.	P.le Ostiense, 2 - Rome	10.000.000	100,00%	100,00%	Line-by-line
Acea8cento S.r.l.	P.le Ostiense, 2 - Rome	10.000	100,00%	100,00%	Line-by-line
Cesap Vendita Gas S.r.l.	Via del Teatro, 9 - Bastia Umbra (PG)	10.000	100,00%	100,00%	Line-by-line
Acea Liquidation and Litigation s.r.l.	P.le Ostiense, 2 - Rome	10.000	100,00%	100,00%	Line-by-line
Umbria Energy S.p.A.	Via B. Capponi, 100 - Terni	1.000.000	50,00%	100,00%	Line-by-line
Acea Energy Management S.r.l.	P.le Ostiense, 2 Rome	50.000	100,00%	100,00%	Line-by-line
Parco della Mistica S.r.l.	P.le Ostiense, 2 Rome	10.000	100,00%	100,00%	Line-by-line
Overseas Segment					
Acea Dominicana S.A.	Avenida Las Americas - Esquina Mazoneria, Ensanche Ozama -Santo	644.937	100,00%	100,00%	Line-by-line
Aguas de San Pedro S.A.	Las Palmas, 3 Avenida, 20y 27 calle - 21104 San Pedro, Honduras	6.457.345	60,65%	100,00%	Line-by-line
Acea International S.A.	Avenida Las Americas - Esquina Mazoneria, Ensanche Ozama - 11501	5.020.430	99,99%	100,00%	Line-by-line
Water Segment					
ACEA Ato2 S.p.A.	P.le Ostiense, 2 - Rome	362.834.320	96,46%	100,00%	Line-by-line
ACEA Ato5 S.p.A.	Viale Roma snc - Frosinone	10.330.000	98,45%	100,00%	Line-by-line
Acque Blu Arno Basso S.p.A.	P.le Ostiense, 2 - Rome	8.000.000	76,67%	100,00%	Line-by-line
Acque Blu Fiorentine S.p.A.	P.le Ostiense, 2 - Rome	15.153.400	75,01%	100,00%	Line-by-line
Crea Gestioni S.r.l.	P.le Ostiense, 2 - Rome	100.000	100,00%	100,00%	Line-by-line
CREA S.p.A. *(in liquidazione)*	P.le Ostiense, 2 - Rome	2.678.958	100,00%	100,00%	Line-by-line
Gesesa S.p.A.	Corso Garibaldi, 8 - Benevento	534.991	57,93%	100,00%	Line-by-line
Lunigiana S.p.A. *(in liquidazione)*	Via Nazionale 173/175 – Massa Carrara	750.000	95,79%	100,00%	Line-by-line
Ombrone S.p.A.	P.le Ostiense, 2 - Rome	6.500.000	99,51%	100,00%	Line-by-line
Sarnese Vesuviano S.r.l.	P.le Ostiense, 2 - Rome	100.000	99,16%	100,00%	Line-by-line
Umbriadue Servizi Idrici S.c.a.r.l.	Strada Sabbione zona ind. A72 - Terni	100.000	99,20%	100,00%	Line-by-line
Energy Infrastructures Segment					
a reti S.p.A.	P.le Ostiense, 2 - Rome	345.000.000	100,00%	100,00%	Line-by-line
Acea Illuminazione Pubblica S.p.A.	P.le Ostiense, 2 - Rome	1.120.000	100,00%	100,00%	Line-by-line
Acea Produzione S.p.A.	P.le Ostiense, 2 - Rome	5.000.000	100,00%	100,00%	Line-by-line
Ecogena S.r.l.	P.le Ostiense, 2 - Rome	1.669.457	100,00%	100,00%	Line-by-line
Engineering and Services Segment					
ACEA Elabori S.p.A.	Via Vitorchiano – Rome	2.444.000	100,00%	100,00%	Line-by-line
Technologies For Water Services SPA	Via Ticino, 9 -25015 Desenzano Del Garda (BS)	11.164.000	100,00%	100,00%	Line-by-line

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

Name	Registered office	Share Capital (in Euros)	% interest	Group's consolidated interest	Method of Consolidation
Energy Segment					
Ecomed S.r.l.	P.le Ostiense, 2 - Rome	10.000	50,00%	50,00%	Equity
Overseas Segment					
Consorcio Agua Azul S.A.	Calle Amador Merino Reina 307 - Lima - Peru	17.379.190	25,50%	25,50%	Equity
Water Segment					
Acque S.p.A.	Via Garigliano,1- Empoli	9.953.116	45,00%	45,00%	Equity
Acque Servizi S.r.l.	Via Bellatalla,1 - Ospedaletto (Pisa)	400.000	100,00%	45,00%	Equity
Acquedotto del Fiora S.p.A.	Via Mameli,10 Grosseto	1.730.520	40,00%	40,00%	Equity
GORI S.p.A.	Via Trentola, 211 – Ercolano (NA)	44.999.971	37,05%	37,05%	Equity
Gori Servizi S.r.l.	Via Trentola, 211 – Ercolano (NA)	1.000.000	37,05%	37,05%	Equity
Geal S.p.A.	Viale Luporini, 1348 - Lucca	1.450.000	48,00%	48,00%	Equity
Intesa Aretina S.c.a.r.l.	Via B.Crespi, 57 - Milan	18.112.000	35,00%	35,00%	Equity
Nuove Acque S.p.A.	Patrignone Loc.Cuculo - Arezzo	34.450.389	46,16%	16,16%	Equity
Publiacqua S.p.A.	Via Villamagna - Florence	150.280.057	40,00%	40,00%	Equity
Umbra Acque S.p.A.	Via G. Benucci, 162 - Ponte San Giovanni (PG)	15.549.889	40,00%	40,00%	Equity
Engineering and Services Segment					
Ingegnerie Toscane S.r.l.	Via Francesco de Sanctis,49 - Florence	100.000	42,52%	42,52%	Equity
Visano S.c.a.r.l.	Via Lamarmora, 230 -25124 Brescia	25.000	40,00%	40,00%	Equity

The following companies are also consolidated using the equity method:

Name	Registered office	Share Capital (in Euros)	% interest
Environment Segment			
Amea S.p.A.	Via San Francesco d'Assisi 15C - Paliano (FR)	1.689.000	33,00%
Arkesia S.p.A. *(in liquidation)*	Via S. Francesco D'Assisi, 17 - Paliano (FR)	170.827	33,00%
Coema	P.le Ostiense, 2 - Rome	10.000	33,50%
Overseas Segment			
Aguaazul Bogotà S.A.	Calle 82 n. 19°-34 - Bogotà- Colombia	1.482.921	51,00%
Water Segment			
Azga Nord S.p.A. *(in liquidation)*	Piazza Repubblica Palazzo Comunale - Pontremoli (MS)	217.500	49,00%
Sogea S.p.A.	Via Mercatanti, 8 - Rieti	260.000	49,00%
Le Soluzioni	Via Garigliano,1 - Empoli	250.678	34,32%
Servizi idrici Integrati ScPA	Via I Maggio, 65 Terni	19.536.000	25,00%
Energy Infrastructures Segment			
Citelum Napoli Pubblica Illuminazione S.c.a.r.l.	Via Monteverdi Claudio, 11 - Milan	90.000	32,18%
Sienergia S.p.A. *(in liquidation)*	Via Fratelli Cairoli, 24 - Perugia	132.000	42,08%
Umbria Distribuzione Gas S.p.A.	Via Bruno Capponi 100 – Terni	2.120.000	15,00%
Other Segments			
Marco Polo Srl *(in liquidation)*	Via delle Cave Ardeatine, 40 - Rome	10.000	33,00%

Consolidated Income Statement

	30/09/2017	*Of which related party transactions*	30/09/2016	*Of which related party transactions*	Increase/ (Decrease)
Revenue from sales and services	1,977,267		2,002,147		(24,880)
Other revenue and proceeds	60,636		45,368		15,268
Consolidated net revenue	**2,037,903**	**127,787**	**2,047,515**	**100,243**	**(9,612)**
Staff costs	157,793		152,620		5,173
Costs of materials and overheads	1,272,215		1,269,630		2,585
Consolidated Operating Costs	**1,430,008**	**37,888**	**1,422,250**	**38,285**	**7,758**
Net income/(costs) from commodity risk management	**0**		**0**		**0**
Income/(Costs) from equity investments of a non-financial nature	**17,946**		**20,787**		**(2,841)**
Gross Operating Profit	**625,840**	**84,900**	**646,052**	**61,958**	**(20,212)**
Amortisation, depreciation, provisions and impairment charges	334,573		267,974		66,599
Operating profit/(loss)	**291,267**	**84,900**	**378,078**	**61,958**	**(86,810)**
Financial income	14,042	4,445	11,352	174	2,690
Financial costs	(65,435)	(1)	(72,605)	0	7,170
Income/(Costs) from equity investments	340		148		192
Profit/(loss) before tax	**240,214**	**89,344**	**316,973**	**62,132**	**(76,759)**
Taxation	78,600		109,444		(30,844)
Net profit/(loss)	**161,614**	**89,344**	**207,529**	**62,132**	**(45,915)**
Profit/(loss) attributable to non-controlling interests	9,008		6,621		2,387
Net profit/(loss) attributable to the Group	**152,606**		**200,907**		**(48,301)**
Earnings (loss) per share attributable to Parent Company's shareholders					
Basic	0.71658		0.94338		(0.22680)
Diluted	0.71658		0.94338		(0.22680)
Earnings (loss) per share attributable to Parent Company's shareholders, net of Treasury Shares					
Basic	0.71798		0.94523		(0.22725)
Diluted	0.71798		0.94523		(0.22725)

Amounts in thousand Euros

Consolidated Quarterly Income Statement

	III Quarter 2017	III Quarter 2016	Increase/ (Decrease)	% Increase/ (Decrease)
Revenue from sales and services	644,265	645,261	(996)	(0.2%)
Other revenue and proceeds	21,154	15,551	5,603	36.0%
Consolidated net revenue	**665,419**	**660,812**	**4,607**	**0.7%**
Staff costs	48,688	43,497	5,192	11.9%
Costs of materials and overheads	412,367	420,886	(8,519)	(2.0%)
Consolidated Operating Costs	**461,056**	**464,383**	**(3,328)**	**(0.7%)**
Net income/(costs) from commodity risk management	**0**	**0**	**0**	**0.0%**
Income/(Costs) from equity investments of a non-financial nature	**7,377**	**5,881**	**1,495**	**25.4%**
Gross Operating Profit	**211,740**	**202,310**	**9,430**	**4.7%**
Amortisation, depreciation, provisions and impairment charges	115,342	98,294	17,048	17.3%
Operating profit/(loss)	**96,398**	**104,016**	**(7,618)**	**(7.3%)**
Financial income	1,535	3,833	(2,298)	(59.9%)
Financial costs	(21,766)	(22,790)	1,024	(4.5%)
Income/(Costs) from equity investments	(310)	(423)	114	(26.8%)
Profit/(loss) before tax	**75,857**	**84,635**	**(8,778)**	**(10.4%)**
Income tax	24,580	31,358	(6,778)	(21.6%)
Net profit/(loss)	**51,277**	**53,277**	**(2,000)**	**(3.8%)**
Net profit/(loss) from discontinued operations	0	0	0	0.0%
Net profit/(loss)	**51,277**	**53,277**	**(2,000)**	**(3.8%)**
Profit/(loss) attributable to non-controlling interests	2,164	1,909	255	13.4%
Net profit/(loss) attributable to the Group	**49,114**	**51,368**	**(2,255)**	**(4.4%)**

Amounts in thousand Euros

Consolidated Statement of Comprehensive Income

	30/09/2017	30/09/2016	Increase/ (Decrease)	% Increase/ (Decrease)
Net profit (loss) for the period	**161,614**	**207,529**	**(45,915)**	**(22.1%)**
Profit/(Loss) from conversion of financial statements expressed in a foreign currency	**(4,143)**	**(366)**	**(3,777)**	**1,031.8%**
Reserve for exchange differences	11,595	(22,972)	34,567	(150.5%)
Tax reserve for exchange differences	(2,783)	5,513	(8,296)	(150.5%)
Gains/losses from exchange rate difference	**8,812**	**(17,458)**	**26,271**	**(150.5%)**
Effective portion of profits/(losses) on hedging instruments ("cash flow hedges")	(8,401)	20,408	(28,809)	(141.2%)
Tax effect of other gains/(losses) on hedging instruments ("cash flow hedges")	1,949	(4,928)	6,877	(139.6%)
Profit/(Loss) From the Effective Portion on Hedging Instruments net of tax effect	**(6,452)**	**15,480**	**(21,932)**	**(141.7%)**
Actuarial gains/losses on employee benefits recognised in equity	1,011	(10,655)	11,667	(109.5%)
Tax effect of other actuarial gains/ (losses) on employee benefits	(289)	3,108	(3,397)	(109.3%)
Actuarial Profit/(Loss) on defined benefit pension plans net of tax effect	**722**	**(7,548)**	**8,270**	**(109.6%)**
Total components of other comprehensive income, net of tax effect	**(1,060)**	**(9,892)**	**8,832**	**(89.3%)**
Total comprehensive income/loss	**160,554**	**197,636**	**(37,082)**	**(18.8%)**
Total comprehensive income (loss) attributable to:				
Group	151,455	191,141	(39,686)	(20.8%)
Non-controlling interests	9,099	6,496	2,604	40.1%

Amounts in thousand Euros

Consolidated Quarterly Statement of Comprehensive Income

	III Quarter 2017	III Quarter 2016	Increase/ (Decrease)
Net profit (loss) for the period	**51,277**	**53,277**	**(2,000)**
Profit/(Loss) from conversion of financial statements expressed in a foreign currency	**(1,470)**	**239**	**(1,709)**
Reserve for exchange differences	4,717	(1,057)	5,774
Tax reserve for exchange differences	(1,132)	254	(1,386)
Gains/losses from exchange rate difference	**3,585**	**(803)**	**4,388**
Effective portion of profits/(losses) on hedging instruments ("cash flow hedges")	(6,911)	(1,655)	(5,256)
Tax effect of other gains/(losses) on hedging instruments ("cash flow hedges")	1,581	401	1,180
Profit/(Loss) From the Effective Portion on Hedging Instruments net of tax effect	**(5,330)**	**(1,254)**	**(4,076)**
Actuarial gains/losses on employee benefits recognised in equity	481	(384)	865
Tax effect of other actuarial gains/ (losses) on employee benefits	(136)	115	(250)
Actuarial Profit/(Loss) on defined benefit pension plans net of tax effect	**345**	**(269)**	**614**
Total components of other comprehensive income, net of tax effect	**(2,870)**	**(2,087)**	**(782)**
Total comprehensive income/loss	**48,407**	**51,190**	**(2,782)**
Total comprehensive income (loss) attributable to:			
Group	46,403	49,326	(2,923)
Non-controlling interests	2,005	1,864	141

Amounts in thousand Euros

Consolidated Statement of Financial Position

ASSETS	30/09/2017	*of which with related parties*	31/12/2016	*of which with related parties*	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	*37,665*	27,745	*25,638*	12,641
Other assets	31,036		34,216		(3,180)
NON-CURRENT ASSETS	**4,950,908**	**37,665**	**4,771,235**	**25,638**	**179,672**
Inventories	46,970		31,726		15,243
Trade receivables	1,220,389	*108,590*	1,097,441	*129,284*	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	*127,964*	131,275	*117,309*	43,581
Cash and cash equivalents	441,712		665,533		(223,820)
CURRENT ASSETS	**2,118,377**	**236,554**	**2,132,981**	**246,593**	**(14,603)**
Non-current assets held for sale	183		497		(314)
TOTAL ASSETS	**7,069,468**	***274,219***	**6,904,713**	***272,231***	**164,755**

Amounts in thousand Euros

LIABILITIES	30/09/2017	*of which with related parties*	31/12/2016	*of which with related parties*	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)**
Payables to suppliers	1,109,757	127,032	1,292,590	148,998	(182,833)
Other current liabilities	292,221		273,782		18,440
Financial debt	625,021	5,834	151,478	4,010	473,543
Tax Payables	114,823		46,361		68,462
CURRENT LIABILITIES	**2,141,822**	***132,866***	**1,764,211**	***153,008***	**377,612**
Liabilities directly associated with assets held for sale	37		99		(63)
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**7,069,468**	***132,866***	**6,904,713**	***153,008***	**164,755**

Amounts in thousand Euros

Consolidated Statement of Cash Flows

	30.09.2017	*Related parties*	30.09.2016	*Related parties*	Increase/ (Decrease)
Cash flow from operating activities					
Profit before tax from continuing operations	240,214		316,973		(76,759)
Depreciation/amortisation	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)	*(20,693)*	(79,075)	*(34,483)*	(79,536)
Increase/decrease in current payables in the working capital	(210,643)	*(21,966)*	(50,351)	*5,899*	(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**	***0***	**(158,998)**
					0
Cash flow from investment activities					0
Purchase/sale of tangible fixed assets	(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)	*22,681*	(24,774)	*24,972*	(10,484)
Dividends received	0		1	*1*	(1)
Interest income received	10,882		17,202		(6,320)
Total	**(397,216)**		**(346,140)**		**(51,076)**
					0
Cash flow from financing activities					0
Non-controlling interests 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	*1,824*	(41,507)	*(26,094)*	509,026
Interest expense paid	(72,113)		(63,359)		(8,754)
Dividends paid	(136,105)	*(136,105)*	(110,728)	*(110,728)*	(25,377)
Total cash flows	**(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 thousand Euros

Consolidated 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)				(9,766)	(9,765)	(126)	(9,892)
Total comprehensive income (losses)	***0***	***0***	***0***	***191,141***	***191,142***	***6,496***	***197,636***
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 (losses)	***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**

	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 (losses)	***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 thousand Euros

Statement by the Executive responsible for financial reporting in accordance with the provisions of Article 154-bis, paragraph 2, of Legislative Decree 58/1998.

Pursuant to article 154-bis, paragraph 2 of the Consolidated Law on Finance, the Executive responsible for financial reporting, Mr. Giuseppe Gola, hereby states that the accounting information contained in this Interim Report on Operations at 30 September 2017 corresponds to the accounting documents, books and records.