

PRESS RELEASE

ACEA: BOARD APPROVES RESULTS FOR Q1 2017

- **EBITDA €214.4m** (up 3.5% on €207.2m of Q1 2016; up 16.1% on adjusted figure for 2016).
- **EBIT €117.2m** (down 5.2% on €123.6m of Q1 2016; up 15.9% on adjusted figure for 2016)
- **Net profit €65.7m** (down 1.8% on €66.9m of Q1 2016; up 27.1% on adjusted figure for 2016)
- **Net debt €2,234.8m** (€2,126.9m at 31 December 2016)
- **Investment €126.4m** (up 30.3% on €97.0m of Q1 2016)

Rome, 26 April 2017 – The Board of Directors of Acea SpA, chaired by Catia Tomasetti, has approved the quarterly report for the three months ended 31 March 2017 (Q1 2017).

FINANCIAL HIGHLIGHTS

(€m)	Q1 2016 (a)	Q1 2016 adjusted* (b)	Q1 2017 (c)	% inc./ (dec.) (c/a)	% inc./ (dec.) (c/b)
Consolidated revenue	713.7	691.2	725.5	+1.7%	+5.0%
EBITDA	207.2	184.7	214.4	+3.5%	+16.1%
EBIT	123.6	101.1	117.2	-5.2%	+15.9%
Profit/(Loss) before tax	103.0	80.5	98.3	-4.6%	+22.1%
Group net profit/(loss) (before non-controlling interests)	69.2	54.0	68.5	-1.0%	+26.9%
Group net profit/(loss) (after non-controlling interests)	66.9	51.7	65.7	-1.8%	+27.1%

* Adjusted amounts for Q1 2016 do not include the positive impact of elimination of the 'regulatory lag' (€22.5m pre-tax)

(€m)	Q1 2016	Q1 2017	% inc./ (dec.)
Investment	97.0	126.4	+30.3

(€m)	31 Mar 2016 (a)	31 Dec 2016 (b)	31 Mar 2017 (c)	% inc./ (dec.) (c/a)	% inc./ (dec.) (c/b)
Net debt	2,173.9	2,126.9	2,234.8	+2.8%	+5.1%
Equity	1,656.4	1,757.9	1,838.2	+11.0%	+4.6%
Invested capital	3,830.3	3,884.8	4,073.0	+6.3%	+4.8%

ACEA GROUP'S RESULTS FOR Q1 2017

Revenue of €725.5m is up approximately 2% compared with the same period of the previous year. The performance benefitted from the change in the scope of consolidation described below and an increase in revenue from the integrated water service, reflecting the revised tariffs introduced from the second half of 2016. These components have more than offset the reduction in revenue from the sale and transport of electricity, resulting from a reduction in the quantity sold on the free market and changes in tariffs connected with the fifth regulatory cycle.

Consolidated EBITDA is up from the €207.2m in Q1 2016 to €214.4m in Q1 2017, marking an increase of 3.5%. After stripping out the positive impact of elimination of the regulatory lag in the Grids segment (€22.5m) from the figure for Q1 2016, EBITDA is up 16.1%, thanks above all to the contribution of the Water segment.

In addition, the following transactions have taken place during the first three months of 2017, resulting in a change in the scope of consolidation with respect to Q1 2016 and contributing approximately €3m to consolidated EBITDA:

- the acquisition of 51% of Acque Industriali (Environment segment) from Acque (with effect from 1 January 2017, consolidated on a line-by-line basis);
- completion of the transfer of the shares in GEAL (Water segment) held by Veolia Eaux Compagnie Generale Des Eaux. Following this acquisition, the Group owns 48% of GEAL (with effect from 8 February 2017, consolidated using the equity method);
- acquisition of TWS (Technologies for Water Services, Water segment) from Severn Trent Luxembourg Overseas (with effect from 23 February 2017, consolidated on a line-by-line basis).

The change in the scope of consolidation also reflects the acquisition, occurred in Q4 2016, of 29.65% of Aguas de San Pedro, which adds to the 31% already held (consolidated on a line-by-line basis), and the consolidation of AguaAzul Bogotà using the equity method.

Consolidated EBIT of €117.2m is down 5.2% on the €123.6m of Q1 2016 (up 15.9% on adjusted Q1 2016). The change reflects increased depreciation linked to greater capital expenditure and takes into account the go-live of the Acea 2.0 technology platform at the Group's principal companies.

Net finance costs, equal to €18.7m, are down €2.3m thanks to reduced interest on medium/long-term debt, partly due to the liability management transaction completed in October 2016.

Net profit, after non-controlling interests, is €65.7m, down 1.8% on Q1 2016 (up 27.1% on adjusted Q1 2016). The tax rate is down from the 32.9% of Q1 2016 to 30.4% for Q1 2017, following a reduction in IRES from 1 January 2017.

The Group **invested** €126.4m in Q1 2017 (€97.0m in Q1 2016), with 86% of this relating to our regulated businesses. Investment breaks down as follows: Water €57.8m; Grids €50.6m; Energy €9.1m; Environment €5.5m; Parent Company €3.4m. The Group's investment in Project Acea 2.0 amounts to €11.3m.

Net debt at 31 March 2017, amounting to €2,234.8m, is up €107.9m on the figure for the end of 2016 and €60.9m compared with 31 March 2016. The performance of net debt partly reflects increased investment and the change in the scope of consolidation.

SEGMENT INFORMATION FOR Q1 2017

Environment

The Environment segment contributed EBITDA of €14.5m (up 9.0%), compared with €13.3m for Q1 2016. The performance benefitted from the greater quantity of electricity sold by the Terni and San Vittore plants.

ENVIRONMENT – operational highlights	Q1 2016	Q1 2017
Treatment and disposal ('000 tonnes)*	197	274
WTE electricity sold (GWh)	66	82

* includes ash disposed of

Energy

The Energy segment's EBITDA is up 9.8% to €35.8m. The improvement reflects growth in the quantity of electricity produced.

ENERGY – EBITDA (€m)	Q1 2016	Q1 2017
Energy segment	32.6	35.8
Production	9	13
Sales	23	23

ENERGY – operational highlights	Q1 2016	Q1 2017
Electricity production (GWh)	108	131
Electricity sold (GWh)	2,171	1,813
Enhanced protection market	737	730
Free market	1,434	1,083
Gas sold (million m ³)	55	51

Water

The Water segment's EBITDA is €95.9m, up €15.2m (18.8%) on Q1 2016. The increase essentially reflects revised tariffs introduced from the second half of 2016, including those relating to the quality of services. In this latter regard, the best estimate of Acea ATO2's quality award for Q1 2017, amounting to €6.9m, has been recognised.

Grids

EBITDA for the Grids segment amounts to €70.6m, reflecting changes in tariffs connected with the fifth regulatory cycle. EBITDA is up 21.5% compared with the adjusted figure for Q1 2016 (€58.1m after the positive impact of regulatory accounting).

GRIDS – operational highlights	Q1 2016	Q1 2017
Electricity distributed (GWh)	2,536	2,509



Parent Company

The Parent Company reports negative EBITDA of €2.4m for Q1 2017.

MATERIAL EVENTS DURING THE FIRST QUARTER AND AFTER 31 MARCH 2017

On 20 February 2017, Acea Illuminazione Pubblica presented a binding offer as part of the auction, organised by Infratel Italia SpA, on behalf of the Ministry for Economic Development, in order to support the development of superfast broadband in so-called “white areas” in the regions of Marche and Umbria (Lot 3) and Lazio (Lot 4). The aim of the auction is to award a fixed-term concession to design, build, maintain and operate publicly owned passive superfast broadband infrastructure and to provide passive and active access on a wholesale basis. The Company had prequalified for the auction and was invited to take part on 5 December 2016.

On 4 April 2017, Acea announced that the lists of candidates for election to the Board of Directors – accompanied by the related documentation required by statute and filed by shareholders within the relevant deadline, in preparation for the Annual General Meeting called for 27 April and 4 May 2017, in first and second call, respectively – are available for inspection at the Company’s registered office, in the appropriate section of its website (www.acea.it, 2017 Shareholders’ Meeting) and in the authorised storage mechanism managed by Iinfo and available at www.linfo.it.

OUTLOOK

The Acea Group’s results for Q1 2017 enable the confirmation of EBITDA guidance for 2017.

The Group is continuing to pursue its commitment to rationalising and streamlining operational processes in all its areas of business and at the Parent Company.

Work will also continue on improving the billing and sales process to reduce working capital and contain the Group’s debt.

The following schedules are attached:

- CONSOLIDATED ACCOUNTS: INCOME STATEMENT FOR THE THREE MONTHS ENDED 31 MARCH 2017, STATEMENT OF FINANCIAL POSITION AT 31 MARCH 2017, STATEMENT OF CHANGES IN EQUITY, ANALYSIS OF NET DEBT AT 31 MARCH 2017 AND THE STATEMENT OF CASH FLOWS FOR THE THREE MONTHS ENDED 31 MARCH 2017.

A conference call will be held at 5.45pm (Italian time) today, 26 April 2017, in order to present the results for the three months ended 31 March 2017. To coincide with the start of the conference call, back-up material will be made available at www.acea.it.

The Executive Responsible for Financial Reporting, Demetrio Mauro, declares that, pursuant to section two of article 154 bis of the Consolidated Finance Act, the information contained in this release is consistent with the underlying accounting records.

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**CONSOLIDATED INCOME STATEMENT
FOR THE THREE MONTHS ENDED 31 MARCH 2017**

€000

	Q1 2017	Q1 2016	Increase/ (Decrease)	% increase/ (decrease)
Sales and service revenues	707,122	704,115	3,007	0.4%
Other operating income	18,440	9,560	8,880	92.9%
Consolidated net revenue	725,561	713,675	11,887	1.7%
Staff costs	52,926	55,912	(2,986)	(5.3%)
Cost of materials and overheads	463,450	457,479	5,972	1.3%
Consolidated operating costs	516,376	513,390	2,986	0.6%
Net profit/(loss) from commodity risk management	0	0	0	0.0%
Profit/(loss) on non-financial investments	5,238	6,890	(1,652)	(24.0%)
Gross operating profit	214,423	207,174	7,249	3.5%
Amortisation, depreciation, provisions and impairment losses	97,270	83,584	13,685	16.4%
Operating profit/(loss)	117,154	123,589	(6,436)	(5.2%)
Finance income	3,173	3,787	(614)	(16.2%)
Finance costs	(21,848)	(24,806)	2,958	(11.9%)
Profit/(loss) on investments	(176)	473	(649)	(137.3%)
Profit/(loss) before tax	98,303	103,043	(4,741)	(4.6%)
Income tax expense	29,841	33,884	(4,043)	(11.9%)
Net profit/(loss)	68,462	69,160	(698)	(1.0%)
Net profit/(loss) attributable to non-controlling interests	2,727	2,281	446	19.5%
Net profit/(loss) attributable to owners of the Parent	65,735	66,878	(1,144)	(1.7%)
Earnings/(Loss) per share attributable to owners of the Parent (€)				
Basic	0.3087	0.3140	(0.0054)	(1.7%)
Diluted	0.3087	0.3140	(0.0054)	(1.7%)
Earnings/(Loss) per share attributable to owners of the Parent after treasury shares (€)				
Basic	0.3093	0.3147	(0.0054)	(1.7%)
Diluted	0.3093	0.3147	(0.0054)	(1.7%)



CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 31 MARCH 2017

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ASSETS	31 March 2017	31 December 2016	Increase/(Decrease)
Property, plant and equipment	2,232,494	2,210,338	22,156
Investment property	2,591	2,606	(15)
Goodwill	150,054	149,825	229
Concessions	1,695,341	1,662,727	32,613
Other intangible assets	163,634	158,080	5,555
Investments in subsidiaries and associates	268,033	260,877	7,156
Other investments	2,613	2,579	34
Deferred tax assets	265,341	262,241	3,100
Financial assets	42,965	27,745	15,220
Other assets	33,047	34,216	(1,169)
NON-CURRENT ASSETS	4,856,116	4,771,235	84,880
Inventories	46,176	31,726	14,450
Trade receivables	1,223,212	1,097,441	125,770
Other current assets	163,500	132,508	30,992
Current tax assets	73,165	74,497	(1,332)
Current financial assets	150,411	131,275	19,136
Cash and cash equivalents	531,167	665,533	(134,365)
CURRENT ASSETS	2,187,632	2,132,981	54,651
Non-current assets held for sale	497	497	0
TOTAL ASSETS	7,044,244	6,904,713	139,531
EQUITY AND LIABILITIES			
Equity			
Share capital	1,098,899	1,098,899	0
Legal reserve	95,188	95,188	0
Other reserves	(332,304)	(351,090)	18,785
Retained earnings/(accumulated losses)	820,112	565,792	254,320
Net profit/(loss) for period	65,735	262,347	(196,612)
Total equity attributable to owners of the Parent	1,747,629	1,671,136	76,493
Equity attributable to non-controlling interests	90,556	86,807	3,749
Total equity	1,838,185	1,757,943	80,242
Staff termination benefits and other defined-benefit obligations	111,339	109,550	1,790
Provisions for liabilities and charges	213,018	202,122	10,896
Borrowings and financial liabilities	2,785,581	2,797,106	(11,526)
Other liabilities	185,549	185,524	25
Deferred tax liabilities	88,822	88,158	664
NON-CURRENT LIABILITIES	3,384,309	3,382,460	1,850
Trade payables	1,300,372	1,292,590	7,782
Other current liabilities	282,774	273,782	8,993
Borrowings	170,895	151,478	19,417
Tax liabilities	67,609	46,361	21,248
CURRENT LIABILITIES	1,821,650	1,764,211	57,440
Liabilities directly associated with assets held for sale	99	99	0
TOTAL EQUITY AND LIABILITIES	7,044,244	6,904,713	139,531

STATEMENT OF CHANGES IN EQUITY

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	Share capital	Legal reserve	Other reserves	Net profit/(loss) for period	Total	Non-controlling interests	Total equity
Balance at 1 January 2016	1,098,899	87,908	155,533	181,584	1,523,924	72,128	1,596,053
Net profit/(loss) in income statement				66,878	66,878	2,281	69,160
Other comprehensive income/(losses)				(8,600)	(8,600)	(69)	(8,669)
Total comprehensive income/(loss)	0	0	0	58,278	58,278	2,212	60,491
Appropriation of net profit/(loss) for 2015			181,585	(181,584)		0	0
Dividends paid							
Change in basis of consolidation			(908)		(908)	734	(175)
Other changes							
Balance at 31 March 2016	1,098,899	87,908	336,209	58,278	1,581,295	75,075	1,656,369

	Share capital	Legal reserve	Other reserves	Net profit/(loss) for period	Total	Non-controlling interests	Total equity
Balance at 1 January 2017	1,098,899	95,188	218,040	259,009	1,671,136	86,807	1,757,943
Net profit/(loss) in income statement				65,735	65,735	2,727	68,462
Other comprehensive income/(losses)				1,489	1,489	(98)	1,391
Total comprehensive income/(loss)	0	0	0	67,224	67,224	2,629	69,853
Appropriation of net profit/(loss) for 2016			259,009	(259,009)	0	0	0
Dividends paid					0		0
Change in basis of consolidation			9,269		9,269	1,120	10,389
Other changes					0		0
Balance at 31 March 2017	1,098,899	95,188	486,318	67,224	1,747,629	90,556	1,838,185



**RECLASSIFIED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 MARCH 2017**

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Financial position	31 March 2017	31 December 2016	Increase/ (Decrease)	% increase/ (decrease)	31 March 2016	Increase/ (Decrease)	% increase/ (decrease)
Non-current assets and liabilities	4,217,714	4,161,430	56,284	1.4%	3,901,343	316,371	8.1%
Net working capital	(144,702)	(276,560)	131,858	(47.7%)	(71,123)	(73,579)	103.5%
Invested capital	4,073,012	3,884,871	188,141	4.8%	3,830,220	242,792	6.3%
Net debt	(2,234,827)	(2,126,927)	(107,900)	5.1%	(2,173,851)	(60,976)	2.8%
Total equity	(1,838,185)	(1,757,943)	(80,242)	4.6%	(1,656,369)	(181,816)	11.0%
Balance of net debt and equity	4,073,012	3,884,871	188,141	4.8%	3,830,220	242,792	6.3%

ANALYSIS OF CONSOLIDATED NET DEBT AT 31 MARCH 2017

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	31 March 2017	31 December 2016	Increase/ (Decrease)	31 March 2016	Increase/ (Decrease)
Non-current financial assets/(liabilities)	2,697	2,074	623	3,035	(338)
Non-current financial assets/(liabilities) due from/to parent	40,268	25,671	14,597	29,144	11,124
Non-current borrowings and financial liabilities	(2,785,581)	(2,797,106)	11,526	(2,680,972)	(104,609)
Net medium/long-term debt	(2,742,616)	(2,769,361)	26,746	(2,648,793)	(93,823)
Cash and cash equivalents and securities	531,167	665,533	(134,365)	557,312	(26,145)
Short-term bank borrowings	(91,294)	(52,960)	(38,334)	(59,411)	(31,883)
Current financial assets/(liabilities)	(59,090)	(78,130)	19,040	(76,694)	17,604
Current financial assets/(liabilities) due from/to parent and associates	127,005	107,991	19,013	53,735	73,270
Net short-term debt	507,789	642,434	(134,646)	474,942	32,846
Total debt	(2,234,827)	(2,126,927)	(107,900)	(2,173,851)	(60,976)



STATEMENT OF CASH FLOWS FOR THE THREE MONTHS ENDED 31 MARCH 2017

	Q1 2017	Q1 2016	Increase/(Decrease)
<i>Cash flow from/(for) operating activities</i>			
Profit before tax from continuing operations	98,303	103,043	(4,741)
Amortisation and depreciation	68,783	58,590	10,193
Impairment losses/Reversals of impairment losses	13,614	5,855	7,759
Change in provisions	10,896	8,060	2,836
Net change in staff termination benefits	2,748	(84)	2,832
Net interest expense	18,675	21,019	(2,344)
Cash flows from operating activities before changes in working capital	213,018	196,483	16,536
Increase in receivables included in current assets	(142,839)	(83,037)	(59,801)
Increase/Decrease in payables included in current liabilities	7,782	(103,481)	111,263
Increase/(Decrease) in inventories	(14,450)	(2,914)	(11,536)
<i>Change in working capital</i>	<i>(149,507)</i>	<i>(189,433)</i>	<i>39,926</i>
Change in other operating assets/liabilities	(31,132)	(51,482)	20,349
TOTAL CASH FLOW FROM OPERATING ACTIVITIES	32,379	(44,432)	76,811
<i>Cash flow from/(for) investing activities</i>			
Purchase/Sale of property, plant and equipment	(53,204)	(42,754)	(10,450)
Purchase/Sale of intangible assets	(76,118)	(51,171)	(24,947)
Investments	7,746	597	7,149
Amounts received from/paid for other financial investments	(34,356)	(16,651)	(17,705)
Interest received	4,582	6,400	(1,818)
TOTAL	(151,350)	(103,578)	(47,771)
<i>Cash flow from/(for) financing activities</i>			
Non-controlling interests in capital increase at subsidiaries	177	(175)	352
Repayments of loans and long-term borrowings	(11,117)	(31,693)	20,577
Reduction/Increase in other short-term borrowings	19,417	(69,331)	88,748
Interest paid	(23,872)	(8,132)	(15,740)
TOTAL	(15,395)	(109,331)	93,937
Changes in equity after net profit	0	0	0
Increase/(Decrease) in cash and cash equivalents	(134,365)	(257,341)	122,976
<i>Net cash and cash equivalents at beginning of period</i>	<i>665,533</i>	<i>814,653</i>	<i>(149,120)</i>
<i>Net cash and cash equivalents at end of period</i>	<i>531,167</i>	<i>557,312</i>	<i>(26,144)</i>