Interim Report on Operations

at 30 September 2016

Water Energy Environment Networks Acea

CONTENTS

Corporate bodies

Board of Directors

Catia Tomasetti	Chairman
Alberto Irace	CEO
Francesco Caltagirone	Director
Massimiliano Capece Minutolo del Sasso	Director
Angel Simon Grimaldos[1]	Director
Giovanni Giani	Director
Elisabetta Maggini	Director
Roberta Neri	Director
Paola Antonia Profeta	Director

Board Of Statutory Auditors[2]

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

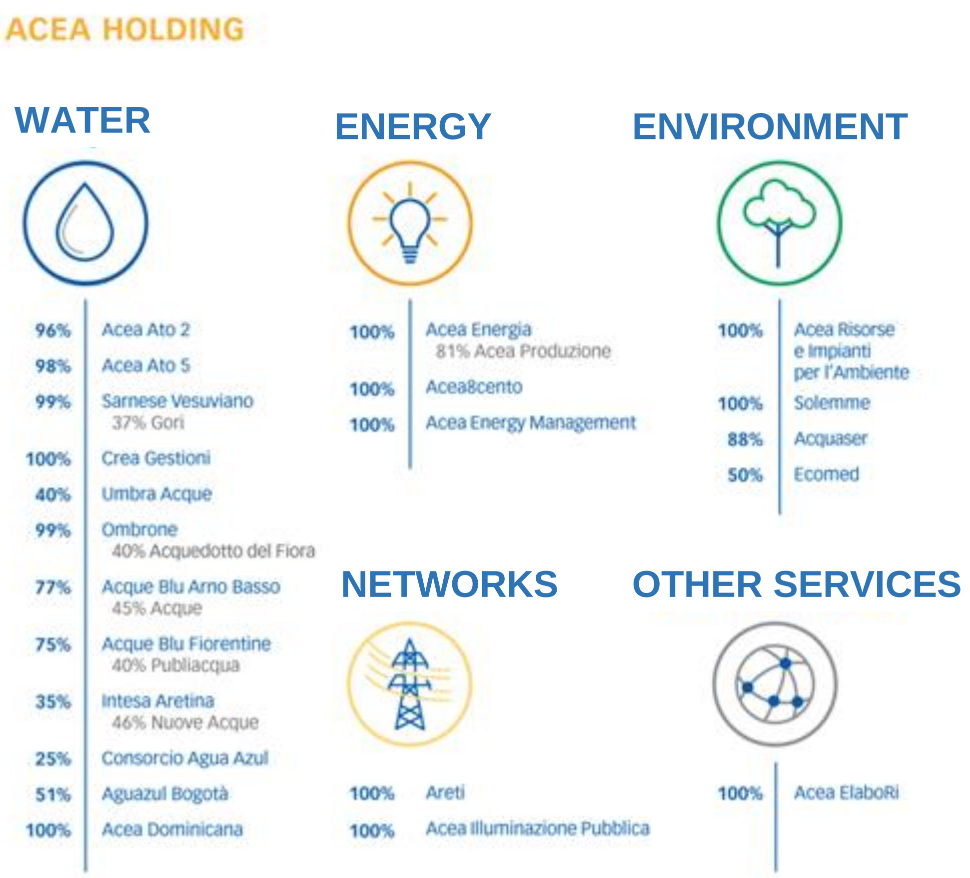
Executive Responsible for Financial Reporting

Demetrio Mauro

[1] Co-opted to replace the outgoing Director Diane d'Arras

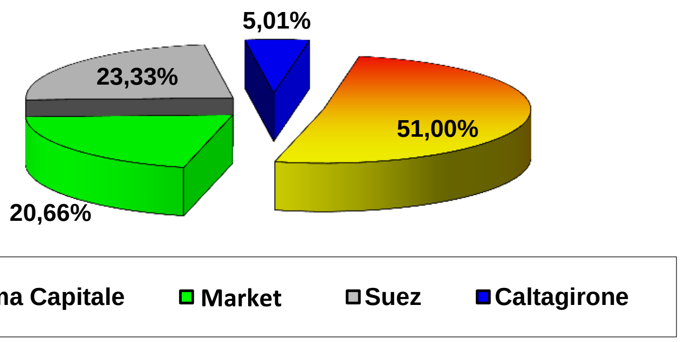
[2] Appointed by the Shareholders' Meeting of 28 April 2016

ACEA Group Structure and Shareholder Base



The share capital of ACEA S.p.A. at 30 September 2016 is broken down as follows:

On 22 September Caltagirone transferred 10.85% to the SUEZ Group



** The above chart only shows equity investments of more than 3%, as per CONSOB data.*

Summary of results: economic performance

Income Statement Data (million euros)	30/09/2016	30/09/2015	Increase/ (Decrease)	% Increase/ (Decrease)
Revenue from sales and services	2,002.1	2,114.4	(112.2)	(5.3%)
Other revenue and proceeds	45.4	53.3	(7.9)	(14.9%)
Costs of materials and overheads	1,269.6	1,490.2	(220.6)	(14.8%)
Cost of the staff	152.6	167.1	(14.5)	(8.7%)
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	20.8	20.5	0.2	1.2%
Gross Operating Profit (EBITDA):	**646.1**	**530.9**	**115.2**	**21.7%**
Amortisation, depreciation, provisions and impairment charges	268.0	246.0	21.9	8.9%
Operating Profit (EBIT)	**378.1**	**284.8**	**93.2**	**32.7%**
Financial activities	(61.3)	(67.0)	5.8	8.6%
Investments	0.1	(0.9)	1.1	115.6%
Profit/(loss) before tax	**317.0**	**216.9**	**100.1**	**46.2%**
Taxation	109.4	75.1	34.3	45.7%
Net profit/(loss)	**207.5**	**141.7**	**65.8**	**46.4%**
Profit/(loss) attributable to non-controlling interests	6.6	5.1	1.5	29.0%
Net profit/(loss) attributable to the Group	**200.9**	**136.6**	**64.3**	**47.1%**

Adjusted Income Statement Data [3](million euros)	30/09/2016	30/09/2015	Increase/ (Decrease)	% Increase/ (Decrease)
Gross Operating Profit (EBITDA):	569.6	530.9	38.7	7.3%
Operating Profit (EBIT)	301.6	284.8	16.7	5.9%
Net profit (loss)	156.0	141.7	14.3	10.1%
Net profit/(loss) attributable to the Group	149.4	136.6	12.8	9.3%

Revenue from sales and services - 2.0 billion euros

At 30 September 2016 revenue from sales and services amounted to 2,002.1 million euros, a drop of 112.2 million euros (-5.3%) compared to the same period of 2015. The reasons for this reduction were mainly:

- ✓ **revenue from the sale of electrical energy**, as a result of lower quantities sold on the free market, reflecting the optimization of the customer portfolio, and changes in prices (- € 229.1 million euros) and a reduction (- 11 million euros) in revenue from revenues from electricity transport and metering as a consequence of tariff changes introduced from the fifth regulatory period. This decrease is partially offset by the recognition of 76.5 million euros following the changes introduced by AEEGSI Resolution 654/2015; for more details please see section "Performance of Operating Segments - Networks Operating Segment",
- ✓ **revenue from gas sales** decreased by 12.1 million euros as a result of a drop in sales (- 11.1 million cubic metres of gas compared to 30 September 2015), mainly due to the mild climate.

Revenue from the Integrated Water Service increased by 37.0 million euros on the other hand, essentially due to the effect of the tariff updates introduced by AEEGSI Resolution 664/2015.

Other revenue - 45.4 million euros

There was a decrease of 7.9 million euros mainly due to:

- ✓ tariff contributions accrued on energy efficiency bonds in the portfolio decreased by 7.8 million euros as a consequence of bonds not purchased compared to the period of reference,
- ✓ lower non-recurring revenues of 4.8 million euros, mainly due to the recognition in Agua Azul Bogotá in the first quarter of 2015 of an extraordinary income of 3.4 million euros, principally related to the closure of litigation with the municipal administration,
- ✓ recognition of 9.6 million euros in the reporting period due to the effects of the contract signed in March 2006 for the sale of digital meters. Said sales are part of a more extensive commercial agreement also with other Group companies.

[3] The *adjusted* Income Statement Data does not include the positive effect of eliminating the so-called *regulatory lag* (76.5 million euros).

Cost of materials and overheads - 1.3 billion euros

This item reported a total decrease of 220.6 million euros (- 14.8%) compared to 30 September 2015. The change was mainly due to:

- ✓ lower costs for the procurement of electricity for both the protected market and the free market and the related transport costs (amounting to - 209.4 million euros) as a consequence of a reduction in sales; there was also a reduction in the procurement of gas for the same reason (- 8.1 million euros),
- ✓ a reduction in the cost of white certificates purchased by *areti* (- 7.8 million euros) to meet regulatory energy efficiency requirements, as a result of lower quantities purchased in the reporting period.

Staff costs dropped by 9%

Commitment of the Group's staff to the complex project for the change of information systems and business processes (Acea2.0) continues: in 2016 Subsidiaries implemented the *go live*, which will be concluded in the spring of 2017. This intense development resulted in a reduction of approximately 15 million euros compared to the same period in 2015.

€ millions	30/09/2016	30/09/2015	Increase/ (Decrease)	% Increase/ (Decrease)
Staff costs including capitalised costs	231.2	227.0	4.2	1.9%
Capitalised costs	(78.6)	(59.9)	(18.7)	31.2%
Staff costs	**152.6**	**167.1**	**(14.5)**	**(8.7%)**

The results of the Tuscany, Umbria and Campania water companies are in line with 2015

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.

€ millions	30/09/2016	30/09/2015	Increase/ (Decrease)	% Increase/ (Decrease)
Gross Operating Profit	104.9	101.1	3.8	3.8%
Amortisation, depreciation, impairment charges and provisions	(66.6)	(63.3)	(3.3)	5.2%
Total profit/(loss) on investments	(0.1)	0.0	(0.1)	(100.0%)
Financial activities	(6.2)	(6.2)	0.1	(1.1%)
Taxation	(11.3)	(11.0)	(0.3)	3.0%
Income from equity investments of a non-financial nature	**20.8**	**20.5**	**0.3**	**1.2%**

EBITDA - 646 million euros (+22%)

EBITDA increased from 530.9 million euros in the first nine months of 2015 to 646.1 million euros in 2016 with an increase of 115.2 million euros equal to 21.7% (7.3% increase in *adjusted* EBITDA). Said increase derives mainly from the tariff changes in the water sector (+ 31.7 million euros) and a significant increase in margins in the Energy Segment (+ 17.4 million euros); there was a consistent reduction in EBITDA (- 14.6 million euros) in the Networks Segment, net of regulatory income, almost all of which can be attributed to the tariff updates of the fifth regulatory period. The Parent Company and Environment Segment recorded an overall increase in EBITDA equal to 4.0 million euros.

EBIT - 378 million euros (+33%)

There was a greater increase in EBIT than EBITDA despite the fact that the items that effect EBIT increased by approximately 22.0 million euros.

€ millions	30/09/2016	30/09/2015	Increase/ (Decrease)	% Increase/ (Decrease)
Amortisation and depreciation	186.9	172.0	14.9	8.7%
Provision for impairment of receivables	47.7	53.0	(5.3)	(10.0%)
Provision for liabilities and charges	33.4	21.1	12.3	58.4%
Amortisation, depreciation, impairment charges and provisions	**268.0**	**246.1**	**21.9**	**8.9%**

The increase in **amortisation** is mainly attributable to an increase in investments in all business segments as well as the regulatory situation and tariff updates related to invested capital, for the water sector; amortisation increased by 11.3 million euros as a consequence of the Acea2.0 technological platform *go live* of the main Group companies.

The increase in **provisions** was mainly determined by the allocation of additional provisions to cover the staff reduction program through voluntary redundancy and early retirement procedures for Group staff (+ 9.1 million euros) and to cover some regulatory risks (+ 4.4 million euros); the increase in investments in the water segment resulted in higher allocations to the provision for restoration costs (+ 2.9 million euros). Thanks to the favourable result of a dispute in which several Group companies were involved, the relevant 7.4 million euros provision allocated in previous financial years was released.

Financial activities increase by 6 million euros

The result of financial activities at the end of the third quarter of 2016 is a negative 61.3 million euros, with a 5.8 million euros improvement (+ 8.6% compared to the same period of 2015). This good performance is substantially due to a reduction in interest on short and medium-long-term borrowings (-6.1 million euros); in fact, at 30 September 2016, the average overall *"all in"* cost of the ACEA Group's debt was 3.16% compared to 3.31% for the same period in the previous year.

***Tax Rate* - 34.5%, in line with 2015**

Estimated tax payables for the period, calculated in accordance with IAS34, amount to 109.4 million euros compared to 75.1 million euros year on year.
The overall increase recorded in the period, equal to 34.3 million euros, mainly derives from an increase in profit before tax; in fact, the *tax rate* for the period is 34.5% (34.6% at 30 September 2015).

Net Group profit increases by 47%

Thanks to the positive contribution of the financial activities, net profit attributable to the Group amounts to 200.9 million euros, increasing by 64.3 million euros (+ 47.1%); net of the income deriving from the elimination of the *regulatory lag*, this increase amounts to approximately 9%.

Summary of results: financial position and cash flows

Statement of financial position data (million euros)	30/09/2016	31/12/2015	Increase/ (Decrease)	30/09/2015	Increase/ (Decrease)
NON-CURRENT ASSETS AND LIABILITIES	**4,007.4**	**3,868.6**	**138.7**	**3,795.2**	**212.2**
NET WORKING CAPITAL	**(186.5)**	**(262.5)**	**76.0**	**(110.6)**	**(75.9)**
INVESTED CAPITAL	**3,820.8**	**3,606.1**	**214.7**	**3,684.6**	**136.2**
NET DEBT	**(2,138.7)**	**(2,010.1)**	**(128.6)**	**(2,130.8)**	**(7.9)**
Total shareholders' equity	**(1,682.1)**	**(1,596.1)**	**(86.1)**	**(1,553.8)**	**(128.3)**
Total Funding Sources	**(3,820.8)**	**(3,606.1)**	**(214.7)**	**(3,684.6)**	**(136.2)**

Non-current assets and liabilities increase by 3.6% due to an increase in investments

Compared to the end of 2015, non-current assets and liabilities increased by approximately 139 million euros (+ 3.6%) mainly as a consequence of the increase in assets (+ 161.8 million euros).

€ millions	30/09/2016	31/12/2015	Increase/ (Decrease)	30/09/2015	Increase/ (Decrease)
Property, plant and equipment and intangible assets	4,032.7	3,870.9	161.8	3,787.6	245.1
Equity investments	259.9	250.2	9.7	239.9	20
Other non-current assets	309	314.3	(5.3)	340.5	(31.4)
Staff termination benefits and other defined-benefit plans	(117.8)	(108.6)	(9.2)	(111.2)	(6.7)
Provisions for liabilities and charges	(202.4)	(187.1)	(15.3)	(176.7)	(25.6)
Other non-current liabilities	(274.1)	(271.2)	(3.0)	(284.9)	10.8
Non-current assets and liabilities	**4,007.4**	**3,868.6**	**138.7**	**3,795.2**	**212.2**

Investments amounting to 346.8 million euros and 186.9 million euros in depreciation and amortisation contributed to the change in assets.

As for investments, the table below shows the results for the first nine months of 2016 per Operating Segment, compared to those for the same period of 2015.

Investments per operating segment (million euros)	30/09/2016	30/09/2015	Increase/ (Decrease)
ENVIRONMENT	**30.3**	**14.9**	**15.4**
ENERGY	**38.7**	**14.5**	**24.2**
Production	21.6	6.7	15.0
Sales	17.1	7.9	9.2
WATER	**150.4**	**128.3**	**22.1**
Overseas	0.4	0.2	0.2
Italy	149.2	127.6	21.6
Engineering	0.8	0.5	0.3
NETWORKS	**120.6**	**102.4**	**18.2**
ACEA (Corporate)	**6.9**	**24.6**	**(17.7)**
Total	**346.8**	**284.8**	**62.0**

Capital expenditures increase by 62.0 million euros (+ 22%)

The **Environment Segment** increased the level of capital expenditures (+ 15.4 million euros) with specific reference to ARIA for *revamping* Line I of the San Vittore nel Lazio WTE plant which went into service in October.

The **Energy Segment** reported an increase of 24.2 million euros, mainly attributable to the increase in investments by Acea Produzione for: (**i**) revamping the plant engineering of the Castel Madama

Hydroelectric power plant, (**ii**) upgrading the power tunnels from the reservoir of the San Cosimato dam and (**iii**) *repowering* the Tor di Valle Power Station. Capital expenditures referring to sales were mainly for the Acea2.0 project and amount to 8.0 million euros.

The **Water segment** incurred higher capital expenditures compared to the same period last year of 22.1 million euros, with specific reference to ACEA Ato2, for works carried out on the water supply network, the waste treatment plants and the Acea2.0 program.

The **Networks Segment** recorded higher capital expenditures (+ 18.2 million euros) as a result of expansion, renewal and upgrading activities for the managed systems as well as activities relating to the Acea2.0 program.

Acea2.0 capital expenditures for the period amounted to a total of 28.2 million euros.

Equity investments increased by 9.7 million euros compared to 31 December 2015. This increase refers mainly to the valuation of companies consolidated using the equity method as a result of the application of IFRS 11.

Staff termination benefits and other defined-benefit plans at 30 September 2016 recorded an increase of 9.2 million euros, mainly as a result of the provision and the rate used (from 2.03% in 2015 to 0.8% in the first nine months of 2016).

Provisions for liabilities and charges increased by 8.2% mainly due to the allocation of 41 million euros, half of which were related to implementing voluntary redundancy and resignation procedures.

€ millions	31/12/2015	Utilisations	Provisions	Payment of Redundancy Funds	Reclassifications/ Other changes	30/09/2016
Legal	20.2	(2.5)	3.1	(7.4)	0.0	13.4
Tax	4.3	(1.3)	1.7	0.0	(0.1)	4.5
Regulatory risks	54.2	(1.5)	7.0	0.0	0.0	59.7
Investees	1.3	0.0	0.1	0.0	0.0	1.4
Contributory risks	6.5	(0.1)	0.0	0.0	0.0	6.5
Early retirements and redundancies	3.3	(12.8)	22.2	0.0	0.0	12.7
Post mortem	23.0	(0.1)	0.0	0.0	0.0	23.0
Insurance excess	1.2	(0.8)	0.1	0.0	0.0	0.5
Other liabilities and charges	21.7	(0.8)	0.5	0.0	1.9	23.3
Subtotal Provisions for Liabilities and Charges	**135.8**	**(19.9)**	**34.6**	**(7.4)**	**1.8**	**145.0**
Provisions for restoration charges	51.3	0.0	6.1	0.0	0.0	57.4
Total Provisions for Liabilities and Charges	**187.1**	**(19.9)**	**40.8**	**(7.4)**	**1.8**	**202.4**

Thanks to the favourable result of a dispute in which several Group companies were involved, the relevant 7.4 million euros provision allocated in previous financial years was released.

Net working capital is in line with the end of 2015 with a marked improvement compared to September 2015

€ millions	30/09/2016	31/12/2015	Increase/ (Decrease)	30/09/2015	Increase/ (Decrease)
Current receivables	**1,134.2**	**1,098.7**	**35.6**	**1,208.2**	**(74.0)**
- due from end users/customers	1,045.4	1,005.1	40.3	1,102.9	(57.5)
- due from Roma Capitale	63.0	63.7	(0.7)	74.2	(11.2)
Inventories	**33.0**	**26.6**	**6.4**	**31.2**	**1.8**
Other current assets	**233.0**	**205.9**	**27.1**	**215.9**	**17.0**
Current payables	**(1,194.9)**	**(1,245.3)**	**50.4**	**(1,191.3)**	**(3.6)**
- due to Suppliers	(1,040.8)	(1,092.3)	51.5	(1,047.5)	6.7
- due from Roma Capitale	(150.1)	(147.3)	(2.9)	(142.2)	(7.9)
Other current liabilities	**(391.9)**	**(348.4)**	**(43.5)**	**(374.7)**	**(17.2)**
Net working capital	**(186.5)**	**(262.5)**	**76.0**	**(110.6)**	**(75.9)**

The change in net working capital compared to the end of 2015 can substantially be explained by the recognition of the income deriving from the elimination of the so-called *regulatory lag* (76.5 million euros); there is however a marked improvement compared to 30 September 2015 due to the reduction in receivables from customers. This item is shown net of the Provision for Impairment of Receivables, which at 30 September 2016 amounted to 337.5 million euros compared to 320 million euros at the end of last year and at 30 September 2015.
In the first nine months of 2016 receivables were sold without recourse for a total amount of 1,031.2 million euros, of which 99.2 million euros from the Public Administration.

Roma Capitale: net receivables = 28 million euros

As for **relations with Roma Capitale** the trade receivables and payables that have an effect on working capital remain substantially unchanged. Overall, at 30 September 2016 the net balance is 28 million euros in payables to the Group, with an increase of 26 million euros and 23 million euros compared to December 2015 and June 2016, substantially as a consequence of amounts maturing in the third quarter. The net balance increases by approximately 18 million euros compared to September 2015. The following table presents an analysis of receivables and payables, including those of a financial nature, between ACEA Group and Roma Capitale.

Amounts due from Roma Capitale	30/09/2016	31/12/2015	Increase/ (Decrease)	30/09/2015	Increase/ (Decrease)
	(a)	(b)	(a)-(b)	(c)	(a) - (c)
Services billed	67.8	67.1	0.8	82.3	(14.5)
Services to be billed	6.6	5.1	1.4	3.6	3.0
Total trade receivables	**74.4**	**72.2**	**2.2**	**85.8**	**(11.4)**
Financial receivables for Public lighting services	**94.4**	**70.6**	**23.8**	**58.9**	**35.5**
Total receivables due within one year (A)	**168.8**	**142.8**	**26.0**	**144.7**	**24.1**

Amounts due to Roma Capitale	30/09/2016	31/12/2015	Increase/ (Decrease)	30/09/2015	Increase/ (Decrease)
	(a)	(b)	(a)-(b)	(c)	(a) - (c)
Trade payables due within one year (B)	**(139.2)**	**(114.6)**	**(24.6)**	**(114.5)**	**(24.7)**
Total (A) - (B)	**29.6**	**28.2**	**1.4**	**30.2**	**(0.6)**
Other financial receivables/(payables)	20.6	(6.2)	26.8	(1.8)	22.4
Other trade receivables/(payables)	(22.3)	(20.7)	(1.6)	(18.8)	(3.5)
Total other receivables/(payables) (C)	**(1.7)**	**(26.9)**	**25.2**	**(20.6)**	**18.9**
Net Balance (A)-(B)+(C)	**27.9**	**1.3**	**26.5**	**9.6**	**18.3**

Current payables decrease by 4%

Current payables amount to 1,194.9 million, decreasing by 50.4 million, and are mainly attributable to trade payables amounting to 1,040.8 million euros (at 31 December 2015 they amounted to 1,092.3 million euros). The decrease of 51.5 million euros compared to 31 December 2015 derives essentially from the optimization of the Acea Energia customer portfolio (and the *commodities'* price trend) partially offset by the increase deriving from the development of the technological platform.

Other Current Assets and Liabilities increase respectively by 27.1 million euros and 43.5 million euros compared to the previous year: this increase derives from an increase in tax receivables (47.0 million euros), for advance payments, and the estimate of tax payables for the period which increases by 86.1 million euros. Furthermore, there was a reduction in receivables from the Equalisation Fund as a consequence of the collection of receivables deriving from the cancellation of energy efficiency bonds to meet energy efficiency obligations and those from general equalisation. Payables to the Equalisation Fund also decreased (- 41.9 million euros).

Shareholders' equity 1.7 billion euros

Shareholders' equity amounts to 1,682.1 million euros. The changes occurred during the period, amounting to 86.1 million euros, are detailed in the table below and mainly derive from profit accrued for the period, distribution of Parent Company dividends, changes in reserves related to the *cash flow hedge* and actuarial gains and losses.

Net debt increased by 129 million compared to the end of 2015 and is in line with that of September 2015

Group **debt** at 30 September 2016 recorded an overall increase of 128.6 million euros, from 2,010.1 million euros at the end of 2015 to 2,138.7 million euros.
This change is mainly due to the increase in net working capital resulting from the cumulative effect of the growth of current receivables, the reduction of payables and the increase in capital expenditures also with reference to the digitalisation associated with the Acea2.0 project.

€ millions	30/09/2016	31/12/2015	Increase/ (Decrease)	% Increase/ (Decrease)
Non-current financial assets/(liabilities)	3.1	2.4	0.7	30.7%
Intragroup non-current financial assets/(liabilities)	29.2	29.1	0.1	0.2%
Non-current borrowings and financial liabilities	(2,659.0)	(2,688.4)	29.4	(1.1%)
Net medium/long-term debt	**(2,626.7)**	**(2,657.0)**	**30.2**	**(1.1%)**
Cash and cash equivalents and securities	590.3	814.7	(224.4)	(27.5%)
Short-term bank borrowings	(104.9)	(58.7)	(46.2)	78.7%
Current financial assets/(liabilities)	(87.5)	(147.7)	60.2	(40.7%)
Intragroup current financial assets/(liabilities)	90.2	38.7	51.5	133.2%
Net short-term debt	**488.1**	**646.9**	**(158.9)**	**(24.6%)**
Total net financial position	**(2,138.7)**	**(2,010.1)**	**(128.6)**	**6.4%**

Medium-long-term borrowings improve by 30.2 million euros

As for the **medium-long-term borrowings** the 30.2 million euros improvement refers to non-current borrowings and financial liabilities that amount to a total of 2,659.0 million euros, (2,688.4 million euros at the end of the previous financial year) broken down in the following table:

€ millions	30/09/2016	31/12/2015	Increase/ (Decrease)	Increase/ (Decrease) %
Bonds	1,895.8	1,904.0	(8.2)	(0.4%)
Medium/long-term borrowings	763.2	784.4	(21.3)	(2.7%)
Medium/long-term borrowings	**2,659.0**	**2,688.4**	**(29.4)**	**(1.1%)**

Medium/long-term loans equal to 763.2 million euros (including short-term portions 813.3 million euros) decreased overall by 21.3 million euros compared to the 784.4 million euros of 2015. 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	Due by 31/12/2016	Due between 31/12/2016 and 31/12/2020	Due after 31/12/2020
fixed rate	305.8	26.0	93.6	186.2
floating rate	455.7	15.7	260.0	180.0
floating rate to fixed rate	51.8	8.4	39.3	4.2
Total	**813.3**	**50.1**	**392.8**	**370.3**

The *fair value* of ACEA hedging derivatives was a negative 5.9 million euros, decreasing 1.1 million euros compared to 31 December 2015 (negative 7.0 million euros).
For medium/long-term borrowings and bonds conditions, please refer to the Consolidated Financial Statements for the year ended 31 December 2015.

The short-term component was a positive 488.1 million euros, decreasing by 159 million euros.

The **short-term** component compared to the end of 2015 decreased by 158.9 million euros mainly due to the reduction in Parent Company cash and cash equivalents.
At 30 September 2016 the Parent Company held unused *uncommitted* credit lines totalling 781 million euros. No guarantees were issued to obtain these credit lines.
Finally, as part of the *EMTN* programme of 1.5 billion euros, approved in 2014, ACEA can issue bonds for a total 900 million euros until 2019. As part of this programme ACEA issued a new 500 million euros bond in October 2016. For more information, please refer to the paragraph *"Significant events in the third quarter and after the end of the reporting period"*

ACEA's rating

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.

30 September 2016	Environment	Energy				Water				
Million euros		Generation	Sales	Intra segment eliminations	Segment Total	Italian Water Services	Overseas	Engineering	Intra segment eliminations	Segment Total
Revenue	99	42	1,223	(17)	1,249	511	4	24	(21)	519
Costs	57	18	1,152	(17)	1,154	262	4	18	(21)	262
Gross operating profit	**42**	**24**	**71**	**0**	**95**	**250**	**0**	**7**	**0**	**257**
Depreciation and accumulated impairment charges	22	18	56	0	74	80	0	3	0	83
Operating profit/loss	**20**	**6**	**15**	0	**21**	**170**	**1**	**4**	**0**	**174**
Capex	**30**	**22**	**17**	**0**	**39**	**149**	**0**	**1**	**0**	**150**

30 September 2016	Networks				Other		Consolidated Total
Million euros	Distribution	Public Lighting	Intra segment eliminations	Segment Total	Corporate	Consolidation adjustments	
Revenue	406	54	(3)	457	85	(340)	2,068
Costs	157	53	(3)	207	83	(340)	1,422
Gross operating profit	**249**	**1**	**0**	**250**	**2**	**0**	**646**
Depreciation and accumulated impairment charges	69	1	0	70	20	0	268
Operating profit/loss	**180**	**0**	**0**	**180**	**(18)**	**0**	**378**
Capex	**120**	**1**	**0**	**121**	**7**	0	**347**

30 September 2015	Environment	Energy				Water				
Million euros		Generation	Sales	Intra segment eliminations	Segment Total	Italian Water Services	Overseas	Engineering	Intra segment eliminations	Segment Total
Revenue	95	44	1,459	(25)	1,478	476	11	21	(17)	491
Costs	55	18	1,407	(25)	1,400	260	7	15	(17)	265
Gross operating profit	**40**	**26**	**52**	**0**	**78**	**217**	**3**	**6**	**0**	**226**
Depreciation and accumulated impairment charges	21	16	55	0	71	67	0	1	0	68
Operating profit/loss	**19**	**10**	**(3)**	**0**	**7**	**150**	**3**	**4**	**0**	**157**
Capex	**15**	7	8	0	**15**	128	0	0	**0**	**128**

30 September 2015	Networks					Other		Consolidated Total
Million euros	Distribution	Public Lighting	PV power	Intra segment eliminations	Segment Total	Corporate	Consolidation adjustments	
Revenue	346	50	5	(3)	398	83	(356)	2,188
Costs	166	46	2	(3)	210	83	(356)	1,657
Gross operating profit	**180**	**4**	**4**	**0**	**188**	**0**	**0**	**531**
Depreciation and accumulated impairment charges	70	0	0	0	70	16	0	246
Operating profit/loss	**110**	**4**	**4**	**0**	**117**	**(16)**	**0**	**285**
Capex	101	2	0	**0**	**102**	**25**	0	**285**

The revenues in the above table include the condensed result of equity investments (of a non-financial nature) consolidated using the equity method.

Environment Operating Segment

Operating figures and financial results for the period

Operating figures	Meas. Unit	30/09/2016	30/09/2015	Increase/ (Decrease)	Increase/ Decrease %
Waste transferred to WTE	kTon	281	263	18	6.8%
Waste transferred to RDF production plant	kTon	0	0	0	0.0%
Electrical Energy transferred	GWh	196	196	0	0.1%
Waste coming into Orvieto plants	kTon	76	70	6	8.3%
Waste Recovered/Disposed of	kTon	250	237	13	5.4%

Financial results (million euros)	30/09/2016	30/09/2015	Increase/ (Decrease)	Increase/ Decrease %
Revenue	98.8	95.8	3.0	3.2%
Costs	56.7	55.4	1.4	2.5%
Gross Operating Profit (EBITDA):	42.1	40.4	1.7	4.1%
Operating Profit (EBIT)	20.7	19.4	1.3	6.7%
Average number of staff	236	220	16	7.1%

Economic performance (million euros)	Q3 2016	Q3 2015	Increase/ (Decrease)	Increase/ Decrease %
Revenue	31.8	32.0	(0.2)	(0.5%)
Costs	18.9	18.7	0.2	1.2%
Gross Operating Profit (EBITDA):	12.9	13.3	(0.4)	(3.0%)
Operating Profit (EBIT)	4.9	6.3	(1.4)	(22.7%)
Capex	22.1	5.1	17.0	330.7%

Balance sheet data (million euros)	30/09/2016	31/12/2015	Increase/ Decrease	Increase/ Decrease %	30/09/2015	Increase/ Decrease	Increase/ Decrease %
Net debt	176.4	187.7	(11.3)	(6.0%)	198.5	(22.1)	(11.1%)
Capex	30.3	25.9	4.4	17.0%	14.9	15.4	103.4%

(million euros)	30/09/2016	30/09/2015	Increase/ (Decrease)	Increase/ Decrease %
ENVIRONMENT Segment gross operating profit	42.1	40.4	1.7	4.1%
*Adjusted** GROUP gross operating profit	569.6	530.9	38.7	7.3%
Percentage weight	7.4%	7.6%	(0.2) p.p.	

* Group EBITDA is recorded net of the effects deriving from the elimination of the so-called *regulatory lag.*

This Segment closed the reporting period with EBITDA at 42.1 million euros, an increase of 1.7 million euros on the same period in 2015. This performance, while considering the prolonged unavailability of the Kyklos plant (EBITDA - 0.9 million euros) and lower margins from Aquaser (- 0.2 million euros), represents an increase of 4.1% mainly due to better performance from ARIA (+ 0.3 million euros) and SAO (+ 1.2 million euros) due to a greater amount of incoming waste.

The average number of staff as at 30 September 2016 was 236, 16 more than the same period of the previous year. The increase is mainly due to Aquaser (+ 5) and ARIA (+ 7). Finally 11 employees were transferred from ISA to ARIA to conclude the Terni WTE contract.

Segment investments amounted to 30.3 million euros, double that of September 2015; the increase in investments was mainly due to the work done in the third quarter of 2016 to *revamp* the ARIA San Vittore plant. In fact, on 1 October 2016 Line 1 of the San Vittore plant was connected for the first parallel to transfer electricity to the grid. The procedure for the payment of FER-E incentives is still ongoing for this Line, and will presumably be concluded by the end of October 2016.

Net debt of the Segment amounts to 176.4 million euros, which is significantly less than that at the end of 2015 and in the same period last year. This decrease can mainly be attributed to the effects of higher revenues from Group companies and third party customers.

Significant events during and after the third quarter

Within the scope of a more extensive Environment Operating Segment re-organization programme, which is part of the Group's Business Plan, with the aim of having a significant impact on growth in the business of reference, dealing with the fragmentation and redundancy of the structures managing strategic business and staff processes (with particular reference to commercial development), with greater focus on activities in the Strategic Business Plan, it was resolved to perform the following extraordinary operations:

- to merge ISA into Aquaser: the merger will come into effect on 1 November 2016 with retroactive accounting and tax effects dating back to the start of the financial year. As part of the merger, in July Aquaser bought out 49% of the shares held by private Shareholders for 680 thousand euros,
- to merge Solemme, Kyklos and SAO into ARIA: the merger will come into effect in December 2016 with retroactive accounting and tax effects dating back to the start of the financial year. As part of the merger, in July ACEA took over Kylos for a price of 6.7 million euros.

Energy Operating Segment

Operating figures and financial results for the period

Operating figures	Meas. Unit	30/09/2016	30/09/2015	Increase/ (Decrease)	Increase/ Decrease %
Energy Produced (hydro + thermal)	GWh	299	368	(69)	(18.8%)
Energy Produced (photovoltaic)	GWh	9	12	(3)	(24.9%)
Electrical Energy sold - Free	GWh	4,235	4,917	(682)	(13.9%)
Electrical Energy sold - Protected	GWh	2,036	2,283	(247)	(10.8%)
Electrical Energy - No. Free Market Customers (P.O.D.)	N/000	292	319	(26)	(8.3%)
Electrical Energy - No. Protected Market Customers (P.O.D.)	N/000	946	988	(42)	(4.3%)
Gas Sold	Msm^3	77	88	(11)	(12.5%)
Gas - No. Free Market Customers	N/000	148	146	2	1.0%

Economic performance (million euros)	30/09/2016	30/09/2015	Increase/ (Decrease)	Increase/ Decrease %
Revenue	1,248.6	1,478.0	(229.4)	(15.5%)
Costs	1,153.5	1,400.3	(246.8)	(17.6%)
Gross Operating Profit (EBITDA):	95.1	77.7	17.4	22.4%
Operating Profit (EBIT)	21.1	6.8	14.3	210.3%
Average number of staff	555	541	14.0	2.6%

Financial results (million euros)	Q3 2016	Q3 2015	Increase/ (Decrease)	Increase/ Decrease %
Revenue	393.1	492.9	(99.8)	(20.2%)
Costs	367.8	471.2	(103.4)	(21.9%)
Gross Operating Profit (EBITDA):	25.4	21.7	3.7	17.1%
Operating Profit (EBIT)	(1.3)	(7.3)	6.0	(82.2%)
Capex	11.3	7.9	3.4	42.8%

Balance sheet data (million euros)	30/09/2016	31/12/2015	Increase/ Decrease	Increase/ Decrease %	30/09/2015	Increase/ Decrease	Increase/ Decrease %
Net debt	258.2	287.0	(28.8)	(10.0%)	358.8	(100.6)	(28.0%)
Capex	38.7	30.6	8.1	26.5%	14.5	24.2	166.3%

(million euros)	30/09/2016	30/09/2015	Increase/ (Decrease)	Increase/ Decrease %
ENERGY Segment gross operating profit	95.1	77.7	17.4	22.4%
*Adjusted** GROUP gross operating profit	569.6	530.9	38.7	7.3%
Percentage weight	16.7%	14.6%	2.1 p.p.	

* Group EBITDA is recorded net of the effects deriving from the elimination of the so-called *regulatory lag*

The Segment closed the reporting period at 30 September 2016 with EBITDA at 95.1 million euros, an increase of 17.4 million euros on the same period of the previous financial year.
The increase is the result of contrasting effects that concern both the production companies (- 1.7 million euros) and the sales' companies (+ 19.9 million euros). Acea800 closed the reporting period with a 0.9 million decrease. In particular:

- + 10.0 million euros in Elga Sud,
- + 9.4 million euros in Acea Energia,
- - 2.5 million euros in Acea Produzione.

The consistent increase in **Elga Sud** can be attributed to recognition of 9.6 million euros in revenues deriving from the contract signed in March 2006 for the sale of digital meters. Said sale is part of a more extensive commercial agreement also with other Group companies.
The increase in **Acea Energia's** EBITDA was mainly due to an increase in the energy margin (+ 7.7 million euros) with particular reference to the protected market due to the effect of the revision of the tariff for the sale of electricity (AEEGSI Resolution 659/2015); free market margins on the other hand,

decreased especially in the B2B segment, partially offset by the excellent *performance* of the *energy management* segment after optimization of the commodity purchases' portfolio.

The deterioration in **Acea Produzione** performance is due to a reduction in the energy margin as a result of the price trend and a slight reduction in the quantities produced by the hydroelectric segment and the district heating segment, which produced lower revenues than in the same period of 2015 also due to the effect of the *repowering* of the Castel Madama and Tor di Valle plants; the mild climatic conditions also had an effect on performance in the reporting period.

In absolute terms, operating profit is substantially in line with the growth in gross operating profit: amortisation, depreciation, provisions and impairment charges amounted to a total of approximately 74 million euros (+ 4.6 million euros compared to 30 September 2015). This increase derives mainly from the level of amortisation as a consequence of the implementation of some new functions in the Acea2.0 programme. Depreciation, provisions and impairment charges remained substantially unchanged, but with changes to the composition: depreciation, equal to 39.2 million euros, decreased by 5.6 million euros compared to 30 September 2015 due to an effective reduction of working capital; provisions and impairment charges however amounted to 10.3 million euros, increasing by 6.5 million euros as a result of the allocations to cover regulatory risks.

In terms of staff, as of 30 September 2016 the average number of employees was 555, 14 more than the same period of the previous year, mainly attributable to Acea Energia (+ 15).

Capital expenditures in the period stood at 38.7 million euros, an increase of 24.2 million euros (respectively + 15.0 million euros in Acea Produzione and + 9.2 million euros in Acea Energia) mainly due to the *revamping* works at the Castel Madama Hydroelectric Power Station, and for functional and static upgrading works of power tunnels from the reservoir of the San Cosimato dam as well as the extension of the district heating network in the Mezzocammino district in the south of Rome. The increase in Acea Energia capital expenditure can mainly be attributed to IT systems with particular reference to the technological infrastructures for the Acea2.0 project.

Net debt at the end of the third quarter of 2016 amounted to 258.2 million euros, 29 million euros less than at 31 December 2015, and 100.6 million euros less than at 30 September 2015: this significant improvement was mainly due to the reduction in Acea Energia's working capital also as a result of the debt with a Group company operating in the water segment being paid off.

Significant events during and after the third quarter

Competition Authority investigation PS9815 for unrequested activations: on 21 July 2016 the Authority notified Acea Energia of the Company's compliance with the disciplinary measures, substantially holding the actions taken and the measures proposed by the Company in recent months and currently being adopted to be sufficient. In the same notification, the Competition Authority requested Acea Energia submit a detailed report on the new process concerning the Contract Proposal by 30 October 2016, in other words after the implementations were put into effect.

Competition Authority investigation PS9815 for unfair trade practice: on 9 September 2016 Acea Energia challenged the decision before the Regional Administrative Court and subsequently, on 13 September 2016, sent the Competition Authority the report containing the initiatives taken in compliance with the provisions in the disciplinary measures, specifying that said initiatives cannot be considered to be in acquiescence of the measure. Acea Energia is still waiting for the results of the Competition Authority assessment in relation to the appropriateness of the above measures.

Water Operating Segment

Operating figures and financial results for the period

Operating figures*	Meas. Unit	30/09/2016	30/09/2015	Increase/ (Decrease)	% Increase/ (Decrease)
Water Volumes	Mm^3	309	316	(7)	(2.5%)
Electrical Energy Consumed	GWh	306	299	7	2.4%
Sludge Disposed of	kTon	129	131	(2)	(1.5%)

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

Income Statement results (million euros)	30/09/2016	30/09/2015	Increase/ (Decrease)	% Increase/ (Decrease)
Revenue	519.2	490.5	28.7	5.9%
Costs	261.9	265.0	(3.1)	(1.2%)
Gross Operating Profit (EBITDA):	257.3	225.5	31.8	14.1%
Operating profit (EBIT)	174.3	157.5	16.8	10.6%
Average number of staff	2,241	2,321	(79)	(3.4%)

Income Statement and balance sheet results (million euros)	Q3 2016	Q3 2015	Increase/ (Decrease)	% Increase/ (Decrease)
Revenue	182.9	168.3	14.6	8.7%
Costs	90.2	89.5	0.7	0.8%
Gross Operating Profit (EBITDA):	92.7	78.8	13.9	17.7%
Operating profit (EBIT)	62.6	52.1	10.6	20.3%
Capex	49.8	53.8	(3.9)	(7.3%)

Balance sheet results (million euros)	30/09/16	31/12/15	Increase/ (Decrease)	% Increase/ (Decrease)	30/09/15	Increase/ (Decrease)	% Increase/ Decrease
Net debt	738.7	537.3	201.4	37.5%	582.6	156.1	26.8%
Capex	150.4	204.4	(54.0)	(26.4%)	128.3	22.1	17.2%

(million euros)	30/09/2016	30/09/2015	Increase/ (Decrease)	% Increase/ (Decrease)
EBITDA WATER Segment	257.3	225.5	31.8	14.1%
GROUP Adjusted* EBITDA	569.6	530.9	38.7	7.3%
As a percentage	45.2%	42.5%	2.7 pp	

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

The Segment’s EBITDA amounted to 257.3 million euros, an increase of 31.8 million euros compared to that of 2015 (+ 14%): growth is largely determined by the tariff adjustments occurred in the third quarter. More specifically, performance is influenced by Acea Ato2, which recorded a 34.8 million euros increase partially offset by the decrease recorded by foreign companies (- 2.5 million euros) due to the completion of some contracts.
Revenues for the period were calculated on the basis of the decisions made by EGA and, as regards Acea Ato5, on the basis of the tariff application submitted by the company pursuant to Article 7 of Resolution 664/2015; as usual, they include an estimate of adjustments for pass-through costs. 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 a 9 million euros amount that reflects the best estimate of the quality bonus for the reporting period. The table below summarizes the status of the tariff proposals.

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

(million euros)	30/09/2016	30/09/2015	Increase/ (Decrease)	% Increase/ (Decrease)
Publiacqua	7.9	8.8	(0.8)	(9.5%)
Acque Group	5.3	5.8	(0.6)	(9.4%)
Acquedotto del Fiora	2.5	1.3	1.1	85.4%
Umbra Acque	0.0	0.0	0.0	0.0%
Gori	2.8	3.1	(0.3)	(9.1%)
Nuove Acque and Intesa Aretina	0.5	0.2	0.3	175.2%
Agua Azul	0.8	0.8	0.0	0.0%
Ingegnerie Toscane	0.9	0.7	0.2	24.1%
Total	**20.8**	**20.8**	**0.0**	**0.0%**

The EBITDA for the period was also affected by the trend in labour costs (56.4 million euros), which was down 6.6 million euros mainly as a result of increased process efficiency progressively achieved as a result of technological developments.
The average number of employees at 30 September 2016 was down by 79; this was related to the foreign subsidiary AguaAzul Bogota that completed a number of contracts in Central America.

The operating profit was affected by the increase in depreciation and amortization (+ 12.6 million euros) in line with the trend of capital expenditures and the entry into operation of the new Acea2.0 programme features; the provisions for the period (11 million euros) were substantially in line with those of September 2015, and include the release of the excess 7.4 million euros provision allocated in previous years to cover the risk arising from a dispute, the outcome of which was favourable to the company.

Net debt of the Segment at 30 September 2016 was 738.7 million euros, an increase of 201.4 million euros compared to 31 December 2015 and of 156 million euros compared to September 2015. This result is mainly due: **(i)** to ACEA Ato5 as a result of the 125 million euros loan, drawn down for 90 million euros, which was granted by the parent company to pay the trade payables accrued vis à vis the Group Companies; **(ìì)** to ACEA Ato2 essentially in relation to lower collections resulting from different billing times following the entry into full operation of the new systems.

Capital expenditures of the Segment were 150.4 million euros and were mainly attributable to ACEA Ato2 for over 126 million euros. The main capital expenditures concerned the water supply network, waste treatment plants and the Acea2.0 application map.

Significant events during the third quarter and after the reporting date

Progress in the approval of the ACEA Group 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 by AEEGSI is pending.
ACEA Ato5	The Operator submitted a tariff application on 30 May 2016 requesting the inclusion of the $Opex_{OC}$. The AEEGSI has not yet formally notified EGA.
GORI	On 1 September 2016, EGA Extraordinary Commissioner approved the tariff without the $Opex_{OC}$ or the bonus under art. 32.1 a). Approval by AEEGSI is pending.
Acque	On 05 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 AEEGSI is pending.
Publiacqua	On 05 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 AEEGSI is pending.
Acquedotto del Fiora	On 5 October 2016, the Tuscany Water Authority (AIT) approved the tariff with inclusion of the $Opex_{OC}$. Approval by AEEGSI is pending.

Umbra Acque	On 30 June 2016, the Regulatory Agency (EGA) approved the tariff without inclusion of the $Opex_{QC}$ or the bonus envisaged by art. 32.1 a) of Resolution 664/2015/R/idr. Approval by AEEGSI is pending.

As regards ACEA Ato5, on 2 September 2016 - given the unfavourable outcome of the previous meeting held on 29 July 2016 - the Mayors' Conference, which was reconvened to vote on the 2016-2019 tariff proposals, decided to postpone any decision on the 2016-2019 tariff review until completion of the contract termination proceedings under art. 34 of the service concession agreement; the proceedings were commenced by resolution of 18 February 2016, which was challenged by the company and was followed by notice to comply of March 16. With regard to the aforementioned formal notice, on 14 September the Company filed its own counterclaims, replying to each of the 23 charges raised in the notice.
On 18 October 2016 the Mayors' Conference met again and rejected the STO proposal regarding the non-existence of the conditions necessary to terminate the concession agreement.

Networks operating segment

Operating figures and financial results for the period

Operating figures	Meas. Unit	30/09/2016	30/09/2015	Increase/ (Decrease)	% Increase/ (Decrease)
Electrical Energy distributed	GWh	7,594	7,959	(365)	(4.6%)
Energy produced by photovoltaic plants	GWh	0	12	(12)	(100.0%)
Energy Efficiency Bonds sold/cancelled	No.	120,881	222,556	(101,675)	(45.7%)
No. Customers	N/000	1,621	1,622	(1)	(0.1%)
Km of Network	Km	30,091	29,879	212	0.7%

Income Statement results (million euros)	30/09/2016	30/09/2015	Increase/ (Decrease)	% Increase/ (Decrease)
Revenue	456.9	397.6	59.3	14.9%
Costs	207.3	209.8	(2.6)	(1.2%)
Gross Operating Profit (EBITDA):	249.6	187.7	61.9	32.9%
Operating profit (EBIT)	180.0	117.4	62.6	53.3%
Average number of staff	1,314	1,345	(31)	(2.3%)

Income Statement and balance sheet results (million euros)	Q3 2016	Q3 2015	Increase/ (Decrease)	% Increase/ (Decrease)
Revenue	142.5	133.0	9.5	7.2%
Costs	73.6	68.6	5.0	7.3%
Gross Operating Profit (EBITDA):	68.9	64.4	4.5	7.0%
Operating profit (EBIT)	42.0	37.5	4.5	12.0%
Capex	40.5	34.7	5.8	16.7%

Balance sheet results (million euros)	30/09/2016	31/12/2015	Increase/ (Decrease)	% Increase/ (Decrease)	30/09/2015	Increase/ (Decrease)	% Increase /(Decrease)
Net debt	622.3	581.7	40.6	7.0%	602.1	20.2	3.3%
Capex	120.6	156.2	(35.6)	(22.8%)	102.4	18.2	17.8%

(million euros)	30/09/2016	30/09/2015	Increase/ (Decrease)	% Increase/ (Decrease)
Adjusted* EBITDA NETWORKS Segment	173.1	187.7	(14.6)	(7.8%)
GROUP Adjusted* EBITDA	569.6	530.9	38.7	7.3%
As a percentage	30.4%	35.4%	(5.0) pp	

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

EBITDA at 30 September 2016 was 249.6 million euros, an increase of 61.9 million euros, compared to the first nine months of 2015.
The change in EBITDA is a direct result of the increase in *a*reti revenues following 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; the new system eliminates the so-called *regulatory lag* and provides for an alternative remuneration to the 1% *WACC* envisaged in the fourth regulatory period valid for the years 2012-2015.
Resolution 654/2015 is precisely the instrument through which the regulator changes the "time" parameter in the mechanism for the calculation of the tariff applicable by the distributor. More simply, it eliminates the two-year period required in order to include capex in the basis for calculating the regulatory invested capital. Therefore, it does not involve a change in the remuneration model of *a*reti activities.

As a result of the regulatory changes, the right to recognise the expenses related to investments made in a given year (return on invested capital and depreciation rate) arises, from an accounting point of view, together with the implementation of the investments and the start of the depreciation process. This results in recognition of 76.5 million euros in revenue attributable to the period, of which 36.3 million euros attributable to investments made in previous years. Excluding this income, adjusted EBITDA would have amounted to 173.1 million euros, down 14.6 million euros compared to 30 September 2015. This decrease is mainly attributable to lower revenues from the transportation service, which reflect the dual effect of lower volume of energy fed into the grid and reduction of tariff parameters due to the start of the fifth regulatory period. These lower revenues were only partially offset by the equalization effects. Alongside the decrease in transportation revenue there was also an increase in the costs for transportation services.
With regard to the energy report, at 30 September 2016 *a*reti fed 8,140.6 GWh into the grid, or a decrease of 4.14% compared to the same period of 2015 and greater than the reduction in demand recorded in the same period at a national level (- 3.1%).

EBITDA for the public lighting segment amounted to 0.8 million euros, a decrease compared to the 3.4 million euros recorded in the same period of the previous year. The decrease reflects lower margins for contract work partially mitigated by the increase from the LED Project started at the end of June on the basis of an agreement with Roma Capitale; as at 30 September more than 30,000 light fittings had been installed for a total revenue amount of 7.8 million euros.
Staff costs showed a reduction of 4.5 million euros compared to the third quarter of 2015, partly as a result of a reduction in staff; the average number of staff at 30 September 2016 was 1,314, down 31 compared to the same period last year.

Operating income was affected by substantially unchanged depreciation, amortization and write-downs and therefore grew by the same percentage of EBITDA.

Net debt at the end of the reporting period stood at 622.3 million euros, an increase of 40.6 million euros compared to the end of 2015, mainly due to *a*reti (+ 34.8 million euros). This increase is due in part to higher capital expenditures and partly to the increase in net working capital.

Segment capital expenditure stood at 120.6 million euros, an increase of 18.2 million euros. The main capital expenditures concern the works on the HV, MV and LV network as well as a series of extension works on the MV networks and extraordinary maintenance on aerial cables.

Significant events during the third quarter and after the reporting date

As part of the broader Group reorganization programme, the Board of Directors of Acea Illuminazione Pubblica and the Board of Directors of *a*reti have drawn up a proposal for proportional demerger in accordance with articles 2506 bis and following of the Italian Civil Code; the aim of the demerger is to transfer to the beneficiary company (*a*reti) the business unit involved in the technical and operational activities associated with "Rome public lighting". As a result, the demerged company will become the vehicle through which the Group will participate in tenders for the management of public lighting.

Corporate

Financial results for the period (million euros)

Income Statement results (million euros)	30/09/2016	30/09/2015	Increase/ (Decrease)	% Increase/ (Decrease)
Revenue	85.1	82.5	2.6	3.1%
Costs	83.2	83.0	0.2	0.3%
Gross Operating Profit	2.0	(0.4)	2.4	(574.3%)
Operating profit/(loss)	(18.0)	(16.4)	(1.7)	10.2%
Average number of staff	625	641	(16)	(2.5%)

Income Statement and balance sheet esults (million euros)	Q3 2016	Q3 2015	Increase/ (Decrease)	% Increase/ (Decrease)
Revenue	30.4	27.9	2.5	8.9%
Costs	28.1	28.6	(0.5)	(1.7%)
Gross Operating Profit (EBITDA):	2.4	(0.7)	3.1	(442.8%)
Operating profit (EBIT)	(4.2)	(6.5)	2.3	(35.4%)
Capex	2.2	15.8	(13.6)	(86.1%)

Balance sheet results (million euros)	30/09/2016	31/12/2015	increase/ (decrease)	% Increase/ (Decrease)	30/09/2015	Increase/ (Decrease)	% Increase/ (Decrease)
Net debt	343.1	416.3	(73.3)	17.6%	388.8	(45.7)	11.8%
Capex	6.9	11.8	(4.9)	(41.5%)	24.6	(17.7)	(71.9%)

(million euros)	30/09/2016	30/09/2015	Increase/ (Decrease)	% Increase/ (Decrease)
CORPORATE EBITDA	2.0	(0.4)	2.4	n.s.
GROUP Adjusted* EBITDA	569.6	530.9	38.7	7.3%
As a percentage	0.4%	(0.1%)	0.5 pp	

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

For the first nine months of 2016 ACEA reported EBITDA of 2.0 million euros (+ 2.4 million euros compared to 30 September 2015), mainly due to the growth in revenues from service contracts with Group companies for services associated with the management of the Acea2.0 Template.

The average number of staff at 30 September 2016 was 625, down compared to the same period of the previous year (641).

Capex amounted to 6.9 million euros, a decrease of 17.7 million euros compared to the same period in 2015 (24.6 million euros). In the previous year, capital expenditures included 16.7 million euros of investment in technology related to the Acea2.0 project; at the end of 2015 these expenditures were attributed to the Group companies involved in the project.

Net debt at 30 September 2016 decreased by 73.3 million euros to 343.1 million euros, compared to the end of 2015. This change can mainly be attributed to **(i)** the increase in subsidiary dividends (+ 105.7 million euros), **(ii)** the increase in receivables from subsidiaries under the centralized treasury system, the long-term loan to ACEA Ato5 and the increase in financial receivables from the parent, **(iii)** the reduction in liquidity needs generated by changes in working capital, including the payment of trade payables and tax liabilities and for capital expenditures made during the reporting period.

Significant events during the third quarter and after the reporting date

As part of the broader reorganization of the Group's activities, effective 1 November 2016, ACEA transferred the "Facility Management" business unit to ACEA Elabori. The aim of this transaction is to transfer some of the services designed to streamline and improve the quality of non-strategic activities, ancillary to the Group's core business. The main services performed by the transferred business unit include, in particular, the management and maintenance of real estate, logistics and auxiliary services and management of end users.

Performance of the equity markets and the ACEA share

In Q3 the stock was up by 2.4%

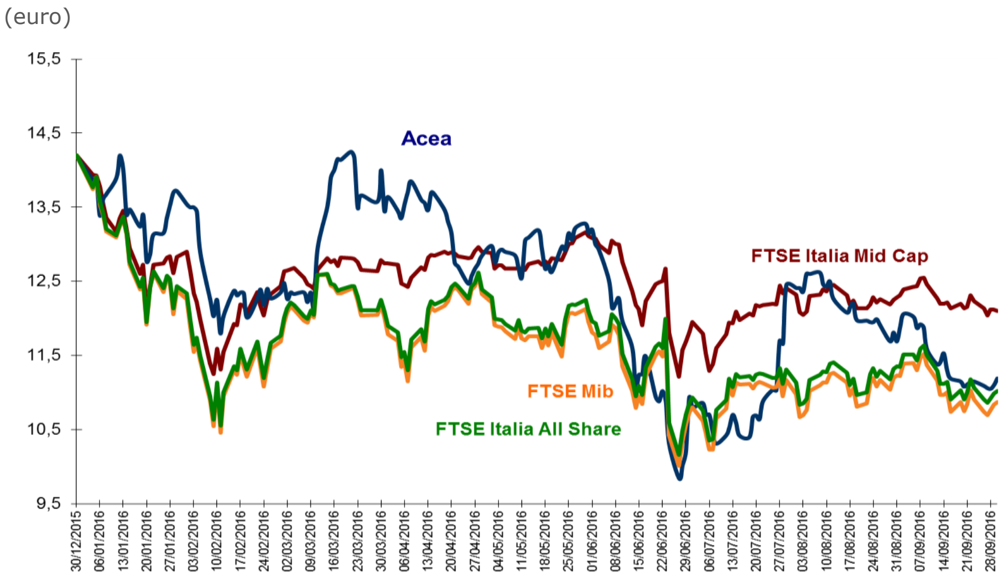
In the **third quarter of 2016** a high of 12.62 euros was recorded on 8 August, with a low of 10.31 euros recorded on 8 July. The average daily traded volumes amounted to approximately 126,000.
The following table summarises ACEA's share performance, compared to Stock Market indexes in the third quarter of 2016.

	% increase/decrease 30/09/2016 (compared to 30/06/2016)
ACEA	**+2.4%**
FTSE Italia All Share	+1.5%
FTSE Mib	+1.3%
FTSE Italia Mid Cap	+2.4%

In **the first nine months of 2016,** the Italian Stock Exchange recorded a negative trend and the FTSE MIB recorded a loss in excess of 23%. The American stock exchange outperformed the European stock markets.
In the same period, the **ACEA** stock reported a **21.2%** loss, slightly lower than the market in general. ACEA's share price stood at 11.19 euros at 30 September 2016 (capitalisation: 2,383.1 million euros). The highest value of 14.25 euros was recorded on 21 March 2016 with a low of 9.84 euros recorded on 27 June 2016. The average daily traded volumes exceeded 115,000 (substantially in line with those recorded in the first nine months of 2015).

(Source: Bloomberg)

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



(graph normalized to Acea values – Source Bloomberg)

	% increase/decrease 30/09/2016 (compared to 31/12/2015)
ACEA	**-21.2%**
FTSE Italia All Share	-22.4%
FTSE Mib	-23.4%
FTSE Italia Mid Cap	-14.8%

Around 150 reports/notes were published on **ACEA**'s share in the **first nine months of 2016**.

Significant events during the third quarter and after the reporting date

ACEA SpA: Fitch Ratings confirms the "BBB+/F2" rating and "Stable" outlook

On 03 August 2016, Standard & Poor's reported that it had confirmed Acea's "BBB+" rating for long-term debt and an "F2" rating for short-term debt, with a "Stable" outlook.
The Agency justifies the *rating* and *outlook* confirmation with the focus of the Group's strategy on regulated businesses, the balanced financial structure and the increased visibility on water service and electricity distribution activities following the recent tariff adjustments.

ACEA SpA: announced an offer to purchase bonds and successfully completed a bond issue of 500 million euros with 10 year maturity under the EMTN Programme

On 12 October 2016 ACEA announced the launch of a partial repurchase addressed to bondholders and payable in cash, up to a maximum nominal amount of 300 million euros. The details of the Notes covered by the transaction are provided below:

Description of the Notes	Issuer	Total nominal value of outstanding notes	Yield
€600 million 3.750% maturing 12 September 2018 (the "2018 Notes")	ACEA S.p.A.	€600,000,000	(0.1%)
€500 million 4.50% maturing 16 March 2020 (the "2020 Notes")	ACEA S.p.A.	€500,000,000	0.0%

The Offers are promoted within the Offeror's liability management strategy intended to bring about an increase in the average duration of its debt and early manage part of the refinancing risk in the light of favourable market conditions. The Offeror is expected to cancel the purchased Notes, which will not be reissued or resold.
On 24 October 2016 ACEA announced the acceptance of the following Note Series:

- ✓ Notes maturing in 2018 amounting to €269,611,000; and
- ✓ Notes maturing in 2020 amounting to €77,225,000,

for a nominal amount of €346,836,000. The repurchase resulted in a loss of 31.4 million euros in addition to transaction costs.

ACEA simultaneously announced the issue of a new series of notes under the *"€1,500,000,000 Euro Medium Term Note"* programme updated on 25 July 2016.
On 19 October 2016 ACEA successfully completed the placement of this fixed rate, 10-year maturity, bond issue for a total amount of 500 million euros, under the *Euro Medium Term Notes* programme (EMTN).
The transaction was highly successful, with demand being almost double the offer and originating from high quality investors with broad geographical diversification.
The issue is mainly intended to refinance the notes repurchased by ACEA following the purchase offer dated 12 October 2016 and to lengthen the average maturity of the Company's debt as well as to reduce the average cost of debt in light of the current trend in interest rates, with specific reference to the Euro area.
The bond issue is intended solely for institutional investors.
The Notes, which provide for a minimum investment of 100 thousand euros and mature on 24 October 2026, pay a 1% gross annual coupon and were placed at an issue price of 98.377%. The Notes are subject to British law. The settlement date is 24 October 2016. As of that date the notes will be listed on the regulated market of the Luxembourg Stock Exchange, where the EMTN programme prospectus has been filed.

Operating outlook

The results achieved by the ACEA Group as at 30 September 2016 have exceeded expectations; accordingly, the guidance can be improved, in terms of EBITDA for the year 2016, with growth expected to reach between 5% and 6%, excluding the extraordinary item relating to the elimination of the *regulatory lag.*

The ACEA Group is pursuing its efforts aimed at rationalizing and increasing the efficiency of both corporate and operational processes in all business area. These goals are also being pursued through the extensive development of IT systems so that by 2016 the Company will be able to manage networks and provide services in a truly innovative way.
The technological development and the change in customers' habits and expectations have created the need for a deep-rooted change in ACEA which is not just technological, but also organisational and cultural. The name of this change is Acea2.0.
The digitalisation of processes started in 2015 is a real *business transformation* which involves a corporate reorganisation with major focus on people who are requalified and totally involved in the process of change.
This project is proof of the Company's will to make major investments 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.
Through this process of change and modernisation, ACEA will create a Group where competitiveness and the central role played by the customer become the cornerstone for future growth.

Furthermore, we will continue to focus on implementing all the necessary measures aimed at 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. 71.6% of debt at 30 September is fixed rate in order to ensure protection against potential interest rate increases and financial or credit volatility. The 500 million euros bond issue placed on the market, with fixed rate and 10 year maturity, is mainly intended to refinance the two notes maturing in 2018 and 2020 repurchased by ACEA; both transactions, repurchase and new issue, are designed to lengthen the average maturity of the Company’s net debt, which goes from 6.8 years as at 30 September 2016 to 7.8 years as a result of the above transactions. In addition the reduction in the average cost of net debt goes from 3.16% in September to 2.97% at the end of October.

Basis of presentation

General information

The Interim Report on Operations at 30 September 2016 of the ACEA Group was approved by Board of Directors' resolution on 10 November 2016.
In relation with Legislative Decree 25/2016 implementing Directive 2013/50/EU *(*Transparency Directive), the ACEA Group, pending the exercise of regulatory powers by CONSOB, decided to publish on a voluntary basis, in line with the past, the Interim Management Report at 30 September 2016. This decision may be revised on the basis of regulatory changes and therefore should not be considered binding for the future. When this framework is complete, the Group intends to define a financial reporting policy to be adopted according to the procedures recommended by CONSOB.

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. 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, in compliance with IAS 34 on interim financial reporting, the same standards were adopted as for preparation of the Consolidated Financial Statements as at 31 December 2015, 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 euro; 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.

Alternative performance indicators

On 5 October 2015, *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. The content and meaning of the *non-GAAP* measures of performance and other alternative performance indicators used in this document are illustrated below:

1. for the ACEA Group, *gross operating profit* is an operating performance indicator calculated by adding together the Operating profit and "Amortisation, depreciation, provisions and impairment charges";
2. *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;
3. *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*

Use of estimates

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

The Interim Report on Operations is not subject to auditing.

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 Intragroup balances and transactions, including any unrealised profits on Intragroup 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 recognized 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 remeasured and any resulting gain or loss is recognized 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 recognized 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 remeasured until its extinction is booked against equity.

Goodwill on acquisition is recognised as an asset and initially valued at cost, represented by the excess of the cost of the acquisition over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities acquired. This goodwill is not amortised, but is tested for *impairment*.

If, on the other hand, the Group's interest in the *fair value* of the identifiable assets, liabilities and contingent liabilities exceeds the cost of the acquisition, the relevant amounts are re-determined. If the Group's interest in the resulting fair value of the identifiable assets, liabilities and contingent liabilities still exceeds the cost of the acquisition, the difference is immediately 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 translated using the exchange rates at the end of the reporting period.

Revenue and costs are translated using average exchange rates for the period. Any translation 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 translated at the exchange rate at the end of the reporting period. Translation 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 consolidated financial statements include 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 scope of consolidation at 30 September 2016 has not changed compared to the consolidated annual accounts of the previous year. During the period, the merger of Voghera Energia Vendite in liquidation into Acea Energia came into effect.

B) Unconsolidated investments

Tirana Acque S.c.a.r.l. in liquidation, 40% owned by ACEA, is recognized 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

Denominazione	Sede	Capitale Sociale (in Euro)	Quota di partecipazione	Quota consolidato di Gruppo	Metodo di Consolidamento
Area Ambiente					
ARIA S.r.l.	Via G. Bruno 7- Terni	2.224.992	100,00%	100,00%	Integrale
Aquaser S.r.l.	P.le Ostiense, 2 - Roma	3.900.000	93,06%	100,00%	Integrale
Innovazione Sostenibilità Ambientale	Via Ravano K.m. 2,400 - Pontecorvo (FR)	91.800	100,00%	100,00%	Integrale
Kyklos S.r.l.	Via Ferriere – Nettuno n. km 15 - Latina	500.000	100,00%	100,00%	Integrale
S.A.O. S.r.l.	Loc. Pian del Vantaggio 35/B - Orvieto (TR)	7.524.400	100,00%	100,00%	Integrale
Solemme S.p.A.	Località Carboli - Monterotondo Marittimo (GR)	761.400	100,00%	100,00%	Integrale
Area Energia					
Acea Energia S.p.A.	P.le Ostiense, 2 - Roma	10.000.000	100,00%	100,00%	Integrale
Acea Produzione S.p.A.	P.le Ostiense, 2 - Roma	5.000.000	100,00%	100,00%	Integrale
Acea8cento S.r.l.	P.le Ostiense, 2 - Roma	10.000	100,00%	100,00%	Integrale
Cesap Vendita Gas S.r.l.	Via del Teatro, 9 - Bastia Umbra (PG)	10.000	100,00%	100,00%	Integrale
Ecogena S.p.A.	P.le Ostiense, 2 Roma	6.000.000	100,00%	100,00%	Integrale
Elga Sud S.r.l.	P.le Ostiense, 2 - Roma	10.000	100,00%	100,00%	Integrale
Parco della Mistica S.r.l.	P.le Ostiense, 2 Roma	10.000	100,00%	100,00%	Integrale
Umbria Energy S.p.A.	Via B. Capponi, 100 - Terni	1.000.000	50,00%	100,00%	Integrale
Acea Energy Management S.r.l.	P.le Ostiense, 2 Roma	50.000	100,00%	100,00%	Integrale
Area Idrico					
ACEA Ato2 S.p.A.	P.le Ostiense, 2 - Roma	362.834.320	96,46%	100,00%	Integrale
ACEA Ato5 S.p.A.	Viale Roma snc - Frosinone	10.330.000	98,45%	100,00%	Integrale
Acea Dominicana S.A.	Avenida Las Americas - Esquina Mazoneria, Ensanche Ozama -Santo Domingo	644.937	100,00%	100,00%	Integrale
Acea Gori Servizi S.c.a.r.l.	Via ex Aeroporto s.n.c. località Area "Consorzio Sole" - Pomigliano d'Arco	1.000.000	69,82%	100,00%	Integrale
Acea Servizi Acqua S.r.l. *(in*	P.le Ostiense, 2 - Roma	10.000	70,00%	100,00%	Integrale
Acque Blu Arno Basso S.p.A.	P.le Ostiense, 2 - Roma	8.000.000	76,67%	100,00%	Integrale
Acque Blu Fiorentine S.p.A.	P.le Ostiense, 2 - Roma	15.153.400	75,01%	100,00%	Integrale
Aguaazul Bogotà S.A.	Calle 82 n. 19°-34 - Bogotà- Colombia	1.482.921	51,00%	100,00%	Integrale
Crea Gestioni S.r.l.	P.le Ostiense, 2 - Roma	100.000	100,00%	100,00%	Integrale
CREA S.p.A. *(in liquidazione)*	P.le Ostiense, 2 - Roma	2.678.958	100,00%	100,00%	Integrale
Gesesa S.p.A.	Z.I. Pezzapiana lotto 11/12 - Benevento	534.991	57,93%	100,00%	Integrale
Lunigiana S.p.A. *(in liquidazione)*	Via Nazionale 173/175 – Massa Carrara	750.000	95,79%	100,00%	Integrale
Ombrone S.p.A.	P.le Ostiense, 2 - Roma	6.500.000	99,51%	100,00%	Integrale
Sarnese Vesuviano S.r.l.	P.le Ostiense, 2 - Roma	100.000	99,16%	100,00%	Integrale
ACEA Elabori S.p.A.	Via Vitorchiano – Roma	2.444.000	100,00%	100,00%	Integrale
Area Reti					
a reti S.p.A.	P.le Ostiense, 2 - Roma	345.000.000	100,00%	100,00%	Integrale
Acea Illuminazione Pubblica S.p.A.	P.le Ostiense, 2 - Roma	1.120.000	100,00%	100,00%	Integrale

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

Denominazione	Sede	Capitale Sociale (in Euro)	Quota di partecipazione	Quota consolidato di Gruppo	Metodo di Consolidamento
Area Ambiente					
Ecomed S.r.l.	P.le Ostiense, 2 - Roma	10.000	50,00%	50,00%	Patrimonio Netto
Area Idrico					
Acque S.p.A.	Via Garigliano,1- Empoli	9.953.116	45,00%	45,00%	Patrimonio Netto
Acque Industriali S.r.l.	Via Bellatalla,1 - Ospedaletto (Pisa)	100.000	100,00%	45,00%	Patrimonio Netto
Acque Servizi S.r.l.	Via Bellatalla,1 - Ospedaletto (Pisa)	400.000	100,00%	45,00%	Patrimonio Netto
Acquedotto del Fiora S.p.A.	Via Mameli,10 Grosseto	1.730.520	40,00%	40,00%	Patrimonio Netto
Consorcio Agua Azul S.A.	Calle Amador Merino Reina 307 - Lima - Perù	17.379.190	25,50%	25,50%	Patrimonio Netto
GORI S.p.A.	Via Trentola, 211 – Ercolano (NA)	44.999.971	37,05%	37,05%	Patrimonio Netto
Ingegnerie Toscane S.r.l.	Via di Villamagna 90/c - Firenze	100.000	42,52%	42,52%	Patrimonio Netto
Intesa Aretina S.c.a.r.l.	Via B.Crespi, 57 - Milano	18.112.000	35,00%	35,00%	Patrimonio Netto
Nuove Acque S.p.A.	Loc.Cuculo - Arezzo	34.450.389	46,16%	16,16%	Patrimonio Netto
Publiacqua S.p.A.	Via Villamagna - Firenze	150.280.057	40,00%	40,00%	Patrimonio Netto
Umbra Acque S.p.A.	Via G. Benucci, 162 - Ponte San Giovanni (PG)	15.549.889	40,00%	40,00%	Patrimonio Netto

The following companies are also consolidated using the equity method:

Denominazione	Sede	Capitale Sociale (in Euro)	Quota di partecipazione
Area Ambiente			
Amea S.p.A.	Via San Francesco d'Assisi 15C - Paliano (FR)	1.689.000	33,00%
Arkesia S.p.A. *(in liquidazione)*	Via Garibaldi, 7/E - Paliano (FR)	170.827	33,00%
Coema	P.le Ostiense, 2 - Roma	10.000	33,50%
Area Idrico			
Azga Nord S.p.A. *(in liquidazione)*	Piazza Repubblica Palazzo Comunale - Pontremoli (MS)	217.500	49,00%
Geal S.p.A.	Viale Luporini, 1348 - Lucca	1.450.000	28,80%
Sogea S.p.A.	Via Mercatanti, 8 - Rieti	260.000	49,00%
Aguas de San Pedro S.A.	Las Palmas, 3 - San Pedro (Honduras)	6.162.657	31,00%
Umbriadue Servizi Idrici S.c.a.r.l.	Strada Sabbione zona ind. A72 - Terni	100.000	34,00%
Le Soluzioni	Via Garigliano,1 - Empoli	250.678	30,50%
Area Reti			
Citelum Acea Napoli Pubblica Illuminazione S.c.a.r.l.	Via Monteverdi Claudio, 11 - Milano	90.000	32,18%
Sienergia S.p.A. *(in liquidazione)*	Via Fratelli Cairoli, 24 - Perugia	132.000	42,08%
Sinergetica S.r.l.	Via Fratelli Cairoli, 24 - Perugia	10.000	21,46%
Sinergetica Gubbio S.r.l.	Via Fratelli Cairoli, 24 - Perugia	15.000	35,77%
Sienergy Project S.r.l.	Via Fratelli Cairoli, 24 - Perugia	40.000	23,85%
Sienergas Distribuzione S.r.l.	Via Fratelli Cairoli, 24 - Perugia	20.000	42,08%
Umbria Distribuzione Gas S.p.A.	Via Bruno Capponi 100 – Terni	2.120.000	15,00%
Altro			
Marco Polo S.r.l. *(in liquidazione)*	Via delle Cave Ardeatine, 40 - Roma	10.000	33,00%

Consolidated Income Statement

Amounts in € thousand	30/09/2016	*Of which related party transactions*	30/09/2015	*Of which related party transactions*	Increase/ (Decrease)
Revenue from sales and services	2,002,147		2,114,366		(112,219)
Other revenue and proceeds	45,368		53,298		(7,930)
Consolidated net revenue	**2,047,515**	**100,243**	**2,167,664**	**101,657**	**(120,149)**
Staff costs	152,620		167,094		(14,474)
Costs of materials and overheads	1,269,630		1,490,236		(220,606)
Consolidated Operating Costs	**1,422,250**	**38,285**	**1,657,330**	**30,003**	**(235,080)**
Net income/(costs) from commodity risk management	**0**		**0**		**0**
Income/(Costs) from equity investments of a non-financial nature	**20,787**		**20,543**		**244**
Gross Operating Profit	**646,052**	**61,958**	**530,877**	**71,653**	**115,175**
Amortisation, depreciation, provisions and impairment charges	267,974		246,030		21,943
Operating profit/(loss)	**378,078**	**61,958**	**284,847**	**71,653**	**93,231**
Financial income	11,352	174	15,899	335	(4,547)
Financial costs	(72,605)	0	(82,945)	0	10,340
Income/(Costs) from equity investments	148		(950)		1,098
Profit/(loss) before tax	**316,973**	**62,132**	**216,851**	**71,989**	**100,122**
Taxation	109,444		75,114		34,330
Net profit/(loss)	**207,529**	**62,132**	**141,736**	**71,989**	**65,793**
Net profit/(loss) from discontinued operations					
Net profit/(loss)	**207,529**	**62,132**	**141,736**	**71,989**	**65,793**
Profit/(loss) attributable to non-controlling interests	6,621		5,132		1,489
Net profit/(loss) attributable to the Group	**200,907**		**136,604**		**64,304**
Earnings (loss) per share attributable to Parent Company's shareholders					
Basic	0.94338		0.64144		0.30195
Diluted	0.94338		0.64144		0.30195
Earnings (loss) per share attributable to Parent Company's shareholders, net of Treasury Shares					
Basic	0.94523		0.64270		0.30254
Diluted	0.94523		0.64270		0.30254

Consolidated Statement of Comprehensive Income

Amounts in € thousand	30/09/2016	30/09/2015	Increase/ (Decrease)
Net profit (loss) for the period	**207,529**	**141,736**	**65,793**
Profit/(Loss) from translation of financial statements expressed in a foreign currency	**(366)**	**(1,523)**	**1,157**
Reserve for exchange differences	(22,972)	(10,777)	(12,195)
Tax reserve for exchange differences	5,513	2,964	2,550
Gains/losses from exchange rate difference	**(17,458)**	**(7,813)**	**(9,645)**
Effective portion of profits/(losses) on hedging instruments ("cash flow hedges")	20,408	20,360	48
Tax effect of other gains/(losses) on hedging instruments ("cash flow hedges")	(4,928)	(5,599)	671
Profit/(Loss) From the Effective Portion on Hedging Instruments net of tax effect	**15,480**	**14,761**	**719**
Actuarial gains/losses on employee benefits recognized in equity	(10,655)	6,715	(17,370)
Tax effect of other actuarial gains/ (losses) on employee benefits	3,108	(1,874)	4,981
Actuarial Profit/(Loss) on defined benefit pension plans net of tax effect	**(7,548)**	**4,841**	**(12,389)**
Total components of other comprehensive income, net of tax effect	**(9,892)**	**10,266**	**(20,158)**
Total comprehensive income/loss	**197,636**	**152,002**	**45,635**
Total comprehensive income (loss) attributable to:			
Group	191,141	146,863	44,278
Non-controlling interests	6,496	5,139	1,356

Quarterly Consolidated Income Statement

Amounts in € thousand	Q3 2016	Q3 2015	Increase/ (Decrease)	% Increase/ (Decrease)
Revenue from sales and services	645,261	708,251	(62,990)	(8.9%)
Other revenue and proceeds	15,551	18,270	(2,719)	(14.9%)
Consolidated net revenue	**660,812**	**726,521**	**(65,709)**	**(9.0%)**
Staff costs	43,497	50,040	(6,544)	(13.1%)
Costs of materials and overheads	420,886	506,514	(85,628)	(16.9%)
Consolidated Operating Costs	**464,383**	**556,555**	**(92,171)**	**(16.6%)**
Net income/(costs) from commodity risk management	**0**	**0**	**0**	**0.0%**
Income/(Costs) from equity investments of a non-financial nature	**5,881**	**7,642**	**(1,760)**	**(23.0%)**
Gross Operating Profit	**202,310**	**177,608**	**24,702**	**13.9%**
Amortisation, depreciation, provisions and impairment charges	98,294	95,433	2,861	3.0%
Operating profit/(loss)	**104,016**	**82,175**	**21,841**	**26.6%**
Financial income	3,833	4,566	(733)	(16.1%)
Financial costs	(22,790)	(26,369)	3,579	(13.6%)
Income/(Costs) from equity investments	(423)	(346)	(77)	22.3%
Profit/(loss) before tax	**84,635**	**60,025**	**24,609**	**41.0%**
Taxation	31,358	21,914	9,444	43.1%
Net profit/(loss)	**53,277**	**38,112**	**15,165**	**39.8%**
Net profit/(loss) from discontinued operations		0		0.0%
Net profit/(loss)	**53,277**	**38,112**	**15,165**	**39.8%**
Profit/(loss) attributable to non-controlling interests	1,909	837	1,072	128.1%
Net profit/(loss) attributable to the Group	**51,368**	**37,275**	**14,094**	**37.8%**

Quarterly Consolidated Statement of Comprehensive Income

Amounts in € thousand	Q3 2016	Q3 2015	Increase/ (Decrease)
Net profit (loss) for the period	**53,277**	**38,112**	**15,165**
Profit/(Loss) from translation of financial statements expressed in a foreign currency	**239**	**(1,008)**	**1,247**
Reserve for exchange differences	(1,057)	(2,514)	1,457
Tax reserve for exchange differences	254	691	(438)
Gains/losses from exchange rate difference	**(803)**	**(1,823)**	**1,020**
Effective portion of profits/(losses) on hedging instruments ("cash flow hedges")	(1,655)	2,368	(4,023)
Tax effect of other gains/(losses) on hedging instruments ("cash flow hedges")	401	(651)	1,052
Profit/(Loss) From the Effective Portion on Hedging Instruments net of tax effect	**(1,254)**	**1,717**	**(2,971)**
Actuarial gains/losses on employee benefits recognized in equity	(384)	297	(681)
Tax effect of other actuarial gains/ (losses) on employee benefits	115	(189)	304
Actuarial Profit/(Loss) on defined benefit pension plans net of tax effect	**(269)**	**107**	**(377)**
Total components of other comprehensive income, net of tax effect	**(2,087)**	**(1,007)**	**(1,081)**
Total comprehensive income/loss	**51,190**	**37,105**	**14,085**
Total comprehensive income (loss) attributable to:			
Group	49,326	36,425	12,901
Non-controlling interests	1,864	680	1,184

Consolidated Statement of Financial Position

ASSETS	30/09/2016	of which with related parties	31/12/2015	of which with related parties	Increase/ (Decrease)
Property, plant and equipment	2,126,682		2,087,324		39,358
Investment property	2,653		2,697		(44)
Goodwill	155,723		155,381		342
Concessions	1,608,911		1,520,304		88,606
Other intangible assets	138,227		104,696		33,531
Equity investments in subsidiaries and associates	257,567		247,490		10,077
Other investments	2,362		2,750		(387)
Deferred tax assets	273,650		274,577		(927)
Financial assets	32,254	*29,109*	31,464	*29,109*	790
Other assets	35,383		39,764		(4,381)
NON-CURRENT ASSETS	**4,633,411**	**29,109**	**4,466,446**	**29,109**	**166,965**
Inventories	33,042		26,623		6,419
Trade receivables	1,134,243	*123,421*	1,098,674	*157,905*	35,569
Other current assets	110,857		130,675		(19,818)
Current tax assets	122,134		75,177		46,957
Current financial assets	118,212	*105,566*	94,228	*80,593*	23,983
Cash and cash equivalents	590,301		814,653		(224,352)
CURRENT ASSETS	**2,108,788**	**228,987**	**2,240,030**	**238,498**	**(131,242)**
Non-current assets held for sale	497		497		0
TOTAL ASSETS	**6,742,696**	**258,096**	**6,706,972**	**267,607**	**35,724**

Amounts in € thousand

LIABILITIES	30/09/2016	of which with related parties	31/12/2015	of which with related parties	Increase/ (Decrease)
Shareholders' equity					
Share capital	1,098,899		1,098,899		0
Legal reserve	95,188		87,908		7,280
Other reserves	(352,498)		(350,255)		(2,243)
retained earnings/ (losses)	564,768		512,381		52,387
Profit (loss) for the period	200,907		174,992		25,916
Total Group shareholders' equity	**1,607,264**		**1,523,924**		**83,340**
Non-controlling interests	74,885		72,128		2,756
Total shareholders' equity	**1,682,149**		**1,596,053**		**86,096**
Staff termination benefits and other defined-benefit plans	117,818		108,630		9,188
Provisions for liabilities and charges	205,138		189,856		15,282
Borrowings and financial liabilities	2,658,992		2,688,435		(29,443)
Other liabilities	186,628		184,100		2,528
Provision for deferred taxes	87,496		87,059		437
NON-CURRENT LIABILITIES	**3,256,072**		**3,258,079**		**(2,007)**
Trade payables	1,194,906	*162,919*	1,245,257	*157,020*	(50,351)
Other current liabilities	263,443		306,052		(42,608)
Financial debt	217,580	*9,837*	259,087	*35,931*	(41,507)
Tax Payables	128,446		42,346		86,100
CURRENT LIABILITIES	**1,804,376**	**172,756**	**1,852,741**	**192,951**	**(48,366)**
Liabilities directly associated with assets held for sale	99		99		0
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**6,742,696**	**172,756**	**6,706,972**	**192,951**	**35,724**

Amounts in € thousand

Consolidated Statement of Cash Flows

Amounts in € thousand	**30/09/2016**	*Related parties*	**30/09/2015**	*Related parties*	**Increase/ (Decrease)**
Cash flow from operating activities					
Profit before tax from continuing operations	316,973		216,851		100,122
Profit before tax from discontinued operations	0		0		0
Depreciation/amortisation	186,865		171,957		14,908
Revaluations/impairment charges	26,785		33,403		(6,618)
Increase/(decrease) in provisions for liabilities	15,282		10,797		4,485
Net increase/(decrease) in staff termination benefits	(1,962)		(3,391)		1,429
Gains on disposals	0		0		0
Net financial interest expense	61,253		67,046		(5,794)
Income taxes paid	(49,684)		(71,311)		21,627
Cash flow generated by operating activities before changes in working capital	**555,512**		**425,352**		**130,159**
Increase in current receivables	(79,075)	*(34,483)*	8,886	*(9,310)*	(87,961)
Increase/decrease in current payables	(50,351)	*5,899*	(63,184)	*19,463*	12,833
Increase/(decrease) in inventories	(6,419)		(2,001)		(4,417)
Change in working capital	**(135,845)**		**(56,300)**		**(79,545)**
Change in other assets/liabilities during the period	**(56,039)**		**33,224**		**(89,263)**
TOTAL CASH FLOW FROM OPERATING ACTIVITIES	**363,628**		**402,277**		**(38,649)**
Cash flow from investment activities					
Purchase/sale of property, plant and equipment	(135,677)		(129,654)		(6,023)
Purchase/sale of intangible fixed assets	(212,981)		(160,204)		(52,778)
Equity investments	10,090		6,481		3,608
Purchase/sale of investments in subsidiaries	0		1,964		(1,964)
Proceeds/payments deriving from other financial investments	(24,774)	*24,972*	2,108	*(1,835)*	(26,881)
Dividends received	1	1	240	*240*	(239)
Interest income received	17,202		21,328		(4,126)
TOTAL CASH FLOW FROM INVESTMENT ACTIVITIES	**(346,140)**		**(257,737)**		**(88,403)**
Cash flow from financing activities					
Non-controlling interests in subsidiaries' capital increase	(700)		(369)		(331)
Repayment of borrowings and long-term loans	(25,546)		(358,760)		333,214
Disbursement of borrowings/other medium/long-term loans	0		0		0
Decrease/increase in other short-term borrowings	(41,507)	*(26,094)*	(32,948)	*29,757*	(8,559)
Interest expense paid	(63,359)		(74,397)		11,038
Dividends paid	(110,728)	*(110,728)*	(100,210)	*(100,210)*	(10,519)
TOTAL CASH FLOW FROM FINANCING ACTIVITIES	**(241,840)**		**(566,684)**		**324,844**
Changes in shareholders’ equity excluding net profit	**0**		**0**		**0**
Cash flows for the period	**(224,352)**		**(422,144)**		**197,792**
Net opening balance of cash and cash equivalents	**814,653**		**1,017,967**		**(203,314)**
Net closing balance of cash and cash equivalents	**590,301**		**595,823**		**(5,522)**

Consolidated Statement of Changes in Shareholders' Equity

€ thousand	Share capital	Legal reserve	Other reserves	Profit for the period	Total	Non-controlling interests	Total shareholders' equity
Balances as at 01 January 2015	**1,098,899**	**176,119**	**15,381**	**140,167**	**1,430,566**	**71,825**	**1,502,391**
Reclassifications		(92,691)	92,691	0	0	0	0
Net profit (loss)	0	0	0	50,509	50,509	3,040	53,549
Other comprehensive income (losses)	0	0	0	*(3,507)*	*(3,507)*	*(122)*	*(3,629)*
Total comprehensive income (loss)	0	(92,691)	92,691	47,002	47,002	2,918	49,919
Appropriation of result for 2014	0	0	140,167	(140,167)	0	0	0
Distribution of dividends	0	0	0	0	0	0	0
Change in basis of consolidation	0	0	543	0	543	(156)	387
Balances as at 31 March 2015	**1,098,899**	**83,428**	**248,782**	**47,002**	**1,478,111**	**74,586**	**1,552,697**
Net profit (loss)	0	0	0	48,820	48,820	1,256	50,076
Other comprehensive income (losses)	0	0	0	14,616	14,616	285	14,902
Total comprehensive income (loss)	0	0	0	63,436	63,436	1,541	64,978
Appropriation of result for 2014	0	4,480	(4,480)	0	0	0	0
Distribution of dividends	0	0	(95,834)	0	(95,834)	(2,686)	(98,520)
Change in basis of consolidation	0	0	(239)	0	(239)	(311)	(550)
Balances as at 30 June 2015	**1,098,899**	**87,908**	**148,229**	**110,438**	**1,445,474**	**73,131**	**1,518,605**
Net profit (loss)	0	0	0	37,275	37,275	837	38,112
Other comprehensive income (losses)	0	0	0	(850)	(850)	(157)	(1,007)
Total comprehensive income (loss)	***0***	***0***	***0***	***36,425***	***36,425***	***680***	***37,105***
Appropriation of result for 2014	0	0	0	0	0	0	0
Distribution of dividends	0	0	(186)	0	(186)	(1,503)	(1,690)
Change in basis of consolidation	0	0	(462)	0	(462)	256	(206)
Balances as at 30 September 2015	**1,098,899**	**87,908**	**147,580**	**146,863**	**1,481,250**	**72,564**	**1,553,814**

Amounts in € thousand

	Share capital	Legal reserve	Other reserves	Profit for the period	Total	Non-controlling interests	Total shareholders' equity
Balances as at 01 January 2016	**1,098,899**	**87,908**	**155,533**	**181,584**	**1,523,924**	**72,128**	**1,596,053**
Net profit (loss)	0	0	0	66,878	66,878	2,281	69,160
Other comprehensive income (losses)	0	0	0	(8,600)	(8,600)	(69)	(8,669)
Total comprehensive income (loss)	**0**	**0**	**0**	**58,278**	**58,278**	**2,213**	**60,491**
Appropriation of result for 2015	0	0	181,584	(181,584)	0	0	0
Distribution of dividends	0	0	0	0	0	0	0
Change in basis of consolidation	0	0	(908)		(908)	734	(175)
Balances as at 31 March 2016	**1,098,899**	**87,908**	**336,209**	**58,278**	**1,581,295**	**75,075**	**1,656,369**
Net profit (loss)	0	0	0	*82,661*	*82,661*	*2,431*	*85,092*
Other comprehensive income (losses)	0	0	0	876	876	(13)	864
Total comprehensive income (loss)	**0**	**0**	**0**	**83,537**	**83,537**	**2,419**	**85,956**
Appropriation of result for 2015	0	7,280	(7,280)	0	0	0	0
Distribution of dividends	0	0	(106,274)	0	(106,274)	(4,439)	(110,713)
Change in basis of consolidation	0	0	(147)	0	(147)	(98)	(245)
Balances as at 30 June 2016	**1,098,899**	**95,188**	**222,508**	**141,815**	**1,558,411**	**72,956**	**1,631,367**
Net profit (loss)	0	0	0	51,368	51,368	1,909	53,277
Other comprehensive income (losses)	0	0	0	(2,042)	(2,042)	(44)	(2,086)
Total comprehensive income (loss)	**0**	**0**	**0**	**49,327**	**49,326**	**1,864**	**51,190**
Appropriation of result for 2015	0	0	0	0	0	0	0
Distribution of dividends	0	0	0	0	0	0	0
Change in basis of consolidation	0	0	(473)	0	(473)	64	(409)
Balances as at 30 September 2016	**1,098,899**	**95,188**	**222,035**	**191,141**	**1,607,264**	**74,885**	**1,682,149**

Amounts in € thousand

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. Demetrio Mauro, hereby states that the accounting information contained in this Interim Report on Operations at 30 September 2016 corresponds to the accounting documents, books and records.