Interim Report on Operations as at 30 September 2018

Report on Operations

Consolidated Financial Statements

ACEA Organisational Model

ACEA is one of the major Italian multiutility operators, and has been quoted on the stock exchange since 1999.

ACEA adopts an operational model based on an organisational layout in line with the Strategic Business Plan consolidating its role to govern, guide and control the Holding not only with the current business portfolio focused on areas of greater value, but also on the strategic development of the Group in new business segments and territories. ACEA's macrostructure, changed in May 2017, is based around the corporate functions and six industrial areas - Environment, Commercial and Trading, Water, Energy Infrastructures, Engineering and Services and Overseas.
The activities of each business segment are described below.

Environment
The ACEA Group is one of the leading national players with more than 1 million tonnes of waste processed each year. It manages the main waste-to-energy plant and the largest composting plant in Lazio. In particular, the Group develops investments in the waste to energy business, considered high potential, in accordance with the strategic goal of producing energy from waste and protecting the environment.

Commercial and Trading
The ACEA Group is a major operator in Italy in the sale of electrical energy and offers innovative and flexible solutions for the supply of electrical energy and natural gas to consolidate its position as a dual fuel operator. Acea operates mainly in the market segments of small-medium businesses and families, striving to improve the quality of its services in particular as far as web and social channels are concerned. It supervises the Group's energy management policies.

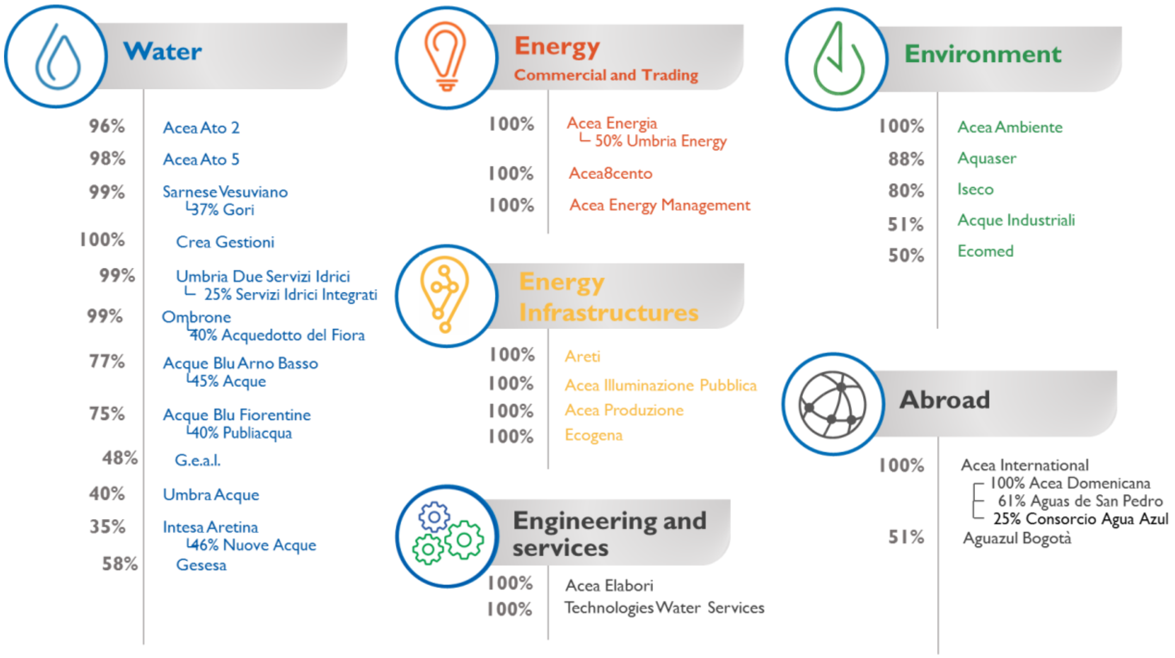
Water
The ACEA Group is the biggest Italian operator in the water sector supplying water to 9 million people. The Group manages the integrated water service in Rome and Frosinone and in the respective provinces, as well as in other parts of Lazio, in Tuscany, Umbria and Campania. The quality of the services offered is completed with a sustainable management of water resources and respect for the environment.

Energy Infrastructures
The ACEA Group is a major operator in Italy with over 10 TWh of electricity distributed in Rome, where the Group manages the distribution network providing services for over 1.6 million delivery points. The Group also manages the public and artistic lighting of the capital with 224,400 light bulbs for a total of 195,000 lighting fixtures, applying solutions that strive to become more and more efficient with a lower environmental impact. The replacement of 190,000 light bulbs with LED bulbs is expected by the end of 2018, thereby enabling a reduction of about 35,000 tonnes in CO_2 emissions annually and a significant reduction in light pollution. The ACEA Group is committed to energy efficiency projects and the development of new technologies, such as smart grids and electric mobility, through particularly innovative pilot projects. Lastly, the Group operates in the energy generation sector, running hydroelectric and thermoelectric plants in Lazio, Umbria and Abruzzo.

Engineering and Services
The Group has developed know how at the forefront in the design, construction and management of integrated water systems: from the source to the aqueducts, from distribution to the sewer network, and treatment. It develops applied research projects aimed at technological innovation in the water, environmental and energy sectors. Laboratory services are of particular importance.

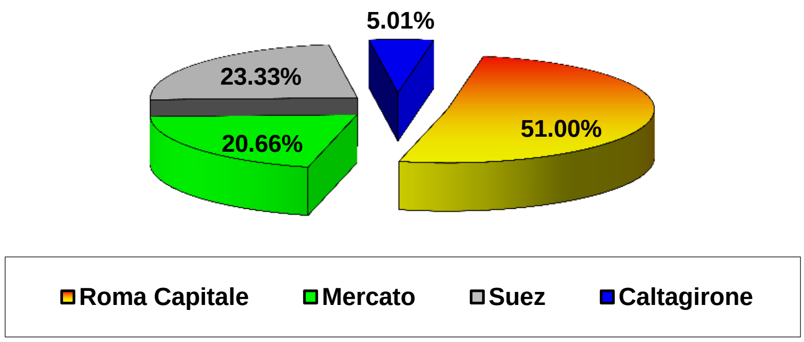
Overseas
Through this Segment the Group manages the water activity in Latin America and will be able to seize the opportunity to develop towards other business related to those already manned in Italy.

The Group structure, in the various business segments, comprises the following main companies.



No change compared to the end of 2017

The share capital of ACEA S.p.A. at 30 September 2018 is broken down as follows:



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

Corporate bodies

Board of Directors

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

Board of Statutory Auditors

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

Executive Responsible for Financial Reporting

Giuseppe Gola

Summary of Results

Income Statement Data (million euros)	30/09/18	30/09/2017	Change	Change %
Consolidated net revenue	2,173.9	2,037.9	136.0	6.7%
Consolidated operating costs	1,514.3	1,430.0	84.3	5.9%
Income/(Costs) from equity investments of a non-financial nature	25.6	17.9	7.6	42.6%
- of which: EBITDA	121.0	105.3	15.7	14.9%
- of which: Amortisation, depreciation, impairment charges and provisions	(79.0)	(73.2)	(5.9)	8.0%
- of which: Financing activities	(3.9)	(5.2)	1.3	(24.8%)
- of which: Taxes	(12.4)	(9.0)	(3.4)	38.0%
EBITDA	**685.2**	**625.8**	**59.4**	**9.5%**
EBIT	**381.0**	**291.3**	**89.8**	**30.8%**
Net profit/(loss)	**225.8**	**161.6**	**64.2**	**39.7%**
Profit/(loss) attributable to minority interests	**11.0**	**9.0**	**2.0**	**22.2%**
Net profit/(loss) attributable to the Group	**214.8**	**152.6**	**62.2**	**40.7%**

Adjusted income statement data (million euros)	30/09/18	30/09/2017	Change	% Change
Gross operating profit (EBITDA)	685.2	625.8	59.4	9.5%
Operating profit/loss (EBIT)	381.0	319.5	61.5	19.2%
Profit/(loss) before tax (EBT)	324.6	268.5	56.1	20.9%
Net profit/(loss) (NP)	225.8	182.5	43.3	23.7%
Net profit/(loss) attributable to the Group	**214.8**	**173.4**	**41.4**	**23.9%**

The 2017 adjusted economic data do not include the negative effects - totalling 28.2 million euros gross of the tax effect - produced by (i) the ruling that resulted in the re-entry into ownership of the Autoparco property (9.5 million euros), (ii) the reduction in value of the *areti* receivable with GALA (9.5 million euros) and (iii) the reduction in value of the payable to ATAC (6.0 million euros).

EBITDA per operating segment (million euros)	30/09/18	30/09/2017	Change	% Change
ENVIRONMENT	**48.1**	**46.8**	**1.3**	**2.8%**
COMMERCIAL AND TRADING	**62.6**	**57.3**	**5.3**	**9.3%**
OVERSEAS	**11.1**	**11.1**	**0.0**	**0.3%**
WATER	**293.2**	**264.0**	**29.2**	**11.0%**
Integrated water service	***292.8***	***263.8***	***29.0***	***11.0%***
Lazio - Campania	271.6	248.6	23.0	9.3%
Tuscany - Umbria	21.1	15.2	6.0	39.4%
Others	***0.4***	***0.2***	***0.2***	***71.8%***
ENERGY INFRASTRUCTURES	**276.3**	**239.3**	**37.0**	**15.5%**
Distribution	***238.5***	***207.8***	***30.7***	***14.8%***
Generation	***40.2***	***28.8***	***11.4***	***39.5%***
Public Lighting	***(2.4)***	***2.7***	***(5.1)***	***(186.7%)***
ENGINEERING AND SERVICES	**10.9**	**14.6**	**(3.7)**	**(25.6%)**
ACEA (Corporate)	**(17.0)**	**(7.3)**	**(9.7)**	**134.0%**
Total EBITDA	**685.2**	**625.8**	**59.4**	**9.5%**

Consolidated balance sheet data (million euros)	30/09/18	31/12/2017	Change	% Change	30/09/2017	Change	% Change
Net Invested Capital	4,387.7	4,232.7	154.9	3.7%	4,279.9	107.8	2.5%
Net Debt	(2,631.1)	(2,421.5)	(209.6)	8.7%	(2,487.3)	(143.9)	5.8%
Consolidated Shareholders' Equity	(1,756.6)	(1,811.2)	54.6	(3.0%)	(1,792.6)	36.1	(2.0%)

Adjusted shareholders' equity data (million euros)	30/09/18	31/12/2017	Change	% Change
Net debt (NP)	2,631.1	2,325.1	306.0	13.2%

The adjusted net financial debt for 2017 does not include the impact deriving from the GALA matter, ATAC and Split Payment

Net debt per Operating Segment (million euros)	30/09/18	31/12/2017	Change	% Change	30/09/2017	Change	% Change
ENVIRONMENT	**202.5**	**195.3**	**7.2**	**3.7%**	**215.5**	**(13.0)**	**(6.0%)**
COMMERCIAL AND TRADING	**12.5**	**(8.7)**	**21.2**	**n.s.**	**58.6**	**(46.1)**	**(78.7%)**
OVERSEAS	**6.1**	**7.4**	**(1.3)**	**(17.6%)**	**8.6**	**(2.5)**	**(28.9%)**
WATER	**1,011.2**	**921.2**	**90.0**	**9.8%**	**897.1**	**114.1**	**12.7%**
Integrated water service	***1,019.2***	***930.1***	***89.2***	***9.6%***	***904.6***	***114.6***	***12.7%***
Lazio - Campania	1,028.5	939.3	89.3	9.5%	911.8	116.8	12.8%
Tuscany - Umbria	(9.3)	(9.2)	(0.1)	1.3%	(7.1)	(2.2)	30.7%
Others	***(8.0)***	***(8.9)***	***0.9***	***(9.8%)***	***(7.5)***	***(0.5)***	***6.3%***
ENERGY INFRASTRUCTURES	**1,151.7**	**1,036.6**	**115.1**	**11.1%**	**1,037.5**	**114.2**	**11.0%**
Distribution	***1,024.0***	***905.4***	***118.6***	***13.1%***	***906.1***	***117.9***	***13.0%***
Generation	***122.7***	***125.5***	***(2.8)***	***(2.2%)***	***126.6***	***(3.9)***	***(3.1%)***
Public Lighting	***5.0***	***5.8***	***(0.8)***	***(13.5%)***	***4.8***	***0.3***	***5.4%***
ENGINEERING AND SERVICES	**20.1**	**12.3**	**7.9**	**64.0%**	**14.8**	**5.3**	**36.0%**
ACEA (Corporate)	**227.0**	**257.3**	**(30.3)**	**(11.8%)**	**255.3**	**(28.3)**	**(11.1%)**
	2,631.1	**2,421.5**	**209.6**	**8.7%**	**2,487.3**	**143.8**	**5.8%**

Investments per operating segment (million euros)	30/09/18	30/09/2017	Change	% Change
ENVIRONMENT	**13.1**	**11.9**	**1.2**	**10.1%**
COMMERCIAL AND TRADING	**9.5**	**11.2**	**(1.8)**	**(15.6%)**
OVERSEAS	**4.0**	**3.5**	**0.5**	**14.9%**
WATER	**224.6**	**183.7**	**40.8**	**22.2%**
Integrated water service	***224.5***	***183.7***	***40.8***	***22.2%***
Lazio - Campania	224.5	183.7	40.8	22.2%
Others	***0.1***	***0.0***	***0.0***	***64.0%***
ENERGY INFRASTRUCTURES	**156.2**	**148.5**	**7.7**	**5.2%**
Distribution	*145.4*	*131.8*	*13.6*	*10.4%*
Generation	*9.6*	*16.4*	*(6.8)*	*(41.5%)*
Public Lighting	*1.2*	*0.4*	*0.8*	*n.s.*
ENGINEERING AND SERVICES	**0.8**	**0.5**	**0.3**	**60.5%**
ACEA (Corporate)	**5.2**	**9.6**	**(4.4)**	**(46.2%)**
TOTAL	**413.2**	**368.9**	**44.3**	**12.0%**

Summary of operations and income, equity and financial performance of the Group

Definition of 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. This orientation was acknowledged in our system in CONSOB Communication no. 0092543 dated 3 December 2015. The content and meaning of the non-GAAP measures of performance and other alternative performance indicators used in these financial statements are illustrated below:

1. for the ACEA Group, the *gross operating profit* (or EBITDA) is an operating performance indicator and from 1 January 2014 also includes the condensed result of equity investments in jointly controlled entities for which the consolidation method changed when international accounting standards for financial reporting IFRS10 and IFRS11 came into force. The *gross operating profit* is calculated by adding the operating result to the item "Amortisation, depreciation, provisions and impairment charges" as these are the main non-cash items. Instead, it is specified that the 2017 adjusted economic data do not include the negative effect resulting from the re-entry into ownership of the Autoparco property (following a ruling issued in June 2017) and the effects deriving from the assessment of *a*reti's exposure to Gala and the Group to ATAC;
2. the *net financial position* is an indicator of the ACEA Group's financial structure, obtained by adding together Non-current borrowings and financial liabilities net of Non-current financial assets (loans and receivables and securities other than equity investments), Current borrowings and other Current financial liabilities net of Current financial assets, Cash and cash equivalents; it is noted however that the adjusted net financial position does not include the impact deriving from the GALA matter, ATAC and split payment;
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*.
4. *net working capital* is the sum of the current receivables, inventories, the net balance of other current assets and liabilities and current debts, excluding the items considered in calculating the *net financial position*.

Summary of Results: performance of economic results

Income Statement Data (million euros)	30/09/18	30/09/2017	Change	% Change
Revenue from sales and services	2,091.1	1,977.3	113.8	5.8%
Other revenue and proceeds	82.9	60.6	22.2	36.7%
Costs of materials and overheads	1,354.0	1,272.2	81.7	6.4%
Personnel costs	160.3	157.8	2.5	1.6%
Income/(Costs) from equity investments of a non-financial nature	25.6	17.9	7.6	42.6%
Gross Operating Profit	**685.2**	**625.8**	**59.4**	**9.5%**
Amortisation, depreciation, provisions and impairment charges	304.2	334.6	(30.4)	(9.1%)
Operating profit/(loss)	**381.0**	**291.3**	**89.8**	**30.8%**
Financial items	(65.9)	(51.4)	(14.5)	28.2%
Equity investments	9.4	0.3	9.1	2670.3%
Profit/(loss) before tax	**324.6**	**240.2**	**84.3**	**35.1%**
Taxes	98.8	78.6	20.2	25.7%
Net profit/(loss)	**225.8**	**161.6**	**64.2**	**39.7%**
Profit/(loss) attributable to minority interests	11.0	9.0	2.0	22.2%
Net profit/(loss) attributable to the Group	**214.8**	**152.6**	**62.2**	**40.7%**

Revenues from sales and services totalled € 2,091.1 million up from € 113.8 million

As at 30 September 2018, revenues from sales and services come to € 2,091.1 million, up € 113.8 million (+ 5.8%) on those of the nine months of 2017, mainly due to the increase in revenues from sales and services of electricity and gas (+ € 106.4 million). Contributing to this change are: **(i)** Acea Energia (+ € 74.0 million) due to the increase in the price (+ 57.0% compared to the same period last year) and for the increase in the quantities bought and sold, **(ii)** *a*reti (+ € 25.2 million) for tariff effects, **(iii)** Umbria Energy (+ € 7.2 million), **(iv)** Parent Company Acea (- € 13.9 million) as a consequence of the reduction in the number of light fixtures replaced with LEDs in the scope of the public lighting service carried out in the Municipality of Rome and **(v)** ACEA Ato2 and ACEA Ato5 for the effects linked to the increase in revenues from the integrated water service (overall + € 20.3 million). Revenues from the integrated water service include the best estimate of the premium related to the commercial quality recognised to ACEA Ato2 (€ 24.2 million).

Other revenues for € 82.9 million

Other revenues show an increase of € 22.2 million compared to the same period of the previous year (€ 60.6 million). The increase is mainly due to the inclusion of € 35.8 million from contributions accrued on white certificates (TEE) in the portfolio which increased by € 7.1 million compared to the same period of 2017; these revenues are balanced by the costs incurred for acquiring the TEEs.

External costs for € 1,354.0 million, an increase compared to the first nine months of 2017

This item shows an overall increase of € 81.7 million (+ 6.4% compared to 30 September 2017). The change is due to opposing effects, primarily:

- ✓ the greater costs for the supply of electricity both on the regulated and deregulated market (+ € 65.2 million overall) mainly as a consequence of the increase in prices;
- ✓ the increased purchase costs of the white certificates by *a*reti (€ 5.2 million) for the fulfilment of the regulatory obligation concerning energy efficiency;
- ✓ the increase in other operating expenses essentially due to the increase in contingent liabilities (+ € 4.1 million);
- ✓ the increase in the mandatory management costs for the costs related to the mandatory Agreement for the water management of the Peschiera - Le Capore aqueduct system (ATO3 interference);
- ✓ the reduction in costs for materials mainly referring to *a*reti (- € 9.3 million) for the forthcoming closure of the LED plan.

Staff costs up by 1.6%

The cost of labour comes in at € 160.3 million, a slight increase over the same period of last year (€ 157.8 million as at 30 September 2017). The average number stood at 5,544 employees and rose by 70 units compared to the same period of 2017.

million euros	30/09/18	30/09/2017	Change	Change %
Staff costs including capitalised costs	252.0	245.6	6.4	2.6%
Capitalised costs	(91.7)	(87.8)	(3.9)	4.4%
Personnel costs	**160.3**	**157.8**	**2.5**	**1.6%**

The TUCs recorded results that grew by € 7.6 million also due to higher revenues

The income from non-financial equity investments represent the consolidated result according to the equity method included among the components forming the consolidated Gross Operating Profit. These are companies that are jointly controlled. The following table is a breakdown of its composition, while the performance by company is given in the comments on the Water Operating Segment and the Engineering and Services Segment.

million euros	30/09/18	30/09/2017	Change	% Change
GROSS OPERATING PROFIT	121.0	105.3	15.7	15.0%
Amortisation, depreciation, impairment charges and provisions	(79.0)	(73.2)	(5.8)	8.1%
Financial items	(3.9)	(5.2)	1.3	(24.8%)
Taxes	(12.4)	(9.0)	(3.4)	38.3%
Income from equity investments of a non-financial nature	**25.6**	**17.9**	**7.6**	**42.7%**

EBITDA at € 685.2 million, up 9.5%

EBITDA goes from € 625.8 million in the first nine months of 2017 to € 685.2 million as at 30 September 2018, recording growth of € 59.4 million equal to 9.5%.
The increase mainly derives from the Energy Infrastructures Segment (+ € 37.0 million) followed by a significant increase in margins, the water sector (+ € 29.2 million), the Commercial and Trading Segment (+ € 5.3 million) mainly due to the optimisation of components linked to costs and the Environment Segment (+ € 1.3 million). Overseas sales show a substantial alignment between the two periods, while the Parent Company and Engineering and Services show a total drop of € 13.4 million.

EBIT € 381.0 million (+€ 89.8 million)

EBIT grows by € 89.8 million on the same period of 2017. The items influencing this indicator are mainly affected by the lower Provisions for impairment of receivables, also due to the impairment of a portion of the receivables from GALA in 2017, by lower risk provisions (at 30 September 2017 provisions were set aside for € 13.3 million while this year for € 4.0 million) and finally for the release of a portion of the provision for risks set aside for GORI (€ 6.6 million).

Below are details of the items influencing EBIT.

million euros	30/09/18	30/09/2017	Change	Change %
Amortisation and depreciation	251.8	228.3	23.5	10.3%
Provision for impairment of receivables	44.9	78.8	(33.9)	(43.1%)
Provision for risks and charges	7.5	27.5	(20.0)	(72.7%)
Amortisation, depreciation, impairment charges and provisions	**304.2**	**334.6**	**(30.4)**	**(9.1%)**

The increase in **amortisation and depreciation** is mainly linked to the increase in investments in all business areas and the technological developments of the Acea2.0 technological platform in the main companies of the Group. It should also be noted that following the first application of the new IFRS15 international standard, the costs for agents have been capitalised, defined as incremental costs for obtaining the contract and whose amortisation takes place consistent with the estimate of expected renewals.

The decrease in the item **impairment of receivables** mainly regards the companies in the Commercial and Trading Segment (- € 14.3 million) and those in the Energy Infrastructure Segment (- € 12.3 million). With regard to the latter, it should be noted that in the first half of 2017 the receivables due from Gala were impaired for a total amount of € 12.8 million. For more information see the section *Performance by operating segment - Energy Infrastructures Segment*. The Water Segment, on the other hand, decreased overall by € 8.4 million.

Provisions decreased by € 20.0 million mainly due to the combined effect of: **i)** the decrease in the appropriations aimed at managing the personnel reduction programme through the implementation of voluntary redundancy and early retirement measures for Group personnel (- € 11.1 million), **ii)** the decrease in provisions (- € 8.8 million) due to the reduction in the provision for restoration charges made in the previous year.

Financial items reduced the pre-tax total by € 14.5 million

The result of financial operations is negative by € 65.9 million, dropping by € 14.5 million compared to the first nine months of 2017. The change is mainly due to the increase in charges on bond loans relating to the two newly issued loans under the Euro Medium Term Notes (EMTN) programme. Note finally that as at 30 September 2018, the average all-in global cost of the ACEA Group's debt stood at 2.21% compared to 2.59% for the same period of the previous year.

Tax rate of 30.4%, a reduction of 2.3 percentage points

The estimate of the fiscal charges amounted to € 98.8 million, compared to € 78.6 million for the same period last year. The overall increase recorded in the period is € 20.2 million and derives mainly from the improved result for the period while € 2.2 million are linked to the effects consequent to the reorganisation of the foreign equity investments as a consequence of the application of capital gain to the transfer of an equity investment. The tax rate for the period was 30.4% (32.7% at 30 September 2017).

Net result up by 39.7%

The Group's net income amounted to € 225.8 million, marking an increase of € 64.2 million compared to the same period of 2017.

Summary of Results: performance of economic results

Consolidated balance sheet data (million euros)	30/09/18	31/12/2017	Change	% Change	30/09/2017	Change	% Change
NON-CURRENT ASSETS AND LIABILITIES	**4,718.0**	**4,514.2**	**203.7**	**4.5%**	**4,294.9**	**423.1**	**9.9%**
NET WORKING CAPITAL	**(330.3)**	**(281.5)**	**(48.8)**	**17.3%**	**(15.0)**	**(315.3)**	**0.0%**
INVESTED CAPITAL	**4,387.7**	**4,232.7**	**154.9**	**3.7%**	**4,279.9**	**107.8**	**2.5%**
NET DEBT	**(2,631.1)**	**(2,421.5)**	**(209.6)**	**8.7%**	**(2,487.3)**	**(143.9)**	**5.8%**
Total shareholders' equity	**(1,756.6)**	**(1,811.2)**	**54.6**	**(3.0%)**	**(1,792.6)**	**36.1**	**(2.0%)**
Total sources of financing	**4,387.7**	**4,232.7**	**154.9**	**3.7%**	**4,279.9**	**107.8**	**2.5%**

The non-current assets and liabilities increased by 4.5% thanks to the investments in the period

The non-current assets and liabilities increased by € 203.7 million (+ 4.5%) compared to 31 December 2017, mainly due to the increase in intangible fixed assets (+ € 177.3 million).

million euros	30/09/18	31/12/2017	Change	% Change	30/09/2017	Change	% Change
Tangible/intangible fixed assets	4,497.9	4,320.6	177.3	4.1%	4,327.2	170.7	3.9%
Equity investments	259.0	283.5	(24.4)	(8.6%)	278.1	(19.1)	(6.9%)
Other non-current assets	581.5	505.3	76.2	15.1%	305.4	276.1	90.4%
Staff termination benefits and other defined benefit plans	(105.5)	(108.4)	2.9	(2.7%)	(112.4)	6.9	(6.1%)
Provisions for risks and charges	(218.3)	(209.6)	(8.6)	4.1%	(223.3)	5.1	(2.3%)
Other non-current liabilities	(296.7)	(277.1)	(19.6)	7.1%	(280.1)	(16.6)	5.9%
Non-current assets and liabilities	**4,718.0**	**4,514.2**	**203.7**	**4.5%**	**4,294.9**	**423.1**	**9.9%**

The change in intangible fixed assets is mainly due to the investments, which reached € 413.2 million, and amortisations and value reductions, totalling € 251.8 million.
See the following table as regards the investments made in each Operating Segment.

Investments per operating segment **(million euros)**	30/09/18	30/09/2017	Change	% Change
ENVIRONMENT	**13.1**	**11.9**	**1.2**	**10.1%**
COMMERCIAL AND TRADING	**9.5**	**11.2**	**(1.8)**	**(15.6%)**
OVERSEAS	**4.0**	**3.5**	**0.5**	**14.9%**
WATER	**224.6**	**183.7**	**40.8**	**22.2%**
Integrated water service	***224.5***	***183.7***	***40.8***	***22.2%***
Lazio - Campania	224.5	183.7	40.8	22.2%
Others	***0.1***	***0.0***	***0.0***	***64.0%***
ENERGY INFRASTRUCTURES	**156.2**	**148.5**	**7.7**	**5.2%**
Distribution	***145.4***	***131.8***	***13.6***	***10.4%***
Generation	***9.6***	***16.4***	***(6.8)***	***(41.5%)***
Public Lighting	***1.2***	***0.4***	***0.8***	***n.s.***
ENGINEERING AND SERVICES	**0.8**	**0.5**	**0.3**	**60.5%**
ACEA (Corporate)	**5.2**	**9.6**	**(4.4)**	**(46.2%)**
TOTAL	**413.2**	**368.9**	**44.3**	**12.0%**

Investments increased by € 44.3 million (+ 12.0%)

The investments in the **Environment Segment** refer mainly to the investments made by Acea Ambiente: **(i)** the works to expand the Monterotondo Marittimo plant, **(ii)** the works carried out in the WTE plants in Terni and San Vittore, **(iii)** the works on the waste treatment plant and biogas production located in Orvieto and, **(iv)** the purchase of industrial land near Chiusi.

The **Commercial and Trading Segment** showed a reduction of € 1.8 million, mainly due to Acea Energia (- € 1.7 million). This decrease mainly relates to investments in information systems.

The investments of the **Overseas Segment** showed an increase of € 0.5 million, mainly due to the investments of Aguas de San Pedro and Acea Dominicana.

The **Water Segment** invested a total of € 224.6 million, up € 40.8 million due to the net effect of the greater investments recorded in ACEA Ato2 (+ € 43.6 million) and the lesser in ACEA Ato5 (- € 2.8 million). These investments mainly refer to the reclamation and expansion of the water and sewer pipes of the various municipalities, the extraordinary maintenance of the water centres, the work on the purifiers and the transport systems (connectors and feeders).

The **Energy Infrastructure Segment** recorded an increase in investments of € 7.7 million due to the net effect of the higher investment in *a*reti (+ € 13.6 million) and lower investments of Acea Produzione (- € 6.8 million). The investments of *a*reti refer mainly to renewal and enhancement of the HV, MV and LV network, work on the primary and secondary substations and meters; intangible investments refer to projects for the re-engineering of information and commercial systems. The investments made by Acea Produzione refer mainly to the revamping works of the Mandela hydroelectric plant and for the extension works of the district heating network in the Mezzocammino area in the south of Rome. Last year the biggest investments were related to the modernisation project of the Tor di Valle plant which was concluded at the end of 2017.

The investments of the **Engineering and Services Segment** refer mainly to the purchase of industrial and trade equipment by ACEA Elabori.

Corporate made investments in hardware and software under the scope of the various technological projects. The investments mainly refer to IT developments and investments in the buildings used for company activities.

Group investments concerning development projects followed by Acea2.0 totalled € 13.9 million.

Equity investments decreased by € 24.4 million compared to 31 December 2017. The change is due to negative values. Among these we note:

- ✓ the reclassification from the provision for investment risks of the amount related to the equity investment in Gori (- € 38.3 million). This provision fully covers the value of the investment given the financial situation the allocation made was maintained as connected to the persistence of the uncertainty associated with the investee's operations;
- ✓ the valuation of companies consolidated using the equity method in accordance with the application of IFRS 11 for € 25.6 million;
- ✓ the effect deriving from the first application of the new international standards IFRS15 and IFRS9 (-€ 12.0 million).

The stock of **Staff termination benefits and other defined benefit plans** reported a decrease of € 2.9 million, also due to the effect of the increase in the rate used (from 1.30 % at 31 December 2017 to 1.58% at 30 September 2018).

Provisions for risks and charges record an increase of € 8.6 million due to reclassifications. Among these we note:

- the provisions for the coverage of any refund of VAT to the tax authorities reclassified to the provision for impairment of receivables (- € 26.7 million);
- the taxes for the period (+ € 84.8 million) allocated among the provisions for charges to others;
- the reclassification in the item "Equity investments" of the provision relating to Gori (- € 38.3 million).

million euros	31/12/2017	Uses	Provisions	Payment of Redundancy Funds	Reclassifications/Other changes	30/09/18
Legal	11.7	(1.1)	3.7	(0.2)	(0.1)	14.0
Tax Office	9.3	0.0	0.7	0.0	(0.2)	9.8
Regulatory risks	61.0	(0.1)	2.3	(6.6)	(38.1)	18.5
Investees	10.8	0.0	1.2	(0.2)	(3.3)	8.5
Contributory risks	2.6	(0.1)	0.2	0.0	(0.1)	2.6
Insurance excess	2.1	(0.6)	0.7	(0.2)	0.0	2.1
Other risks and charges	19.6	(2.2)	2.2	0.0	0.1	19.7
Total Provision for Risks	**117.2**	**(4.1)**	**11.0**	**(7.2)**	**(41.7)**	**75.1**
Early retirements and redundancies	18.2	(11.2)	4.0	(1.8)	0.0	9.1
VAT Variation Notes	26.7	0.0	0.0	0.0	(26.7)	0.0
Post mortem	17.3	0.0	0.0	0.0	0.2	17.5
Provision for Settlement Charges	0.2	(0.1)	0.0	0.0	0.0	0.0
Provision for Charges of others	0.4	0.0	1.6	0.0	84.8	86.7
Provisions for restoration charges	29.7	0.0	0.0	0.0	0.0	29.7
Total Provision for Charges	**92.4**	**(11.3)**	**5.5**	**(1.8)**	**58.3**	**143.1**
Total Provisions for Risks and Charges	**209.6**	**(15.4)**	**16.6**	**(9.0)**	**16.6**	**218.3**

It should be noted that last year funds were appropriated to the "Investee" provision following the recognition according to the provisional acquisition method of the first consolidation of the TWS group (€ 8.9 million). At the end of the Business Combination, this provision was released to the Income Statement. For more details, please refer to the 2017 Consolidated Financial Statements.

million euros	30/09/18	31/12/2017	Change	30/09/2017	Change
Current receivables	**826.5**	**1,022.7**	**(196.2)**	**1,220.4**	**(393.9)**
- due from end users/customers	736.5	933.7	(197.2)	1,139.6	(403.1)
- due to Roma Capitale	53.1	52.5	0.6	45.4	7.7
Inventories	**53.5**	**40.2**	**13.3**	**47.0**	**6.5**
Other current assets	**211.6**	**210.1**	**1.5**	**234.5**	**(22.9)**
Current payables	**(1,102.3)**	**(1,237.8)**	**135.5**	**(1,109.8)**	**7.4**
- due to Suppliers	(997.5)	(1,106.7)	109.2	(980.7)	(16.8)
- due to Roma Capitale	(101.6)	(126.1)	24.6	(126.1)	24.5
Other current liabilities	**(319.5)**	**(316.7)**	**(2.9)**	**(407.0)**	**87.5**
Net working capital	**(330.3)**	**(281.5)**	**(48.8)**	**(15.0)**	**(315.3)**

The net working capital is negative for € 330.3 million and decreased € 48.8 million compared to the end of 2017.

The change in net working capital compared to 31 December 2017 is due to the decrease in receivables from users and customers for 197.2 million euros. Please note that, as extensively described in the notes to the 2017 Consolidated Financial Statements for the Acea Group, as from 1 January 2018, IFRS9 has replaced the previous accounting standard IAS39, consequently increasing the provision for doubtful debt.

Receivables from users and customers gross of the Provision for impairment of receivables decreased by € 26.2 million compared to the end of 2017. More specifically, we note: **(i)** a decrease in receivables from the Energy Infrastructure Segment, which refers to the combined effects deriving on the one hand from regulatory changes that led to the recognition of the income deriving from the elimination of so-called regulatory lag, whose amount at the end of the observation period is € 73.0 million (+ € 19.6 million compared to the end of 2017), on the other hand by the improvement in collection performance; the non-current portion relating to regulatory accounting, amounting to € 97.5 million, is included in fixed assets; and **(ii)** a decrease in Commercial and Trading Segment receivables due to the effects deriving on the one hand from the reduction in turnover and an improvement in the collection performance and on the other by greater sales and write-offs.
Receivables from customers are shown net of the Provision for impairment of receivables, amounted to € 574.6 million compared to € 403.6 million at the end of 2017. The increase, net of the provision for the period of € 44.9 million, is essentially due to the application of the new IFRS9 standard.

In the first nine months of 2018, receivables totalling € 991.9 million were transferred pro-soluto, € 165.6 million to Public Administrations.
Lastly, it should be noted that the provision for impairment of receivables at 31 December 2017 did not include the amounts relating to the VAT Change Note (€ 26.7 million) included within the specific item of the provision for risks.

Roma Capitale: net balance is positive for € 53.2 million

As regards the **Relations with Roma Capitale**, the net balance at 30 September 2018 was € 53.2 million receivable by the Group, a reduction compared to 31 December 2017. The change in receivables and payables results from items accrued in the period and consequent to adjustments implemented and amounts received. During the period, collections and adjustments were recognised for a total of € 77.8 million, including € 52.1 million for receivables related to the public lighting contract and € 20.3 million for receivables for water utilities.
In the first nine months of 2018, the stock of trade receivables recorded growth of € 4.4 million on the year ended as at 31 December 2017, mainly due to the increase in receivables for the water utilities, which come to € 6.3 million. As regards financial receivables, a drop of € 13.9 million is recorded on 31 December 2017, to be attributed to the combined effect on the one hand of the accrual during the period of receivables relative **(i)** to the public lighting service agreement, **(ii)** to the modernisation of the security network, **(iii)** to extraordinary maintenance, **(iv)** to the LED plan agreement and **(v)** to the works relating to the services linked to public lighting, and on the other hand by the collections and adjustments in the period.
In terms of debt, a total reduction is recorded of € 25.9 million, mainly due to the payment of € 45.3 million on the 2014 and 2015 concession charges, partly offset by the accrual of the period charges of € 19.4 million.

The following table shows the amounts deriving from the ACEA Group's relations with Roma Capitale, as regards both the credit position and the debit position, including items of a financial nature.

Amounts due from Roma Capitale	30/09/18	31/12/2017	Change	30/09/2017	Change
Services billed	55.4	51.3	4.1	60.0	(4.6)
Services to be billed	1.6	1.4	0.2	2.2	(0.6)
Total trade receivables	**57.0**	**52.7**	**4.4**	**62.2**	**(5.2)**
Financial receivables for Public lighting services	**121.6**	**135.5**	**(13.9)**	**123.4**	**(137.3)**
Total receivables due within one year (A)	**178.7**	**188.2**	**(9.6)**	**185.6**	**(142.5)**
Payables due to Roma Capitale	**30/09/18**	**31/12/2017**	**Change**	**30/09/2017**	**Change**
Total payables due within one year (B)	(89.6)	(115.5)	25.9	(115.2)	25.5
					0
Total (A) + (B)	**89.0**	**72.7**	**16.3**	**70.4**	**18.6**
Other receivables/(payables) of a financial nature	(19.9)	1.2	(21.1)	8.1	(28.0)
Other trade receivables/(payables)	(15.9)	(10.8)	(5.1)	(16.0)	0.1
Total other receivables/(payables) (C)	**(35.8)**	**(9.6)**	**(26.1)**	**(7.9)**	**(27.9)**
					18.7
Net balance	**53.2**	**63.1**	**(9.8)**	**62.6**	**(9.3)**

Current payables reduced by 11%

The **current receivables** reduced by € 135.5 million compared to the end of 2017 due to the reduction of the stock of suppliers (- € 109.2 million), mainly as a result of the optimisation of the Acea Energia customer portfolio and only in part offset by trends in the prices of commodities. The payables attributed to *a*reti and to Acea Produzione.

The **Other Current Assets and Liabilities** recorded a total increase of € 1.5 million and € 2.9 million respectively compared to the end of the last year.
Specifically, other assets increased due to the counterbalance effect of the increase in prepaid expenses relating principally to Acea Energia and *a*reti for a total of € 11.4 million, mainly due to the effects of the first application of the new international standards, from the increase in receivables for commodity derivatives (+ € 11.1 million) and from the decrease in receivables of the Equalisation fund (- € 14.1 million) and the reduction of tax receivables for € 6.5 million.
Current liabilities increased by deferred income (+ € 29.5 million) as a result of the application of the new standards to be attributed to the effects linked to the connection fees and the decrease in payables to social security and pension institutions as well as the decrease in payables to the compensation fund and to the municipalities.

Shareholders' equity amounted to € 1.8 billion

The **Net shareholders' equity** amounted to € 1,756.6 million. The changes amounting to - € 54.6 million are analytically described in the relevant table and are basically due to the distribution of dividends, the accrual of period profits and the change in the cash flow hedge reserves and those formed by actuarial profits and losses, as well as to the registration of the FTA - First Time Adoption reserve for the application of the new international standards (IFRS9 and IFRS15).

Net financial debt on an adjusted basis increased by € 306.1 million compared to the end of 2017

Group **Debt** recorded an overall increase of € 209.6 million, going from € 2,421.5 million at the end of 2017 to € 2,631.2 million of the first nine months of 2018. This change is a direct result of investments in the period, including those of a technological nature. The worsening of the debt position of the Water Segment (+ € 90.0 million) and of the Energy Infrastructure Segment (+ € 115.1 million) contributed to the negative change, as did higher investments and payments made from the companies of the Water Segment also with reference to Roma Capitale.

million euros	30/09/18	31/12/2017	Change	% Change	30/09/2017	Change	% Change
Non-current financial assets/(liabilities)	2.4	2.7	(0.3)	(11.9%)	2.7	(0.3)	(11.3%)
Parent company, subsidiaries and associates current financial assets/(liabilities)	32.9	35.6	(2.7)	(7.6%)	37.7	(4.7)	(12.6%)
Non-current borrowings and financial liabilities	(3,395.3)	(2,745.0)	(650.3)	23.7%	(2,516.3)	(879.0)	34.9%
Net medium/long-term debt	**(3,359.9)**	**(2,706.7)**	**(653.3)**	**24.1%**	**(2,475.9)**	**(884.0)**	**35.7%**
Cash and cash equivalents and securities	928.7	680.6	248.1	36.4%	441.7	487.0	110.3%
Short-term debt	(422.5)	(544.6)	122.1	(22.4%)	(193.8)	(228.6)	117.9%
Current financial assets/(liabilities)	135.9	32.9	103.0	0.0%	(380.5)	516.4	(135.7%)
Parent company and associates current financial assets/(liabilities)	86.7	116.2	(29.5)	(25.4%)	121.4	(34.7)	(28.6%)
Net short-term debt	**728.8**	**285.1**	**443.7**	**155.6%**	**(11.3)**	**740.2**	**0.0%**
Total net financial position	**(2,631.1)**	**(2,421.5)**	**(209.6)**	**8.7%**	**(2,487.3)**	**(143.9)**	**5.8%**

Medium and long-term borrowings increased by € 650.3 million

As regards the **medium/long-term component**, the increase of € 650.3 million compared to the end of 2017 refers to € 984.0 million for the increase in the compensated debenture loans for € 333.7 million from the reduction in non-current payables and financial liabilities. The non-current borrowings and financial liabilities are broken down as in the following table:

million euros	30/09/18	31/12/2017	Change	Change %	30/09/2017	Change	Change %
Bonds	2,679.0	1,695.0	984.0	58.1%	1,690.8	988.2	58.5%
Medium/long-term borrowings	716.3	1,050.0	(333.7)	(31.8%)	825.5	(109.2)	(13.2%)
Medium/long-term borrowings	**3,395.3**	**2,745.0**	**650.3**	**23.7%**	**2,516.3**	**879.0**	**34.9%**

Bonds amounted to € 2,679.0 million, registering an increase of € 984.0 million, essentially due to the placement of two bond issues in the first quarter of the year amounting to € 300 million and € 700 million respectively for the Euro Medium Term Notes (EMTN) programme.

Medium/long-term loans of € 716.3 million decreased by € 333.7 million, which almost exclusively refers to the parent company (€ 321.1 million). This change is essentially due to the early repayment of an EIB loan of € 50 million and the reclassification to the short-term position of two other loans falling due in January and June 2019 of € 100 million and € 150 million respectively.

The following table shows medium/long–term and short-term borrowings by term to maturity and type of interest rate:

Bank Loans:	Total Residual Debt	By 30.09.2019	Due from 30.09.2019 to 30.09.2023	After 30.09.2023
fixed rate	510.8	275.9	101.5	133.5
floating rate	487.0	33.9	134.4	318.7
floating rate to fixed rate	31.9	8.7	23.2	0.0
Total	**1,029.7**	**318.5**	**259.0**	**452.2**

The fair value of ACEA hedging derivatives was a negative € 2.4 million, decreasing by € 1.1 million compared to 31 December 2017 (was a negative € 3.4 million).

The short-term component was positive for € 728.8 million, an increase of 443.7 million euros

The **short-term** component is positive for € 728.8 million and, compared to the end of 2017, shows an increase of € 443.7 million.

At 30 September 2018 the Parent Company held unused uncommitted credit lines totalling € 679 million, of which € 449 million unused. No guarantees were issued to obtain these credit lines.

The ACEA rating

The long-term ratings assigned to ACEA by international rating agencies are as follows:

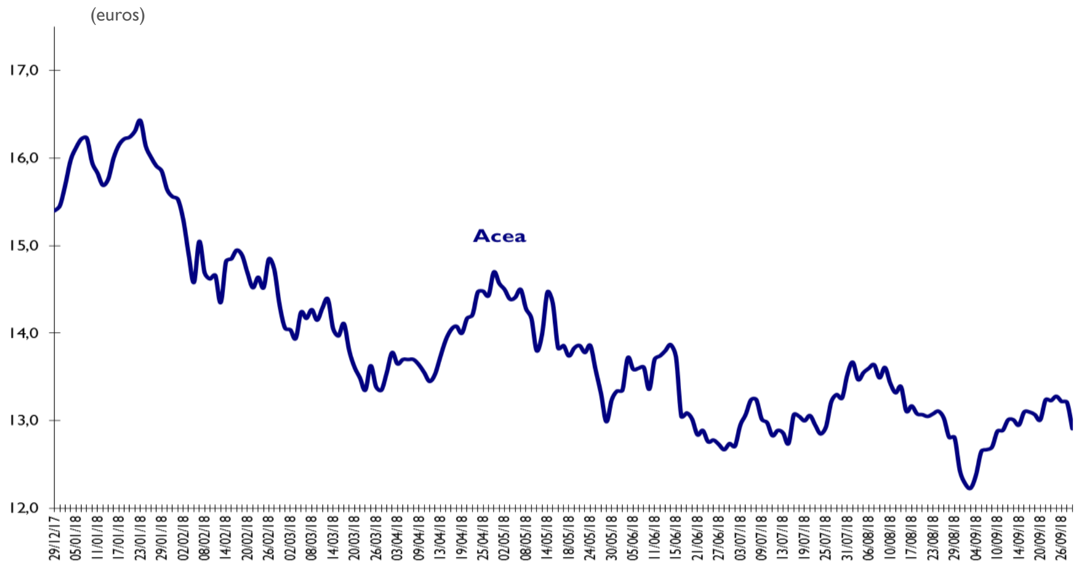
- Fitch's 'BBB+'
- Moody's "Baa2".

Reference context

Performance of the equity markets and the ACEA share

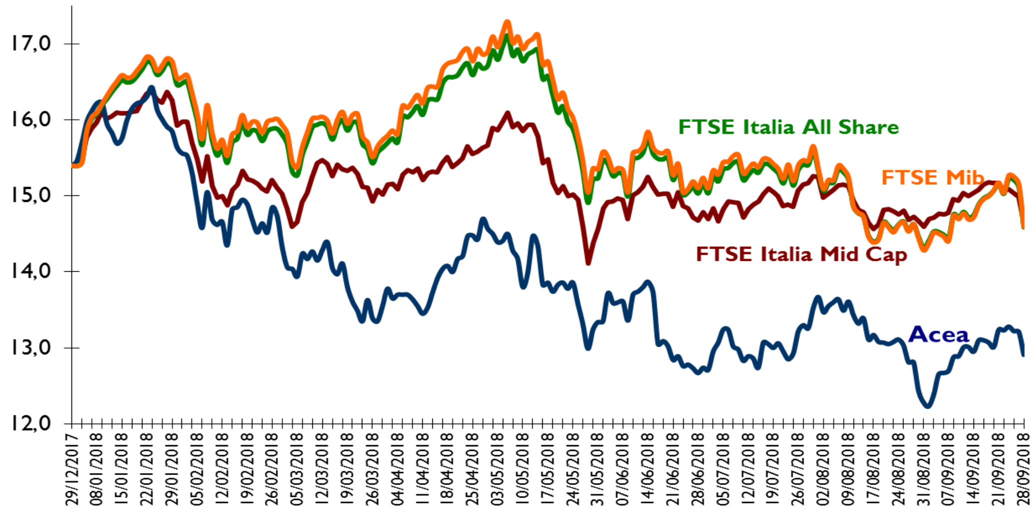
In the first nine months of 2018, the main indices of the Italian Stock Exchange recorded the following changes: FTSE MIB -5.2%; FTSE Italia All Share -5.3%; FTSE Italia Mid Cap -4.8%.

ACEA's shares fell by 16.2% in the period. On 28 September 2018 (last session of the stock exchange during the observation period), the share had a closing price of 12.91 euros (capitalisation: 2,749.4 million euros). The maximum value of 16.43 euros was reached on 23 January, while the minimum value of 12.23 euros was reached on 3 September. During the reporting period, the average daily traded volumes were just above 120,000 shares, slightly lower than the 130,000 of the same period of 2017.



(Source: Bloomberg)

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



(Chart normalised to Acea values - Source: Bloomberg)

	Change % at 30/09/18 (compared to 31/12/2017)
Acea	**-16.2%**
FTSE Italia All Share	-5.3%
FTSE Mib	-5.2%
FTSE Italia Mid Cap	-4.8%

In the first nine months of the year about 90 studies/notes on ACEA were published.

Trend of Operating segments

Economic 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 inter-sectoral adjustments.
It is notified that, as a result of the approval of the new macrostructure which, occurred during the previous financial year, operating segments have undergone some changes that resulted in the need to present the comparative data on a pro-forma basis. For more details about the changes please refer to the section "*Segment information*" shown in Annex D to the financial statements closed as at 31 December 2017.

Million euros					Energy Infrastructures						Other		
30.09.2018	Environment	Commercial and Trading	Overseas	Water	Generation	Distribution	IP	Adjustments	Total	Engineering and Services	Corporate	Consolidation adjustments	Total
Revenue	125	1,223	28	577	62	419	36	(1)	516	53	90	(413)	2,200
Costs	77	1,161	17	284	22	180	39	(1)	239	42	107	(413)	1,514
Gross operating profit	**48**	**63**	**11**	**293**	**40**	**238**	**(2)**	**0**	**276**	**11**	**(17)**	**-**	**685**
Depreciation/amortisation and impairment charges	22	36	6	130	15	83	1	0	99	1	10	0	304
Operating profit/(loss)	**26**	**26**	**6**	**163**	**25**	**156**	**(3)**	**0**	**178**	**10**	**(27)**	**-**	**381**
Investments	13	9	4	225	10	145	1	0	156	1	5	0	413

Million euros					Energy Infrastructures						Other		
30.09.2017	Environment	Commercial and Trading	Overseas	Water	Generation	Distribution	IP	Adjustments	Total	Engineering and Services	Corporate	Consolidation adjustments	Total
Revenue	118	1,151	28	535	50	383	49	(1)	482	60	88	(407)	2,056
Costs	72	1,094	17	271	21	176	47	(1)	243	46	95	(407)	1,430
Gross operating profit	**47**	**57**	**11**	**264**	**29**	**208**	**3**	**0**	**239**	**15**	**(7)**	**0**	**626**
Depreciation/amortisation and impairment charges	23	45	5	120	14	93	1	0	107	2	32	0	335
Operating profit/(loss)	**24**	**12**	**7**	**144**	**15**	**115**	**2**	**0**	**132**	**13**	**(39)**	**0**	**291**
Investments	12	11	3	184	16	132	0	0	149	0	10	0	369

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

Industrial Segments

Acea's macro structure is organised in corporate functions and six operating segments: Water, Energy Infrastructure, Commercial and Trading, Foreign and Engineering and Services.

Environment Operating Segment

Operating figures, equity and financial results for the period

Operating figures	U.M.	30/09/18	30/09/2017	Change	Var %
WTE conferment	kTon	347	347	0	0.0%
Conferment to CDR production plant	kTon	0	0	0	0.0%
Net Electrical Energy transferred	GWh	264	264	0	0.0%
Waste coming into Orvieto plants	kTon	71	77	(6)	(7.9%)
Waste Recovered/Disposed of	kTon	394	395	(1)	(0.2%)
of which					
Incoming waste composting plants, sludge and liquids disposed	*kt*	*330*	*336*	*(6)*	*(1.7%)*
Slag and Ash produced by WTE	*kt*	*64*	*59*	*5*	*7.9%*

Financial results (million euros)	30/09/18	30/09/2017	Change	% Change
Revenue	125.2	118.5	6.7	5.6%
Costs	77.1	71.7	5.4	7.5%
Gross operating profit (EBITDA)	48.1	46.8	1.3	2.8%
Operating profit/loss (EBIT)	25.6	24.0	1.6	6.9%
Average number of personnel	360	353	7	2.1%

Financial results (million euros)	30/09/18	31/12/2017	Var	Var %	30/09/2017	Var	Var %
Investments	13.1	15.4	(2.3)	(14.8%)	11.9	1.2	10.1%
Net financial debt	202.5	195.3	7.2	3.7%	215.5	(13.0)	(6.0%)

Gross operating profit (EBITDA) (million euros)	30/09/18	30/09/2017	Change	% Change
Gross operating profit (EBITDA) ENVIRONMENT Area	48.1	46.8	1.3	2.8%
Gross operating profit (EBITDA) GROUP	685.2	625.8	59.4	9.5%
Percentage weight	7.0%	7.5%	(0.5 p.p.)	

The Segment closed the first nine months of 2018 with an EBITDA of € 48.1 million (+ € 1.3 million). This result derives from the improved performances of Acea Ambiente (+ € 1.6 million), Iseco (+ € 0.3 million) and Aquaser (+ € 0.4 million), partly offset by Acque Industriali (- € 1.0 million) due mainly to the persistence of regulatory uncertainty in the context of sludge recovery activities.

The average number of staff as at 30 September 2018 was 360, 7 more than the same period of the previous year. The growth is mainly due to Acea Ambiente.

The Segment's investments amount to € 13.1 million, slightly higher than the same period of the previous year (+ € 1.2 million). The investments of the first nine months of 2018 refer mainly to the works to expand the Monterotondo Marittimo plant, the works carried out in the WTE plants in Terni and San Vittore, the works on the waste treatment plant and biogas production located in Orvieto and the purchase of industrial land near Chiusi.

The financial indebtedness of the Segment stands at € 202.5 million (+ € 13.0 million compared to 30 September 2017 and + € 7.2 million compared to 31 December 2017). This is mainly due to the dynamics of the operating cash flow.

Significant and subsequent events

Note that:

- With regard to the site of the Orvieto landfill, on 16 July 2018 the new IEP was acquired with Umbria Region Director's Decree with Determination no. 7019 of 5 July 2018, and the works for the preparation of the 9-bis tier for the extension of the landfill to the company awarded the tender were handed over;
- With regard to the Chiusi initiative, the preparation of the areas concerned was completed successfully; the plan for the issuance of construction authorisation will be presented to the competent authorities before the end of the year.

Commercial and Trading Operating Segment

Operating figures, equity and financial results for the period

Operating figures	U.M.	30/09/18	30/09/2017 Pro Forma	Change	Var %
Electrical Energy sold - Free	GWh	2,782	3,195	(413)	(12.9%)
Electrical Energy sold - Protected	GWh	1,781	1,984	(203)	(10.2%)
Electrical Energy - No. Free Market Customers (P.O.D.)	N/000	330	317	13	4.0%
Electrical Energy - No. Protected Market Customers (P.O.D.)	N/000	845	907	(63)	(6.9%)
Gas Sold	Msm^3	88	65	22	34.4%
Gas - No. Free Market Customers	N/000	172	167	5	2.7%

Financial results (million euros)	30/09/18	30/09/2017 Pro Forma	Change	% Change
Revenue	1,223.4	1,151.4	72.0	6.3%
Costs	1,160.8	1,094.1	66.7	6.1%
Gross operating profit (EBITDA)	62.6	57.3	5.3	9.3%
Operating profit/loss (EBIT)	26.4	11.8	14.6	123.4%
Average number of personnel	465	474	(10)	(2.1%)

Financial results (million euros)	30/09/18	31/12/17 Pro Forma	Var	Var %	30/09/17 Pro Forma	Var	Var %
Investments	9.5	19.4	(9.9)	(51.1%)	11.2	(1.8)	(15.6%)
Net financial debt	12.5	(8.7)	21.2	n.s.	58.6	(46.1)	(78.7%)

Adjusted Gross operating profit (EBITDA) (million euros)	30/09/18	30/09/2017 Pro Forma	Change	% Change
Gross operating profit (EBITDA) Commercial and Trading Segment	62.6	57.3	5.3	9.3%
Gross operating profit (EBITDA) GROUP	685.2	625.8	59.4	9.5%
Percentage weight	9.1%	9.2%	0.0 p.p.	

The Segment, responsible for the energy management policies of the Group and the management and development of the sale of electricity and gas and the related customer reporting activities, closed the first nine months of 2018 with an EBITDA of € 62.6 million, an increase of € 5.3 million compared to the same period in 2017.
The increase is almost entirely attributable to Acea Energia (+ € 5.1 million compared to the first nine months of 2017). This change is due to the combined effects of lower energy margins (- € 7.0 million) offset by lower operating costs (- € 7.8 million) to which must be added the economic effects deriving from the first application of the new international standard IFRS15 that reclassifies the cost of the agents under depreciation and amortisation.

With regard to the effects on the primary gross margin, the reduction recorded by Acea Energia is mainly due to the decrease in the **free market** margin (- € 6.4 million). The margin of the **protected market** and that of the **gas market** are substantially in line with the first nine months of 2017 (total - € 0.5 million). The reduction in the **free market** margin is due to the contraction in volumes of electricity sold (- 12.9% mainly in the B2B segment), to the lower margins in the mass market segment and to the regulatory review of imbalances. However, we note an increase in the number of customers, with particular reference to the small business and mass market segments (+ 4.0%).

The operating result shows an increase of € 14.6 million mainly due to the reduction in impairments of receivables also following the better collection performance.

With reference to the workforce, the average number at 30 September 2018 stood at 465 employees; this number was down compared to the same period of the previous year by 10 employees. The primary contributors to this change are Acea8cento (- 17 people) and Acea Energia (+ 7 people).

Investments in the Segment reached about € 9.5 million, a reduction of € 1.8 million compared to 30 September 2017 also due to the activation of the information systems of the Acea 2.0 project.

Net financial debt at 30 September 2018 stood at € 12.5 million, decreasing by € 46.1 million compared to 30 September 2017 and up € 21.2 million on 31 December 2017. The above trend derives from *operating cash flow* dynamics influenced by the improvement in collection performance and lower payables for lower volumes of energy purchased on the protected market.

Significant and subsequent events

With regard to the proceedings started by the Antitrust Authority, the main updates are described below:

Procedure PS9354 of the Antitrust Authority for unfair commercial practices: on 2 July 2018, Acea Energia submitted the report requested by the antitrust authority concerning the definitive measures implemented by the Company at 30 June 2018 in compliance with the provision in question. On 24 September 2018, the Company received a new request for information formulated by the antitrust authority in response to the last Acea Energia note containing the description of the measures to comply with the provision implemented by the Company. In particular, the authority requested that by 24 October 2018 the company provide further indications regarding the handling of complaints concerning the adjustment/recovery invoices, inclusive of fully or partially prescribed consumption.

Procedure A513 of the Antitrust Authority for abuse of a dominant position: On 3 August 2018 the antitrust authority served Acea Energia with a Communication of Preliminary Results, document in which the authority renders its preliminary findings official based on the information gathered during the Procedure, and, for the purposes of the assessment of the violations of article 102 of the TFEU, identifies (i) the relevant markets, (ii) the existence of the dominant position of the companies of the Acea Group, (iii) the abuse of said dominant position, (iv) the severity and duration of the abuse of dominant position. From this communication it emerges that the authority challenges the entire ACEA Group to pursue a commercial/industrial strategy aimed at governing the "emptying" of its protected market customer base through the unlawful exploitation of irreplicable prerogatives deriving directly from the performance in a legal monopoly both of the distribution activity and of the activity carried out as the operator of the Enhanced Protection Service in the areas of the Municipalities of Rome and Formello. By 15 November 2018, the deadline for completion of the Procedure, the Board will make a decision on the request for sanctions of the offices of the Acea Group for which the antitrust authority initiated the procedure.

Procedure PS9974 of the Italian Antitrust Authority (AGCM): On 26 September 2018, Acea Energia was notified by the antitrust authority of the outcome of the procedure concerning the invitation to eliminate possible improprieties in its commercial conduct, pursuant to art. 4, para. 5 of the "Regulations on preliminary procedures concerning misleading and comparative advertising", which had been served to the company on 30 May 2018.
The authority decided to dismiss the requests for action because the activities put in place by the company in light of the aforementioned invitation by the authority, as represented in its reply sent to the authority on 2 July 2018, are considered sufficient to eliminate any commercial improprieties of the type under investigation.

Overseas Operating Segment

Operating figures, equity and financial results for the period

Operating figures	U.M.	30/09/18	30/09/2017	Change	Var %
Water Volumes	Mm^3	32	33	(1)	(1.6%)

Financial results (million euros)	30/09/18	30/09/2017	Change	% Change
Revenue	27.7	27.9	(0.2)	(0.8%)
Costs	16.6	16.8	(0.2)	(1.4%)
Gross operating profit (EBITDA)	11.1	11.1	0.0	0.0%
Operating profit/loss (EBIT)	5.6	6.5	(0.9)	(14.2%)
Average number of personnel	608	593	14	2.4%

Financial results (million euros)	30/09/18	31/12/2017	Var	Var %	30/09/2017	Var	Var %
Investments	4.0	5.2	(1.2)	(22.6%)	3.5	0.5	14.9%
Net financial debt	6.1	7.4	(1.3)	(17.6%)	8.6	(2.5)	(28.9%)

Gross operating profit (EBITDA) (million euros)	30/09/18	30/09/2017	Change	% Change
Gross operating profit (EBITDA) Overseas Segment	11.1	11.1	-	0.3%
Gross operating profit (EBITDA) GROUP	685.2	625.8	59.4	9.5%
Percentage weight	1.6%	1.8%	(0.2 p.p.)	

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

- Agua de San Pedro (Honduras), 60.65% owned by the Group as of October 2015, when it was consolidated using the line-by-line method. The Company serves its customers in San Pedro Sula;
- Acea Dominicana (Dominican Republic) wholly owned by the Group, provides service to the local municipality named CAASD (Corporation Aqueducto Alcantariado Santo Domingo);
- AguaAzul Bogotá (Colombia), 51% owned by the Group and consolidated using the equity method as of the 2016 financial statements, due to a change in the composition of the Board of Directors
- Consorcio Agua Azul (Peru) is controlled by the Group which owns 25.5% of it and provides water and adduction services in the city of Lima.

During the quarter, the following were also established:

- Acea Perù, wholly owned by Acea International, was established on 28 June 2018, not yet operational. This company was established with the specific intent to manage the aqueduct service in the city of Lima.
- Consorcio Servicio Sur controlled by Acea International (50%), ACEA Ato2 (1%) and by local partners Conhydra, Valio and India (total 49%). The Consortium was established on 5 July 2018 but is not yet operational. This company was set up with the specific aim of managing the corrective maintenance service for the drinking water and sewerage systems of the Directorate of Services Sur of Lima (Peru).

This Segment closes the first nine months of 2018 with EBITDA of € 11.1 million, essentially in line with the same period of last year (€ 11.1 million).

The average workforce as at 30 September 2018 comes to 608 employees and shows a rise of 14 on the same period of last year due to **Agua de San Pedro** (+ 8 people) and **Acea Dominicana** (+ 6 people).

Net financial debt as at 30 September 2018 30 September 2018 is € 6.1 million and improves on the same period of 2017 by € 2.5 million mainly due to **Agua de San Pedro** (- € 2.5 million), Acea International (- € 0.5 million) and in part offset by the decrease of **Acea Dominicana** (+ € 0.6 million).

Significant and subsequent events

In recent months the Overseas Operating Segment was affected by the reorganisation of investments abroad which led Acea International S.A. to play a management and coordination role. This includes the transfer of the shareholdings in Consorcio Agua Azul S.A. from ACEA S.p.A. to Acea International and the other acquisitions made by the foreign sub-holding during the second half of 2018.

Operating figures, equity and financial results for the period

Operating figures*	U.M.	30/09/18	30/09/2017	Change	Var %
Water Volumes	Mm³	313	316	(3)	(1.0%)
Electrical Energy Consumed	GWh	282	311	(29)	(9.3%)
Sludge Disposed of	kTon	72	107	(36)	(33.2%)

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

Financial results (million euros)	30/09/18	30/09/2017	Change	% Change
Revenue	577.1	535.3	41.8	7.8%
Costs	283.9	271.3	12.6	4.6%
Gross operating profit (EBITDA)	293.2	264.0	29.2	11.0%
Operating profit/loss (EBIT)	163.4	143.5	19.8	13.8%
Average number of personnel	1,801	1,785	15	0.9%

Financial results (million euros)	30/09/18	31/12/2017	Var	Var %	30/09/2017	Var	Var %
Investments	224.6	271.4	(46.9)	(17.3%)	183.7	40.8	22.2%
Net financial debt	1,011.2	921.2	90.0	9.8%	897.1	114.2	12.7%

Gross operating profit (EBITDA) (million euros)	30/09/18	30/09/2017	Change	% Change
Gross operating profit (EBITDA) Water Segment	293.2	264.0	29.2	11.0%
Gross operating profit (EBITDA) GROUP	685.2	625.8	59.4	9.5%
Percentage weight	42.8%	42.2%	0.6 p.p.	

EBITDA for the Segment stood at € 293.2 million at 30 September 2018, an increase of € 29.2 million compared to the first nine months of 2017 (11.0%). In particular, the *positive performance* of the Segment was influenced by ACEA Ato2, ACEA Ato5, Acque, Acquedotto del Fiora and GORI which show increases of € 14.3 million, € 5.4 million, € 4.3 million, € 1.9 million and € 1.2 million respectively.
The period revenue was valued on the basis of the determinations by the EGA and/or ARERA; as usual, it includes the estimate of the adjustment concerning the passing costs. As is known, as of the second regulatory period, the tariffs can also include the components concerning commercial quality. Under specific conditions, the Managers may be recognised, alternatively, the $Opex_{qc}$ component or the "contractual quality" award. The "contractual quality" award is given to the Manager if the indicators identified for metering and monitoring (as of 1 July 2016) exceed the thresholds established in ARERA resolution 655/2015. Therefore the revenues of ACEA Ato2 include € 24.2 million, which is the best estimate of the period quality premium. It should also be noted that the penalties for commercial quality amount to € 0.8 million. Below is a table summarising the status of the tariff proposals.

The average number of staff as at 30 September 2018 increased to 15, mainly due to ACEA Ato2.

The contributions to the EBITDA of the water companies valued under the equity method are listed below:

(million euros)	30/09/18	30/09/2017	Change	% Change
Publiacqua	6.6	7.1	(0.5)	(7.5%)
Acque Group	9.7	5.3	4.4	82.2%
Acquedotto del Fiora	3.7	1.7	1.9	110.0%
Umbra Acque	0.6	0.2	0.4	211.3%
Gori	1.6	0.4	1.2	276.0%
Nuove Acque and Intesa Aretina	0.4	0.4	0.1	0.0%
GEAL	0.9	0.8	0.1	5.0%
Total	**23.5**	**16.0**	**7.5**	**46.8%**

The operating profit is affected by the increase in amortisations (€ 26.3 million) consistently with the trend in investments and the entry into operation of the new functions of the Acea2.0 programme as well as the lower impairments of receivables (- € 8.4 million) in part due to the improved collections, primarily those of ACEA Ato2. Provisions for the period (€ 4.9 million) decreased by € 8.6 million, mainly due to the effects deriving from the reduction in the provision for restoration charges made in the previous year.

The financial indebtedness of the Area stood at € 1,011.2 million at 30 September 2018, having worsened by € 114.2 million compared to 30 September 2017 and by € 90.0 million compared to 31 December 2017. The decrease compared to last year is primarily due to. **(i)** ACEA Ato2, substantially due to the lower liquidity resulting from a reduction in the company's liquid assets primarily used to finance the investments made in the period; **(ii)** to ACEA Ato5 as a result of a worsening of debt exposure to the parent company.

Investments in the Segment were € 224.6 million and were mainly attributable to ACEA Ato2 for € 197.9 million and € 24.8 million to ACEA Ato5. The main investments in the period include those relating to the work carried out for the reclamation and expansion of the water and sewage pipes of the various municipalities, the extraordinary maintenance of the water centres, the interventions on the treatment plants, works to reduce water leaks and improve relationships with users and the local region and on IT applications.

Significant and subsequent events

Revenue from the Integrated Water Service

The table below indicates for the main companies in the Water Segment the amount of revenue in the first nine months of 2018, valued on the basis of the tariff decisions made by the respective EGAs or by the ARERA. The data includes the adjustment of passing items, the Fo.NI component, the $Opex_{qc}$ or the award as per art. 32.1, subsection a) of resolution 664/2015/R/idr.

Company	Revenue from the IWS (million euros)	Details (million euros)
ACEA Ato2	451.3	FNI = 15.5 AMM_{FoNI} = 5.9 Award = 24.2
ACEA Ato5	53.4	FNI = 5.1 AMM_{FoNI} = 1.9
GORI*	46.5	AMM_{FoNI} = 0.0
Acque*	53.4	AMM_{FoNI} = 3.2
Publiacqua*	72.5	AMM_{FoNI} = 7.3
Acquedotto del Fiora*	32.5	AMM_{FoNI} = 2.6
Umbra Acque*	22.4	FNI = 1.2 AMM_{FoNI} = 0.9

*Pro quota values

Progress of the procedure for approving the tariffs

The progress of the procedure for approving tariffs and the approval of the two-year update (2018 - 2019) of the IWS tariff provisions for the main Group companies is shown below.

Company	Approval status (up to MTI2 "2016 - 2019")	Biennial update status (2018 - 2019)
ACEA Ato2	On 27 July 2016, the EGA approved the tariff inclusive of the bonus as per art. 32.1, subsection a) of Resolution 664/2015/R/idr. <u>The ARERA then approved them in Resolution 674/2016/R/idr, with some changes compared to the EGA proposal; quality bonus confirmed.</u>	The Mayors' Conference approved the tariff update on 15 October 2018, the tariff update and at the same time postponed the approval of the TICSI (Integrated text on water fees) setting out the criteria for the rate structure to be applied.
ACEA Ato5	Tariff proposal submitted by the Operator on 30 May 2016, with request for recognition of the $Opex_{qc}$. ARERA warned the EGA on 16 November 2016 and the EGA approved the tariff proposal on 13 December 2016, rejecting, among others, the request for recognition of the $Opex_{qc}$. Approval by the ARERA is awaited.	The Conference of Mayors approved the tariff update on 1 August 2018.
GORI	On 1 September 2016, the Extraordinary Commissioner of the EGA approved the tariff with Opx_{qc} as of 2017. Approval by the ARERA is awaited.	On 17 July 2018 the Extraordinary Commissioner of the EGA approved the 2018-2019 tariff update.
Acque	On 05 October 2017, the AIT approved the tariff with recognition of the $Opex_{qc}$. Approval by the ARERA is	On 22 June 2018 the AIT Board of Directors approved the 2018-2019 tariff update and, at the same time, the request to

	awaited.	extend the duration of the 5-year contract, that is until 31 December 2031. On 9 October 2018 the ARERA approved AIT's proposal with resolution no. 502.
Publiacqua	On 5 October 2016, the AIT approved the tariff with recognition of the bonus as per art. 32.1, subsection a) of Resolution 664/2015/R/idr. With resolution 687/2017/R/idr, on 12 October 2017 ARERA approved the specific regulatory frameworks for the 2016-2019 period proposed by the AIT.	The Territorial Conference called to review the Works Plan to contain the tariff increase was postponed to November (probably the first week of the month).
Acquedotto del Fiora	On 05 October 2016, the AIT approved the tariff with recognition of the $Opex_{qc}$. On 12 October 2017, with resolution 687/2017/R/idr ARERA approved the specific regulatory frameworks for the 2016-2019 period proposed by the AIT.	The AIT Board of Directors approved the 2018-2019 tariff update in the session of 27 July 2018.
Geal	On 22 July 2016, the AIT approved the tariff with recognition of the $Opex_{qc}$. With resolution 726/2017/R/idr, on 26 October 2017 ARERA approved the specific regulatory frameworks for the 2016-2019 period proposed by the AIT.	On 12 July 2018 the ARERA approved the 2018-2019 tariff update proposed by the AIT.
Crea Gestioni	Following Resolution 664/2015/R/idr, as neither the Municipalities where the service is provided nor the Area Authorities of reference had any tariff proposal for the 2016-2019 regulatory period, the Company submitted its own tariff proposals. Today approval by the ARERA is awaited.	The Company submitted the tariff update data to the competent/EGA parties, unless still in progress for the technical quality part. Given the substantial inertia of the parties responsible, the Company envisages the presentation of an autonomous proposal by the end of November 2018.
Gesesa	On 29 March 2017 with resolution no. 8 of the Extraordinary Commissioner the AATO1 approved the tariffs for the years 2016-2019. Today approval by the ARERA is awaited.	The Company sent the documentation relating to the 2018-2019 tariff review to the Area Authority and the preliminary investigation was initiated by the EGA with the expectation of reaching the approval of the tariffs by October 2018.
Umbra Acque	On 30 June 2016, the AIT approved the tariff with recognition of the $Opex_{qc}$. The ARERA then approved them in Resolution 764/2016/R/idr	In its session of 27 July 2018, the AURI Meeting approved the 2018-2019 tariff update. On 20 September 2018 the ARERA approved AURI's proposal with resolution no. 464.

Energy Infrastructures Operating Segment

Operating figures, equity and financial results for the period

Operating figures	U.M.	30/09/18	30/09/2017 Pro Forma	Change	Var %
Energy Produced (hydro + thermal)	GWh	401	315	85	27.1%
Energy Produced (photovoltaic)	GWh	9	9	(1)	(8.5%)
Electrical Energy distributed	GWh	7,449	7,604	(155)	(2.0%)
Energy Efficiency Bonds sold/cancelled	No.	133,229	146,178	(12,949)	(8.9%)
No. Customers	N/000	1,628	1,629	(1)	(0.1%)
Km of Network	Km	30,638	30,386	252	0.8%

Financial results (million euros)	30/09/18	30/09/2017 Pro Forma	Change	% Change
Revenue	515.7	482.0	33.8	7.0%
Costs	239.4	242.7	(3.3)	(1.3%)
Gross operating profit (EBITDA)	276.3	239.3	37.0	15.5%
Operating profit/loss (EBIT)	177.8	132.0	45.8	34.7%
Average number of personnel	1,387	1,365	23	1.7%

Financial results (million euros)	30/09/18	31/12/2017 Pro Forma	Var	Var %	30/09/2017 Pro Forma	Var	Var %
Investments	156.2	209.4	(53.2)	(25.4%)	148.5	7.7	5.2%
Net financial debt	1,151.7	1,036.6	115.1	11.1%	1,037.5	114.2	11.0%

Adjusted Gross operating profit (EBITDA) (million euros)	30/09/18	30/09/2017 Pro Forma	Change	% Change
Adjusted gross operating profit Energy Infrastructures Segment*	276.3	239.3	37.0	15.5%
Adjusted GROUP Gross operating profit EBITDA*	685.2	625.8	59.4	9.5%
Percentage weight	40.3%	38.2%	2.1 p.p.	

EBITDA at 30 September 2018 was € 276.3 million, an increase of € 37.0 million compared to 30 September 2017. This change is mainly attributable to ***areti*** (+ € 24.0 million compared to 30 September 2017) as a consequence of the annual tariff updates in the scope of the fifth regulatory cycle (tariff variation effect between the two periods being compared) as per ARERA resolution no. 175/2018/R/eel of 29 March 2018. As regards the energy balance, at 30 September 2018 *areti* injected 7,449 GWh into the network with a slight decrease compared to the first nine months of 2017 (- 2%).

The EBITDA for public lighting is negative for € 2.4 million, a decrease of € 5.1 million compared to 30 September 2017 (was positive for € 2.7 million). The change is due to the margins deriving from the LED Plan launched at the end of June 2016 related to an agreement with Roma Capitale, as well as non-recurring effects recorded in 2018. It should be noted that during the first nine months of the year 10,276 light fixtures were replaced (in addition to the 158,891 already replaced up to the end of last year). Please also note that during the first nine months of 2018, a total of 1,221 light points were developed at the request of Roma Capitale.

Acea Produzione contributes to the increase in EBITDA for € 9.1 million thanks to the increase in the energy margin of the hydroelectric generation sector, which records an increase in production of approximately 26%, also due to the greater contribution made by the flow plants of Castel Madama, Mandela and Orte (+ 13.9%) and the thermoelectric generation segment, which records a considerable increase (+ 163% on the same period of last year) following completion of the Tor di Valle plant development.

Personnel costs increased by € 4.7 million, in line with the increase in the average workforce, which at 30 September 2018 increased by 23 units, entirely attributable to the company ***areti***.

The operating result is mainly affected by the decrease in the receivable write-down component (- € 12.3 million) due to the effects produced by the write-downs made last year on the issue linked to Gala, as well as for the lower accruals for the period due to exodus and mobility (- € 1.3 million).

Net financial debt stood at € 1,151.7 million as at 30 September 2018, showing an increase of € 114.2 million compared to 30 September 2017 and an increase of € 115.1 million compared to 31 December 2017. The effects are mainly attributable to the increasing volume of investments, the increase in pay-outs and the dynamics of operating cash flow.

Investments amounted to € 156.2 million and refer to the work on the HV, MV and LV network and a series of interventions for the expansion of the MV networks and extraordinary overhead lines maintenance. The investments made by **Acea Produzione** refer mostly to the revamping works of the Mandela hydroelectric plant and for the extension works of the district heating network in the Mezzocammino area in the south of Rome.

Significant and subsequent events

GALA

With Resolution 50/2018/R/eel of 1 February 2018, the Authority approved a mechanism for recognising charges otherwise not recoverable due to the failure to collect general system charges. This regulation provides for the recognition of receivables accrued from 1 January 2016, with the request for recognition to be submitted by July 2018, referring to bills that have expired for at least 12 months.
This regulation establishes that only distributors that have paid the amount of charges for which they are to be reimbursed to CSEA and the GSE can access the mechanism. In addition, some restrictions have been introduced like not allowing full recognition of the portion relating to general charges.
Being interested in joining the mechanism to obtain a partial re-integration, areti, having anticipated the share of charges to CSEA and GSE, promptly filed a petition.
Consequently, on 30 September 2018, by virtue of the mechanism described above, areti was able to recover the amount of € 28.4 million to partially offset the system charges.
At 30 September 2018 the total credit accrued by areti is over € 72 million, including a portion of default interest billed at the end of June 2018.
Taking into account the changes in the regulatory framework deriving from the approval of the mechanism for reimbursing general expenses, the reduction in the value of the *a*reti receivable from Gala was prudentially calculated as at 30 September 2018.

S.A.S.I. (Società Abruzzese per il Servizio Idrico Integrato S.p.A.)

On 5 July 2018 ACEA and S.A.S.I. – the company that manages the integrated water service for the province of Chieti – reached a settlement agreement during which the counterparty agreed to renounce the appeal against ACEA pending before the Court of Cassation and any claim made therein, and ACEA agreed to accept said renunciation. This agreement envisages that S.A.S.I. must pay to ACEA the total amount of 5.4 million euros, of which 1.0 million euros was collected at the time of signing the agreement.

Sanctions by the ARERA

With Resolution **300/2018/S/eel** of the ARERA, the Company was sanctioned for a violation regarding the commissioning of electronic low voltage electricity meters. Initiated with resolution **VIS 62/2014/S/eel**, the procedure derives from a communication sent by the company to ARERA, in response to a request, which showed that, unlike the provisions of Resolution 292/2006 on the date of 30 June 2013, the percentage of meters put into service compared to the total of low voltage PODs with available power lower than 55 kW was equal to 89.9%, below the threshold required by the regulation (95%).

Technological innovation projects

During the year the initiatives launched in 2017 continued. Some of these worthy of note for their values and state of progress are the "Smart Grid" project, the "Primary and Secondary Cabin 2.0" project, the San Saba project , the realisation of "Electric recharges and storage systems" at the parking lot of Piazzale dei Partigiani, the "DRONI" project, the "Fibre Optic" project, the "Smart Metering at 169MHz and NB-IoT" project and the "LUCE" project.

Engineering and Services Operating Segment

Operating figures, equity and financial results for the year

Operating figures	U.M.	30/09/18	30/09/2017	Change	Var %
Technical-professional verification	Number of firms	184	167	17	10.2%
Worksite inspections	Number of inspections	8,017	6,421	1,596	24.9%
Safety Coordination	CSE Number	227	429	(202)	(47.1%)

Financial results (million euros)	30/09/18	30/09/2017	Change	% Change
Revenue	53.0	60.2	(7.1)	(11.9%)
Costs	42.1	45.5	(3.4)	(7.5%)
Gross operating profit (EBITDA)	10.9	14.6	(3.7)	(25.6%)
Operating profit/loss (EBIT)	9.7	12.8	(3.1)	(24.3%)
Average number of personnel	262	317	(55)	(17.3%)

Financial results (million euros)	30/09/18	31/12/2017	Var	Var %	30/09/2017	Var	Var %
Investments	0.8	0.8	(0.1)	(8.0%)	0.5	0.3	60.5%
Net financial debt	20.1	12.3	7.9	64.0%	14.8	5.3	36.0%

Gross operating profit (EBITDA) (million euros)	30/09/18	30/09/2017	Change	% Change
Gross operating profit Engineering and Services Segment	10.9	14.6	(3.7)	(25.6%)
Gross operating profit GROUP	685.2	625.8	59.4	9.5%
Percentage weight	1.6%	2.3%	(0.8 p.p.)	

The Segment constituted as a consequence of the organisational changes made in May 2017 closes the first nine months of 2018 with EBITDA of € 10.9 million down on the same period of the previous year (- € 3.7 million), mainly due to the company **Acea Elabori**.
Also included in the Segment is Ingegnerie Toscane which recorded an EBITDA of € 1.3 million substantially in line with the same period of the previous year (+ € 0.2 million).

The average workforce as at 30 September 2018 stood at 262 employees and has reduced with regard to 30 September 2017 (there were 317 employees), mainly as a result of the transfer of the Facility Management unit, which involved the transfer of 55 resources from Acea Elabori to ACEA S.p.A.

Investments amounted to € 0.8 million and refer mainly to industrial equipment for Acea Elabori.

Net financial debt at 30 September 2018 was equal to € 20.1 million and showed a worsening compared to the closing of the corresponding period in 2017 of € 5.3 million, due partly to the increase in requirements generated by changes in working capital, with particular reference to intragroup relations.

Significant and subsequent events

No significant events are reported during the period observed.

Corporate

Equity and financial results for the period

Financial results (million euros)	30/09/18	30/09/2017	Change	% Change
Revenue	90.2	87.7	2.5	2.8%
Costs	107.2	95.0	12.2	12.9%
Gross operating profit (EBITDA)	(17.0)	(7.3)	(9.7)	134.0%
Operating profit/loss (EBIT)	(27.5)	(39.4)	12.0	(30.4%)
Average number of personnel	662	587	75	12.8%

Financial results (million euros)	30/09/18	31/12/2017	Var	Var %	30/09/2017	Var	Var %
Investments	5.2	10.7	(5.5)	(51.6%)	9.6	(4.4)	(46.2%)
Net financial debt	227.0	257.3	(30.3)	(11.8%)	255.3	(28.3)	(11.1%)

Gross operating profit (EBITDA) (million euros)	30/09/18	30/09/2017	Change	% Change
Gross operating profit Corporate Segment	(17.0)	(7.3)	(9.7)	134.0%
Gross operating profit GROUP	685.2	625.8	59.4	9.5%
Percentage weight	(2.5%)	(1.2%)	(1.3 p.p.)	

ACEA closes the first nine months of 2018 with a negative EBITDA of € 17.0 million (- € 9.7 million compared to 30 September 2017) for the revision of service contracts plus an increase in costs for Information Technology that were not capitalised.

The average number of employees at 30 September 2018 was 662, a reduction compared to the same period in the previous year (587). This increase is mainly due to the acquisition of the Facility Management division, which involved the transfer of 55 resources from Acea Elabori to ACEA S.p.A.

Investments amounted to € 5.2 million, a decrease of € 4.4 million compared to the first nine months of 2017. The investments mainly refer to IT developments and investments in the buildings used for company activities. The reduction compared to the same period last year mainly refers to lower investments in technological infrastructure.

Net debt at 30 September 2018 amounted to € 227.0 million, an improvement of € 30.3 million compared to the closure of 2017. This change derives from the Group and ACEA needs generated by changes in working capital, including the disbursement of payables to suppliers.

Significant and subsequent events

As part of the project to transfer the foreign subsidiaries from Acea to Acea International, in the first part of the year ACEA sold all the shares held in Consorcio Agua Azul to Acea International. This transaction involved the payment of capital gain taxes of € 2.2 million to the SUNAT (local revenue agency).

Significant events during the period and beyond

Acea S.p.A. and Open Fiber: agreement for the development of networks and innovative services for the city of Rome

On 12 January 2018 the Chief Executive Officer of Acea S.p.A. Stefano Donnarumma and Elisabetta Ripa, CEO of Open Fiber, following the Memorandum of Understanding signed on 3 August 2017, signed an agreement defining the terms and conditions of the overall industrial agreement for the development of an ultra-broadband communications network in the city of Rome.

Acea S.p.A. Placement of bond issues for 1 billion

On 1 February 2018, Acea S.p.A. completed the placement of bond issues for an amount of 300 million euros with a five-year maturity at a variable rate (three-month Euribor +0.37%) and 700 million euros with a 9.5-year maturity at a fixed rate (1.5%), from the 3 billion euro Euro Medium Term Notes (EMTN) programme. The issue of the bond loan, intended exclusively for institutional investors of the Euromarket, was successful, receiving requests equal to over 2.5 times the amount of the Bonds offered. Fitch Ratings and Moody's gave the issue a rating of BBB+ and Baa2 respectively, in line with that of ACEA.

Acea S.p.A. The Shareholders' Meeting approved the 2017 Financial Statements and the distribution of a dividend of 0.63 per share

On 20 April 2018 the Shareholders' Meeting of Acea S.p.A. approved the 2017 Financial Statements and the distribution of dividends equal to 0.63 per share disbursed from 20 June 2018 (ex-coupon date 18 June, record date 19 June).

Acea S.p.A. Appointment of director Michaela Castelli as Chairwoman of the Board of Directors

On 21 June 2018, the Board of Directors of Acea S.p.A., confirming their appreciation for the work of the CEO and in the spirit of continuity of management and business objectives, unanimously decided to appointment the director Michaela Castelli as Chairwoman of the Board of Directors.

Acea S.p.A. ACEA enters the gas distribution sector

On 11 October 2018 ACEA signed an agreement with the companies Alma C.I.S. S.r.l. and Mediterranea Energia SCARL for the acquisition of 51% of the share capital held by them in the company Pescara Distribuzione Gas S.r.l., active in the distribution of methane gas in the Municipality of Pescara. The two seller companies, which will retain 49% of the capital, will participate in synergy with ACEA in the industrial management of the infrastructure. Pescara Distribuzione Gas governs the entire distribution network of the Municipality of Pescara and owns about half of it, the remainder belongs to the municipality, for a total of 325 km of network and about 62 thousand PDR. The economic value of the transaction, in terms of enterprise value for 100% of the company, is 17 million euros. Following the transaction it will be consolidated by ACEA at 100%, with an expected annual contribution to the EBITDA of approximately 1.8 million euros. The closing of the agreement, expected by the end of the year, is subject to approval by the Municipality of Pescara.

Acea S.p.A. Moody's confirms ACEA's "Baa2" rating and "stable" outlook

On 11 October 2018 Moody's confirmed ACEA's "Baa2" rating with a "stable" outlook. The confirmation of the outlook is mainly due to the following reasons: the business mix primarily focused on regulated activities with limited exposure to price and volume risk; the strategic plan focused on regulated activities likely to ensure financial flexibility.

Operating outlook

The results achieved by the ACEA Group at 30 September 2018 are higher than expected and reinforce the guidance already communicated to the market.

The Group is determined to carry out significant investments in infrastructure that, without affecting the solidity of the consolidated financial structure, have an immediate positive impact on performance, EBITDA and billing and collection processes.

The Group's financial structure is solid for the years to come. At 30 September 2018, 79.0% of debt is fixed rate in order to ensure protection against any increases in interest rates as well as any financial or credit volatility. At 30 September 2018 the average duration of medium/long-term debt stood at 6 years. It should be noted that the reduction of its average cost went from 2.57% of 31 December 2017 to 2.21% of 30 September 2018.

For the year 2018, with the same scope of activity, ACEA expects:

- ✓ An increase of 6% in EBITDA, in line with the Business Plan (guidance of June 2018 higher than + 5%), based on the 2017 result (€ 840 million);
- ✓ confirmation of guidance for planned investments, up compared to € 532 million in 2017, in line with the Business Plan;
- ✓ a net financial debt of around € 2.6 billion at the end of the year (guidance of June 2018 confirmed).

Form and Structure

General information

The Interim Report on Operations as at 30 September 2018 of the ACEA Group were approved by Board of Directors on 08 November 2018. The Parent Company, ACEA S.p.A. is an Italian joint-stock company, with its registered office in Rome, at Piazzale Ostiense 2 and whose shares are traded on the Milan Stock Exchange.

Compliance with IAS/IFRS

This Interim Report on Operations, drafted on a consolidated basis, has been drawn up in compliance with the international accounting standards effective on the reporting date, approved by the International Accounting Standards Board (IASB) and adopted by the European Commission according to the procedure set forth in Art. 6 of the regulation (EC) no. 1606/2002 of the European Parliament and of the Council of 19 July 2002 and pursuant to Art. 9 of Italian Legislative Decree no. 38/2005.
The international accounting standards include the International Financial Reporting Standards (IFRS), the International Accounting Standards (IAS) and the interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and Standard Interpretations Committee (SIC), collectively the "**IFRS**".

Basis of presentation

The Interim Report on Operations consists of the consolidated statement of financial position, consolidated income statement, statement of consolidated comprehensive income, consolidated statement of cash flows and the statement of changes in consolidated shareholders' equity. The Report also includes illustrative and supplementary notes prepared under the IAS/IFRS currently in effect.
The Income Statement is classified on the basis of the nature of expenses, the Statement Of Financial Position is based on the liquidity method by dividing between current and non-current items, whilst the Statement Of Cash Flows is presented using the indirect method.
The Interim Report on Operations is drawn up in euros; the figures on the income statement and balance sheet are rounded off to thousands of euros, whilst those of the notes are rounded off to millions of 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. This orientation was acknowledged in our system in CONSOB Communication no. 0092543 dated 3 December 2015. The content and meaning of the non-GAAP measures of performance and other alternative performance indicators used in these financial statements are illustrated below:

1. for the ACEA Group, the *gross operating profit* (or EBITDA) is an operating performance indicator and from 1 January 2014 also includes the condensed result of equity investments in jointly controlled entities for which the consolidation method changed when international accounting standards for financial reporting IFRS10 and IFRS11 came into force. The *gross operating profit* is calculated by adding the operating result to the item "Amortisation, depreciation, provisions and impairment charges" as these are the main non-cash items. Instead, it is specified that the 2017 adjusted economic data do not include the negative effect resulting from the re-entry into ownership of the Autoparco property (following a ruling issued in June 2017) and the effects deriving from the assessment of *areti*'s exposure to Gala and the Group to ATAC;
2. the *net financial position* is an indicator of the ACEA Group's financial structure, obtained by adding together Non-current borrowings and financial liabilities net of Non-current financial assets (loans and receivables and securities other than equity investments), Current borrowings and other Current financial liabilities net of Current financial assets, Cash and cash equivalents; it is noted however that the 2017 adjusted net financial position does not include the impact deriving from the GALA matter, ATAC and split payment;
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*.
4. *net working capital* is the sum of the current receivables, inventories, the net balance of other current assets and liabilities and current debts, excluding the items considered in calculating the *net financial position*.

Use of estimates

In application of IFRS, preparation of the Interim Report on Operations requires management to make estimates and assumptions that affect the reported amounts of revenue, costs, assets and liabilities and the disclosure of contingent assets and liabilities as at the reporting date. The main sources of uncertainty that could have an impact on the evaluation processes are also considered in making these estimates.
The actual amounts may differ from such estimates. Estimates are used to determine some revenues from sales, for the recognition of provisions for risks and charges, for credit risks, obsolescent inventories, impairment charges

incurred on assets, the recoverability of prepaid tax assets, employee benefits, fair value of derivatives, revenue, taxes and other provisions. The original estimates and assumptions are periodically reviewed and the impact of any change is recognised in the income statement.
The estimates also take into consideration assumptions based on market and regulatory parameters and information available on the date of the financial statements. The current events and circumstances affecting the assumptions as regards future development and events may, however, change as a result, for example, of changes in the market trends or applicable regulations that are beyond the control of the Group. These changes in assumptions are also reflected in the financial statements when they occur.
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 audited.

Consolidation policies, procedures and scope

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 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. Losses attributable to the minority interest in excess of their portion of shareholders' equity are subsequently attributed to shareholders' equity attributable to the Group, unless the minority has a binding obligation to cover losses and is able to invest further in the company to cover the losses.

Business combinations

Acquisitions of subsidiaries are accounted for under the acquisition method. The cost of the acquisition is determined as the sum of the fair value, at the date of exchange, of the assets acquired, the liabilities incurred or acquired, and the financial instruments issued by the Group in exchange for control of the acquired company.
The identifiable assets, liabilities and contingent liabilities of the acquired company that meet the conditions for recognition under IFRS3 are accounted for at fair value on the date of acquisition, with the exception of non-current assets (or disposal groups), which are classified as held for sale under IFRS5 and accounted for at fair value net of costs to sell.
If the business combination is achieved in stages, the fair value of the investment previously held has to be re-measured and any resulting gain or loss is recognised in profit or loss.
The purchaser has to recognise any contingent consideration at fair value, on the date of acquisition. The change in fair value of the contingent consideration classified as asset or liability is recognised according to the provisions included in IAS39, in the income statement or among the other components of the comprehensive income statement. If the contingent consideration is classified in equity, its value is re-measured until its extinction is booked against equity.
The costs directly attributable to the acquisition are included in the Income Statement.
The purchase cost is allocated by recording the identifiable assets, liabilities and contingent liabilities of the acquisition at fair value on the date of acquisition. Any positive excess between the payment transferred, valued at fair value on the date of acquisition, and the amount of any minority interest, with respect to the net value of the amounts of the identifiable assets and liabilities of the acquisition valued at fair value is recorded as goodwill or, if negative, in the Income Statement.
For every business combination, the purchaser must value any minority stake in the acquired entity at fair value or in proportion to the share of the minority interest in 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

The financial statements of investee companies operating in currencies other than the euro, which is the functional currency of the Parent Company ACEA, are converted into euros by applying the exchange rate at the end of the period to the assets and liabilities, and the average exchange rates for the period to income statement items and to the cash flow statement.
The exchange differences arising from the translation of the financial statements of investee companies operating in currencies other than the euro are recognised directly in equity and are shown separately in a specific reserve of; this reserve is reversed to the income statement at the time of complete disinvestment or loss of control, joint control or significant influence over the investee company. In the case of partial disposal:

- without loss of control, the share of the exchange differences relating to the shareholding sold is attributed to the shareholders' equity pertaining to minority interests;
- without loss of joint control or significant influence, the portion of exchange differences relating to the shareholding sold is recognised 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.

Changes in basis of consolidation

In relation to the scope of consolidation as at 30 September 2018, the merger by incorporation of Gori Servizi S.r.l. into Gori S.p.A. was effective from 1 January 2018.

A) Unconsolidated investments

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

B) List of consolidated companies

Name	Location	Share Capital (in €)	Shareholding	Group consolidation quota	Method of Consolidation
Environment Sector					
Acea Ambiente 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
Iseco S.p.A.	Loc. Surpian n. 10 - 11020 Saint-Marcel (AO)	110,000	80.00%	100.00%	Integrale
Acque Industriali S.r.l.	Via Bellatalla,1 - Ospedaletto (Pisa)	100,000	73.05%	100.00%	Integrale
Commercial and Trading Sector					
Acea Energia S.p.A.	P.le Ostiense, 2 - Roma	10,000,000	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
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
Parco della Mistica S.r.l.	P.le Ostiense, 2 Roma	10,000	100.00%	100.00%	Integrale
Overseas Sector					
Acea Dominicana S.A.	Avenida Las Americas - Esquina Mazoneria, Ensanche Ozama -Santo Domingo	644,937	100.00%	100.00%	Integrale
Aguas de San Pedro S.A.	Las Palmas, 3 Avenida, 20y 27 calle - 21104 San Pedro, Honduras	6,457,345	60.65%	100.00%	Integrale
Acea International S.A.	Avenida Las Americas - Esquina Mazoneria, Ensanche Ozama - 11501 Santo Domingo	8,850,604	99.99%	100.00%	Integrale
Acea Perù S.A.C.	Cal. Amador Merino Reyna , 307 MIRAFLORES - LIMA	1,000	100.00%	100.00%	Integrale
Consorcio ACEA-ACEA Dominicana	Av. Las Americas - Esq. Masoneria - Ens. Ozama	67,253	100.00%	100.00%	Integrale
Water Sector					
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
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
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.	Corso Garibaldi, 8 - 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
Umbriadue Servizi Idrici S.c.a.r.l.	Strada Sabbione zona ind. A72 - Terni	100,000	99.20%	100.00%	Integrale
Energy Infrastructure Sector					
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
Acea Produzione S.p.A.	P.le Ostiense, 2 - Roma	5,000,000	100.00%	100.00%	Integrale
Acea Liquidation and Litigation s.r.l.	P.le Ostiense, 2 - Roma	10,000	100.00%	100.00%	Integrale
Ecogena S.r.l.	P.le Ostiense, 2 Roma	1,669,457	100.00%	100.00%	Integrale
Engineering and Services Sector					
ACEA Elabori S.p.A.	Via Vitorchiano – Roma	2,444,000	100.00%	100.00%	Integrale
Technologies For Water Services SPA	Via Ticino, 9 -25015 Desenzano Del Garda (BS)	11,164,000	100.00%	100.00%	Integrale

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

Name	Location	Share Capital (in €)	Shareholding	Group consolidation quota	Method of Consolidation
Environment Sector					
Ecomed S.r.l.	P.le Ostiense, 2 - Roma	10,000	50.00%	50.00%	Patrimonio Netto
Overseas Sector					
Consorcio Agua Azul S.A.	Calle Amador Merino Reina 307 - Lima - Perù	17,371,834	25.50%	25.50%	Patrimonio Netto
Water Sector					
Acque S.p.A.	Via Garigliano,1- Empoli	9,953,116	45.00%	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
GORI S.p.A.	Via Trentola, 211 – Ercolano (NA)	44,999,971	37.05%	37.05%	Patrimonio Netto
Geal S.p.A.	Viale Luporini, 1348 - Lucca	1,450,000	48.00%	48.00%	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.	Patrignone 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
Engineering and Services Sector					
Ingegnerie Toscane S.r.l.	Via Francesco de Sanctis,49 - Firenze	100,000	42.52%	42.52%	Patrimonio Netto
Visano S.c.a.r.l.	Via Lamarmora, 230 -25124 Brescia	25,000	40.00%	40.00%	Patrimonio Netto

The following companies are also consolidated using the equity method:

Name	Location	Share Capital (in €)	Shareholding	Group consolidation quota	Method of Consolidation
Environment Sector					
Amea S.p.A.	Via San Francesco d'Assisi 15C - Paliano (FR)	1,689,000	33.00%	33.00%	Patrimonio Netto
Coema	P.le Ostiense, 2 - Roma	10,000	33.50%	33.50%	Patrimonio Netto
Overseas Sector					
Aguaazul Bogotà S.A.	Calle 82 n. 19°-34 - Bogotà- Colombia	1,162,872	51.00%	51.00%	Patrimonio Netto
Water Sector					
Azga Nord S.p.A. *(in liquidazione)*	Piazza Repubblica Palazzo Comunale - Pontremoli (MS)	217,500	49.00%	49.00%	Patrimonio Netto
Sogea S.p.A.	Via Mercatanti, 8 - Rieti	260,000	49.00%	49.00%	Patrimonio Netto
Le Soluzioni Scarl	Via Garigliano,1 - Empoli	250,678	34.32%	24.62%	Patrimonio Netto
Servizi idrici Integrati ScPA	Via I Maggio, 65 Terni	19,536,000	25.00%	24.80%	Patrimonio Netto
Energy Infrastructure Sector					
Citelum Napoli Pubblica Illuminazione S.c.a.r.l.	Via Monteverdi Claudio, 11 - Milano	90,000	32.18%	32.18%	Patrimonio Netto
Sienergia S.p.A. *(in liquidazione)*	Via Fratelli Cairoli, 24 - Perugia	132,000	42.08%	42.08%	Patrimonio Netto
Umbria Distribuzione Gas S.p.A.	Via Bruno Capponi 100 – Terni	2,120,000	15.00%	15.00%	Patrimonio Netto
Other					
Marco Polo Srl *(in liquidazione)*	Via delle Cave Ardeatine, 40 - Roma	10,000	33.00%	33.00%	Patrimonio Netto

Consolidated Income Statement

	30/09/18	*Of which related party transactions*	30/09/2017	*Of which related party transactions*	Change
Revenue from sales and services	2,091,060		1,977,267		113,793
Other revenue and proceeds	82,869		60,636		22,234
Consolidated net revenue	**2,173,930**	**90,732**	**2,037,903**	**122,787**	**136,027**
Personnel costs	160,336		157,793		2,543
Costs of materials and overheads	1,353,957		1,272,215		81,742
Consolidated Operating Costs	**1,514,293**	**46,356**	**1,430,008**	**37,888**	**84,285**
Income/(Costs) from equity investments of a non-financial nature	**25,581**		**17,946**		**7,635**
Gross Operating Profit	**685,217**	**44,375**	**625,840**	**84,900**	**59,377**
Amortisation, depreciation, provisions and impairment charges	304,171		334,573		(30,401)
Operating profit/(loss)	**381,046**	**44,375**	**291,267**	**84,900**	**89,778**
Financial income	9,703	11,917	14,042	4,445	(4,339)
Financial costs	(75,604)	0	(65,435)	(1)	(10,169)
Income/(Costs) from equity investments	9,411		340		9,071
Profit/(loss) before tax	**324,556**	**56,292**	**240,214**	**89,344**	**84,342**
Taxes	98,776		78,600		20,176
Net profit/(loss)	**225,781**	**56,292**	**161,614**	**89,344**	**64,167**
Net profit/(loss) from discontinued operations					
Net profit/(loss)	**225,781**	**56,292**	**161,614**	**89,344**	**64,167**
Profit/(loss) attributable to minority interests	11,007		9,008		1,999
Net profit/(loss) attributable to the Group	**214,774**		**152,606**		**62,168**
Earnings (loss) per share attributable to Parent Company's shareholders					
Basic	1.00849		0.71658		0.29191
Diluted	1.00849		0.71658		0.29191
Earnings (loss) per share attributable to Parent Company's shareholders, net of Treasury Shares					
Basic	1.01047		0.71798		0.29249
Diluted	1.01047		0.71798		0.29249

Amounts in thousand euros

Quarterly Consolidated Income Statement

Thousand euros	Q3 2018	Q3 2017	Change	% Change
Revenue from sales and services	701,020	644,265	56,755	8.8%
Other revenue and proceeds	18,631	21,154	(2,522)	(11.9%)
Consolidated net revenue	**719,651**	**665,419**	**54,232**	**8.2%**
Personnel costs	50,409	48,688	1,721	3.5%
Costs of materials and overheads	440,990	412,367	28,623	6.9%
Consolidated Operating Costs	**491,400**	**461,056**	**30,344**	**6.6%**
Income/(Costs) from equity investments of a non-financial nature	**7,057**	**7,377**	**(319)**	**(4.3%)**
Gross Operating Profit	**235,309**	**211,740**	**23,569**	**11.1%**
Amortisation, depreciation, provisions and impairment charges	104,985	115,342	(10,357)	(9.0%)
Operating profit/(loss)	**130,324**	**96,398**	**33,926**	**35.2%**
Financial income	3,188	1,535	1,653	107.7%
Financial costs	(26,708)	(21,766)	(4,941)	22.7%
Income/(Costs) from equity investments	0	(310)	310	(100.0%)
Profit/(loss) before tax	**106,805**	**75,857**	**30,948**	**40.8%**
Taxes	31,683	24,580	7,103	28.9%
Net profit/(loss)	**75,122**	**51,277**	**23,845**	**46.5%**
Profit/(loss) attributable to minority interests	3,024	2,164	860	39.8%
Net profit/(loss) attributable to the Group	**72,098**	**49,114**	**22,984**	**46.8%**

Comprehensive Consolidated Income Statement

Thousand euros	30/09/18	30/09/2017	Change
Net income for the period	**225,781**	**161,614**	**64,167**
Profit/Loss from conversion of financial statements expressed in foreign currency	**637**	**(4,143)**	**4,779**
Reserve for exchange differences	(3,754)	11,595	(15,349)
Tax reserve for exchange differences	901	(2,783)	3,684
Gains/losses from exchange rate difference	**(2,853)**	**8,812**	**(11,665)**
Effective portion of profits/(losses) on hedging instruments ("cash flow hedges")	19,518	(8,401)	27,919
Tax effect of other gains/(losses) on hedging instruments ("cash flow hedges")	(5,222)	1,949	(7,171)
Profit/Loss From the Effective Portion on Hedging Instruments net of tax effect	**14,296**	**(6,452)**	**20,748**
Actuarial gains/(losses) on employee benefits recognised in equity	1,831	1,011	820
Tax effect of other actuarial gains/(losses) on employee benefits	(533)	(289)	(244)
Actuarial Profit/(Loss) on defined benefit pension plans net of tax effect	**1,298**	**722**	**576**
Total components of other comprehensive income, net of tax effect	**13,377**	**(1,060)**	**14,437**
Total comprehensive income/loss	**239,158**	**160,554**	**78,604**
Total comprehensive income (loss) attributable to:			
Group	228,022	151,455	76,568
Minority interests	11,136	9,099	2,036

Quarterly Comprehensive Consolidated Income Statement

Thousand euros	Q3 2018	Q3 2017	Change	% Change
Net income for the period	**75,122**	**51,277**	**23,845**	**46.5%**
Reclassifiable components in the income statement				
Profit/Loss from conversion of financial statements expressed in foreign currency	**(541)**	**2,673**	**(3,214)**	**(120.2%)**
Reserve for exchange differences	3,012	4,717	(1,705)	(36.2%)
Tax reserve for exchange differences	(723)	(1,132)	409	(36.2%)
Gains/losses from exchange rate difference	**2,289**	**3,585**	**(1,296)**	**(36.2%)**
Effective portion of profits/(losses) on hedging instruments ("cash flow hedges")	5,091	(6,911)	12,002	(173.7%)
Tax effect of other gains/(losses) on hedging instruments (“cash flow hedges")	(1,726)	1,581	(3,308)	(209.2%)
Profit/Loss From the Effective Portion on Hedging Instruments net of tax effect	**3,365**	**(5,330)**	**8,694**	**(163.1%)**
Actuarial gains/(losses) on employee benefits recognised in equity	(3,535)	481	(4,016)	n.s.
Non-reclassifiable components in the income statement				
Tax effect of other actuarial gains/(losses) on employee benefits	1,028	(136)	1,164	n.s.
Actuarial Profit/(Loss) on defined benefit pension plans net of tax effect	**(2,507)**	**345**	**(2,852)**	**n.s.**
Total components of other comprehensive income, net of tax effect	**3,242**	**(2,870)**	**6,112**	**(213.0%)**
Total comprehensive income/loss	**78,364**	**48,407**	**29,957**	**61.9%**
Total comprehensive income (loss) attributable to:				
Group	75,486	46,403	29,084	62.7%
Minority interests	2,878	2,005	873	43.6%

Consolidated Statement of Financial Position

ASSETS	30/09/18	of which with related parties	31/12/2017	of which with related parties	Change
Tangible Fixed Assets	2,319,443		2,252,910		66,533
Real Estate Investments	2,504		2,547		(44)
Goodwill	149,891		149,978		(87)
Concessions	1,881,052		1,770,865		110,187
Other intangible fixed assets	144,845		144,121		725
Investments in subsidiaries and affiliate companies	256,404		280,853		(24,449)
Other equity investments	2,616		2,614		2
Deferred tax assets	294,432		271,148		23,284
Financial assets	35,346	*32,933*	38,375	*35,637*	(3,029)
Other assets	287,103		234,154		52,949
NON-CURRENT ASSETS	**5,373,636**	**32,933**	**5,147,563**	**35,637**	**226,072**
Inventories	53,502		40,201		13,300
Trade receivables	826,501	*151,614*	1,022,710	*158,748*	(196,209)
Other current assets	156,148		148,192		7,956
Current tax assets	55,432		61,893		(6,461)
Current financial assets	321,816	*105,112*	237,671	*121,137*	84,145
Cash and cash equivalents	928,694		680,641		248,053
CURRENT ASSETS	**2,342,093**	**256,726**	**2,191,309**	**279,886**	**150,785**
Non-current assets held for sale	183		183		0
TOTAL ASSETS	**7,715,912**	**289,659**	**7,339,055**	**315,523**	**376,857**

Amounts in thousand euros

LIABILITIES	30/09/18	of which with related parties	31/12/2017	of which with related parties	Change
Shareholders' Equity					
Share capital	1,098,899		1,098,899		0
Legal reserve	111,948		100,619		11,329
Other reserves	(280,055)		(308,073)		28,018
Retained earnings/(losses)	518,171		645,500		(127,329)
Profit (loss) for the period	214,774		180,682		34,091
Total Group shareholders' equity	**1,663,736**		**1,717,626**		**(53,891)**
Non-controlling interests	92,829		93,580		(751)
Total shareholders' equity	**1,756,564**		**1,811,206**		**(54,642)**
Staff termination benefits and other defined-benefit plans	105,493		108,430		(2,937)
Provision for risks and charges	218,261		209,619		8,642
Borrowings and financial liabilities	3,395,291		2,745,035		650,256
Other liabilities	219,481		184,270		35,212
Deferred tax provision	77,235		92,835		(15,601)
NON-CURRENT LIABILITIES	**4,015,762**		**3,340,189**		**675,572**
Payables to suppliers	1,102,326	*109,490*	1,237,808	*136,054*	(135,482)
Other current liabilities	281,689		277,819		3,870
Financial debt	521,684	*2,513*	633,155	*3,042*	(111,471)
Tax Payables	37,850		38,841		(990)
CURRENT LIABILITIES	**1,943,549**	**112,004**	**2,187,623**	**139,096**	**(244,074)**
Liabilities directly associated with assets held for sale	37		37		0
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**7,715,912**	**112,004**	**7,339,055**	**139,096**	**376,857**

Amounts in thousand euros

Consolidated Statement of Cash Flows

Thousand euros	30/09/18	Related parties	30/09/2017	Related parties
Cash flow from operating activities				
Profit before tax from continuing operations	**324,556**		**240,214**	
Depreciation/amortisation	251,796		228,295	
Revaluations/impairment charges	37,249		60,471	
Change in provisions for risks	(43,390)		22,622	
Change in employee severance indemnities	(1,932)		(3)	
Net financial interest expense	65,901		51,393	
Income taxes paid	(19,167)		(74,157)	
Cash flow generated by operating activities before changes in working capital	**615,013**		**528,835**	
Increases in current receivables included in the working capital	(35,116)	(7,135)	(158,611)	(20,693)
Increase/decrease in current payables included in the working capital	(122,735)	(26,564)	(210,643)	(21,966)
Increase/(decrease) in inventories	(13,300)		(6,321)	
Change in working capital	**(171,152)**		**(375,575)**	
Change in other assets/liabilities during the period	(57,743)		51,370	
TOTAL CASH FLOW FROM OPERATING ACTIVITIES	**386,118**		**204,630**	
Cash flow from investment activities				
Purchase/sale of tangible fixed assets	(166,204)		(154,401)	
Purchase/sale of intangible fixed assets	(247,736)		(211,200)	
Equity investments	(189)		(7,239)	
Proceeds/payments deriving from other financial investments	(81,116)	(18,729)	(35,257)	22,681
Interest income received	12,634		10,882	
CASH FLOW FROM INVESTMENT ACTIVITIES	**(482,610)**		**(397,216)**	
Cash flow from financing activities				
Repayment of borrowings and long-term loans	(325,022)		(290,536)	
Disbursement of borrowings/other medium/long-term loans	983,976		0	
Decrease/increase in other short-term borrowings	(111,471)	(529)	467,519	1,824
Interest expense paid	(82,680)		(72,113)	
Dividends paid	(120,258)	(120,258)	(136,105)	(136,105)
TOTAL CASH FLOW FROM FINANCING ACTIVITIES	**344,545**		**(31,235)**	
Cash flows for the period	**248,053**		**(223,821)**	
Net opening balance of cash and cash equivalents	680,641		665,533	
Net closing balance of cash and cash equivalents	**928,694**		**441,712**	

Amounts in thousand euros

Consolidated Statement of Changes in Shareholders' equity

Thousand euros	Share capital	Legal reserve	Other reserves	Profit for the period	Total	Non-controlling interests	Total shareholders' equity
Balances as at 01 January 2017	1,098,899	95,188	218,040	259,009	1,671,136	86,807	1,757,943
Income statement profit				152,606	152,606	9,008	161,614
Other comprehensive income (losses)				(1,151)	(1,151)	91	(1,060)
Total comprehensive income (loss)	0	0	0	151,455	151,455	9,099	160,554
Allocation of result for 2016		5,433	253,576	(259,009)	0	0	0
Distribution of dividends			(131,780)	0	(131,780)	(4,326)	(136,105)
Change in basis of consolidation			11,167	0	11,167	(922)	10,245
Balances as at 30 September 2017	1,098,899	100,621	351,003	151,455	1,701,978	90,660	1,792,638
Income statement profit	0	0	0	28,076	28,076	2,513	30,589
Other comprehensive income (losses)	0	0	0	1,142	1,142	310	1,453
Total comprehensive income (loss)	0	0	0	29,219	29,219	2,823	32,042
Allocation of result for 2017	0	0	0	0	0	0	0
Distribution of dividends	0	0	0	0	0	0	0
Change in basis of consolidation	0	0	(13,663)	0	(13,663)	207	(13,455)
Other Changes	0	(2)	95	0	93	(111)	(18)
Balances as at 31 December 2017	1,098,899	100,619	337,435	180,673	1,717,626	93,580	1,811,206

Thousand euros	Share capital	Legal reserve	Other reserves	Profit for the period	Total	Non-controlling interests	Total shareholders' equity
Balances as at 31 December 2017	1,098,899	100,619	337,435	180,673	1,717,626	93,580	1,811,206
FTA * reserve	0	0	(147,037)	0	(147,037)	(4,004)	(151,041)
Balances as at 01 January 2018	1,098,899	100,619	190,399	180,673	1,570,589	89,576	1,660,165
Income statement profit	0	0	0	214,774	214,774	11,007	225,781
Other comprehensive income (losses)	0	0	0	13,249	13,249	129	13,377
Total comprehensive income (loss)	0	0	0	228,022	228,022	11,136	239,158
Allocation of result for 2017	0	11,329	169,344	(180,673)	0	1,804	1,804
Distribution of dividends	0	0	(133,905)	0	(133,905)	(5,066)	(138,971)
Change in basis of consolidation	0	0	0	0	0	0	0
Other Changes	0	0	(971)	0	(971)	(4,621)	(5,591)
Balances as at 30 September 2018	1,098,899	111,948	224,867	228,022	1,663,736	92,829	1,756,564

Declaration by the Manager Appointed to Prepare the Company Accounting Documents in accordance with the provisions of Article 154-bis, paragraph 2 of Italian Legislative Decree no. 58/1998

The Manager appointed to prepare the company accounting documents, Giuseppe Gola, declares in accordance with paragraph 154-bis, paragraph 2 of the Consolidated Finance Law, that the information contained in this Interim Report on Operations as at 30 September 2018, corresponds to results of the documents, books and accounting entries.