

PRESS RELEASE

ACEA: BOARD OF DIRECTORS APPROVES RESULTS FOR Q1 2018

- **EBITDA €229 million** (up by 7% from €214 million for Q1 2017)
- **EBIT €127 million** (up by 9% from €117 million for Q1 2017)
- **Group net profit €77 million** (up by 18% from €66 million for Q1 2017)
- **Investments €133 million** (up by 5% from €126 million for Q1 2017)
- **Net Debt €2,482 million** (€2,421 million at 31 December 2017)

Rome, 10 May 2018 – The Board of Directors of Acea SpA, chaired by Luca Lanzalone, has approved the quarterly report for the three months ended 31 March 2018 (Q1 2018).

FINANCIAL HIGHLIGHTS

(€ million)	Q1 2018	Q1 2017	% Var.
Consolidated revenues	745	726	+3%
EBITDA	229	214	+7%
EBIT	127	117	+9%
Group net profit (after non-controlling interests)	77	66	+18%

(€ million)	Q1 2018	Q1 2017	% Var.
Investments	133	126	+5%

(€ million)	31/03/18	31/12/17	% Var.	31/03/17	% Var.
	(a)	(b)	(a/b)	(c)	(a/c)
Net debt	2,482	2,421	+2%	2,235	+11%
Invested capital	4,197	4,233	-1%	4,073	+3%

Stefano Donnarumma, ACEA Group CEO, commented: “the first quarter is already showing positive signals from the strong acceleration we are imparting to the Group. The data all indicate an upward trend and are totally in keeping with the business plan, also with regard to investments. This trend is in fact attributable above all to the actions put in place during recent months at management level, which are producing the anticipated results. Thanks to the performance recorded during these first months of the year, we are able to confirm the guidance figure for 2018 as previously announced to the market.”

ACEA GROUP RESULTS FOR Q1 2018

Consolidated EBITDA rose from 214 million Euro in Q1 2017 to 229 million Euro for the corresponding period in 2018, with an increase of 15 million Euro, representing an upturn of 7%. This result is ascribable above all to the growth in margins as regards the distribution and generation segments (+11 million Euro) and the water segment (+8 million Euro).

The contribution of the industrial segments to consolidated EBITDA (approximately 76% derives from regulated activities) is broken down as follows: Water 41%; Energy Infrastructures 41%; Commercial and Trading 10%; Environment 6%; Overseas 1%; Engineering and Services 1%.

- **WATER** – EBITDA for this segment, in the first three months of 2018, came to 96 million Euro, posting an increase of 8 million Euro over the corresponding period in 2017 (+9%). In particular, the segment's positive performance reflects the contribution from **ACEA Ato2** and **Acque**, which reported respective increases of 4 million and 1 million Euro.
- **ENERGY INFRASTRUCTURES** – EBITDA for this segment, at 31 March 2018, came to 94 million Euro, with a growth of 11 million Euro compared to the corresponding period in 2017. This variation is primarily due to the result achieved by the company **Areti** which manages the distribution network (+9 million Euro).

EBITDA (€ million)	Q1 2018	Q1 2017 <i>pro forma</i>
Distribution	81	72
Generation	14	13
Public lighting	(0.2)	(1.1)
OPERATIONAL HIGHLIGHTS	Q1 2018	Q1 2017 <i>pro forma</i>
Thermo + hydro + photovoltaic electricity generation (GWh)	155	132
Electricity distributed (GWh)	2,469	2,509

- **COMMERCIAL AND TRADING** - EBITDA posted by this segment during the first three months of 2018 came to 23 million Euro, in line with the corresponding period of 2017.

OPERATIONAL HIGHLIGHTS	Q1 2018	Q1 2017 <i>pro forma</i>
Electricity sold (GWh)	1,593	1,813
<i>Free market</i>	930	1,083
<i>Enhanced protection market</i>	663	730
Gas sold (million m³)	56	51

- **ENVIRONMENT** – during the quarter, the segment recognised EBITDA of 14 million Euro, remaining more or less stable compared to the first three months of 2017. The poorer performance by **Aquaser** (-0.7 million Euro), also due to the continued regulatory uncertainty with regard to sludge recovery operations, is offset by the positive trend posted on the part of **Iseco** (+0.3 million Euro).

OPERATIONAL HIGHLIGHTS	Q1 2018	Q1 2017
Treatment and disposal ('000 tonnes)	254	274
WTE electricity sold (GWh)	89	87

- **OVERSEAS** – this segment closed the first quarter of 2018 with EBITDA of 3 million Euro, in line with the corresponding period in 2017.
- **ENGINEERING AND SERVICES** – during the first three months of this year, the segment reported EBITDA of 2 million Euro, with a downturn of 2 million Euro compared to the corresponding period in 2017, reflecting above all the transfer of Acea S.p.A.'s Facility Management branch.
- During the period, the **PARENT COMPANY** reported negative EBITDA of 4 million Euro (-2 million Euro compared to the first quarter of 2017). This result was due to a reduction in the service contract margins, partly compensated by the positive contribution of the margin derived from handling the Facility Management service acquired on 1 January 2018.

EBIT, at 127 million Euro, was up by 10 million Euro compared to the first quarter of 2017 (+9%).

Group net profit, at 77 million Euro, showed an increase of 12 million Euro over the first quarter of 2017 (+18%).



Investments carried out during the first three months of 2018, totalling 133 million Euro, were up by 5% (126 million Euro during the corresponding period in 2017), of which approximately 90% concerned regulated activities. More specifically, investments were divided between: Water 67 million Euro, Energy Infrastructures 54 million Euro, Commercial and Trading 4 million Euro, Environment 5 million Euro, Overseas 1 million Euro, Engineering and Services 0.3 million Euro, Parent Company 1 million Euro.

Group **Net debt**, at 31 March 2018, was up overall by 61 million Euro, from 2,421 million Euro at the end of 2017 to 2,482 million Euro after the first three months of 2018. The variation, with respect to 31 December 2017, is a direct consequence of the technological and other investments made during the period.

SIGNIFICANT EVENTS DURING THE FIRST QUARTER AND AFTER 31 MARCH 2018

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

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

Board of Directors approves the issue of one or more series of notes

On 23 January 2018 the Board of Directors of ACEA S.p.A. authorised the issue of one or more series of unsubordinated senior notes under its EMTN (Euro Medium Term Notes) Programme, for a maximum aggregate principal amount of 1 billion Euro, to be placed with institutional investors and listed on the Luxembourg Stock Exchange. The issue of notes will take place by 15 July 2018.

Placement of bonds for overall 1 billion Euro

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

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

OUTLOOK

The results achieved by the ACEA Group during the first quarter of 2018, having exceeded expectations, allow us to confirm the guidance figure previously announced to the market.

We reiterate the Group's intention to carry out major investments in infrastructures which, without affecting the soundness of its consolidated financial structure, should have an immediately positive impact on performance, on EBITDA and on billing and collection processes. The financial structure is reassuring for the coming years. As at 31 March 2018, 73% of debt is fixed rate, so as to safeguard against possible rises in interest rates and potential financial or lending volatilities. The average duration of medium/long-term borrowing is 6 years. We call attention to the reduction in average cost of debt from 2.6% at 31 December 2017 to 2.3% at 31 March 2018, also thanks to the notes issue completed in February of this year.

NOTES APPROACHING MATURITY

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



A conference call will be held at 3.30 p.m. (Italian time) today, 10 May 2018, in order to present the results at 31 March 2018. To coincide with the start of the conference call, back-up material will be made available on the website www.aceea.it.

Pursuant to Article 154 bis, paragraph 2 of the Consolidated Finance Act, the Executive Responsible for Financial Reporting, Giuseppe Gola, declares that the accounting information contained in this press release corresponds to the accounting documents, books and records.

The following schedules are attached:

Consolidated accounts: income statement at 31.03.2018, statement of financial position at 31.03.2018, statement of changes in shareholders' equity, reclassified statement of financial position at 31.03.2018, analysis of net debt at 31.03.2018 and the statement of cash flows for the period ended 31.03.2018.

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CONSOLIDATED INCOME STATEMENT AT 31 MARCH 2018

	31/03/18	31/03/17	Increase (Decrease)	Percentage Increase (Decrease)
Revenues from sales and services	727,732	707,122	20,611	2.9%
Other revenues and proceeds	17,767	18,440	(673)	(3.6%)
Consolidated net revenues	745,499	725,561	19,938	2.7%
Staff costs	54,119	52,926	1,193	2.3%
Cost of materials and overheads	470,438	463,450	6,987	1.5%
Consolidated operating costs	524,556	516,376	8,180	1.6%
Income (costs) from equity investments of a non-financial nature	8,268	5,238	3,030	57.8%
Gross Operating Profit (EBITDA)	229,211	214,423	14,787	6.9%
Amortisation, Depreciation, Provisions and Impairment charges	101,843	97,270	4,573	4.7%
Operating Profit (EBIT)	127,368	117,154	10,214	8.7%
Financial income	4,029	3,173	856	27.0%
Financial costs	(24,099)	(21,848)	(2,251)	10.3%
Income (costs) from equity investments	8,478	(176)	8,654	n.s.
Profit (loss) before tax	115,776	98,303	17,473	17.8%
Income taxes	35,186	29,841	5,345	17.9%
Net profit (loss)	80,590	68,462	12,128	17.7%
Net Profit (Loss) from discontinued Operations				
Net Profit (Loss)	80,590	68,462	12,128	17.7%
Net Profit (Loss) attributable to non-controlling interests	3,192	2,727	465	17.1%
Net Profit (Loss) attributable to the Group	77,397	65,735	11,663	17.7%
Earnings (Loss) per share attributable to Parent's shareholders				
Basic	0.36343	0.30866	0.05476	17.7%
Diluted	0.36343	0.30866	0.05476	17.7%
Earnings (Loss) per share attributable Parent's shareholders, net of Treasury Shares				
Basic	0.36414	0.30927	0.05487	17.7%
Diluted	0.36414	0.30927	0.05487	17.7%

Amounts in thousands of Euro

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 31 MARCH 2018

ASSETS	31/03/18	31/12/17	Increase (Decrease)
Property, plant and equipment	2,281,824	2,252,910	28,914
Investment property	2,533	2,547	(15)
Goodwill	149,963	149,978	(15)
Concessions	1,801,741	1,770,865	30,876
Other intangible fixed assets	152,316	144,121	8,196
Equity investments in subsidiaries and associates	288,048	280,853	7,195
Other equity investments	2,614	2,614	0
Deferred tax assets	288,250	271,148	17,103
Financial assets	37,057	38,375	(1,317)
Other assets	251,325	234,154	17,171
NON-CURRENT ASSETS	5,255,671	5,147,563	108,108
Inventories	41,793	40,201	1,592
Trade receivables	924,761	1,022,710	(97,949)
Other current assets	160,286	148,192	12,095
Current tax assets	35,761	61,893	(26,132)
Current financial assets	254,006	237,671	16,334
Cash and cash equivalents	1,492,657	680,641	812,017
CURRENT ASSETS	2,909,265	2,191,309	717,956
Non-current assets held for sale	183	183	0
TOTAL ASSETS	8,165,119	7,339,055	826,064

Amounts in thousands of Euro

LIABILITIES	31/03/18	31/12/17	Increase (Decrease)
Shareholders' equity			
Share capital	1,098,899	1,098,899	0
Legal reserve	100,619	100,619	0
Other reserves	(331,760)	(308,073)	(23,687)
Retained earnings (losses)	678,259	645,500	32,758
Profit (loss) for the year	77,397	180,682	(103,285)
Total Group Shareholders' Equity	1,623,413	1,717,626	(94,213)
Non-controlling interests	91,539	93,580	(2,041)
Total Shareholders' Equity	1,714,952	1,811,206	(96,254)
Staff termination benefits and other defined benefit plans	107,858	108,430	(572)
Provisions for liabilities and charges	204,910	209,619	(4,709)
Borrowings and financial liabilities	3,577,276	2,745,035	832,240
Other liabilities	219,661	184,270	35,391
Deferred tax liabilities	73,112	92,835	(19,724)
NON-CURRENT LIABILITIES	4,182,816	3,340,189	842,627
Trade payables	1,200,864	1,237,808	(36,944)
Other current liabilities	302,208	277,819	24,388
Financial debt	688,474	633,155	55,319
Tax payables	75,769	38,841	36,928
CURRENT LIABILITIES	2,267,314	2,187,623	79,691
Liabilities directly associated with assets held for sale	37	37	0
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	8,165,119	7,339,055	826,064

Amounts in thousands of Euro

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Share Capital	Legal Reserve	Other Reserves	Profit for the year	Total	Non-controlling Interests	Total Shareholders' Equity
Balances as at 1 January 2017	1,098,899	95,188	218,040	259,009	1,671,136	86,807	1,757,943
Net profit (loss)	-	-	-	65,735	65,735	2,727	68,462
Other comprehensive income (losses)	-	-	-	1,489	1,489	(98)	1,391
Total comprehensive income (loss)	-	-	-	67,224	67,224	2,629	69,853
Appropriation of 2016 profit (loss)	-	-	259,009	(259,009)	-	-	0
Distribution of dividends	-	-	-	-	-	-	0
Change in basis of consolidation	-	-	9,269	-	9,269	1,120	10,389
Other changes	-	-	-	-	-	-	0
Balances as at 31 March 2017	1,098,899	95,188	486,318	67,224	1,747,629	90,556	1,838,185

Amounts in thousands of Euro

	Share Capital	Legal Reserve	Other Reserves	Profit for the year	Total	Non-controlling Interests	Total Shareholders' Equity
Balances as at 1 January 2018	1,098,899	100,619	337,436	180,673	1,717,626	93,580	1,811,206
Net profit (loss)	-	-	-	77,397	77,397	3,192	80,590
Other comprehensive income (losses)	-	-	-	900	900	78	978
Total comprehensive income (loss)	-	-	-	78,297	78,297	3,270	81,568
Appropriation of 2017 profit (loss)	-	-	180,673	(180,673)	-	-	0
Distribution of dividends	-	-	280	-	280	-	280
Change in basis of consolidation	-	-	-	-	-	-	0
Other changes	-	-	(172,791)	-	(172,791)	(5,311)	(178,102)
Balances as at 31 March 2018	1,098,899	100,619	345,598	78,297	1,623,413	91,539	1,714,952

Amounts in thousands of Euro

**RECLASSIFIED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT
31 MARCH 2018**

	31/03/18	31/12/17	Increase (Decrease)	Percentage Increase (Decrease)	31/03/17	Increase (Decrease)	Percentage Increase (Decrease)
NON-CURRENT ASSETS AND LIABILITIES	4,613,256	4,514,218	99,038	2.2%	4,217,714	395,542	9.4%
NET WORKING CAPITAL	(416,238)	(281,472)	(134,766)	47.9%	(144,702)	(271,536)	187.7%
INVESTED CAPITAL	4,197,018	4,232,746	(35,728)	(0.8%)	4,073,012	124,006	3.0%
NET DEBT	(2,482,066)	(2,421,540)	(60,526)	2.5%	(2,234,827)	(247,239)	11.1%
Total Shareholders' Equity	(1,714,952)	(1,811,206)	96,254	(5.3%)	(1,838,185)	123,233	(6.7%)
Total funding	4,197,018	4,232,746	(35,728)	(0.8%)	4,073,012	124,006	3.0%

Amounts in thousands of Euro

ANALYSIS OF CONSOLIDATED NET DEBT AT 31 MARCH 2018

	31/03/18	31/12/17	Increase (Decrease)	Percentage Increase (Decrease)	31/03/17	Increase (Decrease)	Percentage Increase (Decrease)
Non-current financial assets (liabilities)	2,389	2,738	(349)	(12.7%)	2,697	(308)	(11.4%)
Non-current financial assets (liabilities) due from/to Parents, Subsidiaries and Associates	34,668	35,637	(969)	(2.7%)	40,268	(5,600)	(13.9%)
Non-current borrowings and financial liabilities	(3,577,276)	(2,745,035)	(832,240)	30.3%	(2,769,757)	(807,519)	29.2%
Net medium/long-term debt	(3,540,218)	(2,706,661)	(833,557)	30.8%	(2,726,791)	(813,427)	29.8%
Cash and cash equivalents and securities	1,492,657	680,641	812,017	119.3%	531,167	961,490	181.0%
Short-term borrowings	(637,635)	(544,559)	(93,076)	17.1%	(91,294)	(546,341)	n.s.
Current financial assets (liabilities)	74,831	32,857	41,973	127.7%	(74,914)	149,745	(199.9%)
Current financial assets (liabilities) due from/to Parent and Associates	128,299	116,181	12,117	10.4%	127,005	1,293	1.0%
Net short-term debt	1,058,152	285,121	773,031	n.s.	491,964	566,188	115.1%
Total debt	(2,482,066)	(2,421,540)	(60,526)	2.5%	(2,234,827)	(247,239)	11.1%

Amounts in thousands of Euro

STATEMENT OF CONSOLIDATED CASH FLOWS FOR THE PERIOD ENDED 31 MARCH 2018

	31/03/18	31/03/17	Increase (Decrease)
Cash flow from operating activities			
Profit from continuing operations before tax	115,776	98,303	17,473
Amortisation and depreciation	77,451	68,783	8,668
Revaluations/impairment charges	4,335	13,614	(9,279)
Increase/(decrease) in provision for liabilities	(4,563)	10,896	(15,459)
Increase/(decrease) in staff termination benefits (TFR)	95	2,748	(2,653)
Net financial interest expense	20,070	18,675	1,395
Cash flow generated by operating activities before changes in working capital	213,163	213,018	145
Increase in current receivables	(107,676)	(142,839)	35,163
Increase/(decrease) in current payables	(36,944)	7,782	(44,726)
Increase/(decrease) in inventories	(1,592)	(14,450)	12,858
Change in working capital	(146,212)	(149,507)	3,295
Change in other operating assets/liabilities	10,551	(31,132)	41,683
TOTAL CASH FLOW FROM OPERATING ACTIVITIES	77,502	32,379	45,123
Cash flow from investment activities			
Purchase/sale of property, plant and equipment	(59,976)	(53,204)	(6,772)
Purchase/sale of intangible fixed assets	(74,187)	(76,118)	1,931
Equity investments	9,702	7,746	1,956
Proceeds/payments deriving from other financial investments	(15,017)	(34,356)	19,340
Interest income received	4,784	4,582	202
TOTAL CASH FLOW FROM INVESTMENT ACTIVITIES	(134,693)	(151,350)	16,657
Cash flow from financing activities			
Non-controlling interest in capital increase of subsidiaries	0	177	(177)
Repayment of long-term borrowings and loans	839,815	(11,117)	850,932
Decrease/increase in other short-term borrowings	55,319	19,417	35,902
Interest expense paid	(26,207)	(23,872)	(2,335)
Dividends paid	280	0	280
TOTAL CASH FLOW FROM FINANCING ACTIVITIES	869,208	(15,395)	884,602
Cash flow for the period	812,017	(134,365)	946,382
Net opening balance of cash and cash equivalent	680,641	665,533	15,108
Net closing balance of cash and cash equivalent	1,492,657	531,167	961,490

Amounts in thousands of Euro