

# “Italian Infrastructure Day”

*Milan, 7 September 2017*





# Strategic Guidelines 2018-2022

# Operating segments

## WATER

- **Integrated Water Service** in Italy

## ENVIRONMENT

- **Sludge** management
- **Waste** treatment, recovery, recycling and disposal



## ENERGY INFRASTRUCTURE

- Electricity **Distribution**
- Public **Lighting**
- Electricity **Generation**
- "Industrial" **Energy Efficiency**

## OVERSEAS

- **Expansion** outside of Italy

## COMMERCIAL AND TRADING

- **Energy Management**
- **Sale** of Electricity and Gas
- **Energy Efficiency** for household customers

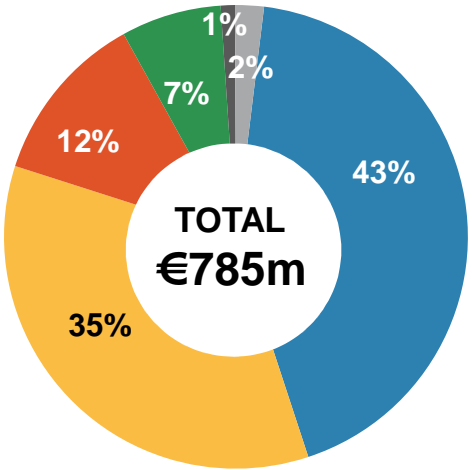
## ENGINEERING AND SERVICES

- **Laboratory testing**
- **Internal engineering & consultancy**

# ACEA Group's position

## EBITDA 2016\*

(€m)



**Regulated markets 80%**

-  Water
-  Energy Infrastructure
-  Commercial and Trading
-  Environment
-  Overseas
-  Engineering and Services

\* Approx. €896m including impact of accounting for electricity distribution (€111m)

## POSITION



**No. 1 in WATER SECTOR**



**No. 3 in ELECTRICITY DISTRIBUTION**



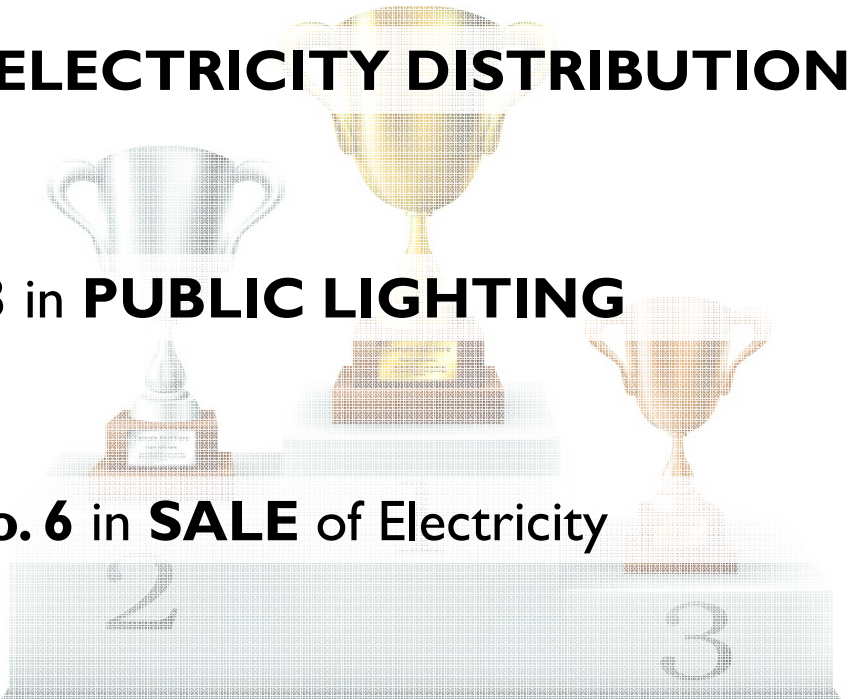
**No. 3 in PUBLIC LIGHTING**



**No. 6 in SALE of Electricity**



**No. 6 in WASTE sector**



# Pillars of the new Business Plan



## Growth



- **Infrastructure** development
- **Customer-oriented** and **service-based** approach

## Local focus



- **Sustainable** development
- **Dialogue** and **collaboration**

## Technology, Innovation and Quality



- Research & innovation applied to **industrial processes**
- Improved **customer experience**
- **Group-wide Innovation Strategy**

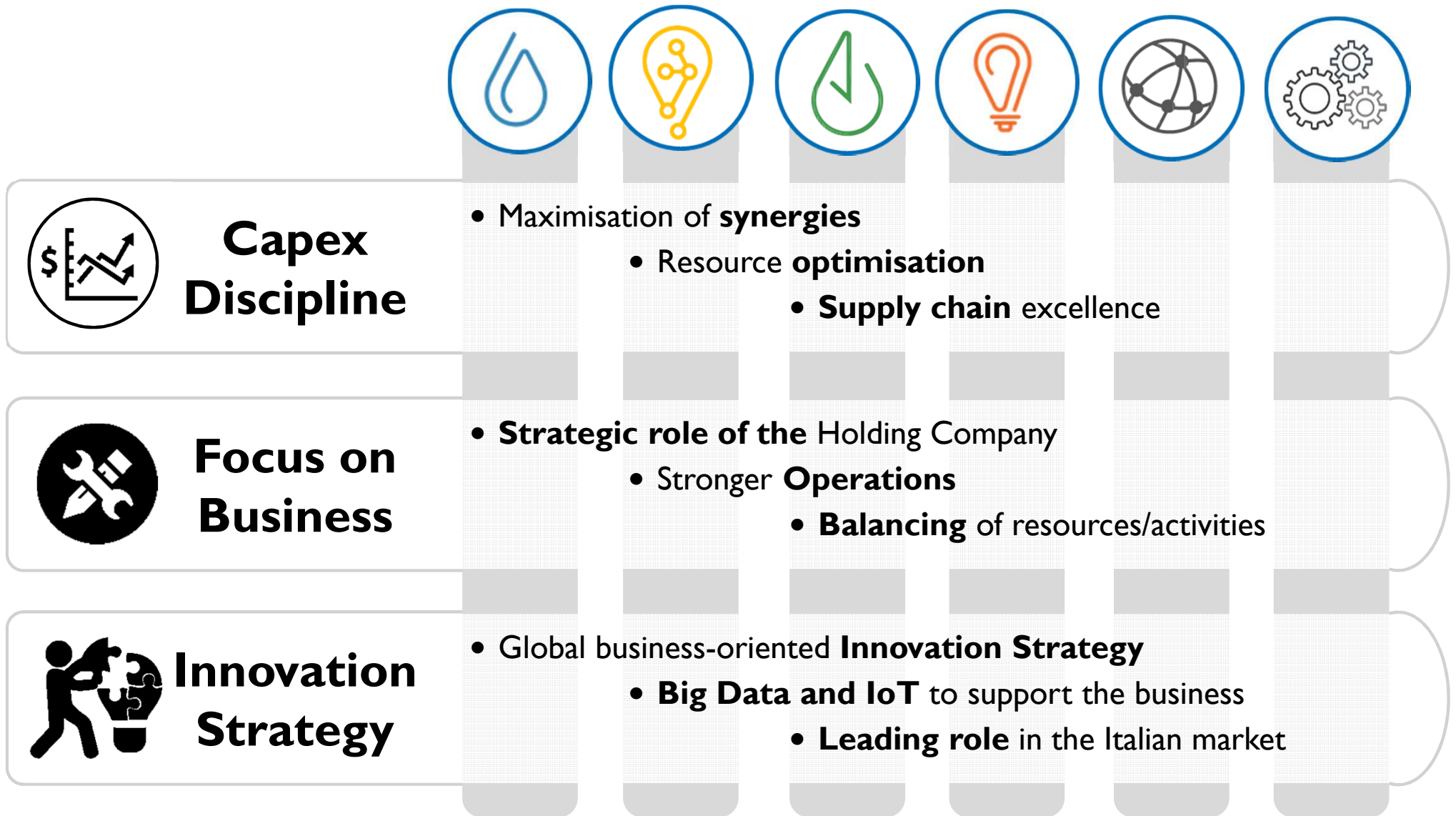
## Operational Efficiency



- **Capex discipline**
- **Operational improvements**
- **Supply chain** optimisation
- **Balanced** organisational model



# Key principles across all segments



# Strategic guidelines

## Operating segments



### WATER

**Consolidate** leadership, focusing on **quality** of service and **dialogue with local communities**



### ENERGY INFRASTRUCTURE

Develop **role of DSO**, ensuring **adequacy, security and flexibility**



### ENVIRONMENT

**Reinforce** position in keeping with **circular economy** objectives



### COMMERCIAL AND TRADING

**Customer-oriented** growth and development applying a **service-based** approach



### OVERSEAS

**Leverage** the Group's infrastructure and industrial **know-how** and expertise



### ENGINEERING AND SERVICES

Consolidate **Internal Business Partner** role through know-how & innovation



**Balance** between back-office and operational staff, strengthening operations and Talent Management



**Cost efficiencies** and **focus** on **business-oriented** initiatives



Optimised **cost of debt** and **working capital management**

## Organic growth

**Infrastructure** development to manage water emergency and network upgrade to ensure **sustainable use of this resource**



Extraordinary plan to **repair** aging **distribution network**



Development and refurbishment of **treatment plants** and clean-up of discharge systems



**Removal of obsolete meters** and installation of **smart meters**

## Basket of "extraordinary initiatives"



**Consolidation** in areas where Group is already present

- **Tuscany**
- **Lazio**
- **Umbria**
- ...



**Strengthening and enhancing security of supply** through one-off projects:

- Water purification
- Doubling size of infrastructure
- Identification of new sources
- ...



# Energy Infrastructure segment

## Organic growth



- **Upgrade of LV network** and installation of new meters (2G)



- Enablement of new services using **Roma Capitale's smart grid** (development of Major Smart Project)



## Basket of "extraordinary initiatives"



Entry strategy for energy **efficiency** and development of pilot projects for captive market (e.g. Water, Grids, etc.)



Development of **distributed generation** in local areas and development of flexibility services (Virtual Power Plant)



Entry into **Gas Distribution** market and other infrastructure businesses outside local area (e.g. Public Lighting)



Tactical assessment of **M&A** opportunities for **renewable plants** (e.g. Biomass)



# Commercial and Trading segment

## Organic growth



- **Growth of** retail customer base and new value proposition for **business customers**



- **Performance improvement** to cut costs to serve and boost efficiency of processes



- Development of **value added services (VAS)** as part of a **cross-selling** strategy (e.g. energy efficiency, info-energy services)

## Basket of “extraordinary initiatives”



Leading role in **consolidation in electricity market**, including M&A activity





# Environment segment

## Organic growth

**“Systemic” consolidation of waste treatment**

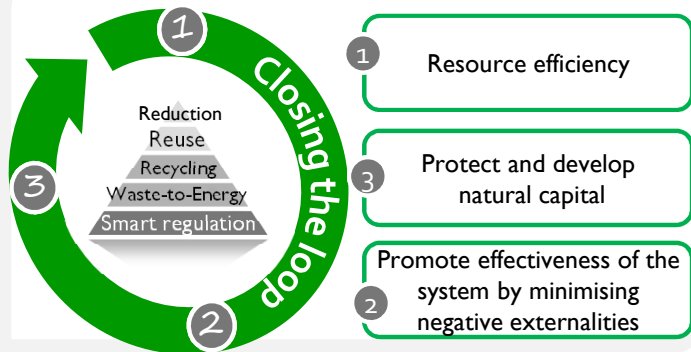


- Development of **composting plants** for captive processing of sludge and sorted waste (expected to increase)



- Growth of presence in treatment of multi-material waste, taking advantage of opportunities linked to:
  - trends and goals of the circular economy
  - related needs in local areas

### EU “Circular Economy” Directive



## Basket of “extraordinary initiatives”



Development and testing of **innovative technologies** for recovering materials



Assessment of **new strategic opportunities**

- Consolidation of “waste management” presence in central Italy
- Stronger presence in special waste management
- Development of biomass plants in collaboration with Energy Infrastructure business



# Overseas segment

## Organic growth



Expansion into **new geographical areas**

**LATAM**  
(Peru, Colombia, etc.)



**MEDITERRANEAN**  
(Balkans, North Africa, Middle East)



**Distinctive value proposition**

Consultancy & EPC

Service

Build, operate & transfer



Development of **“infrastructure” businesses**

Water Service

Electricity and Public Lighting networks

Waste

Renewable Generation (e.g. Hydro)



Development of **successful business model**



- Development & Origination
- Construction & Execution

## Basket of “extraordinary initiatives”



Strengthening of position through **acquisition of overseas operators**

**Eastern Europe (Balkans)**

**Middle East (e.g. Iran)**

**North Africa (e.g. Libya)**



**Colombia**

**Peru**

...



# Engineering and Services segment

## Organic growth



- **High-quality technical/specialist services** for other operating segments:
  - Design, project management, safety
  - Specialist services (e.g. studies, consultancy, etc.)
  - Laboratory testing



- Development of **advanced operating systems** for plant controls and modelling (IoT, Big Data, etc.)
  - For **routine** operations (preventive/predictive maintenance)
  - For identifying development needs and **planning investment**

## Basket of “extraordinary initiatives”



Sale of specialist and engineering **services** in the **market** (capped at 20% of turnover due to restrictions linked to “joint undertakings”)





# Closing remarks



## DYNAMISM

To "grow" and benefit from a changing scenario



## LOCAL FOCUS

To maintain close ties with **local communities** and achieve **synergic** and **sustainable growth** of the business



## INNOVATION AND QUALITY

To apply **best practices** in every aspect of what we do



## OPERATIONAL EXCELLENCE

**Intelligent and optimal use of resources** by simplifying processes

# APPENDIX



# H1 2017 Results

# HI 2017 financial highlights

(€m)	HI 2016	HI 2017	% change	HI 2016	HI 2017	% change
	a	b	b/a	adjusted*	adjusted*	d/c
<b>Consolidated revenue</b>	1,386.7	1,372.5	-1.0%	<b>1,323.4</b>	<b>1,372.5</b>	<b>+3.7%</b>
<b>EBITDA</b>	443.7	414.1	-6.7%	<b>380.4</b>	<b>414.1</b>	<b>+8.9%</b>
<b>EBIT</b>	274.1	194.9	-28.9%	<b>210.8</b>	<b>213.9</b>	<b>+1.5%</b>
<b>Profit/(Loss) before tax</b>	232.3	164.4	-29.2%	<b>169.0</b>	<b>183.4</b>	<b>+8.5%</b>
<b>Group net profit/(loss) (before non-controlling interests)</b>	154.3	110.3	-28.5%	<b>111.6</b>	<b>124.3</b>	<b>+11.4%</b>
<b>Group net profit/(loss) (after non-controlling interests)</b>	149.5	103.5	-30.8%	<b>106.9</b>	<b>117.5</b>	<b>+9.9%</b>
<b>Capex</b>	<b>220.8</b>	<b>252.2</b>	<b>+14.2%</b>			

\* The adjusted results do not include:

**for HI 2017, the negative impact resulting from:**

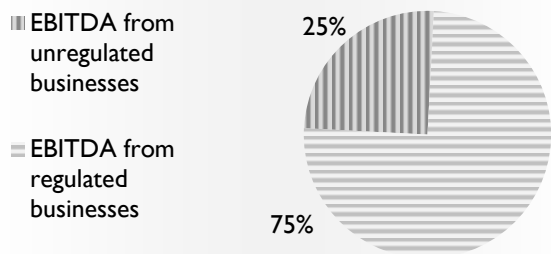
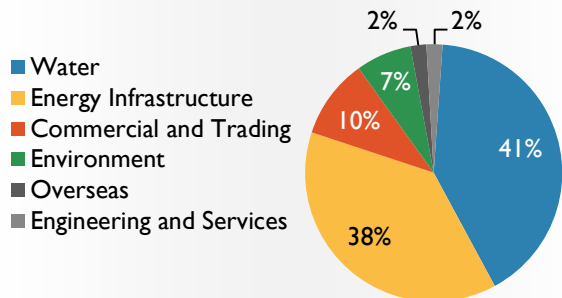
- restored ownership of a property that houses a car park for company vehicles (€9.5m);
- the provision for the reduction in the amount due to Areti from GALA (€9.5m).

**for HI 2016, the positive impact** (amounting to €63.3m before tax) of elimination of the regulatory lag.

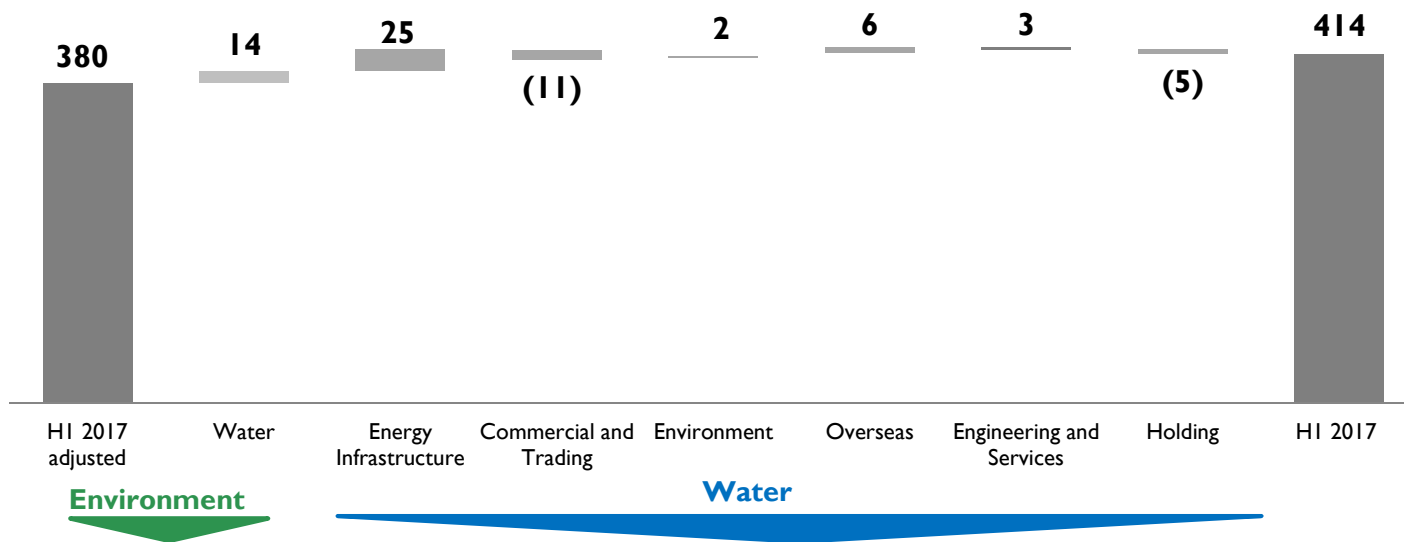
(€m)	30 June 2016 (a)	31 Dec 2016 (b)	30 June 2017 (c)	% change (c/a)	% change (c/b)
<b>Net Debt</b>	2,131.9	2,126.9	<b>2,401.4</b>	<b>+12.6%</b>	<b>+12.9%</b>
<b>Adjusted Net Debt**</b>	2,131.9	2,126.9	<b>2,377.4</b>	<b>+11.5%</b>	<b>+11.8%</b>
<b>Equity</b>	1,631.4	1,757.9	<b>1,744.1</b>	<b>+6.9%</b>	<b>-0.8%</b>
<b>Invested Capital</b>	3,763.3	3,884.8	<b>4,145.5</b>	<b>+10.2%</b>	<b>+6.7%</b>

\*\* Adjusted net debt for 2017 does not include the impact of the reduced amount due from GALA.

## HI 2017 EBITDA



## EBITDA (€m)



Scope of consolidation: changes compared with HI 2016

(€m)	Acque Industriali	GEAL	TWS (ex Severn Trent)	Aguas de San Pedro	AguaAzul Bogotá	Acea Gori Servizi	Total
Date	1 Jan 2017	8 Feb 2017	23 Feb 2017	Q4 2016	2016	1 April 2017	
Transaction	Acquisition 51.0%	Acquisition 19.2%	Acquisition 100%	Acquisition 29.7%	Changes in BoD composition	Sale to Gori 69.8%	
% interest at 30 June 2017	51.0%	48.0%	100%	60.7%		-	
Method of consolidation	Line-by-line	Equity	Line-by-line	Line-by-line	Equity	Equity	
EBITDA HI 2017	(0.2)	0.5	1.2	5.4	-	(0.1)	6.8
Net Debt	(0.8)	-	1.4	(11.2)	-	-	(10.6)







# EBITDA and Key quantitative data

## HI 2017 financial highlights



### Water

EBITDA main drivers

-  Acea ATO2: +€18.9m (quality award €14.3m)
-  Acea ATO5: +€0.8m
-  Change in scope of consolidation
-  Companies consolidated using the equity method (-€4.3m)

(€m)	HI 2016	HI 2017	%change	Key quantitative data	HI 2016	HI 2017
<b>EBITDA</b>	<b>159.0</b>	<b>173.3</b>	<b>+9.0%</b>	<b>Total volume of water sold</b>	<b>211</b>	<b>211</b>
<i>of which: Profit/(Loss) on investments consolidated under IFRS 11</i>	14.9	10.6	-28.9%	(Mm <sup>3</sup> )		
<b>Capex</b>	<b>99.6</b>	<b>121.9</b>	<b>+22.4%</b>			

(average)	HI 2016	HI 2017	Change
<b>Number of employees</b>	<b>1,819</b>	<b>1,774</b>	<b>-45</b>

# EBITDA and Key quantitative data

## HI 2017 financial highlights



**Energy  
Infrastructure**  
EBITDA main drivers

- ↑ Generation +€4.4m
- ↓ Distribution (-€43.8m due to Regulatory Accounting in HI 2016)
- ↑ Public Lighting (+€1.1m)

(€m)	HI 2016 (a)	HI 2016 Adjusted* (b)	HI 2017 (c)	%change (c/a)	%change (c/b)	Key quantitative data	HI 2016	HI 2017
<b>EBITDA</b>	<b>198.2</b>	<b>134.9</b>	<b>159.9</b>	<b>-19.3%</b>	<b>+18.5%</b>			
Generation	17.5		21.9	+25.1%		<b>Total electricity distributed (GWh)</b>	<b>4,945</b>	<b>4,842</b>
Distribution	179.6	116.3	135.8	-24.4%	+16.8%			
Public Lighting	1.1		2.2	+100.0%		<b>Total electricity produced (GWh)</b>	<b>214</b>	<b>234</b>
<b>Capex</b>	<b>96.1</b>		<b>105.2</b>	<b>+9.5%</b>				

(average)	HI 2016	HI 2017	Change
<b>Number of employees</b>	<b>1,395</b>	<b>1,362</b>	<b>-33</b>

\* After adjusting for the positive impact of elimination of the regulatory lag (€63.3m)

# EBITDA and Key quantitative data

## HI 2017 financial highlights



### Commercial and Trading

EBITDA main drivers

↓ Recognition, in Q2 2016, of additional revenue of approximately €10m linked to impact of the contract, entered into in March 2016, for the commercialisation of smart meters.

↓ Sales activity : margin decrease

(€m)	HI 2016	HI 2017	%change	Key quantitative data	HI 2016	HI 2017
<b>EBITDA</b>	<b>52.3</b>	<b>40.6</b>	<b>-22.4%</b>	<b>Total Electricity sold (GWh)</b>	<b>4,205</b>	<b>3,408</b>
				<i>Enhanced Protection Market</i>	1,364	1,316
				<i>Free Market</i>	2,841	2,092
<b>Capex</b>	<b>11.3</b>	<b>7.9</b>	<b>-30.1%</b>	<b>Total Gas sold (Mm<sup>3</sup>)</b>	<b>66</b>	<b>57</b>
<b>(average)</b>	<b>HI 2016</b>	<b>HI 2017</b>	<b>Change</b>			
<b>Number of employees</b>	<b>474</b>	<b>476</b>	<b>2</b>			

# EBITDA and Key quantitative data

## HI 2017 financial highlights



### Environment

EBITDA main drivers



Greater quantity of electricity sold by the San Vittore plant



Acque Industriali (change in scope of consolidation): +€0.5m

(€m)	HI 2016	HI 2017	% <i>change</i>	Dati quantitativi	HI 2016	HI 2017
<b>EBITDA</b>	<b>29.2</b>	<b>31.3</b>	<b>+7.2%</b>	<b>Treatment and disposal*</b> (‘000s of tonnes)	<b>411</b>	<b>549</b>
<b>Capex</b>	<b>8.0</b>	<b>8.5</b>	<b>+6.3%</b>	<b>WTE electricity produced (GWh)</b>	<b>141</b>	<b>175</b>
<b>(average)</b>	<b>HI 2016</b>	<b>HI 2017</b>	<b>Change</b>			
<b>Number of employees</b>	<b>230</b>	<b>350</b>	<b>120</b>			

\*Includes ash disposed of

# EBITDA and Key quantitative data

## HI 2017 financial highlights

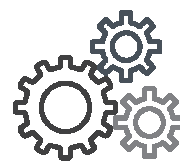


**Overseas** ↑ Aguas de San Pedro: +€5.4m  
EBITDA main drivers

(€m)	HI 2016	HI 2017	%change
<b>EBITDA</b>	<b>0.8</b>	<b>6.7</b>	<i>n/s</i>
<b>Capex</b>	<b>0.2</b>	<b>2.5</b>	<i>n/s</i>

(average)	HI 2016	HI 2017	Change
<b>Number of employees</b>	<b>275</b>	<b>590</b>	<b>315</b>



**Engineering and Services** ↑ Revenue growth driven by increased activity  
EBITDA main drivers

(€m)	HI 2016	HI 2017	%change
<b>EBITDA</b>	<b>4.7</b>	<b>8.0</b>	<b>+70.2%</b>
<b>Capex</b>	<b>0.7</b>	<b>0.4</b>	<b>-42.9%</b>

(average)	HI 2016	HI 2017	Change
<b>Number of employees</b>	<b>172</b>	<b>261</b>	<b>89</b>

## Holding

↓ Transfer of Facility Management services to Acea Elabori (Engineering and Services segment)

(€m)	HI 2016	HI 2017	%change
<b>EBITDA</b>	<b>(0.4)</b>	<b>(5.8)</b>	<i>n/s</i>
<b>Capex</b>	<b>4.7</b>	<b>5.9</b>	<b>+25.5%</b>

(average)	HI 2016	HI 2017	Change
<b>Number of employees</b>	<b>630</b>	<b>583</b>	<b>-47</b>



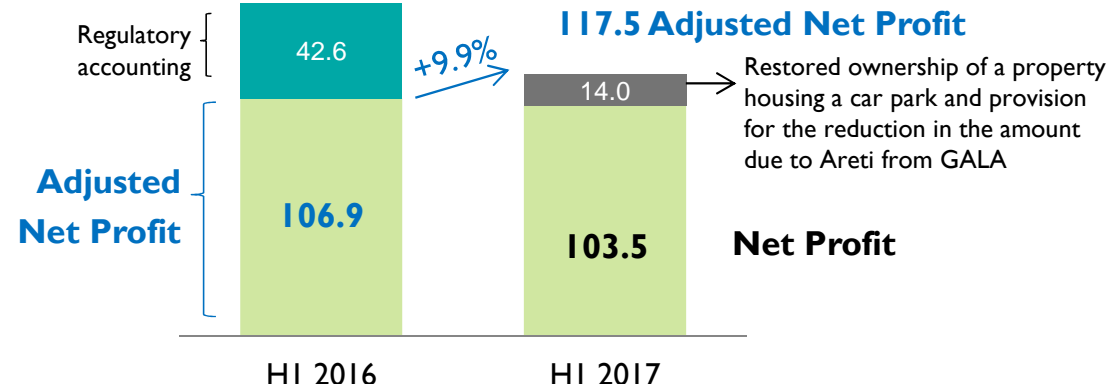
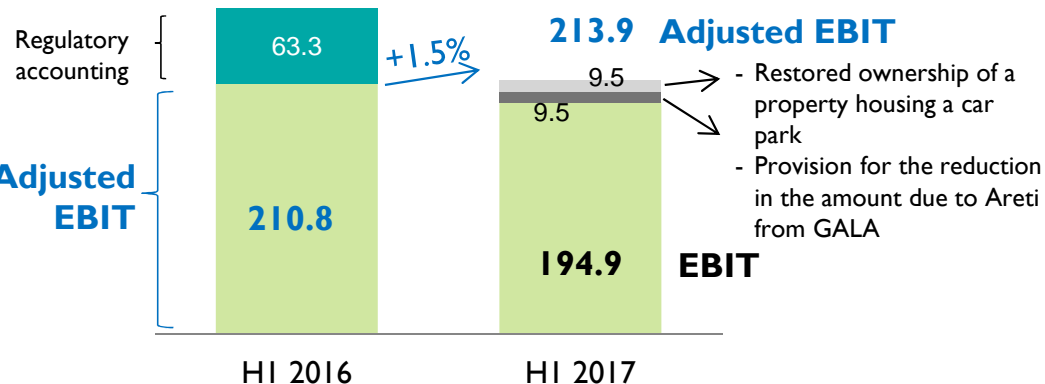
# HI 2017 EBIT and Net profit

## EBIT (€m)

## NET PROFIT (€m)

**EBIT 274.1**

**Net Profit 149.5**



(€m)	HI 2016	HI 2017	% change
Depreciation	117.1	152.5	+30.2%
Write-offs	28.5	46.3	+62.5%
Provisions	24.1	20.4	-15.4%
<b>Total</b>	<b>169.7</b>	<b>219.2</b>	<b>+29.2%</b>

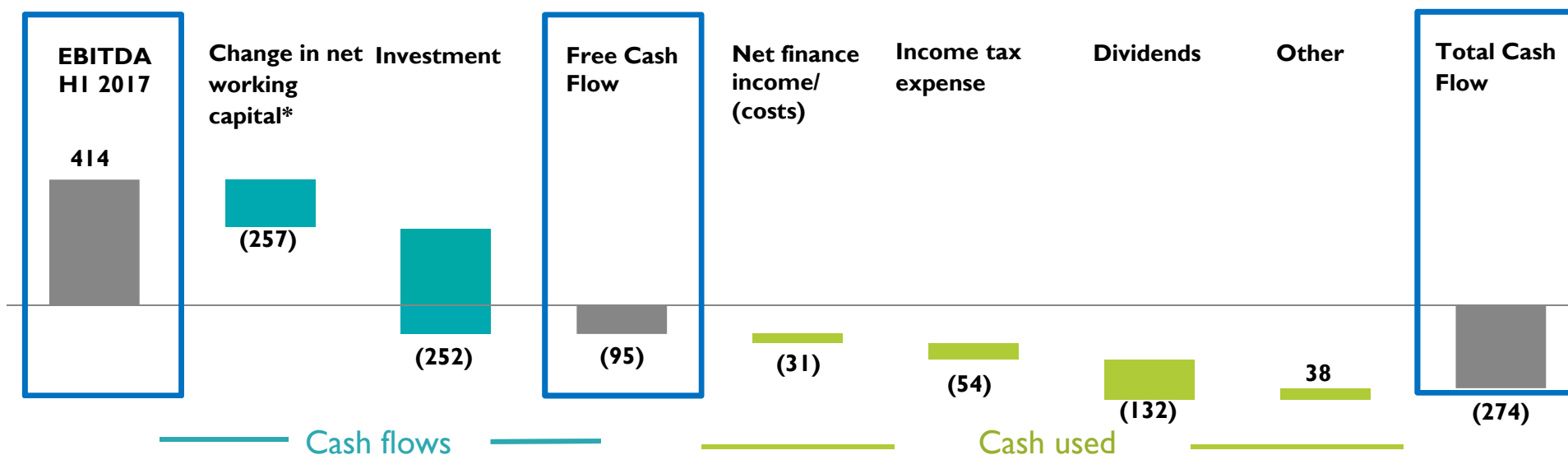


✓ Higher depreciation due to increased capex



Higher write-off in Water segment and reduction in the amount due to Areti from GALA

CASH FLOW ANALYSIS (€m)	HI 2016	HI 2017
EBITDA	444	414
Change in net working capital	(144)	(257)
Investment	(221)	(252)
<b>Free Cash Flow</b>	<b>79</b>	<b>(95)</b>
Net finance income/(costs)	(42)	(31)
Income tax expense	(78)	(54)
Dividends	(107)	(132)
Other	25	38
<b>Total Cash Flow</b>	<b>(123)</b>	<b>(274)</b>
<b>Net Debt at beginning of period</b>	<b>2,010</b>	<b>2,127</b>
<b>Net Debt at end of period</b>	<b>2,132</b>	<b>2,401</b>



\* Before write-off on receivables

# Net Debt

(€m)	30 June 2016 (a)	31 Dec 2016 (b)	30 June 2017 (c)	Change (c-a)	Change (c-b)
<b>NET DEBT</b>	<b>2,131.9</b>	<b>2,126.9</b>	<b>2,401.4</b>	<b>269.5</b>	<b>274.5</b>
Medium/Long-term	2,637.4	2,769.4	2,831.8	194.4	62.4
Short-term	(505.5)	(642.5)	(430.4)	75.1	212.1
<b>Adjusted NET DEBT*</b>	<b>2,131.9</b>	<b>2,126.9</b>	<b>2,377.4</b>	<b>245.5</b>	<b>250.5</b>

**NET DEBT/ EQUITY**  
31 Dec 2016

**1.2x**

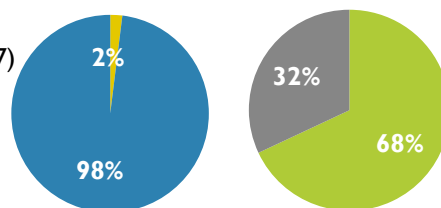
**NET DEBT/ EQUITY**  
30 June 2017

**1.4x**

## Debt structure

(maturity and interest rates at 30 June 2017)

- > Fixed rate **68%**
- > Average overall cost **2.65%**
- > Average term to maturity **~7 years**



■ Debt falling due in 2017  
■ Debt falling due from 2018 on

■ Floating rate  
■ Fixed rate

## Rating

**FitchRatings**

**BBB+**

*Stable Outlook*

**MOODY'S**

**Baa2**

*Stable Outlook*

\* Adjusted net debt for 2017 does not include the impact of the reduced amount due from GALA.



# Q1 2017 Results

# Q1 2017 financial highlights

(€m)	Q1 2016	Q1 2016 adjusted*	Q1 2017	% Change	% Change
	a	b	c	c/a	c/b
<b>Consolidated revenue</b>	<b>713.7</b>	691.2	<b>725.5</b>	<b>+1.7%</b>	+5.0%
<b>EBITDA</b>	<b>207.2</b>	184.7	<b>214.4</b>	<b>+3.5%</b>	+16.1%
<b>EBIT</b>	<b>123.6</b>	101.1	<b>117.2</b>	<b>-5.2%</b>	+15.9%
<b>Profit/(Loss) before tax</b>	<b>103.0</b>	80.5	<b>98.3</b>	<b>-4.6%</b>	+22.1%
<b>Net Profit/(Loss)</b>	<b>69.2</b>	54.0	<b>68.5</b>	<b>-1.0%</b>	+26.9%
<b>Group net profit/(loss)</b>	<b>66.9</b>	51.7	<b>65.7</b>	<b>-1.8%</b>	+27.1%
<b>Capex</b>	<b>97.0</b>		<b>126.4</b>	<b>+30.3%</b>	

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

(€m)	31 March 2016 (a)	31 Dec 2016 (b)	31 March 2017 (c)	Change (c-a)	Change (c-b)
<b>NET DEBT</b>	<b>2,173.9</b>	<b>2,126.9</b>	<b>2,234.8</b>	<b>60.9</b>	<b>107.9</b>
<b>Equity</b>	<b>1,656.4</b>	<b>1,757.9</b>	<b>1,838.2</b>	<b>181.8</b>	<b>80.3</b>
<b>Invested Capital</b>	<b>3,830.3</b>	<b>3,884.8</b>	<b>4,073.0</b>	<b>242.7</b>	<b>188.2</b>



# 2016 Results

# 2016 financial highlights

(€m)	2015	2016*	Change %
<b>Consolidated revenue</b>	<b>2,917.3</b>	<b>2,832.4</b>	<b>-2.9%</b>
<b>EBITDA</b>	<b>732.0</b>	<b>896.3**</b>	<b>+22.4%</b>
<b>EBIT</b>	<b>386.5</b>	<b>525.9</b>	<b>+36.1%</b>
<b>Net profit/(loss)</b>	<b>181.5</b>	<b>272.5</b>	<b>+50.1%</b>
Non-controlling interests	6.6	10.2	+54.5%
<b>Group net profit/(loss)</b>	<b>175.0</b>	<b>262.3</b>	<b>+49.9%</b>
<b>Dividend per share (€)</b>	<b>0.50</b>	<b>0.62</b>	<b>+24.0%</b>
<b>Capex</b>	<b>428.9</b>	<b>530.7</b>	<b>+23.7%</b>

\*Positive impact for accounting for Resolution 654/2015 and negative impact of repurchase of portion of bonds in issue

\*\*€785m adjusted for accounting for Resolution 654/2015

(€m)	31 Dec 2015 (a)	30 Sept 2016 (b)	31 Dec 2016 (c)	Change (c-a)	Change (c-b)
<b>NET DEBT</b>	<b>2,010.1</b>	<b>2,138.7</b>	<b>2,126.9</b>	<b>116.8</b>	<b>(11.8)</b>
<b>Equity</b>	<b>1,596.1</b>	<b>1,682.1</b>	<b>1,757.9</b>	<b>161.8</b>	<b>75.8</b>
<b>Invested Capital</b>	<b>3,606.2</b>	<b>3,820.8</b>	<b>3,884.8</b>	<b>278.6</b>	<b>64.0</b>

THIS PRESENTATION CONTAINS CERTAIN FORWARD-LOOKING STATEMENTS THAT REFLECT THE COMPANY'S MANAGEMENT'S CURRENT VIEWS WITH RESPECT TO FUTURE EVENTS AND FINANCIAL AND OPERATIONAL PERFORMANCE OF THE COMPANY AND ITS SUBSIDIARIES.

THESE FORWARD-LOOKING STATEMENTS ARE BASED ON ACEA S.P.A.'S CURRENT EXPECTATIONS AND PROJECTIONS ABOUT FUTURE EVENTS. BECAUSE THESE FORWARD-LOOKING STATEMENTS ARE SUBJECT TO RISKS AND UNCERTAINTIES, ACTUAL FUTURE RESULTS OR PERFORMANCE MAY MATERIALLY DIFFER FROM THOSE EXPRESSED THEREIN OR IMPLIED THEREBY DUE TO ANY NUMBER OF DIFFERENT FACTORS, MANY OF WHICH ARE BEYOND THE ABILITY OF ACEA S.P.A. TO CONTROL OR ESTIMATE PRECISELY, INCLUDING CHANGES IN THE REGULATORY FRAMEWORK, FUTURE MARKET DEVELOPMENTS, FLUCTUATIONS IN THE PRICE AND AVAILABILITY OF FUEL AND OTHER RISKS.

YOU ARE CAUTIONED NOT TO PLACE UNDUE RELIANCE ON THE FORWARD-LOOKING STATEMENTS CONTAINED HEREIN, WHICH ARE MADE ONLY AS OF THE DATE OF THIS PRESENTATION. ACEA S.P.A. DOES NOT UNDERTAKE ANY OBLIGATION TO PUBLICLY RELEASE ANY UPDATES OR REVISIONS TO ANY FORWARD-LOOKING STATEMENTS TO REFLECT EVENTS OR CIRCUMSTANCES AFTER THE DATE OF THIS PRESENTATION.

THIS PRESENTATION DOES NOT CONSTITUTE A RECOMMENDATION REGARDING THE SECURITIES OF THE COMPANY.

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PURSUANT TO ART. 154-BIS, PAR. 2, OF THE LEGISLATIVE DECREE N. 58 OF FEBRUARY 24, 1998, THE EXECUTIVE IN CHARGE OF PREPARING THE CORPORATE ACCOUNTING DOCUMENTS AT ACEA, GIUSEPPE GOLA - CFO OF THE COMPANY - DECLARES THAT THE ACCOUNTING INFORMATION CONTAINED HEREIN CORRESPOND TO DOCUMENT RESULTS, BOOKS AND ACCOUNTING RECORDS.