



2015-2019 Business Plan

Rome, June 2015

Agenda



Acea Group

- Opening remarks 3
- Acea today 4
- 2015-2019 Business Plan highlights 5
- Project Acea 2.0 6

2015-2019 Business Plan

- Acea Group 7
- Environment 14
- Energy 18
- Water 21
- Grids 24
- Corporate 27

2015-2019 Business Plan

- Process of consolidation in Local Utilities sector 29
- Key takeaways 31

Appendix

- 2014 results 34
- Q1 2015 results 35
- Water regulatory Framework 36
- Main assumptions 37



Opening remarks

Growth in regulated activities

Growth acceleration in Environment business area

Digital & Technological transformation (Project Acea 2.0)

Cost reductions and continuous improvements in service quality

Strategy focused on consolidating financial strength

Sustainable dividend policy



A leading player in the Italian market



ENVIRONMENT

Acea treated over 770,000 tons of waste in 2014. In the same year, the waste-to-energy plants **produced about 250 GWh of electrical energy.** Acea is committed to investing in waste-to-energy and organic waste treatment products with the aim of using waste to produce energy, biogas and compost, thereby benefitting the environment. The geographical and operational footprint of companies in the Environment business area is **concentrated in the three regions in central Italy: Umbria, Lazio and Tuscany.**



WATER

In 2014, the water service division **sold 540 million m³ of potable water to nearly 9 million customers.** Acea is the **leading operator in Italy,** managing Integrated Water Systems in the province of Rome and other parts of **Lazio, Tuscany, Umbria and Campania.**

Acea is at the leading edge in engineering, procurement, construction and management of integrated water services, as well as carrying out multiple and daily laboratory analyses, thanks to the expertise in network management acquired in over a century. **Acea has also been active for many years in Latin American countries,** providing water management services.



ENERGY

Acea is one of the main Italian energy players, with about **11 TWh of electricity sold in 2014 to about 1.5 million customers.** Acea trades a similar amount of electricity for the benefit of its customers and for the internal consumption of the companies in the Group. To support its customers' operations, Acea has its own call centre. Moreover, **Acea owns and operates 7 hydroelectric power plants (122 MW) and 3 thermo/cogen plants (243 MW).**

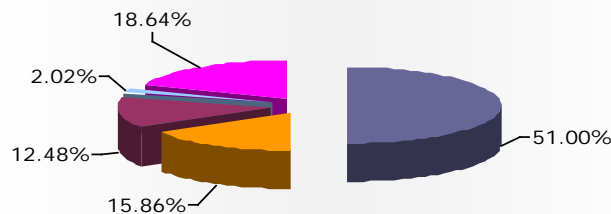


GRIDS

Acea is one of the leading operators in Italy, distributing over 10 TWh of energy in the city of Rome (1.6 million meters). Acea is promoting the field application of the smart grid and e-mobility through the implementation of highly innovative pilot projects, qualified by the AEEGSI.

Acea manages public lighting and floodlighting with over 217,000 lighting points distributed over an area of 1,500 km². **Acea is also engaged in several energy efficiency projects.**

Acea Shareholder Structure



- City of Rome
- Caltagirone Group
- Suez Environnement Company SA (held through Ondeo Italia)
- Norges Bank
- Other

Source: CONSOB (June 2015)



2015-2019 Business Plan highlights

Strengths and competitive advantages

Asset Manager with growth potential in regulated sectors

Financial strength

Leadership, management know-how and technical expertise

Loyal and Large customer base

Well-known brand

Well-positioned to capture opportunities

Excellent relationships with the Regulator

Strategic priorities

Digital Transformation (Project Acea 2.0) to enhance efficiency

Development of regulated businesses

Strong growth in Environment business area

Continuous improvement in the financial structure

Additional opportunities

(not included in Business Plan)

M&A opportunities



The Italian Government aims to encourage consolidation in the utilities sector
Incentives for public shareholders to divest from local utilities



Acea is revolutionising the way we work and provide our services through a **large-scale adoption of digital technologies**, involving:

~8,000,000
CUSTOMERS

~7,000
EMPLOYEES

~140,000 KM of
NETWORK

~831
PLANTS

To meet the need to ensure data integrity, consistency and quality, ACEA has chosen **SAP solutions** (from the global leader in data management systems for utilities).

Main projects

New **Customer Relationship Management** platform

Work Force Management
solution for managing the workforce on the ground
using mobile technology

New platform offering:
improved performance of solutions, **direct and real-time access** to data, without the need for intermediate layers, and the option of using **new applications**

New **single ERP platform** (purchasing, accounting, etc.)



2015-2019 Business Plan

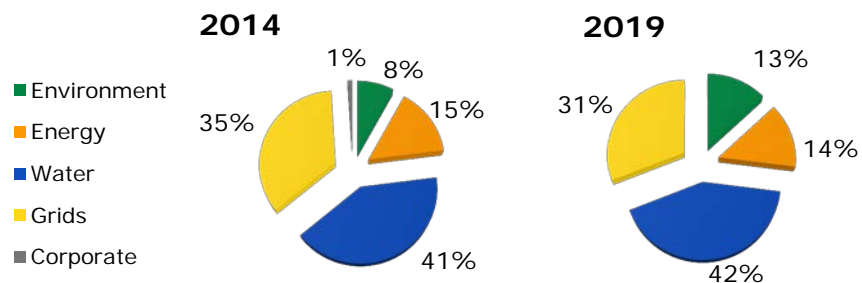
➤ *Acea Group*



	2014	2019 Plan
EBITDA (€m)	718	864
NET PROFIT before non-controlling interests (€m)	169	247
NET DEBT (€m)	2,089	2,251
NET DEBT/EBITDA	2.9x	2.6x
INVESTED CAPITAL (€bn)	3.6	4.2

2019 Pre-tax ROIC : 12%

EBITDA breakdown by Business Area

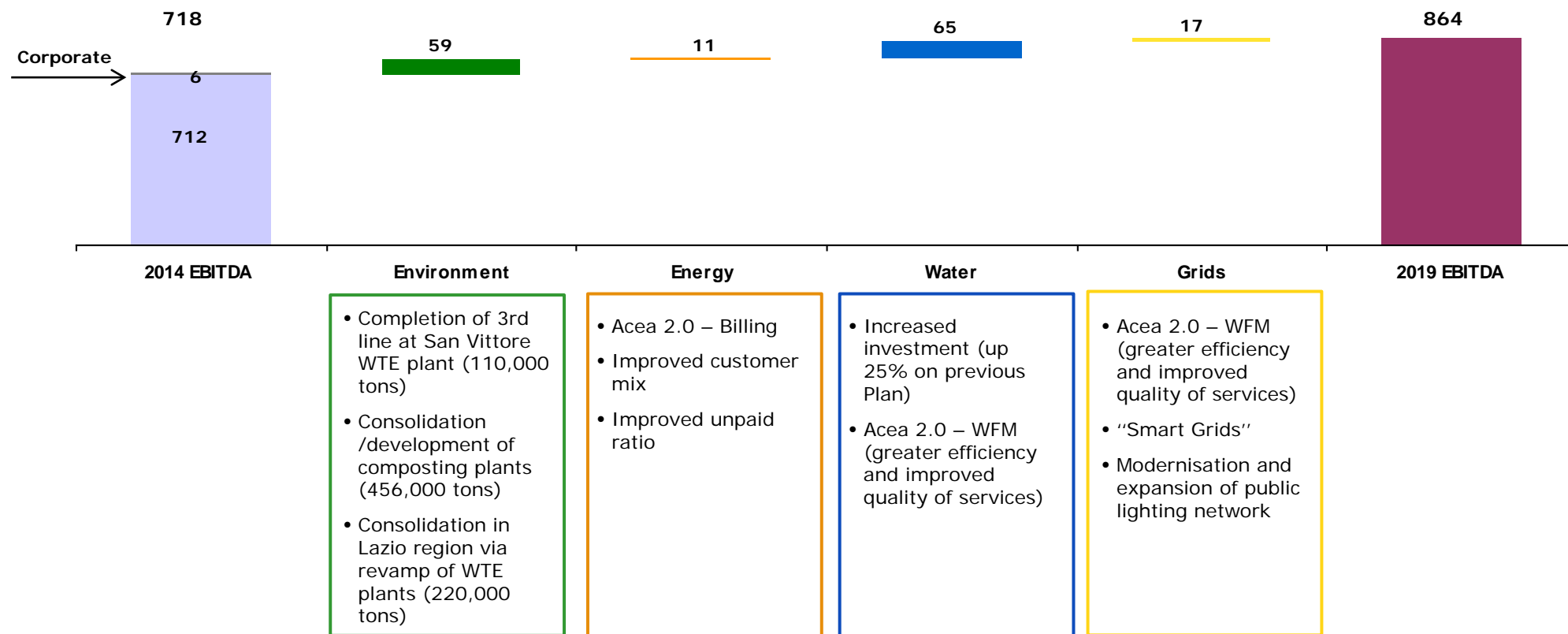


EBITDA from Regulated Activities



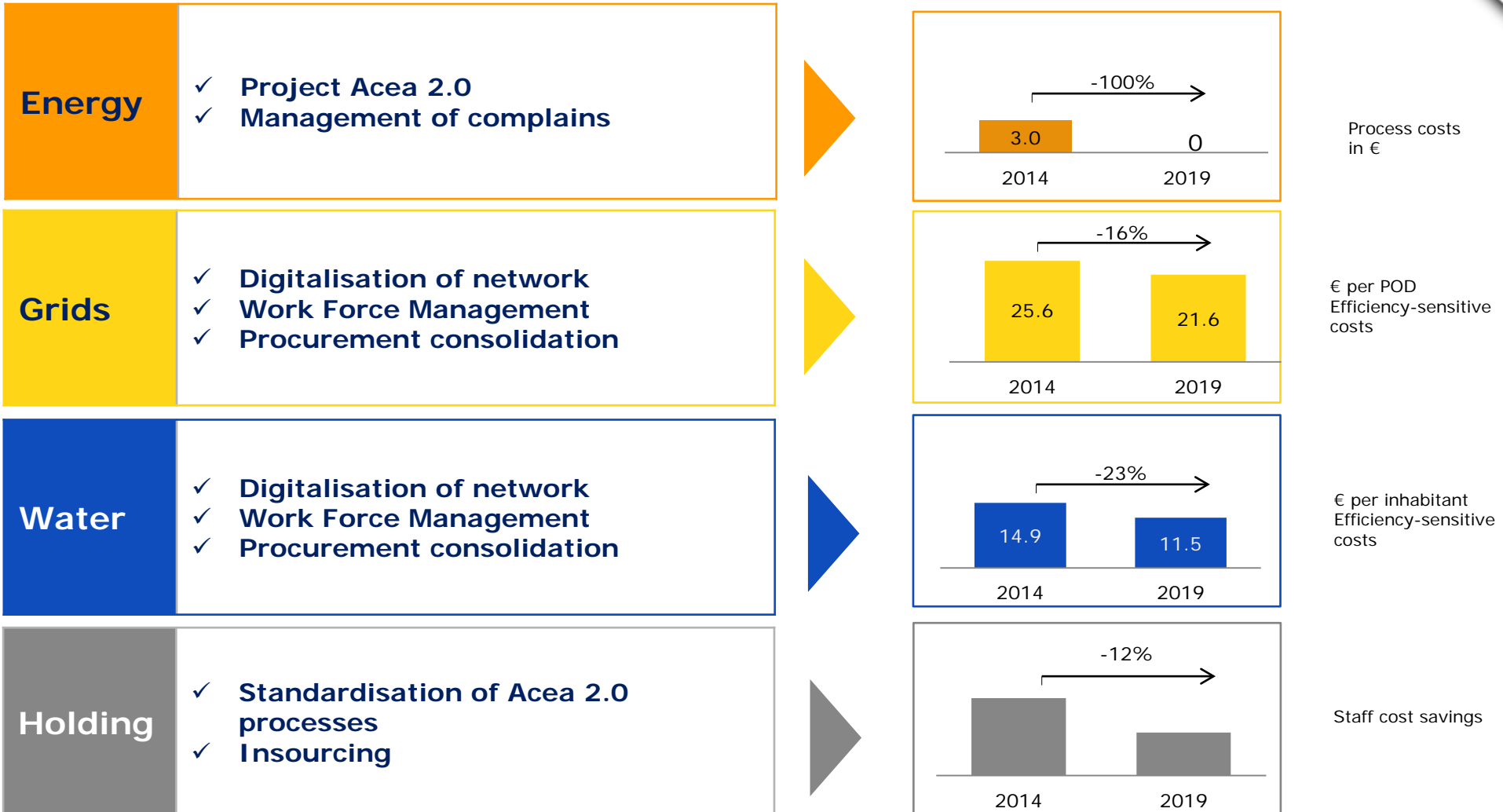


Organic Growth (€m)



Total efficiencies over the period of the Plan: \cong €70m
from 2019: \cong €30m on a recurring basis
Acea 2.0, WFM, digital networks, single contracts, insourcing

Cost efficiencies



**Total efficiencies over the period of the Plan: \cong €70m
from 2019: \cong €30m on a recurring basis**



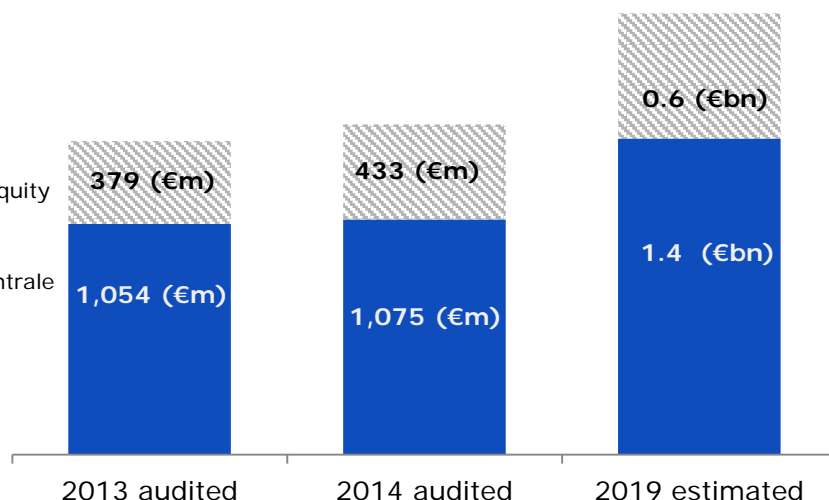
The 2015-2019 Business Plan has been drawn up on the basis of the current approach to determining the cost of capital when setting tariffs.

We have assumed – in line with the approach adopted in “mature” regulatory systems – an extension of the period used as the basis for calculating the Risk Free Rate (BTP Y10) and RPI (inflation) to 10 years. The resulting cost of capital has been held flat throughout the life of the Plan.

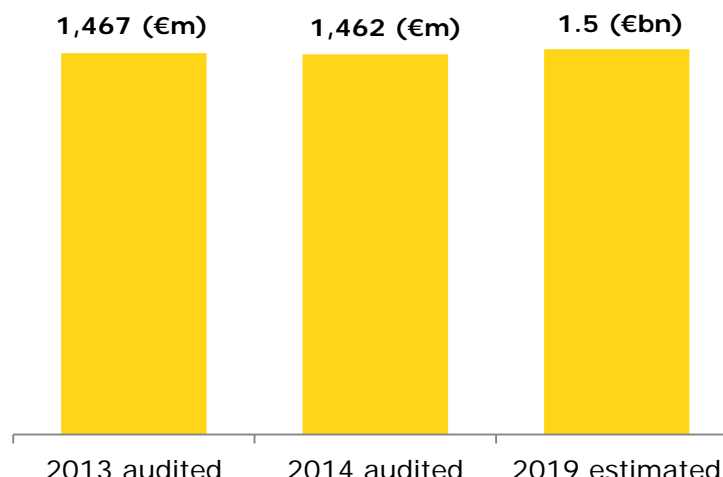
RAB

The RAB used in setting the tariff for year “n” corresponds to the value of fixed assets in year “n-2” (defined as the historical cost of the firm’s assets revalued using deflators for the period) less accumulated depreciation revalued using deflators for the period.

RAB - WATER



RAB – ELECTRICITY DISTRIBUTION



The rate of RAB growth in the Water sector is high, as in the early years the level of capex is by nature higher than the value of allowed depreciation.

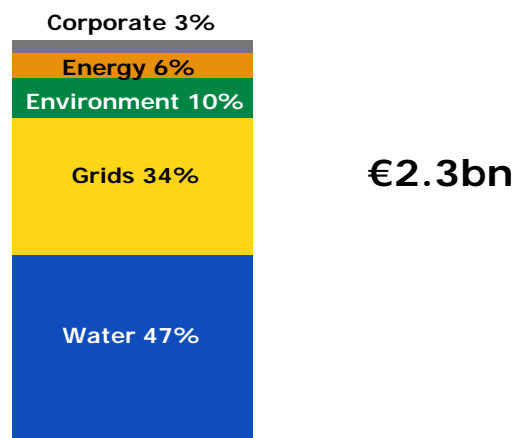
In the Electricity sector, the RAB is more “mature” and the ratio capex/depreciation is $\cong 1$



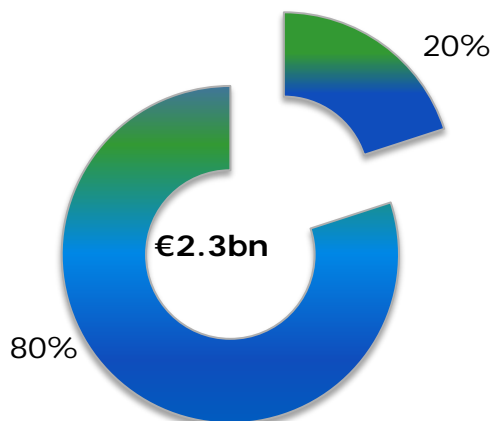
Capex programme to support organic growth in regulated assets Selected investment in Environment business area

- Increased investment in regulated sectors, assuming reasonable sustainability of the cost of debt allowed by the regulator and a stable new tariff regime
- Projects previously approved in the Environment business area

2015-2019 by business area (%)



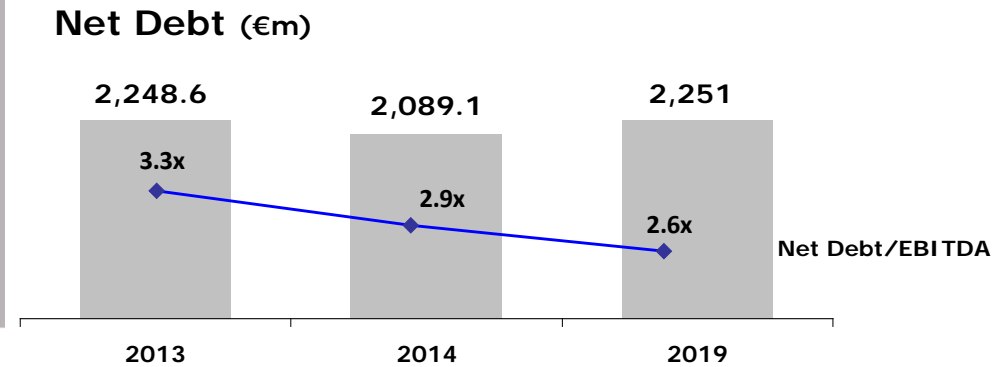
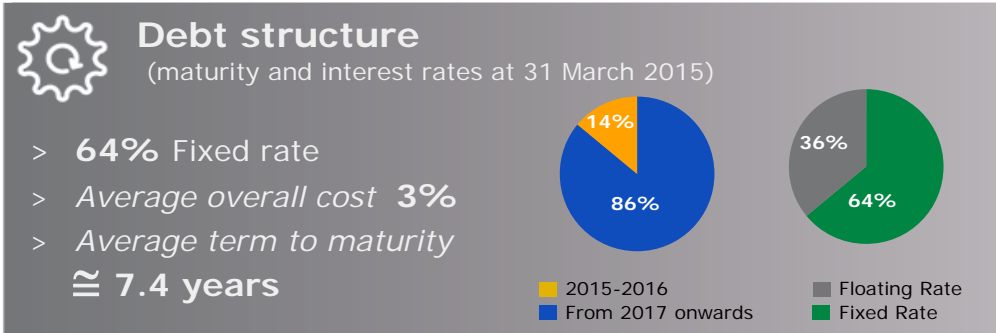
2015-2019 Regulated/Unregulated (%)





Capital structure and dividend policy

Maintenance of a solid financial structure over the life of the Plan



Under the Plan, planned investment is to be fully funded from cash flow

Dividend Policy

Payout ratio of 50%-60% with a floor of €0.40 DPS per annum up to 2019



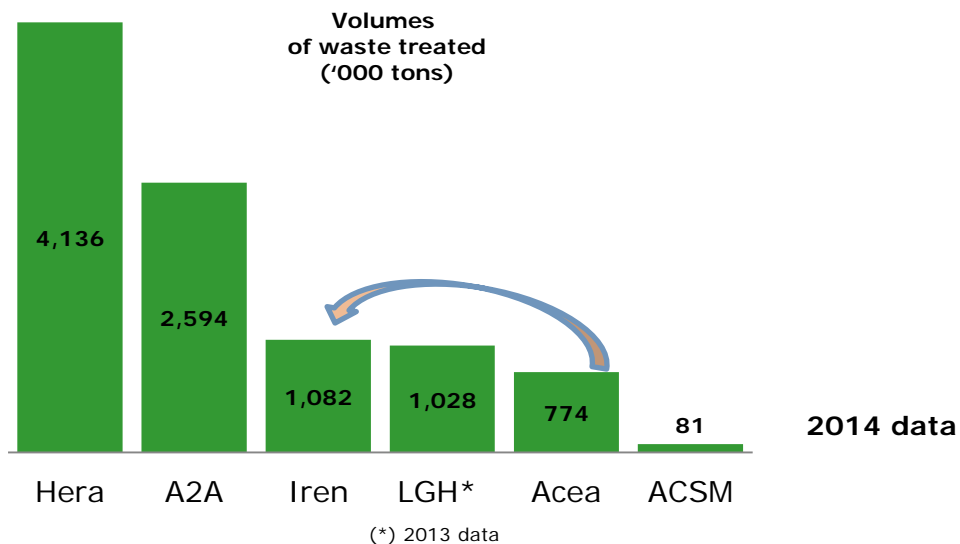
2015-2019 Business Plan

➤ Environment

Strong growth in Environment



Aim is to become the number 3 in Italy.



GROWTH TARGETS

No. 3 OPERATOR IN ITALY
by volume of waste treated (1,811 Ktons/year)
of which 75% in the Lazio region

Waste to energy: 600 GWh/year
(equivalent to annual consumption of approx. 200,000 households)

Growth and strategy

- Completion of initiatives already approved
- Consolidation/expansion of composting plants
- Consolidation in Lazio region with repowering of WTE plants



Shortfall in waste treatment capacity in Lazio

LAZIO

Capacity (t/a)	2015	2019
URBAN WASTE PRODUCED	3,269,398	3,361,907
Recycled waste (%)	37%	53%
Unrecycled waste	2,059,721	1,580,097
Mechanical-biological treatment capacity	2,067,000	2,747,000
Δ mechanical-biological treatment capacity	7,279	1,166,903
RDF produced	617,916	474,029
WTE capacity	360,000	530,000
Δ WTE capacity	-257,916	55,971
Organic waste	532,903	752,715
Composting capacity	255,000	565,000
Δ Composting capacity	-277,903	-167,715

In view of the lack of plants in the Lazio region and the expected trend in recycled waste, we estimate that the capacity shortfall will remain substantially unchanged over the life of the Plan

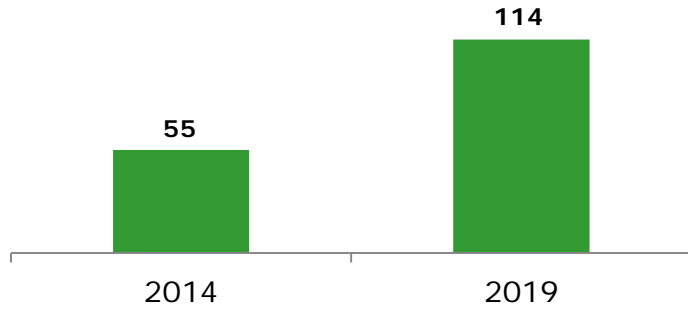
In this context, Acea's aim is to consolidate/expand its presence in the Environment sector

ACEA PLANTS WTE and composting plants	2014 Installed capacity (Mwe)	2014 Capacity (t/a)	2019 Installed capacity (Mwe)	2019 Capacity (t/a)
<i>WTE plants</i>	25.5	224,379	52.1	469,000
- of which Lazio plants (San Vittore del Lazio)	25.5	224,379	52.1	469,000
<i>Composting plants (Kyklos, Samace)</i>		220,262		682,847
- of which Lazio plants (Kyklos, Samace)		188,192		654,213

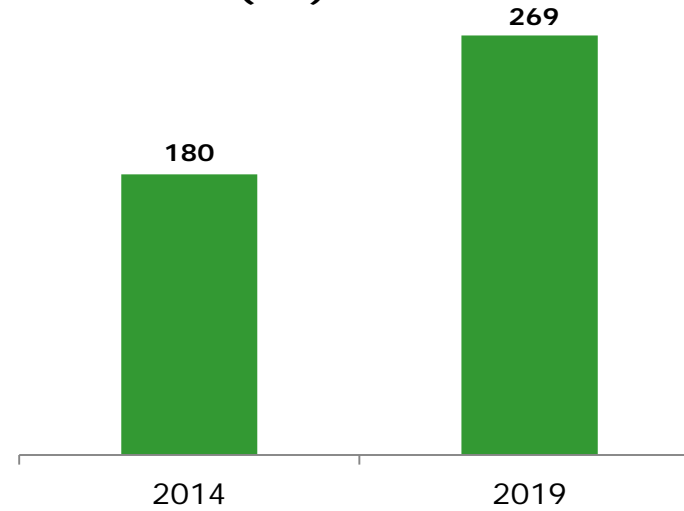
Targets and results



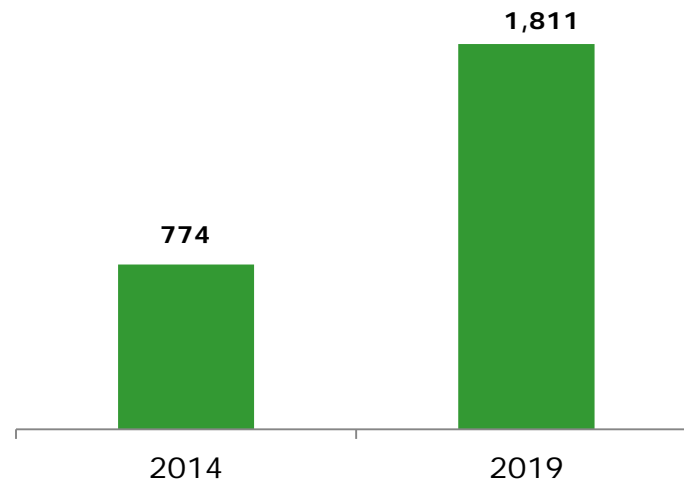
EBITDA (€m)



Net Debt (€m)



Volume of waste treated ('000 tons)



2015-2019 CAPEX: €235m

2019 Invested Capital: €320m

2019 pre-tax ROIC: 23%

2015-2019 Business Plan

➤ Energy



Growth in Energy Sales

Operational efficiency and improved customer mix / Focus on improvements to the billing process

Project Acea 2.0

Upgrade of the information systems that support the metering, billing and credit management processes by using the SAP ISU

Free Market

Improved customer mix

Enhanced Protection market

Discussions underway with the AEEGSI regarding the tariff review. In December 2014, the AEEGSI revised the tariff for 2014, applying a partial increase (Resolutions 136/2014 and 670/2014)

Development of energy efficiency



Data quality



Clean up the data to be transferred to the new system and use a single database.

CRM



Design and creation of a CRM platform, accompanied by the simplification and digitalisation of processes.
Particular attention to be paid to web and mobile services, increasing remote interaction with customers.

Metering and billing



Unified management of meter readings, using a common algorithm to compute estimated energy consumption and a single billing platform.

Counter services



Enhancement of the ability to handle and resolve face-to-face customer requests, by remapping front-end processes and exploiting the potential of the new CRM platform.

Short position in electricity production

7 Hydroelectric power plants: 122 Mw
3 Thermo/cogen. plants: 243 Mw

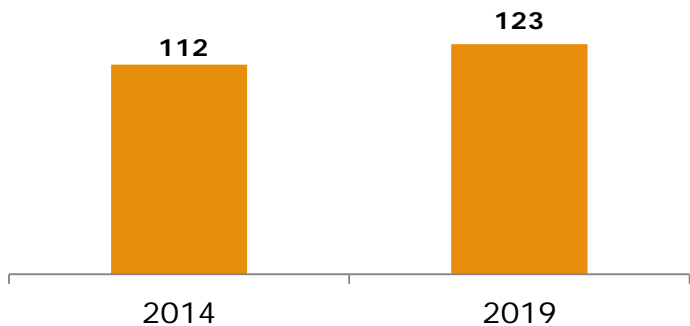


Completion of plant upgrade programme

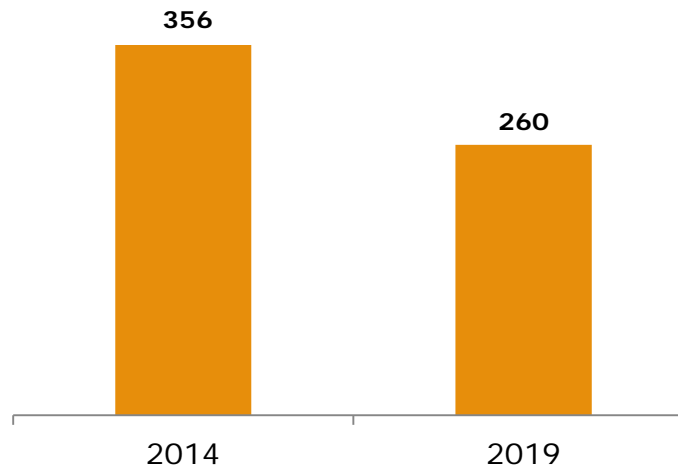
Targets and results



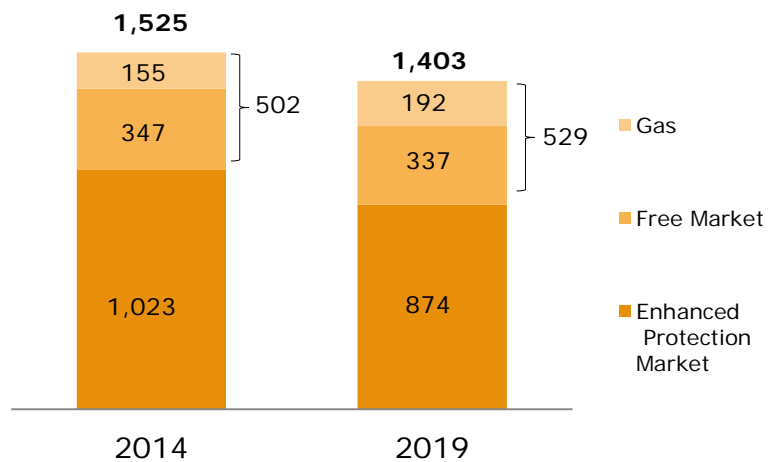
EBITDA (€m)



Net Debt (€m)



Number of customers ('000)



2015-2019 Capex: €133m

2019 Invested Capital: €480m

2019 pre-tax ROIC: 13%



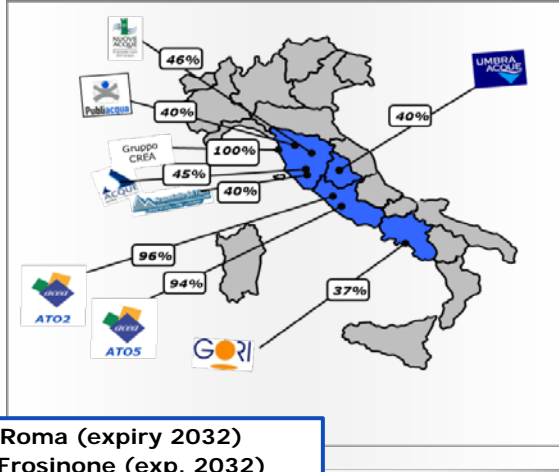
2015-2019 Business Plan

➤ Water



Growth through efficiency

Long-term concessions



CONSOLIDATE LEADERSHIP IN ITALIAN MARKET

Project Acea 2.0

Radical transformation, standardisation and integration of all IT systems, obtaining operating cost and process efficiencies.



WFM and new billing system to go live in 2015 (4Q)

Consultation with the AEEGSI for the new tariff from 2016 on

Need to foster long-term investment and ensure a stable Regulatory Framework (longer regulatory periods, etc....)

- ATO2-Roma (expiry 2032)
- ATO5 Frosinone (exp. 2032)
- Other ATOs:
 - ATO3 Firenze (exp. 2021)
 - ATO6 Siena-Grosseto (exp. 2026)
 - ATO2 Pisa (exp. 2021)
 - ATO1 Perugia (exp. 2027)
 - ATO3 Sarnese V. (exp. 2032)

Growth through business combinations

Create value through M&A strategy execution

Progressive territorial consolidation, extending and standardising operating best practices.

(Not included in Business Plan)



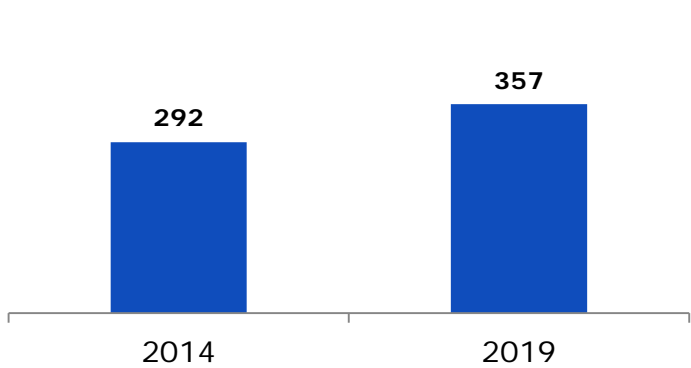
Drive combination of various operators in Tuscany, Lazio and Umbria

Targets and Results



Strong growth track records
2001-2013 EBITDA CAGR: +10.1%
+ 8 companies acquired

EBITDA (€m)

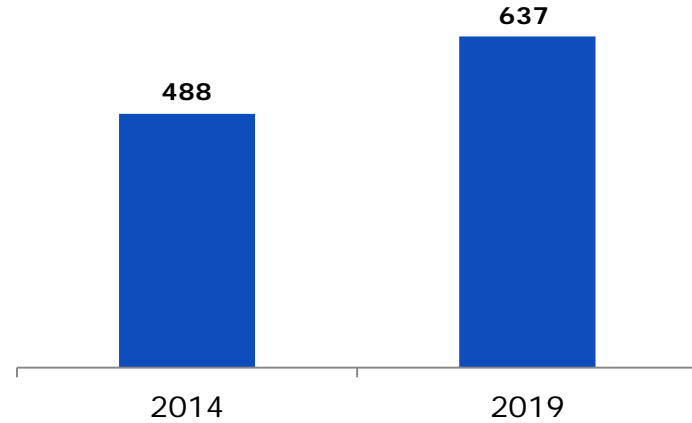


Tariff revenue in the Plan has been determined in continuity with the Transitional Tariff Regime for 2014-2015 and in line with the Financial Plans on basis of which tariffs were approved

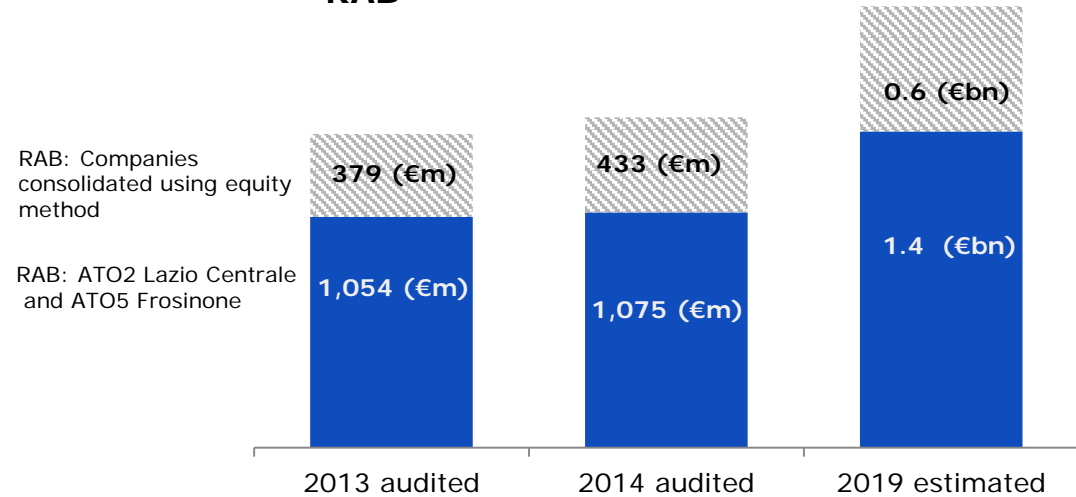
2015-2019 Capex: €1,073m
of which Lazio region €1,051m
(Rome & Province €968m)

2019 Pre-tax ROIC: 11%

Net Debt (€m)



RAB



2015-2019 Business Plan

➤ Grids



Growth through efficiency

DISTRIBUTION

Project Acea 2.0

- ❑ Improvements to service quality
- ❑ Cost efficiencies



WFM to go live in 2016

Modernisation of distribution network (“smart grid” approach)

Consultations with AEEGSI

Need to foster long-term investment and ensure a stable Regulatory Framework



PUBLIC LIGHTING

Public lighting in Rome

Modernise and expand the public lighting network and implement the “Roma LED” project
Replacement of 188,000 lamps with new energy-saving lamps, boosting the average energy efficiency of the system.

Growth through expansion

Development of energy efficiency projects

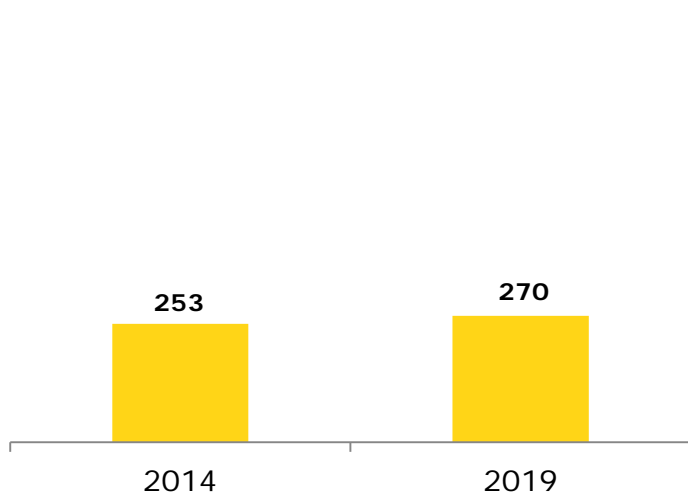
Evaluation of opportunities in public lighting market – LED technology

New services for customers (fibre network and superfast broadband)

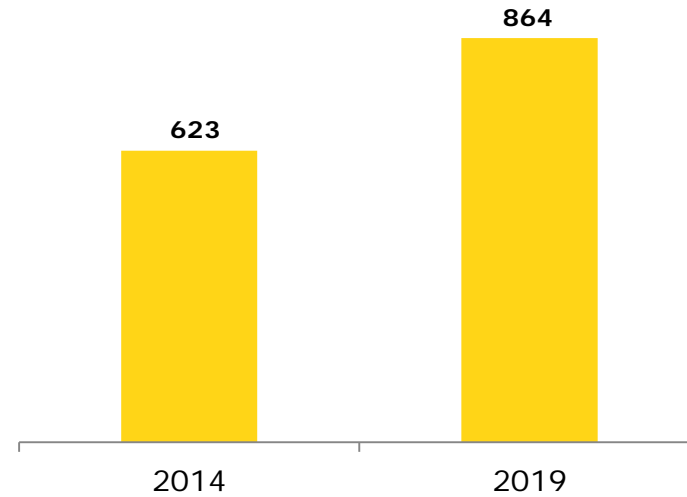
Targets and results



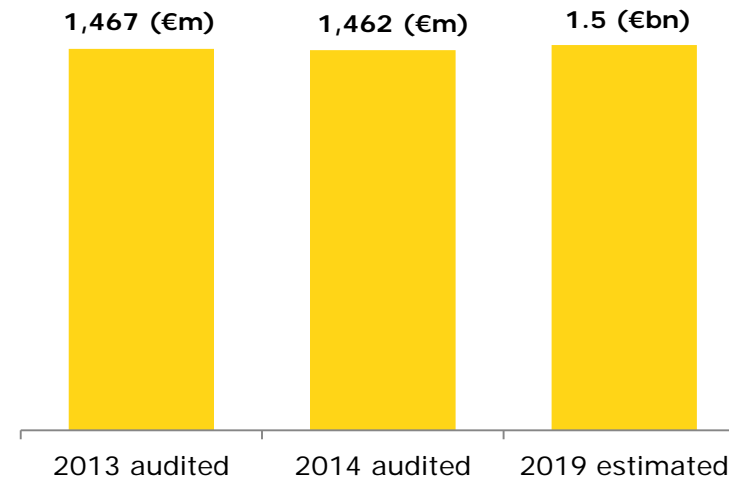
EBITDA (€m)



Net Debt (€m)



RAB



2015-2019 Capex: €763m
of which "smart" €110m

2019 pre-tax ROIC: 10%



2015-2019 Business Plan

➤ ***Corporate***

Targets and results



- **Further simplify the corporate structure**
- **Facilitate synergies** through Project Acea 2.0
- Greater operational efficiency - insourcing

2015-2019 Capex: €78m

2019 EBITDA: €0m

Process of consolidation in Local Utilities sector

GOVERNMENT IS KEEN TO SEE RESTRUCTURING OF PUBLIC UTILITIES SECTOR

2015 Stability Law

aims to encourage consolidation among local utilities by, among other things, excluding capital expenditure by local authorities using the proceeds from the sale of stakes in local utilities from the restrictions set out in the Internal Stability Pact.

Local govt. reforms

in the process of being approved envisage the introduction of incentives designed to encourage consolidation among local utilities.




Acea is ready to take advantage of all opportunities that will arise

- Leading role in management of water resources in Italy
- Strong roots in the areas in which we operate



Additional initiatives in the Water sector

(not included in Business Plan)

	LAZIO	TUSCANY	UMBRIA
EBITDA 2019E* (€m)	≈ 60	≈ 400	≈ 50
INHABITANTS (NR)	1,059,000	3,268,000	890,000
FEASIBILITY			
○ Low ● high			
SYNERGIES/WFM 2019E	High	Medium	High
STRATEGIC INITIATIVES	<ul style="list-style-type: none"> ▪ Single operator for Lazio region ▪ Synergies with ATO2 ▪ Growth and sustainability of investment ▪ Synergies from WFM 	<ul style="list-style-type: none"> ▪ Consolidation and completion of presence in Tuscany ▪ Growth and sustainability of investment ▪ Synergies from WFM 	<ul style="list-style-type: none"> ▪ Consolidation and completion of presence in Umbria ▪ Growth and sustainability of investment ▪ Synergies from WFM

Acea is ready to take advantage of these additional initiatives:

- *Leading Italian water company with high degree of industrial expertise, capable of acting as a focal point for consolidation*
- *Firm commitment of Management*
- *Solid financial structure capable of supporting investment programmes of combined companies*

CONSOLIDATION PROCESS SUBJECT TO LOCAL AUTHORITIES' DECISIONS



ACEA GROUP

2019-EBITDA: €864m

2015-2019 CAPEX: €2.3bn



Environment

2019 EBITDA: €114m
2015-2019 CAPEX: €235m
2019 Pre-tax ROIC: 23%



Energy

2019 EBITDA: €123m
2015-2019 CAPEX: €133m
2019 Pre-tax ROIC: 13%



Water

2019 EBITDA: €357m
2015-2019 CAPEX: €1,073m
2019 Pre-tax ROIC: 11%



Grids

2019 EBITDA: €270m
2015-2019 CAPEX: €763m
2019 Pre-tax ROIC: 10%

Appendix

Appendix

- ***2014 Results***
- ***Q1 2015 Results***
- ***Water regulatory framework***
- ***Main assumptions***



	(€m)	2013 (restated*)	2014	% change
Consolidated revenue		3,289.0	3,038.3	-7.6%
Profit/(Loss) on investments consolidated under IFRS 11		30.3	18.8	-38.0%
- of which: EBITDA		122.3°	125.7	+2.8%
- of which: Amortisation, depreciation and provisions		(71.1)	(82.4)	+15.9%
- of which: Financial income/(expense)		2.0°°	(9.7)	n/s
- of which: Income tax expense		(22.9)	(14.8)	-35.4%
Variable Margin		1,198.7	1,233.3	+2.9%
Personnel costs		238.3	229.5	-3.7%
Operating costs		285.0	286.1	+0.4%
EBITDA		675.4	717.7	+6.3%
Amortisation, depreciation and provisions		312.2	327.3	+4.8%
EBIT		363.2	390.4	+7.5%
Financial income/(expense)		(99.2)	(101.1)	+1.9%
Profit/Loss from equity investments		(4.8)	0.5	n/s
Profit/(loss) before tax		259.2	289.8	+11.8%
Income tax expense		105.8	120.9	+14.3%
Net profit/(loss)		153.4	168.9	+10.1%
Non-controlling interests		11.4	6.4	-43.9%
Group net profit/(loss)		142.0	162.5	+14.4%
Dividend per share (€)		0.42	0.45	+7.1%
Capex		268.6	318.5	+18.6%

	(€m)	31 Dec 2013 (restated*) (a)	30 Sept 2014	31 Dec 2014 (b)	Change (b-a)
Net Debt		2,248.6	2,412.0	2,089.1	(159.5)
Equity		1,406.8	1,461.2	1,502.4	95.6
Invested Capital		3,655.4	3,873.2	3,591.5	(63.9)







* After application of IFRS11.

° Figure includes FNI water component for 2012 and 2013.

° ° Figure includes financial income from discounting to present value of amounts payable by Gori to Campania Regional Authority.

Q1 2015 Results



(€m)	Q1 2014	Q1 2015	% change
 Consolidated revenue	780.1	761.6	-2.4%
 EBITDA	166.0	177.4	+6.9%
 EBIT	99.9	104.1	+4.2%
 Profit/(loss) before tax	77.3	80.3	+3.9%
Tax Rate	39.6%	33.3%	
 Net profit/(loss)	46.7	53.5	+14.6%
Non-controlling interests	2.2	3.0	+36.4%
 Group net profit/(loss)	44.5	50.5	+13.5%

(€m)	31 March 2014 (a)	31 Dec 2014 (b)	31 March 2015 (c)	Change (c/a)	Change (c/b)
NET DEBT	2,323.9	2,089.1	2,139.6	-7.9%	+2.4%

General

- Tariffs: increases to be capped at (i) 5% + inflation or (ii) 7.5% + inflation (in the event of financial depreciation)
- Regulatory menus: possibility of boosting cash generation based on the ability of the RAB to generate tariffs sufficient to cover the volume of planned capex.

Opex

- Profit Sharing: 50% of the difference in operating costs
- In the event of expansion of the business and/or the need to increase costs, allowed costs can be increased in the year in which they are incurred
- Energy costs: min (cost incurred by the operator; average cost for the industry +10%).

Capex

- Financial depreciation: only possible if capex in the period 2015-2017 is $\geq 50\%$ of RAB
- FNI: possibility to access the funds in the event of additional financing needs (i.e.: project financing)

Back-billing

- Post-AEEGSI (from 2012): to be carried out in year $n+2$
- Pre-AEEGSI (until 2011): the cost component is shown in the bill and does not affect the calculation of tariff increases for the purposes of the annual cap; the minimum time for recovery is based on the amount to be back-billed versus annual turnover.

Late payments and guarantee deposits

- Late payments: unpaid ratios over 24 months, as a % of turnover (1.6% North, 3% Centre, 6.5% South)
- Guarantee deposit: 3 months.

Terminal Value

- To be based on RAB.

Main assumptions



Main assumptions		2015 FWD	2016 FWD	2017 FWD	2018 FWD	2019 FWD
Exchange	\$/€	1.12	1.12	1.14	1.17	1.19
Brent	\$/Bbl	64.2	68.9	70.8	72.8	73.8
PUN	€/MWh	51.0	50.1	53.8	56.4	60.9
Green certificates	€/MWh	99.5	99.8	98.4	96.4	92.9
Feed-in tariffs	€/MWh	87.4	88.9	89.5	86.9	85.1
EU-ETS	€/tons of CO2	7.2	7.6	8.0	8.5	9.0

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

THESE FORWARD-LOOKING STATEMENTS ARE BASED ON ACEA SPA'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 DIFFER MATERIALLY FROM THOSE EXPRESSED IN OR IMPLIED BY THESE STATEMENTS DUE TO ANY NUMBER OF DIFFERENT FACTORS, MANY OF WHICH ARE BEYOND THE ABILITY OF ACEA SPA TO CONTROL OR ESTIMATE PRECISELY, INCLUDING CHANGES IN THE REGULATORY ENVIRONMENT, FUTURE MARKET DEVELOPMENTS, FLUCTUATIONS IN THE PRICE AND AVAILABILITY OF FUEL AND OTHER RISKS.

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