



Acea

Business Plan 2018-2022

Italian Local Utilities

Milan - January 11, 2019

Agenda



THE ACEA GROUP TODAY



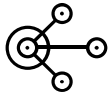
NEW BUSINESS PLAN 2018-2022



STRATEGY AND CONSOLIDATED TARGETS



MAIN OPERATING SEGMENTS



STRATEGIC OPPORTUNITIES



CLOSING REMARKS

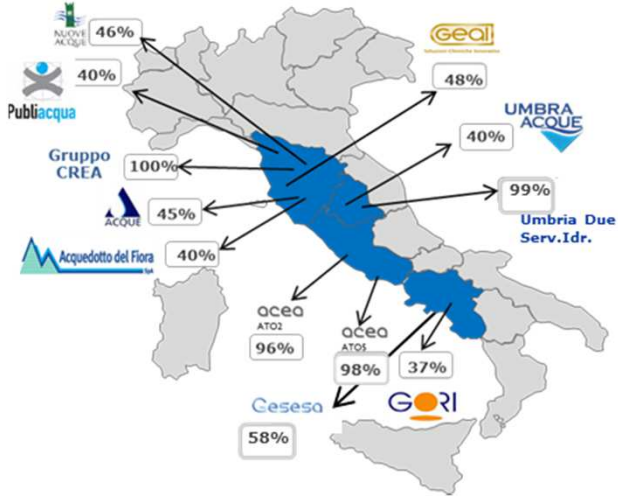


APPENDIX

THE ACEA GROUP TODAY

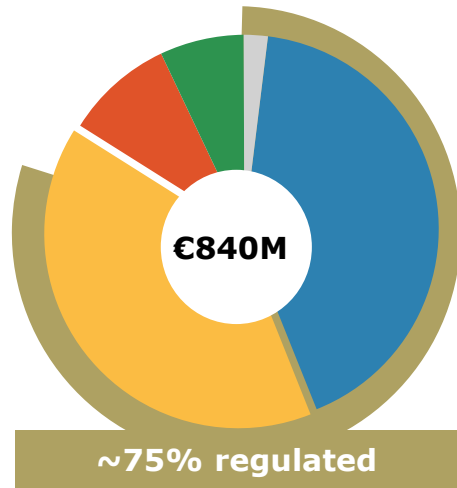
A market LEADING multiutility

FOOTPRINT



EBITDA 2017

- Water
- Energy Infrastructure
- Commercial and Trading
- Environment
- Other



SHAREHOLDERS (1)

- 51.0% Roma Capitale
- 23.3% Suez
- 5.0% Caltagirone Group
- 20.7% Other

(1) CONSOB data at November 2018

MARKET POSITION IN ITALY 2017

- No. 1 WATER**
 - 9m customers
 - RAB €1.3bn
- No. 2 ENERGY INFRASTRUCTURE**
 - Electricity Distribution**
 - 1.6m PODs
 - RAB €1.9bn
 - Public Lighting**
 - > 224k Lighting Points operated
 - 80% LED
 - Electricity Generation**
 - 7 hydroelectric power stations (122 MW)
 - 2 thermoelectric power stations (97MW)
 - 1 photovoltaic farm (8.5MW)
- No. 5 SALE OF ELECTRICITY AND GAS**
 - 1.4m customers
 - ~6.8 TWh of electricity sold
- No. 6 ENVIRONMENT**
 - >1m tons of waste treated
 - 354 GWh of electricity produced

STRATEGY AND CONSOLIDATED TARGETS

The Group's new strategic PILLARS



Business Plan 2018-2022

Industrial growth

Local focus and Sustainability

Technology, Innovation and Quality

Operational Efficiency

Capex of €3bn

RAB €4bn
(+€0.8bn vs. actual)

1.9m Customers
Power & Gas

1.7m tons of waste treated
(+70% vs. actual)

15 pp reduction in water leaks

Decarbonisation with drive for "electrification"
(boosting available capacity from 3kW to 6kW for all residential users)

Closing the loop and increasing recovery of materials (e.g. sludge and composites)

€400m+ in investment linked to **innovative projects**

Smart Grid and Smart City

Improvements to the **Customer Journey**

Capex and Opex discipline
(-€300m in total)

20% reduction in cost to serve

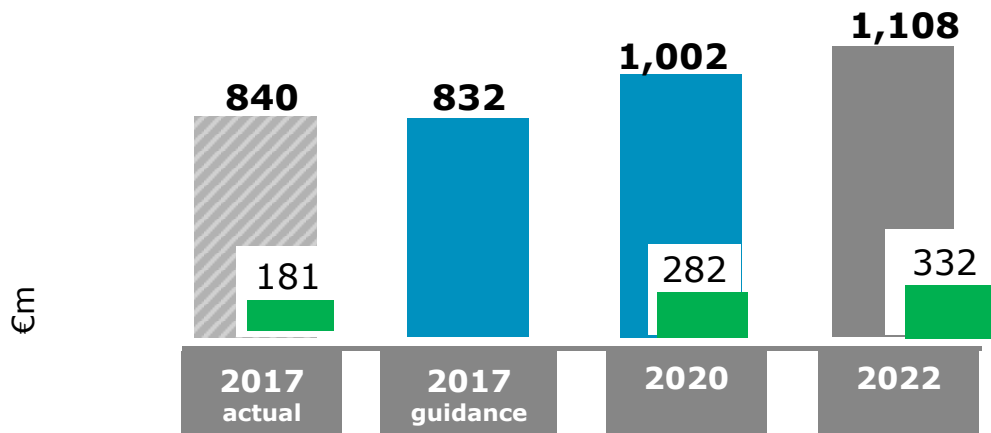
Generational turnover for 300+ FTEs

STRATEGY AND CONSOLIDATED TARGETS

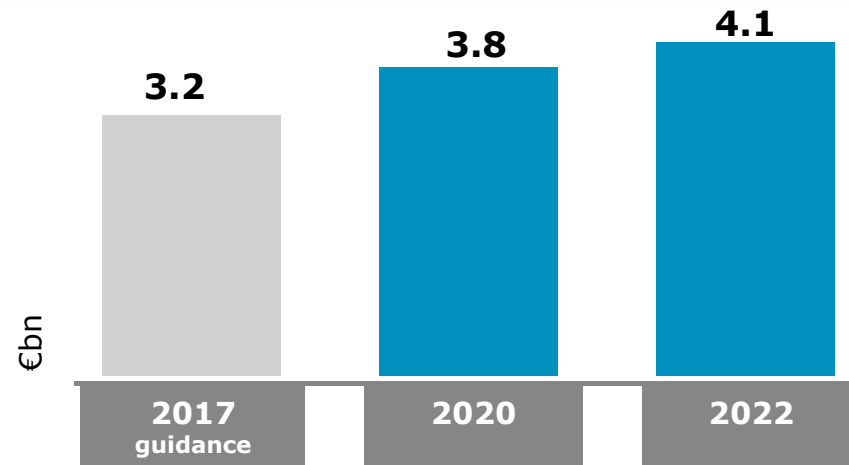
Strong and sustainable GROWTH

Pre-tax ROIC	2020	2022
	>10%	>10%

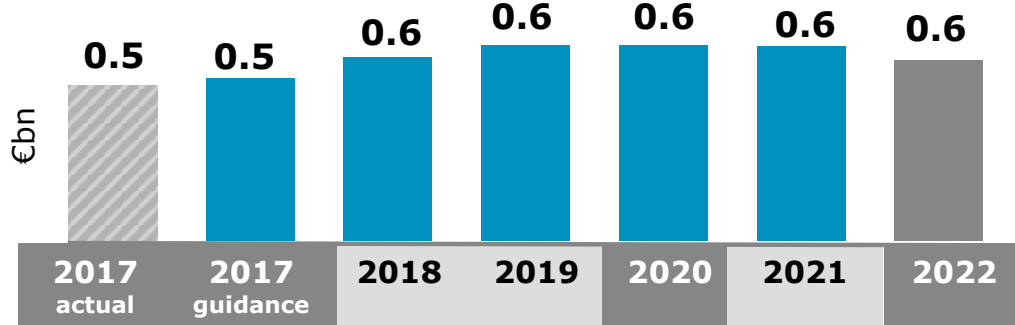
EBITDA growth with **CAGR +5.9%**
Growth in **Net Profit***



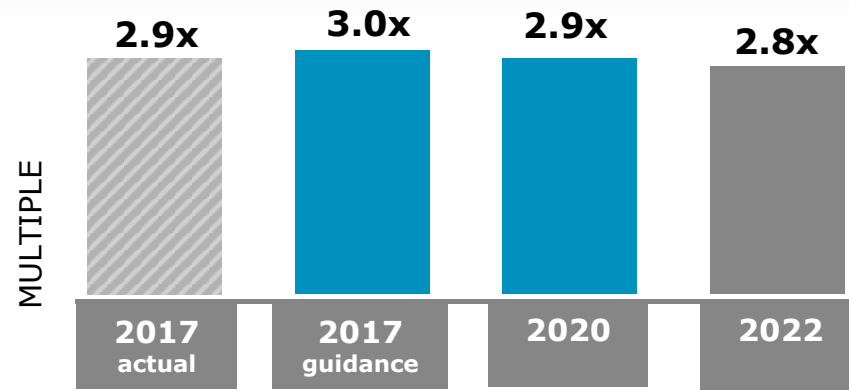
RAB up **25%** by 2022



CAPEX of **€3.1bn**

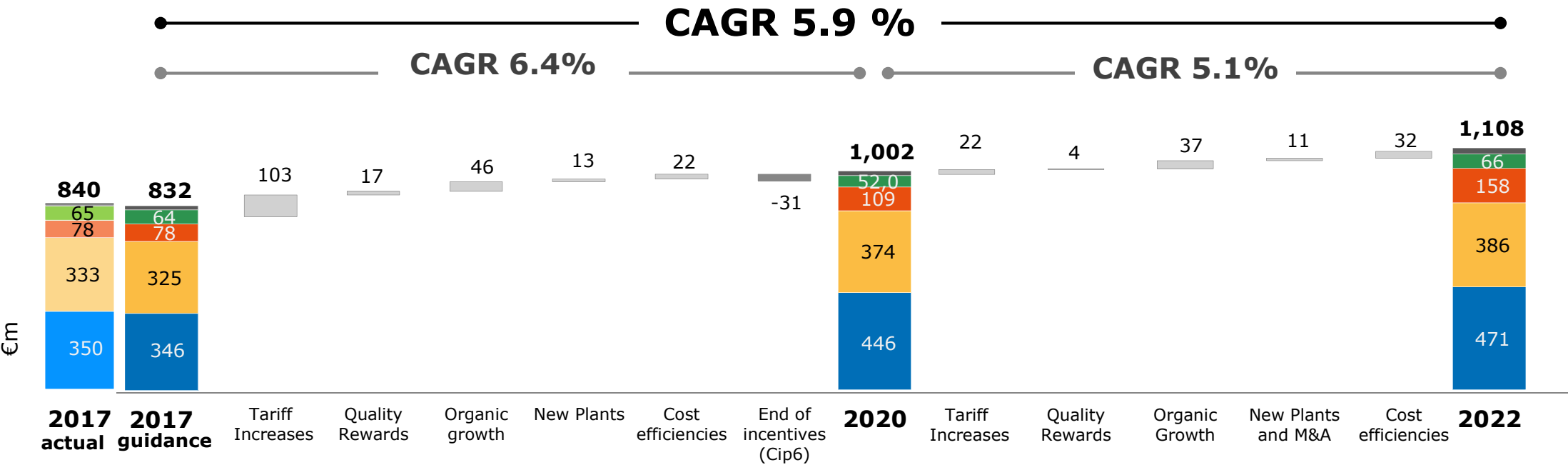


NET DEBT/EBITDA down to **2.8X**



STRATEGY AND CONSOLIDATED TARGETS

EBITDA growth based on solid business rationale



■ Water ■ Energy Infrastructure ■ Commercial & Trading ■ Environment ■ Other



Water	Energy Infrastructure	Comm. and Trading	Environment	Other
<ul style="list-style-type: none"> Tariff increases linked to investment (including impact of investment incentives) Rewards for Commercial Quality 	<ul style="list-style-type: none"> Tariff increases linked to investment Reduction in penalties for network losses 	<ul style="list-style-type: none"> Growth of Power and Gas customer base Reduction in cost to serve 	<ul style="list-style-type: none"> End of CIP6 incentives Expansion of existing plants Development of new plants and M&A 	<ul style="list-style-type: none"> Development of overseas services

More than €3bn of INVESTMENT

STRATEGIC LEVERS



Capex Remix



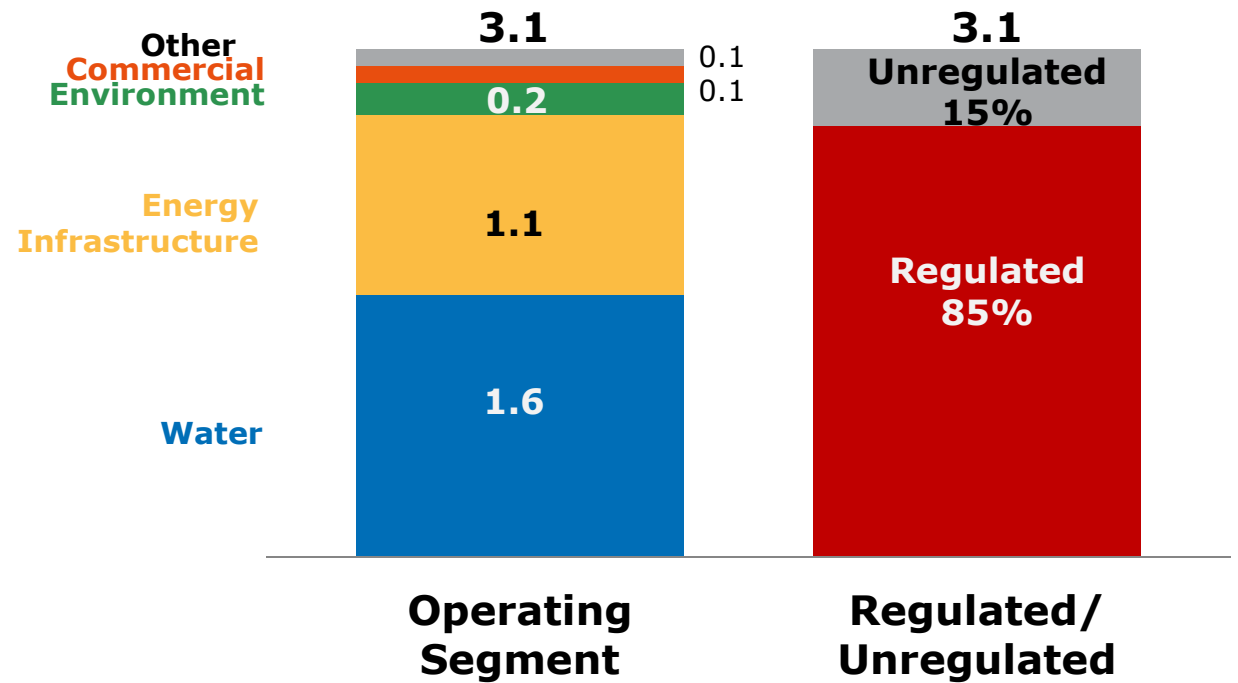
Focus on Infrastructure



Capex Discipline

GROUP'S INVESTMENT

€bn



Over €400m to be invested in INNOVATION

GROWTH LEVERS



INFRASTRUCTURE

Security and efficiency



PEOPLE

Welfare of personnel



CUSTOMERS

Customer-centricity

Over €400m
for
innovative
industrial
projects

SCOPE OF APPLICAZION



Smart & Resilient Grid



Smart Meters
(electricity and water)



Automation and Robotics



Advanced sensor
technology



Predictive modelling



Physical security and
Cyber-security

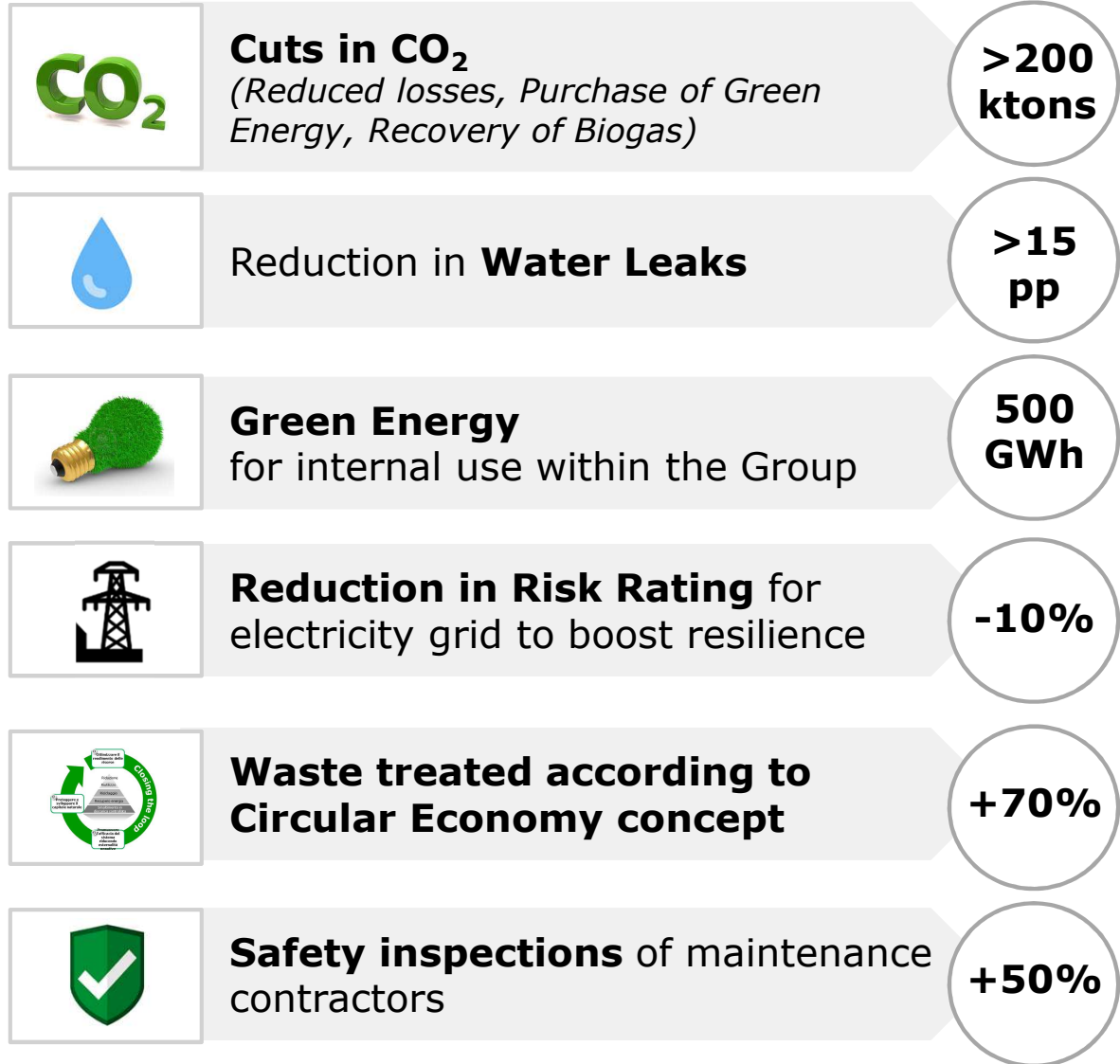
STRATEGY AND CONSOLIDATED TARGETS

The new SUSTAINABILITY plan

ACEA Group's Sustainability Plan 2018-2022

with targets associated with investment of approx. **€1.3bn**

United Nations Sustainable Development Goals (SDGs)

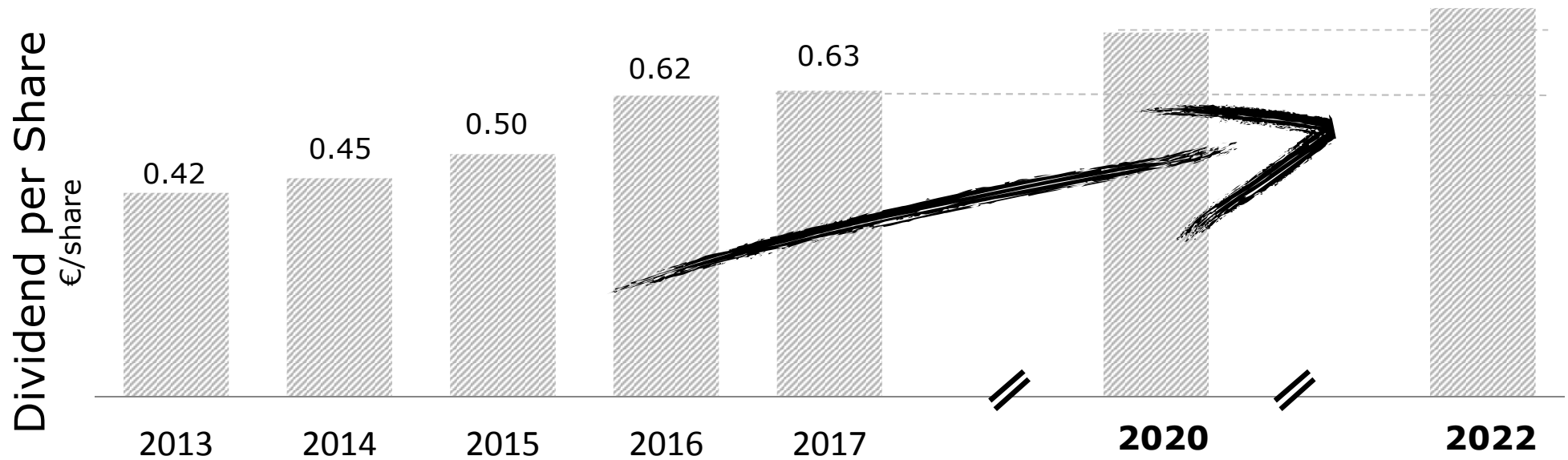


Growing DIVIDENDS, Pay-out above 50%, €0.7bn payable over the plan

Growing Dividends

Pay-out above 50%

€0.7bn payable over the plan



STRATEGY AND CONSOLIDATED TARGETS

Financial strategy aims to cut cost of debt

FitchRatings	MOODY'S
BBB+ <i>Stable outlook</i>	Baa2 <i>Stable outlook</i>

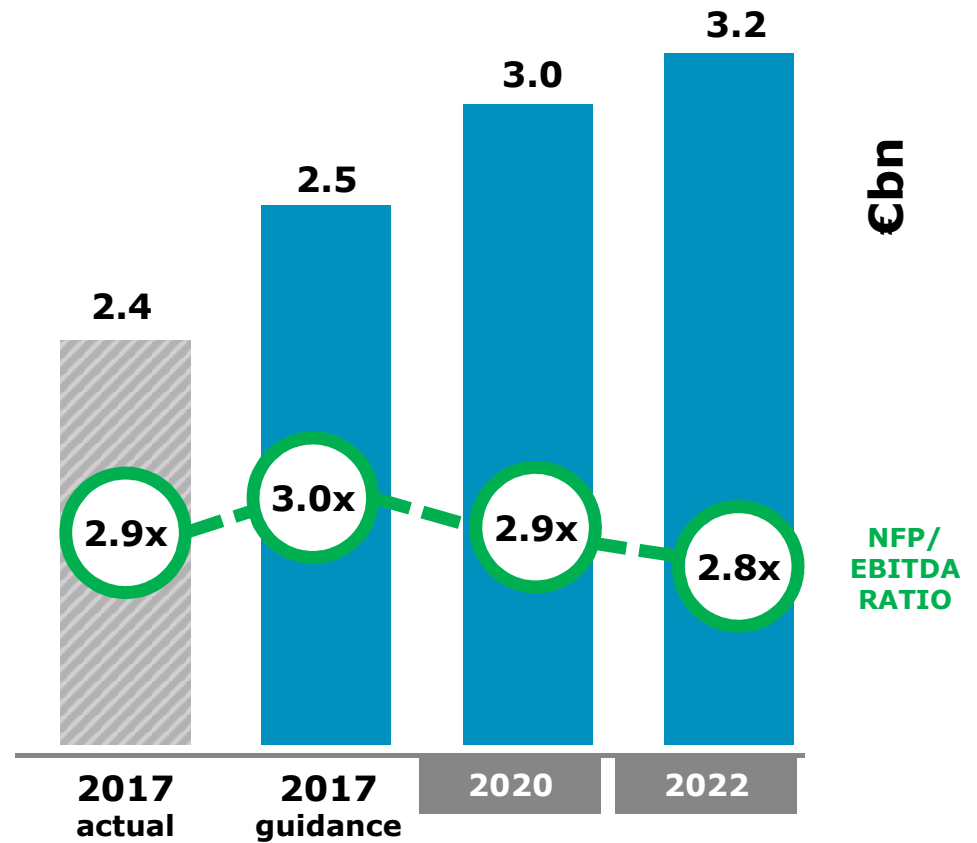
Situation at 30 Sept. 2018

- Average Maturity **~6.0 yrs**
- Average cost of debt **~2.2%**

February 2018 – **successful placing** of Euro 1 billion **bonds** overall under the EMTN Programme in two tranches:

- **300 €m, 5 years, rate 3 months Euribor plus 0.37%**
- **700 €m, 9.4 years, fixed rate 1.5%**

Net Debt (NFP) NFP/EBITDA Ratio





WATER

Key Targets for the Segment



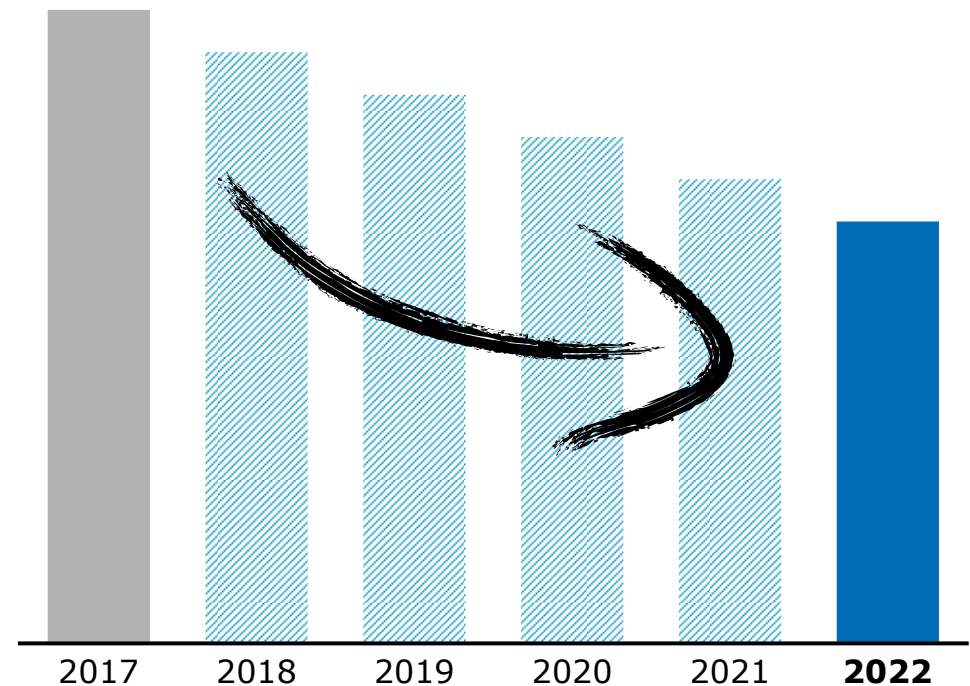


INFRASTRUCTURE DRIVE and efficiency improvements

Key initiatives included in Plan

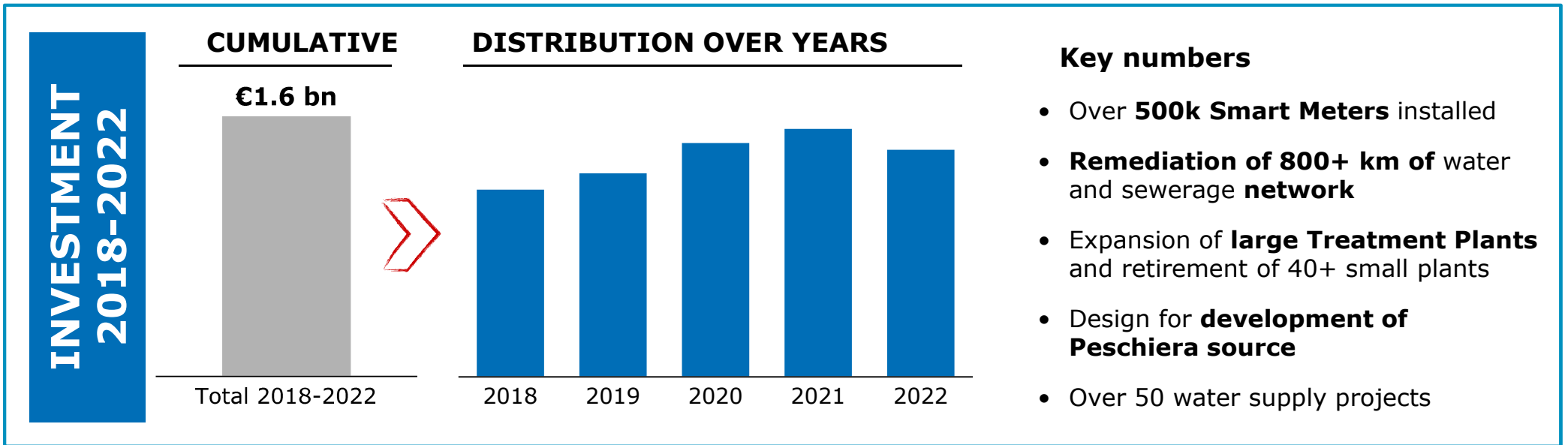
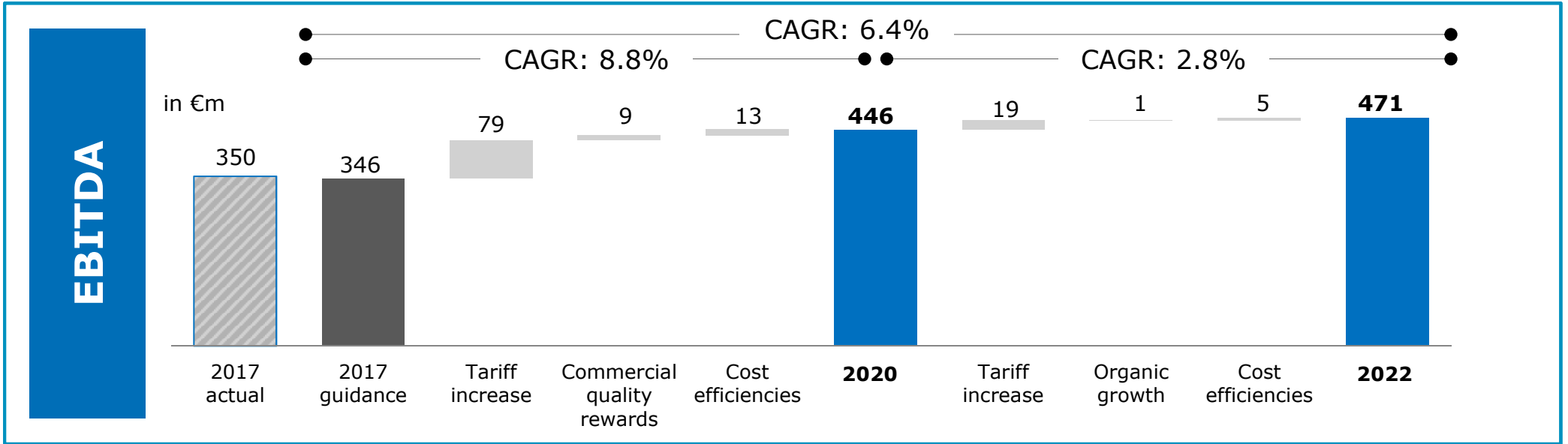
- Extraordinary plan to **upgrade network, reduce leaks and manage water emergency**
- **Rationalisation of small treatment plants** and development/expansion of large plants
- Rollout of **smart meters**

15 pp cut in **Water loss**





EBITDA UP 36% and INVESTMENT of €1.6bn



Key numbers

- Over **500k Smart Meters** installed
- **Remediation of 800+ km of** water and sewerage **network**
- Expansion of **large Treatment Plants** and retirement of 40+ small plants
- Design for **development of Peschiera source**
- Over 50 water supply projects



ENERGY INFRASTRUCTURE

Key Targets for the Segment



ENERGY INFRASTRUCTURE

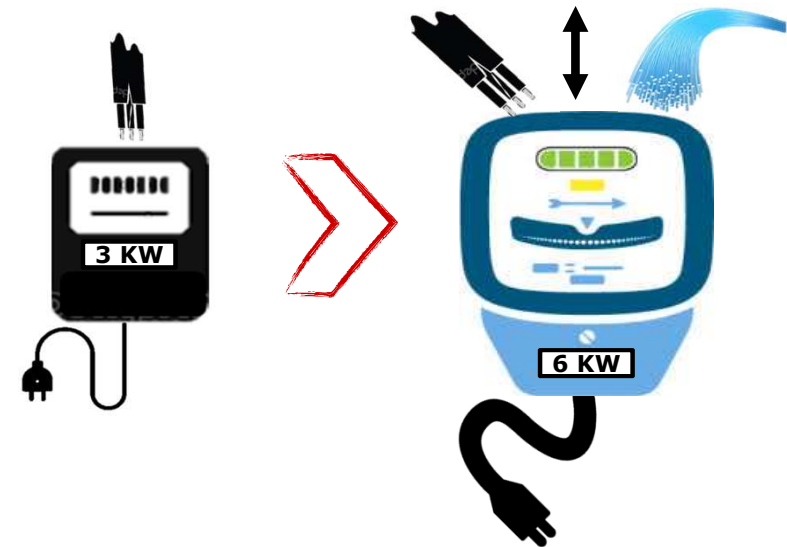
Becoming an advanced DSO to increase network resilience and enable new services

Key initiatives included in Plan

- **LV network upgrade to:**
 - **Increase network resilience**
 - Increase capacity to enable electrification (customers up from 3KW to 6KW)
- **Rollout of smart grid** for city of Rome to **enable new services**
 - Laying of fibre
 - New 2G meters

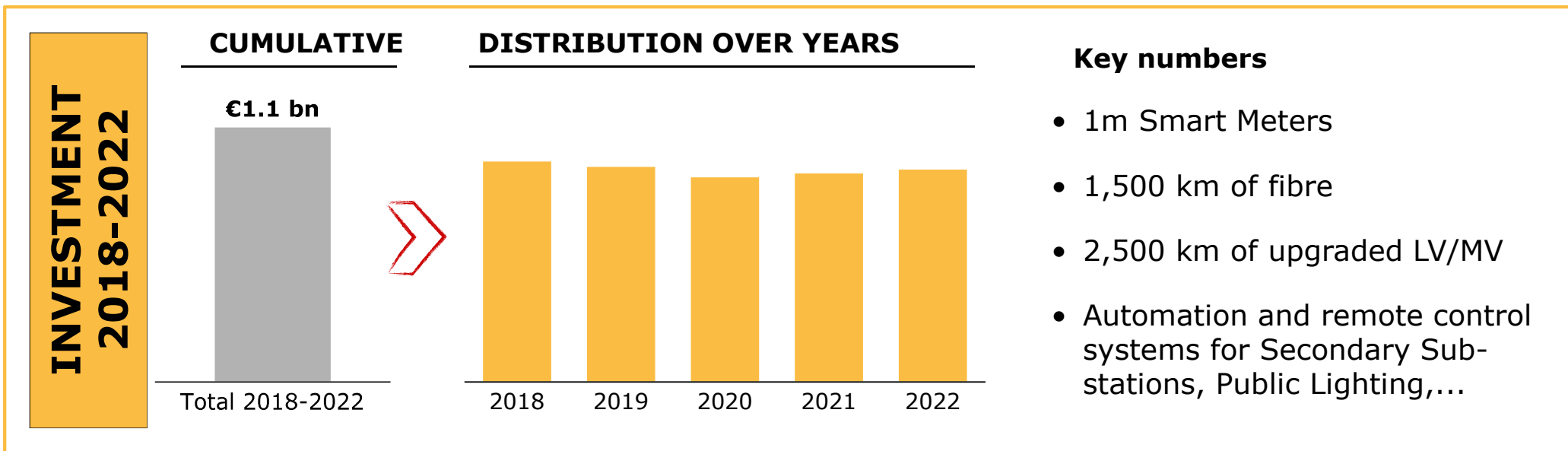
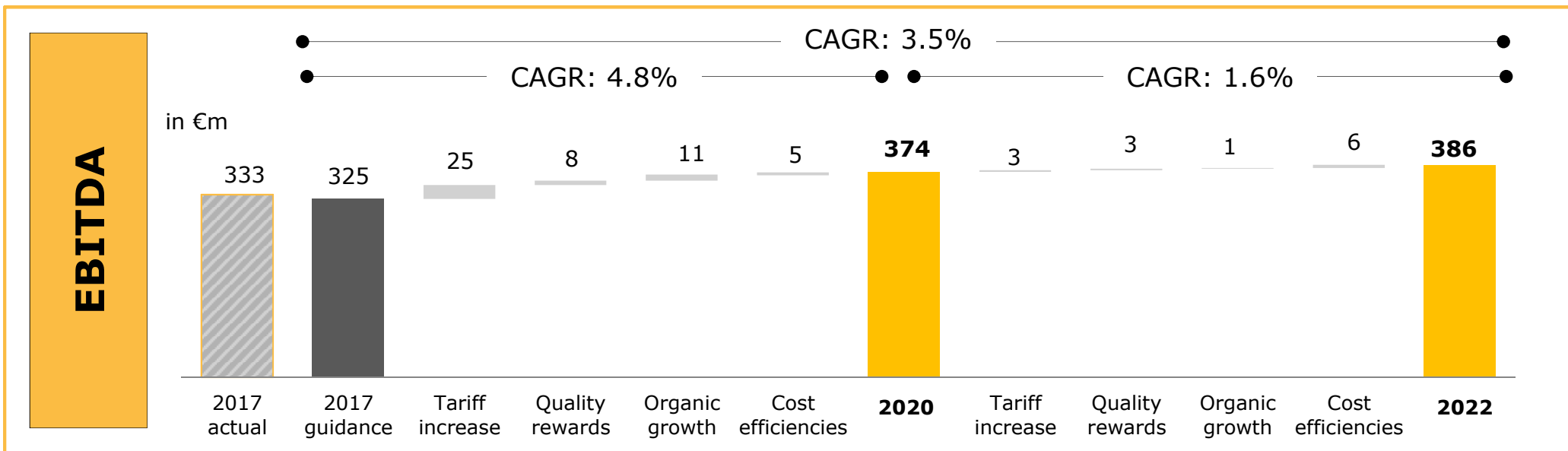
To boost resilience and drive electrification

**1m 2G
Smart Meters**





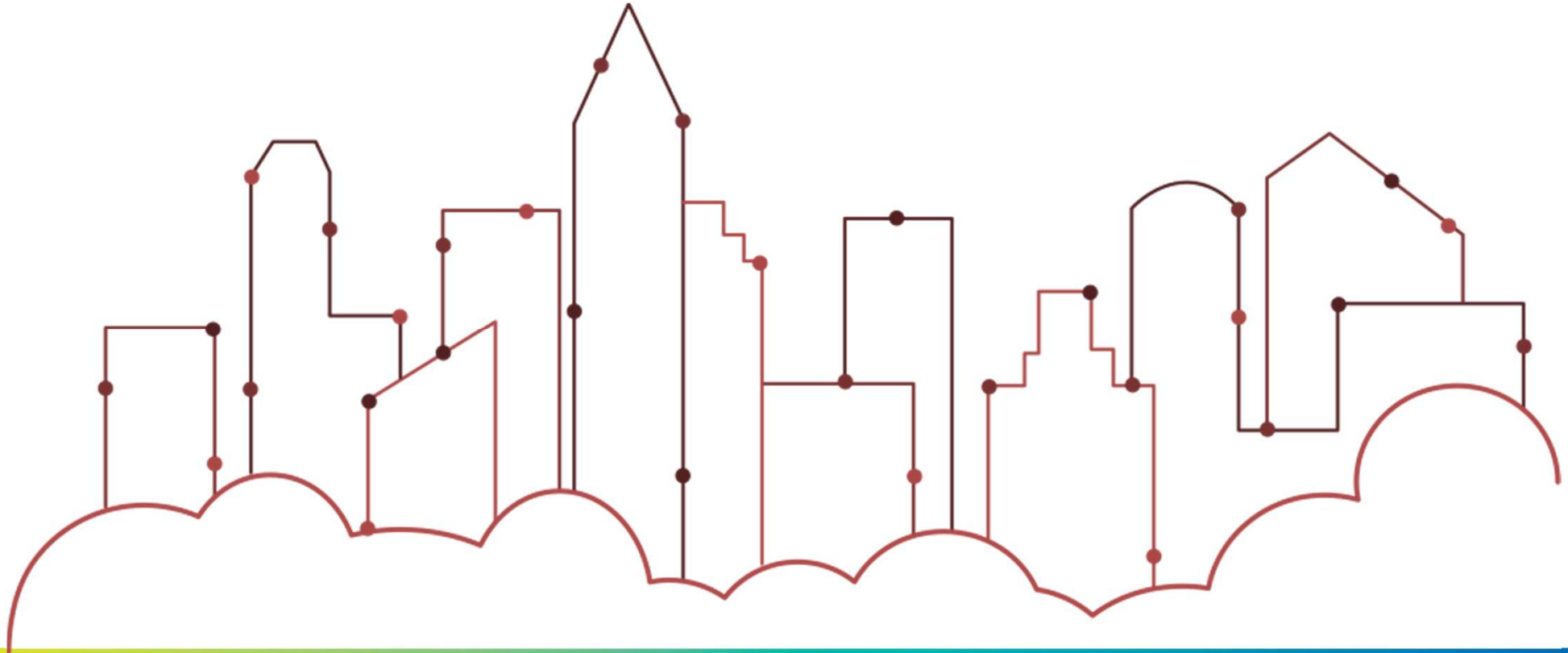
EBITDA UP 20% AND INVESTMENT OF €1.1BN





COMMERCIAL AND TRADING

Key Targets for the Segment





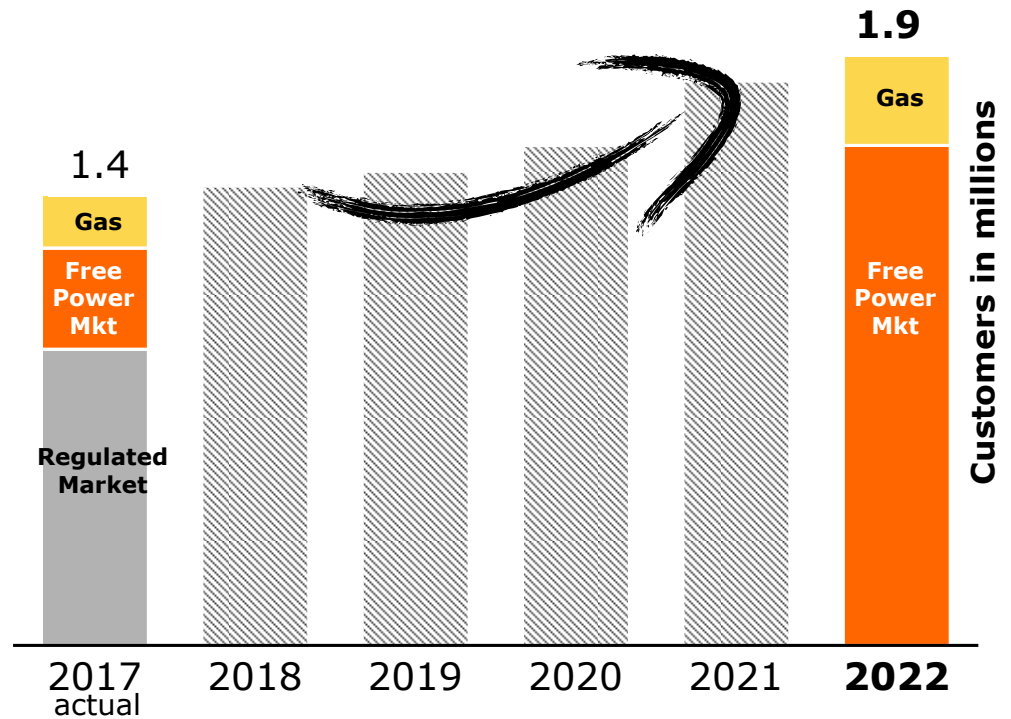
COMMERCIAL AND TRADING

MARKETING DRIVE and leading role in CONSOLIDATION within the sector

Key initiatives included in Plan

- **Marketing drive** through Digital and Cross Selling channels to play a **leading role in consolidation** (following the phase-out of the enhanced protection market)
- **Performance improvement** throughout the Customer Journey (Customer Care, Billing,..) **and optimisation of the cost structure** (Costs to Serve)
- Improved **customer quality** and **debt collection** capabilities

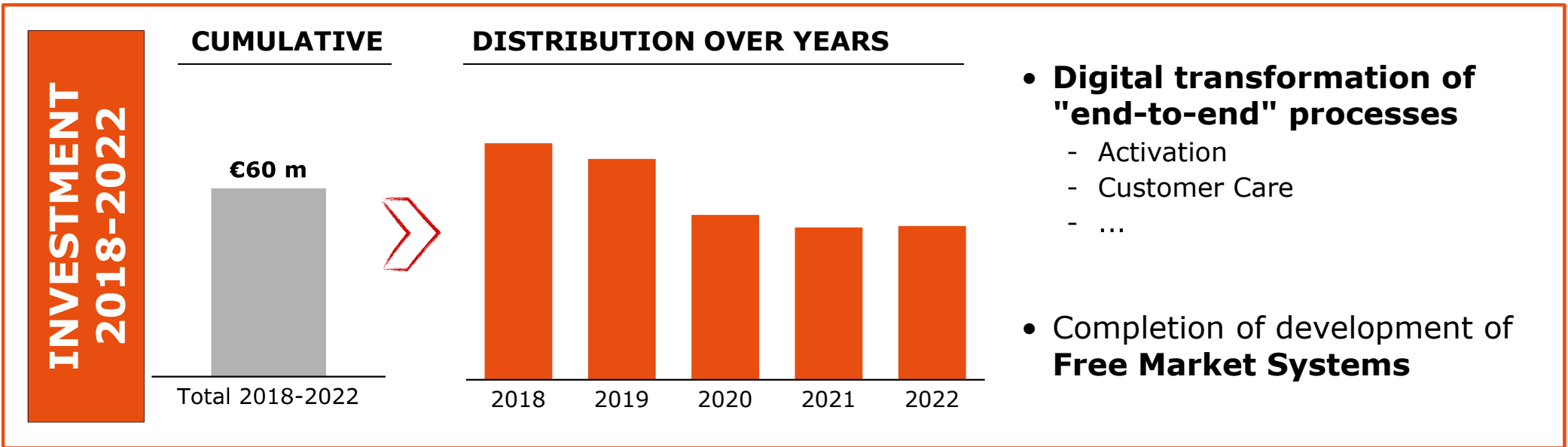
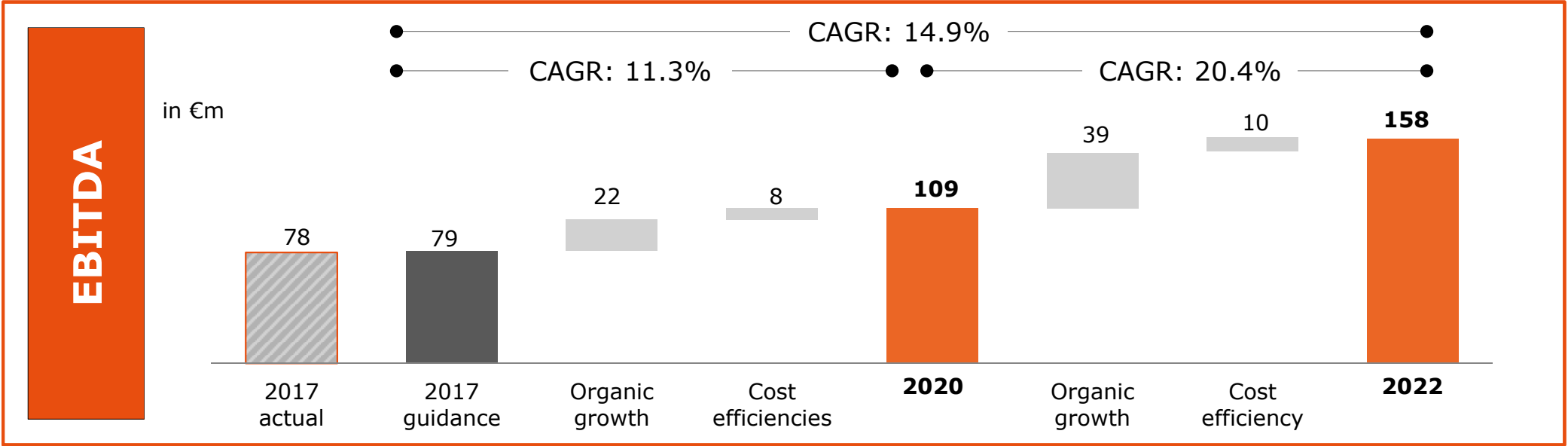
33% growth in Number of Customers

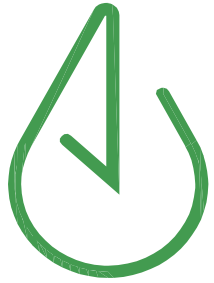




COMMERCIAL AND TRADING

EBITDA to double by 2022 through increase in customer base and performance improvements





ENVIRONMENT

Key Targets for the Segment



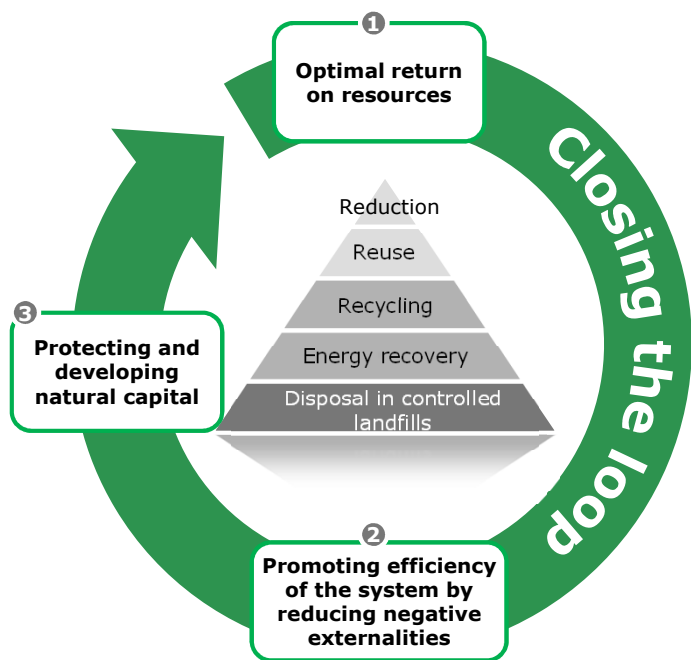
ENVIRONMENT



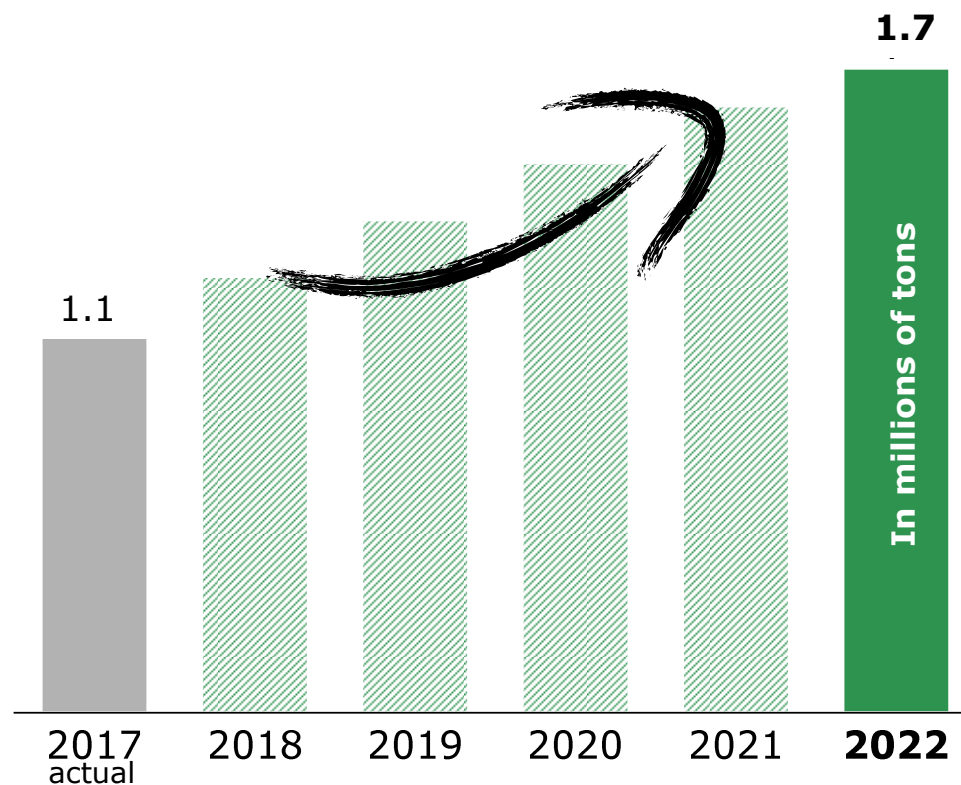
70% growth in waste treated by end of Plan

Key initiatives included in Plan

Boost to waste treatment activities in keeping with **circular economy goals**, "closing the loop"



70% growth in waste treated

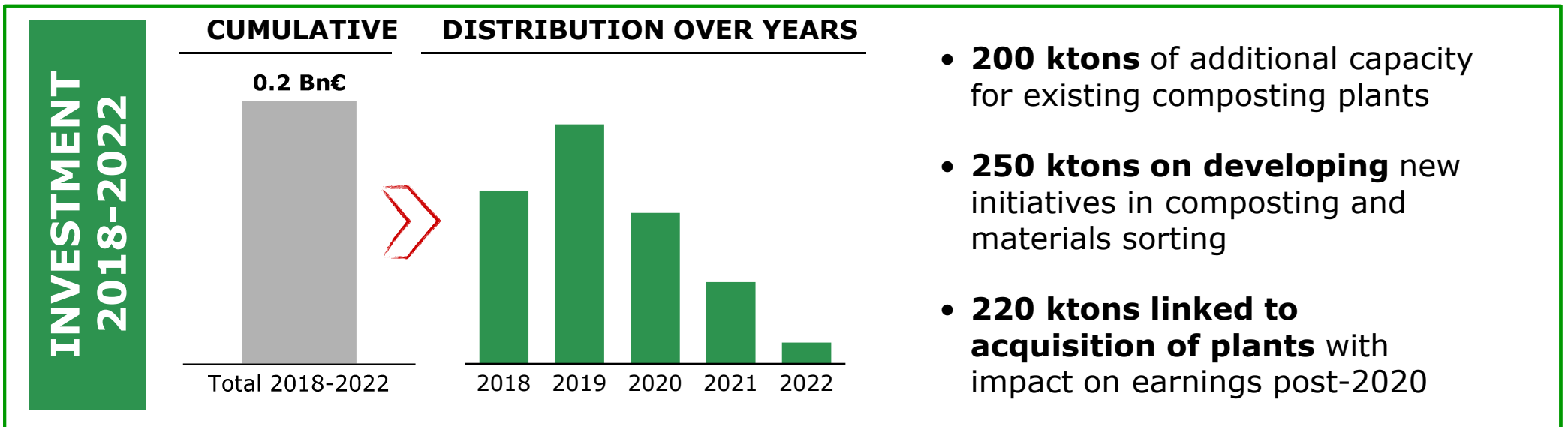
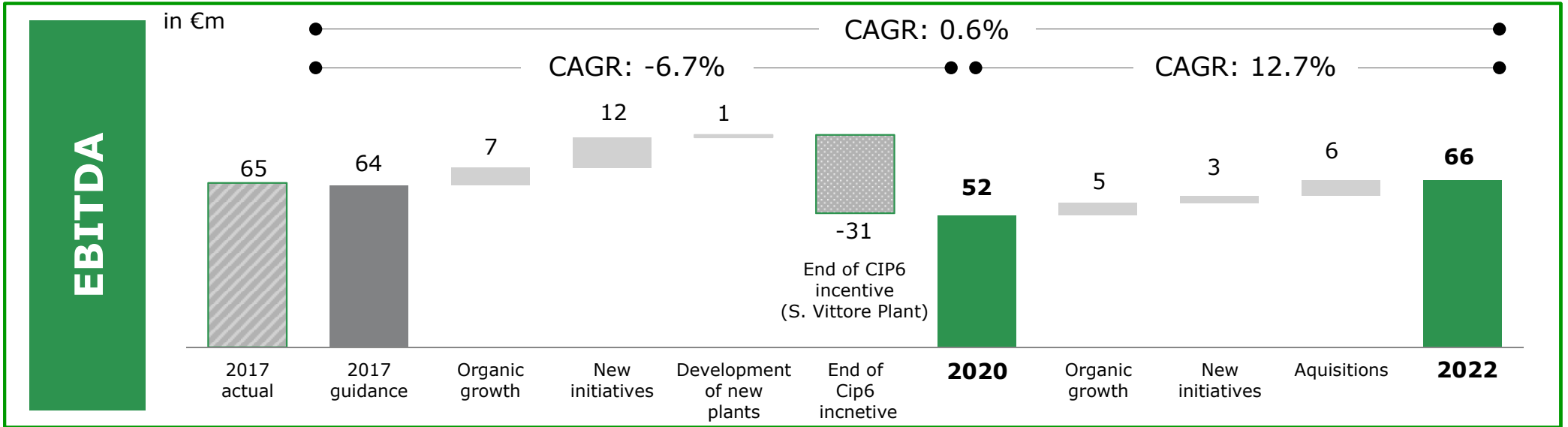


Note: goals proposed by the European Commission, revised upwards by the European Parliament (15 Mar 2017)

ENVIRONMENT



Expiry of CIP6 offset by new initiatives and selective acquisitions










STRATEGIC OPPORTUNITIES

Potential UPSIDE to Business Plan

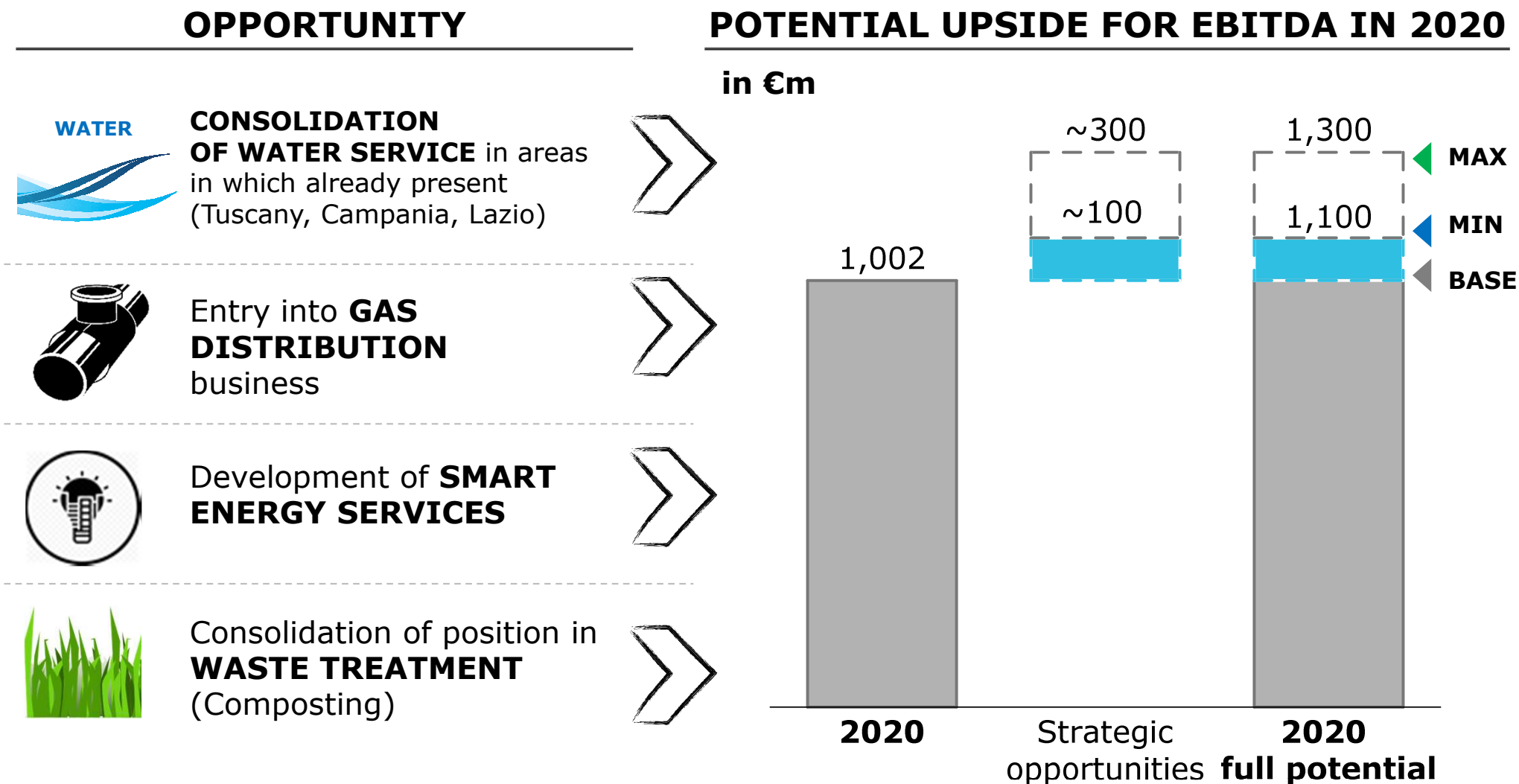


Potential STRATEGIC INITIATIVES that could be implemented in the FIRST THREE YEARS OF PLAN

	OPPORTUNITY	STATE OF PLAY	EBITDA WHEN FULLY IMPLEMENTED	CAPEX/ ACQUISITION COST
	CONSOLIDATION in areas where already present (Tuscany, Campania, Lazio)	Talks with local authorities are in progress with a view to developing businesses and ensuring adequate investment for the benefit of citizens and local communities	€m 70 - 200	€m 150 - 300
	Increase in capacity of the PESCHIERA source	Start-up of talks with national authorities and those in the local area to agree on financing for the project (Design already included in Plan for 2018-20)	<i>Not calculated</i>	About 400
	Entry into GAS DISTRIBUTION market	Initial contacts made with selected operators in areas of interest to Acea Group	10 - 50	80 - 400
	SMART ENERGY SERVICE	Agreements and MoUs being concluded with Industrial and Technology Partners (e.g. Open Fiber)	25 - 50	25+
	Consolidation of position in waste treatment (Composting)	Talks under way with owners of plants in Central Italy regarding potential acquisitions	5 - 10	25-50
TOTAL			100 - 300	

STRATEGIC OPPORTUNITIES

Potential UPSIDE in 2020 of between €100m and €300m



CLOSING REMARKS

The ACEA group's NEW STRATEGIC PATH



Organic growth

6% CAGR for EBITDA from 2017 to 2022



€3bn in CAPEX focusing on INFRASTRUCTURE



Performance IMPROVEMENT to drive growth with like-for-like workforce and maximise efficiencies, guaranteeing quality and reliability

DPS

Growing DIVIDENDS with a Pay-out >50%



Keeping the Group's **DEBT** under control, with NET DEBT/EBITDA decreasing to **2.8x in 2022**

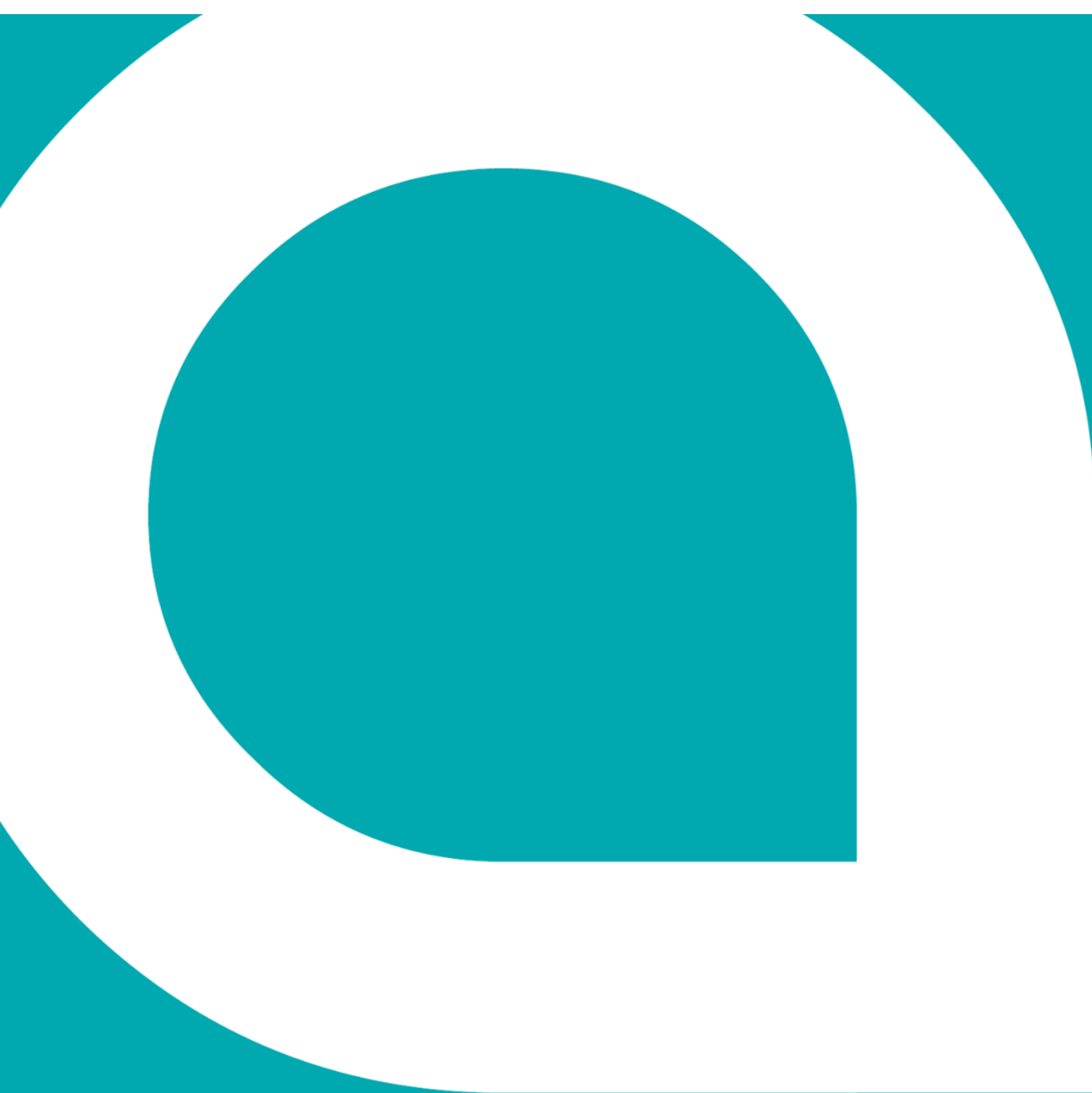


UPSIDE of up to 30% for EBITDA linked to initiatives already included among **Strategic Opportunities**

APPENDIX

Main assumptions

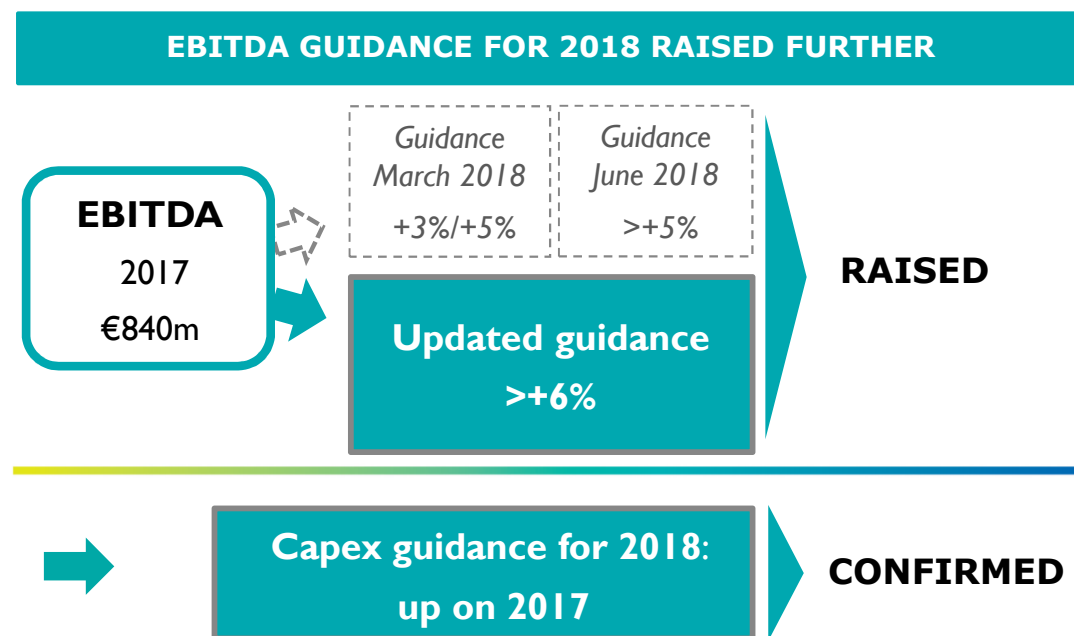
Main assumptions		2018	2019	2020	2021	2022
Exchange	<i>\$/€</i>	1.14	1.18	1.20	1.10	1.00
Brent	<i>\$/Bbl</i>	50.00	52.00	53.00	51.64	52.59
PUN	<i>€/MWh</i>	48.79	51.42	52.63	55.19	56.72
EU-ETS	<i>€/tons CO2</i>	8.19	10.81	13.43	16.05	18.67
CIP6	<i>€/MWh</i>	218.63	218.64			



9M 2018 Results

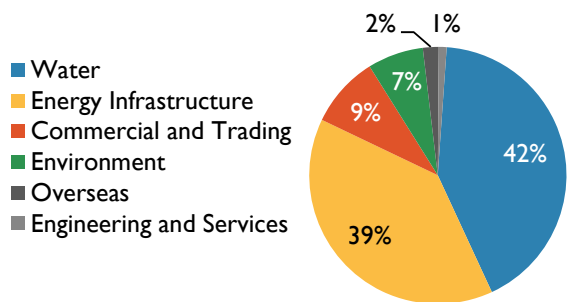
9M 2018 financial highlights

(€m)	9M 2018	9M 2017	% change (a/b)
	(a)	(b)	
Consolidated revenue	2,173.9	2,037.9	+6.7%
EBITDA	685.2	625.8	+9.5%
EBIT	381.0	291.3	+30.8%
Group net profit/(loss)	214.8	152.6	+40.8%
<hr/>			
Capex	413.2	368.9	+12.0%



(€m)	30 Sep 2018	31 Dec 2017	30 Sep 2017	% change (a/b)	% change (a/c)
	(a)	(b)	(c)		
Net debt	2,631.1	2,421.5	2,487.3	+8.7%	+5.8%
Invested capital	4,387.7	4,232.7	4,279.9	+3.7%	+2.5%

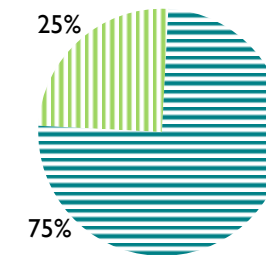




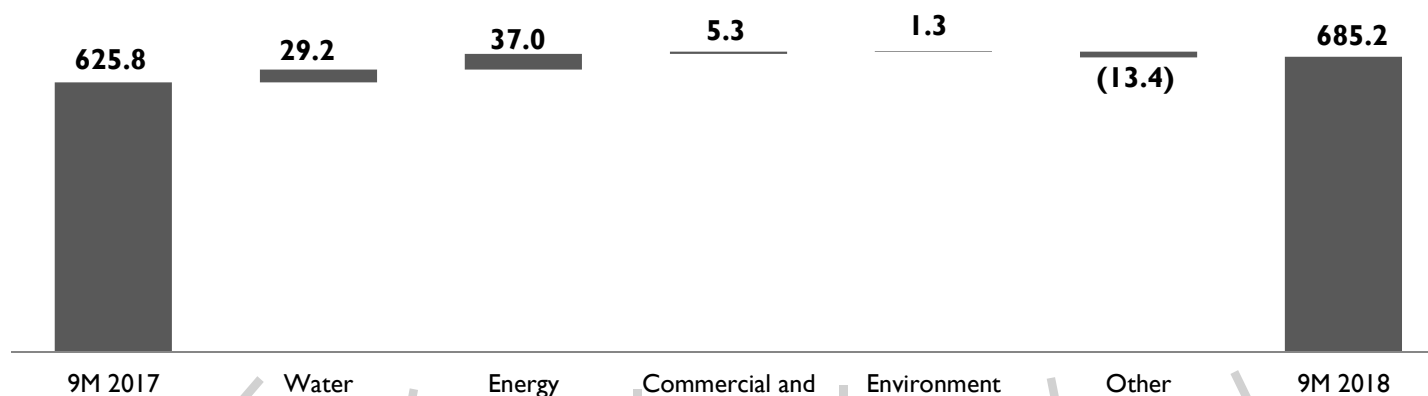
EBITDA 9M 2018

EBITDA from non-regulated businesses

EBITDA from regulated businesses



EBITDA (€m)



Average Group workforce

9M 2018	9M 2017	Change
5,545	5,474	+71

EBITDA 293
 270 companies consolidated line-by-line
 23 companies consolidated using equity method

EBITDA 276
 238 Distribution
 40 Generation
 (2) Public lighting

63

48

5

EBITDA and quantitative data

9M 2018 financial highlights



Water

EBITDA main drivers

EBITDA GROWTH

- ▲ Acea ATO2: +€14.3m (quality bonus €24.2m)
- ▲ Acea ATO5: +€5.4m
- ▲ Companies consolidated using equity method +€7.5m



KEY HIGHLIGHTS

- ✓ Significant increase in collections at ATO2 and ATO5 due to optimisation of credit collection strategy

(€m)	9M 2018 (a)	9M 2017 (b)	% change (a/b)	Quantitative data	9M 2018	9M 2017
EBITDA	293.2	264.0	+11.1%	Total volume of water sold (Mm³)	313	316
<i>of which:</i>						
<i>Profit/(Loss) from companies consolidated under IFRS 11</i>	23.5	16.0	+46.9%			
Capex (*)	224.6	183.7	+22.3%			

	9M 2018 (a)	9M 2017 (b)	Change (a-b)
Average workforce	1,801	1,785	+16

* Includes non-routine maintenance activities, rebuilding, upgrading and expansion of water network, sewer system and treatment plants.

EBITDA and quantitative data

9M 2018 financial highlights



Energy infrastructure

EBITDA main drivers

EBITDA GROWTH

- ↑ Distribution up €30.7m
- ↑ Generation up €11.4m: increased hydroelectric and thermoelectric production (completion of Tor di Valle plant); extraordinary item €5m*
- ↓ Public Lighting (LED Plan effect in 2017)



KEY HIGHLIGHTS

- ✓ Over 167 km of fibre infrastructure installed

(€m)	9M 2018 (a)	9M 2017 (b)	% change (a/b)	Quantitative data	9M 2018	9M 2017
EBITDA	276.3	239.3	+15.5%	Total electricity distributed (GWh)	7,449	7,604
- Distribution	238.5	207.8	+14.8%	Number of customers ('000s)	1,628	1,629
- Generation	40.2	28.8	+39.6%	Total electricity produced (GWh)	410	324
- Public Lighting	(2.4)	2.7	n/s			
Capex	156.2	148.5	+5.2%			
	9M 2018 (a)	9M 2017 (b)	Change (a-b)			
Average workforce	1,387	1,365	+22			

* Result of claim for damages from SASI (water service operator in the Province of Chieti) due to unlawful withdrawal of water from River Verde.

EBITDA and quantitative data

9M 2018 financial highlights



Commercial and Trading

EBITDA main drivers

EBITDA GROWTH



KEY HIGHLIGHTS

- ✓ Reduced inbound calls (-39%) reflecting improved customer experience

(€m)	9M 2018 (a)	9M 2017 (b)	% change (alb)	Quantitative data	9M 2018	9M 2017
EBITDA	62.6	57.3	+9.2%	Total electricity sold (GWh)	4,563	5,179
				<i>Enhanced Protection market</i>	1,781	1,984
				<i>Free market</i>	2,782	3,195
Capex	9.5	11.2	-15.2%	No. of PODs for electricity ('000s)	1,175	1,224
				<i>Enhanced Protection market</i>	845	907
				<i>Free market</i>	330	317
Average workforce	465	474	-9	Total gas sold (Mm³)	88	65
				No. of gas customers ('000s)	172	167

EBITDA and quantitative data

9M 2018 financial highlights



Environment

EBITDA main drivers

EBITDA SLIGHTLY UP

- ▲ Acea Ambiente: +€1.6m
- ▲ Iseco: +€0.3m
- ▼ Acque Industriali: - €1.0m
- ▲ Aquaser: +€0.4m



KEY HIGHLIGHTS

- ✓ Re-start of Aprilia and Sabaudia plants
- ✓ Consents obtained for Orvieto landfill and Sabaudia composting plant

(€m)	9M 2018 (a)	9M 2017 (b)	% change (a/b)	Quantitative data	9M 2018	9M 2017
EBITDA	48.1	46.8	+2.8%	Treatment and disposal* (Ktonnes)	812	819
Capex	13.1	11.9	+10.1%	WTE electricity produced (GWh)	264	264

	9M 2018 (a)	9M 2017 (b)	Change (a-b)
Average workforce	360	353	+7

*Includes ash disposed of

EBITDA and quantitative data

9M 2018 financial highlights



Overseas

(€m)	9M 2018	9M 2017	
EBITDA	11.1	11.1	
Capex	4.0	3.5	
	9M 2018 (a)	9M 2017 (b)	Change (a-b)
Average workforce	608	593	+15



Engineering and Services

(€m)	9M 2018	9M 2017	
EBITDA	10.9	14.6	
Capex	0.8	0.5	
	9M 2018 (a)	9M 2017 (b)	Change (a-b)
Average workforce	262	317	-55

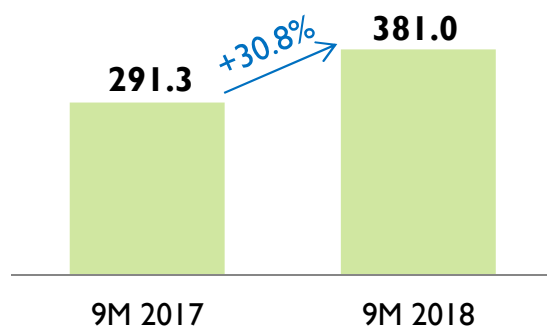


Holding

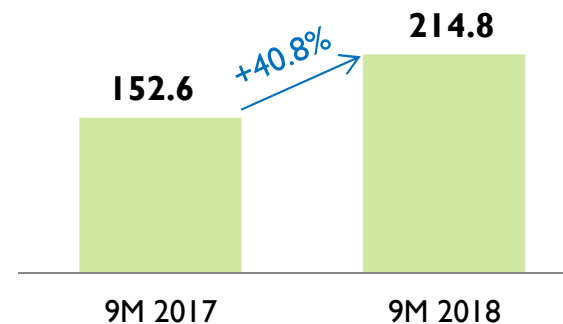
(€m)	9M 2018	9M 2017	
EBITDA	-17.0	-7.3	
Capex	5.2	9.6	
	9M 2018 (a)	9M 2017 (b)	Change (a-b)
Average workforce	662	587	+75

Primarily due to transfer of Facility Management from Engineering and Services unit.

EBIT (€m)



NET PROFIT (€m)



TAX RATE

32.7%

30.4%

(€m)	9M 2018	9M 2017	% change
Depreciation	251.8	228.3	+10.3%
Write-downs	44.9	78.8	-43.0%
Provisions	7.5	27.5	-72.7%
Total	304.2	334.6	-9.1%



Increased depreciation, partly due to increased investment in IT assets with shorter useful lives.

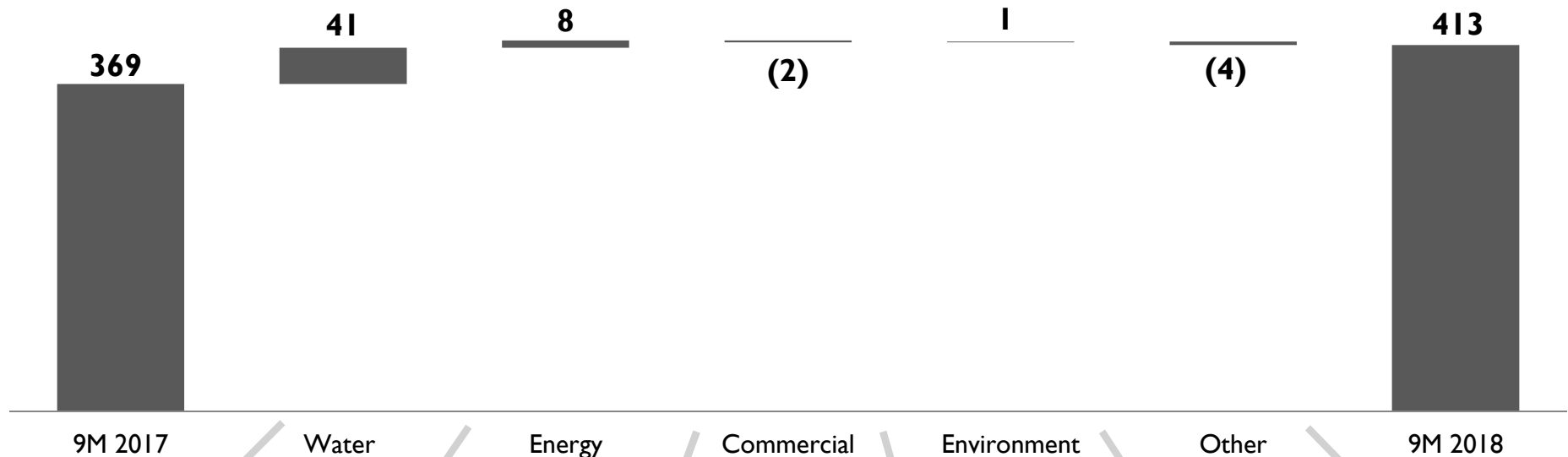


Reduced credit losses due to improved collections and write-downs of amounts due from Gala in 9M 2017.



Lower provisions for early retirement and redundancy scheme compared with 9M 2017.

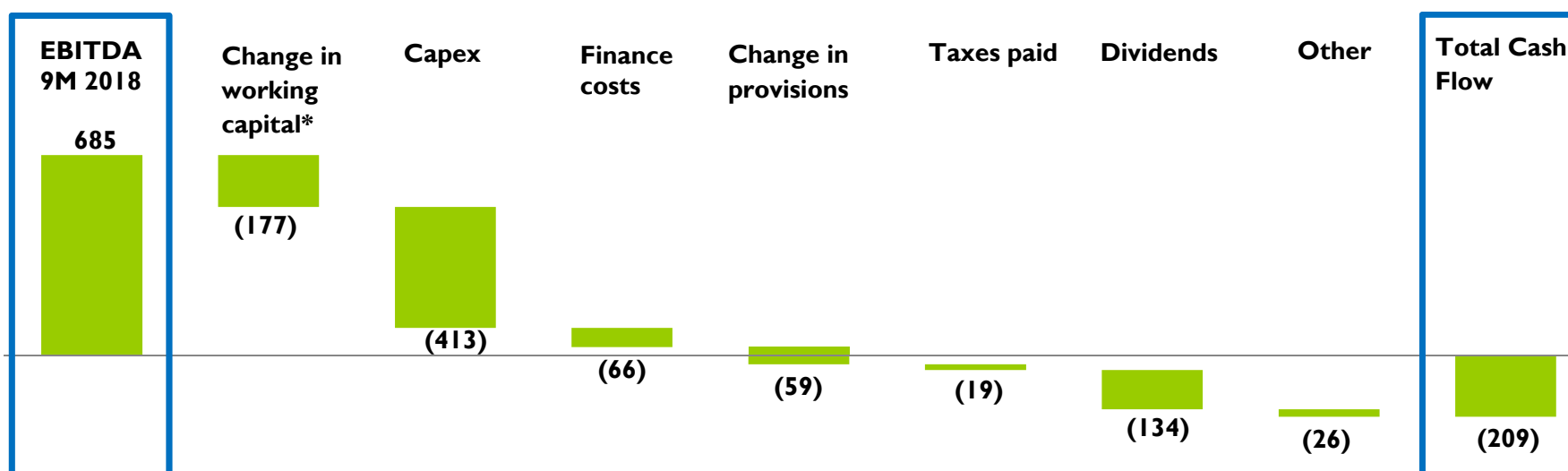
CAPEX (€m)



CAPEX	225	156	9	13	10
	<ul style="list-style-type: none"> • Repair and widening of water and sewage pipes • Extraordinary maintenance of water centres • Work on treatment plants 	<ul style="list-style-type: none"> • Upgrade and expansion of grid • Revamping of Mandela power plant 	<ul style="list-style-type: none"> • Reduced investment in ICT 	<ul style="list-style-type: none"> • Work on Terni and San Vittore WTE plants • Work on waste treatment and biogas production plants at Orvieto landfill 	

(€m)	9M 2018 A	9M 2017 B	Diff. A-B
EBITDA	685	626	59
Change in working capital	(177)	(243)	66
CAPEX	(413)	(369)	(44)
FREE CASH FLOW	95	14	81
Net finance income/(costs)	(66)	(57)	(9)
Change in provisions	(59)	(92)	33
Taxes paid	(19)	(74)	55
Dividends	(134)	(132)	(2)
Other	(26)	(18)	(8)
TOTAL CASH FLOW	(209)	(360)	151

Compared to the same period of 2017, in **the first 9 months, WC improved** by approximately **€66m**, thanks mainly to the improved collections at ATO2 (+€73m compared with 9M 2017). **WC needs in LTM** total approximately **€50m**.



* Before provisions for bad debts

Net debt

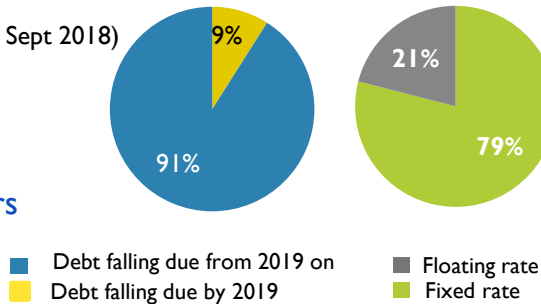
(€m)	30 Sept 2018 (a)	31 Dec 2017 (b)	30 Sept 2017 (c)	Change (a-b)	Change (a-c)
Net debt	2,631.1	2,421.5	2,487.3	209.6	143.8
Medium/Long-term	3,359.9	2,706.6	2,475.9	653.3	884.0
Short-term	(728.8)	(285.1)	11.4	(443.7)	(740.2)

NET DEBT / EQUITY 30 SEPT. 2018	NET DEBT 30 SEPT. 2018 / EBITDA LTM
1.5x	2.9x

Debt structure

(maturity and interest rates at 30 Sept 2018)

- > Fixed rate **79%**
- > Average cost **2.21%**
- > Average term **6.0 years**



Rating

FitchRatings

MOODY'S*

BBB+

Baa2

Stable Outlook

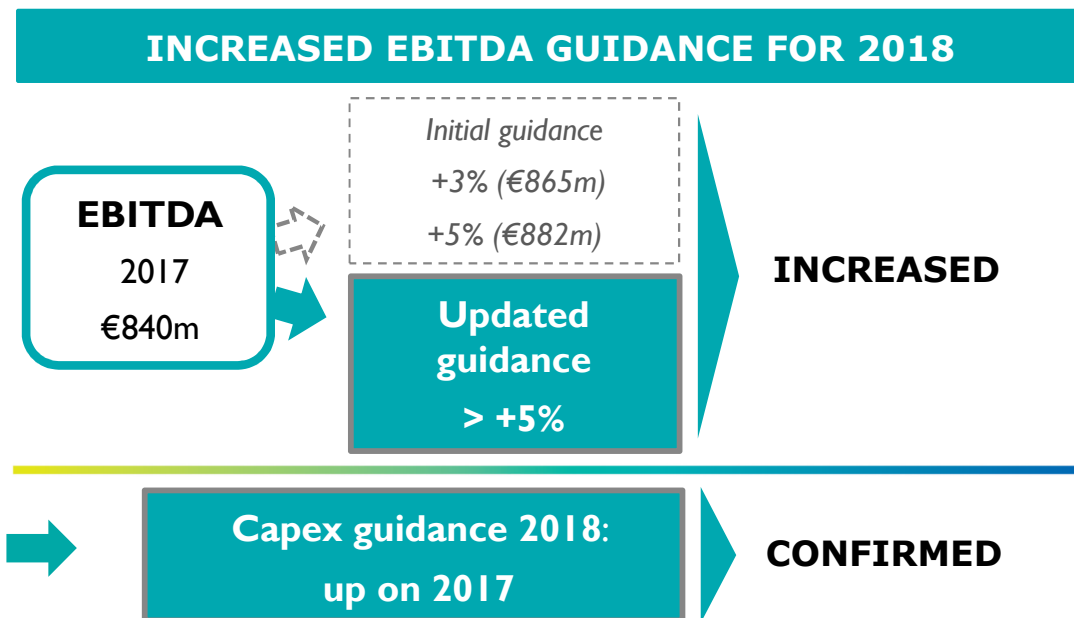
Stable Outlook

* Confirmed as of 11 October 2018



H1 2018 Results

(€m)	HI 2018 (a)	HI 2017 (b)	% change (a/b)
Consolidated revenue	1,454.3	1,372.5	+6.0%
EBITDA	449.9	414.1	+8.6%
EBIT	250.7	194.9	+28.6%*
Group net profit/(loss)	142.7	103.5	+37.9%*
<hr/>			
Capex	282.0	252.2	+11.8%



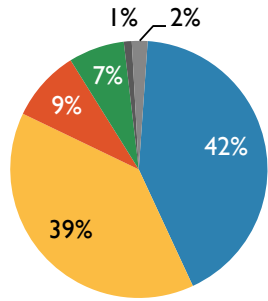
* EBIT and net profit to rise 17% and 21%, respectively, compared with the adjusted results for 2017 (after stripping out the negative impact – totalling €19m before tax – of the restored ownership of a property housing a car park and a reduction in the amounts due to Areti from GALA).

(€m)	30 June 2018 (a)	31 Dec 2017 (b)	30 June 2017 (c)	% change (a/b)	% change (a/c)
Net debt	2,570.3	2,421.5	2,401.4	+6.1%	+7.0%
Invested capital	4,236.6	4,232.7	4,145.5	+0.1%	+2.2%



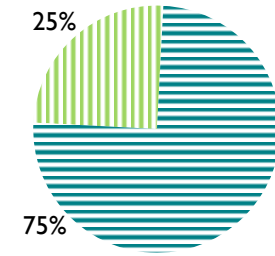
EBITDA

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

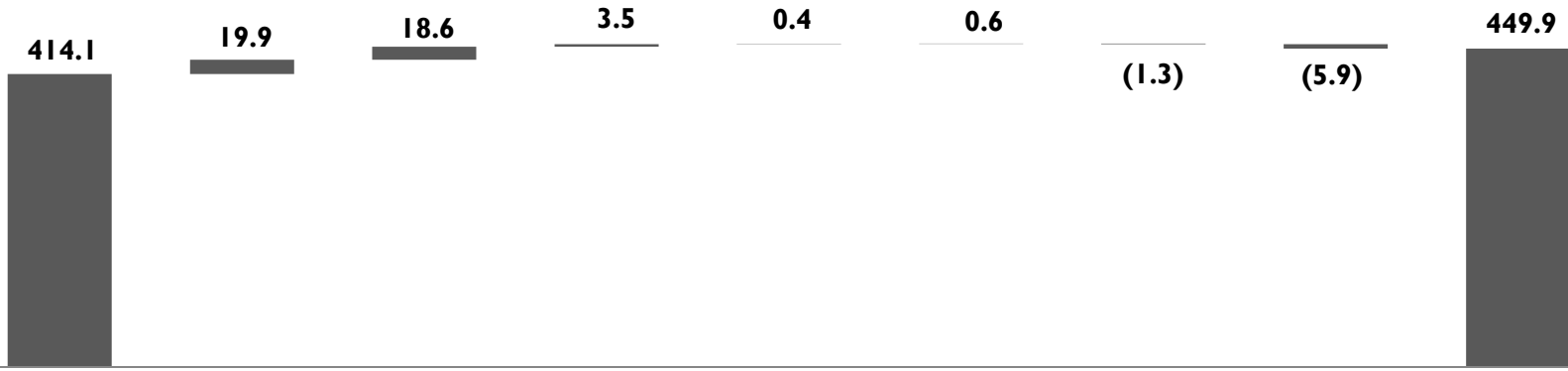


EBITDA HI 2018

- EBITDA from non-regulated businesses
- EBITDA from regulated businesses



EBITDA (€m)

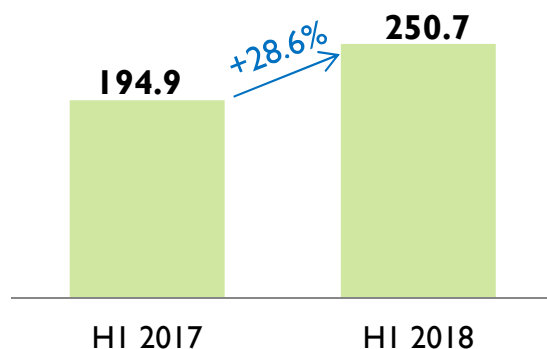


Average Group workforce

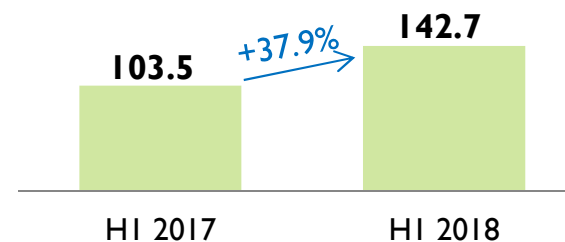
HI 2018	HI 2017	Change
5,545	5,449	+96

Segment	EBITDA HI 2018 (€m)	Notes
Water	192	175 companies consolidated line-by-line 17 companies consolidated using equity method
Energy Infrastructure	179	155 Distribution 25 Generation (1.7) Public lighting
Commercial and Trading	44	
Environment	32	
Overseas	7	
Engineering and Services	8	
Holding	-12	

EBIT (€m)



NET PROFIT (€m)



TAX RATE

32.9%

30.8%

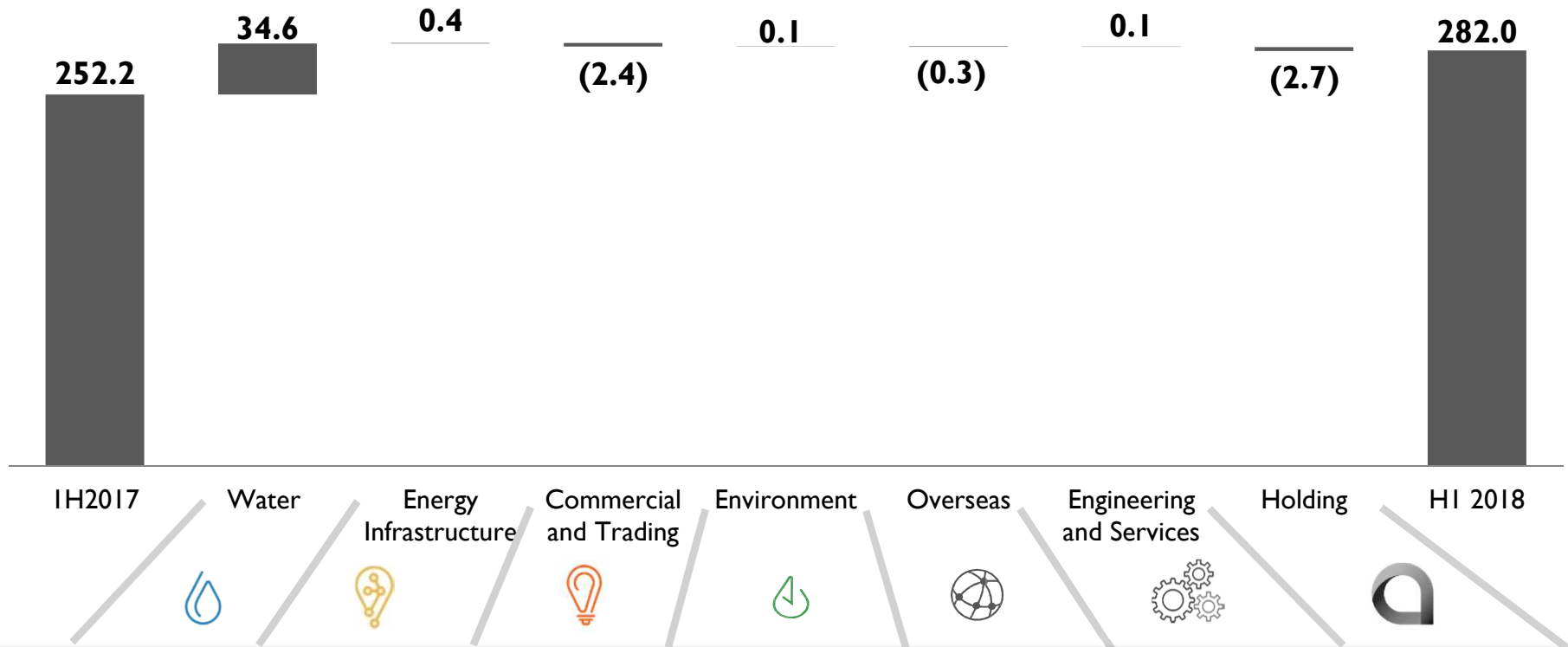
(€m)	HI 2018	HI 2017	% change
Depreciation	161.8	152.5	+6.1%
Write-downs	31.9	46.3	-31.1%
Provisions	5.5	20.4	-73.0%
Total	199.2	219.2	-9.1%

Increased depreciation, partly due to increased investment in IT assets with shorter useful lives.

Reduced credit losses due to improved collections and transition to IFRS9.

Lower provisions for early retirement and redundancy scheme compared with HI 2017.

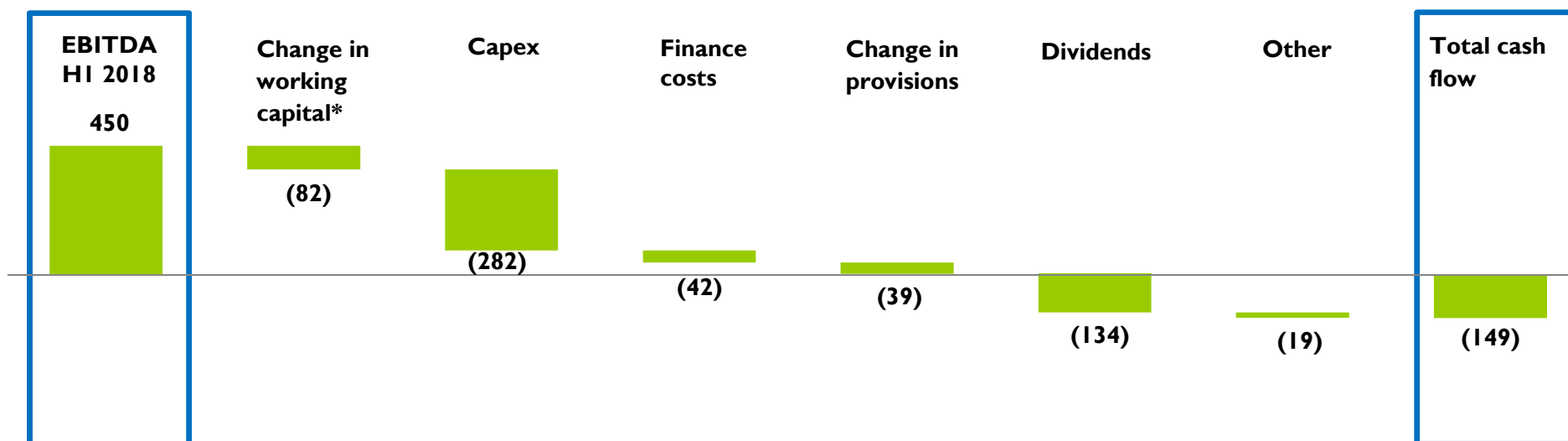
CAPEX (€m)



Capex HI 2018 €m

Category	Value (€m)	Key Details
Water	156	<ul style="list-style-type: none"> Repair and widening of water and sewage pipes Extraordinary maintenance of water centres Work on treatment plants
Energy Infrastructure	106	<ul style="list-style-type: none"> Work on the grid Extraordinary maintenance Installation of fibre infrastructure
Commercial and Trading	5	<ul style="list-style-type: none"> Reduced investment in ICT
Environment	9	<ul style="list-style-type: none"> Work on Terni and San Vittore WTE plants Work on waste treatment and biogas production plants at Orvieto landfill
Overseas	2	
Engineering and Services	1	
Holding	3	

(€m)	HI 2018 A	HI 2017 B	Diff. A-B
EBITDA	450	414	36
Change in working capital	(82)	(209)	127
CAPEX	(282)	(252)	(31)
FREE CASH FLOW	85	(47)	132
Net finance income/(costs)	(42)	(31)	(12)
Change in provisions	(39)	(54)	15
Dividends	(134)	(132)	(2)
Other	(19)	(11)	(8)
TOTAL CASH FLOW	(149)	(274)	126



* Before provisions for bad debts

Net debt

(€m)	30 June 2018 (a)	31 Dec 2017 (b)	30 June 2017 (c)	Change (a-b)	Change (a-c)
Net debt	2,570.3	2,421.5	2,401.4	148.8	168.9
Medium/Long-term	3,359.7	2,706.6	2,804.3	653.1	555.4
Short-term	(789.4)	(285.1)	(402.9)	(504.3)	(386.5)

NET DEBT / EQUITY 30 JUNE 2018	NET DEBT 30 JUNE 2018 / EBITDA LTM
1.5x	2.9x

February 2018 – **successful issue of bonds** as part of the €1bn EMTN programme, divided into two tranches:

- **€300m, 5 years, coupon 3-m Euribor +0.37%**
- **€700m, 9.4 years, fixed rate of 1.5%**

Debt structure

(maturity and interest rates at 30 June 2018)

- > Fixed rate **73%**
- > Average cost **2.22%**
- > Average term **5.7 years**

■ Debt falling due from 2018 on
■ Debt falling due by 2018
■ Floating rate
■ Fixed rate

Ratings

 BBB+ <i>Stable Outlook</i>	 Baa2 <i>Stable Outlook</i>
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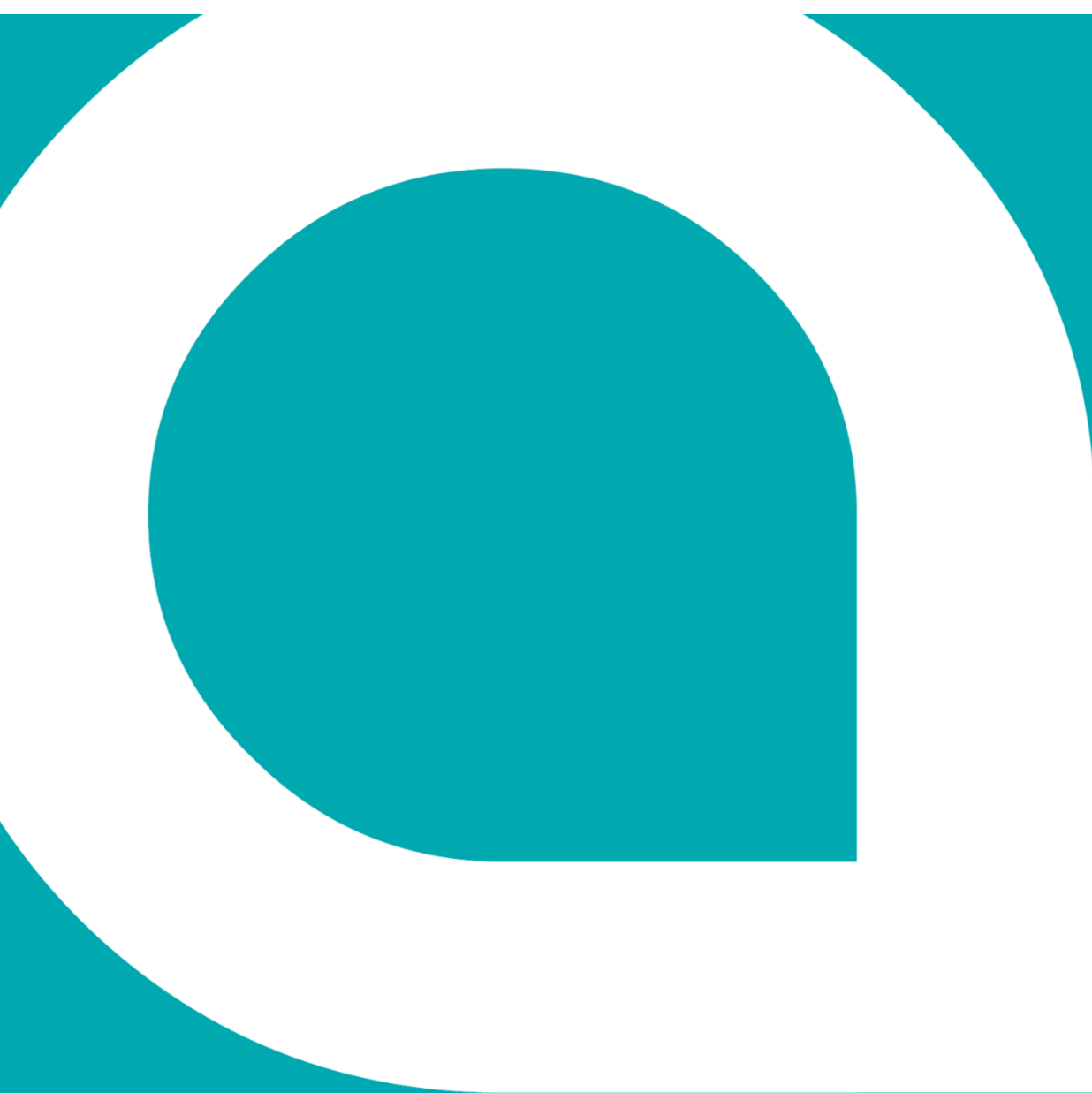


Q1 2018 Results

Q1 2018 financial highlights

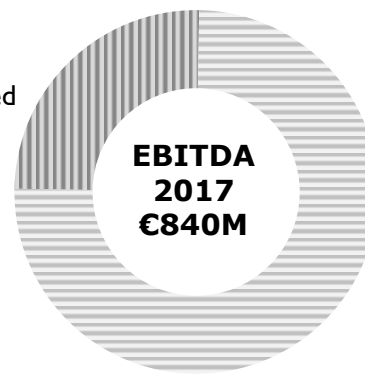
(€m)	Q1 2018 (a)	Q1 2017 (b)	% change (a/b)
Consolidated revenue	745.5	725.6	+2.7%
EBITDA	229.2	214.4	+6.9%
EBIT	127.4	117.2	+8.7%
Group net profit/(loss)	77.4	65.7	+17.8%
Capex	133.0	126.4	+5.2%

(€m)	31 March 2018 (a)	31 Dec 2017 (b)	31 March 2017 (c)	% Change (a/b)	% Change (a/c)
Net Debt	2,482.1	2,421.5	2,234.8	+2.5%	+11.1%
Invested Capital	4,197.0	4,232.7	4,073.0	-0.8%	+3.0%



2017 Results

From non-regulated businesses
25%



From regulated businesses
75%



42%
of Group
EBITDA

m€ 350

326 companies consolidated
line-by-line
24 companies consolidated
using equity method



40%
of Group
EBITDA

333

287 Distribution
41 Generation
5 Public lighting



9%
of Group
EBITDA

78



7%
of Group
EBITDA

65



2%
of Group
EBITDA

14

Water

Leading operator in Italy

Lazio, Tuscany, Umbria and Campania

- Water sold: 421m cubic metres
- Customers: nearly 9m

Energy Infrastruc.

No. two operator in Italy in electricity distribution

- Electricity distributed: ~ 10TWh in the city of Rome
- Public lighting and floodlighting managed: over 224,000 lighting points
- Energy efficiency projects
- Hydroelectric power plants (122 MW)
- Thermo/cogen plants/PV (98MW)

Comm. & Trading

One of the main Italian energy player

- Electricity sold: ~ 6.8 TWh (Enhanced Protection Market 2.6 TWh; Free Market 4.2 TWh)
- Free market customers : ~ 0.3m
- Enhanced protection market customers: ~ 0.9m
- Gas customers: ~ 0.2m
- Gas sold: 103 Mm³

Environment

No. 6 Italian operator

- Waste treated: over 1m tons
- Electricity produced (WTE): 354 GWh

Overseas

- Presence in Latin America

ACEA'S OWNERSHIP

City of Rome	Suez	Caltagirone Group	Other
51.0%	23.3%	5.0%	20.7%

Source: CONSOB, April 2018

2017 financial highlights

(€m)	2017 a	2016 b	% Change a/b	2017* adjusted c	2016* adjusted d	% Change c/d
Consolidated revenue	2,797.0	2,832.4	-1.2%	2,797.0	2,720.9	+2.8%
EBITDA	840.0	896.3	-6.3%	840.0	784.8	+7.0%
EBIT	359.9	525.9	-31.6%	406.2	414.4	-2.0%
Group net profit/(loss)	180.7	262.3	-31.1%	214.5	210.5	+1.9%
Dividend per share (€)	0.63	0.62	+1.6%			
Capex	532.3	530.7	+0.3%			

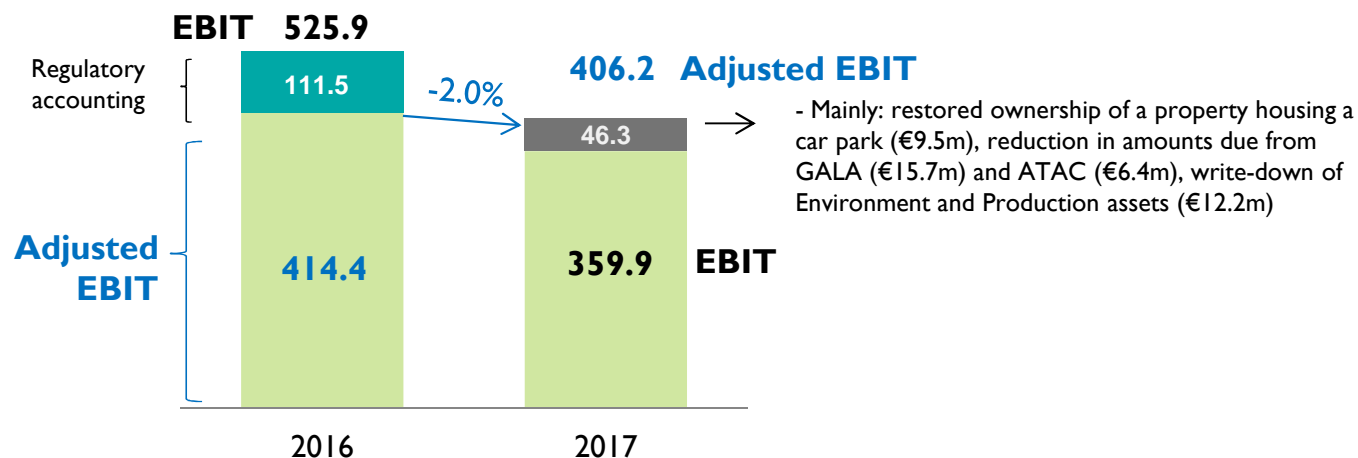
* The adjusted results do not include:

- for 2017, the negative impact – amounting to €46.4m before tax – primarily resulting from reductions in the receivable due from ATAC (€6.4m) and the amount due to Areti from Gala (€15.7m), the write-down of the assets owned by Acea Ambiente and Acea Produzione (€12.2m)
- for 2016, primarily the positive impact (€111.5m before tax) of elimination of the regulatory lag

(€m)	31 Dec 2017 (a)	30 Sep 2017 (b)	31 Dec 2016 (c)	%Change (a/b)	% Change (a/c)
Net Debt	2,421.5	2,487.3	2,126.9	-2.6%	+13.9%
Adjusted Net Debt**	2,325.1	2,428.3	2,126.9	-4.2%	+9.3%
Invested Capital	4,244.9	4,279.9	3,884.9	-0.8%	+9.3%

** Adjusted net debt for 2017 does not include the overall impact, amounting to €96m, of the reduction in amounts due from GALA (€30m) and ATAC (€6m), and the impact of split payments (€60m).

EBIT (€m)

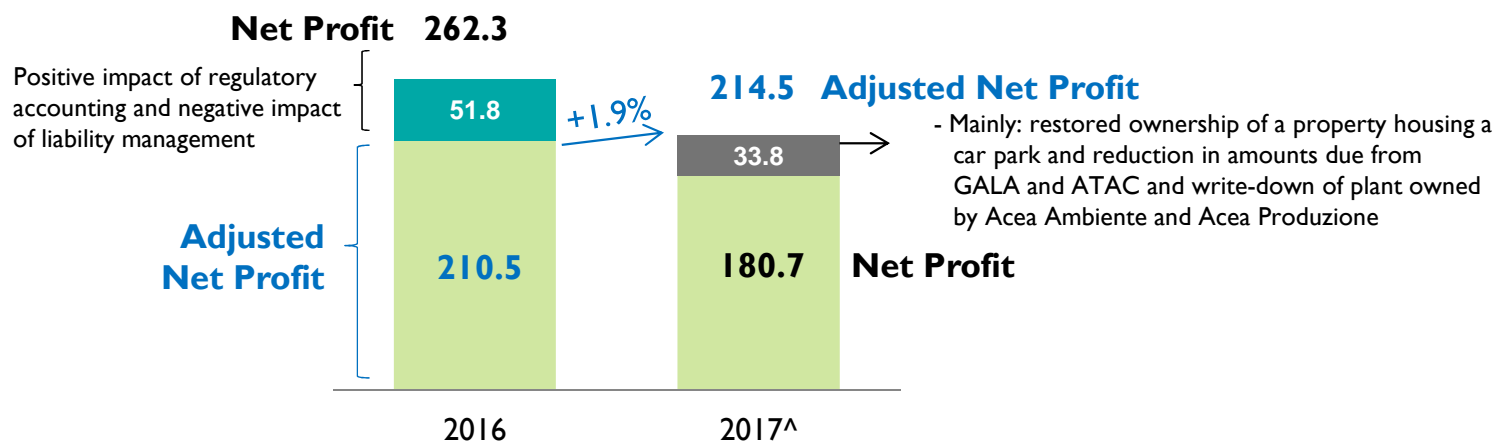


(€m)	2017	2016	% change
Depreciation	328.9	254.2	+29.4%
Write-offs	90.4	64.7	+39.7%
Provisions	60.8	51.5	+18.1%
Total	480.1	370.4	+29.6%

✓ Higher depreciation due to increased capex for IT, with shorter useful life and restored ownership of a property housing a car park, write-down of plant owned by Acea Ambiente and Acea Produzione

✓ Increased provisions for bad debts and reduction in amounts due from GALA and ATAC

NET PROFIT (€m)



TAX RATE	2016	2017 [^]
	34.5%	33.3%

[^] Higher depreciation due to increased capex for IT with shorter useful life – after taxation – has reduced net profit by €38m

DIVIDEND HISTORY

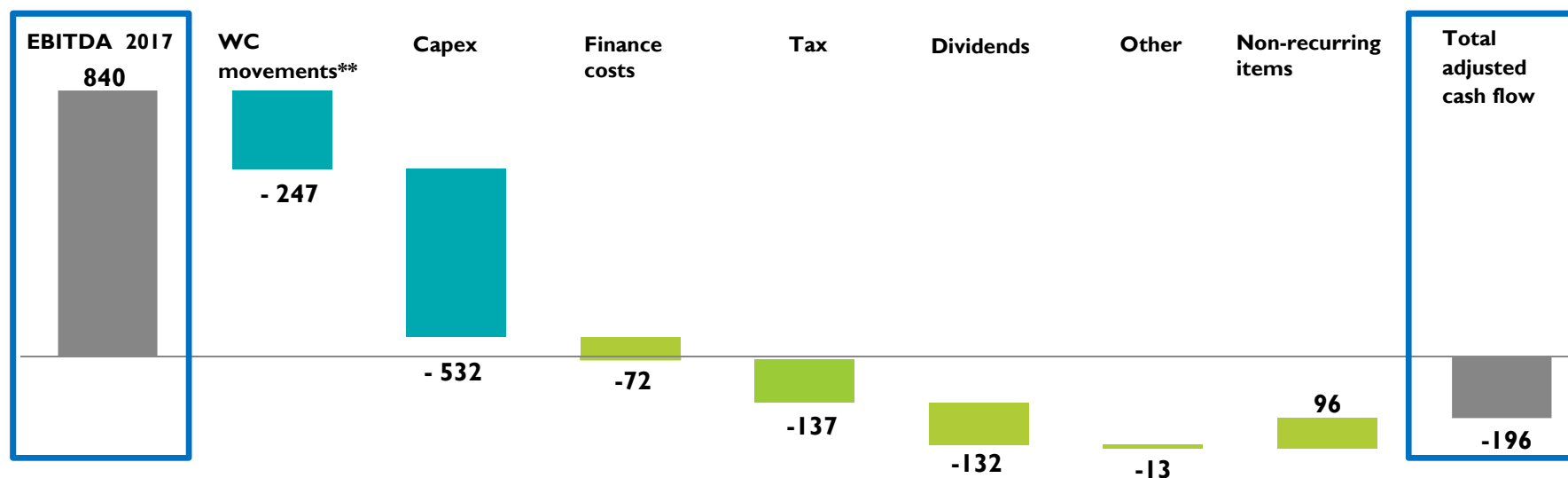
	2014	2015	2016	2017
DPS (€)	0.45	0.50	0.62	0.63
Total Dividend (€m)	95.8	106.5	132.0	134.2
Dividend yield*	4.6%	4.2%	5.2%	4.7%
Payout**	59%	61%	50%	74%

* Based on average price for the year

** Based on consolidated net profit after non-controlling interests

	2017	2016
EBITDA	840	896
Delta WC	(247)	(85)
CAPEX	(532)	(531)
FREE CASH FLOW	61	281
Net finance income/(costs)	(72)	(110)
Income tax expense	(137)	(110)
Dividends	(132)	(107)
Other	(13)	(72)
TOTAL CASH FLOW	(292)	(117)
TOTAL ADJUSTED CASH FLOW*	(196)	(117)
Net Debt at beginning of period	2,127	2,010
Net Debt at end of period	2,421	2,127
Adjusted Net Debt *	2,325	2,127

Net debt fell €66m in Q4 2017, declining from €2,487m to €2,421m at 31 Dec 2017, due to cash inflow from Working Capital of ~ €100m



* Adjusted net debt for 2017 does not include the overall impact, amounting to €96m, of the reduction in amounts due from GALA and ATAC, and the impact of split payments

** Before provisions for bad debts

Net Debt

Ahead of guidance and beating Business Plan forecast

(€m)	31 Dec 2017 (a)	30 Sep 2017 (b)	31 Dec 2016 (c)	Change (a-b)	Change (a-c)
NET DEBT	2,421.5	2,487.3	2,126.9	(65.8)	294.6
Medium/Long-term	2,706.6	2,475.9	2,743.1	230.7	(36.5)
Short-term	(285.1)	11.4	(616.2)	(296.5)	331.1
Adjusted NET DEBT*	2,325.1	2,428.3	2,126.9	(103.2)	198.2

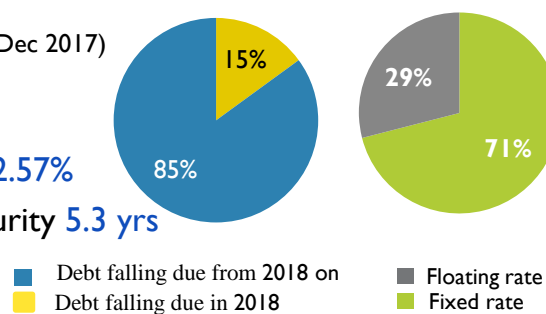
NET DEBT/EQUITY 31 Dec. 2017	NET DEBT/EQUITY 31 Dec. 2016
1.3x	1.2x

Net Debt/EBITDA 31 Dec. 2017	Net Debt/EBITDA 31 Dec. 2016
2.9x	2.4x

Debt structure

(maturity and interest rates at 31 Dec 2017)

- > Fixed rate **71%**
- > Average overall cost **2.57%**
- > Average term to maturity **5.3 yrs**



Rating

FitchRatings

MOODY'S

BBB+

Baa2

Stable Outlook

Stable Outlook

* Adjusted net debt for 2017 does not include the overall impact, amounting to €96m, of the reduction in amounts due from GALA and ATAC and the impact of split payments.

Regulatory framework

- *Water*
- *Electricity distribution*

ARERA RESOLUTION 664/2015

ARERA RESOLUTION 918/2017 – Biennial revision of tariff arrangements for integrated water services (2018-2019)

REGULATORY PERIOD: FOUR YEARS 2016-2019

- The **duration of the regulatory period** has been set at **four years**, with **biennial revision**
 - **2016-2017 WACC 5.4%**
 - **2018-2019 WACC 5.3%**

Main key points:

- Allowed revenues are based on **full cost recovery** subject to efficiency and capped in terms of tariff growth.
- **A cap on annual tariff increases (tariff multiplier)** ranging from 5.5% to 9%, depending on the regulatory framework approved by local authorities.
- Introduction of a **system of rewards and penalties linked to the contractually required quality standards**. The reward component is excluded from any tariff caps.
- Introduction of rewards/penalties linked to the **technical quality** of the integrated water service. Rewards and penalties will be quantified in 2020 based on performances in 2018 (base year 2016) and 2019 (base year 2018). The reward component is excluded from any tariff caps. Provisions must be made in 2020 for any penalties imposed.
- The mechanism for recognising a portion of **late payment costs** has been defined, taking into account the varying impact of this problem throughout the country (the maximum recognised cost, calculated on the basis of annual turnover, has been set at **2.1% in the North, 3.8% in Central Italy and 7.1% in the South** and providing incentives for the adoption of efficient credit management solutions.
- The “**ψ**” parameter, on which determination of the component intended to pre-finance the cost of new investment (FNI), may be selected within a range of **0.4-0.8**.
- The **1% time-lag for the cost of debt** has been confirmed, offsetting the cost resulting from the time lag between the year in which capex takes place and the year in which the related tariff increase is granted.

ARERA RESOLUTION 654/2015 tariff general framework
ARERA RESOLUTION 583/2015 WACC
ARERA RESOLUTION 646/2015 Quality of electricity distribution and metering service and output based regulation
ARERA RESOLUTION 639/2018 WACC update

REGULATORY PERIOD: EIGHT YEARS 2016-2023 dividing into two sub-periods, each lasting four years:

- 2016-2019
- 2020-2023 perhaps Totex-based approach will be introduced

WACC REGULATORY PERIOD: SIX YEARS 2016-2021

- 2016-2018 WACC 5.6%
- 2019-2021 WACC 5.9%

WACC OTHER ACTIVITIES

ELECTRICITY TRANSMISSION

Electricity Transmission 2019-2021 WACC: 5.6% (previous 5.3%)

GAS GRIDS

Gas transmission 2019 WACC: 5.7% (previous 5.4%)

Gas distribution 2019 WACC: 6.3% (previous 6.1%)

Gas measure 2019 WACC: 6.8% (previous 6.6%)

Gas Storage 2019 WACC: 6.7% (previous 6.5%)

Disclaimer

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.

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.