



**acea**  
***HI 2018 Results***

*Rome, 31 July 2018*

# Executive Summary

## ONE YEAR ON FROM OUR FIRST MARKET PRESENTATION.....

### RETURN TO ROLE OF INDUSTRIAL MULTIUTILITY

- ✓ Strategic guidelines 2018-2022: significant boost for infrastructure investment, breaking with the approach of recent years.
- ✓ Restructuring of operational processes and organisation.

## .....IN THE LAST TWELVE MONTHS THE COMPANY HAS FACED MAJOR CHALLENGES

### WATER EMERGENCY (August 2017)

- ✓ Since August 2017, we have recovered up to 2,300 litres of water per second, through intensive leak detection and repair programme.
- ✓ We have reduced volume of water lost to leaks to below 38% of amount fed into the system.

The Company's remains heavily committed, involving the use of innovative technologies.

### BUSINESS PLAN 2018-2022 (November 2017)

- ✓ Approval of Business Plan 2018-2022, envisaging significant increase in infrastructure investment and based on the following pillars: industrial GROWTH, constant LOCAL FOCUS, development of technologies and INNOVATION, operational EFFICIENCY.
  - Capex of €3bn.
  - Average annual EBITDA growth of ~6%.
  - Operating efficiencies with cost and capex savings of €300m in the period 2018-2022.
  - Total dividends over the life of the Plan €0.7bn; Payout to remain above 50%.
  - Net Debt/EBITDA down to 2.8x in 2022.



The Business Plan was a great success with investors and analysts, who judged it to be «**CREDIBLE AND DELIVERABLE**», above all welcoming the major investment to be carried out. All analysts raised their targets price.

# Executive Summary

..... IN THE LAST TWELVE MONTHS THE COMPANY HAS FACED MAJOR CHALLENGES

*continued*

## **AGREEMENT WITH OPEN FIBER** (January 2018)

- ✓ Agreement with Open Fiber for the rollout of an ultrafast broadband communications network in the city of Rome.
- ✓ The project will involve the construction of a next generation fibre network, offering ultrafast connectivity to the inhabitants of Rome, in the next five years.

**The network will enable a series of cultural, health and social services and the development of both businesses and the public sector.**

## **BOND ISSUE** (February 2018)

- ✓ Successful issue of bonds as part of the €1bn EMTN programme, divided into two tranches :
  - €300m, maturing 8 February 2023 and paying coupon interest of 3-month Euribor +0.37%;
  - €700m, maturing 8 June 2027 and paying a fixed rate of 1.5%.

**The new all-in average cost of debt is 2.2% with an average term to maturity of 5.7 years.**

# Executive Summary H1 2018

## FIRST-HALF RESULTS FOR 2018 ARE SOURCE OF GREAT SATISFACTION

The **HI 2018 Results** have exceeded expectations and have resulted in growth across all financial indicators:

- ✓ EBITDA €450m +9%
- ✓ EBIT €251m +29%
- ✓ Net profit €143m +38%
- ✓ Capex €282m +12%
- ✓ Net Debt/EBITDA LTM 2.9x
- ✓ Working capital performance reversed:
  - a cash inflow of €20m from movements in working capital in the second quarter of the year
  - a cash inflow of €11m from movements in working capital in the last twelve months



**WATER:** Big improvement in collections (ATO2 and ATO5), reduced water leaks, doubling of capacity of Peschiera source, launch of installation of smart meters, operating efficiency.



**COMMERCIAL AND TRADING:** major improvement in collections, Customer Centric approach, opening of 3 physical shops in progress.



**ENERGY INFRASTRUCTURE:** Growth in line with the Plan, operating efficiency, improved public lighting service.



**ENVIRONMENT:** Re-start of Aprilia and Sabaudia plants, optimisation of WTE maintenance plan.

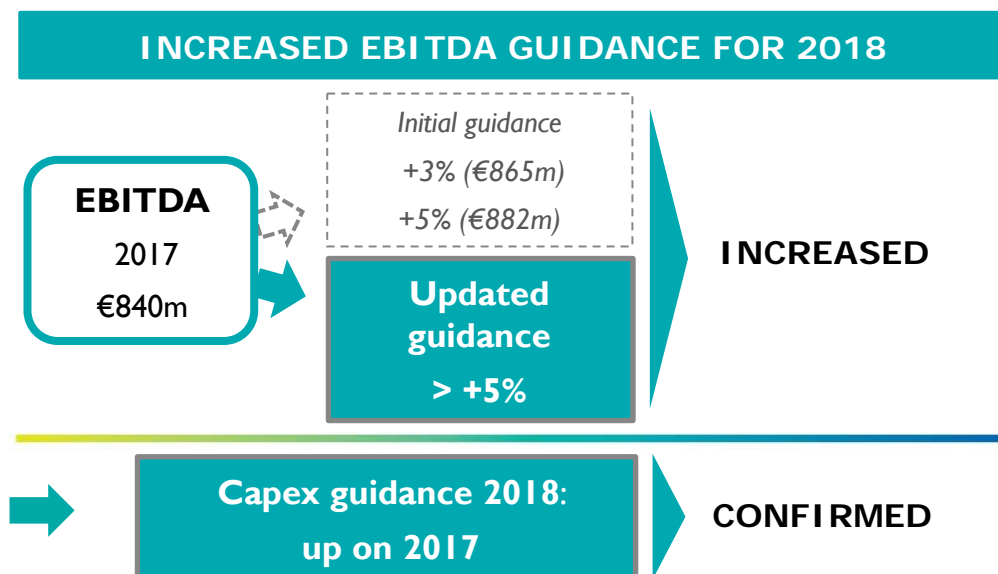
### GUIDANCE FOR 2018

- ✓ EBITDA +3%/+5% on 2017
- ✓ CAPEX up on 2017
- ✓ Net debt €2.6-2.7bn

### UPDATED GUIDANCE FOR 2018

- > +5% on EBITDA for 2017 (€840m)
- CONFIRMED**
- TARGET ~€2.6bn**

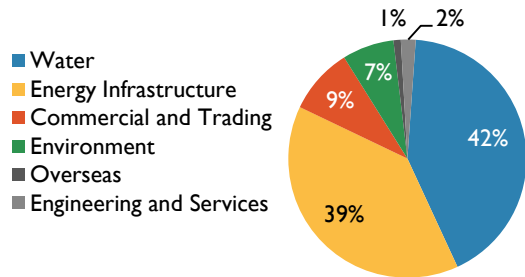
(€m)	HI 2018 (a)	HI 2017 (b)	% change (a/b)
<b>Consolidated revenue</b>	<b>1,454.3</b>	<b>1,372.5</b>	<b>+6.0%</b>
<b>EBITDA</b>	<b>449.9</b>	<b>414.1</b>	<b>+8.6%</b>
<b>EBIT</b>	<b>250.7</b>	<b>194.9</b>	<b>+28.6%*</b>
<b>Group net profit/(loss)</b>	<b>142.7</b>	<b>103.5</b>	<b>+37.9%*</b>
<hr/>		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



\* 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).

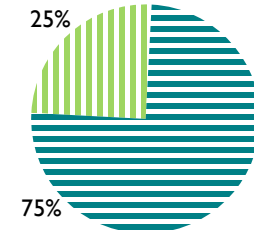
(€m)	30 June 2018 (a)	31 Dec 2017 (b)	30 June 2017 (c)	% change (a/b)	% change (a/c)
<b>Net debt</b>	<b>2,570.3</b>	<b>2,421.5</b>	<b>2,401.4</b>	<b>+6.1%</b>	<b>+7.0%</b>
<b>Invested capital</b>	<b>4,236.6</b>	<b>4,232.7</b>	<b>4,145.5</b>	<b>+0.1%</b>	<b>+2.2%</b>



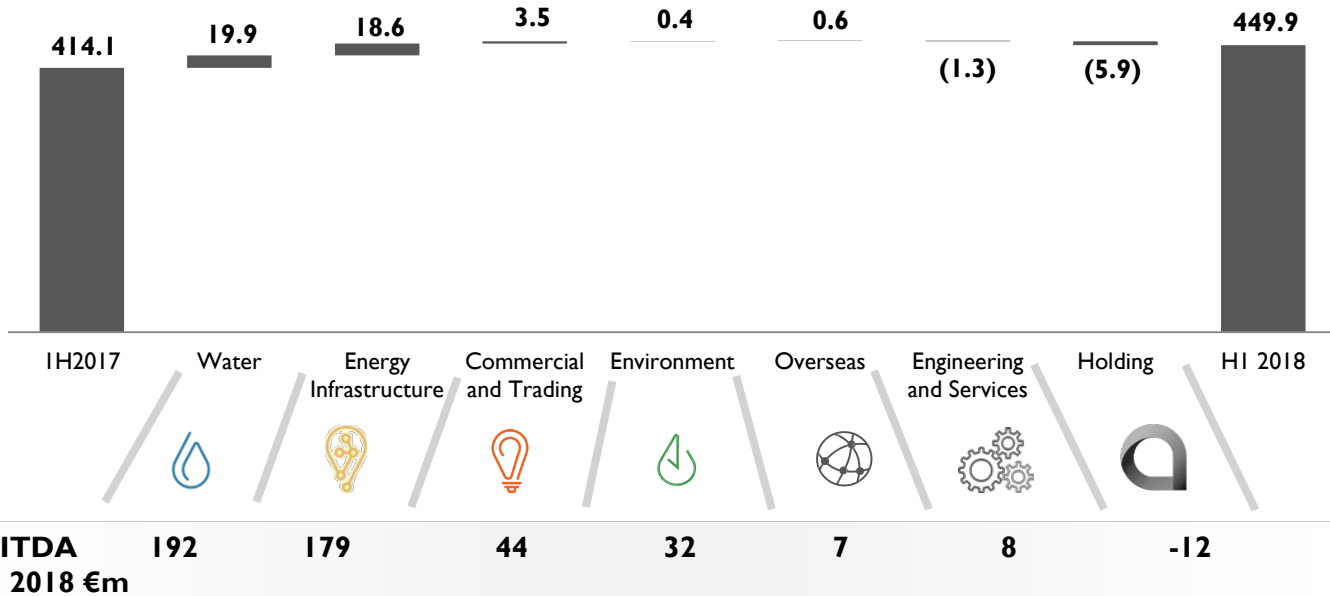


## EBITDA HI 2018

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



## EBITDA (€m)



## Average Group workforce

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

# EBITDA and quantitative data

## HI 2018 financial highlights



### Water

EBITDA main drivers

#### EBITDA GROWTH

- ▲ Acea ATO2: +€6.7m (quality bonus €15.7m)
- ▲ Acea ATO5: +€4.0m
- ▲ Companies consolidated using equity method +€7.2m



#### KEY HIGHLIGHTS

- ✓ Increased collections at ATO2 and ATO5 due to improved collection strategy
- ✓ Extension of Acque's concession term to 2031

(€m)	HI 2018 (a)	HI 2017 (b)	% change (a/b)	Quantitative data	HI 2018	HI 2017
<b>EBITDA</b>	<b>192.3</b>	<b>172.4</b>	<b>+11.5%</b>	<b>Total volume of water sold (Mm<sup>3</sup>)</b>	<b>210</b>	<b>208</b>
<i>of which:</i>						
<i>Profit/(Loss) from companies consolidated under IFRS 11</i>	<i>17.2</i>	<i>10.0</i>	<i>+72.0%</i>			
<b>Capex</b>	<b>156.4</b>	<b>121.9</b>	<b>+28.3%</b>			

	HI 2018 (a)	HI 2017 (b)	Change (a-b)
<b>Average workforce</b>	<b>1,794</b>	<b>1,774</b>	<b>+20</b>

# EBITDA and quantitative data

## HI 2018 financial highlights



### Energy Infrastructure

EBITDA main drivers

#### EBITDA GROWTH

- ↑ Distribution up €19.3m
- ↑ Generation +€3.3m - increased hydroelectric and thermoelectric production (completion of Tor di Valle plant)
- ↓ Public Lighting (in 2017 LED plan effect)



#### KEY HIGHLIGHTS

- ✓ Over 120 km of fibre infrastructure installed

(€m)	HI 2018 (a)	HI 2017 (b)	% change (a/b)	Quantitative data	HI 2018	HI 2017
<b>EBITDA</b>	<b>178.6</b>	<b>160.0</b>	<b>+11.6%</b>	<b>Total electricity distributed (GWh)</b>	<b>4,845</b>	<b>4,842</b>
- Distribution	155.1	135.8	+14.2%	<b>Number of customers ('000s)</b>	<b>1,627</b>	<b>1,628</b>
- Generation	25.2	21.9	+15.1%	<b>Total electricity produced (GWh)</b>	<b>298</b>	<b>234</b>
- Public Lighting	-1.7	2.2	n/s			
<b>Capex</b>	<b>105.5</b>	<b>105.2</b>	<b>+0.3%</b>			
	<b>HI 2018 (a)</b>	<b>HI 2017 (b)</b>	<b>Change (a-b)</b>			
<b>Average workforce</b>	<b>1,386</b>	<b>1,362</b>	<b>+24</b>			



# EBITDA and quantitative data

## HI 2018 financial highlights



### Commercial and Trading EBITDA GROWTH

EBITDA main drivers



### KEY HIGHLIGHTS

- ✓ Decline in enhanced protection market customer base partially offset by growth in free market
- ✓ Reduced inbound calls (-37%) reflecting improved customer experience

(€m)	HI 2018 (a)	HI 2017 (b)	%change (a/b)	Quantitative data	HI 2018	HI 2017
<b>EBITDA</b>	<b>44.1</b>	<b>40.6</b>	<b>+8.6%</b>	<b>Total electricity sold (GWh)</b>	<b>3,086</b>	<b>3,408</b>
				<i>Enhanced Protection Market</i>	1,234	1,316
				<i>Free Market</i>	1,852	2,092
<b>Capex</b>	<b>5.5</b>	<b>7.9</b>	<b>-30.4%</b>	<b>No. of PODs for electricity ('000s)</b>	<b>1,190</b>	<b>1,229</b>
				<i>Enhanced Protection Market</i>	865	914
				<i>Free Market</i>	325	315
<b>Average workforce</b>	<b>465</b>	<b>476</b>	<b>-11</b>	<b>Total gas sold (Mm<sup>3</sup>)</b>	<b>73</b>	<b>57</b>
				<b>No. of gas customers ('000s)</b>	<b>169</b>	<b>166</b>

# EBITDA and quantitative data

## HI 2018 financial highlights



### Environment

EBITDA main drivers

#### EBITDA SLIGHTLY UP

- WTE growth due to increase in inputs, gate fees and energy price
- Acea Ambiente: +€1.5m
- Iseco: +€0.2m
- Acque Industriali: +€0.2m
- Aquaser (sludge recovery): -€1.5m



#### KEY HIGHLIGHTS

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

(€m)	HI 2018 (a)	HI 2017 (b)	% change (a/b)	Quantitative data	HI 2018	HI 2017
<b>EBITDA</b>	<b>31.8</b>	<b>31.3</b>	<b>+1.6%</b>	<b>Treatment and disposal* (Ktonnes)</b>	<b>552</b>	<b>549</b>
<b>Capex</b>	<b>8.6</b>	<b>8.5</b>	<b>+1.2%</b>	<b>WTE electricity produced (GWh)</b>	<b>178</b>	<b>175</b>

	HI 2018 (a)	HI 2017 (b)	Change (a-b)
<b>Average workforce</b>	<b>360</b>	<b>350</b>	<b>+10</b>

\* Includes ash disposed of

# EBITDA and quantitative data

## HI 2018 financial highlights



### Overseas

(€m)	HI 2018	HI 2017	
<b>EBITDA</b>	<b>7.3</b>	<b>6.7</b>	
<b>Capex</b>	<b>2.2</b>	<b>2.5</b>	
	HI 2018 (a)	HI 2017 (b)	Change (a-b)
<b>Average workforce</b>	<b>606</b>	<b>590</b>	<b>+16</b>



### Engineering and Services

(€m)	HI 2018	HI 2017	
<b>EBITDA</b>	<b>7.5</b>	<b>8.8</b>	
<b>Capex</b>	<b>0.5</b>	<b>0.4</b>	
	HI 2018 (a)	HI 2017 (b)	Change (a-b)
<b>Average workforce</b>	<b>272</b>	<b>314</b>	<b>-42</b>

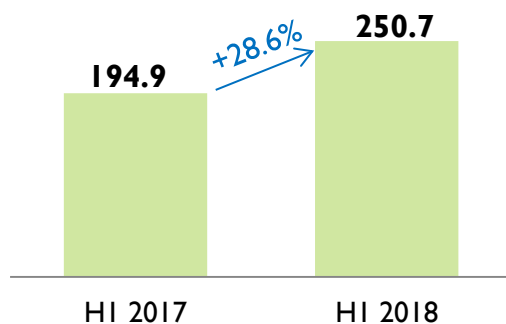


### Holding

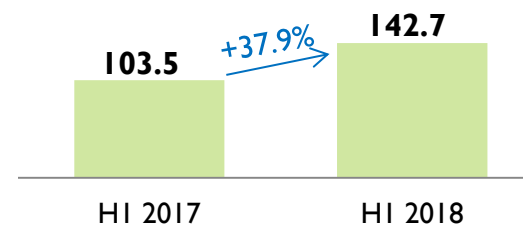
(€m)	HI 2018	HI 2017	
<b>EBITDA</b>	<b>(11.7)</b>	<b>(5.8)</b>	
<b>Capex</b>	<b>3.1</b>	<b>5.9</b>	
	HI 2018 (a)	HI 2017 (b)	Change (a-b)
<b>Average workforce</b>	<b>662</b>	<b>583</b>	<b>+79</b>

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

## EBIT (€m)



## NET PROFIT (€m)



TAX RATE	HI 2017	HI 2018
	32.9%	30.8%

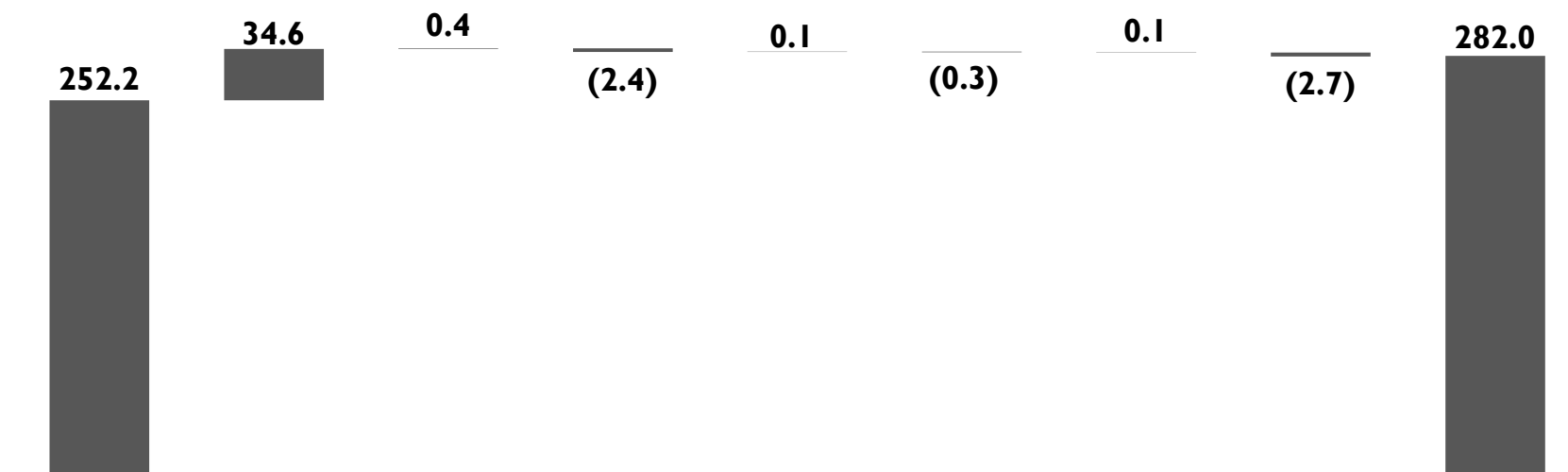
(€m)	HI 2018	HI 2017	% change
Depreciation	161.8	152.5	+6.1%
Write-downs	31.9	46.3	-31.1%
Provisions	5.5	20.4	-73.0%
<b>Total</b>	<b>199.2</b>	<b>219.2</b>	<b>-9.1%</b>

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.

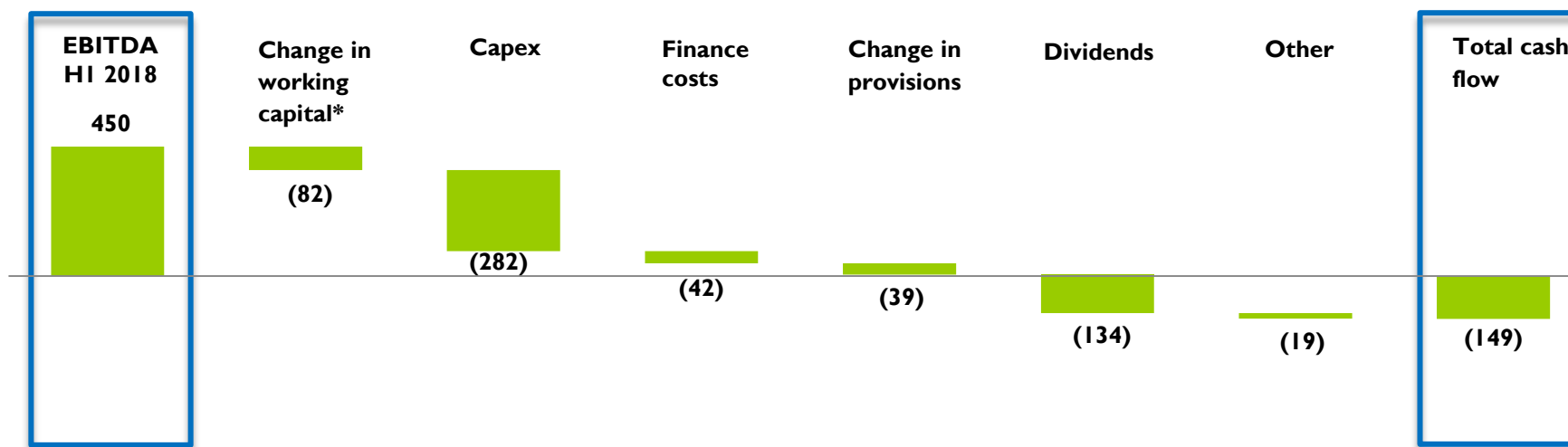
## CAPEX (€m)



Category	Capex HI 2018 (€m)	Key Activities
Water	156	<ul style="list-style-type: none"> <li>Repair and widening of water and sewage pipes</li> <li>Extraordinary maintenance of water centres</li> <li>Work on treatment plants</li> </ul>
Energy Infrastructure	106	<ul style="list-style-type: none"> <li>Work on the grid</li> <li>Extraordinary maintenance</li> <li>Installation of fibre infrastructure</li> </ul>
Commercial and Trading	5	<ul style="list-style-type: none"> <li>Reduced investment in ICT</li> </ul>
Environment	9	<ul style="list-style-type: none"> <li>Work on Terni and San Vittore WTE plants</li> <li>Work on waste treatment and biogas production plants at Orvieto landfill</li> </ul>
Overseas	2	
Engineering and Services	1	
Holding	3	

# Focus on cash flow (1/2)

(€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)
<b>FREE CASH FLOW</b>	<b>85</b>	<b>(47)</b>	<b>132</b>
Net finance income/(costs)	(42)	(31)	(12)
Change in provisions	(39)	(54)	15
Dividends	(134)	(132)	(2)
Other	(19)	(11)	(8)
<b>TOTAL CASH FLOW</b>	<b>(149)</b>	<b>(274)</b>	<b>126</b>



\* Before provisions for bad debts

- ❖ **Q2 2018 CASH GENERATED: €20M INFLOW FROM WORKING CAPITAL**
- ❖ **HI 2018 LTM CASH GENERATED: €11M CASH INFLOW FROM WORKING CAPITAL**

Increase in working capital needs in HI 2018 entirely due to trade payables as a result of seasonal factors

Change in working capital in HI 2018 due to receivables practically zero thanks to improvement in collections

## **OPTIMISATION OF COLLECTION STRATEGY** IN WATER, RETAIL ENERGY AND ELECTRICITY DISTRIBUTION BUSINESSES:

- **WATER (ATO2+ATO5):** €60m increase in collections versus HI 2017, partly thanks to agreements with major debtors. ATO2's DSO cut by 3 days.
- **RETAIL ENERGY:** 5-day improvement in DSO.
- **ELECTRICITY DISTRIBUTION:** €50m increase in collections versus HI 2017.

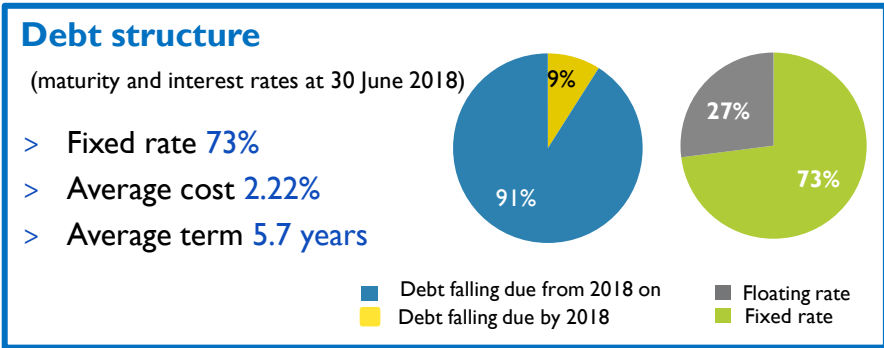
# Net debt

(€m)	30 June 2018 (a)	31 Dec 2017 (b)	30 June 2017 (c)	Change (a-b)	Change (a-c)
<b>Net debt</b>	<b>2,570.3</b>	<b>2,421.5</b>	<b>2,401.4</b>	<b>148.8</b>	<b>168.9</b>
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
<b>1.5x</b>	<b>2.9x</b>

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%**





Acea Group

# HI 2018 Results

Rome, 31 July 2018

## Q&A session

# 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.

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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.