Acea Business Plan 2018-2022

January 2019

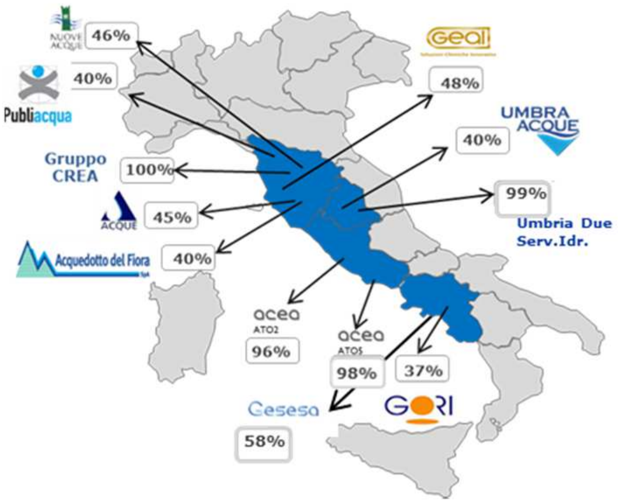
Agenda

- 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

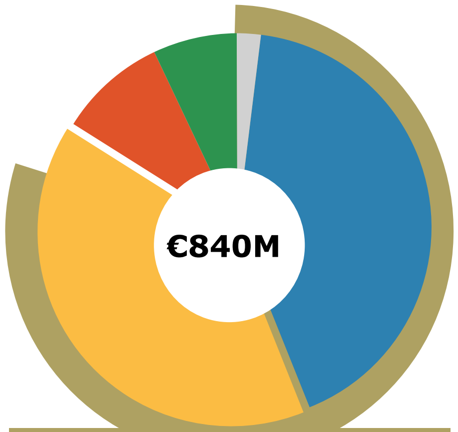
A market LEADING multiutility

FOOTPRINT



LATAM

EBITDA 2017



SHAREHOLDERS (1)

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

(1) CONSOB data at January 2019

MARKET POSITION IN ITALY 2017

No. 1 **WATER**
- **9m** customers
- RAB **€1.3bn**

ENERGY INFRASTRUCTURE

No. 2 **Electricity Distribution**
- **1.6m** PODs
- RAB **€1.9bn**

No. 5 **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. 6 **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

The Group’s new strategic PILLARS

acea

Business Plan 2018-2022

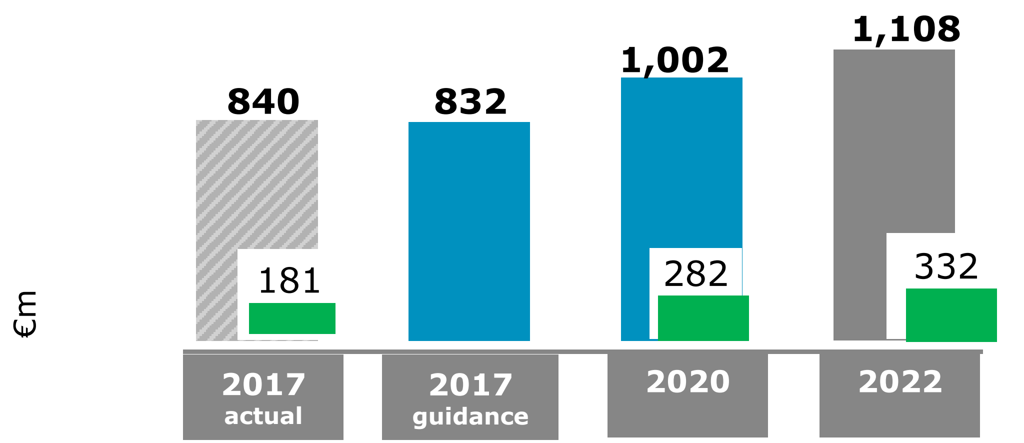
Industrial growth	Local focus and Sustainability	Technology, Innovation and Quality	Operational Efficiency
Capex of €3bn	**15 pp reduction in water leaks**	**€400m+** in investment linked to **innovative projects**	**Capex and Opex discipline** **(-€300m in total)**
RAB €4bn (+€0.8bn vs. actual)	**Decarbonisation with drive for "electrification"** (boosting available capacity from 3kW to 6kW for all residential users)	**Smart Grid and Smart City**	**20% reduction in cost to serve**
1.9m Customers Power & Gas			
1.7m tons of waste treated (+70% vs. actual)	**Closing the loop and increasing recovery of materials** (e.g. sludge and composites)	Improvements to the **Customer Journey**	**Generational turnover for 300+ FTEs**

Strong and sustainable GROWTH

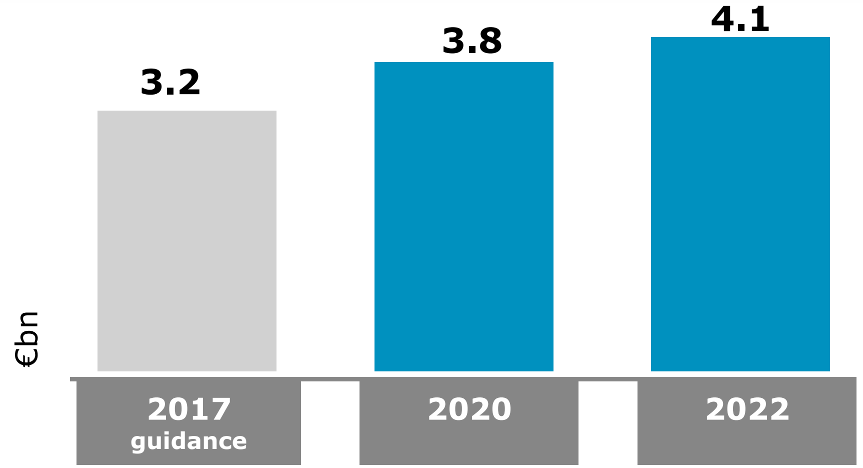
Pre-tax ROIC	2020	2022
	>10%	>10%

EBITDA growth with CAGR +5.9%

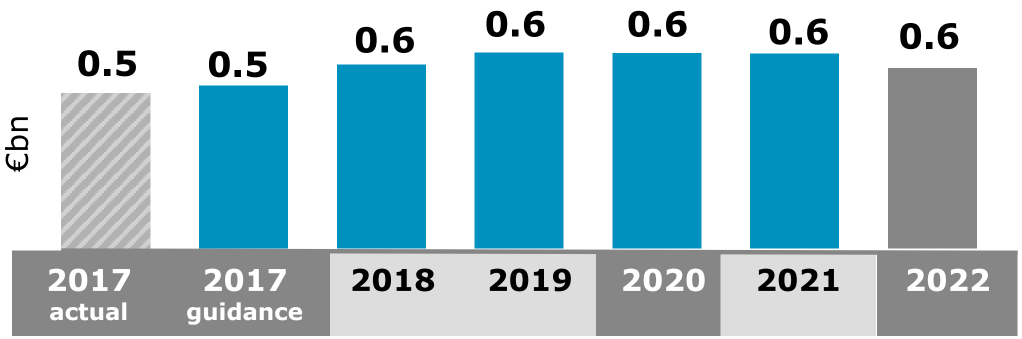
Growth in **Net Profit***



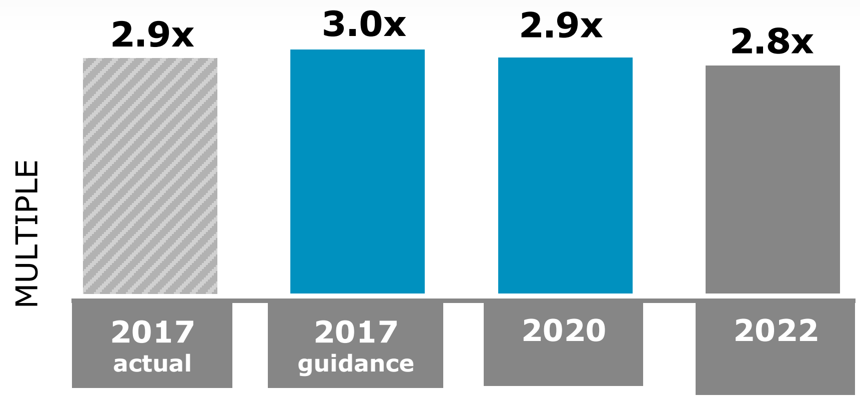
RAB up 25% by 2022



CAPEX of €3.1bn

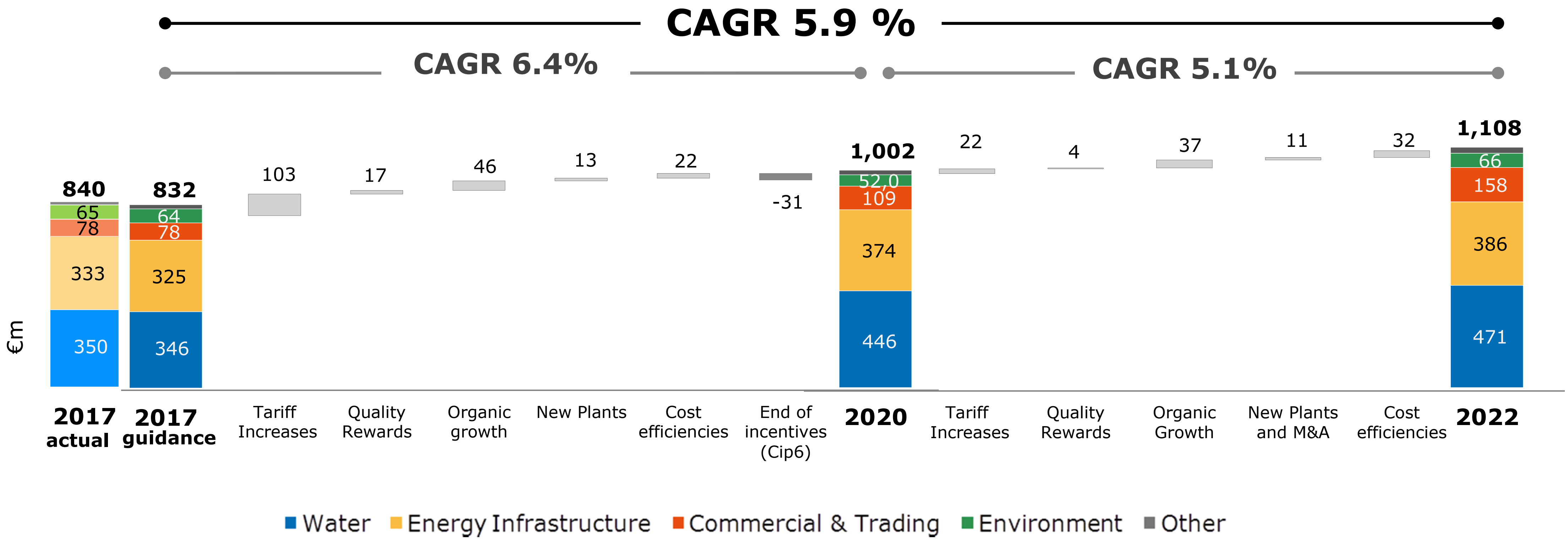


NET DEBT/EBITDA down to 2.8X



* Net profit after non-controlling interests (minorities)

EBITDA growth based on solid business rationale



Cross-segment initiatives

Performance improvements and cost efficiencies + Generational turnover + Tightening up of operations

Water

- Tariff increases linked to investment (including impact of investment incentives)
- Rewards for Commercial Quality

Energy Infrastructure

- Tariff increases linked to investment
- Reduction in penalties for network losses

Comm. and Trading

- Growth of Power and Gas customer base
- Reduction in cost to serve

Environment

- End of CIP6 incentives
- Expansion of existing plants
- Development of new plants and M&A

Other

- Development of overseas services

More than €3bn of INVESTMENT

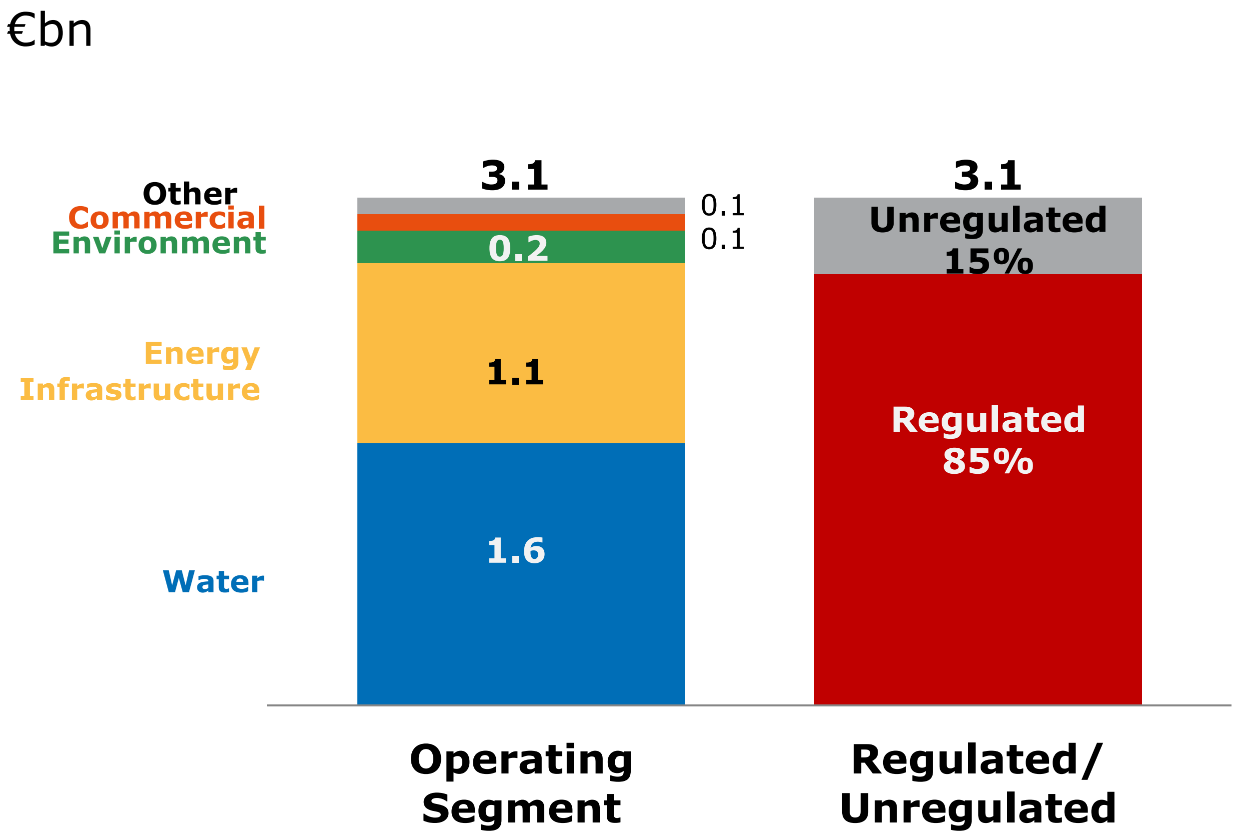
STRATEGIC LEVERS

Capex Remix

Focus on Infrastructure

Capex Discipline

GROUP'S INVESTMENT



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)

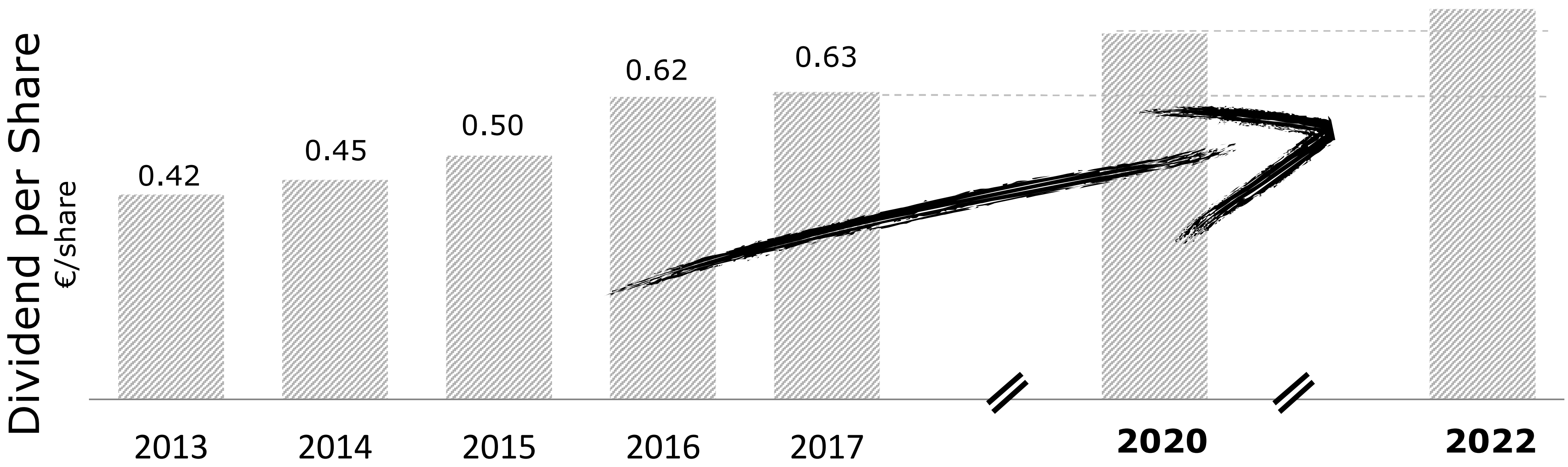
Cuts in CO_2 *(Reduced losses, Purchase of Green Energy, Recovery of Biogas)*	**>200 ktons**
Reduction in **Water Leaks**	**>15 pp**
Green Energy for internal use within the Group	**500 GWh**
Reduction in Risk Rating for electricity grid to boost resilience	**-10%**
Waste treated according to Circular Economy concept	**+70%**
Safety inspections of maintenance contractors	**+50%**

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

Growing Dividends

Pay-out above 50%

€0.7bn payable over the plan



Financial strategy aims to cut cost of debt

FitchRatings	Moody's
BBB+	**Baa2**
Stable outlook	*Stable outlook*

Situation at 30 Sept. 2018

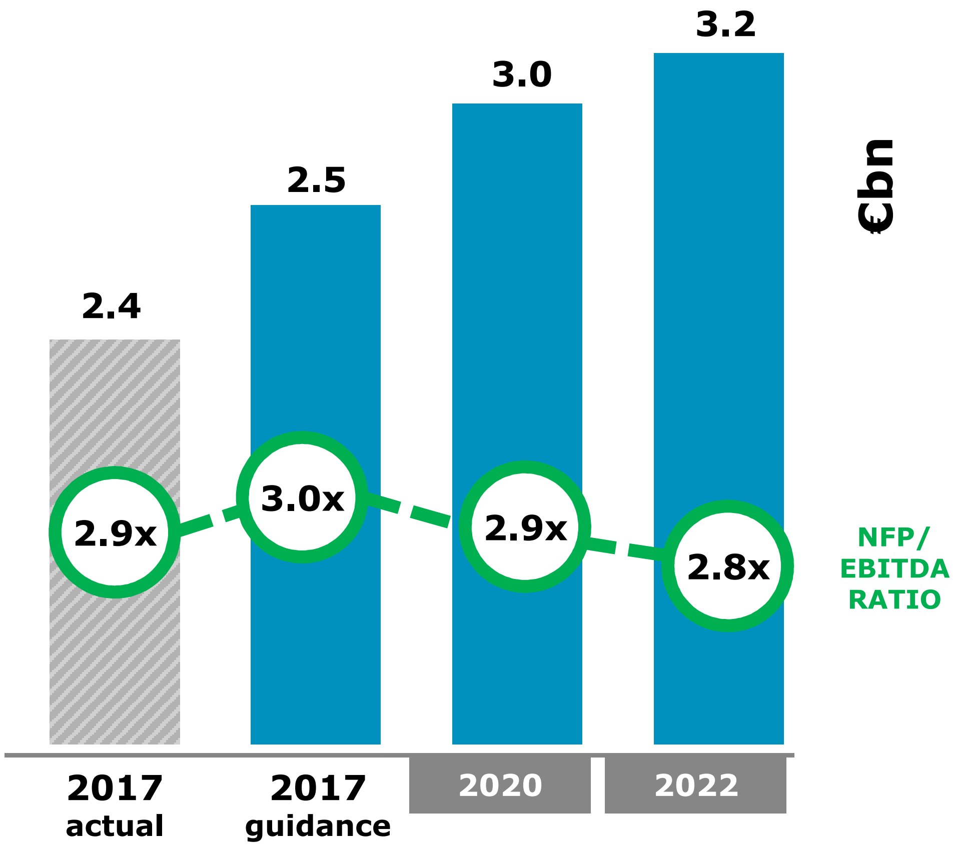
- Average Maturity **~6.0 yrs**
- Average cost of debt **~2.2%**

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

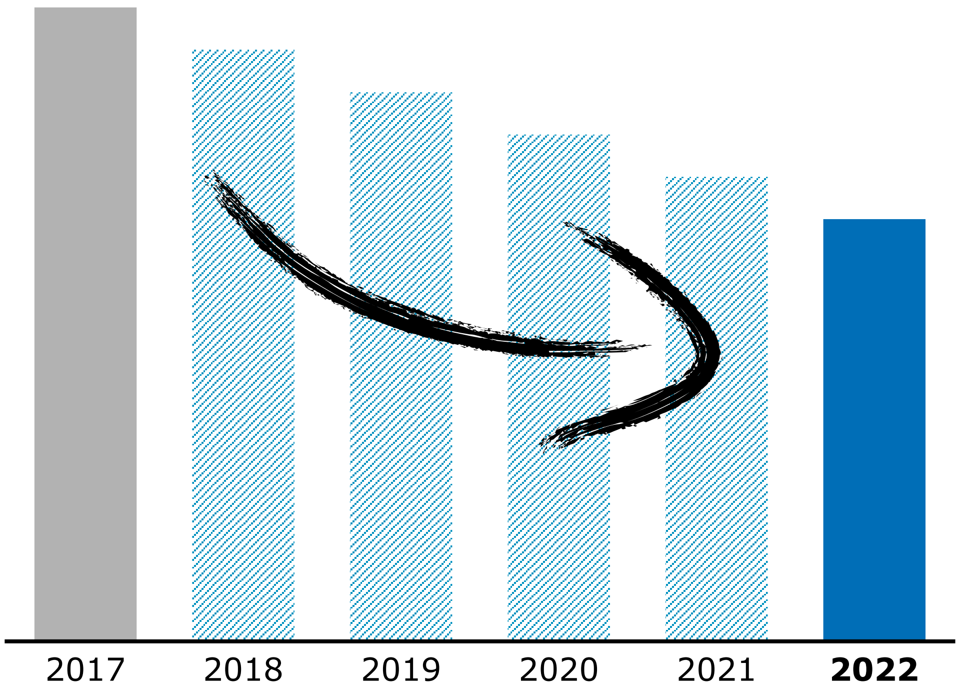
Key Targets for the Segment

WATER
INFRASTRUCTURE DRIVE and efficiency improvements

Key initiatives included in Plan

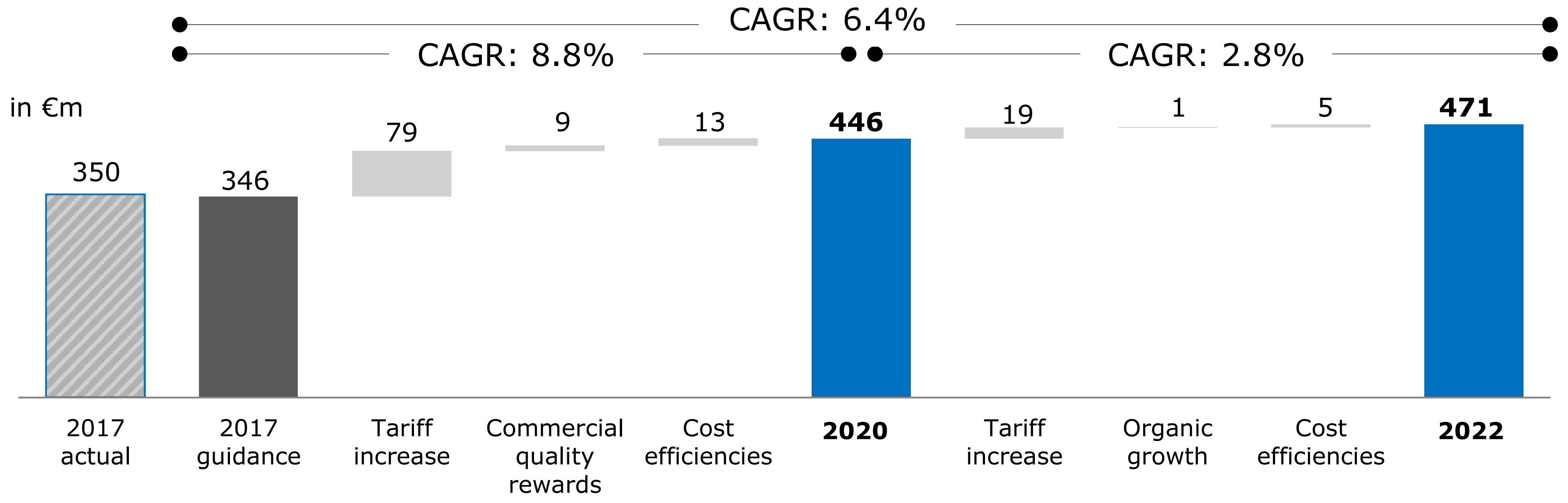
- Extraordinary plan to **upgrade network, reduce leaks and manage water emergency**
- **Rationalisation of small treatment plants** and development/expansion of large plants
- Rollout of **smart meters**

15 pp cut in **Water loss**

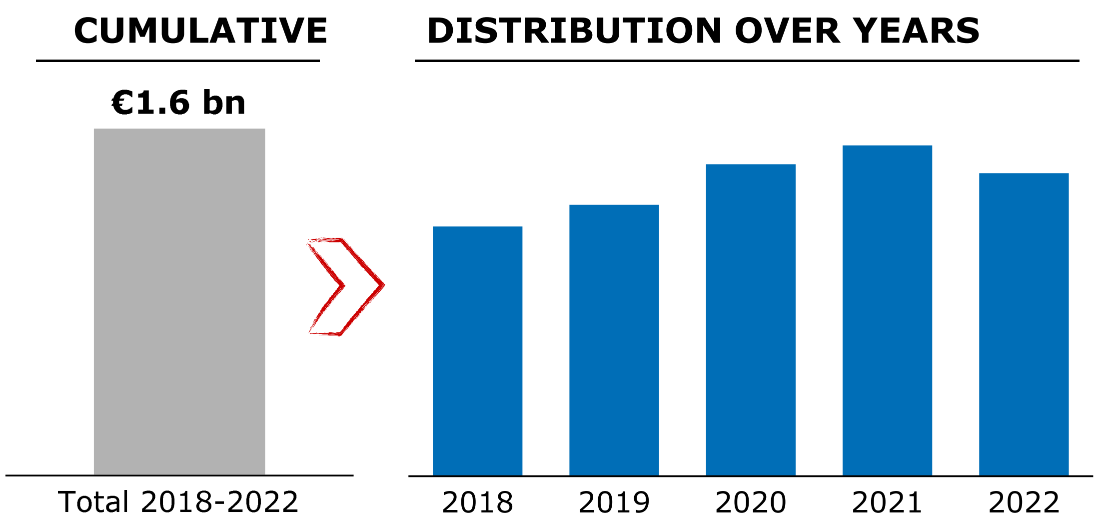


WATER
EBITDA UP 36% and INVESTMENT of €1.6bn

EBITDA



INVESTMENT 2018-2022



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

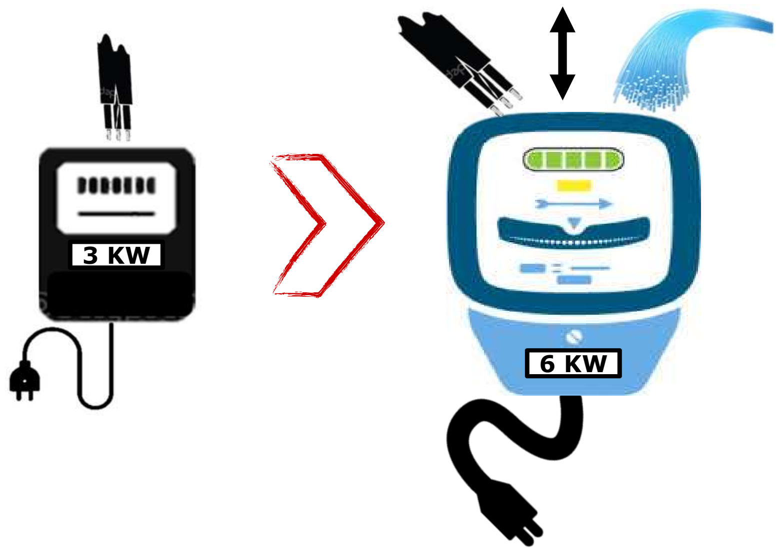
Becoming an advanced DSO to increase network resilience and enable new services

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**

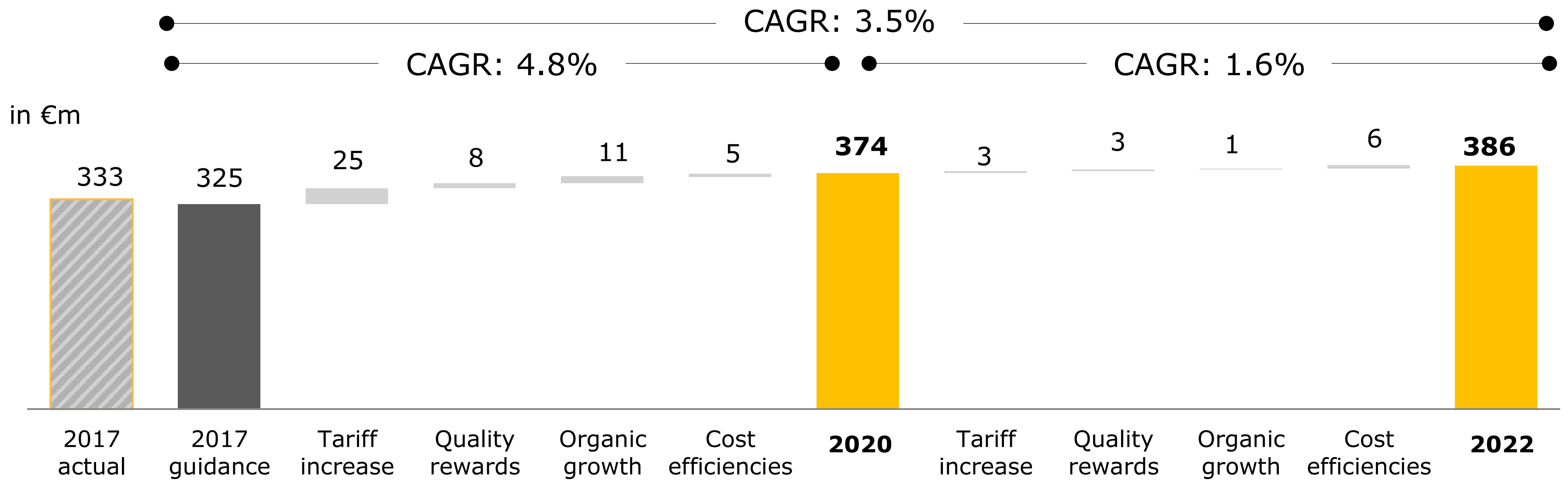
1m 2G Smart Meters



ENERGY INFRASTRUCTURE

EBITDA UP 20% AND INVESTMENT OF €1.1BN

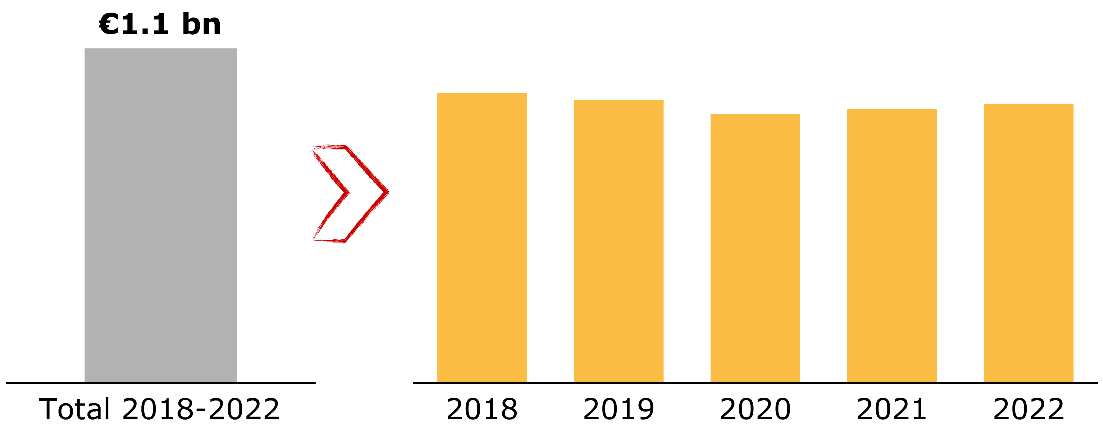
EBITDA



INVESTMENT 2018-2022

CUMULATIVE

DISTRIBUTION OVER YEARS

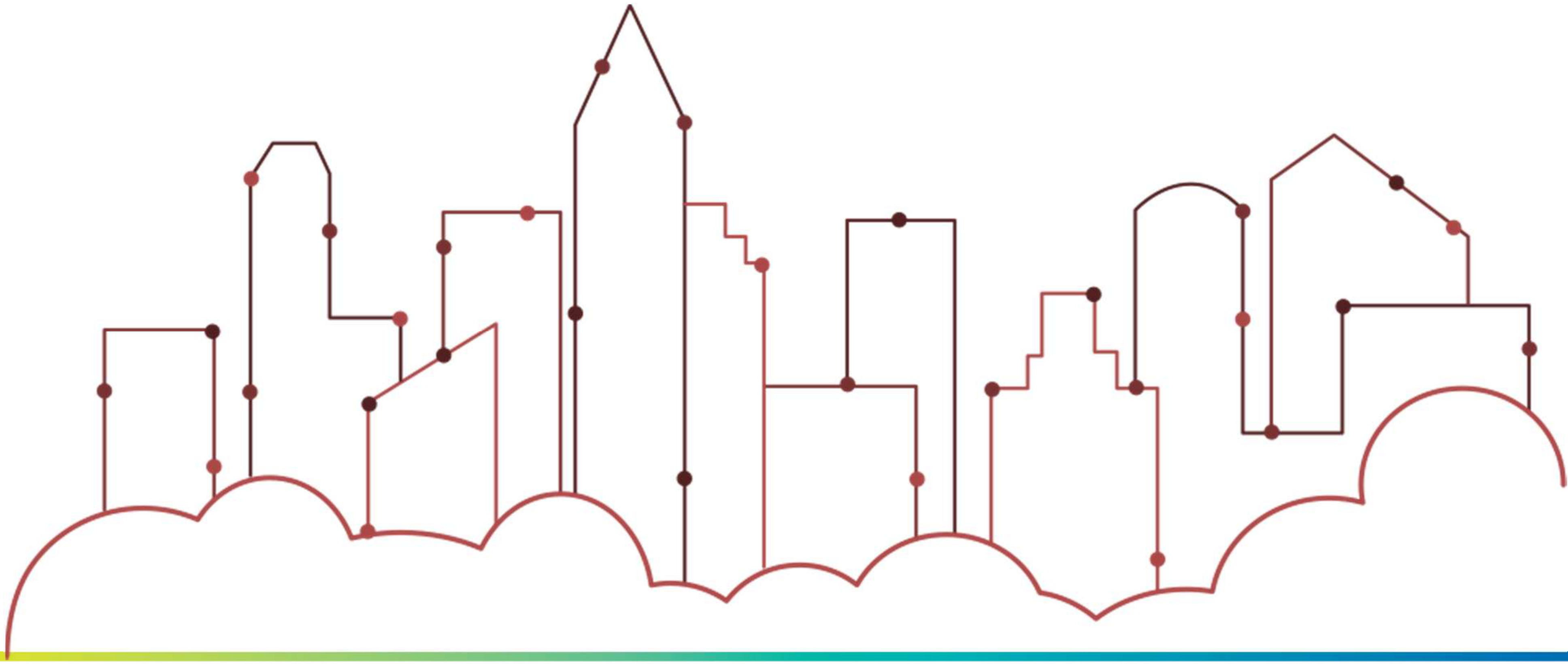


Key numbers

- 1m Smart Meters
- 1,500 km of fibre
- 2,500 km of upgraded LV/MV
- Automation and remote control systems for Secondary Sub-stations, Public Lighting,...

COMMERCIAL AND TRADING

Key Targets for the Segment



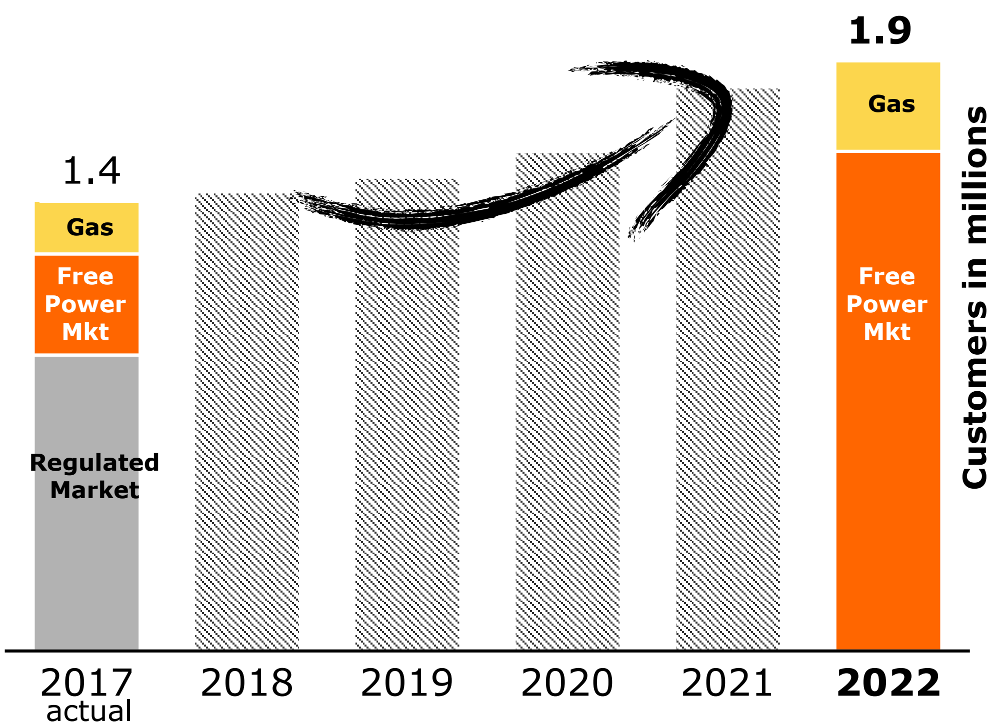
COMMERCIAL AND TRADING

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

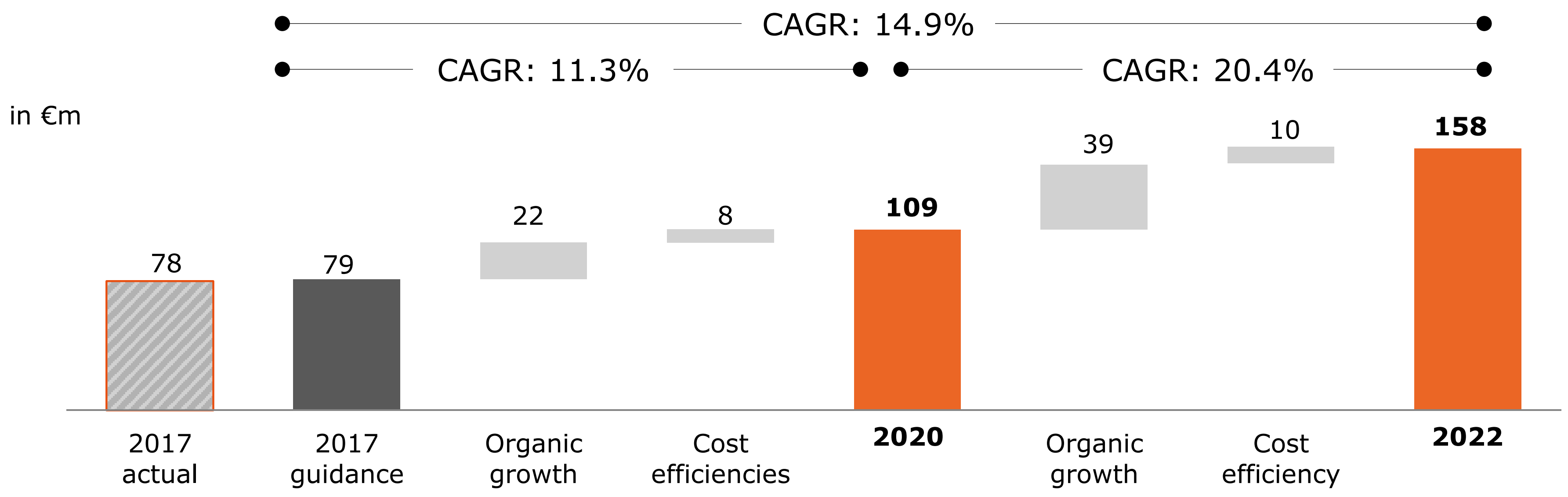
33% growth in **Number of Customers**



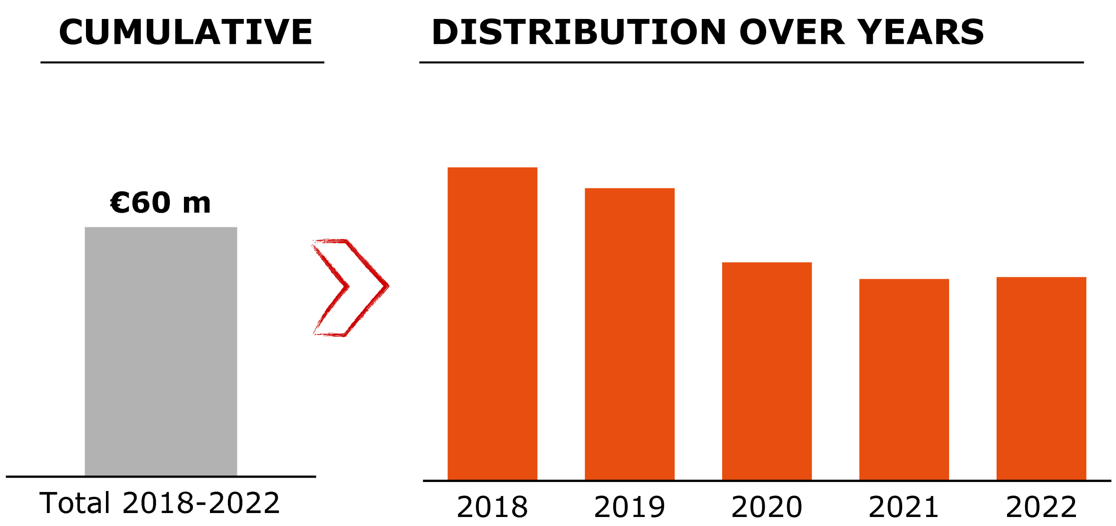
COMMERCIAL AND TRADING

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

EBITDA



INVESTMENT 2018-2022



- **Digital transformation of "end-to-end" processes**
  - Activation
  - Customer Care
  - ...
- Completion of development of **Free Market Systems**

ENVIRONMENT

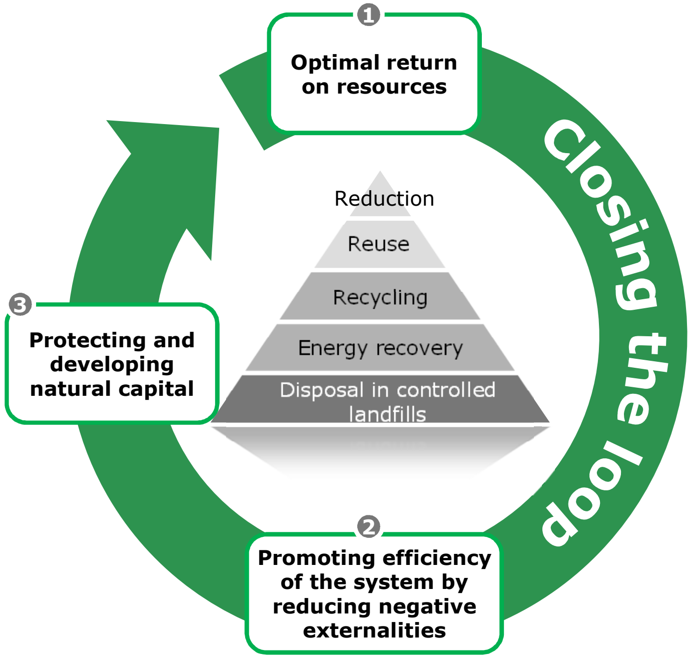
Key Targets for the Segment

ENVIRONMENT

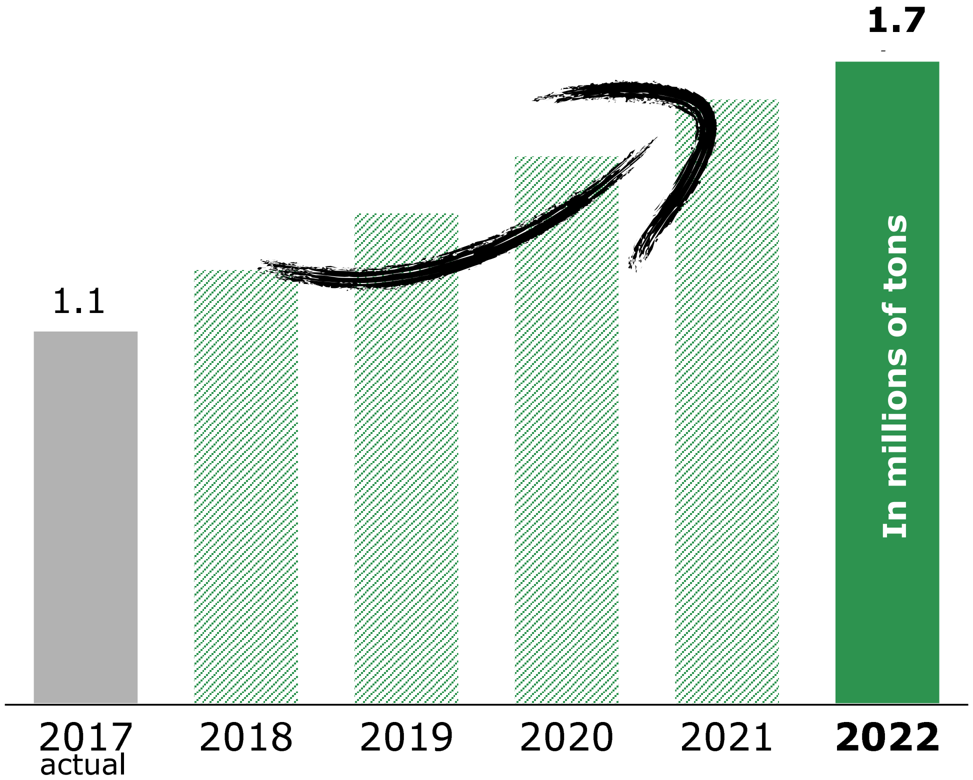
70% growth in waste treated by end of Plan

Key initiatives included in Plan

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



70% growth in waste treated

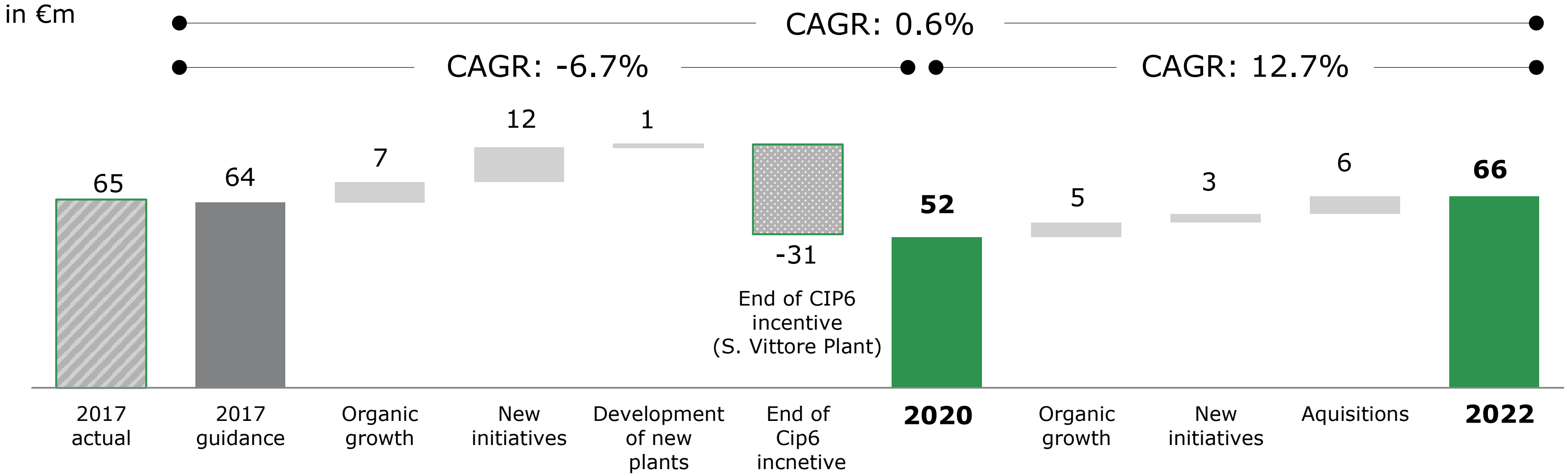


Note: goals proposed by the European Commission, revised upwards by the Europoean Parliament (15 Mar 2017)

ENVIRONMENT

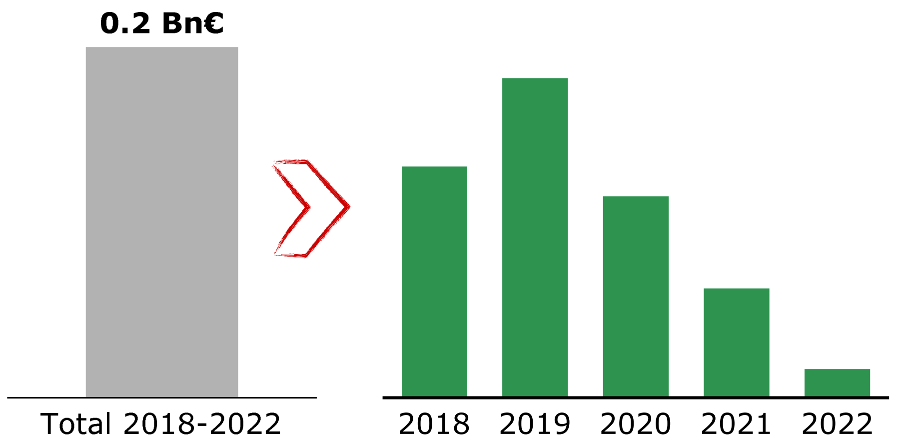
Expiry of CIP6 offset by new initiatives and selective acquisitions

EBITDA



INVESTMENT 2018-2022

CUMULATIVE | **DISTRIBUTION OVER YEARS**



- **200 ktons** of additional capacity for existing composting plants
- **250 ktons on developing** new initiatives in composting and materials sorting
- **220 ktons linked to acquisition of plants** with impact on earnings post-2020

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
WATER	**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**
WATER	**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)	*Not calculated*	**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**	

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

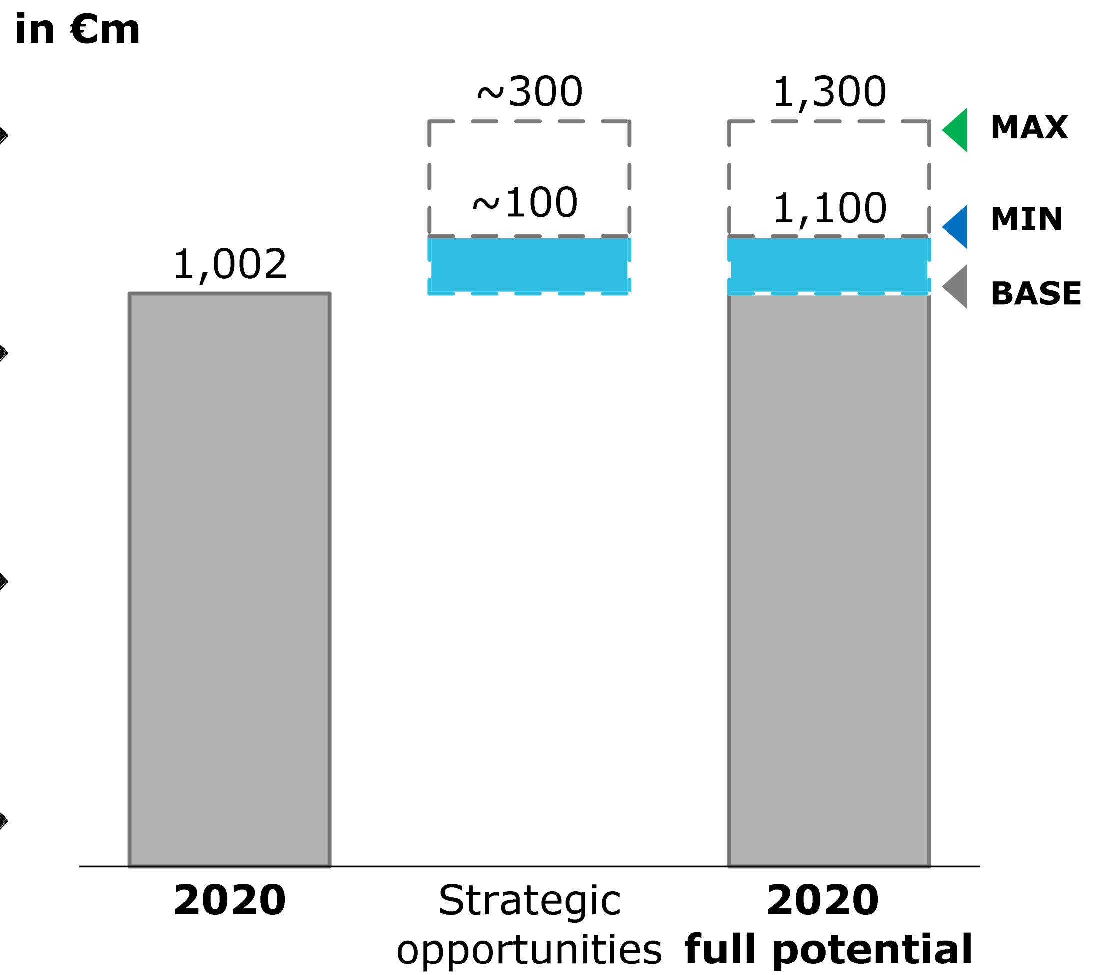
OPPORTUNITY	POTENTIAL UPSIDE FOR EBITDA IN 2020

CONSOLIDATION OF WATER SERVICE in areas in which already present (Tuscany, Campania, Lazio)

Entry into **GAS DISTRIBUTION** business

Development of **SMART ENERGY SERVICES**

Consolidation of position in **WASTE TREATMENT** (Composting)



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	*$/€*	1.14	1.18	1.20	1.10	1.00
Brent	*$/Bbl*	50.00	52.00	53.00	51.64	52.59
PUN	*€/MWh*	48.79	51.42	52.63	55.19	56.72
EU-ETS	*€/tons CO2*	8.19	10.81	13.43	16.05	18.67
CIP6	*€/MWh*	218.63	218.64			

9M 2018 Results

9M 2018 financial highlights

(€m)	9M 2018 (a)	9M 2017 (b)	% change (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%
Capex	413.2	368.9	+12.0%

EBITDA GUIDANCE FOR 2018 RAISED FURTHER

EBITDA 2017 €840m

Guidance March 2018 +3%/+5%

Guidance June 2018 >+5%

Updated guidance >+6%

RAISED

Capex guidance for 2018: up on 2017

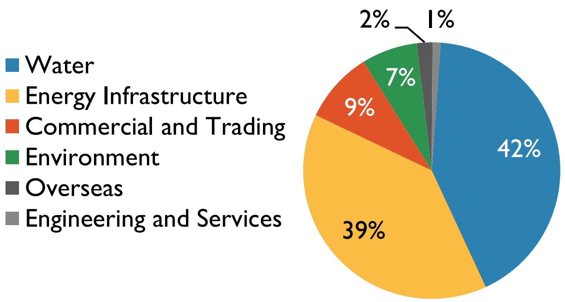
CONFIRMED

(€m)	30 Sep 2018 (a)	31 Dec 2017 (b)	30 Sep 2017 (c)	% change (a/b)	% change (a/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%

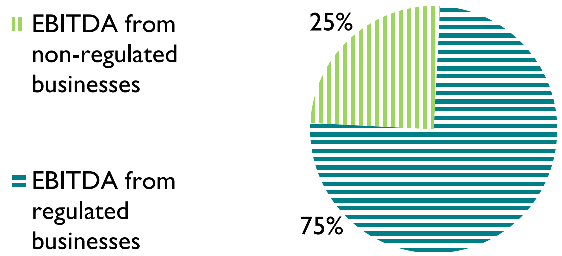
Net debt guidance for 2018: ~ €2.6bn

CONFIRMED

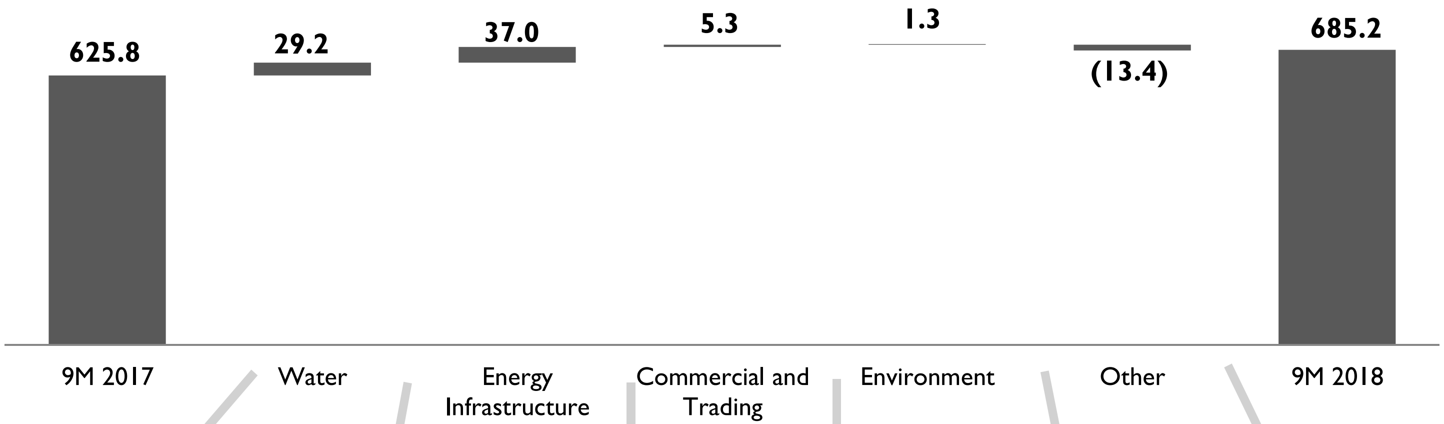
EBITDA



EBITDA 9M 2018



EBITDA (€m)



EBITDA	Water	Energy Infrastructure	Commercial and Trading	Environment	Other
	293	276	63	48	5
	270 companies consolidated line-by-line *23 companies consolidated using equity method*	*238 Distribution* *40 Generation* *(2) Public lighting*			

Average Group workforce

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

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)
EBITDA	**293.2**	**264.0**	**+11.1%**
of which:			
Profit/(Loss) from companies consolidated under IFRS 11	*23.5*	*16.0*	*+46.9%*
Capex (*)	**224.6**	**183.7**	**+22.3%**

Quantitative data	9M 2018	9M 2017
Total volume of water sold (Mm³)	**313**	**316**

	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)
EBITDA	**276.3**	**239.3**	**+15.5%**
- Distribution	238.5	207.8	+14.8%
- Generation	40.2	28.8	+39.6%
- Public Lighting	(2.4)	2.7	n/s
Capex	**156.2**	**148.5**	**+5.2%**

Quantitative data	9M 2018	9M 2017
Total electricity distributed (GWh)	**7,449**	**7,604**
Number of customers ('000s)	**1,628**	**1,629**
Total electricity produced (GWh)	**410**	**324**

	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 (a/b)
EBITDA	62.6	57.3	+9.2%
Capex	9.5	11.2	-15.2%

	9M 2018 (a)	9M 2017 (b)	Change (a-b)
Average workforce	465	474	-9

Quantitative data	9M 2018	9M 2017
Total electricity sold (GWh)	**4,563**	**5,179**
Enhanced Protection market	1,781	1,984
Free market	2,782	3,195
No. of PODs for electricity ('000s)	**1,175**	**1,224**
Enhanced Protection market	845	907
Free market	330	317
Total gas sold (Mm^3)	**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)
EBITDA	48.1	46.8	+2.8%
Capex	13.1	11.9	+10.1%

Quantitative data	9M 2018	9M 2017
Treatment and disposal* (Ktonnes)	812	819
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

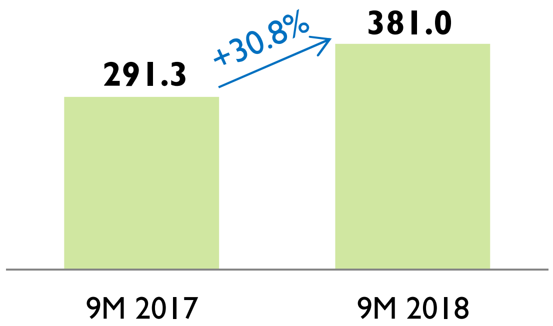
(€m)	9M 2018	9M 2017
EBITDA	-17.0	-7.3
Capex	5.2	9.6

	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.

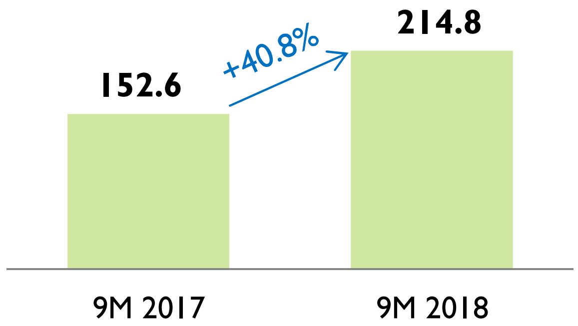
EBIT and net profit

EBIT (€m)



(€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%**

NET PROFIT (€m)

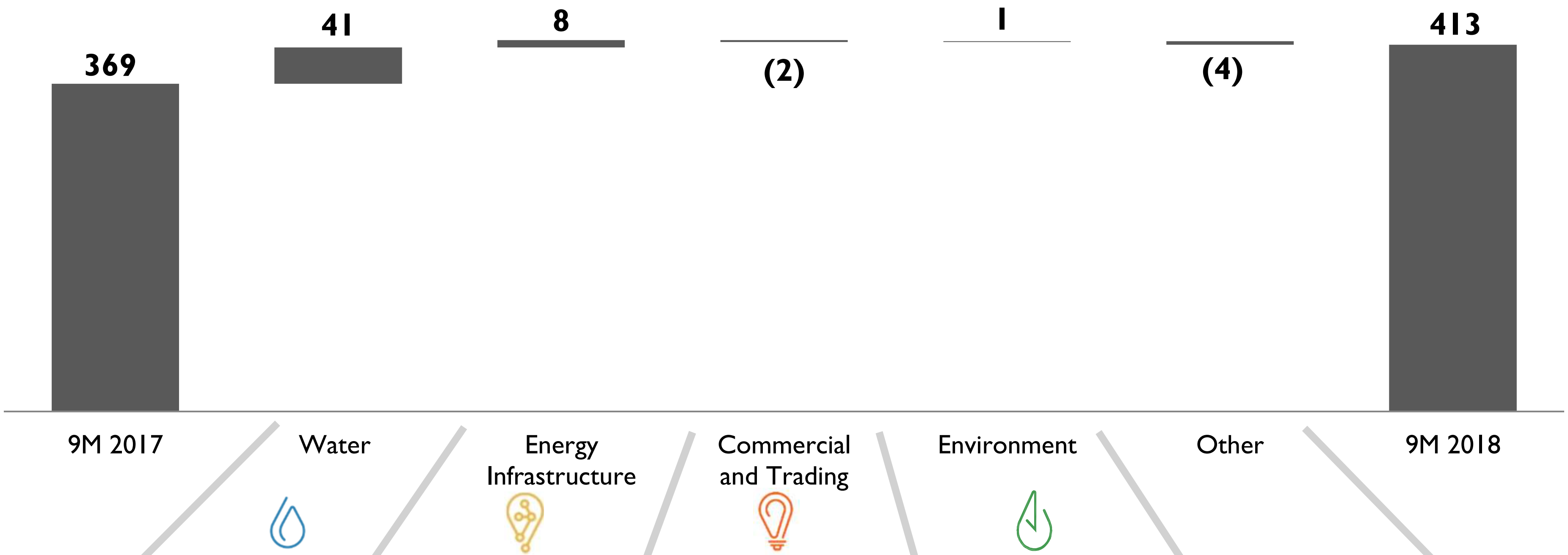


TAX RATE	**32.7%**	**30.4%**

- 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

CAPEX (€m)

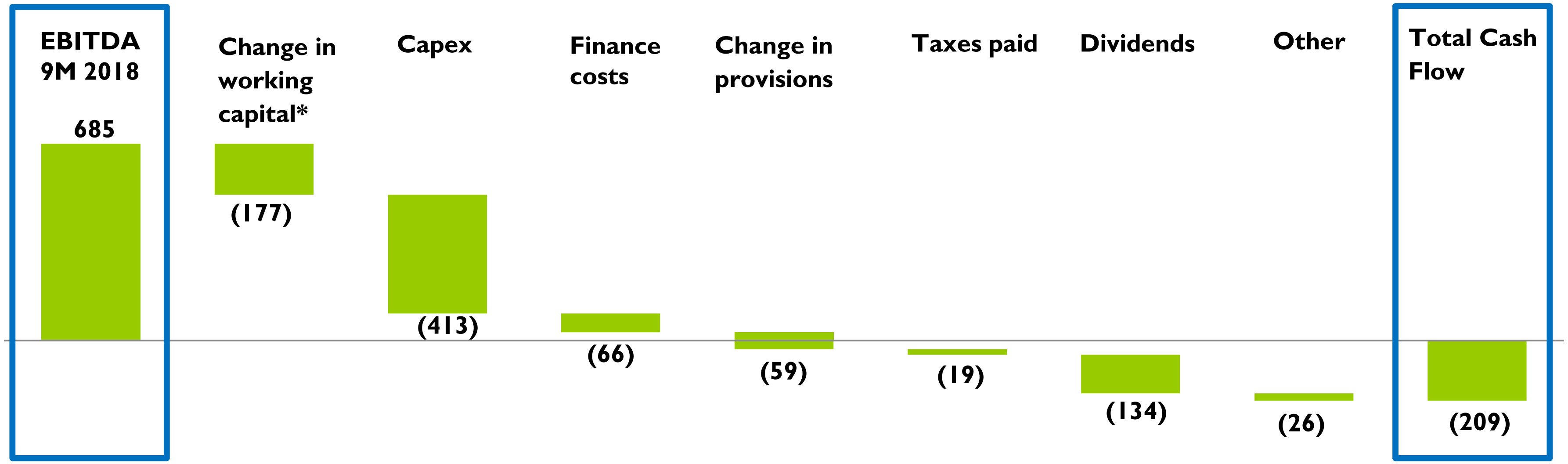


CAPEX	225	156	9	13	10
	• Repair and widening of water and sewage pipes • Extraordinary maintenance of water centres • Work on treatment plants	• Upgrade and expansion of grid • Revamping of Mandela power plant	• Reduced investment in ICT	• Work on Terni and San Vittore WTE plants • Work on waste treatment and biogas production plants at Orvieto landfill	

Focus on cash flow

(€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

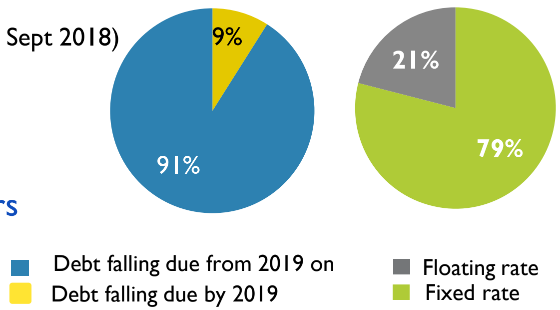
(€m)	30 Sept 2018 (a)	31 Dec 2017 (b)	30 Sept 2017 (c)	*Change (a-b)*	*Change (a-c)*
Net debt	**2,631.1**	**2,421.5**	**2,487.3**	***209.6***	***143.8***
Medium/Long-term	3,359.9	2,706.6	2,475.9	*653.3*	*884.0*
Short-term	(728.8)	(285.1)	11.4	*(443.7)*	*(740.2)*

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

H1 2018 financial highlights

(€m)	H1 2018 (a)	H1 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%*
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).

INCREASED EBITDA GUIDANCE FOR 2018

EBITDA 2017 €840m

Initial guidance
+3% (€865m)
+5% (€882m)

Updated guidance > +5%

INCREASED

Capex guidance 2018: up on 2017

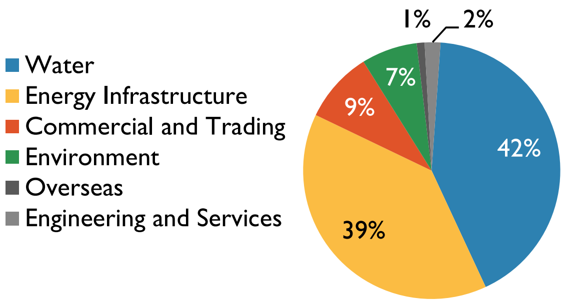
CONFIRMED

(€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%

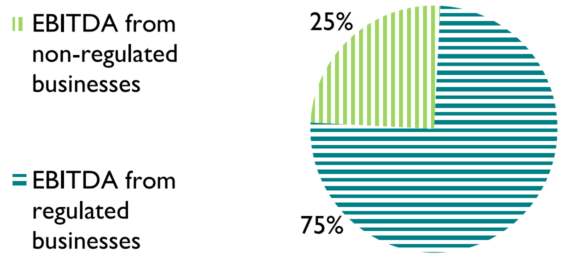
Net debt guidance 2018: €2.6-2.7bn

TARGET ~ €2.6bn

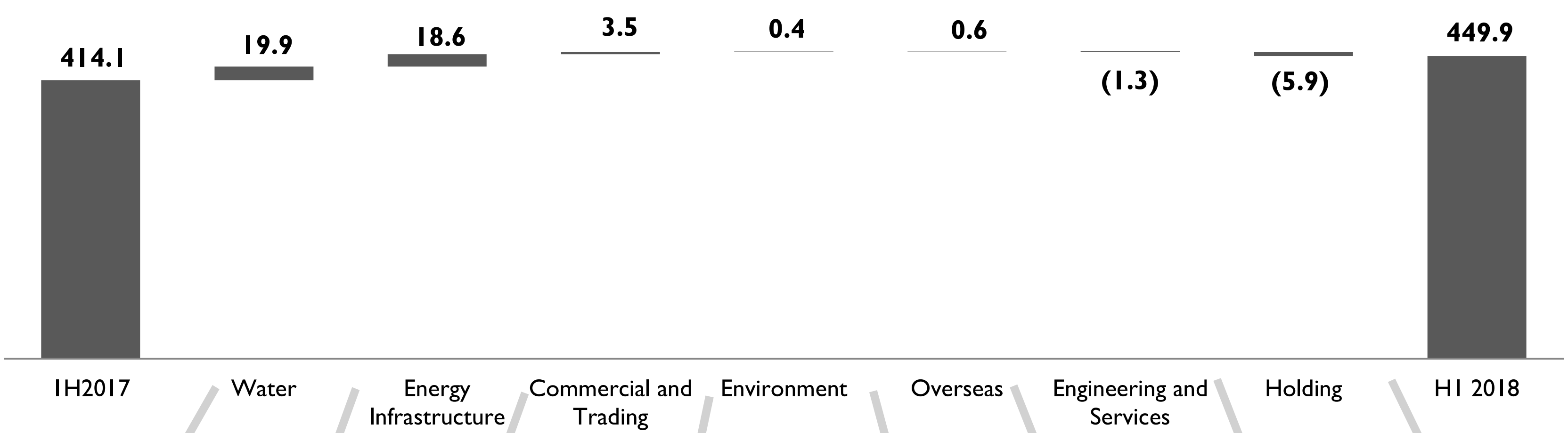
EBITDA



EBITDA H1 2018



EBITDA (€m)



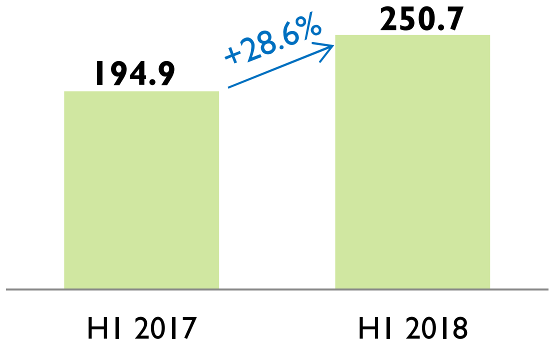
Average Group workforce

H1 2018	H1 2017	Change
5,545	5,449	+96

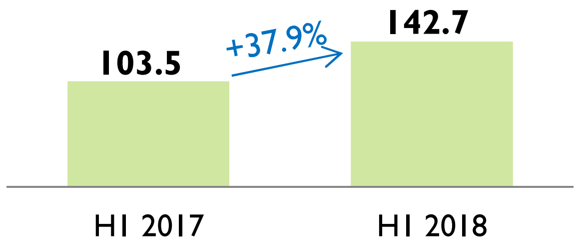
EBITDA H1 2018 €m	Water	Energy Infrastructure	Commercial and Trading	Environment	Overseas	Engineering and Services	Holding
	192	179	44	32	7	8	-12
	175 companies consolidated line-by-line *17 companies consolidated using equity method*	*155 Distribution* *25 Generation* *(1.7) Public lighting*					

EBIT and net profit

EBIT (€m)



NET PROFIT (€m)



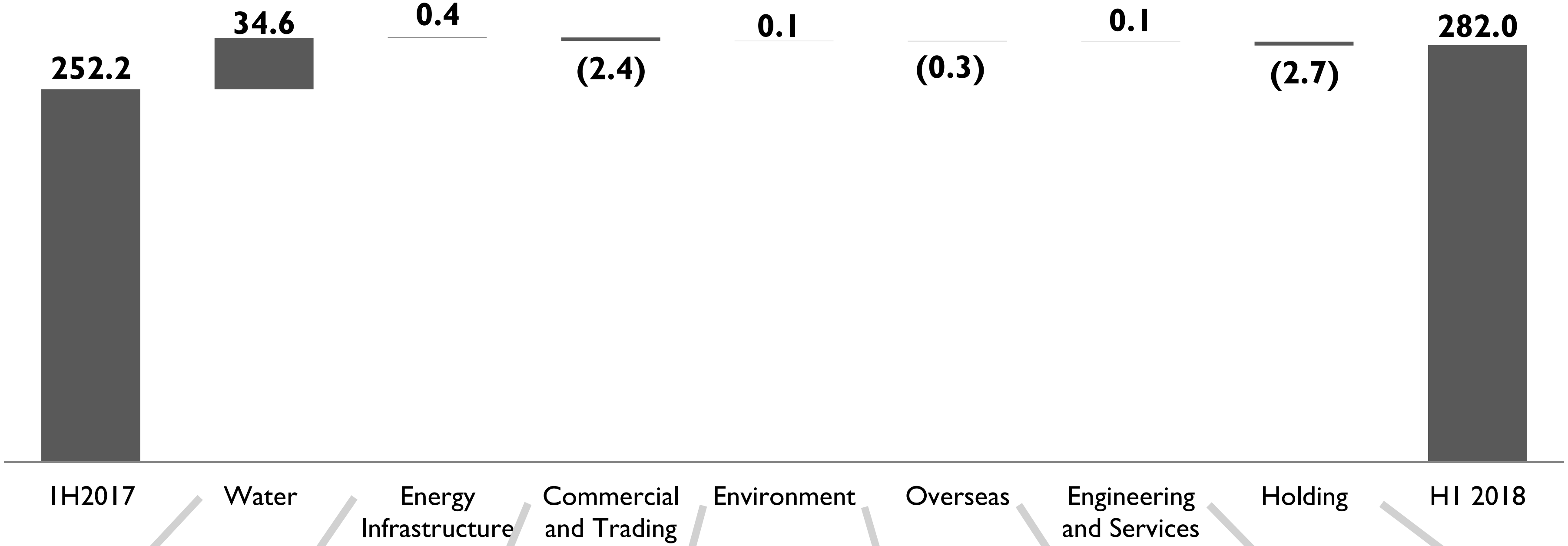
TAX RATE	**32.9%**	**30.8%**

(€m)	H1 2018	H1 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%**

- Depreciation: Increased depreciation, partly due to increased investment in IT assets with shorter useful lives.
- Write-downs: Reduced credit losses due to improved collections and transition to IFRS9.
- Provisions: Lower provisions for early retirement and redundancy scheme compared with H1 2017.

Capex

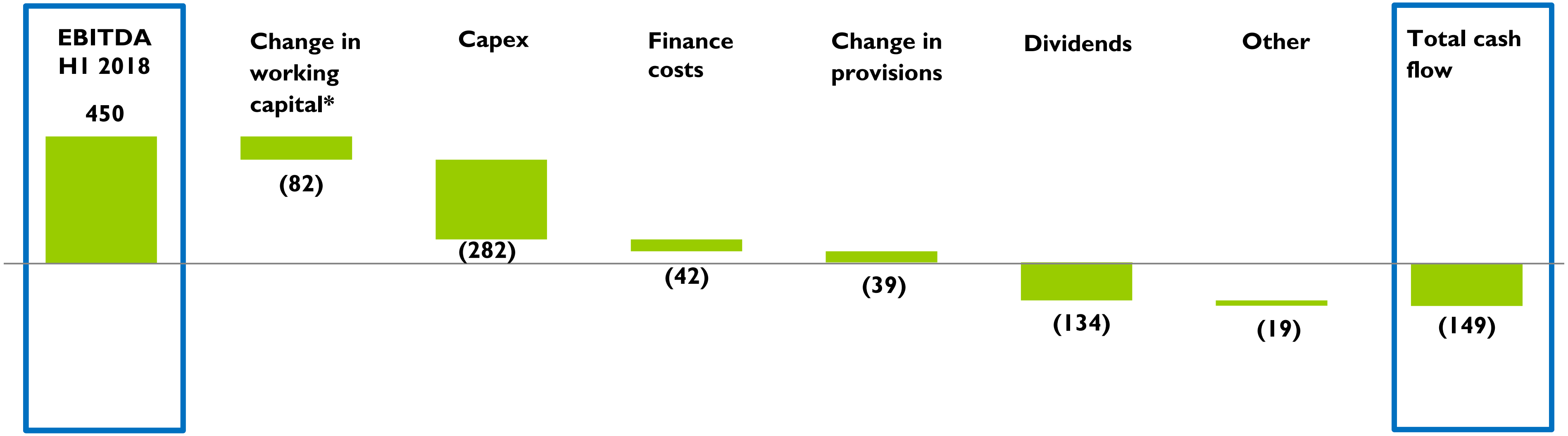
CAPEX (€m)



Capex H1 2018 €m	156	106	5	9	2	1	3
	• Repair and widening of water and sewage pipes • Extraordinary maintenance of water centres • Work on treatment plants	• Work on the grid • Extraordinary maintenance • Installation of fibre infrastructure	• Reduced investment in ICT	• Work on Terni and San Vittore WTE plants • Work on waste treatment and biogas production plants at Orvieto landfill			

Focus on cash flow

(€m)	H1 2018 A	H1 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

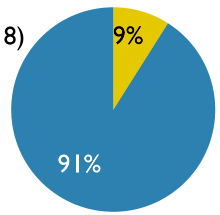
February 2018 – **successful issue of bonds** as part of the €1bn EMTN programme, divided into two tranches:

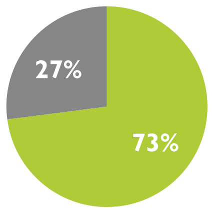
- **€300m, 5 years, coupon 3-m Euribor +0.37%**
- **€700m, 9.4 years, fixed rate of 1.5%**

Debt structure

(maturity and interest rates at 30 June 2018)

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





Ratings

FitchRatings	Moody's
BBB+	**Baa2**
Stable Outlook	*Stable Outlook*

Q1 2018 Results

Q1 2018 financial highlights

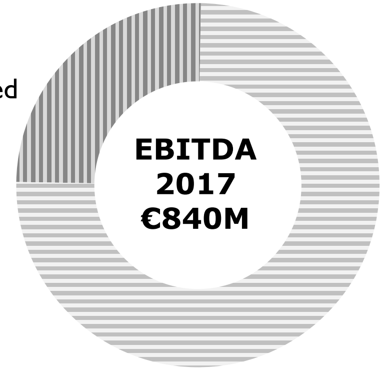
(€m)	Q1 2018 (a)	Q1 2017 (b)	% change (a/b)
Consolidated revenue	745.5	725.6	+2.7%
EBITDA	229.2	214.4	+6.9%
EBIT	127.4	117.2	+8.7%
Group net profit/(loss)	77.4	65.7	+17.8%
Capex	133.0	126.4	+5.2%

(€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

Low risk profile

From non-regulated businesses
25%



From regulated businesses
75%

m€	Water	Energy Infrastruc.	Comm. & Trading	Environment	Overseas
	42% of Group EBITDA	40% of Group EBITDA	9% of Group EBITDA	7% of Group EBITDA	2% of Group EBITDA
m€	**350**	**333**	**78**	**65**	**14**
	326 companies consolidated line-by-line *24 companies consolidated using equity method*	*287 Distribution* *41 Generation* *5 Public lighting*			

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 Mm^3

Environment

No. 6 Italian operator
Umbria, Lazio and Tuscany
- 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%			

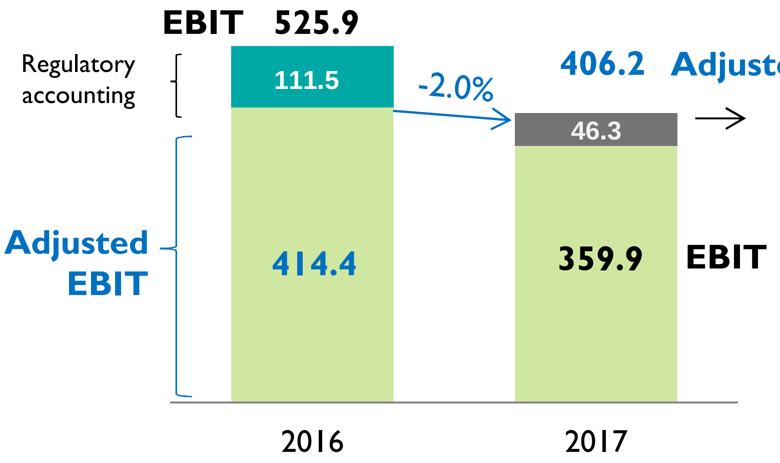
* *The adjusted results do not include:*
- ***for 2017**, the negative impact – amounting to €46.4m before tax – primarily resulting from reductions in the receivable due from ATAC (€6.4m) and the amount due to Areti from Gala (€15.7m), the write-down of the assets owned by Acea Ambiente and Acea Produzione (€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

EBIT (€m)



- Mainly: restored ownership of a property housing a car park (€9.5m), reduction in amounts due from GALA (€15.7m) and ATAC (€6.4m), write-down of Environment and Production assets (€12.2m)

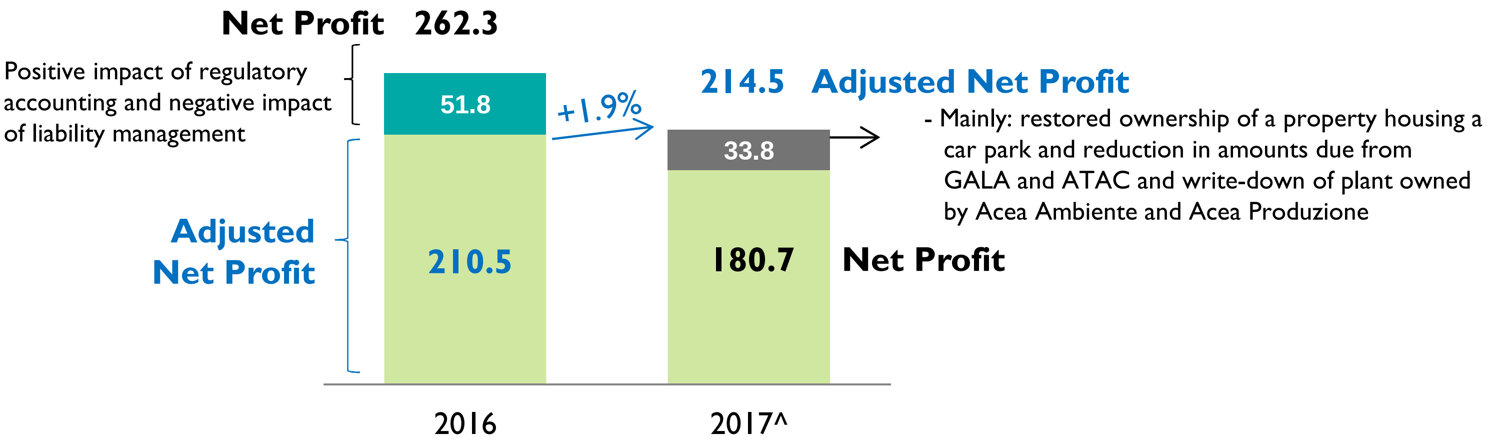
(€m)	2017	2016	*% change*
Depreciation	328.9	254.2	*+29.4%*
Write-offs	90.4	64.7	*+39.7%*
Provisions	60.8	51.5	*+18.1%*
Total	**480.1**	**370.4**	**+29.6%**

✓ 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

NET PROFIT (€m)



TAX RATE	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

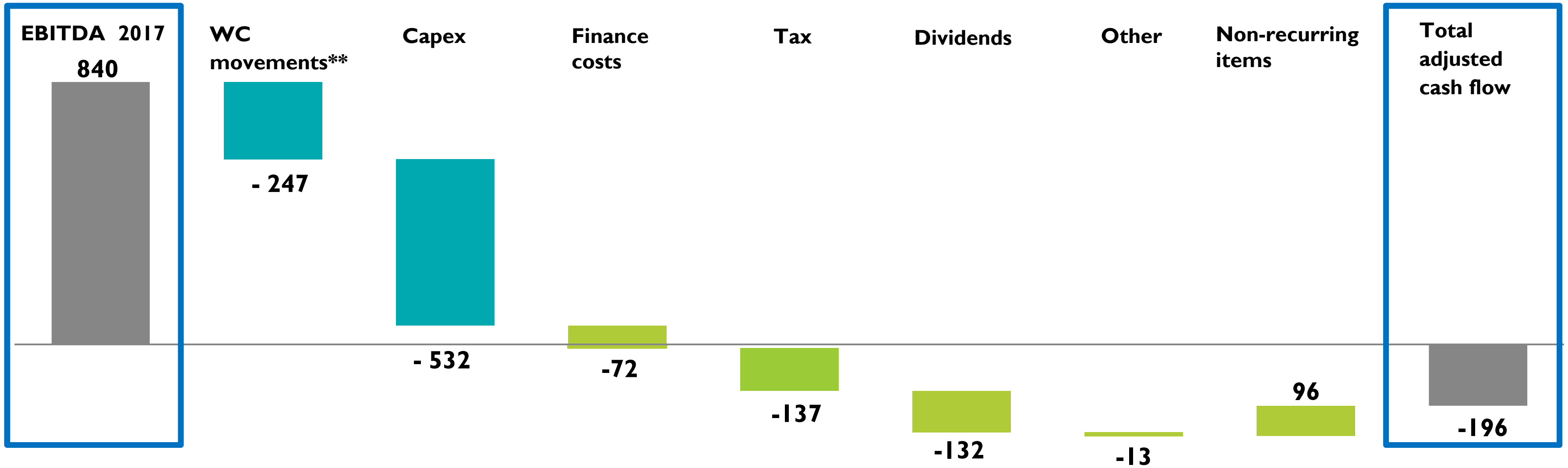
	2014	2015	2016	2017
DPS (€)	0.45	0.50	0.62	0.63
Total Dividend (€m)	95.8	106.5	132.0	134.2
Dividend yield*	4.6%	4.2%	5.2%	4.7%
Payout**	59%	61%	50%	74%

** Based on average price for the year*
*** Based on consolidated net profit after non-controlling interests*

Cash flow

	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

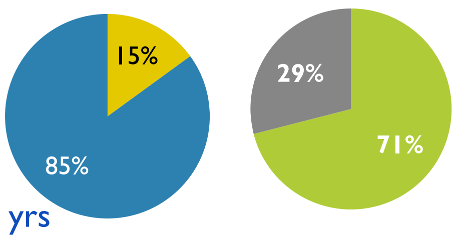
(€m)	31 Dec 2017 (a)	30 Sep 2017 (b)	31 Dec 2016 (c)	*Change (a-b)*	*Change (a-c)*
NET DEBT	**2,421.5**	**2,487.3**	**2,126.9**	***(65.8)***	***294.6***
Medium/Long-term	2,706.6	2,475.9	2,743.1	*230.7*	*(36.5)*
Short-term	(285.1)	11.4	(616.2)	*(296.5)*	*331.1*
Adjusted NET DEBT*	***2,325.1***	***2,428.3***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



Debt falling due from 2018 on
Debt falling due in 2018
Floating rate
Fixed rate

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*

acea

Water: regulation

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.

Electricity Distribution

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.