

2017 Results

Rome, 14 March 2018

aceea

2017 RESULTS

- **Adjusted EBITDA** €840.0m +7.0% ➡ AHEAD OF GUIDANCE AND BUSINESS PLAN FORECAST
- **CAPEX** €532.3m ➡ IN LINE WITH GUIDANCE
- **NET DEBT** €2,421.5m
Adjusted NET DEBT €2,325.1m ➡ IN LINE WITH GUIDANCE AND AHEAD OF BUSINESS PLAN FORECAST

2018 GUIDANCE

- **EBITDA** +3%/+5% versus 2017.
- **CAPEX** a growth in investments - with respect to €532m in 2017 - in line with the 2018-2022 Business Plan
- **NET DEBT** €2.6bn – €2.7bn.

BUSINESS PLAN 2018-2022

- At the end of November 2017, Acea approved a Business Plan for the period 2018-2022, in discontinuity with respect to the past, with a significant increase in investment in both water and electricity infrastructure.
- Investment of €3bn.
- Average annual EBITDA growth ~6%.
- Operational efficiencies with cost and capex savings of €300m for the period 2018-2022.
- Total dividend payout over life of Plan €0.7bn; dividend payout ratio to remain above 50%.
- Net Debt/EBITDA falling to 2.8x in 2022.

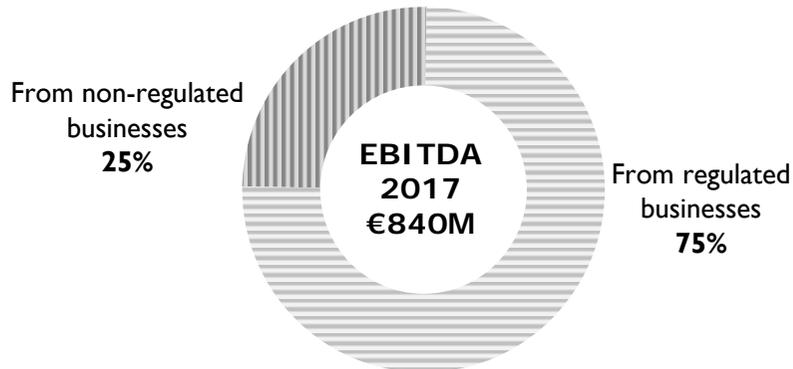
AGREEMENT WITH OPEN FIBER

- Acea has entered into an 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 new services by businesses and the public sector, in part through the creation of new applications for use in telecommunications and in the automation of electricity and water networks.

BOND ISSUE

- In February 2018, Acea successfully issued bonds as part of its €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 2.3% with an average term to maturity of approx. 6 years.

Low risk profile



42%
of Group
EBITDA



40%
of Group
EBITDA



9%
of Group
EBITDA



7%
of Group
EBITDA



2%
of Group
EBITDA

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 217,000 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
- Free market customers : ~ 0.3m
- Enhanced protection market: ~ 0.9m
- Gas Customers: ~ 0.2m

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, March 2018

2017 financial highlights

(€m)	2017	2016	% Change	2017*	2016*	% Change
	a	b	a/b	adjusted c	adjusted d	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

[^] The Board of Directors will propose payment of the dividend to the Annual General Meeting of shareholders, called for 20 and 27 April in first and second call, respectively.

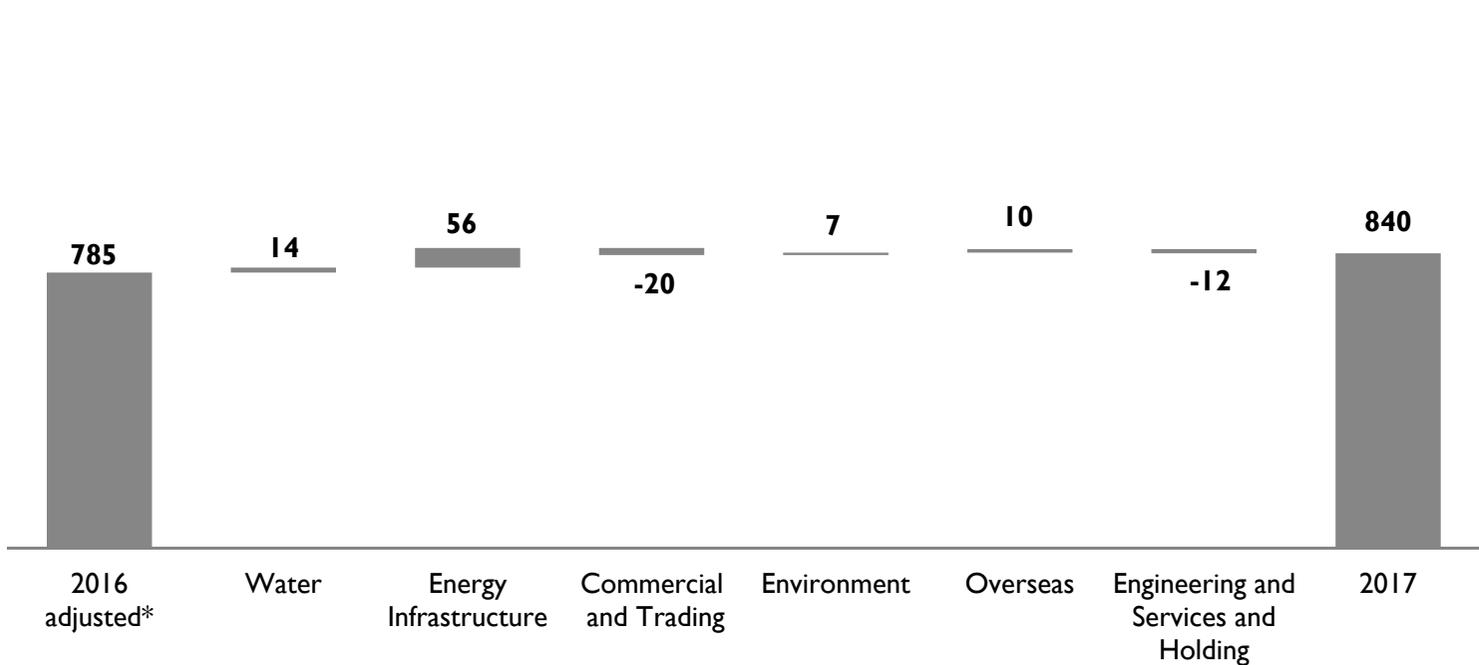
(€m)	31 Dec 2017 (a)	30 Sep 2017 (b)	31 Dec 2016 (c)	%Change (a/b)	% Change (a/c)
Net Debt	2,421.5	2,487.3	2,126.9	-2.6%	+13.9%
Adjusted Net Debt**	2,325.1	2,428.3	2,126.9	-4.2%	+9.3%
Invested Capital	4,244.9	4,279.9	3,884.9	-0.8%	+9.3%

** 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).

EBITDA

Ahead of guidance and the Business Plan forecast

EBITDA (€m)



Change in scope of consolidation versus 2016

2017 EBITDA (€m)	17.1
• Acque Industriali	0.4
• GEAL	1.3
• TWS	2.7
• Aguas de San Pedro	12.6
• Acea Gori Servizi	0.1

Net Debt

31 Dec 2017 (€m)	2.1
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Average Group workforce

2017	2016
5,494**	5,048

* The adjusted figure for 2016 does not include the positive impact of elimination of the regulatory lag

** The figure reflects the change in the scope of consolidation

EBITDA and Key quantitative data

2017 financial highlights



Water

EBITDA main drivers

- ↑ Acea ATO2: +€15.2m (quality bonus €31m)
- ↑ Acea ATO5: +€2.7m
- ↑ Change in scope of consolidation
- ↓ Companies consolidated using equity method -€2.4m

(€m)	2017 (a)	2016 (b)	%Change (a/b)	Key quantitative data	2017	2016
EBITDA	349.6	336.0	+4.0%			
<i>of which: Profit/(Loss) from companies consolidated using equity method</i>	24.1	26.5	-9.1%	Total volume of water sold (Mm³)	421	421
Capex	271.4	227.1	+19.5%			

	2017 (a)	2016 (b)	Change (a-b)
Average workforce	1,796	1,818	-22

EBITDA and Key quantitative data

2017 financial highlights



Energy Infrastructure

EBITDA main drivers

- ↑ Distribution +€45.5m (adjusted)
- ↑ Generation +€8.8m (mainly due to increased hydroelectric production)
- ↑ Public Lighting: LED plan launched in June 2016 (+€1.4m)

(€m)	2017 (a)	2016 (b)	2016 adjusted* (c)	%change (a/b)	%change (a/c)	Key quantitative data	2017	2016
EBITDA	332.6	388.3	276.8	-14.3%	+20.2%	Total electricity distributed (GWh)	10,040	10,009
- Distribution	287.3	353.3	241.8	-18.7%	+18.8%	Number of end users ('000s)	1,626	1,629
- Generation	40.8	32.0	32.0	+27.5%	+27.5%	Total electricity produced (GWh)	426	405
- Public Lighting	4.4	3.0	3.0	+46.7%	+46.7%			
Capex	209.4	225.8		-7.3%				

	2017 (a)	2016 (b)	change (a-b)
Average workforce	1,366	1,380	-14

*After adjusting for the positive impact of elimination of the "regulatory lag" (€111.5m)

EBITDA and Key quantitative data

2017 financial highlights



Commercial and Trading

EBITDA main drivers



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



Sales activity: lower margins in free market

(€m)	2017 (a)	2016 (b)	% Change (a/b)	Key quantitative data	2017	2016
EBITDA	78.1	98.0*	-20.3%	Total Electricity sold (GWh)	6,843	8,316
				<i>Enhanced Protection Market</i>	2,652	2,757
				<i>Free Market</i>	4,191	5,559
Capex	19.4	27.4	-29.2%	Number of electricity customers ('000s)	1,213	1,254
				<i>Enhanced Protection Market</i>	893	959
				<i>Free Market</i>	320	295
	2017 (a)	2016 (b)	% Change (a-b)	Total Gas sold (Mm³)	103	107
Average workforce	474	473	+1	Number of gas customers ('000s)	167	149

* EBITDA for 2016 includes non-recurring income of approx. €10m

EBITDA and Key quantitative data

2017 financial highlights



Environment

EBITDA main drivers



Greater quantity of electricity sold by the San Vittore plant (first line in operation from 1 October 2016)



Aprilia composting plant fully operational



Change in scope of consolidation (Acque Industriali and Iseco)

(€m)	2017 (a)	2016 (b)	%change (a/b)	Key quantitative data	2017	2016
EBITDA	64.5	57.2	+12.8%	Treatment and disposal* (‘000s of tonnes)	1,077	822
Capex	15.4	34.0	-54.7%	WTE electricity produced (GWh)	354	302

	2017 (a)	2016 (b)	change (a-b)
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* Includes ash disposed of

Average workforce **355** **238** **+117**



Overseas



Line-by-line consolidation
Aguas de San Pedro: +€10.1m

EBITDA main drivers

(€m)	2017	2016	%change
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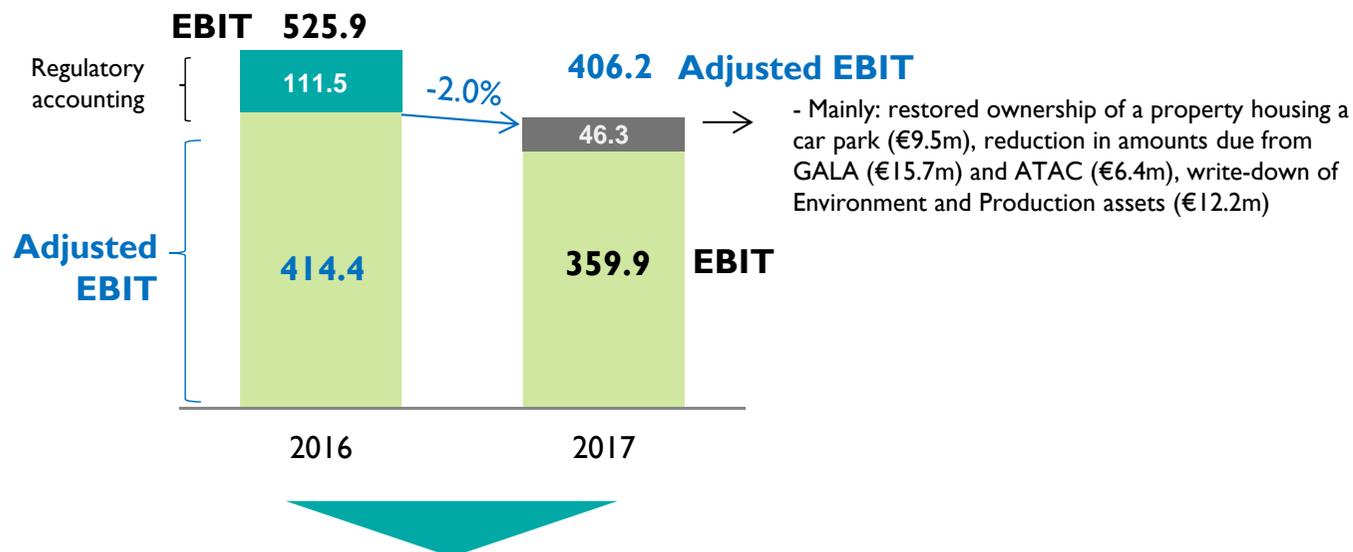
EBITDA **14.4** **4.4** **n/s**

Capex **5.2** **1.5** **n/s**

	2017	2016	change
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Average workforce **595** **336** **+259**

EBIT (€m)

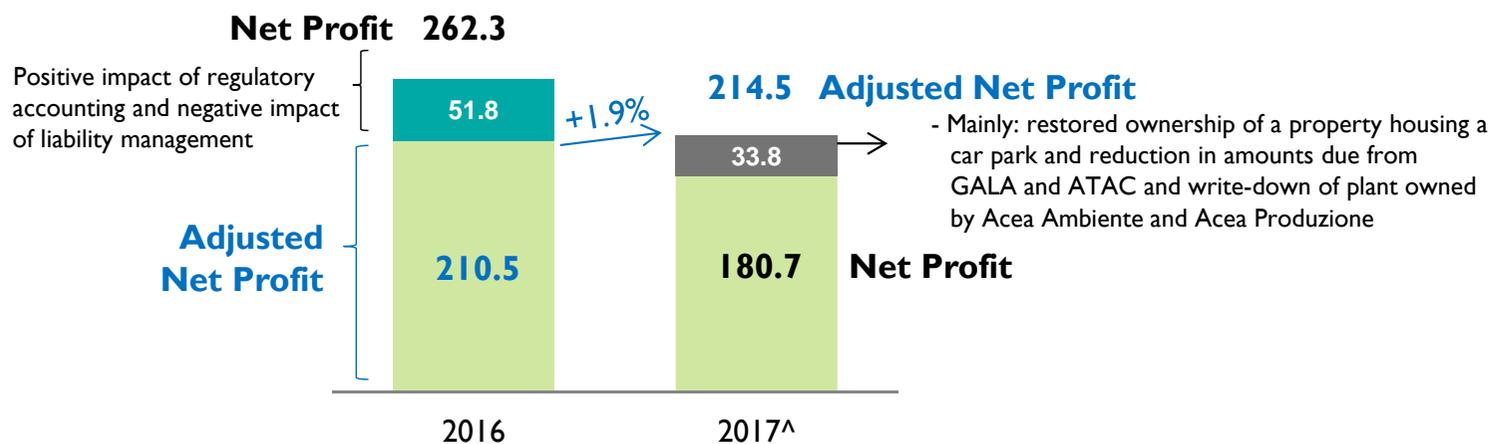


(€m)	2017	2016	% change
Depreciation	328.9	254.2	+29.4%
Write-offs	90.4	64.7	+39.7%
Provisions	60.8	51.5	+18.1%
Total	480.1	370.4	+29.6%

✓ 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%

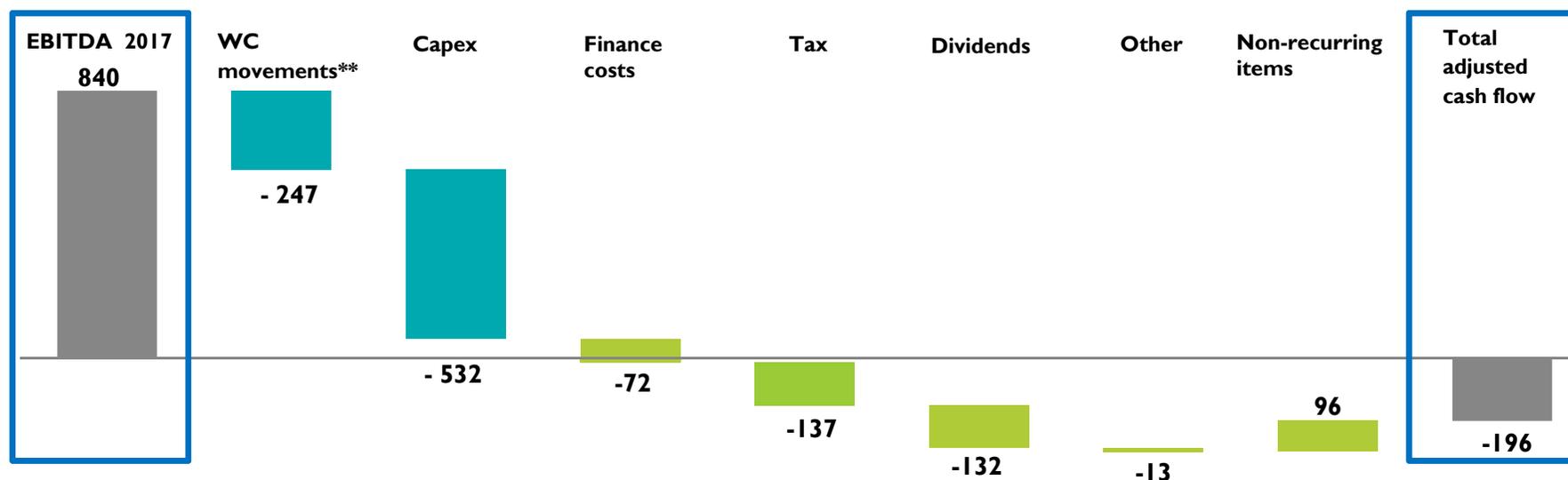
[°] The Board of Directors will propose payment of the dividend to the Annual General Meeting of shareholders, called for 20 and 27 April in first and second call, respectively.

* 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

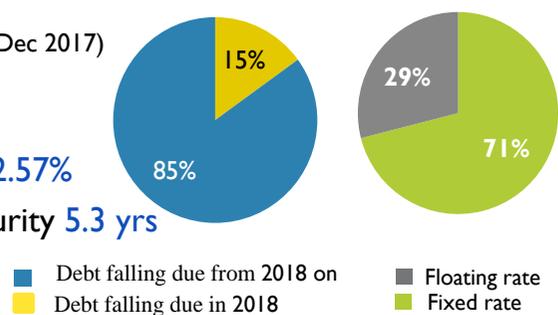
NET DEBT/EQUITY 31 Dec 2017	NET DEBT/EQUITY 31 Dec 2016
1.3x	1.2x

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

Outlook stable

Outlook stable

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Acea Group

2017 Results

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Q&A Session



Disclaimer

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