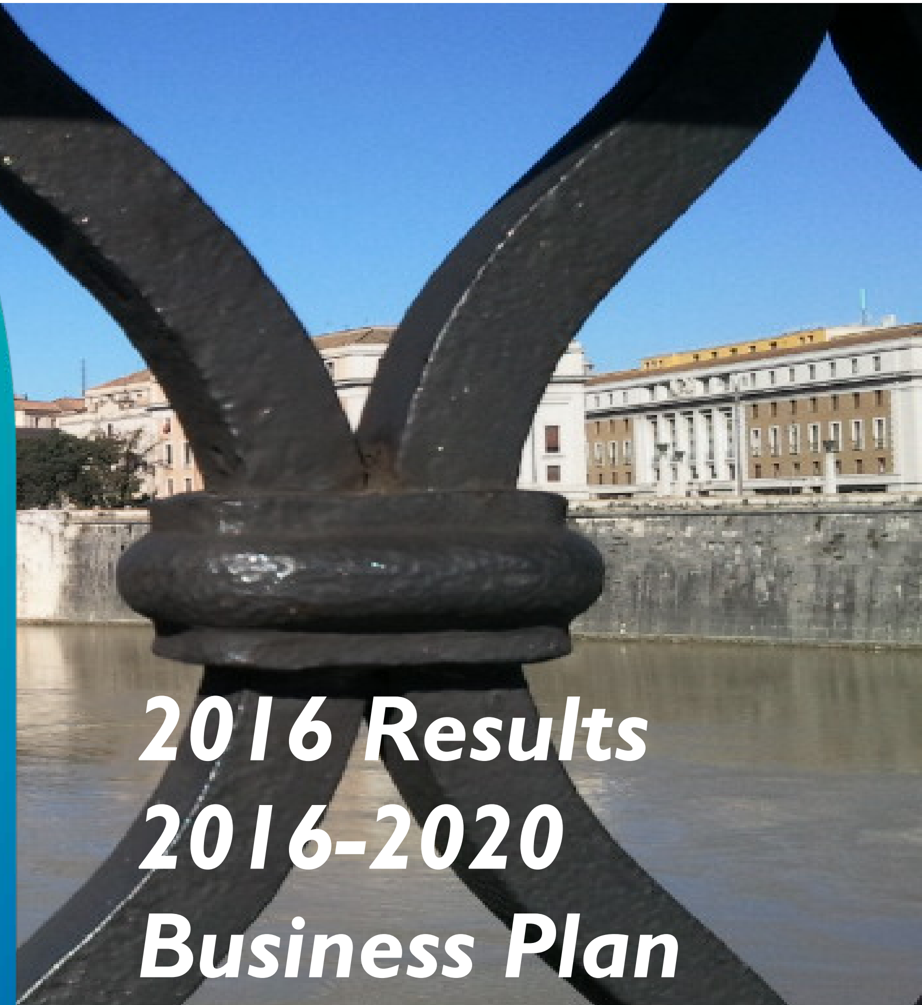


2016 Results
2016-2020 Business Plan

April 2017

Agenda

2016-2020 Business Plan highlights

Business Plan: Key Takeaways

Closing remarks

2016-2020 Business Plan highlights

Acea Group | Environment | Energy | Water | Grids | Corporate

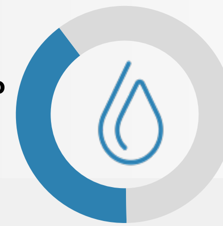
Low risk profile

2016 data

6% of Group EBITDA

14% of Group EBITDA

40% of Group EBITDA



40% of Group EBITDA

ENVIRONMENT

Number 6 Italian operator
Umbria, Lazio and Tuscany
- Waste treated: 820,000* tons
- Electricity produced (WTE): 283 GWh

ENERGY

One of the main Italian energy player
- Electricity sold: ~ 8.3 TWh
- Customers: ~ 1.4m
- Hydroelectric power plants (122 MW)
- Thermo/cogen plants/PV (111 MW).

WATER

Leading operator in Italy
Lazio, Tuscany, Umbria and Campania
- Water sold: 415m cubic metres
- Customers: nearly 9m
- Engineering, procurement, construction and management of integrated water services, laboratory analysis
- Water Management services in Latin American countries

GRIDS

One of the leading operators in Italy
- Electricity distributed: ~ 10TWh in the city of Rome
- Public lighting and floodlighting managed: over 217,000 lighting points
- Energy efficiency projects

*Includes ash disposed of

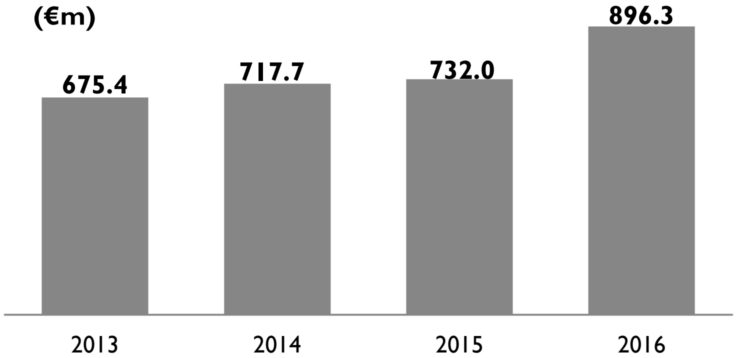
Acea's ownership structure today

City of Rome	Suez	Caltagirone Group	Norges Bank	Other
51.0%	23.3%	5.0%	1.6%	19.1%

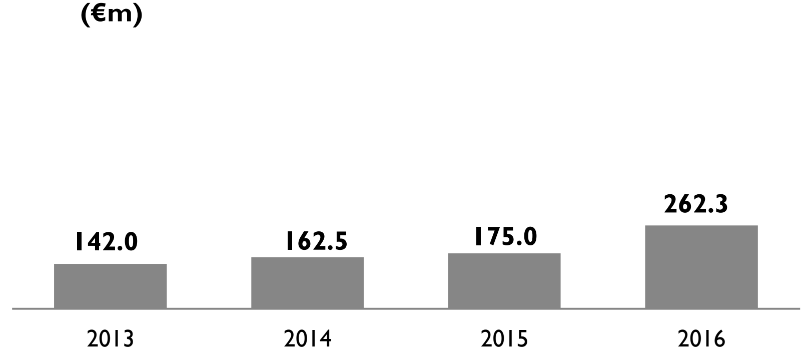
Source: CONSOB (April 2017) and Companies' data

Long-term shareholder value through returns and growth

EBITDA CAGR +9.9%



Net profit CAGR +22.7%



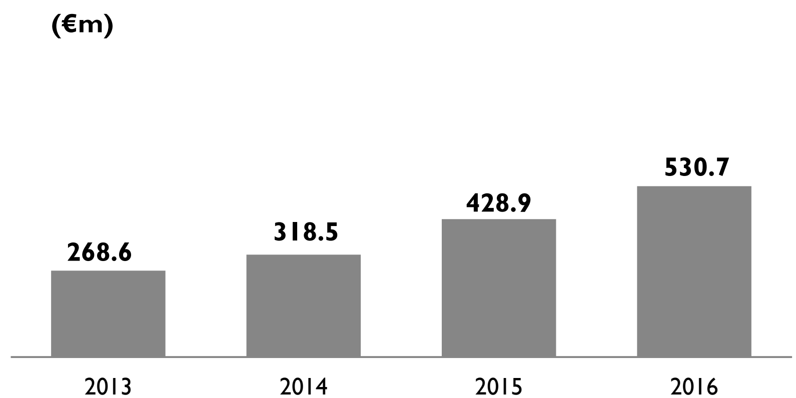
Net Debt/EBITDA

2013	2014	2015	2016
3.3x	2.9x	2.7x	2.4x

DPS CAGR +13.9 % (€)

2013	2014	2015	2016
0.42	0.45	0.50	0.62

CAPEX



A solid base for the future

Strategic Pillars

Maintaining our strategic pillars…..

Balanced risk profile

- 74% of EBITDA from regulated businesses at the end of the Plan
- 80% of investment in regulated businesses

Organic growth

- Focus on regulated businesses
- New regulatory framework for electricity distribution and water
- Upgrade/development of WTE and composting plants

Efficiencies and innovation

- ~94 €m of efficiencies relates to Acea 2.0 (billing, WFM, insourcing)
- Corporate rationalisation
- Operational efficiency

Financial strength

- Improving financial ratios: Net Debt/Ebitda 2020 2.5x
- Working capital optimization

…. increasing shareholder returns: Dividend Per Share CAGR: 3%-6%

Further opportunities not included in the Plan targets

- *Acquisitions of water companies in existing areas of operation*
- *Consolidation in core areas*
- *Acquisitions in Latin America*

Acea 2.0 – digital and technological transformation

New corporate culture open to change

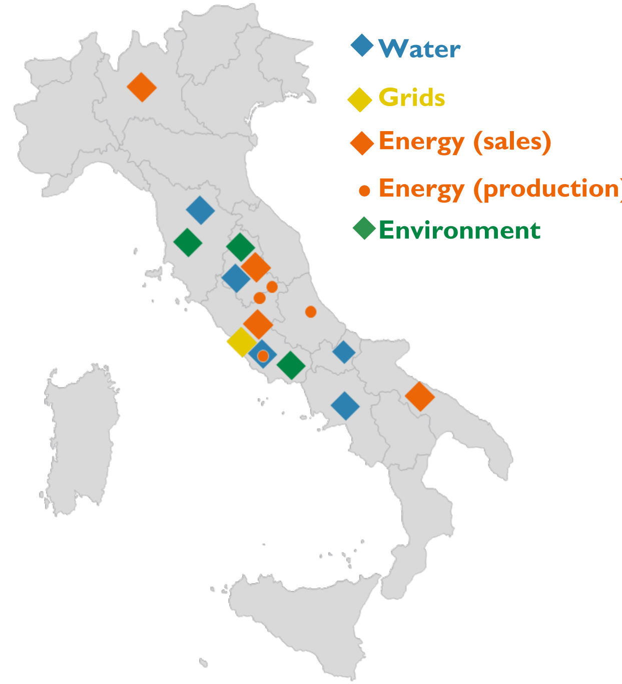
Acea is revolutionising the way it goes about its business, making **sizeable investments in digital technologies**

~8,000,000
CUSTOMERS

~831
PLANTS

~140,000 KM
of **NETWORKS**

~7,000
EMPLOYEES



ACEA 2.0 Programme: an ambitious strategic initiative, and a crucial stage in the Group's growth process.

Faced with the arduous task of ensuring the integrity, univocity and quality of data handled, ACEA has chosen **SAP solutions** (world leader in the sphere of management systems for Utilities).

The drivers of technological innovation

ASSOCHANGE

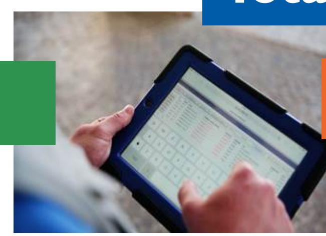
TOP UTILITY IV Edizione
Tecnologia, Ricerca&Innovazione

SAP Executive Summit 2016 «The Age of Digital Business»:
SAP Innovation Award e SAP Quality Award

SAP Quality Awards
Gold Winner 2015
Italy

Total uniformity

Use in mobility

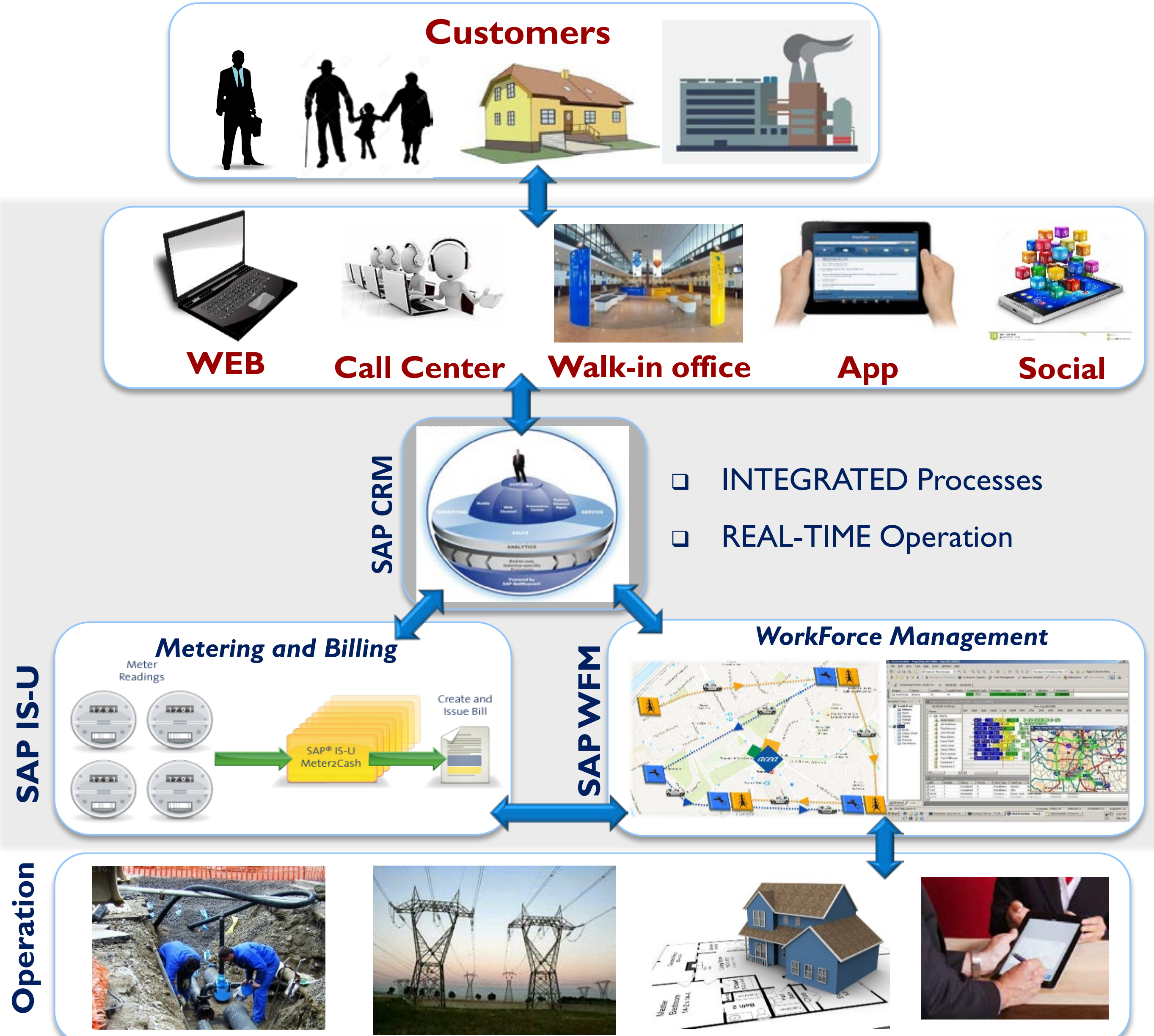


Real Time

NEW OPERATING MODEL

- **ORGANISATION BY PROCESS**
- **INTEGRATED AND EFFICIENT INFORMATION SYSTEMS**
- **RE-ENGINEERING OF PROCESSES**

Acea 2.0



2015

- ✓ ACEA ATO2

2016

- ✓ ARETI (ex ACEA Distribuzione)
- ✓ ACEA Public Lighting
- ✓ ACEA ATO5
- ✓ Publiacqua
- ✓ Acque
- ✓ Acquedotto del Fiora
- ✓ Gesesa
- ✓ ACEA Energia

2017

- ✓ GORI (January)

Acea Group 2016-2020 Business Plan

- Acea Group

Key highlights

CONSOLIDATED TRACK RECORD OF EXCEEDING PREVIOUSLY ANNOUNCED TARGETS

	2015	2016	2020 Plan
EBITDA (€m)	732	896*	890
NET PROFIT before non-controlling interests (€m)	182	273	276
NET DEBT (€m)	2,010	2,127	2,252
NET DEBT/EBITDA	2.7x	2.4x	2.5x
INVESTED CAPITAL (€m)	3,606	3,885	4,244

**€785 m adjusted for accounting for Resolution 654/2015*

EBITDA CAGR 2015-2020: +4.0%

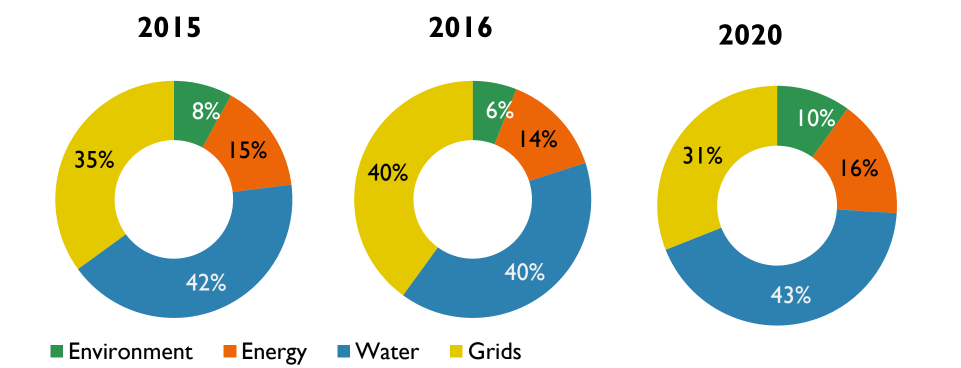
2020 Pre-tax ROIC: ~12%

DPS CAGR 2015-2020: 3%-6%

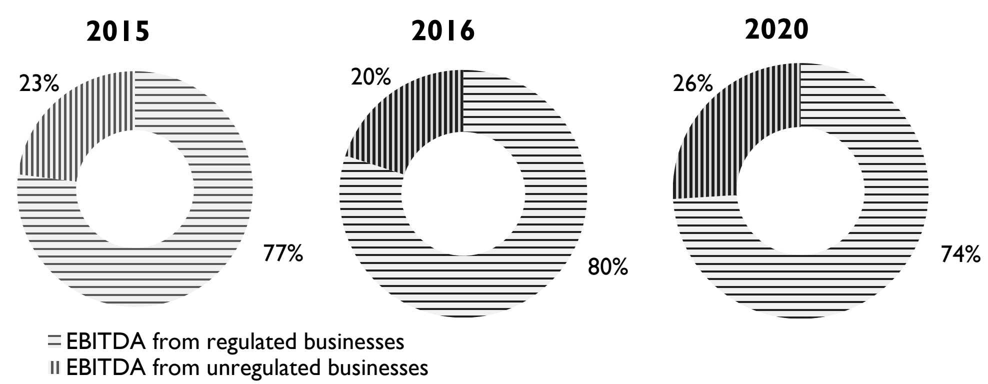
PAYOUT RATIO: 50%-60%

All Acea employees are committed to the successful execution of the Group's Strategic Plan

EBITDA breakdown by business area

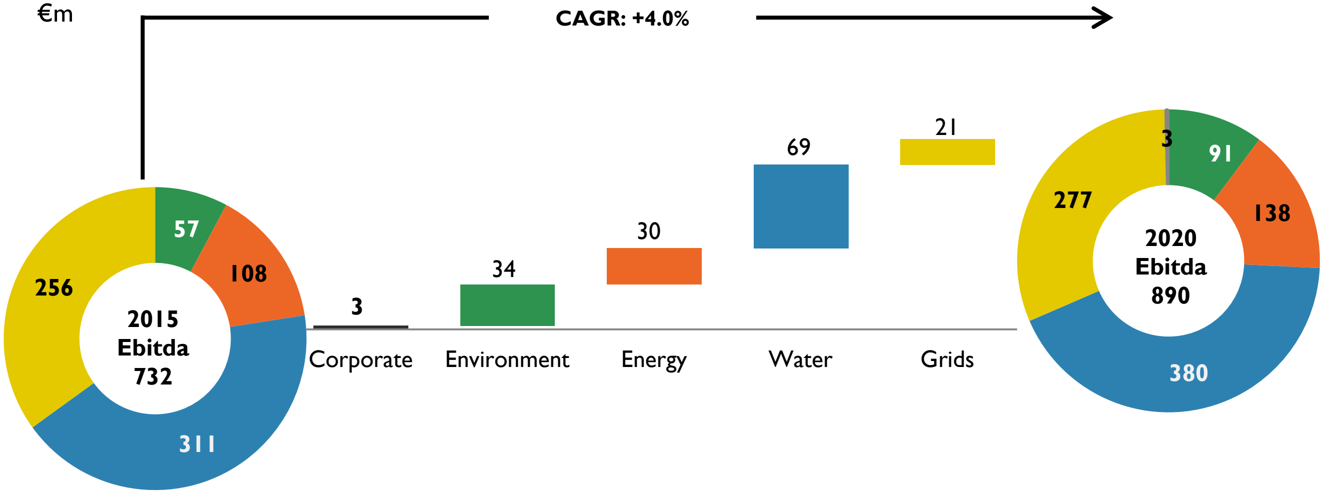


EBITDA from regulated activities



2016-2020 Business Plan

EBITDA: growth by business area



Holding
- Roll-in Acea 2.0
- Insourcing of activities
- Redundancy plan
- Corporate rationalisation
- Optimisation of real estate

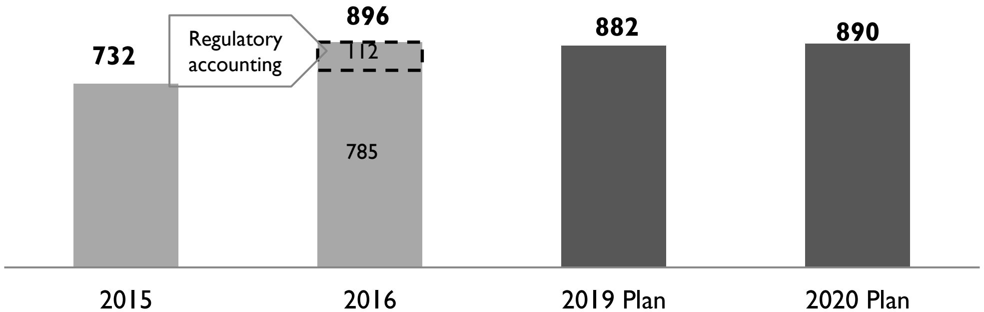
Environment
- Completion of San Vittore plant
- Revamping of WTE in Lazio region
- Growth in composting market

Energy
- Introduction of Acea 2.0
- Customers: consolidation of customer base in 2017 and growth in 2020

Water
- Revised WACC
- Bonus for quality
- Acea 2.0-WFM

Grids
- Revised WACC
- Introducton of Acea 2.0- WFM
- Renewal of Public Lighting contract
- Growth in Public Lighting (Campania)

EBITDA trend €m



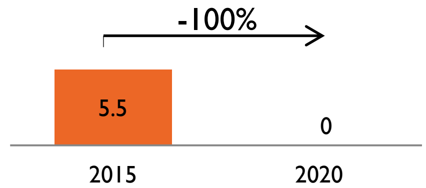
2016-2020 Business Plan

Acceleration of efficiencies identified

Energy

- ✓ Launch of Acea2.0: Redesign of complaints process

~ €6m

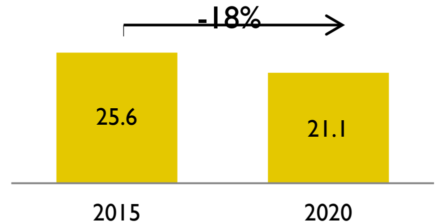


Process costs in €m

Grids

- ✓ Digitalisation of network
- ✓ Work Force Management
- ✓ Single Tender

~ €11m

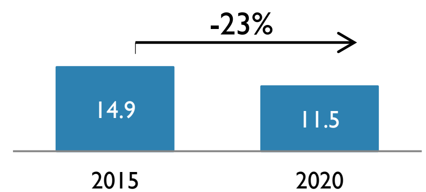


€ per POD
Efficiency-sensitive costs

Water

- ✓ Digitalisation of network
- ✓ Work Force Management
- ✓ Single Tender

~ €15m

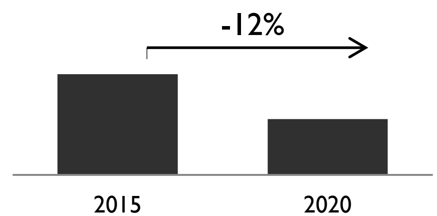


€ per inhabitant
Efficiency-sensitive costs

Holding

- ✓ Standardisation of Acea 2.0 processes
- ✓ Insourcing
- ✓ Redundancies

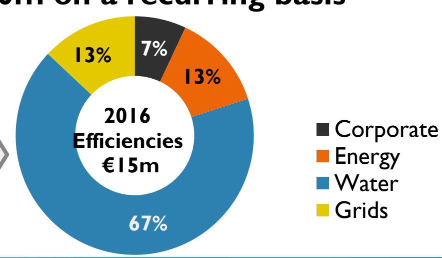
~ €8m



Staff cost savings

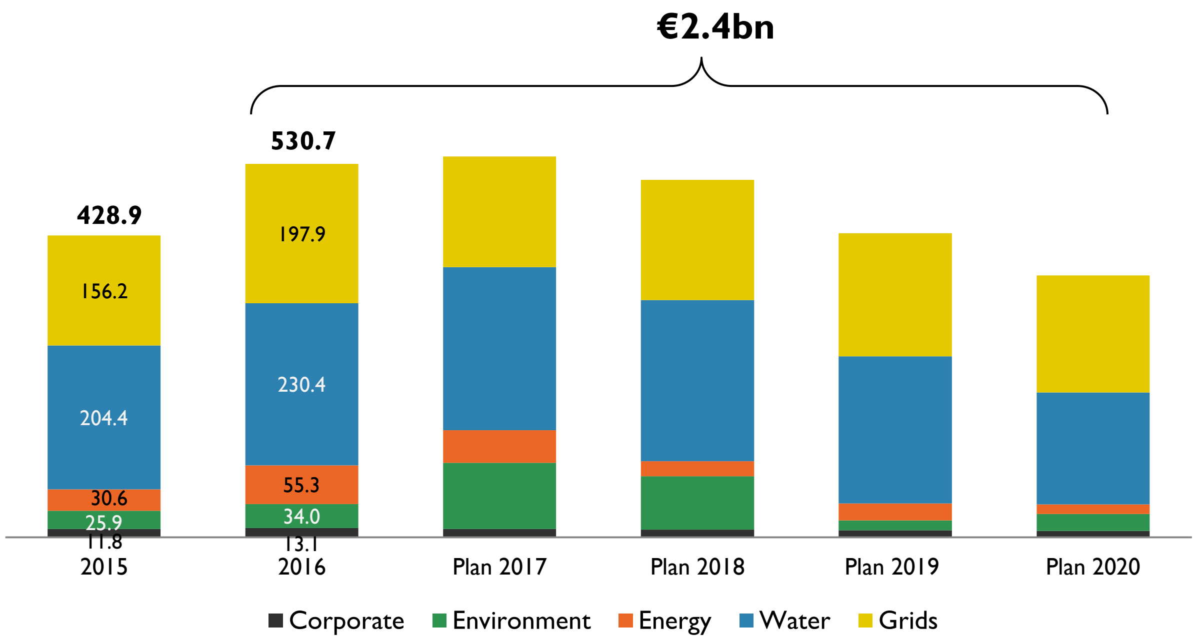
Total efficiencies over the period of the Plan: €94m
from 2020: ~ €40m on a recurring basis

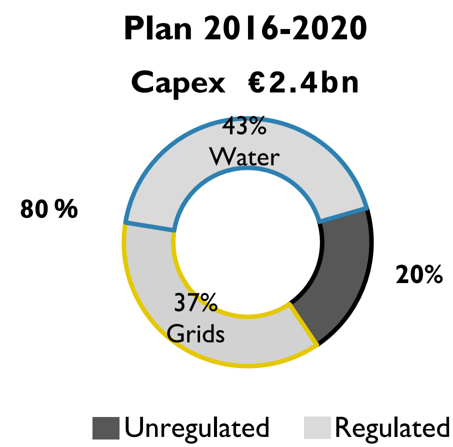
Digital transformation boosts operational efficiency



Capex optimization

Renewal and maintenance of grids, plants, IT systems and development of projects already authorised in Environment segment





Strong financial structure
2016 financial highlights

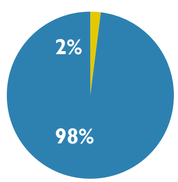
(€m)	31 Dec 2015 (a)	30 Sept 2016 (b)	31 Dec 2016 (c)	Change (c-a)	Change (c-b)
NET DEBT	**2,010.1**	**2,138.7**	**2,126.9**	***116.8***	***(11.8)***
Medium/Long-term	2,657.0	2,626.7	2,769.4	*112.4*	*142.7*
Short-term	(646.9)	(488.0)	(642.5)	*4.4*	*(154.5)*

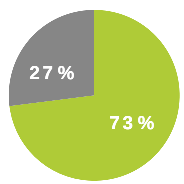
NET DEBT/ EQUITY 31 Dec 2015	NET DEBT/ EQUITY 31 Dec 2016
1.3x	1.2x

NET DEBT /EBITDA 31 Dec 2015	NET DEBT/EBITDA 31 Dec 2016
2.7x	2.4x

Debt structure
(maturity and interest rates at 31 Dec 2016)

- > 73% Fixed rate
- > *Average overall cost* 2.94%
- > *Average term to maturity ~* 7 years

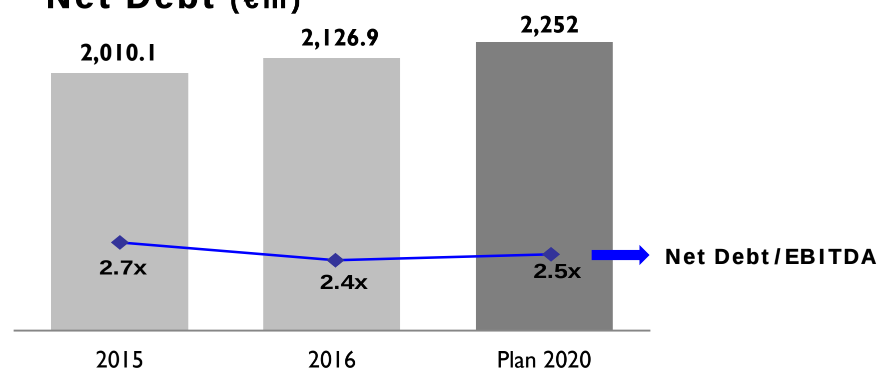




Ratings

FitchRatings	Moody's
BBB+	Baa2
Stable outlook	Stable outlook

Net Debt (€m)



Acea Group 2016-2020 Business Plan

- Environment

2016-2020 Business Plan
Strategies, opportunities and risks

- Number 3 operator in Italy in 2020
- Completion of previously approved initiatives:
  - ✓ Revamping line 1 of San Vittore WTE plant in Lazio
  - ✓ Construction of new composting plant with anaerobic digestion
  - ✓ Expansion of Orvieto landfill
  - ✓ Development of composting and sludge conditioning plants
- Consolidation in regions where present, with potential for synergies with other areas of business

('000 tons)	2015	2016	2020
WTE	354	398	553
Mechanical treatment	-	-	355
Landfill	94	97	133
Composting/anaerobic digestion	7	35	310
Chemical conditioning of sludge for use in agriculture	29	21	196
Sludge management	224	199	241
Liquid waste	-	-	295
Total	**708**	**750**	**2,083**

Opportunities

Regulatory:
- ✓ Completion of management of waste cycle in Lazio region

Competitors:
- ✓ Number 6 operator in Italy in Environment sector by volume of waste treated, with 2.4% share of Italian market
- ✓ Leading Italian operator of composting plants

Growth:
- ✓ Insourcing of sludge treatment at Group level
- ✓ Average IRR for acquisitions / new constructions approx. 14%

Risks

Plants:
- ✓ Delays in investment in construction or revamping of plants

Regulatory:
- ✓ Changes to regulatory framework and authorisation process

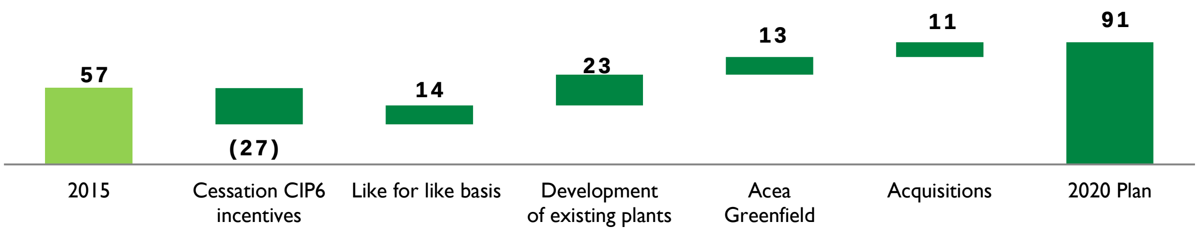
Environmental:
- ✓ Environmental risks
- ✓ Local relations (administrative challenges, protest groups)

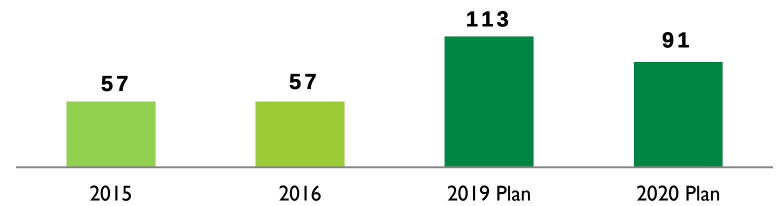
Targets and Results

CAGR +9.8%

2020 pre-tax ROIC 15.9%

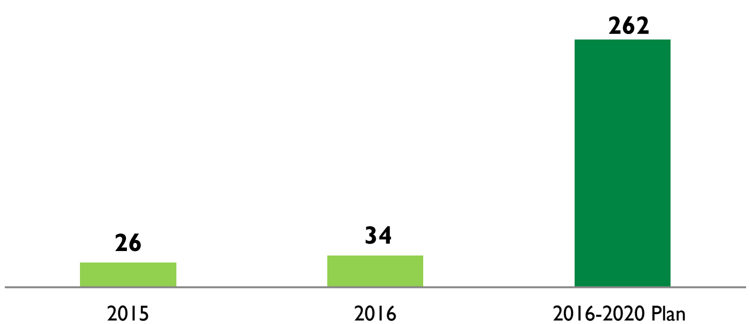
Ebitda (€m)





2020 Invested Capital: €360m

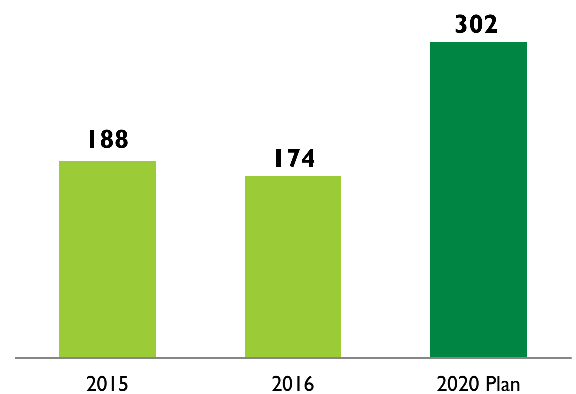
Capex (€m)



Volume of waste treated ('000 tons)

2015	2016	2020 Plan
708	750	2,083

Net Debt (€m)



Acea Group 2016-2020 Business Plan

➢ Energy

2016-2020 Business Plan
Strategies, opportunities and risks

Retail
- Moderate growth of customer base, with focus on existing areas of operation
- Improved service quality
- Acea 2.0: new billing and CRM system
- Efficiency of processes and overheads, including via insourcing

Production
- Plants modernisation: Castel Madama and Mandela
- Devolopment of energy efficiency initiatives

Opportunities

Regulatory:
- ✓ Complete revision of RCV (Remuneration commercialisation retail)

Systems:
- ✓ Improved billing performance

Risks

Regulatory:
- ✓ Failure to revise RCV

Competitors:
- ✓ Increase in churn rate

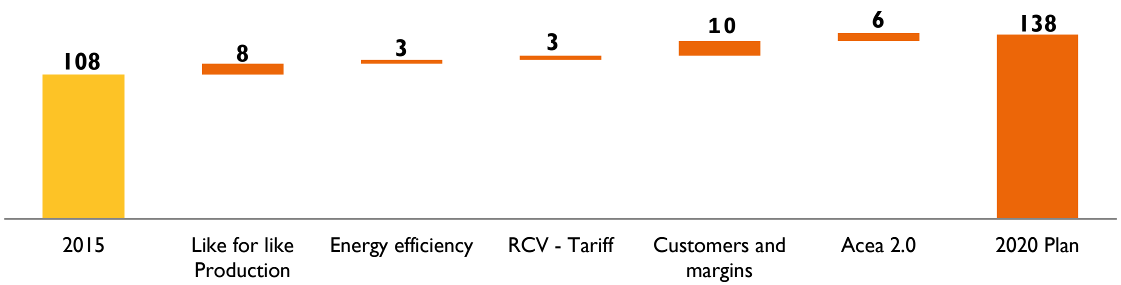
Systems:
- ✓ Migration of data and “go-live” of new billing system

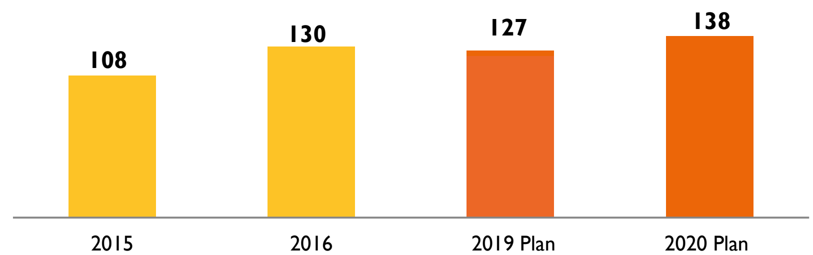
Targets and Results

CAGR +5.0%

2020 pre-tax ROIC: 13.9%

Ebitda (€m)

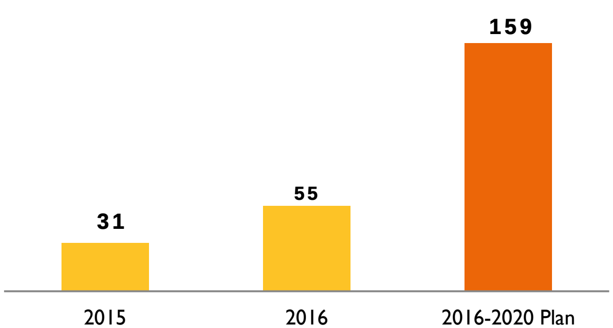




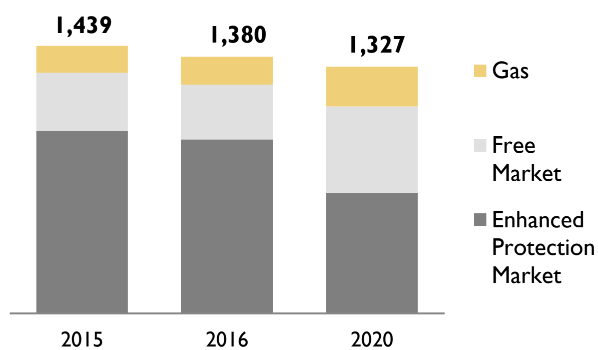
- *Centralized Credit Risk Management and workflow based evaluation of large business companies*
- *Set up and deployment of a real time credit check platform (live since Jan 2015) for prospect mass market customers*
- *Customized scorecard models to optimize risk-return ratio*
- *Churn prevention actions both in acquiring (long term sales incentives) and in releasing customers (win back)*
- *Comprehensive approach to customer base profiling including external / internal information and big data*
- *Complete integration (Acea 2.0) of credit risk profiling in commercial and credit management activities*

2020 Invested Capital: €491m

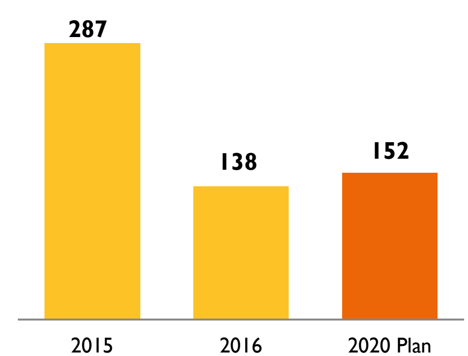
Capex (€m)



Number of customers ('000)



Net Debt (€m)



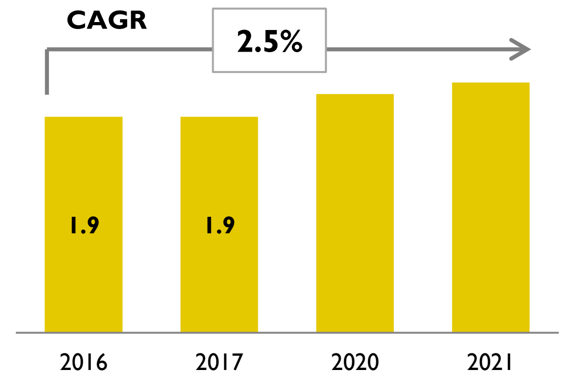
Acea Group 2016-2020 Business Plan

➢ Water and Grids RAB

RAB

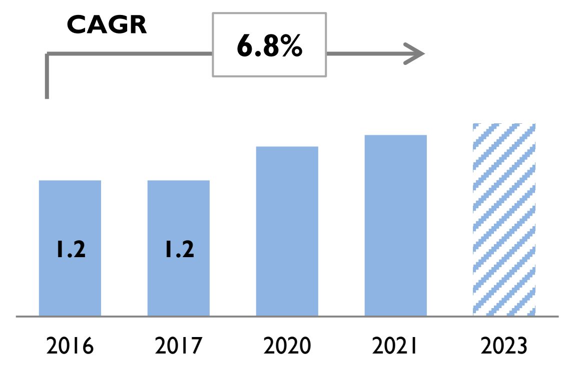
GRIDS

- ✓ The RAB (after impact of regulatory accounting), taken into account when determining the tariff for year n, corresponds to the value of fixed assets in year n (based on the historical cost of the entity's assets revalued using deflators for the period) less accumulated depreciation, calculated to year n, revalued using deflators for the period.



WATER

- ✓ The RAB (after impact of regulatory accounting), taken into account when determining the tariff for year n, corresponds to the value of fixed assets in year n-2 (based on the historical cost of the entity's assets revalued using deflators for the period) less accumulated depreciation revalued using deflators for the period.



(Rab ATO2 and ATO5)

In accordance with regulatory requirements, the value of RAB does not include goodwill recognised in the companies' statutory financial statements. The value of goodwill recognised by ATO2 in 2016 is €61.3m.

The RAB for the Grids segment incorporates the RAB for distribution, sales and metering.
The value of €1.9bn in 2016 includes the effect of regulatory accounting, amounting to approximately €200m in terms of the RAB (resulting from the inclusion of gross capex for 2016)
The value of the RAB without the impact of regulatory accounting amounts to approximately €1.7bn.

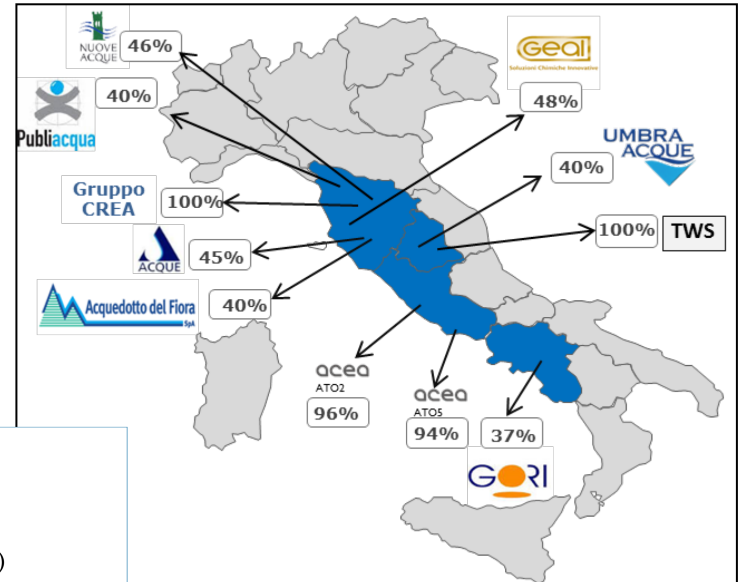
The RAB for the Water segment reflects capex in year n-2.
The RAB for the Water segment amounts to €1,151m in 2016 and €1,223m in 2017.
The figure for 2021 reflects capex in 2019, so the projected amount for 2023, reflecting capex in 2021, is provided.

Acea Group 2016-2020 Business Plan

- Water

2016-2020 Business Plan
Strategies, opportunities and risks

- New Regulation: cycle 2016-2019 (quality award)
- Acea 2.0 project: radical transformation, standardisation and integration of all IT systems, obtaining operating cost and process efficiencies
- Overseas growth (Latin America)



- **ATO2-Roma (expiry 2032)**
- **ATO5 Frosinone (exp. 2032)**
- **Other ATOs**:
  - ATO3 Firenze (exp. 2021)
  - ATO6 Siena-Grosseto (exp. 2026)
  - ATO2 Pisa (exp. 2021)
  - ATO1 Perugia (exp. 2027)
  - ATO3 Sarnese V. (exp. 2032)
  - Lucca Municipality (exp. 2025)
  - ATI4 Umbria – Terni (exp. 2032)

Opportunities

Regulatory:
- ✓ Recognition of FoNI component (to finance new investment)
- ✓ Introduction of a component linked to quality factor

Systems:
- ✓ Improved billing performance

External growth:
- ✓ Acquisition opportunities

Risks

Systems:
- ✓ Roll out new IT platform

2016-2020 Business Plan

Regulatory Opportunities

Introduction of a component linked to quality factor

The new MTI-2 tariff method also provides incentive mechanisms for the improvement of the contractual and technical quality of the service, by introducing two different mechanisms of awards/penalties.

1. The first one involves an award for performance improvements compared to the minimum standards defined by the national Authority.
   This mechanism is defined with the local Authority and the maximum amount of the premium is a function of the operator's efficiency in comparison to the national average.
   In fact the premium is higher, the more the operator is efficient compared to the national average operating cost per customer served, set by the national Authority at 109 € per customer. **The award is not subject to the tariff increase limit.**

Relating to ATO2, Quality Award for 2016 is equal to €23m (not included in Business Plan targets)

ATO2 - Quality Awards (€m)	2017-2020 Total	Annual impact from 2019 on
Maximun Value	104	35
Impact included in BP targets	**62**	**24**
ATO 5		
No awards, operating cost for customer served is higher than national avarage		

2. The second mechanism, which is valid throughout the entire Country, is supplied by a specific tariff component, mandatory for all operators, to be allocated to a specific fund for the quality. During the first activation this mechanism promotes, rewarding the best practices, the growth of the contractual quality levels with respect to the parameters defined by the resolution on the contractual quality (655/2015/R/idr).
   Not included in Business Plan targets

Recognition of FoNI component

FoNI component (€m)	2016	2017	2018	2019	2020
ATO2	24	23	19	9	6
ATO5	4	5	2	2	2

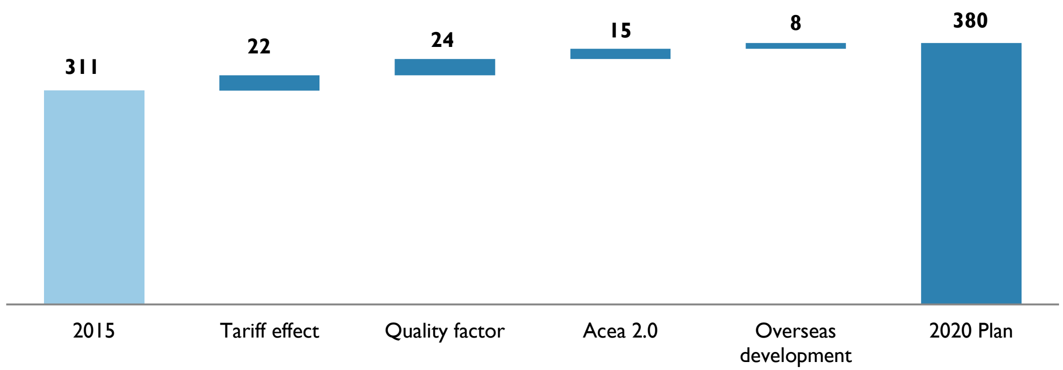
On 27 July 2016, the Mayors' Conference for the ATO2 concession area approved the tariff determinations for the period 2016-2019. The determinations establish that the tariff increases to be applied in 2016 are to be spread out over time, in return for recognition of a financial charge as compensation for the deferral.

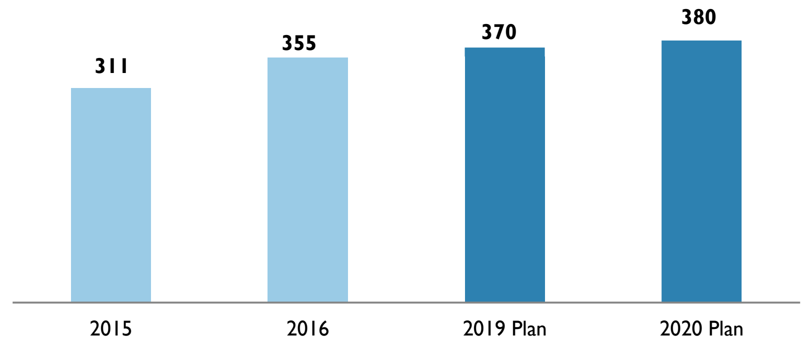
Targets and Results

CAGR +4.1%

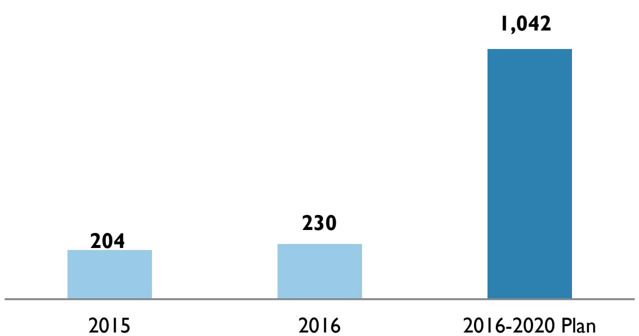
2020 pre-tax ROIC 11.5%

Ebitda (€m)

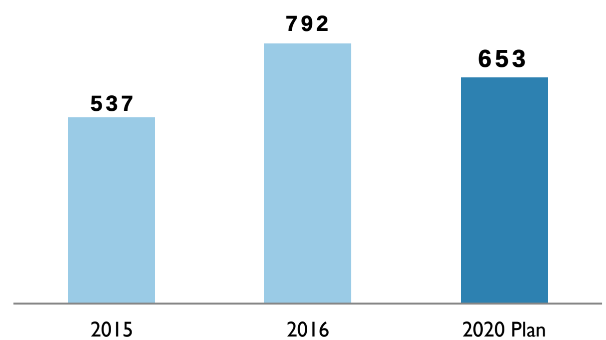




Capex (€m)



Net Debt (€m)



Acea Group 2016-2020 Business Plan

- Grids

2016-2020 Business Plan
Strategies, opportunities and risks

- New Regulation: tariff cycle 2016-2023
- Acea2.0 project: improvement of service quality, cost efficiencies
- Modernisation of distribution network
- Modernisation of public lighting network ("Roma LED")

Opportunities

Regulatory:
- ✓ Recognition of t-1 depreciation in tariffs

Growth:
- ✓ Acquisition of minor grids
- ✓ IP – LED technology in other municipalities

Systems:
- ✓ Improved billing performance

Risks

Regulatory:
- ✓ Impact of new regulatory cycle
- ✓ Quality and service continuity

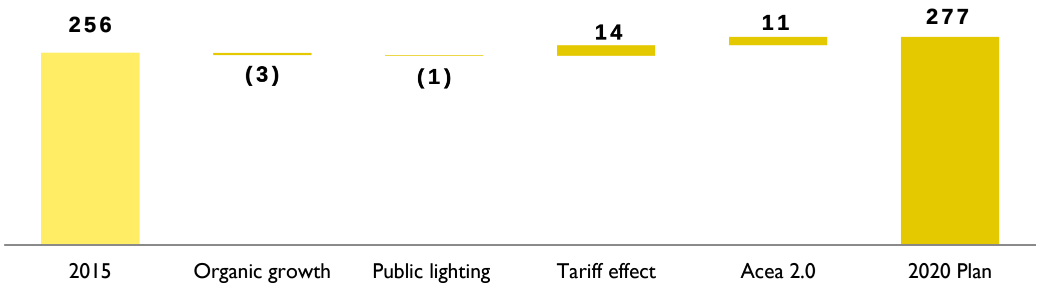
Systems:
- ✓ Migration of data and go-live of new billing system

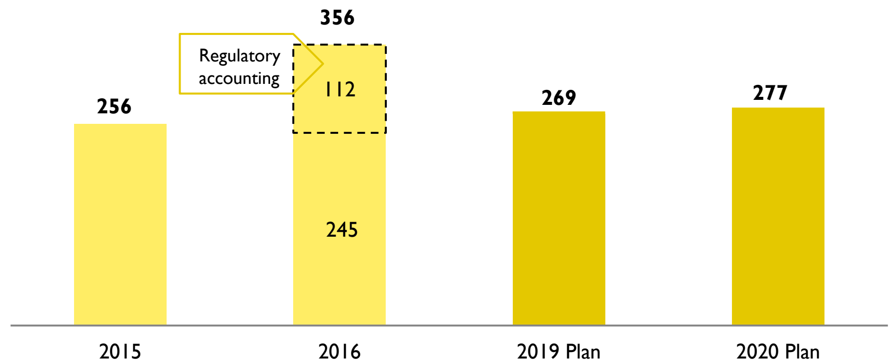
Targets and Results

CAGR +1.6%

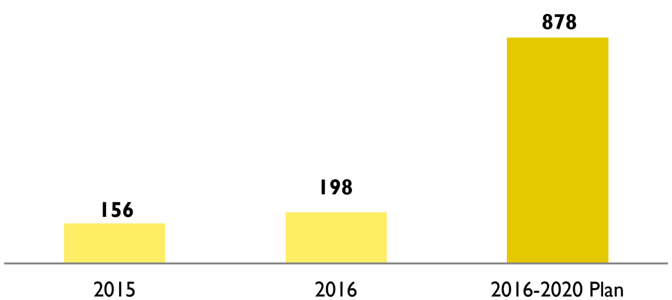
2020 pre-tax ROIC: 9.3%

Ebitda (€m)

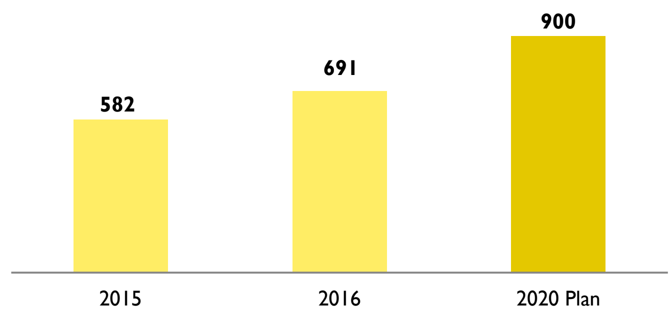




Capex (€m)



Net Debt (€m)



Acea Group 2016-2020 Business Plan

➢ Corporate

Targets and results

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

2016-2020 Capex: €54m

2020 EBITDA: ~€3m

Recent acquisitions

Initiatives already identified, but not included in the targets in Business Plan 2016-2020

FROM VEOLIA GROUP

100% of Idrolatina

49% of Acqualatina

Price: €22m (Equity Value)

Acqualatina
Integrated water service Operator in ATO4 – Southern Lazio (concession expiry: 2032)

2015 Total EBITDA*: €37m
2015 Total Net Debt*: €73m

- 35 towns served
- ~ 270,000 customers
- 64 treatment plants
- 3,500-km water supply network
- Water produced: 120m cubic metres a year
- Waste water treated: 70m cubic metres a year

19,2% of Geal

(in which Acea already holds 28.8% interest through Crea, raising its stake in GEAL to 48%)

Price: €2m (Equity Value)

Geal
Integrated water service Operator in the municipality of Lucca

2015 Total EBITDA*: €6m
2015 Total Net Debt*: €5m

- Over 40,000 customers
- 600-km water supply network
- 200-km sewerage network
- 1 treatment plant

FROM SEVERN TRENT PLC GROUP

100% of Severn Trent Italia

64% of Umbriadue Servizi Idrici
(in which Acea already holds 34% interest through Crea Gestioni, raising its stake in Umbriadue to 98%)

80% of Iseco

Price: €0.4m (Equity Value)

Severn Trent Italia
The Company designs, builds and operates plants used in the treatment of water and in the production of drinking water

Umbriadue Servizi Idrici
The Company provides the integrated water service in Umbria, Terni Province.

2015 Total EBITDA*: €0.2m

- 32 towns
- ~ 230,000 customers

Iseco
The Company is responsible for the operation and maintenance of treatment plants. It designs and builds treatment plants.
It operates in the collection, transport and disposal of urban and special refuse.

2015/2016 Total EBITDA*: €0.5m

* *Source Annual Report*

Business Plan: Key Takeaways

ACEA GROUP

2016-2020 CAPEX: €2.4bn

2020 EBITDA: €890m

CAGR EBITDA: +4.0%

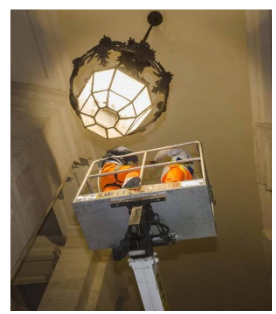
DPS CAGR: 3%-6%

2020 NET DEBT: €2,252m

Environment
2020 EBITDA: €91m
2016-2020 CAPEX: €262m
2020 Pre-tax ROIC: 15.9%

Energy
2020 EBITDA: €138m
2016-2020 CAPEX: €159m
2020 Pre-tax ROIC: 13.9%

Water
2020 EBITDA: €380m
2016-2020 CAPEX: €1,042m
2020 Pre-tax ROIC: 11.5%



Grids
2020 EBITDA: €277m
2016-2020 CAPEX: €878m
2020 Pre-tax ROIC: 9.3%

Conclusions

Continued efforts in operating efficiency

Stable and predictable regulatory framework

Significant investment ensuring the Company's future growth

Strong financial position

Attractive shareholder returns as main strategic priority

Appendix

Appendix

- 2016 Results
- 9M 2016 Results
- Water regulatory framework
- Electricity Distribution regulatory framework
- Main assumptions and sensitivity analysis
- Environmental Sustainability

Beating expectations for 2016

2016 financial highlights

(€m)	2015	2016*	Change %
Consolidated revenue	**2,917.3**	**2,832.4**	**-2.9%**
EBITDA	**732.0**	**896.3****	**+22.4%**
EBIT	**386.5**	**525.9**	**+36.1%**
Net profit/(loss)	**181.5**	**272.5**	**+50.1%**
Non-controlling interests	6.6	10.2	+54.5%
Group net profit/(loss)	**175.0**	**262.3**	**+49.9%**
Dividend per share (€)	**0.50**	**0.62**	**+24.0%**
Capex	**428.9**	**530.7**	**+23.7%**

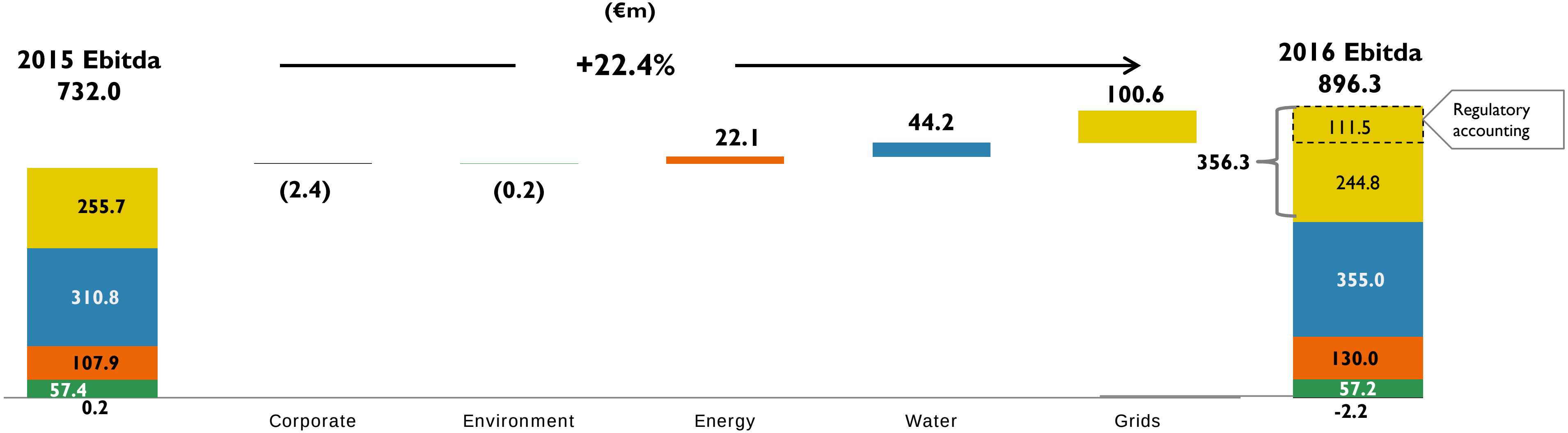
**Positive impact for accounting for Resolution 654/2015 and negative impact of repurchase of portion of bonds in issue*

***€785m adjusted for accounting for Resolution 654/2015*

- 2016 results: above expectations
- Strong operating performance
- Cost efficiencies and simplification
- Growth focus on customer-facing businesses
- Progressive dividend policy
- Strong capex growth

(€m)	31 Dec 2015 (a)	30 Sept 2016 (b)	31 Dec 2016 (c)	Change (c-a)	Change (c-b)
NET DEBT	**2,010.1**	**2,138.7**	**2,126.9**	***116.8***	***(11.8)***
Equity	**1,596.1**	**1,682.1**	**1,757.9**	***161.8***	***75.8***
Invested Capital	**3,606.2**	**3,820.8**	**3,884.8**	***278.6***	***64.0***

EBITDA target exceeded in 2016



ENVIRONMENT

-0.3% Main drivers:

- ↑ **Entry into service** of Line I of San Vittore plant in Oct 2016
- ↑ **Contribution** of Orvieto waste treatment plant
- ↓ **Recognition in 2015** of insurance proceeds for the fire at the Paliano plant (€3.2m)

ENERGY

+20.5% Main drivers:

- ↑ **Electricity sales**: +€24.3m
- ↓ **Electricity production**: -€2.2m

WATER

+14.2% Main drivers:

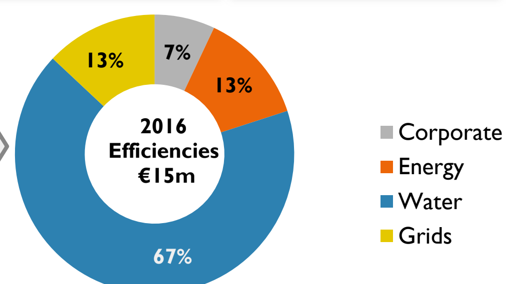
- ↑ **Efficiency**
- ↑ **Acea Ato2**: tariff increase +€43.0m (quality reward €23.1m)
- ↑ **Growth** at companies consolidated using equity method: +€0.8m
- ↑ **Overseas** water operations: +€1.4m

GRIDS

+39.3% Main drivers:

- ↑ **Impact of accounting for Resolution 654/2015: €111.5m**
- ↑ **Operational efficiency** and new technologies.
- ↓ **Impact of fifth regulatory cycle**

Digital transformation boosts operational efficiency



Acea is ahead in digital transformation to improve competitiveness, customer loyalty and operational efficiency

Project Acea 2.0

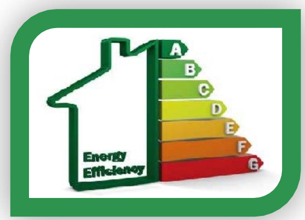
- Increased **productivity**

- Improved **quality of service**

- Improved corporate **image**

- Greater internal and external **control** and **transparency**

- Increased **safety** for employees



- Enhanced focus on **environmental sustainability**

EBITDA and Key quantitative data

2016 financial highlights

Environment

EBITDA main drivers

- ↑ Entry into service of Line 1 of San Vittore plant in Oct 2016
- ↑ Contribution of Orvieto waste treatment plant
- ↓ Recognition in 2015 of insurance proceeds for the fire at the Paliano plant (€3.2m)

(€m)	2015	2016	%change
EBITDA	**57.4**	**57.2**	***-0.3.%***
Capex	**25.9**	**34.0**	***+31.3%***

Key quantitative data	2015	2016
Treatment and disposal* (‘000s of tonnes)	**765**	**820**
WTE electricity produced (GWh)	**265**	**283**

*Includes ash disposed of

EBITDA and Key quantitative data

2016 financial highlights

Energy

EBITDA main drivers

- Electricity sales: +€24.3m *margin increase*
- Electricity production: -€2.2m

(€m)	2015	2016	% change
EBITDA	**107.9**	**130.0**	***+20.5%***
Production	34.2	32.0	*-6.4%*
Sales	73.7	98.0	*+33.0%*
Capex	**30.6**	**55.3**	***+80.7%***

Key quantitative data	2015	2016
Total Electricity production (GWh)	**470**	**410**
Total Electricity sold (GWh)	**9,419**	**8,316**
Enhanced Protection Market	2,951	2,757
Free Market	6,468	5,559
Total Gas sold (Mmc)	**126**	**107**

EBITDA and Key quantitative data

2016 financial highlights

Water

EBITDA main drivers

- Acea ATO2: tariff increase +€43m (quality reward €23m)
- Efficiency
- Growth at companies consolidated using the equity method +€0.8m
- Overseas water operations: +€1.4m

(€m)	2015	2016	% change
EBITDA	**310.8**	**355.0**	***+14.2%***
of which: Profit/(Loss) on investments consolidated under IFRS 11	*28.5*	*29.3*	*+2.8%*
Capex	**204.4**	**230.4**	***+12.7%***

Key quantitative data	2015	2016
Total volume of water sold (Mmc)	**413**	**415**

EBITDA and Key quantitative data

2016 financial highlights

Grids

EBITDA main drivers

- ↑ Operational efficiency and new technologies
- ↑ Impact of accounting for Resolution 654/2015: €111.5m
- ↓ Impact of fifth regulatory cycle

(€m)	2015	2016	*% change*
EBITDA	255.7	356.3	*+39.3%*
Capex	156.2	197.9	*+26.7%*

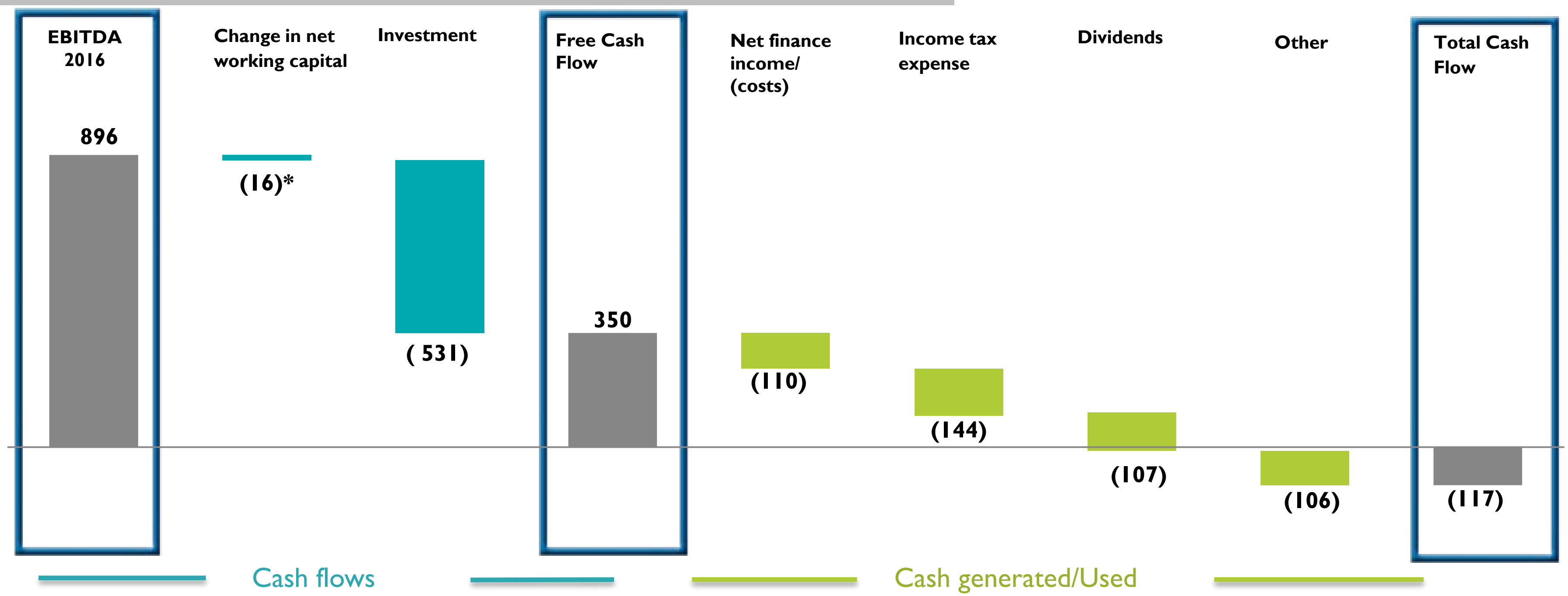
Key quantitative data	2015	2016
Total Electricity distributed (GWh)	10,557	10,009

Corporate

(€m)	2015	2016	*% change*
EBITDA	0.2	(2.2)	*n.s.*
Capex	11.8	13.1	*+11.0%*

Cash flow

CASH FLOW ANALYSIS (€m)	2015	2016
EBITDA	**732**	**896**
Change in net working capital	98	(16)
Investment	(429)	(531)
Free Cash Flow	**401**	**350**
Net finance income/(costs)	(90)	(110)
Income tax expense	(115)	(144)
Dividends	(96)	(107)
Other	(27)	(106)
Total Cash Flow	**73**	**(117)**



* *Before impairment losses on receivables*

Strong financial structure
2016 financial highlights

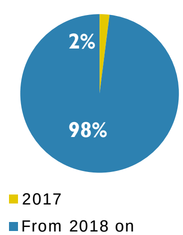
(€m)	31 Dec 2015 (a)	30 Sept 2016 (b)	31 Dec 2016 (c)	*Change (c-a)*	*Change (c-b)*
NET DEBT	**2,010.1**	**2,138.7**	**2,126.9**	***116.8***	***(11.8)***
Medium/Long-term	2,657.0	2,626.7	2,769.4	*112.4*	*142.7*
Short-term	(646.9)	(488.0)	(642.5)	*4.4*	*(154.5)*

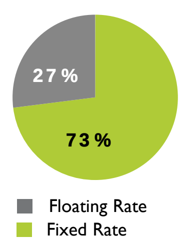
NET DEBT/ EQUITY 31 Dec 2015	NET DEBT/ EQUITY 31 Dec 2016
1.3x	1.2x

NET DEBT /EBITDA 31 Dec 2015	NET DEBT/EBITDA 31 Dec 2016
2.7x	2.4x

Debt structure
(maturity and interest rates at 31 Dec 2016)

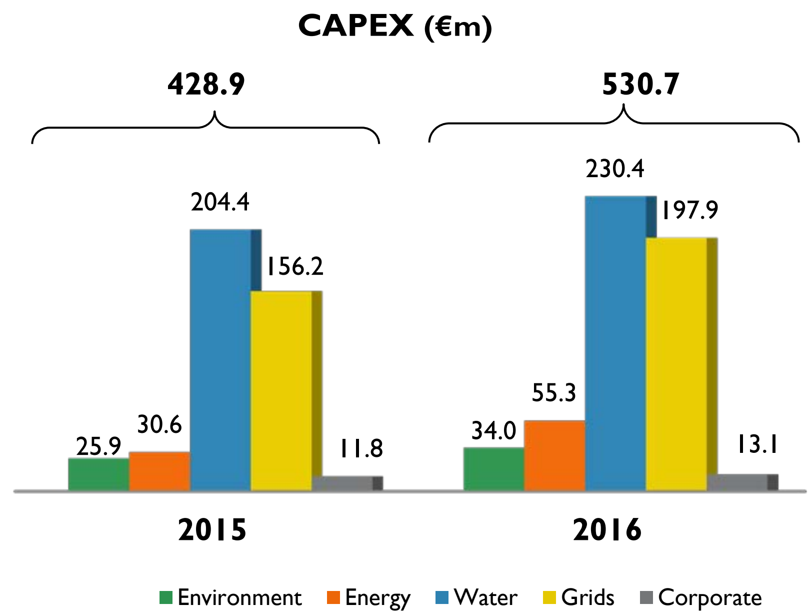
- Fixed rate 73%
- *Average overall cost* 2.94%
- *Average term to maturity* ~ 7 years





Ratings

FitchRatings	Moody's
BBB+	Baa2
Stable outlook	Stable outlook



9M 2016 Results

9M 2016 Results

Financial highlights

(€m)	9M 2015	9M 2016	% change
Consolidated revenues	2,167.7	2,047.5	-5.5%
EBITDA	530.9	646.1	+21.7%
EBIT	284.8	378.1	+32.8%
Profit/(loss) before tax	216.9	317.0	+46.2%
Group net profit/(loss)	136.6	200.9	+47.1%
Tax rate	*34.6%*	*34.5%*	
Capex	284.8	346.8	+21.8%

Impact of accounting for Resolution 654/2015: €76.5m

Impact of accounting for Resolution 654/2015: €51.5m

(€m)	30 Sept 2015 (a)	31 Dec 2015 (b)	30 Sep. 2016 (c)	Change (c-a)	Change (c-b)
NET DEBT	2,130.8	2,010.1	2,138.7	7.9	128.6
Shareholders' Equity	1,553.8	1,596.1	1,682.1	128.3	86.0
Invested Capital	3,684.6	3,606.2	3,820.8	136.2	214.6

Regulatory framework

Water regulatory framework

REGULATORY PERIOD: 2016-2019 (4 YEARS)

AEEGSI Resolution: 664/2015 Water Tariff Regime for the second regulatory period (2016-2019).

The applicable regulations are broadly based on a matrix chart with 6 different quadrants relating to: the ratio of required capex to the value of existing infrastructure; eventual changes in the operator's objectives or operations (consolidation, significant improvements in service quality); the value of the operator's opex per inhabitant served compared with the estimated average opex for the sector as a whole in 2014.

Key points in the Resolution are set out below:

- The **duration of the regulatory period** has been set at **four years**, with **biennial revision** of the RAB and of **endogenous opex***. The cost of debt and tax expense may be reviewed every two years in the event of "significant changes".
- Allowed revenues are based on **full cost recovery** subject to efficiency and capped in terms of tariff growth.
- **Fixed annual maximum tariff increases**, ranging from 5.5% to 9%, different for each of the 6 quadrants assigned at Local Authority Level (the *EGA* or Concession Authority).
- **Application of a tariff multiplier has been confirmed.**
- A **system of quality performance rewards and penalties has been introduced**. The **reward component is excluded from any tariff caps**.
- The **"sharing" mechanism has been confirmed**, based on a matrix that penalises the least efficient operators.
- The mechanism for allowing for a portion of **late payment costs** has been defined (80% of the costs effectively incurred by operators), taking into account the varying impact of this problem throughout the country (**North: 2.1% of turnover; Central: 3.8% of turnover; South: 7.1% of turnover**) 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 distinction between upgradeable opex** and endogenous opex* has been retained**. **Costs linked to the integration of operations and/or significant improvements in service quality are also allowed for**.
- The **cost of debt** has been set at **2.8%** (compared with 2% for the electricity sector).
- The **ERP** (Equity Risk Premium) is **4%** (compared with 5.5% for the electricity sector).
- The real **RF** (Risk Free) rate is **0.5%**, determined on the basis of yields on 10-year euro area government bonds with ratings of at least "AA" (in line with the electricity sector).
- The **WRP** (Water Risk Premium) is **1.5%** (compared with a CRP – Country Risk Premium – of 1% used in the electricity sector).
- The **1% time-lag for capex** has been confirmed.

Based on the provisions in the Resolution, the overall return for the Water sector is equal to 5.34% (compared with 6.1% for the regulatory period 2014-2015 and 6.4% for the period 2012-2013), with an additional 1% extra return for investments made from 2014.

* *Endogenous opex, set equal to the corresponding tariff component for the year 2014 (eligible under the MTI) properly inflated annually*

** *Upgradeable opex, related to specific exogenous costs updated every year*

Relating to Acea ATO2-Central Lazio, on 27 July 2016, the Mayors' Conference for the ATO2 concession area approved the tariff determinations for the period 2016-2019. The determinations establish that the tariff increases to be applied in 2016 are to be spread out over time, in return for recognition of a financial charge as compensation for the deferral.

Water regulatory framework

INTRODUCTION OF A COMPONENT LINKED TO QUALITY FACTOR

AEEGSI **Resolution 655/2015** deals with the **regulation of the contractual quality of integrated water services**: the minimum quality standards established by the regulator came into effect from 1 July 2016, becoming fully effective from 1 January 2017.
Resolution 655/2015 has established country-wide minimum contractual quality standards. In the case of standards defined as specific, the operator is required to pay automatic compensation to end users should the standards not be met.
Art. 2 of Resolution 655/2015 grants concession authorities the option of encouraging the achievement of quality standards higher than the minimum standards applied nationally. This may be done at the proposal of the Operator.
Art. 32 of Annex A to Resolution 664/2015 grants concession authorities the option, should the operator achieve higher quality standards than those set by Resolution 655/2015, of awarding the operator a bonus with regard to contractual quality (for which a cap has been established).

The **incentive mechanisms, for the improvement of the contractual and technical quality of the service, introduce two different mechanisms of rewards/penalties**.

1. The first one involves a reward for performance improvements compared to the minimum standards defined by the national Authority.
   This mechanism is defined with the local Authority and the maximum amount of the bonus is a function of the operator's efficiency in comparison to the national average.
   In fact the bonus is higher, the more the operator is efficient compared with the national average operating cost per customer served, set by the national Authority at €109 per customer. **The reward is not subject to the tariff increase cap.**
2. The second mechanism, which is valid throughout the entire Country, is supplied by a specific tariff component, mandatory for all operators, to be allocated to a specific fund for quality. On first being introduced, this mechanism promotes and rewards best practices and improved contractual quality levels with respect to the standards defined in the resolution on contractual quality (655/2015/R/idr).
   Not included in Business Plan targets

Energy distribution and transmission regulatory framework

REGULATION PERIOD: 2016-2023 (8 YEARS)

AEEGSI Resolutions: 654/2015 Tariff general frawork - 583/2015 WACC - 646/2015 Quality of service and output based regulation

The Regulator has extended the **duration of the regulatory period to eight years**, dividing it into two sub-periods, each lasting four years. In the second sub-period (**2020-2023**), a **Totex**-based approach will be introduced.

Key points in the Resolutions are set out below:

- **No exposure to energy volumes:** tariff not linked to change in unit volumes consumption
- **Allowed opex** calculated on **2014 costs**.
- **Gradual approach to the extension of asset life**: life for MV and LV lines built after 2007 extended from 30 to 35 years.
- **Price cap**: **1.9% (distribution), 1% (metering).** The potential achieved extra–efficiencies in the 3rd and 4th regulatory periods are to be shared 50-50 with the consumer by 2019.
- **Greater selectivity applied to capex**, with particular attention paid to **service quality**.
- Year t-1 capex included in year t RAB (**time-lag reduction** from 2 to **1 year**).
- Confirmation of the determination of **net working capital** with reference to parameters based on net fixed assets, applying a **lower percentage** than the one applied in previous regulatory periods.
- **Quality of service**: stable incentive mechanisms on frequency and duration of interruptions.

ELECTRICITY DISTRIBUTION

WACC Electricity distribution: 5.6% (compared with the previous 6.4%)

WACC regulatory period: 6 years (2016-2021). The WACC is fixed for three years (2016-2018), in 2019 WACC mid term review already defined for all main parameters

ELECTRICITY TRANSMISSION

WACC Electricity transmission: 5.3% (compared with the previous 6.3%)

GAS GRIDS

WACC Gas transmission: 5.4% (compared with the previous 6.3%);

WACC Gas distribution: 6.1% (compared with the previous 6.9%);

WACC Storage: 6.5% (compared with the previous 6.0%).

The WACC is fixed for two years (2016-2017) for the transmission service and for three years (2016-2018) for gas distribution and storage

Main assumptions and sensitivity analysis

Main assumptions

Main assumptions		2015	2016 Plan	2017 Plan	2018 Plan	2019 Plan	2020 Plan
Exchange	$/€	1.110	1.119	1.031	1.082	1.180	1.220
Brent	$/Bbl	52.4	53.6	61.8	66.9	69.0	75.0
PUN	€/MWh	52.3	47.7	45.8	46.8	47.6	48.6
Green certificates	€/MWh	100.1	102.0	104.7	103.9	103.3	102.5
EU-ETS	€/tons of CO2	7.7	10.8	10.3	12.2	13.3	14.5
CIP6	€/MWh	224.6	217.9	225.6	227.0	224.4	226.8

Sensitivity analysis on key drivers

Sensitivity to oil prices
(dollar per barrel impact in €m on Group EBITDA)

+1$/Barrel → **GROUP EBITDA 0.14€m**

Sensitivity to PUN prices
(impact in €m on Group EBITDA)

+1€/MWh → **GROUP EBITDA 0.7€m**

A LOW EXPOSURE TO MACRO VARIABLES BUILT UP BY RISK ADVERSE STRATEGIES

Environmental sustainability

Evaluation of Acea's sustainability performance

Acea is regularly monitored by **leading ESG analysts and rating agencies**

CDP (Carbon Disclosure Project): this international organisation is backed by **over 800 international investors** (AUM US$100,000). It aims to raise awareness among major corporations of issues relating to **risk management and the impact of climate change.** It publishes an annual league table that includes **Italian corporations** committed to such disclosure.
Acea, which has participated in the project for many years, was again highly ranked in 2016, **entering the leadership index** (A-)

The Sustainability Plan 2016-2020: integration with operational processes and SDGs

In November 2016, **the Board of Directors approved the Group's new Sustainability Plan**, which is consistent with the guidelines for **operational processes** and with certain UN **Sustainable Development Goals (SDGs)**. The Plan was drawn up after consultation with the Group's management.

PROMOTING CUSTOMER CENTRICITY

Improving communication with customers

Improving the quality of services

MAKING CHANGE WORK FOR PEOPLE

Professional development, training and skills development

4 QUALITY EDUCATION | 5 GENDER EQUALITY

Involving people in the Group's identity

Inclusion and organisational well-being

3 GOOD HEALTH AND WELL-BEING | 5 GENDER EQUALITY | 10 REDUCED INEQUALITIES

ENHANCING OUR ROLE WITHIN COMMUNITIES AND PROTECTING THE ENVIRONMENT

Reducing environmental impact

6 CLEAN WATER AND SANITATION | 7 AFFORDABLE AND CLEAN ENERGY | 11 SUSTAINABLE CITIES AND COMMUNITIES | 13 CLIMATE ACTION | 15 LIFE ON LAND

Contributing to the well-being of communities

6 CLEAN WATER AND SANITATION | 7 AFFORDABLE AND CLEAN ENERGY

Consolidating relations with local communities

4 QUALITY EDUCATION | 12 RESPONSIBLE CONSUMPTION AND PRODUCTION | 13 CLIMATE ACTION

PROMOTING HEALTH AND SAFETY THROUGHOUT THE VALUE CHAIN

Occupational health and safety for the Group's employees

3 GOOD HEALTH AND WELL-BEING | 4 QUALITY EDUCATION | 8 DECENT WORK AND ECONOMIC GROWTH

Occupational health and safety for contractors and sub-contractors

3 GOOD HEALTH AND WELL-BEING | 4 QUALITY EDUCATION | 8 DECENT WORK AND ECONOMIC GROWTH

Health and safety in the communities in which the Group operates

3 GOOD HEALTH AND WELL-BEING | 6 CLEAN WATER AND SANITATION | 7 AFFORDABLE AND CLEAN ENERGY

INVESTING IN INNOVATION FOR SUSTAINABILITY

Organisational innovation

8 DECENT WORK AND ECONOMIC GROWTH

Technological and process innovation

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE | 11 SUSTAINABLE CITIES AND COMMUNITIES | 17 PARTNERSHIPS FOR THE GOALS

Creation and advancement of knowledge

17 PARTNERSHIPS FOR THE GOALS

THE GLOBAL COMPACT
WE SUPPORT

Acea's commitment also extends to COP (Communication on Progress) promoted by the **Global Compact Network**.
Since 2014, Acea's COP qualifies for **Advanced** level

SUSTAINABLE DEVELOPMENT GOALS

Presence in a leading network

Acea participates and plays a proactive role in leading organisations and working groups engaged in developing aspects of corporate social responsibility, building on and testing best practices, in line with the related developments

TOP UTILITY assesses the leading 100 Italian utilities by turnover on the basis of 183 indicators and 6 areas of assessment: financial situation, operations, communication, sustainability, relations with consumers and local communities, technology assets and innovation.
In 2016, Acea was awarded first prize in the training and human resources category and was ranked among the five best-in-class utilities in the categories: “best company”, “ sustainability” and “communication”.

Future challenges

2017

Legislative Decree 254/2016

implementing Directive 2014/95/EU
on the disclosure of non-financial and diversity information

Osservatorio Socialis

EU DIRECTIVE, CSR AND NON-FINANCIAL REPORTING:
SCORES ARE AWARDED ON THE BASIS OF RESEARCH
CONDUCTED BY THE UNIVERSITY OF SALENTO AND PUBLISHED
BY THE SOCIALIS OBSERVATORY

The University of Salento has examined **the non-financial reporting (sustainability reports)** of **134 companies listed** on the Italian Stock Exchange, operating in 7 industrial sectors, taking into account the 5 aspects covered by Decree 254/2016 and the related social and environmental information/data (operations and impacts): business models, policies, non-financial risks, KPIs and diversity.

Acea is among 34 companies out of 134 (25% of the sample) adjudged to be **the most advanced**, with a **Non-financial Score of over 80%**.

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, DEMETRIO MAURO – CFO OF THE COMPANY - DECLARES THAT THE ACCOUNTING INFORMATION CONTAINED HEREIN CORRESPOND TO DOCUMENT RESULTS, BOOKS AND ACCOUNTING RECORDS.