



# Capital Markets Day

Global Infrastructure and Networks

Livio Gallo

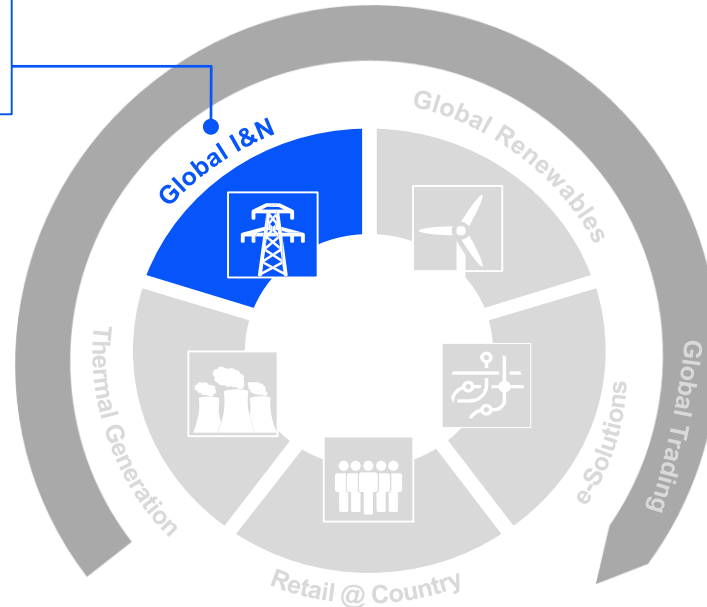


# Capital Markets Day – Global infrastructure and networks

Integrated model fit for digitalized, low carbon world



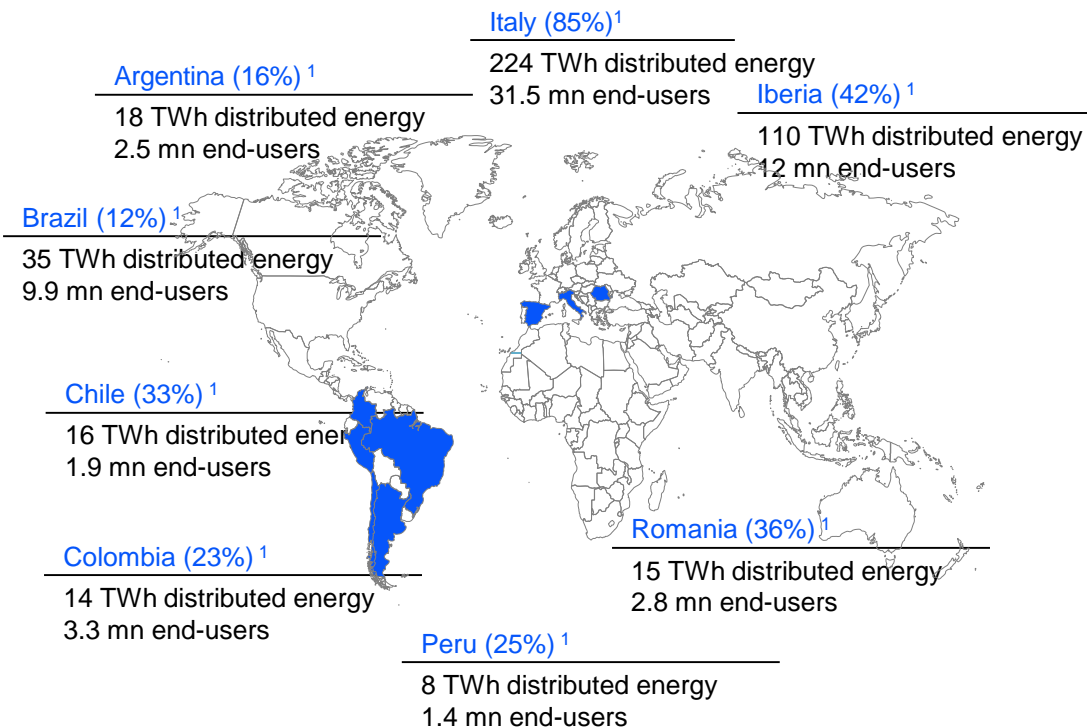
Cash flow generation  
Digital infrastructure platform  
Global risk mitigation



**Solid backbone of our growth**

# Capital Markets Day – Global infrastructure and networks

## Positioning and key figures



Key figures	2017
Distributed energy (TWh)	441
End-users (mn)	65

Financials (€bn)	2017
EBITDA	7.3
Opex	3.3
Maintenance capex	1.2
Growth capex	1.1
Connection capex	1.2
Total capex	3.5

1. 2016 market share in terms of number of end-users

# Capital Markets Day – Global infrastructure and networks

Regulatory scenario: Europe



Country	WACC	Next regulatory cycle	Highlights
Italy	5.6%	2024	Totex in 2020
Iberia	6.5% <sup>1</sup>	2020	Return revision in 2020
Romania	7.7%	2019	Smart meter roll-out

Regulatory framework

Stable regulatory frameworks

47% of Group EBITDA

Stable RAB of ~ 31 €bn over the plan

Long term stability

1. Nominal pre-tax

# Capital Markets Day – Global infrastructure and networks

Regulatory scenario: South America



Regulatory framework

Country	WACC	Next regulatory cycle	Highlights
Argentina	12.5%	2022	Improved scenario in Argentina
Brazil Rio/Celg	12.3%	2018	New Rio concession conditions from March 17
Brazil Cearà	12.3%	2019	RAB maximization
Chile	10%	Nov 2020	Regulatory framework already set
Colombia	13.5%	2018	New regulatory framework
Peru	12%	Nov 2018	Stable scenario

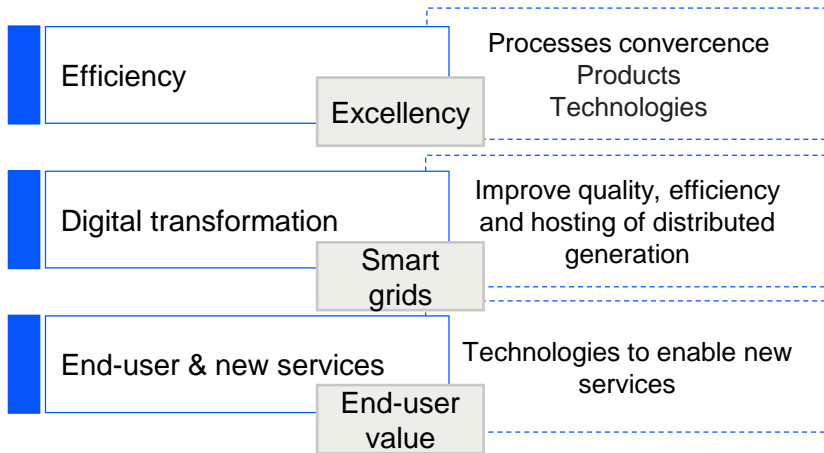
RAB of 10 €bn growing over 30% in the plan

# Capital Markets Day – Global infrastructure and networks

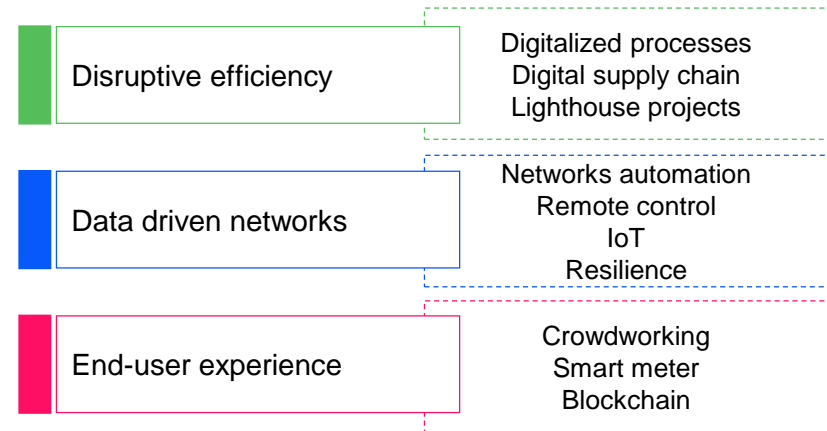
## Digitalization



### Pipeline model



### Platform model



Moving from a pipeline to a platform model

# Capital Markets Day – Global infrastructure and networks

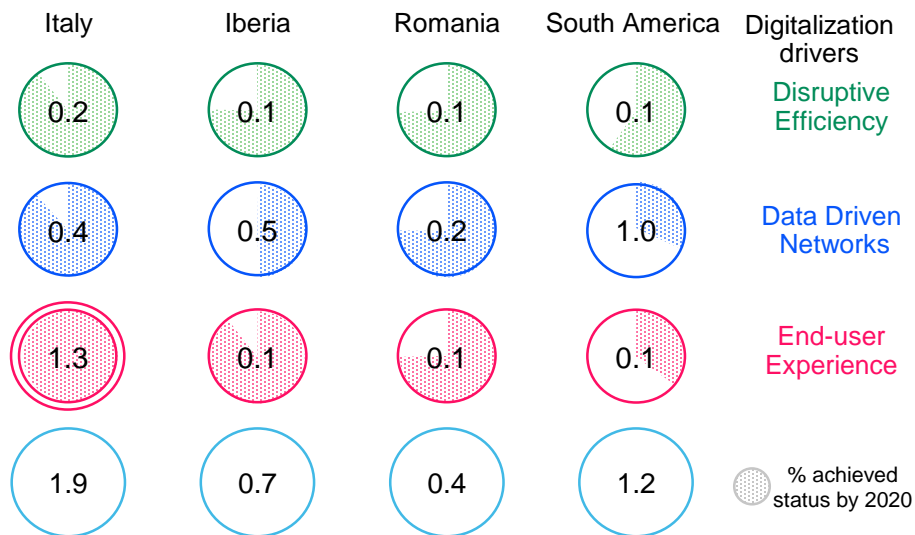
## Digitalization



2017E KPI	Italy	Iberia	Romania	South America
Digital process status <sup>1</sup>	3.1	2.8	2.9	2.5
Digital data network status	84%	41%	50%	24%
Advanced network metering <sup>2</sup>	99%	89%	26%	25%

Total capex  
4.2

### Degree of digitalization and capex plan 2018-20 (€bn)



Long-term value creation

1. Digital process status: max level 5  
2. This KPI considers smart meters 1.0

# Capital Markets Day – Global infrastructure and networks

Disruptive efficiency pilot: Digitaly



## Project key figures

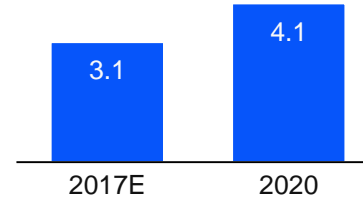
Analysed and reviewed all core processes end to end under operation and digital perspective

More than 50 initiatives identified

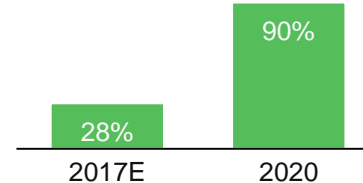
Expected ~120 €mn savings<sup>1</sup> per year

## Main achievements

### Process digitalization



### Networks monitored by smart tech



## Applied solutions

### Asset

- Advanced sensors
- Drones
- Augmented reality
- Network images recognition and 3D modelling

### End-users

- Digital agenda
- Customer storyline
- Chatbot and virtual assistant

Digital disruption and saving achievement

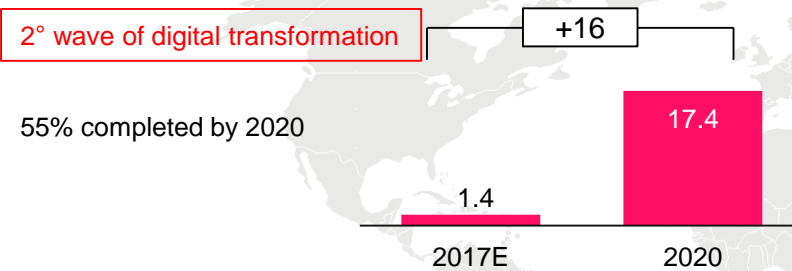


# Capital Markets Day – Global infrastructure and networks

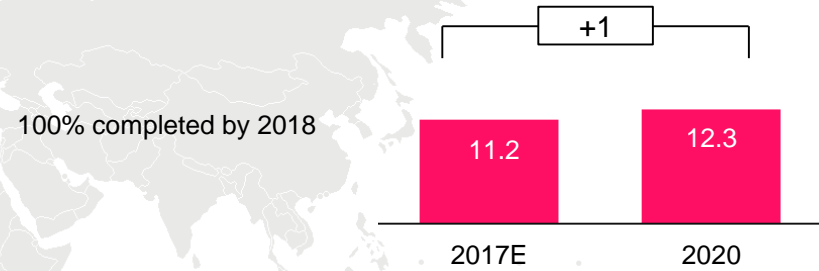


Industrial growth: focus on smart meter roll out

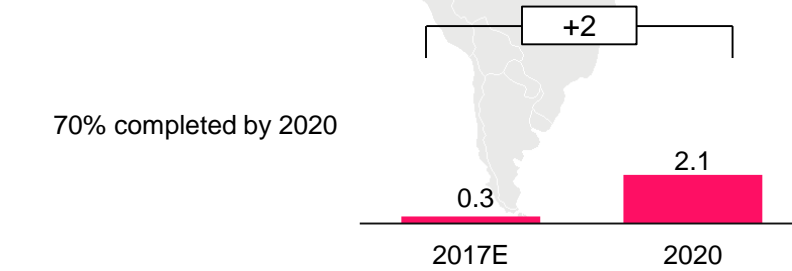
Italy - Smart meter 2.0 (#mn)



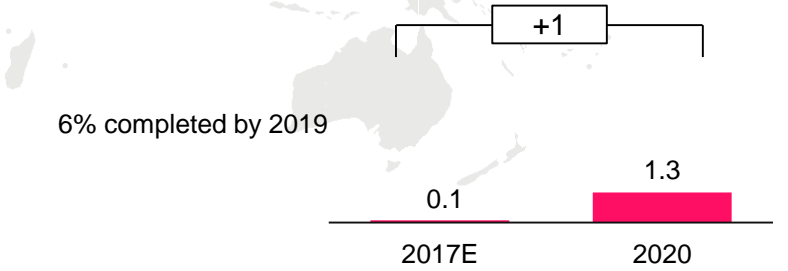
Iberia - Meters (#mn)



Romania - Meters (#mn)



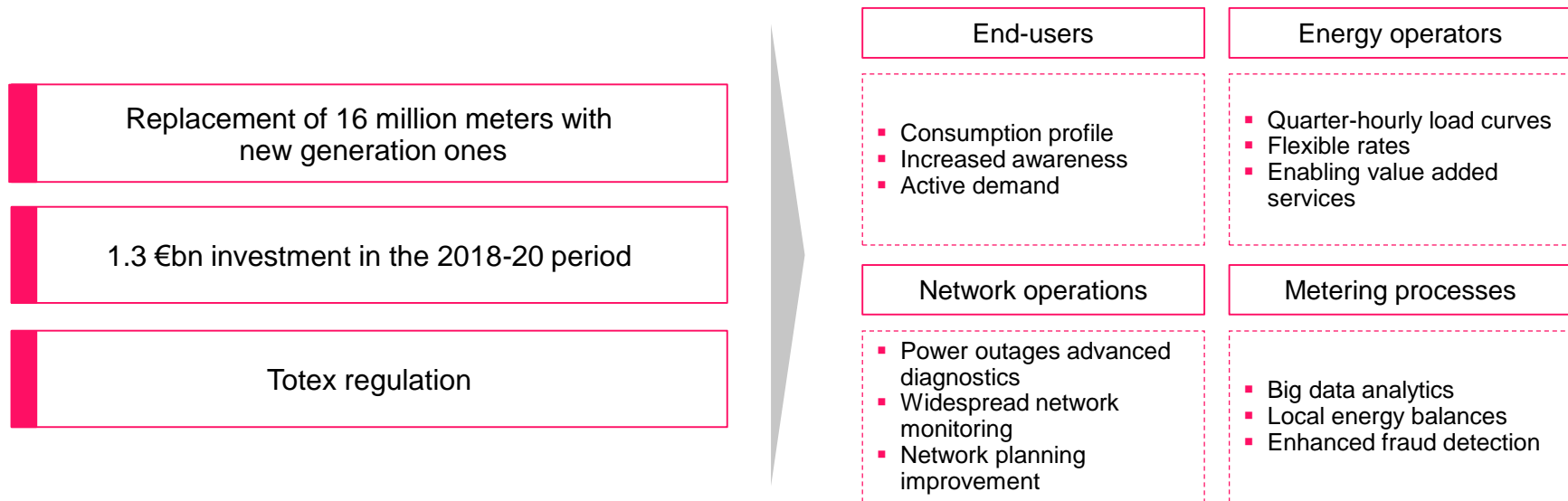
South America - Meters (#mn)



1.6 €bn capex, more than 20mn of meters installed

# Capital Markets Day – Global infrastructure and networks

Italy: Smart meter 2.0 's key features and benefits



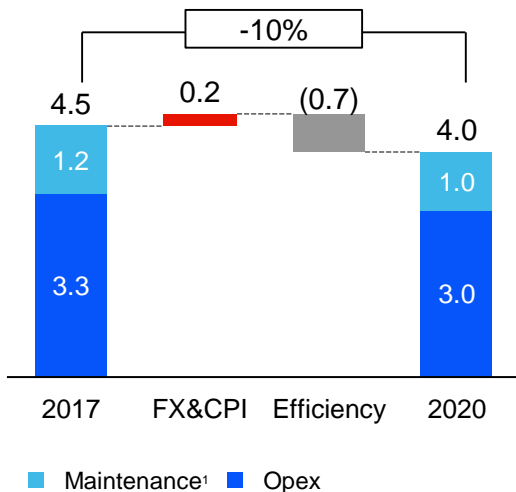
Key technology for network digitalization

# Capital Markets Day – Global infrastructure and networks

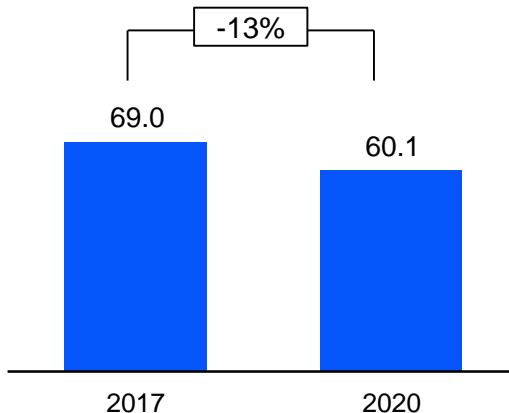
## Efficiency



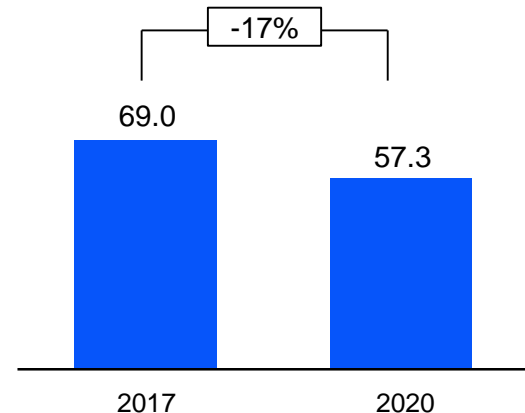
Cash cost evolution<sup>1</sup> (€bn)



Cash cost/end users nominal (€)



Cash cost/end users real (€)



Europe	66.1	-13.3%	57.3
South America	75.3	-12.0%	66.3

Europe	66.1	-17.0%	54.9
South America	75.3	-16.6%	62.8

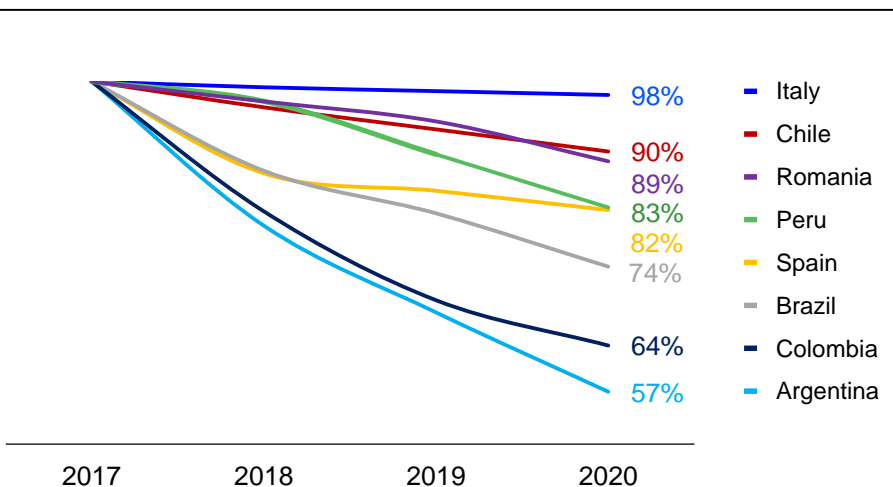
1. Excluding one-off

# Capital Markets Day – Global infrastructure and networks

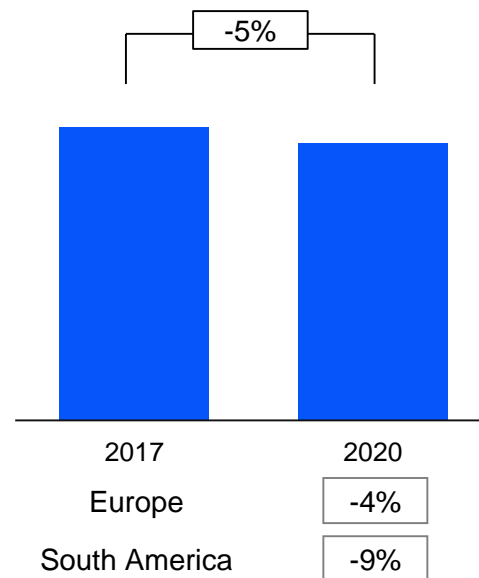
## Quality of Service and Network Losses



Minutes of interruption



Network Losses (%)

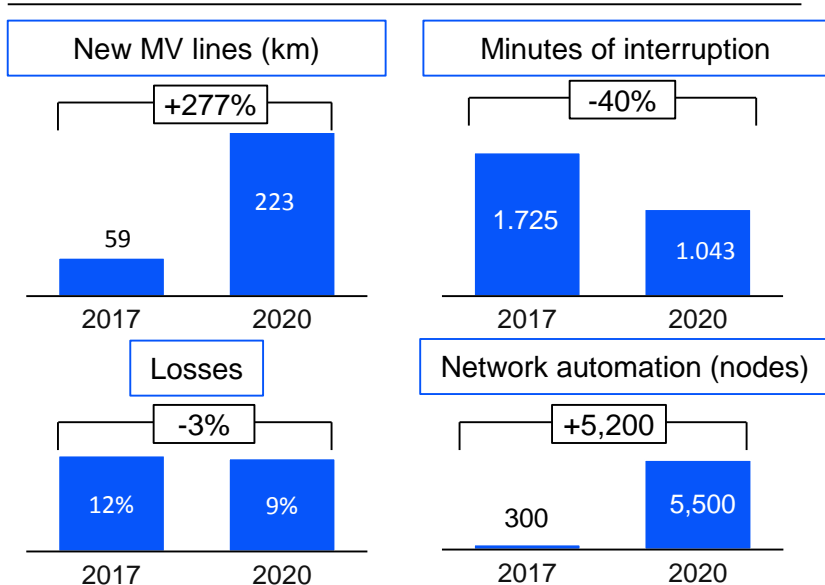


# Capital Markets Day – Global infrastructure and networks

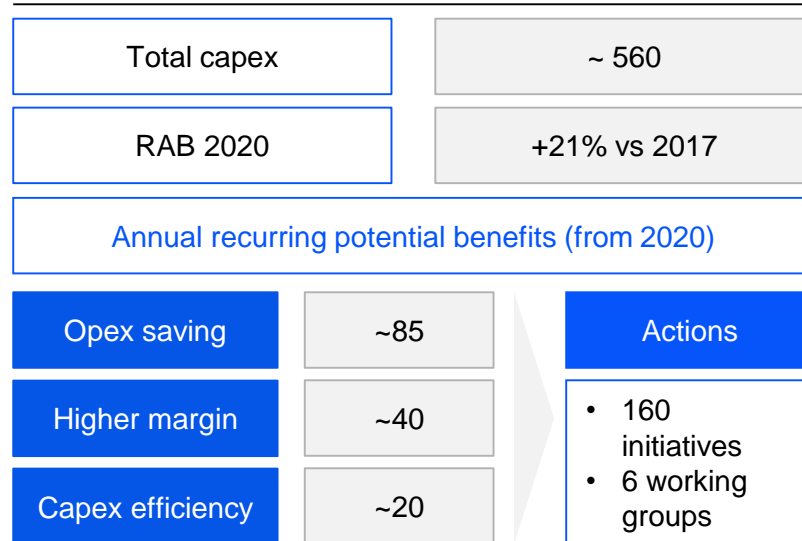
CELG 2020 Project



## Key performance indicators



## Project plan (€m)



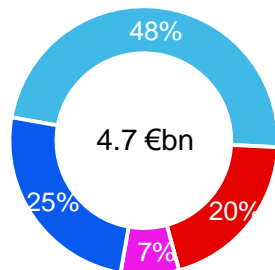
Remarkable restructuring leads to more than 200% EBITDA increase

# Capital Markets Day – Global infrastructure and networks

Industrial growth 2018-20

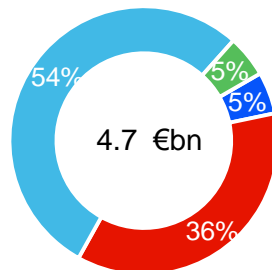


Growth capex<sup>1</sup> by area (€bn)



■ Italy ■ Iberia ■ Romania ■ South America

Growth capex<sup>1</sup> by technology (€bn)



■ Smart grid  
■ Smart meter  
■ Quality & efficiency  
■ ICT

Key figures

67.2 mn connected end users

Cumulative growth EBITDA<sup>1</sup> 1.7 €bn

Average time to EBITDA < 1.5 years

Spread over WACC ~ 400 bps

**Digitalization as key lever**

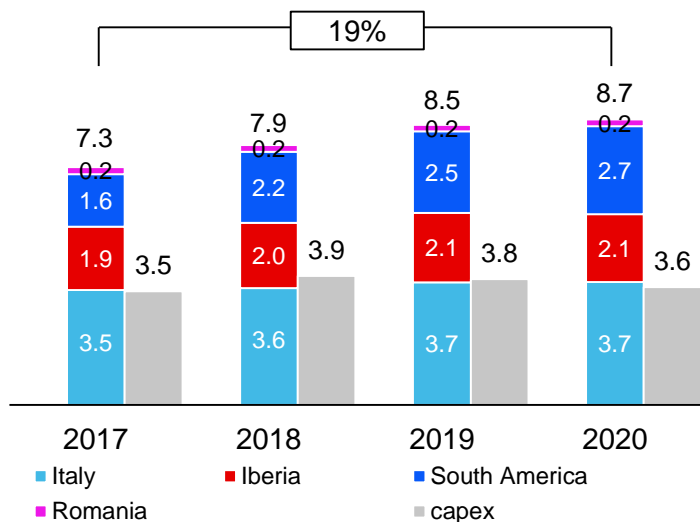
1. Excluding one-off

# Capital Markets Day – Global infrastructure and networks

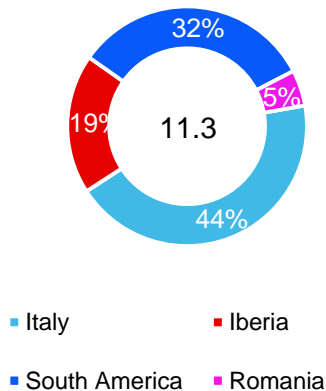
## Financial targets



EBITDA by geography and capex 2017-20 (€bn)



Capex by geography 2018-20 (€bn)



Key trends

Diversified geographical footprint

Stable regulatory framework with predictable returns

Strong efficiencies

Further growth through committed investments

**Strong and sustainable cash generating growth**