



aceea

**Acea Group
Business Plan 2019-2022**

“Italian Investment Conference”

Milan - May 23, 2019

Agenda



ACEA TODAY: Challenges of today and tomorrow



MARKET SCENARIO AND TRENDS



BUSINESS PLAN 2019-2022



STRATEGY AND TARGETS



BUSINESS LINE HIGHLIGHTS



STRATEGIC OPPORTUNITIES



CLOSING REMARKS



Q&A



ANNEX

aceea is speeding up...

*...reached 2018 targets
with double digit growth vs 2017*

EBITDA

€933M +11%

Guidance 3-5%, IIQ >5%, IIIQ >6%

Net Income

€271M +50%

Capex

€631M +99M

NFP

€2,568M

NFP/EBITDA

2.8x



Acea Today

Leader in the multi-utility market



Water

1° Italian player
in the water supply sector

With **9 millions** customers served in Lazio, Tuscany, Umbria and Campania

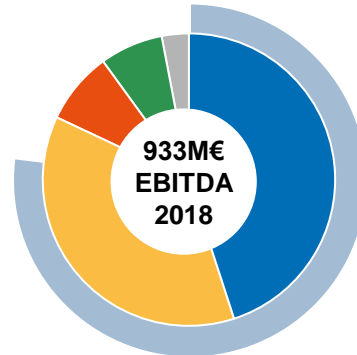


Energy Infrastructure

Among the leading Italian players in the electricity distribution market

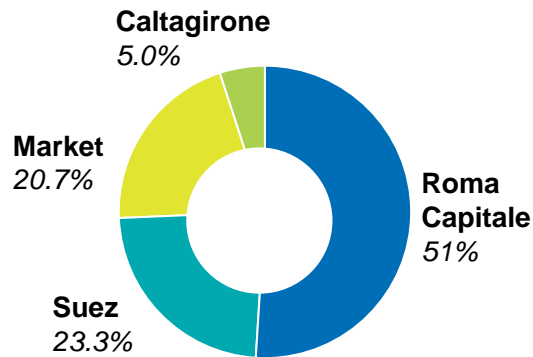
with **10 TWh** distributed electricity

2018 EBITDA



77% regulated

Shareholder structure



Source: CONSOB May 2019



Commercial & Trading

Among the main national players in the energy market

with **6 TWh** of electricity sold



Environment

Leading player in the Italian waste treatment sector

with **more than 1.1 mln tons** waste treated/disposed

Market Scenario and Trends

Main market trends in the multi-utility sector

Decarbonization



- **Production from renewables** will grow from 35% (2017) to 55% (2030), also pushed by «**grid parity**»
- Growth of **energy efficiency solutions**

Urbanization and circular economy



- More than **2/3 of EU** population live in urban area and this trend is increasing (~80% expected at 2050)
- New solutions to recycle materials to reduce urban pollution

Digitalization



- **Big data analytics** for a more efficient energy system
- **IOT technology** allowing a better client and asset management and new business models

Customer Centricity



- Profit pool shifting toward the client
- Growth of the **service offering** vs. pure commodity

Distributed Generation



- High growth of self-consumption based on PV and cogeneration systems
- Further **energy storage** and **smart grid systems** boost

Demand Electrification



- Expected energy demand electrification **growth** (i.e. e-mobility, heat pump, ...)

Challenges of today and tomorrow for

Strong **awareness** of our **ability** to **outperform again**

New Plan 19-22 *Target* 2020: €1.1B
EBITDA 2022: €1.3B 

Targets already **outperformed**

2018 Results EBITDA 2018: €933M  **Outperformed**
2019 target

Committed with **challenging targets**

Old Plan 18-22 EBITDA target 2019: €916M
2020: €1.0B
2022: €1.1B

Strategy and Targets

Pillars of the Business Plan 2018-22 ...



Business Plan 2018-2022

Industrial Growth

Local focus & Sustainability

Technology, Innovation and Quality

Operational Efficiency

- **Infrastructural** development
- **Client-oriented** and **service-based** approach

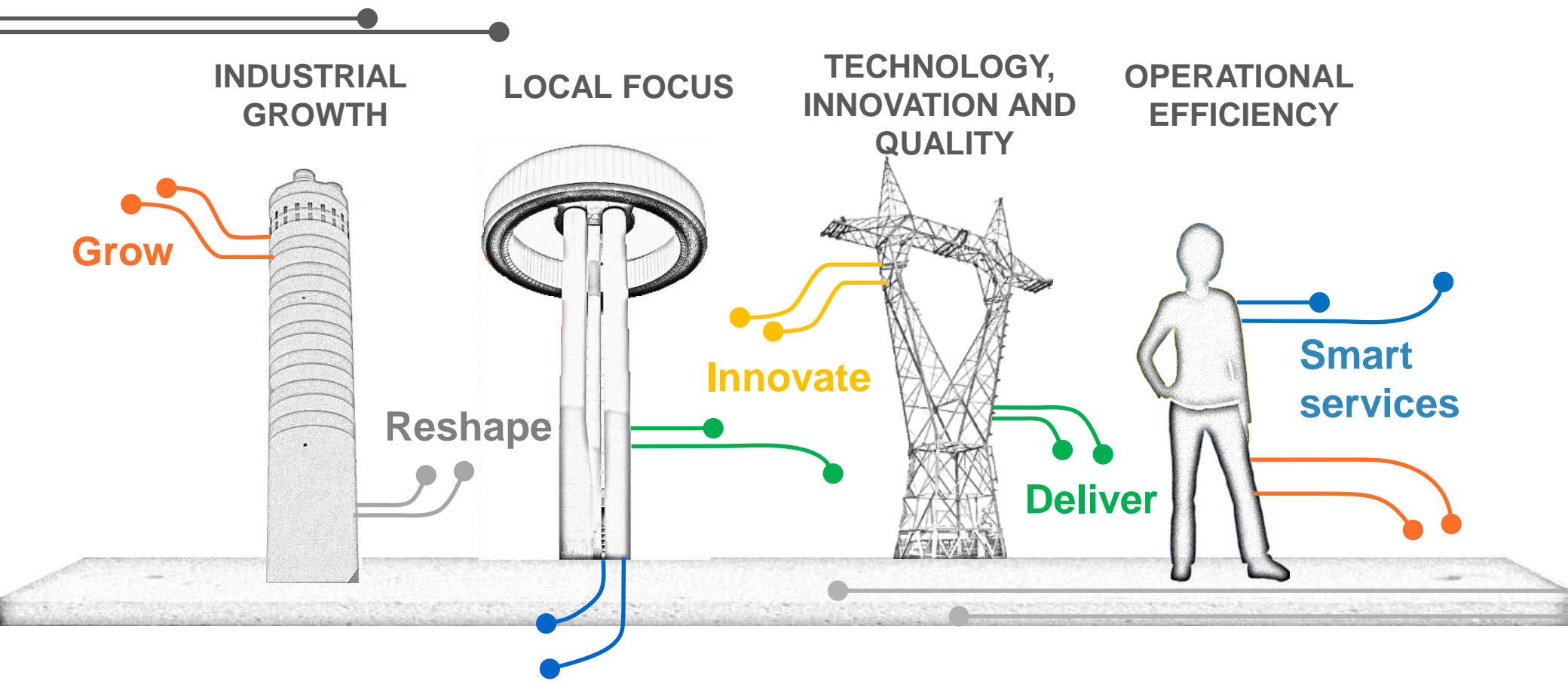
- **Sustainable** development
- **Dialogue** and **collaboration**

- **Research & innovation** applied to **industrial processes**
- Customer experience improvement
- Group-wide **innovation strategy**

- **Capex discipline**
- **Operational improvement**
- **Supply chain optimization**
- **Balanced** organizational **model**

Strategy and Targets

...evolved into... *GRIDS*



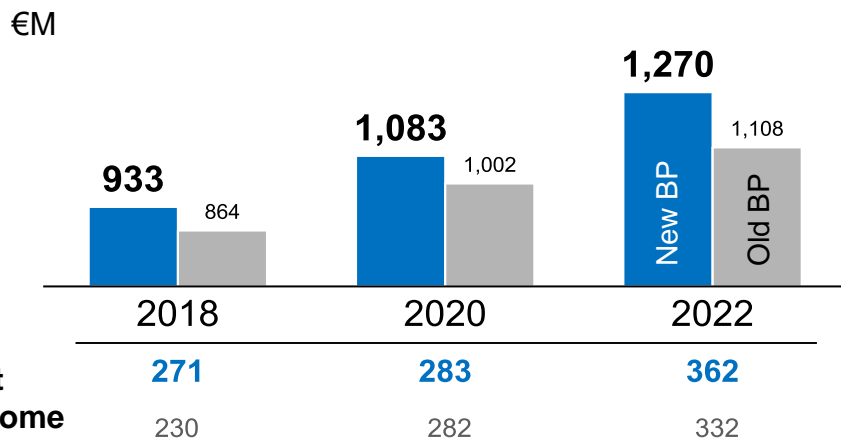
Grow **R**eshape **I**nnovate **D**eliver **S**mart !

Strategy and Targets

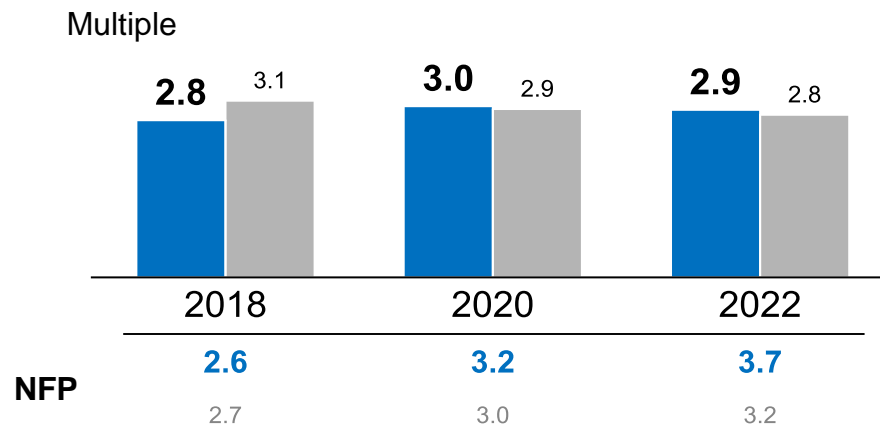
Strong and sustainable growth

| pre-tax ROIC | 2018 | 2020 | 2022 |
|--------------|-------|------|------|
| | 11.0% | >10% | >11% |

EBITDA growth with +8.0% CAGR

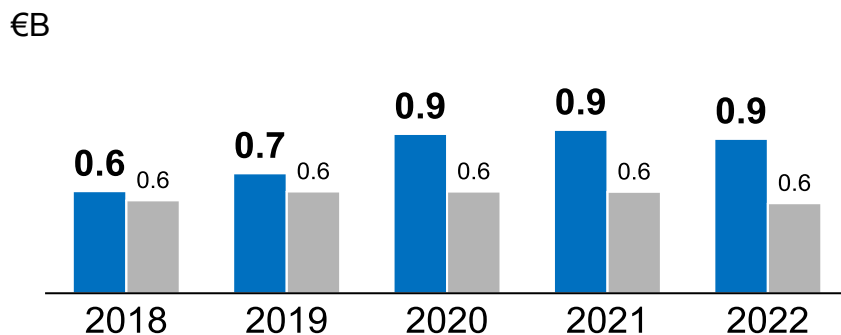


NFP/EBITDA down to 2.9X

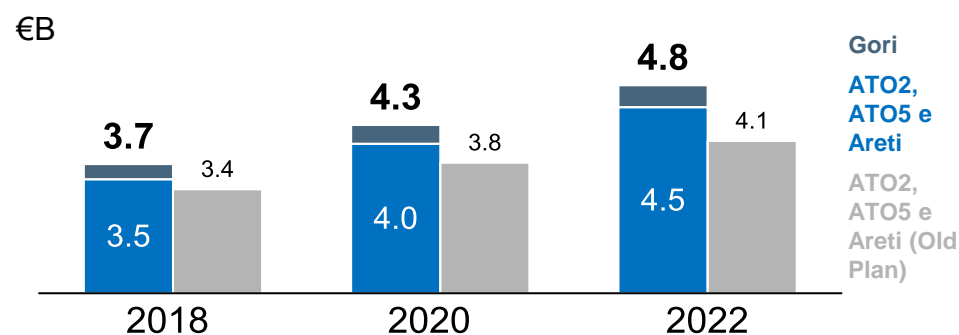


CAPEX €4.0B

CAPEX old plan €3.1B

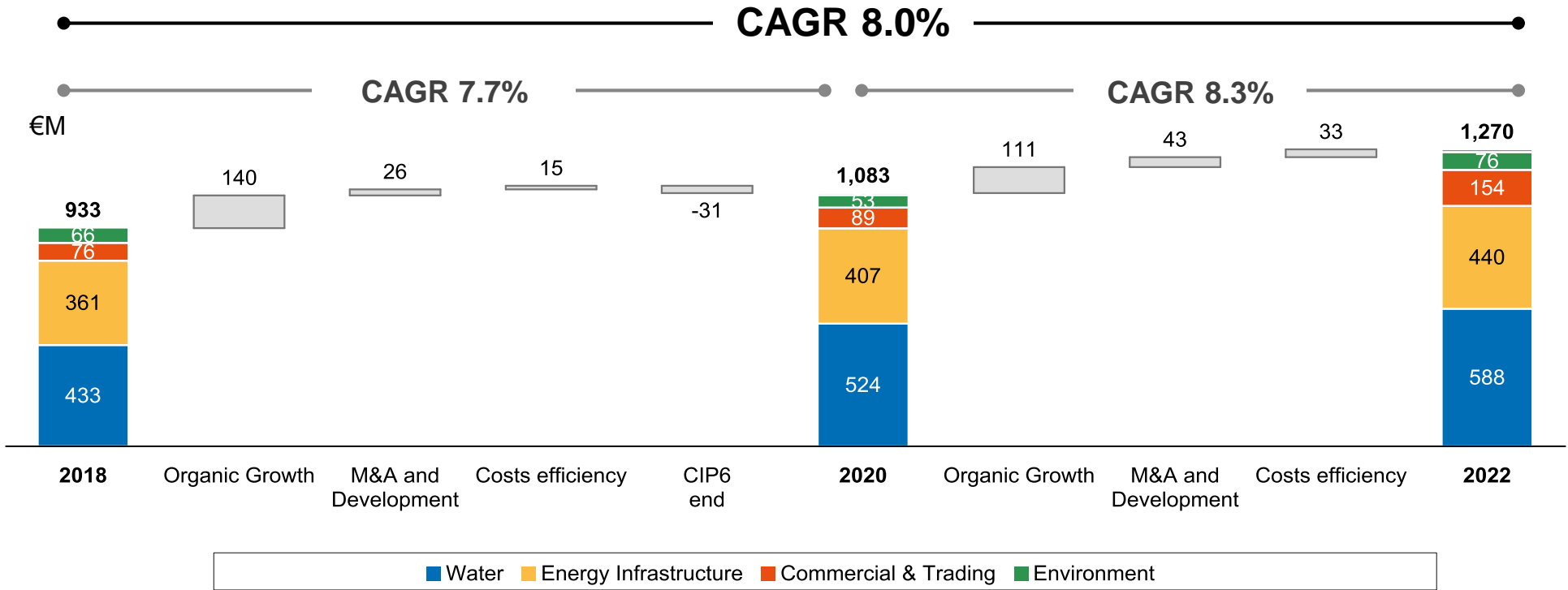


RAB up ~30% by 2022



Strategy and Targets

Outperformed previous business plan EBITDA targets



Performance improvement and cost efficiency + Generational turnover + Strengthening operations



Water

- Tariff increase due to investments (Peschiera / Marcio)
- Gori consolidation
- Pescara Gas



Energy Infrastr.

- Tariff increase due to investments in Resilience
- Penalties cancellation for network losses
- PV development



Comm. & Trading

- Commercial Boost
- Cost-to-serve reduction
- Delay of Maggior Tutela phase-out

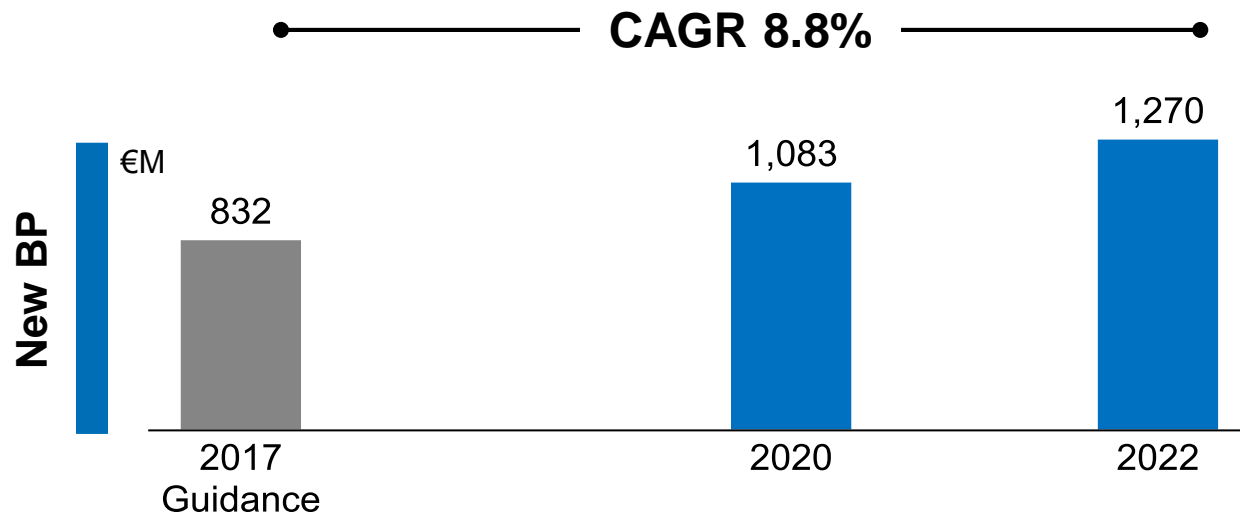
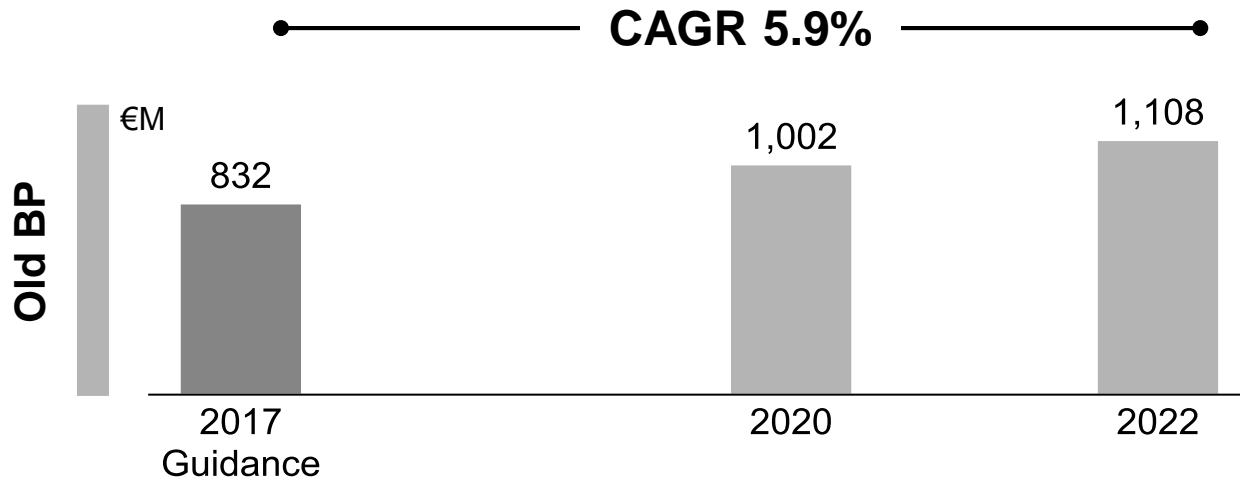


Environment

- Expansion of existing plants
- Development of new plants and M&A
- CIP6 incentive end

Strategy and Targets

EBITDA CAGR 3 p.p. higher than old business plan



New business plan
EBITDA **CAGR**
3 p.p. higher than
previous business
plan (assuming
equal starting point)

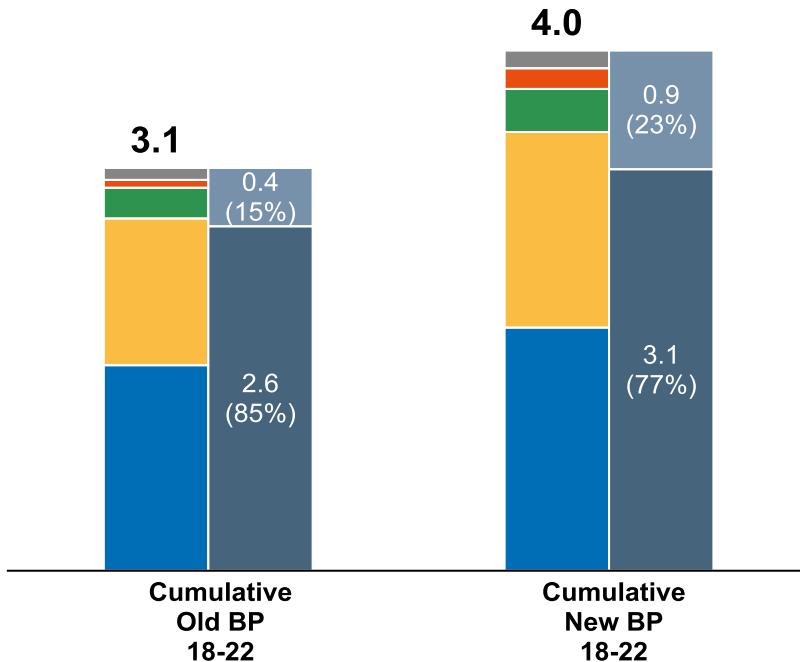
Strategy and Targets

Additional €900M investments

Cumulative 2018-2022

€B

- Water
- Energy Infrastructure
- Comm. & Trading
- Environment
- Other



Highlights

€M (approx.)



+250

Gori consolidation and additional investments (Peschiera/Marcio)



+200

PV growth with M&A and greenfield developments



+250

Innovation, Resiliency and modernization related investments

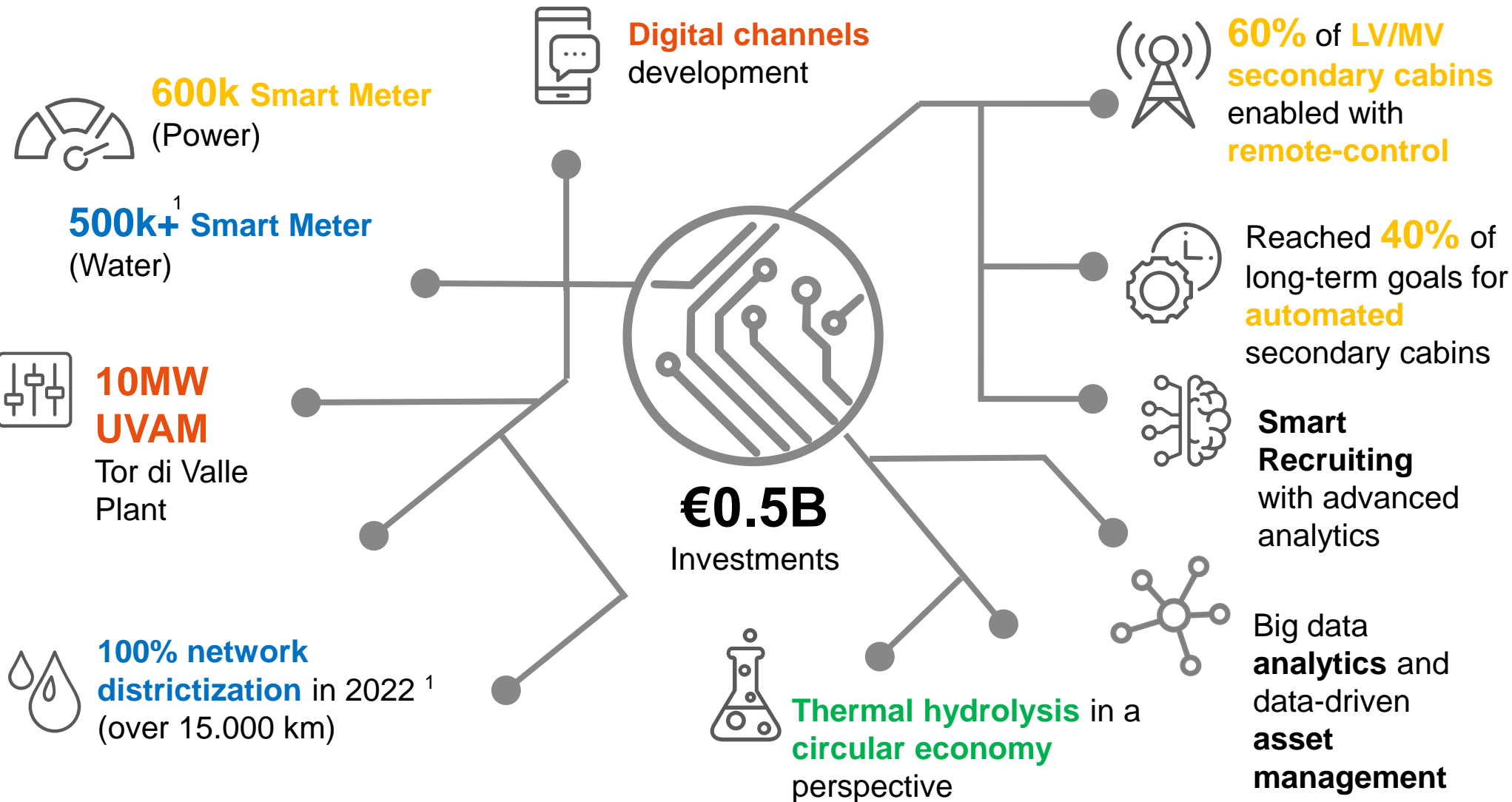


+100

M&A Waste acceleration in a circular economy perspective

Strategy and Targets

Innovation and Industry 4.0



Strategy and Targets






Sustainability growth

Additional **€400M** sustainability-linked capex bring our Sustainability effort to **€1.7B overall**

| | | | | | |
|--|-------------------------------------|---|---------------------------------|---|---|
|  | +€100M Peschiera & Marcio |  | +€200M PV development |  | +€100M Development / M&A circular economy |
|--|-------------------------------------|---|---------------------------------|---|---|

United Nations Sustainable Development Goals (SDGs)



| | | |
|---|---|---------------------|
|  | CO₂ Reduction <i>(Reduced losses, Purchase of Green Energy, Biogas Recovery)</i> | >200 kton |
|  | Recovering materials and energy in a Circular Economy perspective | +70% |
|  | Green Energy for internal use within the Group | 500 GWh |
|  | Power Grid Risk index reduction due to resiliency increase | -10% |
|  | Safety inspections of maintenance contractors | +50% |

Strategy and Targets

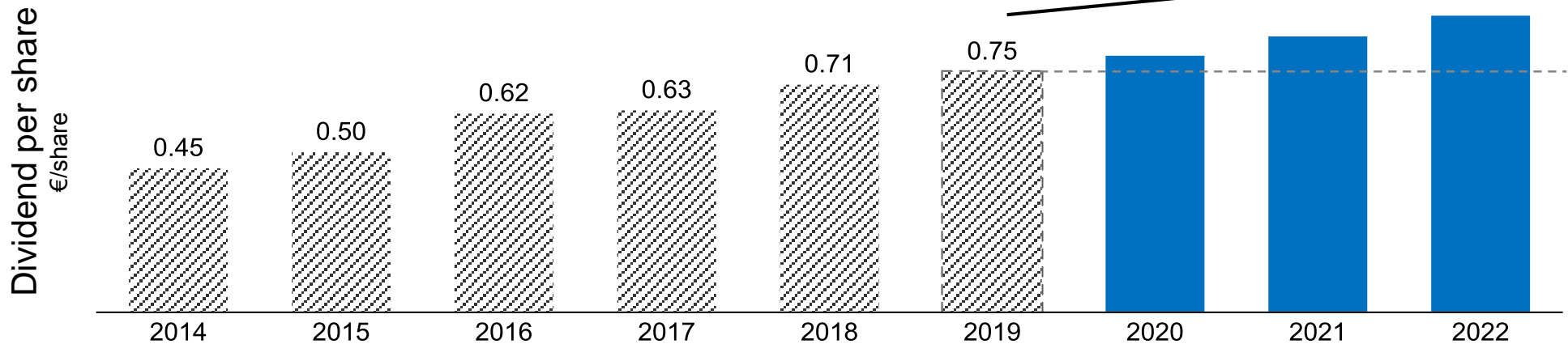
Growing dividends vs previous business plan



Growing
dividends vs old
business plan

€800M of dividends
throughout the plan,
+€100M vs old
business plan

0.75 minimum
dividend per share
from 2020



Financial strategy

Highlights

Working Capital

Improved working capital absorption (~€30M/year)

Rating

FitchRatings

MOODY'S

BBB+

Baa2

Stable outlook

Stable outlook

Debt

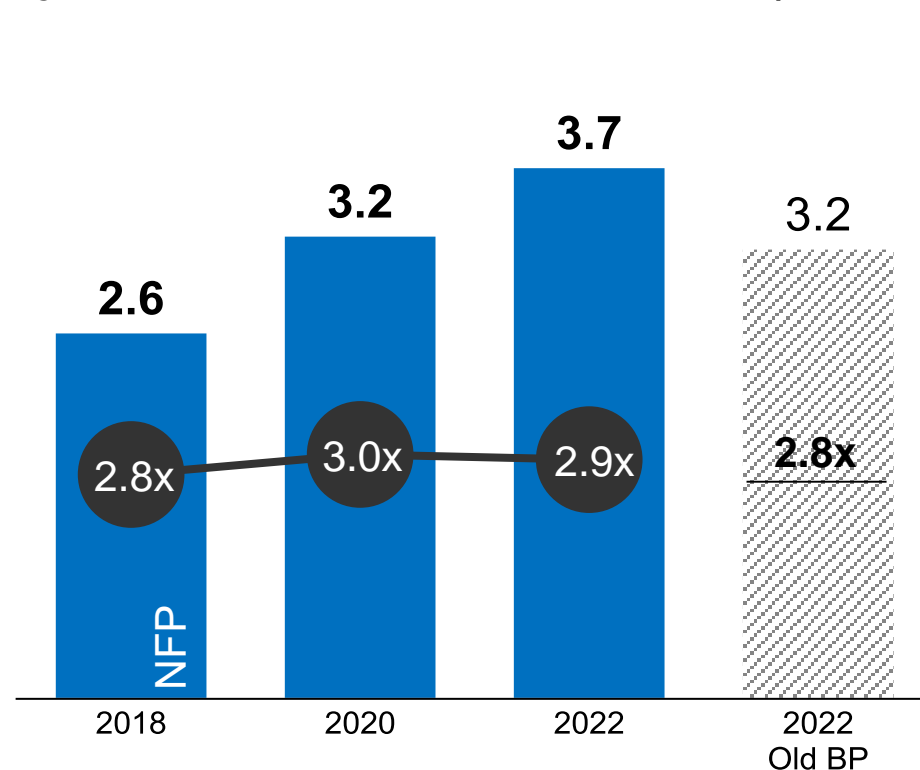
Situation at 31/12/2018

- Average maturity ~**5.8 yrs**
- Average cost of debt ~**2.2%**

Net Financial Position

€B

NFP/EBITDA






Water

Business Line Highlights

Water Business Line

Key Actions

 Implementation of old BP strategic initiatives

Development of a **Smart Water Company** for a **sustainable** usage of water, improving service **quality** and **efficiency**



500k+ smart water meter and projects for water network **districtization**



Focus on **preservation of water**, with **development** of a dedicated structure



Rationalization of **35+ small purification facilities**



90% investments on Technical Quality



Supply securitization, by doubling Peschiera (100M€ already included in 2019-'22 Plan)



Gori full consolidation (1.4M clients served)



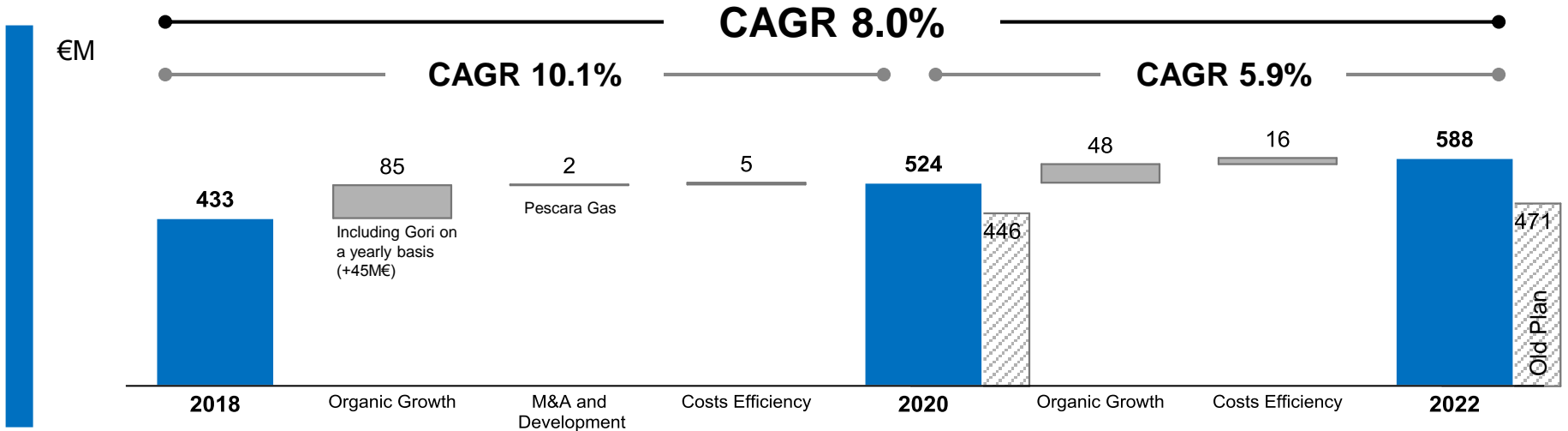
Acquisition of Pescara Gas (62k PDR) to enter in **gas distribution** business



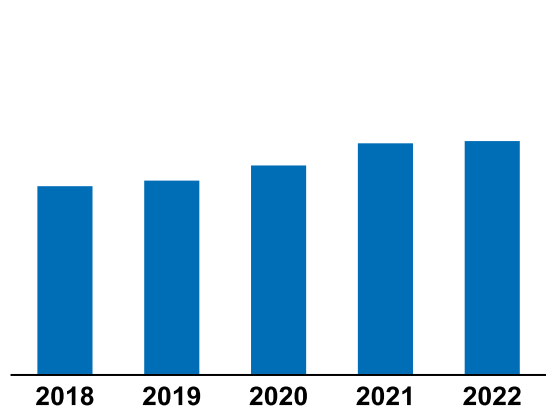
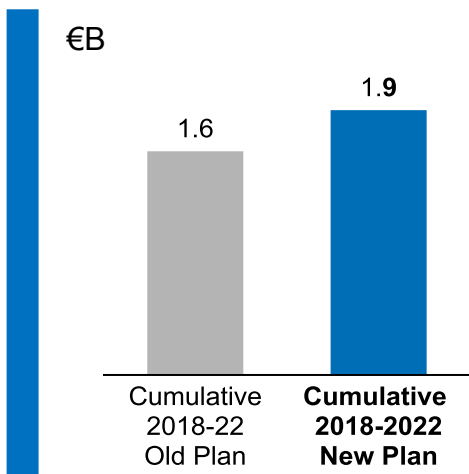
Water Business Line

Key Financials

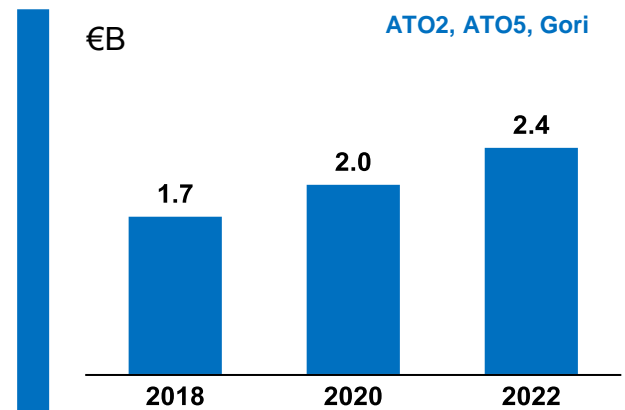
EBITDA



INVESTMENTS



RAB





Energy Infrastructure

Business Line Highlights

Energy Infrastructure

Key Actions

Main actor of the **energy transition** with projects enabling the **decarbonization** of the system



600k smart meters roll-out start



100+ M€ for Resiliency for electricity supply continuity vs Authority guidelines



150MW PV between **grid parity** and **M&A** on the secondary market

NEW



Remote control extension on 60% of the LV/MV secondary stations



Installation of over **600km of optical fiber** at the service of the existing infrastructure



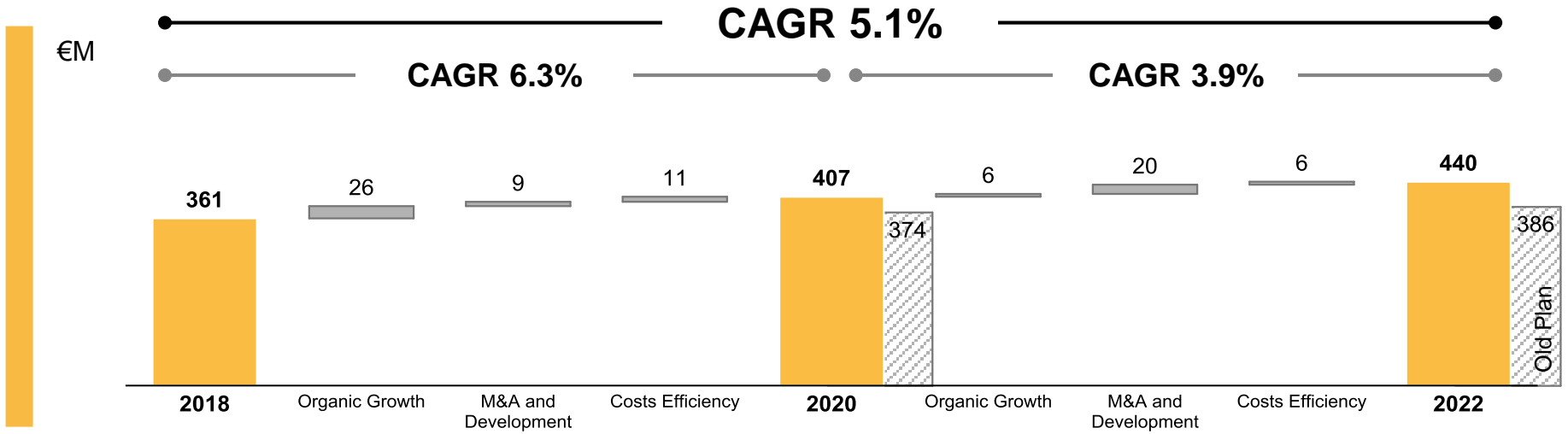
Renovation/expansion activities on the **LV/MV network** for over **2,500km**



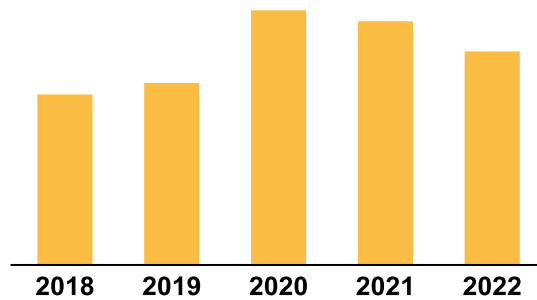
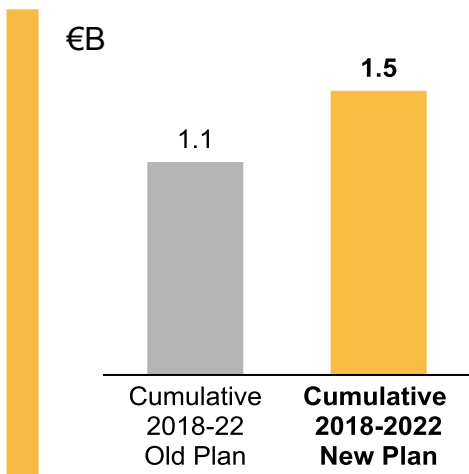
Energy Infrastructure

Key Financials

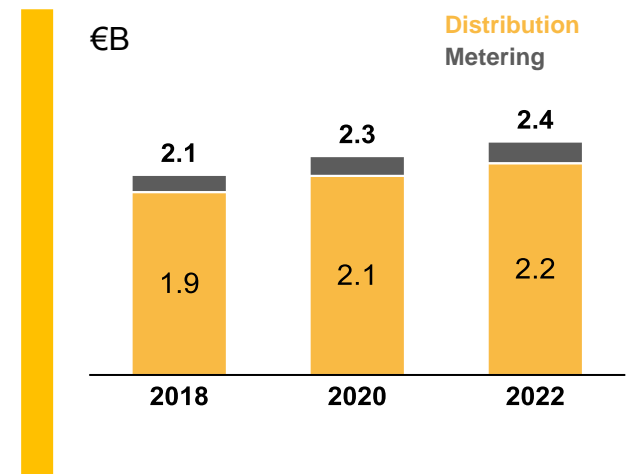
EBITDA



INVESTMENTS



RAB





Commercial and Trading

Business Line Highlights

Commercial and Trading

Key Initiatives

Growth of **retail** portfolio,
improvement of service **quality**
and **exploitation** of **energy**
transition opportunity



Strong commercial boost (3x vs. 2018) supported by a new offering model



Increase of share of pull commercial channels (e.g. Shop, Branch and Digital) up to 50%



Strengthening of digital channels (10% on total acquisitions)



Operational excellence on key processes and **reduction of 20% on CtS and 15% on CtC**



Launch of new **Value Added Services** (e.g. smart meters, insurance, thermal systems)



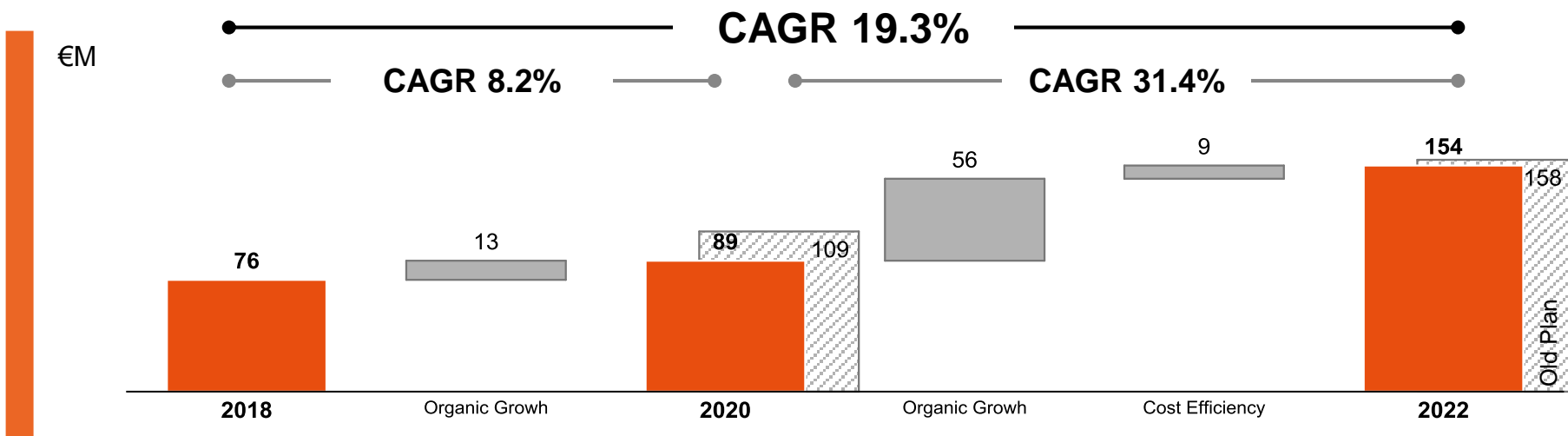
Entrance in the flexibility market (Terna auction for **UVAM** assigned to Tor di Valle plant for 10 MW)



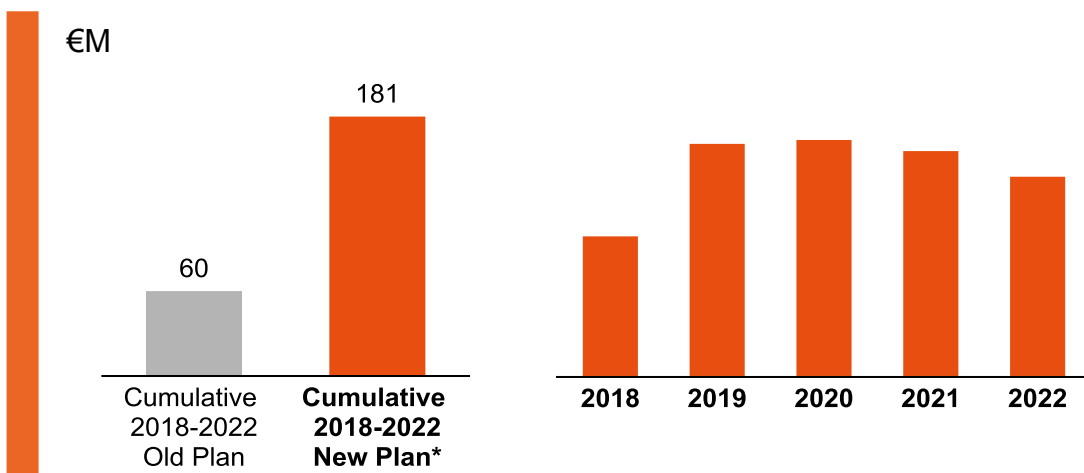
Commercial and Trading

Key Financials

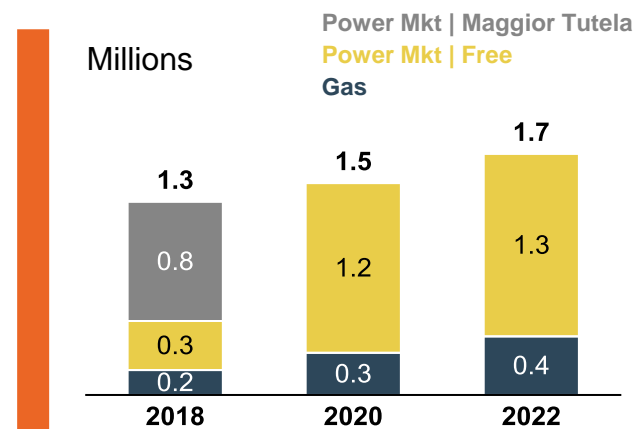
EBITDA



INVESTMENTS



CUSTOMER BASE





Environment

Business Line Highlights



Environment

Key Actions



Implementation of old BP strategic initiatives

Acceleration of plant development aimed at **recovering materials and energy** in a **Circular Economy perspective**



Doubling of treated waste (2.2 Mton target) with new plant development (e.g., organic fraction, liquid / sludge treatment, multi-material)



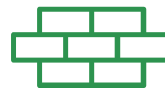
M&A and development in a Circular Economy perspective focused on material recovery (200+ kton)



Self-sufficiency in **sludge treatment** with innovative thermal hydrolysis technologies (80 kton)



Bioecologia integration with **liquid waste** treatment plant (~ 110 kton)

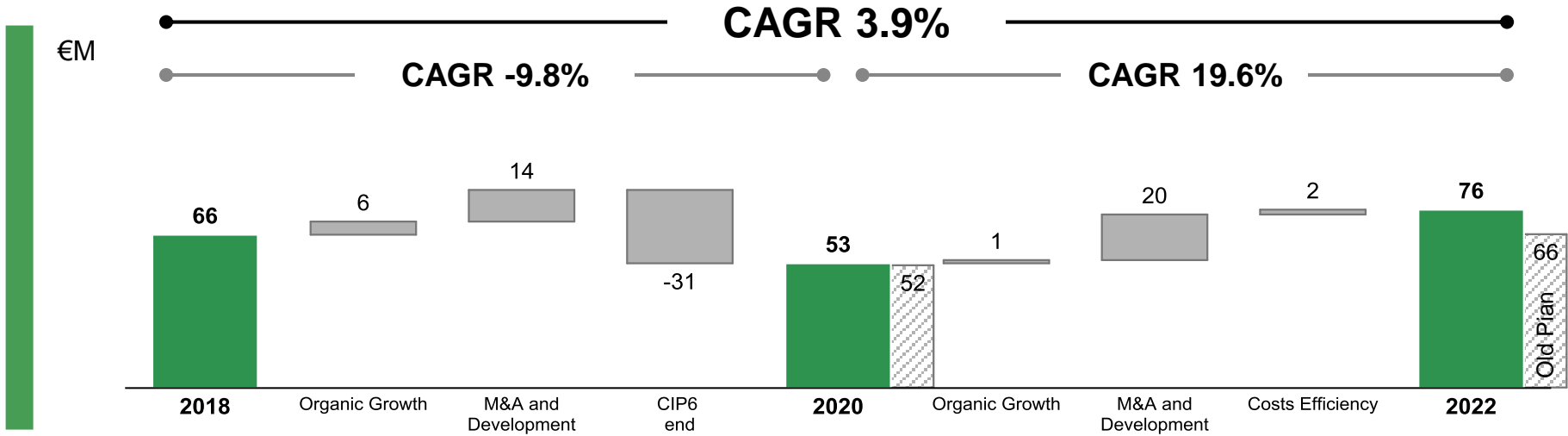


Partnership with market operators for the **recovery** of San Vittore WTE plant **ashes** in a **circular economy perspective**

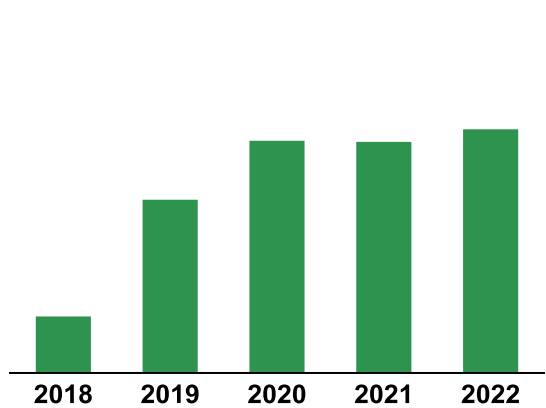
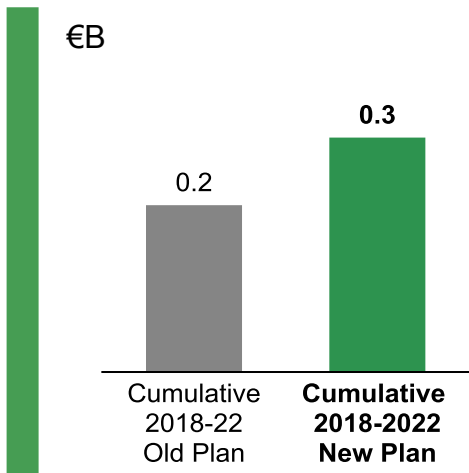


Environment Key Financials

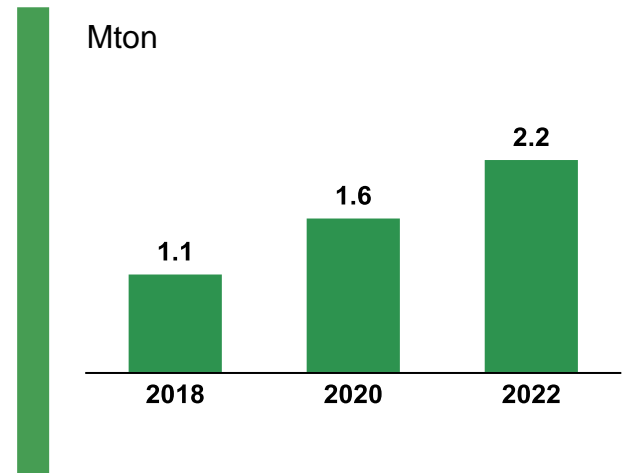
EBITDA



INVESTMENTS



VOLUMES







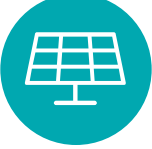



Strategic Opportunities

Potential Business Plan Upsides

Strategic Opportunities

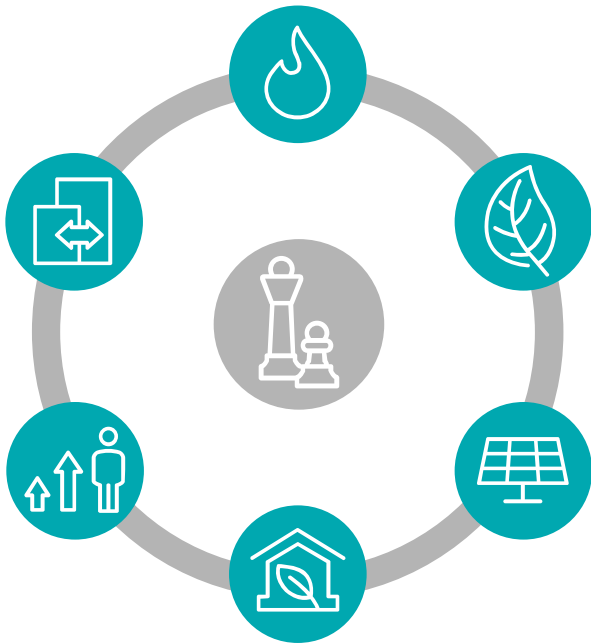
Potential initiatives to be implemented

| | | EBITDA (€M) | Investments (€M) |
|--|--|---------------------|------------------|
|  | Gas Distribution Growth in the gas distribution market with selected acquisition and ATEM tenders | 5-20 | 35-110 |
|  | Smart Energy Efficiency ESCO acquisitions and cogeneration / trigeneration pilots and thermal coat installations | 5-10 | 50-70 |
|  | M&A Waste Plant development acceleration also evaluating strategic partnership according the market consolidation | 40-60 | 200-350 |
|  | Clients Acquisition New clients acquisition consistent with current market consolidation trends | 8-12 | 60-90 |
|  | Growth in Renewables Additional growth in the PV market through alternative models (e.g., partnership with investors without society control) | ~10 | ~70 |
|  | Water Sector Consolidation Consolidation of water operators in Central Italy (e.g., Tuscany, Umbria) | 30-90 | 60-150 |
| | | 100-200 (€M) | |

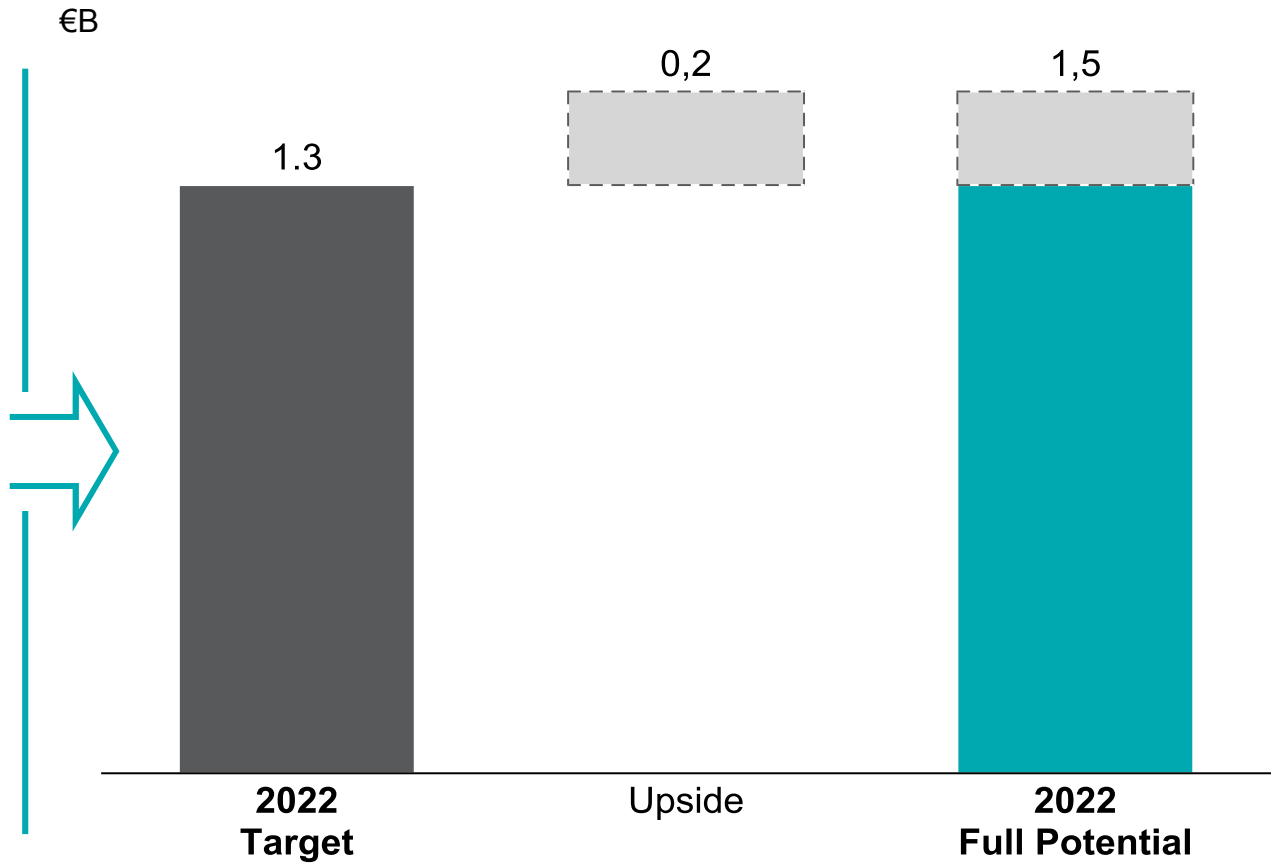
Strategic Opportunities

€0.2B potential upside 2022

Strategic Initiatives



Full Potential EBITDA Target



Closing Remarks

Old plan targets reached two years in advance



Old plan targets reached **two years** in **advance**



EBITDA CAGR of **8.8%** vs 5,9% old BP (equal starting point)
with new **2022 target** set to **€1.3B**



€4B investments (+ €0,9B vs old BP) with **M&A growth**



RAB up to **~ €5B**



NFP/EBITDA ratio under **3.0x** in 2022 with growing RAB and Capex

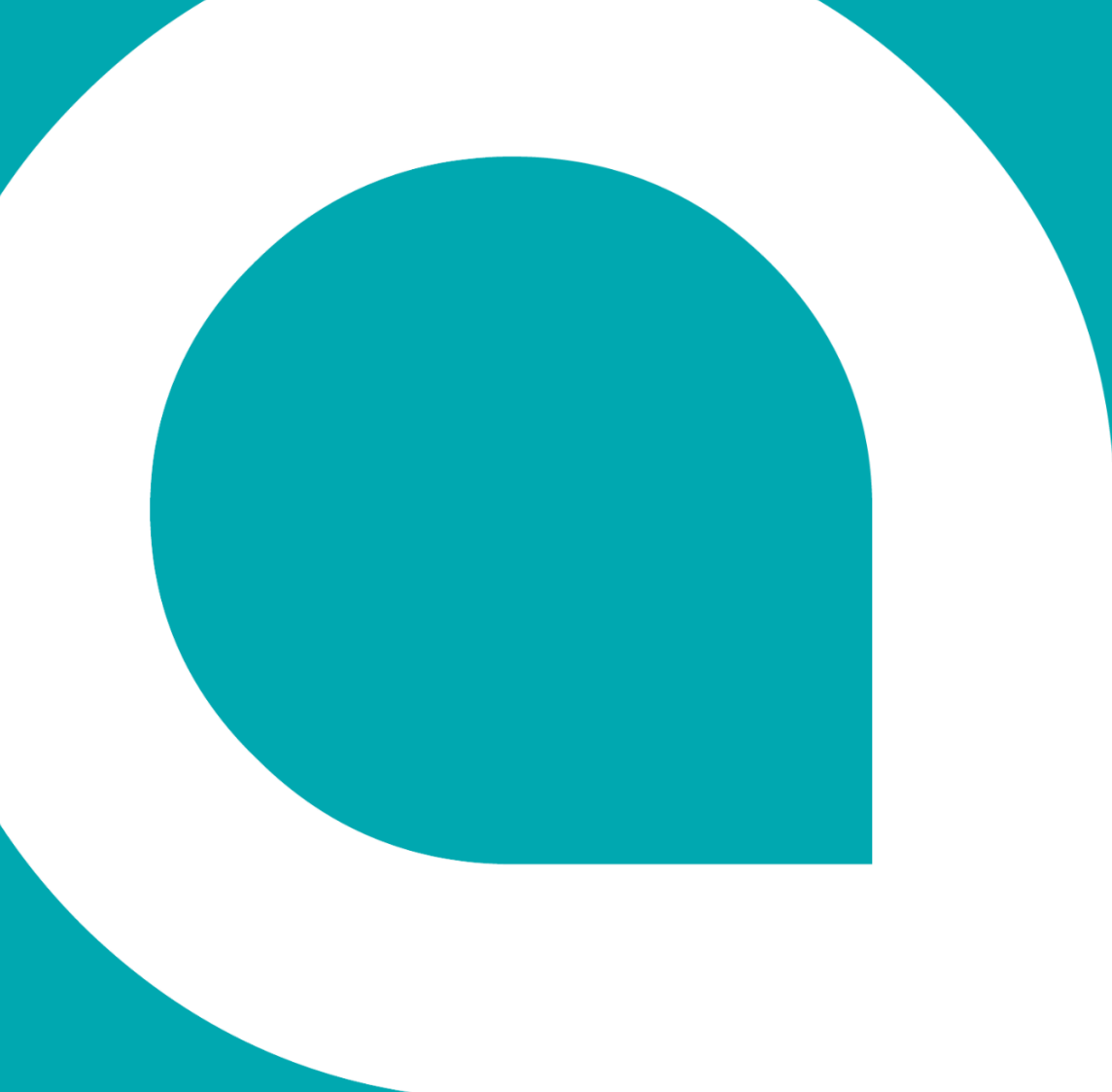


+ €100M in dividends with **minimum dividend per share** of **0.75 €/share** distributed in 2020

APPENDIX

Key Assumptions

| Assumptions | | 2019 | 2020 | 2021 | 2022 |
|-------------|-------------------|--------|-------|-------|-------|
| Exchange | <i>\$/€</i> | 1.17 | 1.18 | 1.18 | 1.18 |
| Brent | <i>\$/Bbl</i> | 76.71 | 71.67 | 68.61 | 67.41 |
| PUN | <i>€/MWh</i> | 65.97 | 60.62 | 55.10 | 56.09 |
| EU-ETS | <i>€/tons CO2</i> | 21.33 | 19.74 | 17.67 | 17.85 |
| CIP6 | <i>€/MWh</i> | 237.20 | | | |



Q1 2019 Results

| (€m) | Q1 2019 | Q1 2018 | % change |
|-----------------------------|---------------|--------------|---------------|
| | (a) | (b) | (a/b) |
| Consolidated revenue | 823.3 | 745.5 | +10.4% |
| EBITDA | 247.9* | 229.2 | +8.2% |
| EBIT | 132.8 | 127.4 | +4.2% |
| Group net profit | 75.5** | 77.4 | -2.5% |

EBITDA guidance 2019: +5/6%
versus 2018 (€933m)

+10.2% versus
Q1 2018 after income relating to
investment in TWS group

| | | | |
|--------------|--------------|--------------|---------------|
| Capex | 151.2 | 133.0 | +13.7% |
|--------------|--------------|--------------|---------------|

Capex guidance 2019: up by over 10%
versus 2018 (€631m)

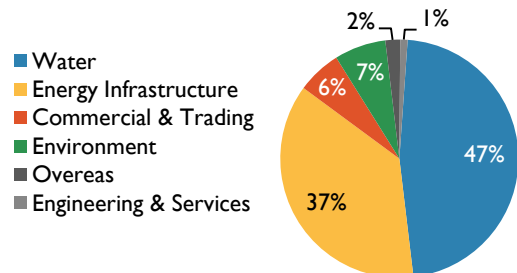
| (€m) | 31 Mar 2019 (a) | 31 Dec 2018 (b) | 31 Mar 2018 (c) | % change (a/b) | % change (a/c) |
|-------------------------|--------------------|--------------------|--------------------|-------------------|-------------------|
| Net debt | 2,675.7° | 2,568.0 | 2,482.1 | +4.2% | +7.8% |
| Invested capital | 4,655.0 | 4,471.5 | 4,197.0 | +4.1% | +10.9% |

Net debt guidance 2019: €2.85-2.95bn

* Effect of consolidation of Gori: €17.3m

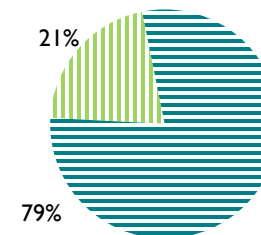
** Recognition in Q1 2018 of income from acquisition of the investment in the TWS group (€8.9m)

° Impact of application of IFRS16 from 1 January 2019 (up €55m)

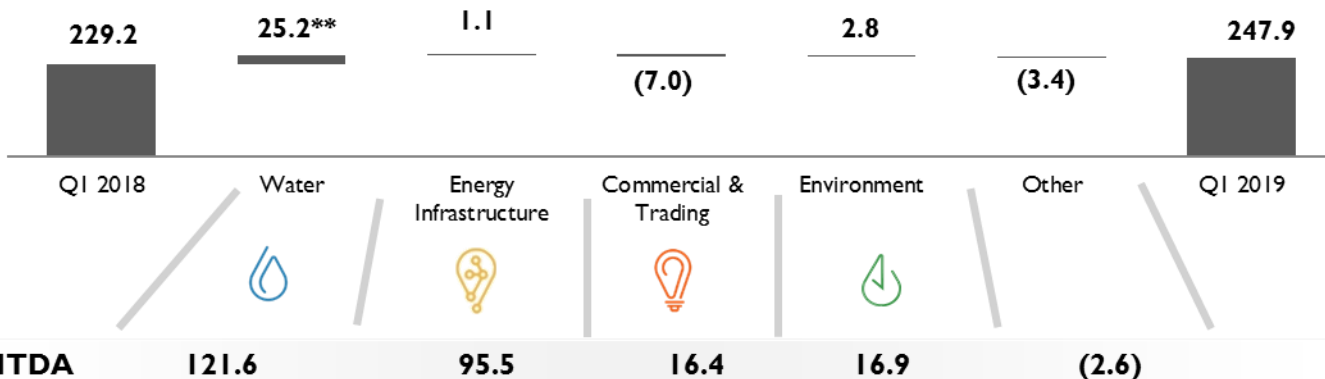


EBITDA Q1 2019

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



EBITDA (€m)



Average Group workforce

| QI 2019 | QI 2018 | Change |
|---------|---------|---------|
| 6,624 | 5,535 | +1,089* |

* Increase in workforce primarily reflects changes in scope of consolidation (Gori +812; Consorcio Servicio Sur +210; Pescara Distribuzione Gas +14).

** Effect of consolidation of Gori: €17.3m.

EBITDA and quantitative data

Q1 2019 financial highlights



Water

EBITDA main drivers

EBITDA GROWTH

- ▲ Acea ATO2: +€5.7m
- ▲ Acea ATO5: +€2.7m
- ▲ Line-by-line consolidation of Gori: +€17.3m
- ▼ Companies consolidated using equity method: -€0.9m

| (€m) | Q1 2019 (a) | Q1 2018 (b) | % change (a/b) | Quantitative data | Q1 2019 | Q1 2018 |
|---|----------------|----------------|-------------------|---|------------|------------|
| EBITDA <i>Of which:</i> | 121.6 | 96.4 | +26.1% | | | |
| Acea ATO2 | 89.5 | 83.8 | +6.8% | | | |
| Acea ATO5 | 6.5 | 3.9 | +66.7% | Total volume of water distributed (Mm³) | 125 | 127 |
| Gori | 17.9 | 0 | n/s | | | |
| Companies consolidated using equity method | 7.0 | 7.9 | -11.4% | | | |
| Other | 0.7 | 0.8 | -12.5% | | | |
| Capex | 73.1 | 67.3 | +8.6% | | | |
| | Q1 2019 (a) | Q1 2018 (b) | Change (a-b) | | | |
| Average workforce | 2,647 | 1,789 | +858* | | | |

* The increase primarily reflects the consolidation of Gori (+812) and Pescara Distribuzione Gas (+14)

EBITDA and quantitative data

Q1 2019 financial highlights



**Energy
Infrastructure**
EBITDA main drivers

EBITDA GROWTH

- ▲ Distribution: +€1.1m
- ▲ Generation: +€0.9m
- ▼ Public Lighting: -€1m

| (€m) | Q1 2019 (a) | Q1 2018 (b) | % change (a/b) | Quantitative data | Q1 2019 | Q1 2018 |
|--------------------------|------------------------|------------------------|-------------------------|--|--------------|--------------|
| EBITDA | 95.5 | 94.4 | +1.2% | Total electricity distributed (GWh) | 2,454 | 2,469 |
| - Distribution | 81.8 | 80.7 | +1.4% | Number of customers ('000s) | 1,630 | 1,626 |
| - Generation | 14.9 | 14.0 | +6.4% | Total electricity produced (GWh) | 166 | 155 |
| - Public Lighting | (1.2) | (0.2) | n/s | | | |
| Capex | 63.7 | 54.4 | +17.1% | | | |
| | Q1 2019 (a) | Q1 2018 (b) | Change (a-b) | | | |
| Average workforce | 1,378 | 1,380 | (2) | | | |

EBITDA and quantitative data

Q1 2019 financial highlights



Commercial & Trading

EBITDA main drivers

EBITDA

- ↓ Reduced margins on Free market (mass market segment)
- ↓ Reduced margins on Enhanced Protection market (cut in RCV)

| (€m) | Q1 2019 (a) | Q1 2018 (b) | % change (a/b) | Quantitative data | Q1 2019 | Q1 2018 |
|--------------------------|----------------|----------------|-------------------|---|--------------|--------------|
| EBITDA | 16.4 | 23.4 | -29.9% | Total energy sold (GWh) | 1,646 | 1,593 |
| | | | | <i>Enhanced Protection market</i> | 1,047 | 930 |
| | | | | <i>Free market</i> | 599 | 663 |
| Capex | 6.1 | 4.1 | +48.8% | No. of electricity customers ('000s) | 1,173 | 1,204 |
| | | | | <i>Enhanced Protection market</i> | 342 | 324 |
| | | | | <i>Free market</i> | 831 | 880 |
| Average workforce | 469 | 467 | +2 | Total gas sold (Mm³) | 64 | 57 |
| | | | | No. of gas customers ('000s) | 177 | 140 |

EBITDA and quantitative data

Q1 2019 financial highlights



Environment

EBITDA main drivers

EBITDA GROWTH

- ▲ Acea Ambiente: +€2.6m
- ▲ Aquaser (sludge recovery): +€0.5m
- ▼ Acque Industriali: -€0.3m

| (€m) | Q1 2019 (a) | Q1 2018 (b) | %change (a/b) | Quantitative data | Q1 2019 | Q1 2018 |
|---------------|----------------|----------------|------------------|--|------------|------------|
| EBITDA | 16.9 | 14.1 | +19.9% | Treatment and disposal* (Ktonnes) | 304 | 254 |
| Capex | 3.1 | 4.6 | -32.6% | WTE electricity produced (GWh) | 85 | 89 |

| | Q1 2019 (a) | Q1 2018 (b) | Change (a-b) |
|--------------------------|----------------|----------------|-----------------|
| Average workforce | 372 | 361 | +11** |

* Includes ash disposed of

** Consolidation of Bioecologia (+9)

EBITDA and quantitative data

Q1 2019 financial highlights



Overseas



Positive contribution from Aguas de San Pedro



Engineering & Services



Increased contribution from Ingegnerie Toscane and TWS
Fall in contribution from Acea Elabori

| (€m) | Q1 2019 (a) | Q1 2018 (b) |
|------|----------------|----------------|
|------|----------------|----------------|

| | | |
|---------------|------------|------------|
| EBITDA | 3.8 | 3.0 |
| Capex | 1.5 | 0.8 |

| | Q1 2019 (a) | Q1 2018 (b) | Change (a-b) |
|--|----------------|----------------|-----------------|
|--|----------------|----------------|-----------------|

| | | | |
|--------------------------|------------|------------|--------------|
| Average workforce | 815 | 604 | +211* |
|--------------------------|------------|------------|--------------|

| (€m) | Q1 2019 (a) | Q1 2018 (b) |
|------|----------------|----------------|
|------|----------------|----------------|

| | | |
|---------------|------------|------------|
| EBITDA | 2.0 | 2.2 |
| Capex | 0.3 | 0.3 |

| | Q1 2019 (a) | Q1 2018 (b) | Change (a-b) |
|--|----------------|----------------|-----------------|
|--|----------------|----------------|-----------------|

| | | | |
|--------------------------|------------|------------|-----------|
| Average workforce | 276 | 270 | +6 |
|--------------------------|------------|------------|-----------|



Holding company

| (€m) | Q1 2019 (a) | Q1 2018 (b) |
|------|----------------|----------------|
|------|----------------|----------------|

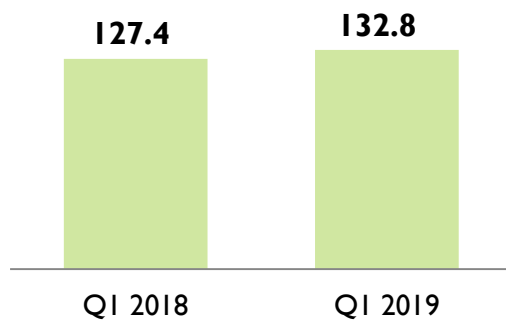
| | | |
|---------------|--------------|--------------|
| EBITDA | (8.4) | (4.2) |
| Capex | 3.5 | 1.5 |

| | Q1 2019 (a) | Q1 2018 (b) | Change (a-b) |
|--|----------------|----------------|-----------------|
|--|----------------|----------------|-----------------|

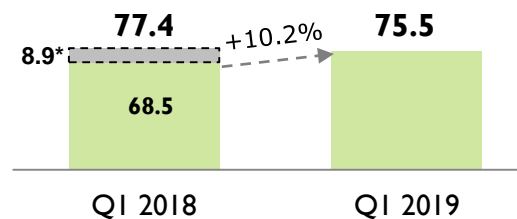
| | | | |
|--------------------------|------------|------------|-----------|
| Average workforce | 667 | 664 | +3 |
|--------------------------|------------|------------|-----------|

* Consolidation of Consorcio Servicio Sur (+210)

EBIT (€m)



NET PROFIT (€m)



TAX RATE

30.4%

29.6%

| (€m) | Q1 2019 | Q1 2018 | % change |
|--------------|--------------|--------------|---------------|
| Depreciation | 95.2 | 77.5 | +22.8% |
| Write-downs | 18.6 | 21.1 | -11.8% |
| Provisions | 1.4 | 3.3 | -57.6% |
| Total | 115.2 | 101.9 | +13.1% |

* Income relating to acquisition of the investment in the TWS group (€8.9m)

Capex

Capex growth continues, above all in regulated businesses

Capex (€m)



Capex

| Category | Capex (€m) |
|-----------------------|------------|
| Water | 73 |
| Energy Infrastructure | 64 |
| Commercial & Trading | 6 |
| Environment | 3 |
| Other** | 5 |

- Repair and widening of water and sewage pipes
- Extraordinary maintenance of water centres
- Work on treatment plants

- Upgrade and expansion of grid
- Work on Tor di Valle power plant

- Capitalisation of agents' fees (IFRS 15)
- IT systems

- Work on Terni and San Vittore WTE plants
- Expansion of Orvieto landfill
- Revamping of Monterotondo plant

* Effect of consolidation of Gori (€8m)

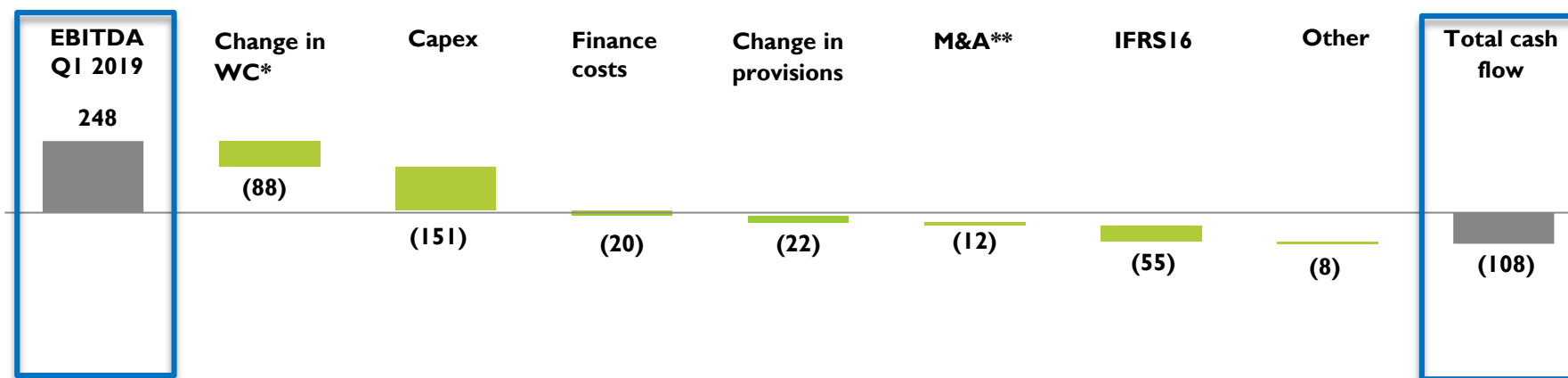
** Overseas, Engineering & Services, Corporate

| (€m) | Q1 2019 | Q1 2018 |
|--|--------------|-------------|
| EBITDA | 248 | 229 |
| Change in working capital | (88) | (101) |
| CAPEX | (151) | (133) |
| FREE CASH FLOW | 9 | (5) |
| Net finance income/(costs) | (20) | (20) |
| Provisions | (22) | (26) |
| M&A** | (12) | 0 |
| IFRS16 | (55) | 0 |
| Other | (8) | (9) |
| TOTAL CASH FLOW | (108) | (61) |
| <i>TOTAL CASH FLOW excluding impact of IFRS16 and acquisition of Pescara Distribuzione Gas</i> | <i>(41)</i> | <i>(61)</i> |

ESTIMATED IMPACT OF IFRS16 IN 2019 (€m)

| | |
|-----------------------|----|
| Net debt | 55 |
| Fixed assets | 55 |
| Lower operating costs | 10 |
| Higher depreciation | 9 |
| Finance costs | 1 |

Compared with Q1 2018, total cash flow for Q1 2019 (excluding the impact of IFRS 16 and the acquisition of Pescara Distribuzione Gas) is up €20m, thanks to the performance of credit collection and measures designed to optimise working capital.



* Before adjustments for credit losses

** Acquisition of Pescara Distribuzione Gas

Net debt

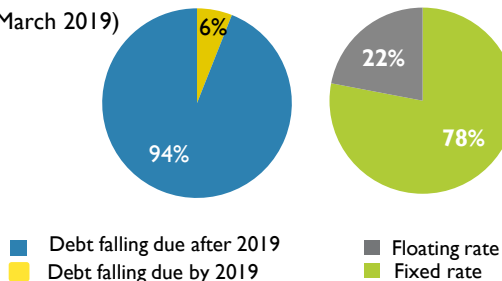
| (€m) | 31 Mar 2019 (a) | 31 Dec 2018 (b) | 31 Mar 2018 (c) | Change (a-b) | Change (a-c) |
|------------------|--------------------|--------------------|--------------------|-----------------|-----------------|
| Net debt | 2,675.7* | 2,568.0 | 2,482.1 | 107.7 | 193.6 |
| Medium/long-term | 2,979.6 | 3,341.4 | 3,540.2 | (361.8) | (560.6) |
| Short-term | (303.9) | (773.4) | (1,058.1) | 469.5 | 754.2 |

| 31 March 2019 | |
|------------------|----------------------|
| NET DEBT/ EQUITY | NET DEBT/ EBITDA LTM |
| 1.4x | 2.8x |

Debt structure

(maturity and interest rates at 31 March 2019)

- > Fixed rate **78%**
- > Average cost **2.19%**
- > Average term **5.5 years**



Ratings

FitchRatings

MOODY'S

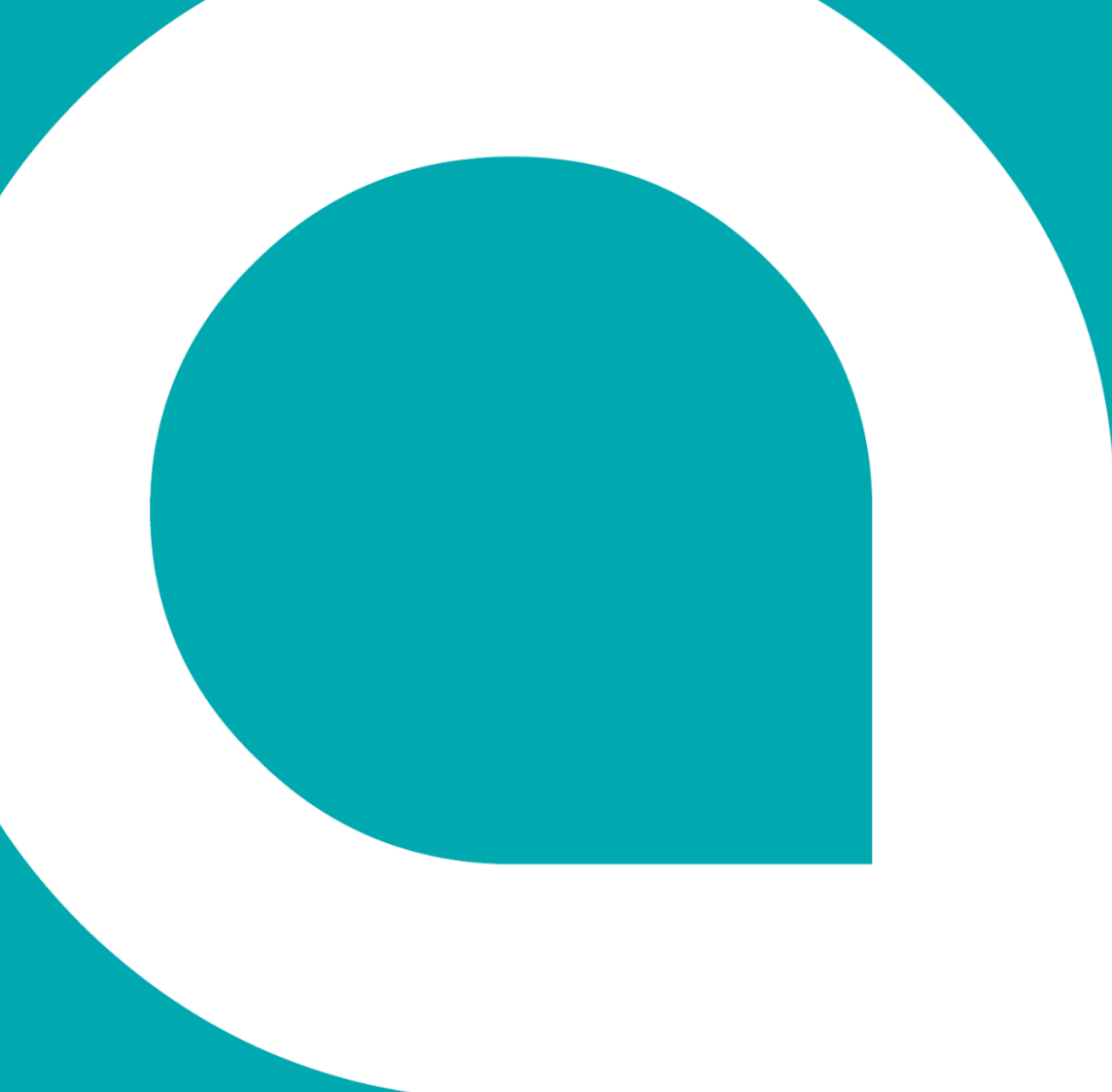
BBB+

Baa2

Stable Outlook

Stable Outlook

* Impact of application of IFRS16 from 1 January 2019 (+€55m)



2018 Results

2018 financial highlights

Group beats targets for 2018

| (€m) | 2018 (a) | 2017 (b) | % change (alb) |
|------------------------|-------------|-------------|-------------------|
| Consolidated revenue | 3,028.5 | 2,797.0 | +8.3% |
| EBITDA | 933.2* | 840.0 | +11.1% |
| EBIT | 478.6 | 359.9 | +33.0% |
| Group net profit | 271.0 | 180.7 | +50.0% |
| Dividend per share (€) | 0.71 | 0.63 | +12.7% |
| <hr/> | | | |
| Capex | 631.0 | 532.3 | +18.5% |

Organic growth of 7.7% to €905m

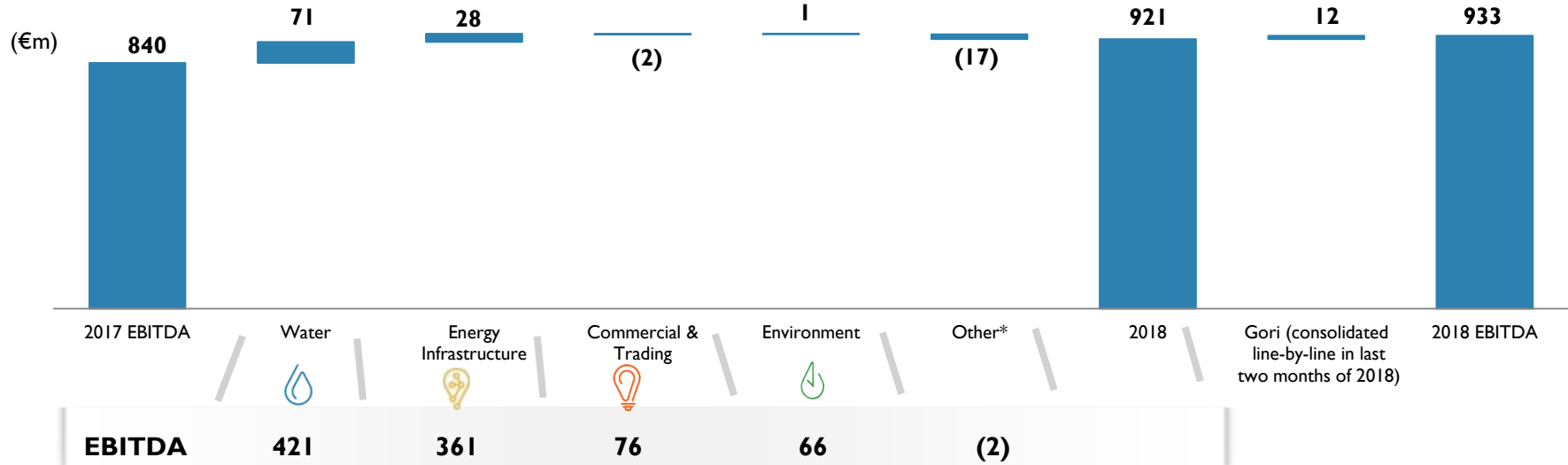
Plan target achieved 12 months earlier than expected

| (€m) | 31 Dec 2018 (a) | 30 Sep 2018 (b) | 31 Dec 2017 (c) | % change (alb) | % change (alc) |
|------------------|--------------------|--------------------|--------------------|-------------------|-------------------|
| Net debt | 2,568.0 | 2,631.1 | 2,421.5 | -2.4% | +6.0% |
| Invested capital | 4,471.5 | 4,387.7 | 4,232.7 | +1.9% | +5.6% |

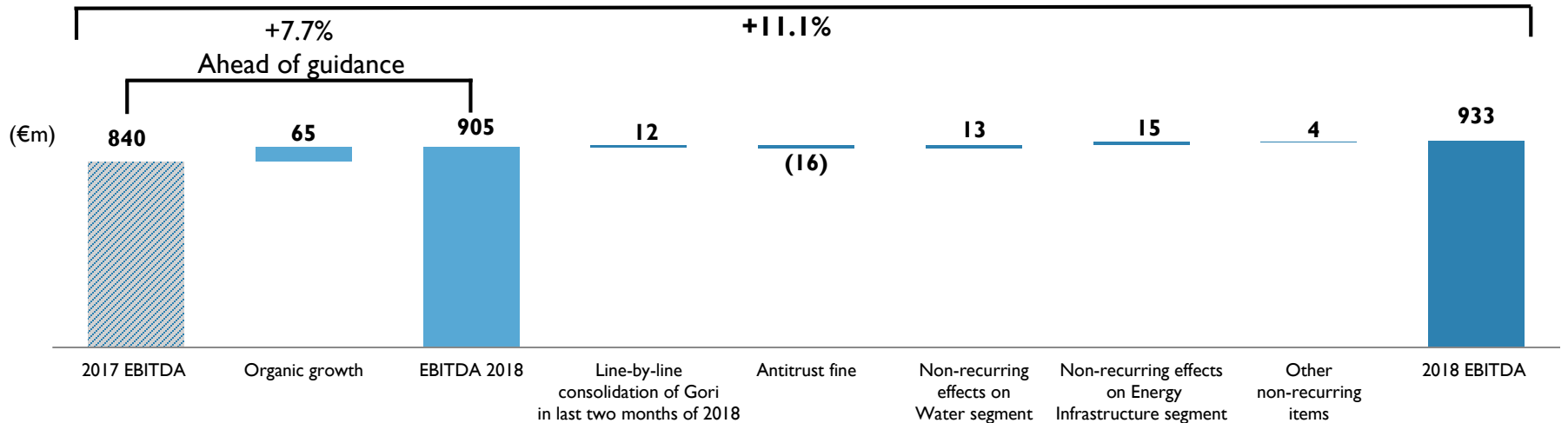
* Effect of consolidation of Gori for two months (€12m)

EBITDA by business segment and EBITDA bridge

EBITDA - Strong growth in regulated businesses



Bridge EBITDA - Significant organic growth



* Overseas, Engineering & Services, Corporate

EBITDA and quantitative data

2018 financial highlights

Water

EBITDA main drivers



STRONG EBITDA GROWTH

- ▲ Acea ATO2: +€50m
- ▲ ATO2: quality bonus €34m
- ▲ Acea ATO5: +€4m
- ▲ Line-by-line consolidation of Gori in last two months of 2018: +€12m
- ▲ Companies consolidated using equity method: +€15.6m



KEY HIGHLIGHTS

- ✓ Tariff reviews completed in most companies
- ✓ Increase in collections at ATO2 due to optimised collection strategy
- ✓ Consolidation of Gori from 8 Nov 2018

| (€m) | 2018 (a) | 2017 (b) | %change (a/b) | Quantitative data | 2018 | 2017 |
|--|--------------|--------------|------------------|--|------------|------------|
| EBITDA | 433.0 | 349.6 | +23.9% | Total volume of water sold (Mm³) | 440 | 421 |
| <i>Of which:</i> | | | | | | |
| <i>Profit/(Loss) from companies consolidated under IFRS 11</i> | 39.7 | 24.1 | +64.7% | | | |
| Capex | 329.7 | 271.4 | +21.5% | | | |
| | 2018 (a) | 2017 (b) | Change (a-b) | | | |
| Average workforce | 2,551 | 1,796 | +755* | | | |

* The increase in the workforce primarily reflects the consolidation of Gori (+746 personnel)

EBITDA and quantitative data

2018 financial highlights

Energy Infrastructure

EBITDA main drivers



EBITDA GROWTH

- ↑ Distribution: +€29.8m
- ↑ Generation: +€7.7m increased hydroelectric and thermoelectric production; extraordinary item €5m*
- ↓ Public Lighting: -€9.8m (effect of LED Plan in 2017)



KEY HIGHLIGHTS

- ✓ Improved performance due to regulatory impact
- ✓ Over 500 km of MV/LV grid renewed
- ✓ Increased production from renewable sources (hydroelectric)

| (€m) | 2018 (a) | 2017 (b) | %change (a/b) | Quantitative data | 2018 | 2017 |
|-------------------|--------------|--------------|------------------|--|--------------|---------------|
| EBITDA | 360.7 | 333.1 | +8.3% | Total electricity distributed (GWh) | 9,792 | 10,040 |
| - Distribution | 317.1 | 287.3 | +10.4% | Number of customers ('000s) | 1,629 | 1,626 |
| - Generation | 49.0 | 41.3 | +18.6% | Total electricity produced (GWh) | 550 | 426 |
| - Public Lighting | (5.4) | 4.4 | n/s | | | |
| Capex | 238.3 | 209.4 | +13.8% | | | |

| | 2018 (a) | 2017 (b) | Change (a-b) |
|--------------------------|--------------|--------------|-----------------|
| Average workforce | 1,387 | 1,366 | +21 |

* 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

2018 financial highlights

Commercial and Trading

EBITDA main drivers



-  Reduced margin from Free market
-  Stable margin from Enhanced Protection market



KEY HIGHLIGHTS

- ✓ Fall in customer base in Enhanced Protection market and growth in Free market customers
- ✓ Reduced inbound calls (-29%) reflecting improved customer experience

| (€m) | 2018 (a) | 2017 (b) | %change (a/b) | Quantitative data | 2018 | 2017 |
|--------------------------|-------------|-------------|------------------|---|--------------|--------------|
| EBITDA | 76.1 | 77.6 | -1.9% | Total energy sold (GWh) | 6,029 | 6,843 |
| | | | | <i>Enhanced Protection market</i> | 2,344 | 2,652 |
| | | | | <i>Free market</i> | 3,685 | 4,191 |
| Capex | 24.6 | 19.4 | +26.8% | No. of electricity customers ('000s) | 1,162 | 1,213 |
| | | | | <i>Enhanced Protection market</i> | 831 | 893 |
| | | | | <i>Free market</i> | 331 | 320 |
| Average workforce | 464 | 474 | -10 | Total gas sold (Mm³) | 128 | 103 |
| | | | | No. of gas customers ('000s) | 173 | 167 |

EBITDA and quantitative data

2018 financial highlights

Environment

EBITDA main drivers



EBITDA SLIGHTLY UP

- Acea Ambiente: +€2.1m
- Iseco: +€0.3m
- Acque Industriali: -€1.0m
- Aquaser: -€0.4m



KEY HIGHLIGHTS

- ✓ Re-start of Aprilia and Sabaudia plants
- ✓ Work in progress on Monterotondo plant
- ✓ Increased contribution from WTE due to increase in price of electricity sold and fewer shutdowns of San Vittore plant
- ✓ Consents obtained for Orvieto landfill

| (€m) | 2018 (a) | 2017 (b) | %change (a/b) | Quantitative data | 2018 | 2017 |
|--------------------------|---------------------|---------------------|-------------------------|--|--------------|--------------|
| EBITDA | 65.6 | 64.5 | +1.7% | Treatment and disposal* (Ktonnes) | 1,120 | 1,077 |
| Capex | 20.1 | 15.4 | +30.5% | WTE electricity produced (GWh) | 355 | 354 |
| | 2018 (a) | 2017 (b) | Change (a-b) | | | |
| Average workforce | 360 | 355 | +5 | | | |

*Includes ash disposed of

EBITDA and quantitative data

2018 financial highlights



Overseas

↑ Positive contribution from Aguas de San Pedro

| (€m) | 2018 (a) | 2017 (b) | %change (a/b) |
|--------------------------|-------------|-------------|------------------|
| EBITDA | 14.8 | 14.4 | +2.8% |
| Capex | 6.6 | 5.2 | +26.9% |
| | 2018 (a) | 2017 (b) | Change (a-b) |
| Average workforce | 781 | 595 | +186* |



Engineering & Services

↑ Increase in engineering, research and innovation activities for Group companies

| (€m) | 2018 (a) | 2017 (b) | %change (a/b) |
|--------------------------|-------------|-------------|------------------|
| EBITDA | 18.0 | 14.5 | +24.1% |
| Capex | 1.6 | 0.8 | +100.0% |
| | 2018 (a) | 2017 (b) | Change (a-b) |
| Average workforce | 265 | 319 | -54 |



Holding company

| (€m) | 2018 (a) | 2017 (b) | Change (a/b) |
|--------------------------|-----------------|---------------|-----------------|
| EBITDA | (34.9)** | (13.7) | n/s |
| Capex | 10.0 | 10.7 | -6.5% |
| | 2018 (a) | 2017 (b) | Change (a-b) |
| Average workforce | 663 | 589 | +74*** |

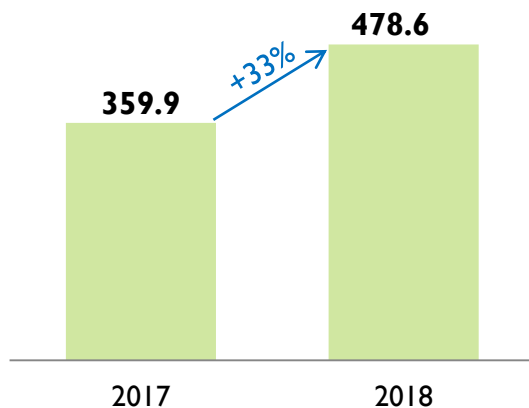
* The increase in the workforce primarily reflects the consolidation of Consorcio Servicios Sur

** The result is influenced by the antitrust fine of €16m

*** The increase in the workforce is primarily due to the transfer of Facility Management from the Engineering & Services unit

EBIT and Net profit

EBIT (€m)



(€m)

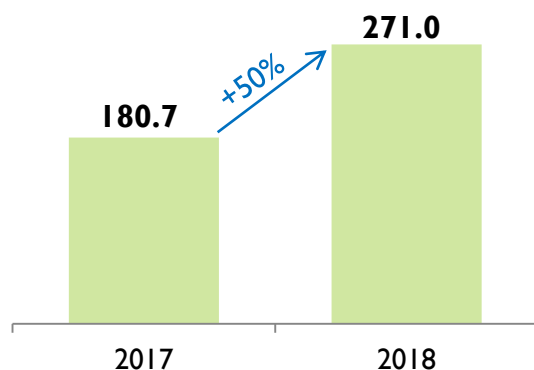
| | 2018 | 2017 | % change |
|--------------|--------------|--------------|--------------|
| Depreciation | 366.8 | 328.9 | +11.5% |
| Write-downs | 75.1 | 90.4 | -16.9% |
| Provisions | 12.8 | 60.8 | -78.9% |
| Total | 454.7 | 480.1 | -5.3% |

- ✓ Increased depreciation linked to increased capex (including IT assets with shorter useful lives)
- ✓ Reduced credit losses, in part due to write-downs of amounts due from Gala in 2017
- ✓ Release of risk provisions for Gori (€44m) following acquisition of sole control of the company

Average Group workforce

| 2018 | 2017 |
|--------------------|-------|
| 6,471 [^] | 5,494 |

NET PROFIT (€m)



DIVIDEND HISTORY

| | 2014 | 2015 | 2016 | 2017 | 2018 |
|----------------------------|------|-------|-------|-------|--------------|
| DPS (€) | 0.45 | 0.50 | 0.62 | 0.63 | 0.71 |
| Total dividend (€m) | 95.8 | 106.5 | 132.0 | 134.2 | 151.2 |
| Dividend yield* | 4.6% | 4.2% | 5.2% | 4.7% | 5.3% |
| Payout** | 59% | 61% | 50% | 74% | 56% |

| TAX RATE | 2017 | 2018 |
|----------|-------|-------|
| | 33.3% | 30.4% |

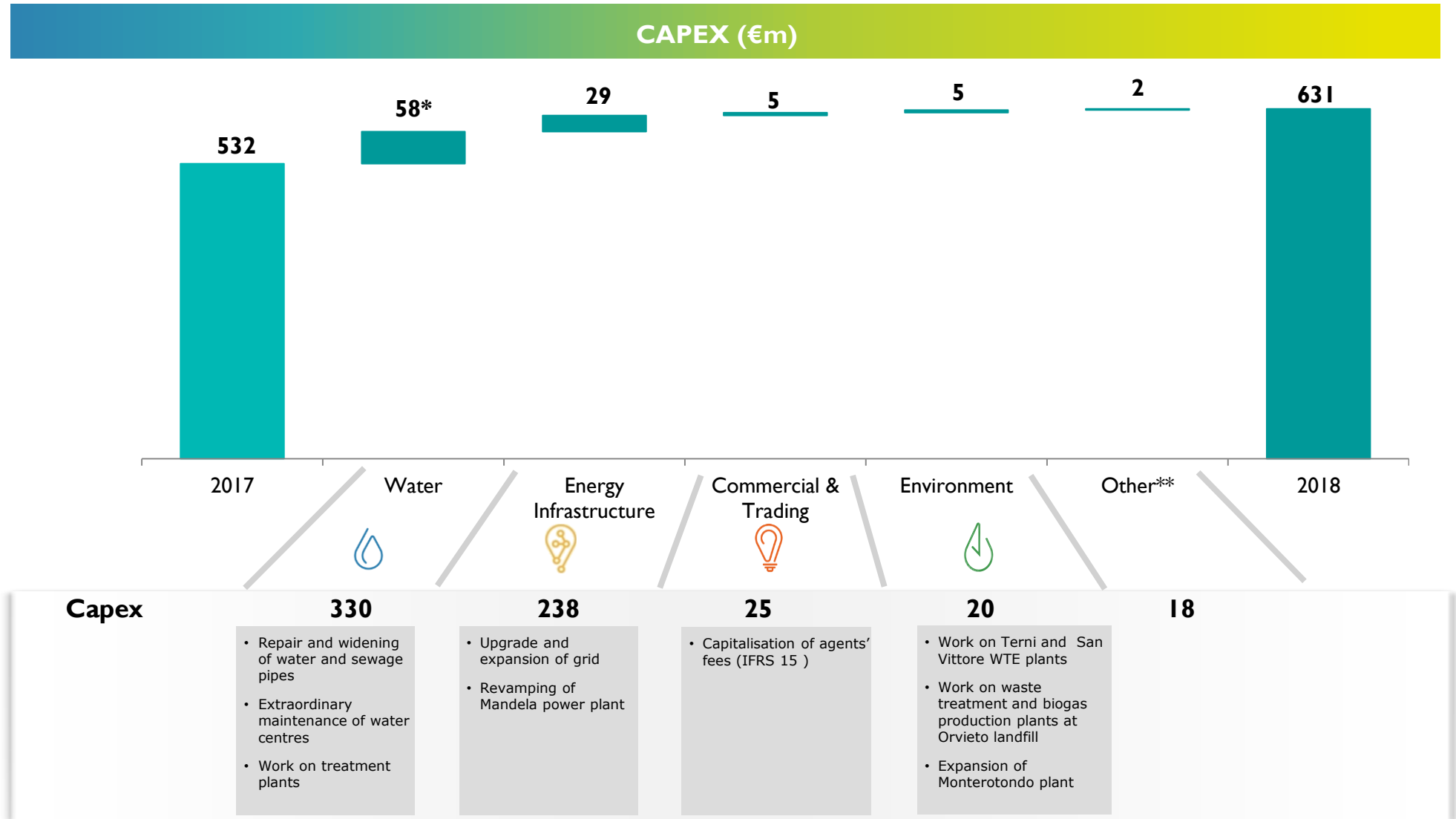
[^] Increase in workforce primarily reflects changes in scope of consolidation (Gori +746; Consorcio Servicios Sur +172)

* Based on the average price for the year

** Based on consolidated net profit after non-controlling interests

Capex

Strong capex growth, above all in regulated businesses



* Effect of consolidation of Gori for last two months (€10m)

** Overseas, Engineering & Services, Corporate

Cash flow

Significant improvement in working capital in Q4 2018

| | 2018 | 2017 |
|----------------------------|--------------|--------------|
| EBITDA | 933 | 840 |
| Change in working capital | (37) | (126) |
| CAPEX | (631) | (532) |
| FREE CASH FLOW | 265 | 182 |
| Net finance income/(costs) | (83) | (72) |
| Provisions | (108) | (119) |
| Taxes paid | (81) | (137) |
| Dividends | (134) | (132) |
| Other | (35) | (16) |
| M&A* | 29 | 0 |
| Total cash flow | (147) | (294) |

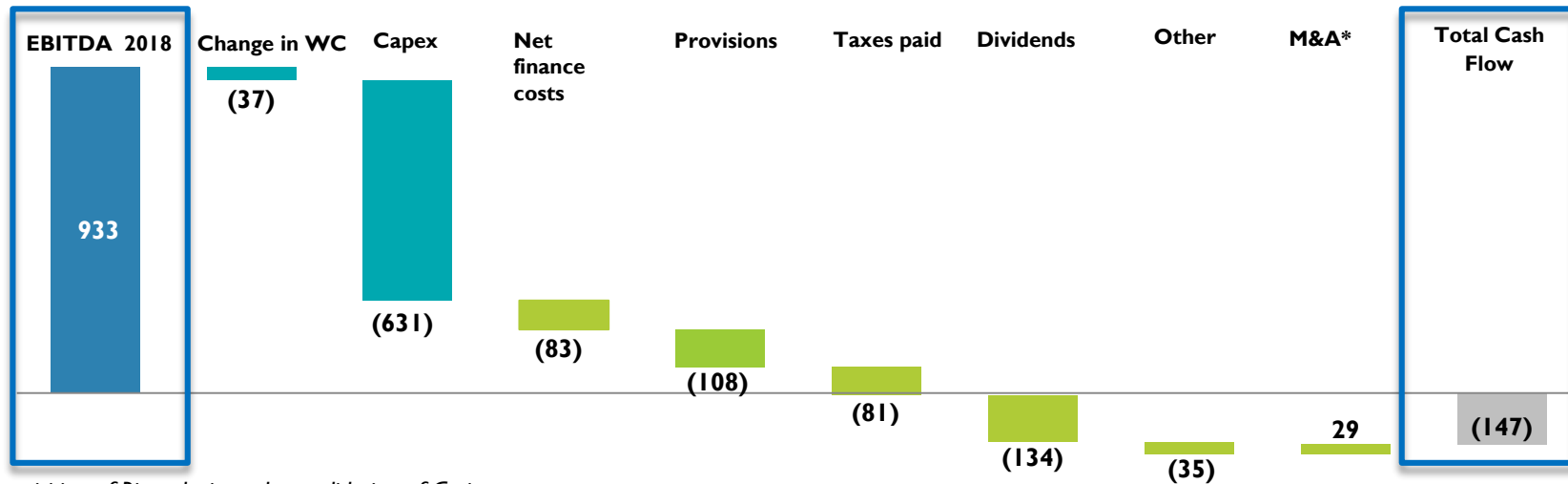
Excellent credit collection performance

Measures designed to optimise working capital

Q4 2018 registered following improvements in cash flow from working capital:

- ✓ ~ €170m versus Q3 2018
- ✓ ~ €40m versus Q4 2017

The change in working capital in 2018 (an outflow of €37m) reflects the consolidation of Gori (€19m)



* Acquisition of Bioecologia and consolidation of Gori

Net debt Ahead of guidance

| (€m) | 31 Dec 2018 (a) | 30 Sep 2018 (b) | 31 Dec 2017 (c) | Change (a-b) | Change (a-c) |
|------------------|--------------------|--------------------|--------------------|-----------------|-----------------|
| Net debt | 2,568.0 | 2,631.1 | 2,421.5 | (63.1) | 146.5 |
| Medium/Long-term | 3,341.4 | 3,359.9 | 2,706.6 | (18.5) | 634.8 |
| Short-term | (773.4) | (728.8) | (285.1) | (44.6) | (488.3) |

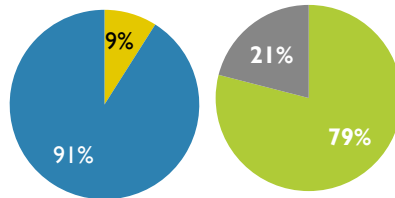
| NET DEBT/ EQUITY 31 DEC 2018 | NET DEBT/ EQUITY 31 DEC 2017 |
|---------------------------------|---------------------------------|
| 1.3x | 1.3x |

| NET DEBT/ EBITDA 31 DEC 2018 | NET DEBT/ EBITDA 31 DEC 2017 |
|---------------------------------|---------------------------------|
| 2.8x | 2.9x |

Debt structure

(maturity and interest rates at 31 Dec 2018)

- > Fixed rate **79%**
- > Average cost **2.21%**
- > Average term **5.8 years**



■ Debt falling due after 2019
■ Debt falling due by 2019
■ Floating rate
■ Fixed rate

Ratings

FitchRatings

MOODY'S

BBB+

Baa2

Stable Outlook

Stable Outlook

Regulatory framework

- *Water*
- *Electricity distribution*

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.

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.

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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.