

A large, stylized graphic on the left side of the slide. It features a dark grey circle containing the word "aceea" in white lowercase letters. This circle is partially enclosed by a white, semi-circular shape that has a halftone dot pattern at the top and transitions into several thin, curved white lines at the bottom, resembling a stylized arch or a wave.

aceea

**Acea Group
Business Plan 2019-2022**

**“Mediobanca’s 5th Italian CEO
Conference”**

Milan, 26 June 2019

Agenda



ACEA TODAY: Challenges of today and tomorrow



BUSINESS PLAN 2019-2022



STRATEGY AND TARGETS



BUSINESS LINE HIGHLIGHTS



STRATEGIC OPPORTUNITIES



CLOSING REMARKS



ANNEX

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

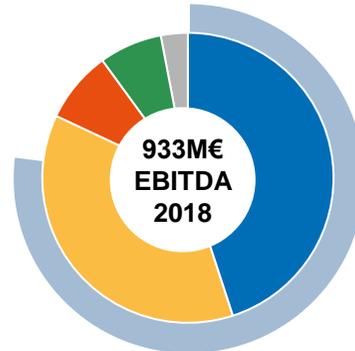


Energy Infrastructure

Among the leading Italian players in the electricity distribution market

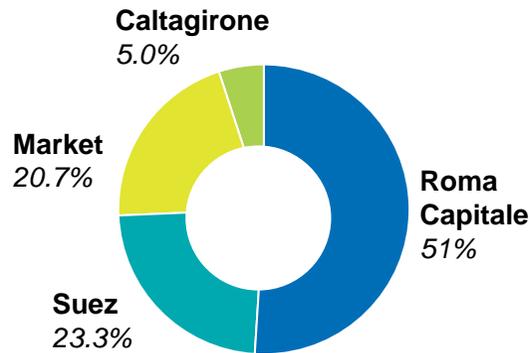
with **10 TWh** distributed electricity

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

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**

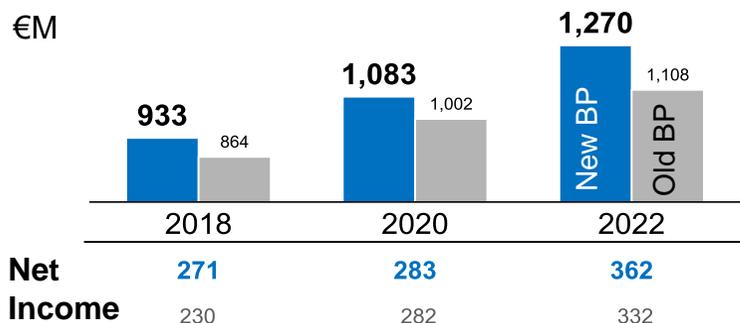
Strategy and Targets

Strong and sustainable growth

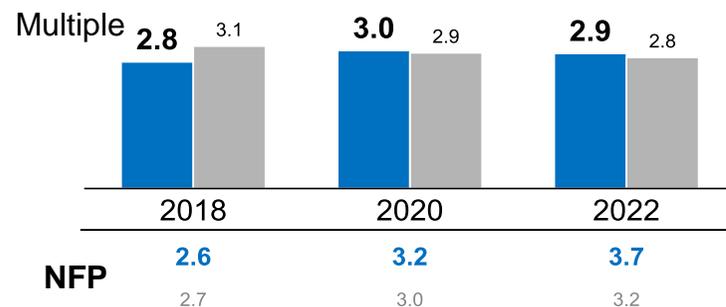
pre-tax ROIC	2018	2020	2022
	11.0%	>10%	>11%

2019 GUIDANCE	
EBITDA 2018	→ EBITDA 2019
€933M	+5% €980M
	+6% €989M
CAPEX up by over 10% versus €631M of 2018	
NET DEBT: €2.85B – €2.95B	

EBITDA growth with +8.0% CAGR

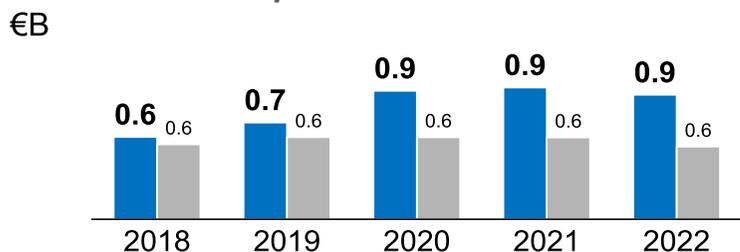


NFP/EBITDA down to 2.9X

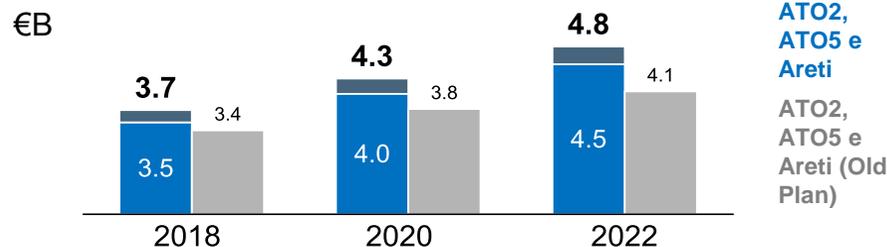


CAPEX €4.0B

CAPEX old plan €3.1B



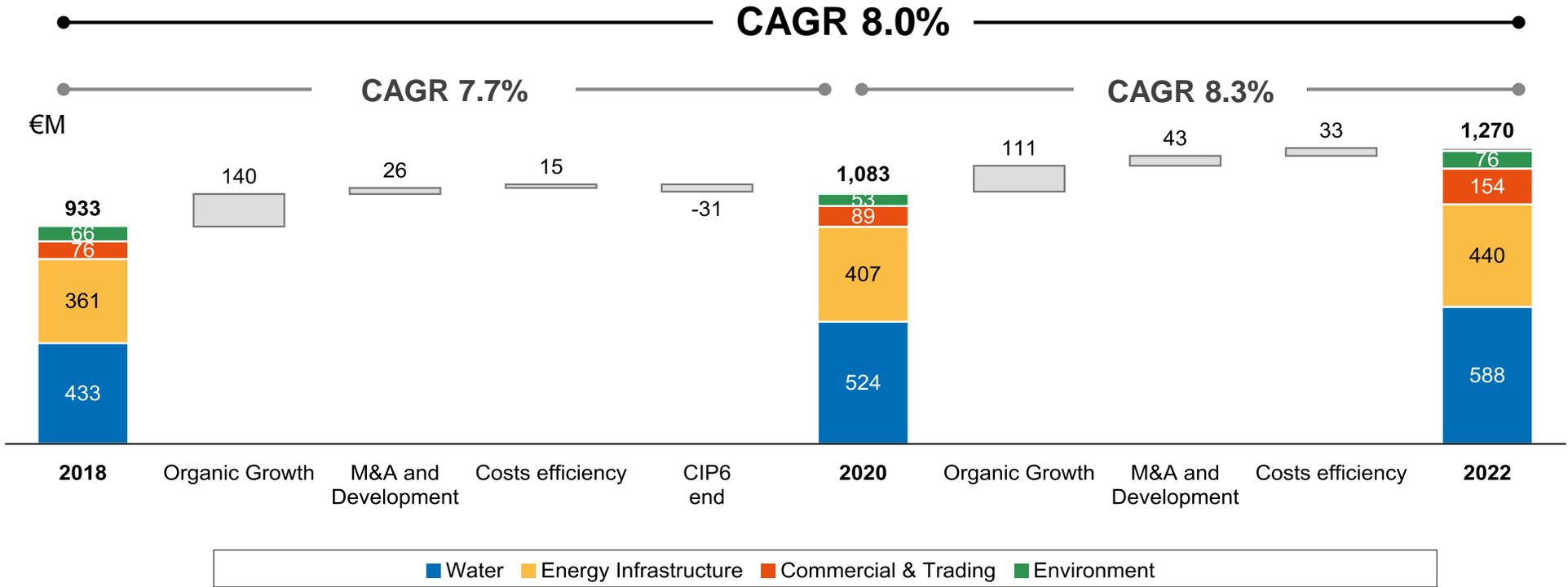
RAB up ~30% by 2022



Gori
ATO2,
ATO5 e
Areti
ATO2,
ATO5 e
Areti (Old
Plan)

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

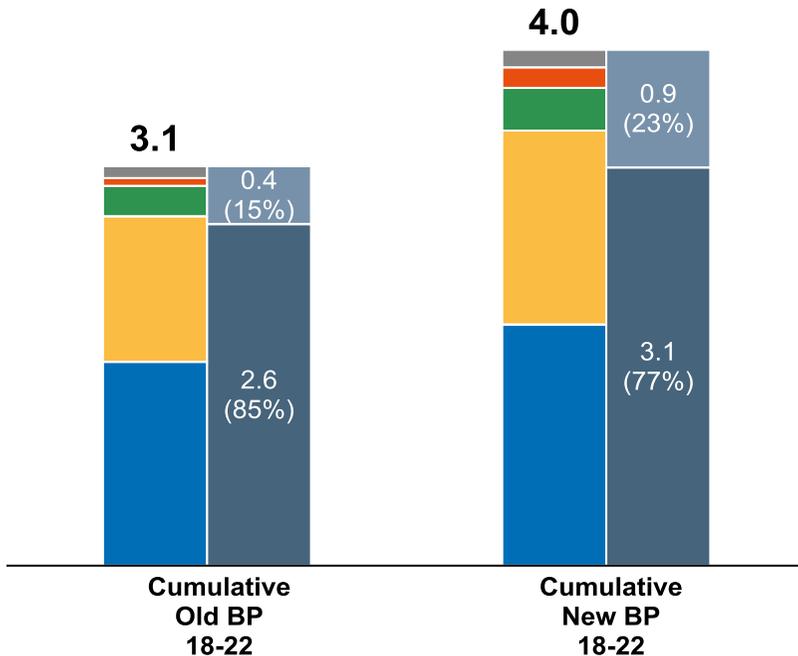
Strategy and Targets

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

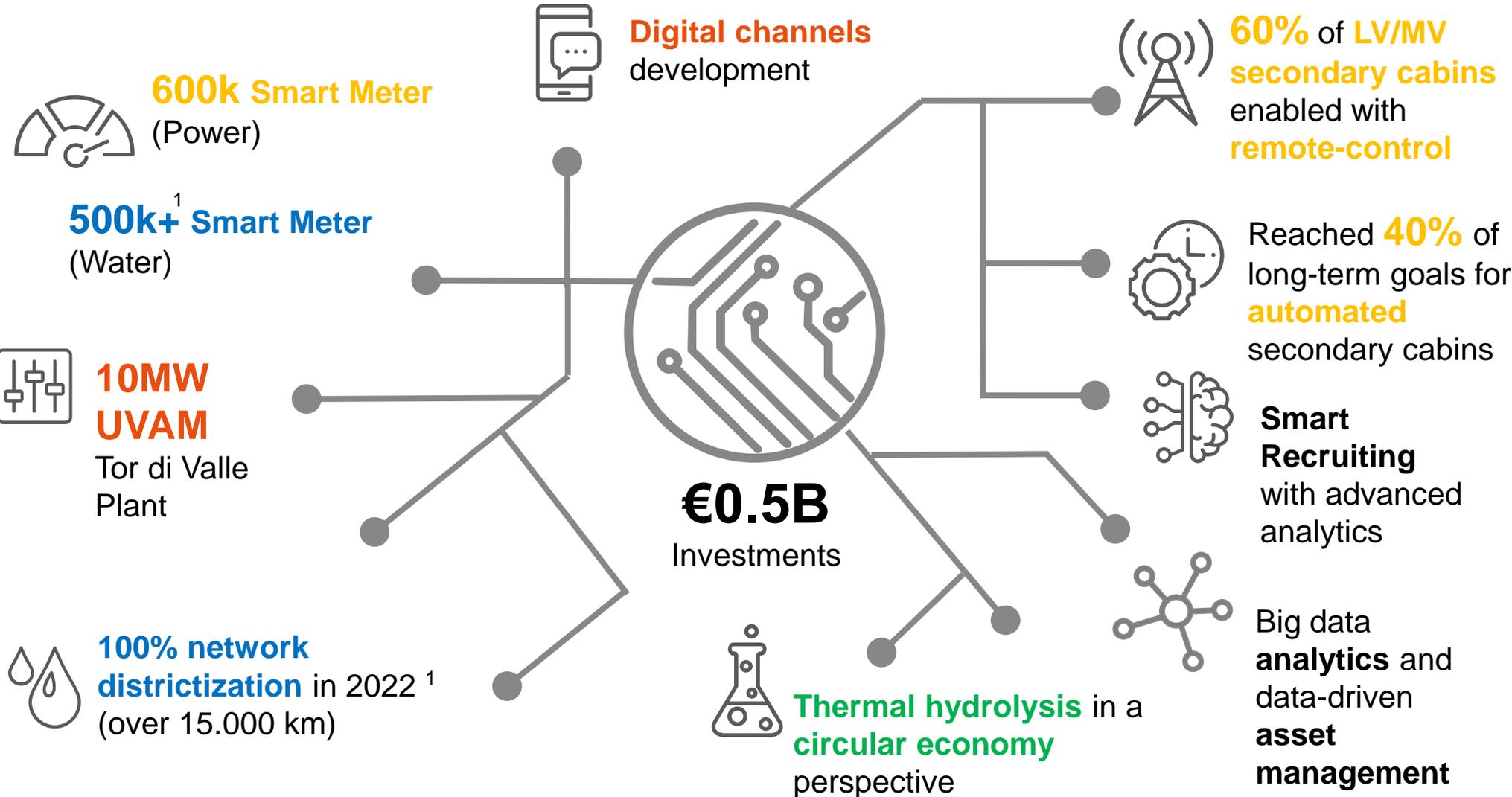


+100

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

United Nations Sustainable Development Goals (SDGs)



 **CO₂ Reduction**
(Reduced losses, Purchase of Green Energy, Biogas Recovery) **>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



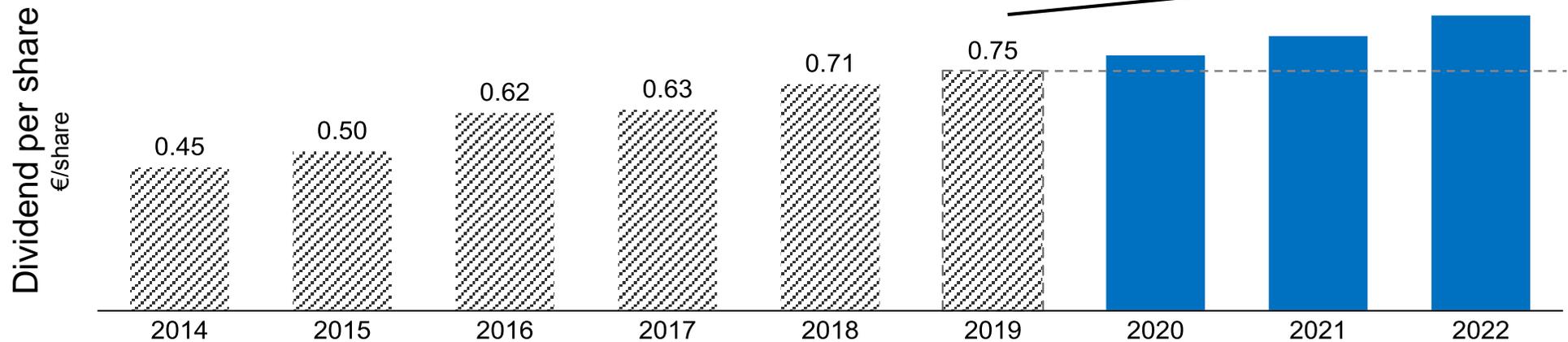
Growing
dividends vs old
business plan



€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 31/3/2019

- Average maturity ~**5.5 yrs**
- Average cost of debt ~**2.2%**

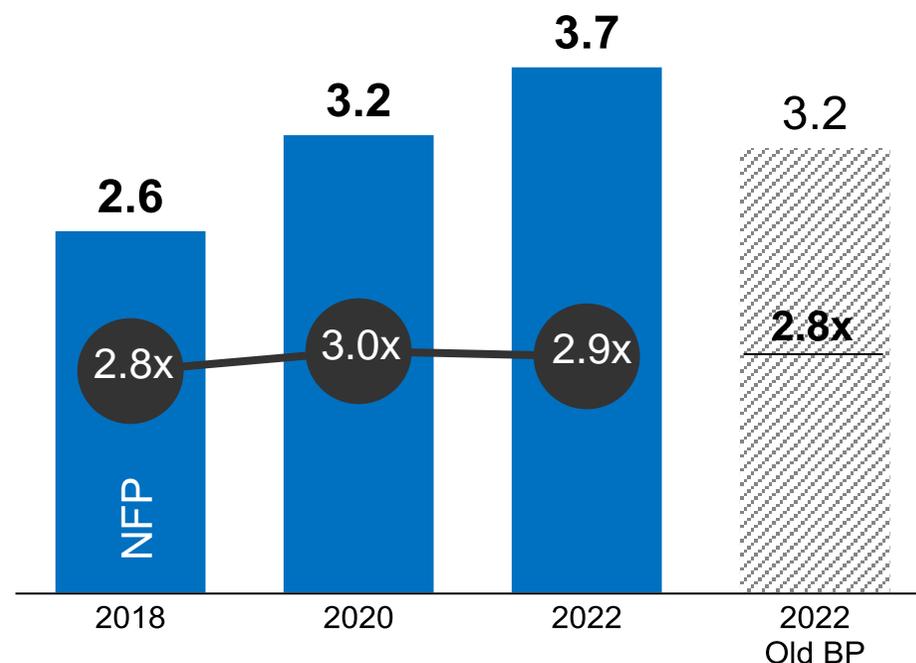
16 May 2019

Successful placing of Euro 500 million bond under the EMTN Programm, 9 years, fixed rate 1.75%.

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)



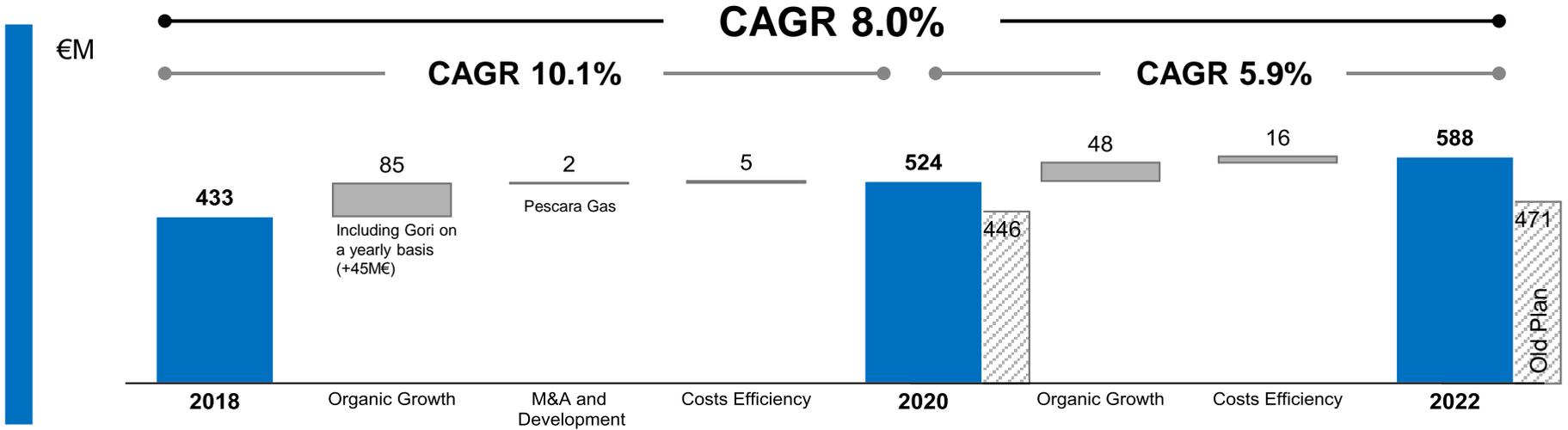
Acquisition of Pescara Gas (62k PDR) to enter in **gas distribution** business



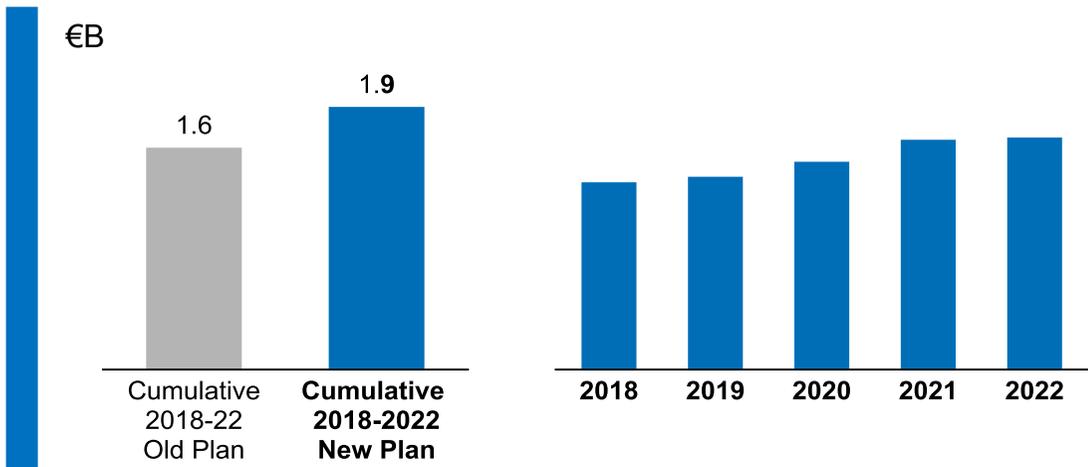
Water Business Line

Key Financials

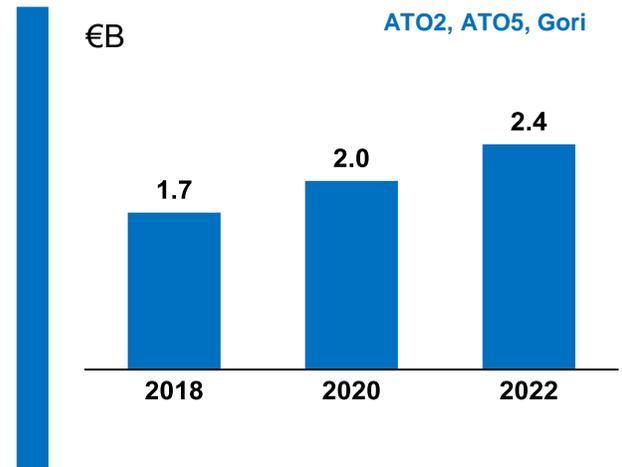
EBITDA



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



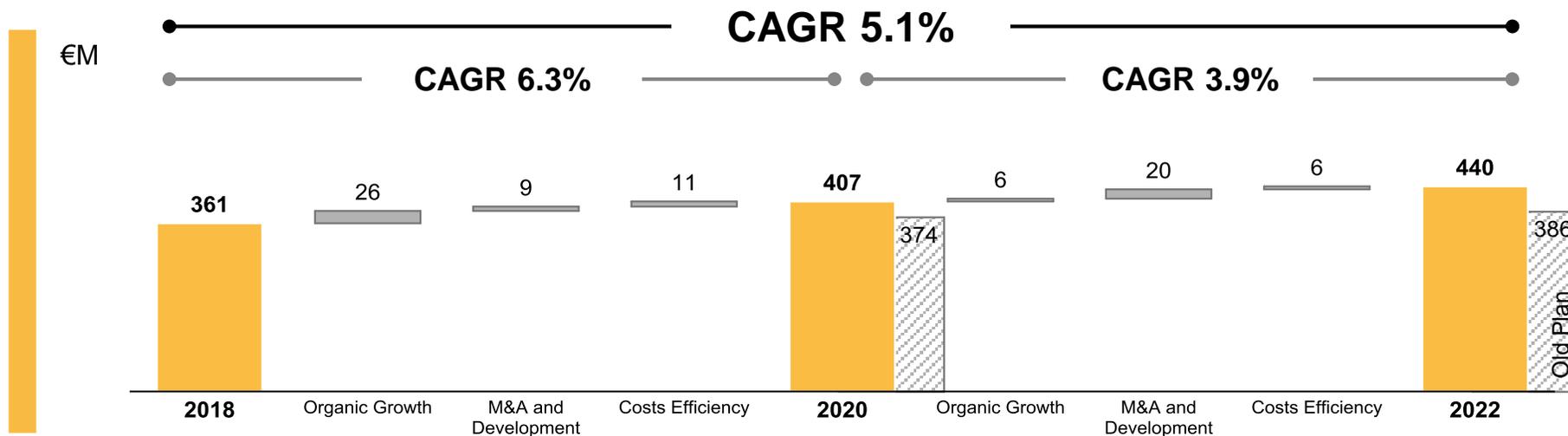
Renovation/expansion activities on the **LV/MV network** for over **2,500km**



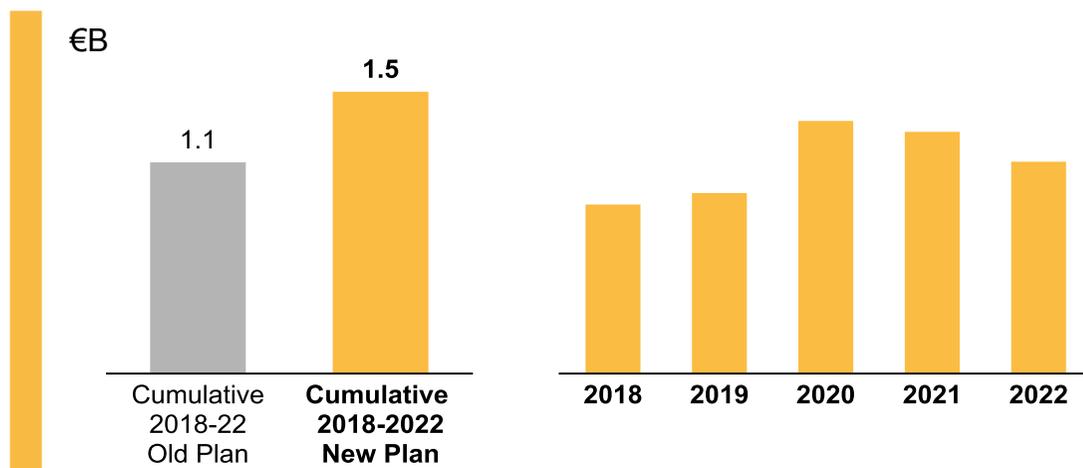
Energy Infrastructure

Key Financials

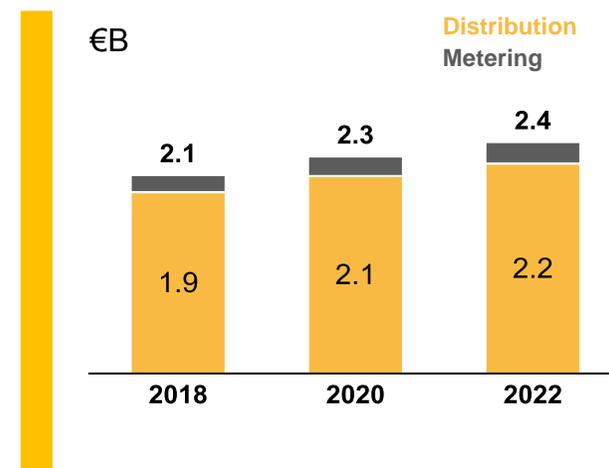
EBITDA



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)



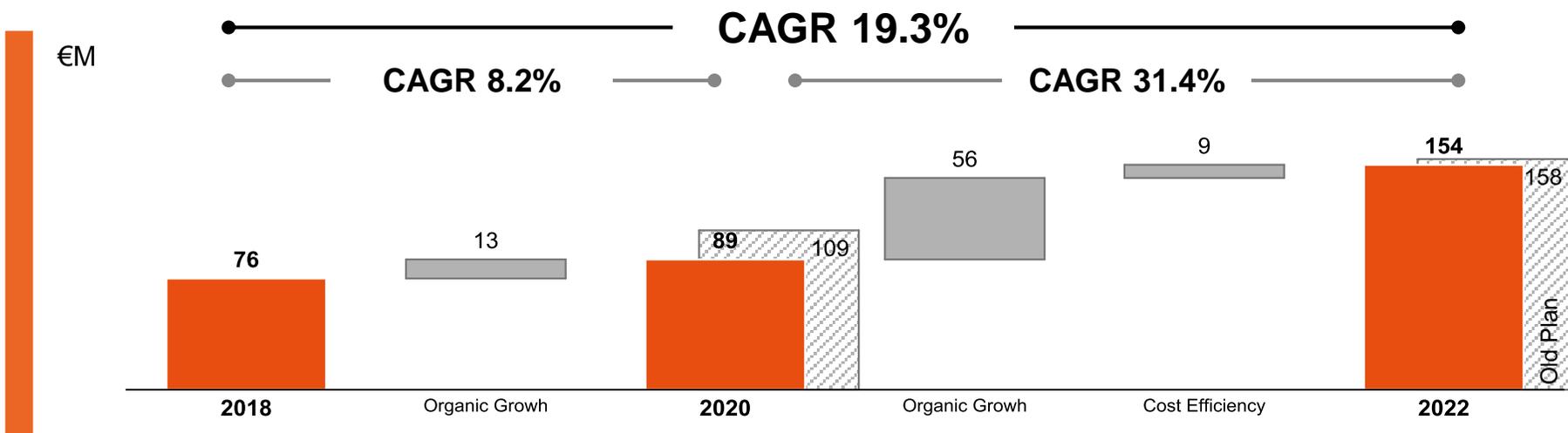
Entrance in the flexibility market (Terna auction for **UVAM** assigned to Tor di Valle plant for 10 MW)



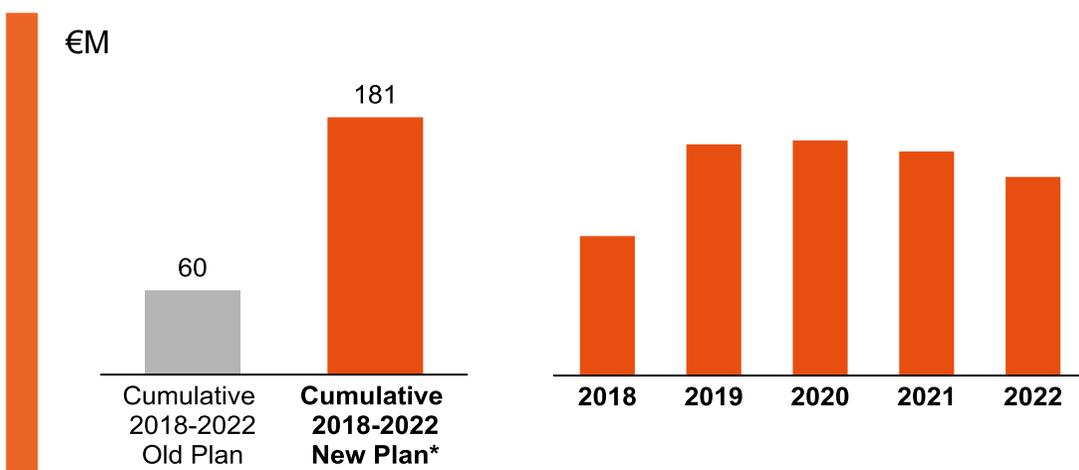
Commercial and Trading

Key Financials

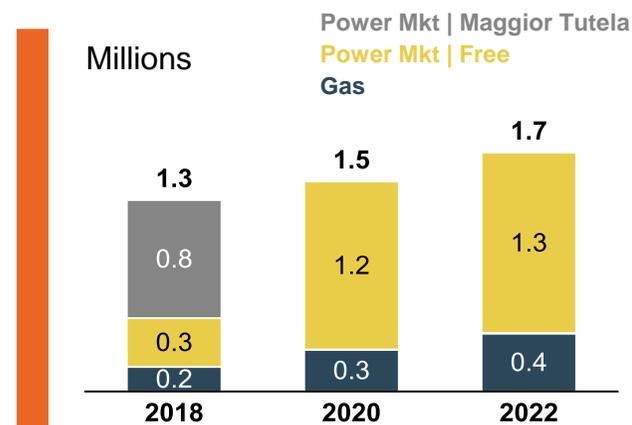
EBITDA

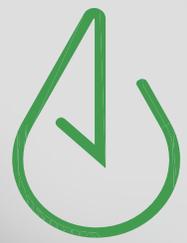


INVESTMENTS



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)



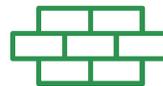
M&A and development in a Circular Economy perspective focused on material recovery (200+ kton)



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



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

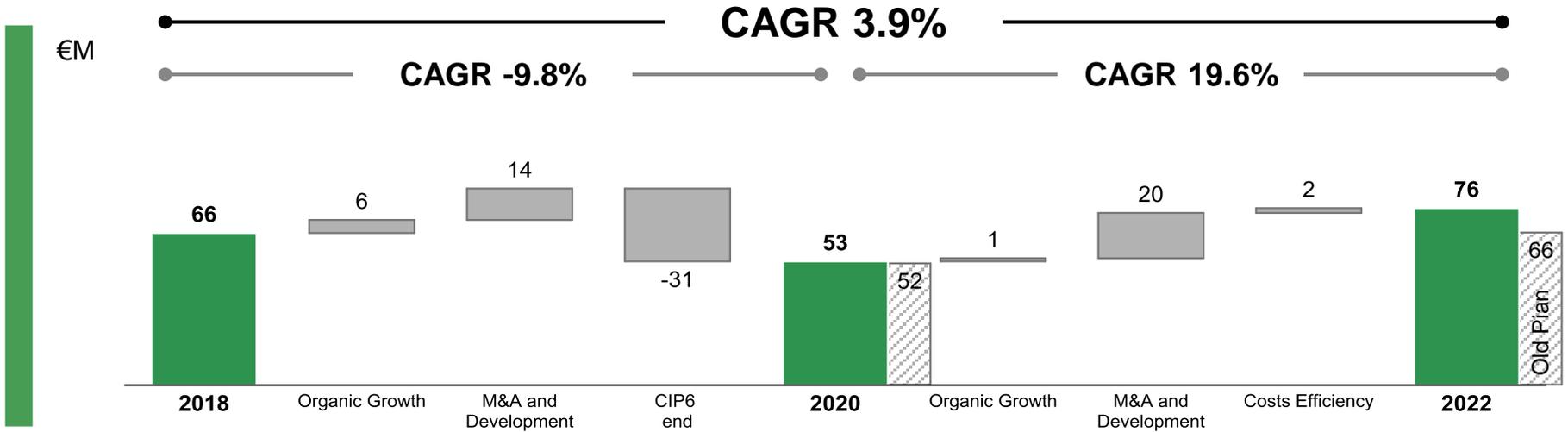


Partnership with market operators for the **recovery** of San Vittore WTE plant **ashes** in a **circular economy perspective**

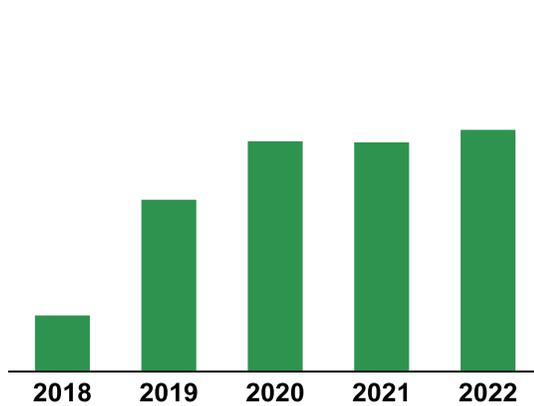
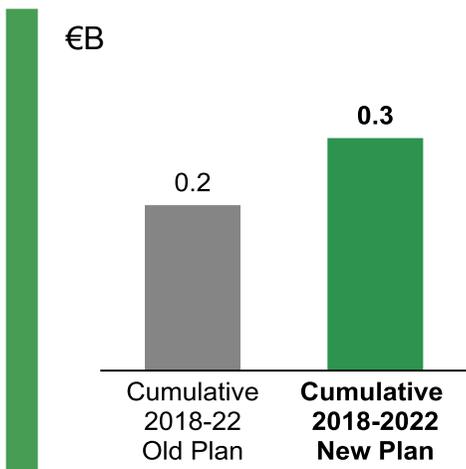


Environment Key Financials

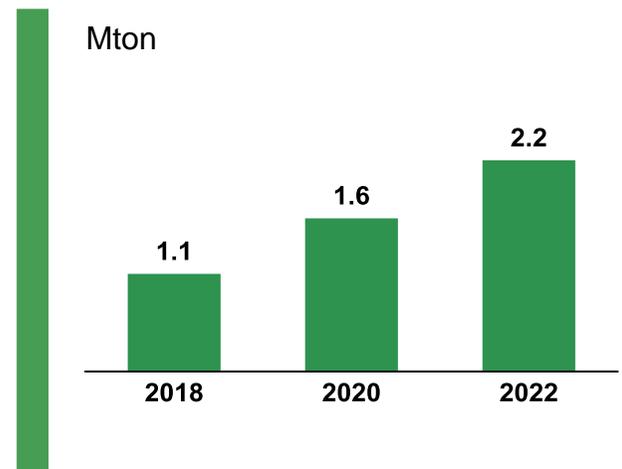
EBITDA



INVESTMENTS



VOLUMES





Strategic Opportunities

Potential Business Plan Upsides

Strategic Opportunities

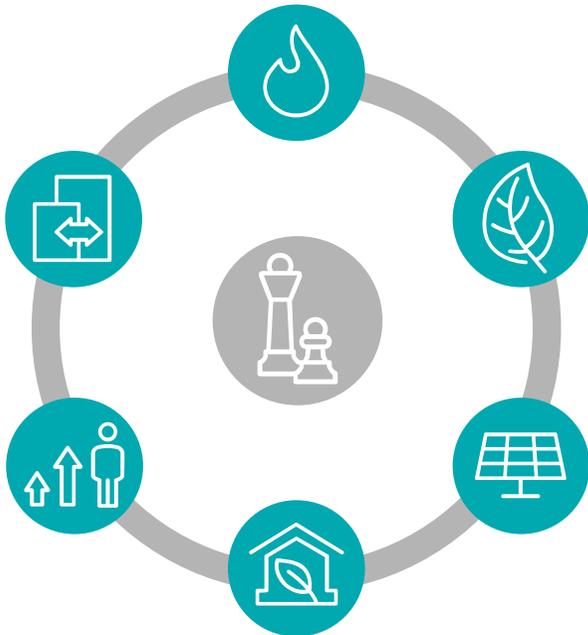
Potential initiatives to be implemented

		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)	

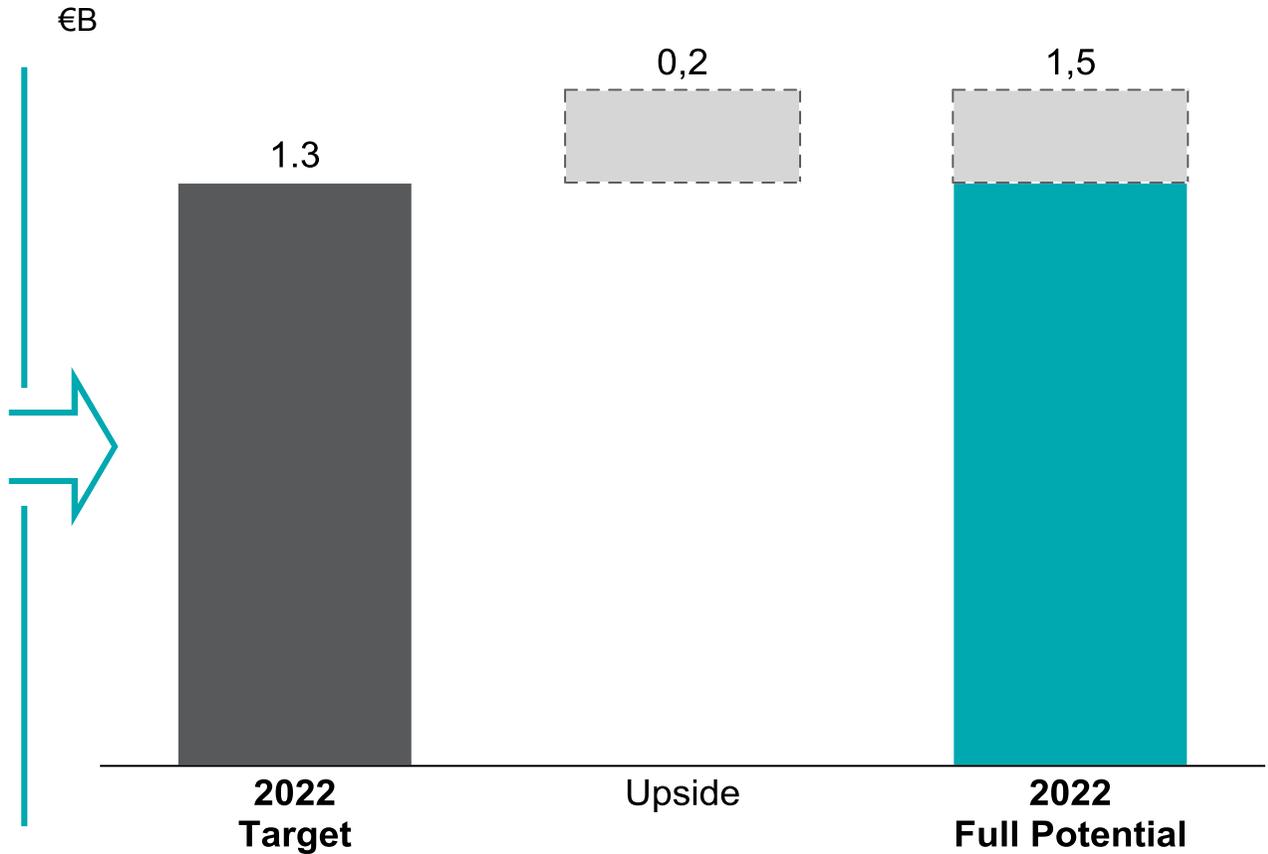
Strategic Opportunities

€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

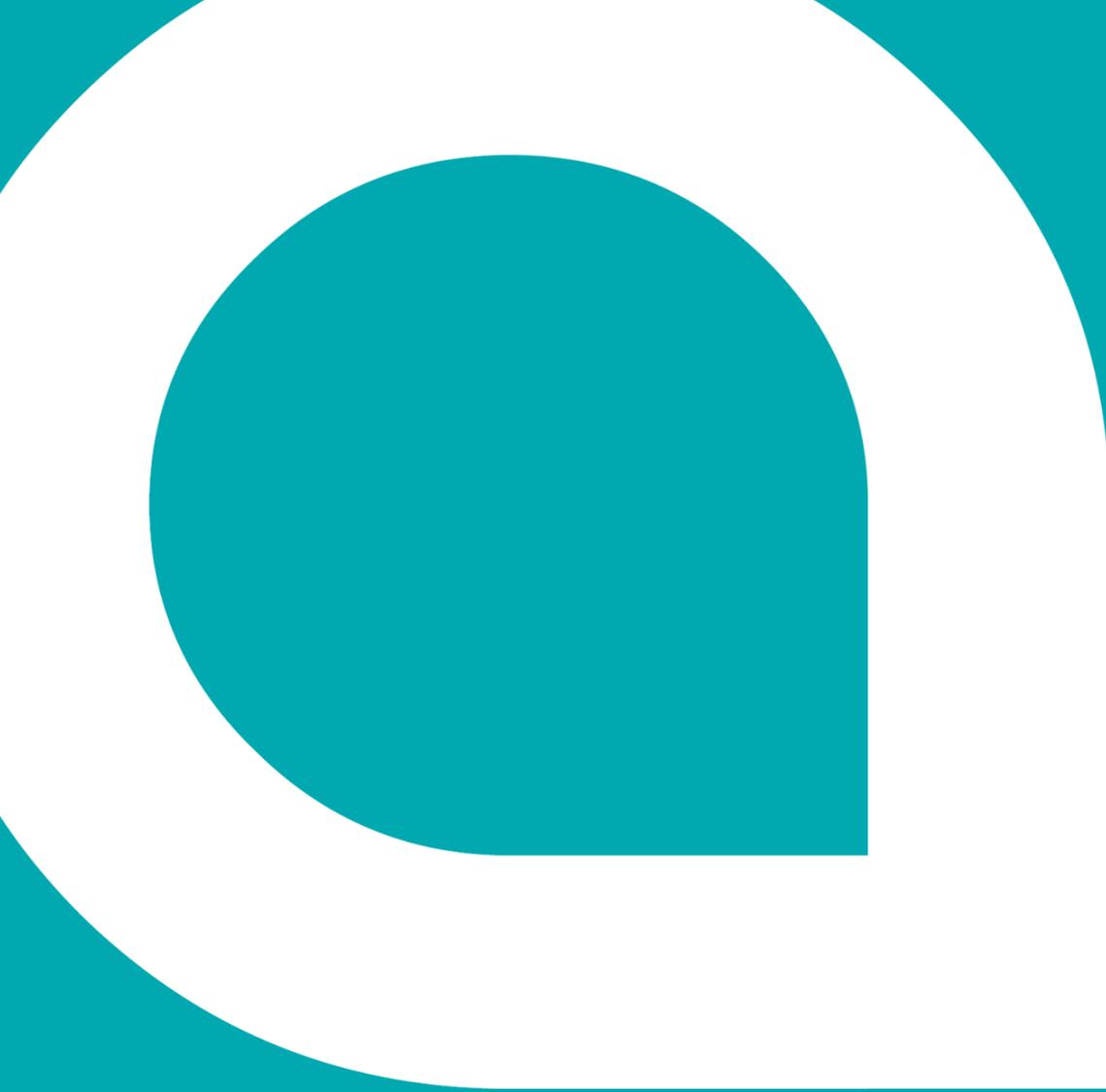


+ €100M in dividends with **minimum dividend per share** of **0.75 €/share** distributed in 2020

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

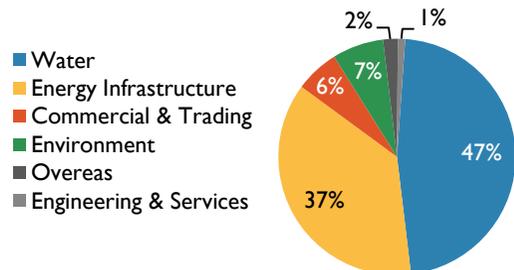
(€m)	31 Mar 2019 (a)	31 Dec 2018 (b)	31 Mar 2018 (c)	% change (a/b)	% change (a/c)
Net debt	2,675.7°	2,568.0	2,482.1	+4.2%	+7.8%
Invested capital	4,655.0	4,471.5	4,197.0	+4.1%	+10.9%

Net debt guidance 2019: €2.85-2.95bn

* Effect of consolidation of Gori: €17.3m

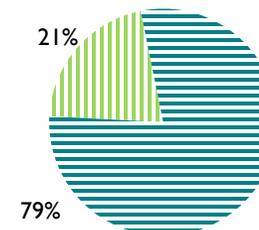
** Recognition in Q1 2018 of income from acquisition of the investment in the TWS group (€8.9m)

° 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; Consorzio Servizio 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



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
				Total gas sold (Mm³)	64	57
Average workforce	469	467	+2	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)
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EBITDA	3.8	3.0
Capex	1.5	0.8

	Q1 2019 (a)	Q1 2018 (b)	Change (a-b)
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Average workforce	815	604	+211*
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(€m)	Q1 2019 (a)	Q1 2018 (b)
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EBITDA	2.0	2.2
Capex	0.3	0.3

	Q1 2019 (a)	Q1 2018 (b)	Change (a-b)
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Average workforce	276	270	+6
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Holding company

(€m)	Q1 2019 (a)	Q1 2018 (b)
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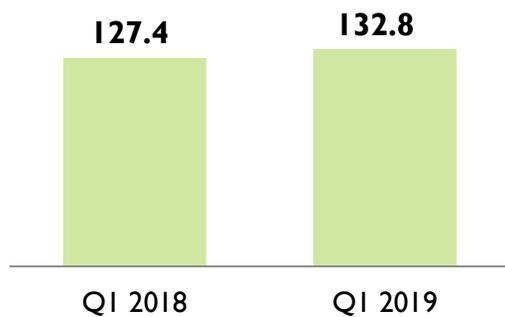
EBITDA	(8.4)	(4.2)
Capex	3.5	1.5

	Q1 2019 (a)	Q1 2018 (b)	Change (a-b)
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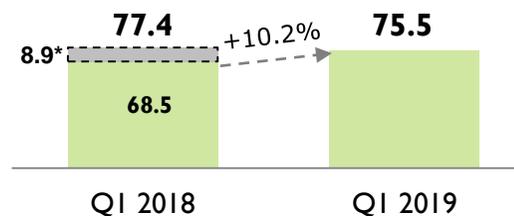
Average workforce	667	664	+3
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* Consolidation of Consorcio Servicio Sur (+210)

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

73

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

64

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

6

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

3

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

5

* Effect of consolidation of Gori (€8m)

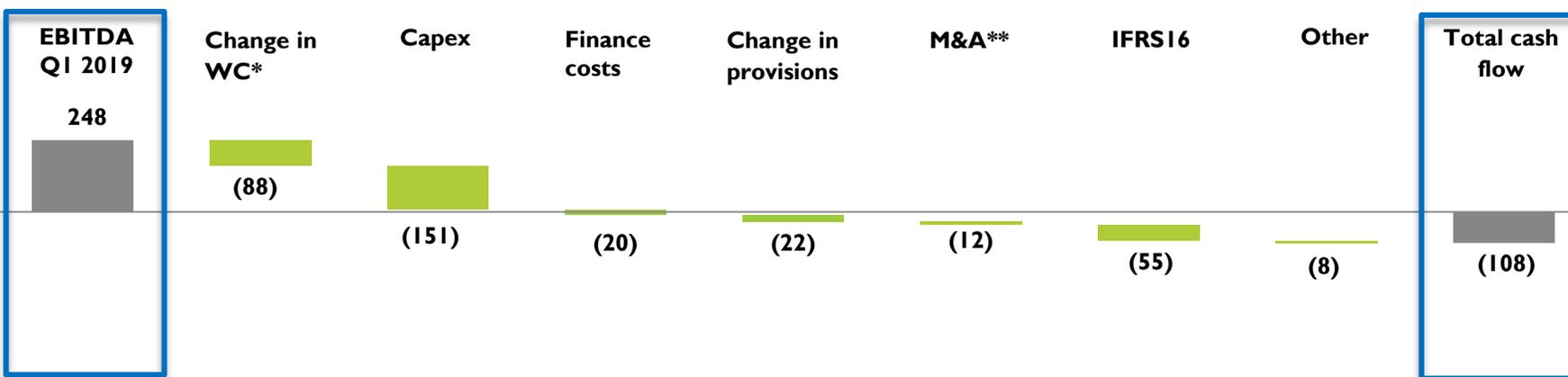
** Overseas, Engineering & Services, Corporate

(€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

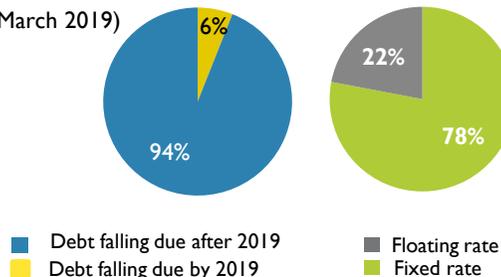
(€m)	31 Mar 2019 (a)	31 Dec 2018 (b)	31 Mar 2018 (c)	Change (a-b)	Change (a-c)
Net debt	2,675.7*	2,568.0	2,482.1	107.7	193.6
Medium/long-term	2,979.6	3,341.4	3,540.2	(361.8)	(560.6)
Short-term	(303.9)	(773.4)	(1,058.1)	469.5	754.2

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

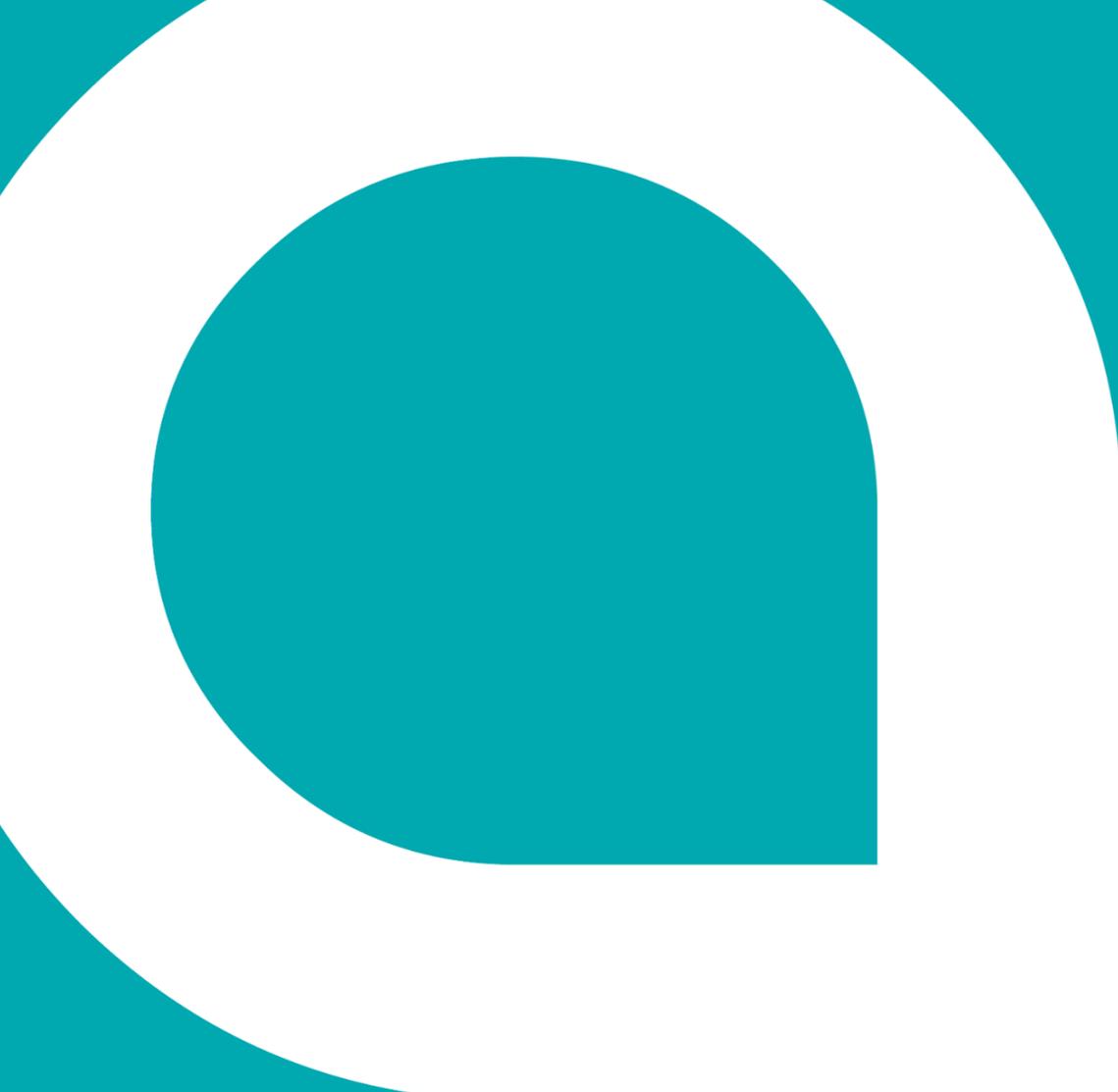
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Stable Outlook

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 (a/b)
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 (a/b)	% change (a/c)
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 and quantitative data

2018 financial highlights

Water



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

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

EBITDA
main
drivers

(€m)	2018 (a)	2017 (b)	%change (a/b)
EBITDA	433.0	349.6	+23.9%
<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%

Energy Infrastructure



KEY HIGHLIGHTS

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

EBITDA GROWTH

EBITDA
main
drivers

- ▲ Distribution: +€29.8m
- ▲ Generation: +€7.7m increased hydroelectric and thermoelectric production
- ▼ Public Lighting: -€9.8m (effect of LED Plan in 2017)

(€m)	2018 (a)	2017 (b)	%change (a/b)
EBITDA	360.7	333.1	+8.3%
- Distribution	317.1	287.3	+10.4%
- Generation	49.0	41.3	+18.6%
- Public Lighting	(5.4)	4.4	n/s
Capex	238.3	209.4	+13.8%

EBITDA and quantitative data 2018 financial highlights



Commercial and Trading



KEY HIGHLIGHTS

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

EBITDA
main
drivers

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

(€m)	2018 (a)	2017 (b)	%change (a/b)
EBITDA	76.1	77.6	-1.9%
Capex	24.6	19.4	+26.8%



Environment



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

EBITDA IN LIEVE CRESCITA

EBITDA
main
drivers

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

(€m)	2018 (a)	2017 (b)	%change (a/b)
EBITDA	65.6	64.5	+1.7%
Capex	20.1	15.4	+30.5%

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%



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%

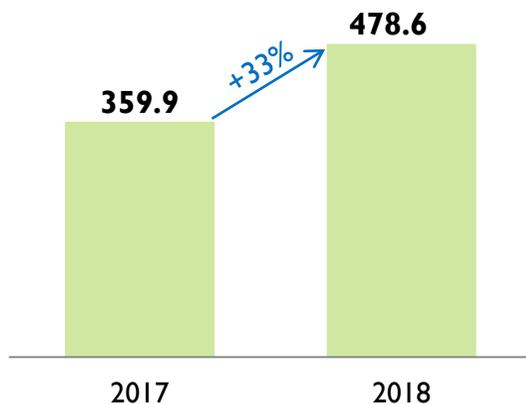


Holding company

(€m)	2018 (a)	2017 (b)	Change (a/b)
EBITDA	(34.9)*	(13.7)	n/s
Capex	10.0	10.7	-6.5%

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

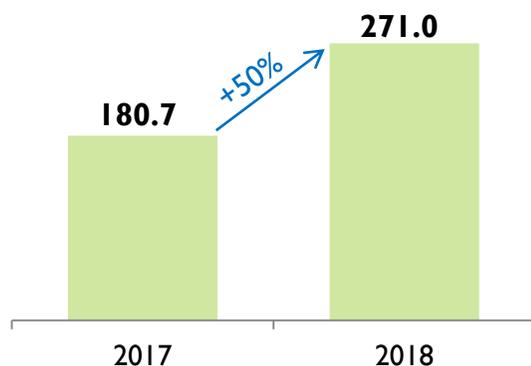
EBIT (€m)



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%

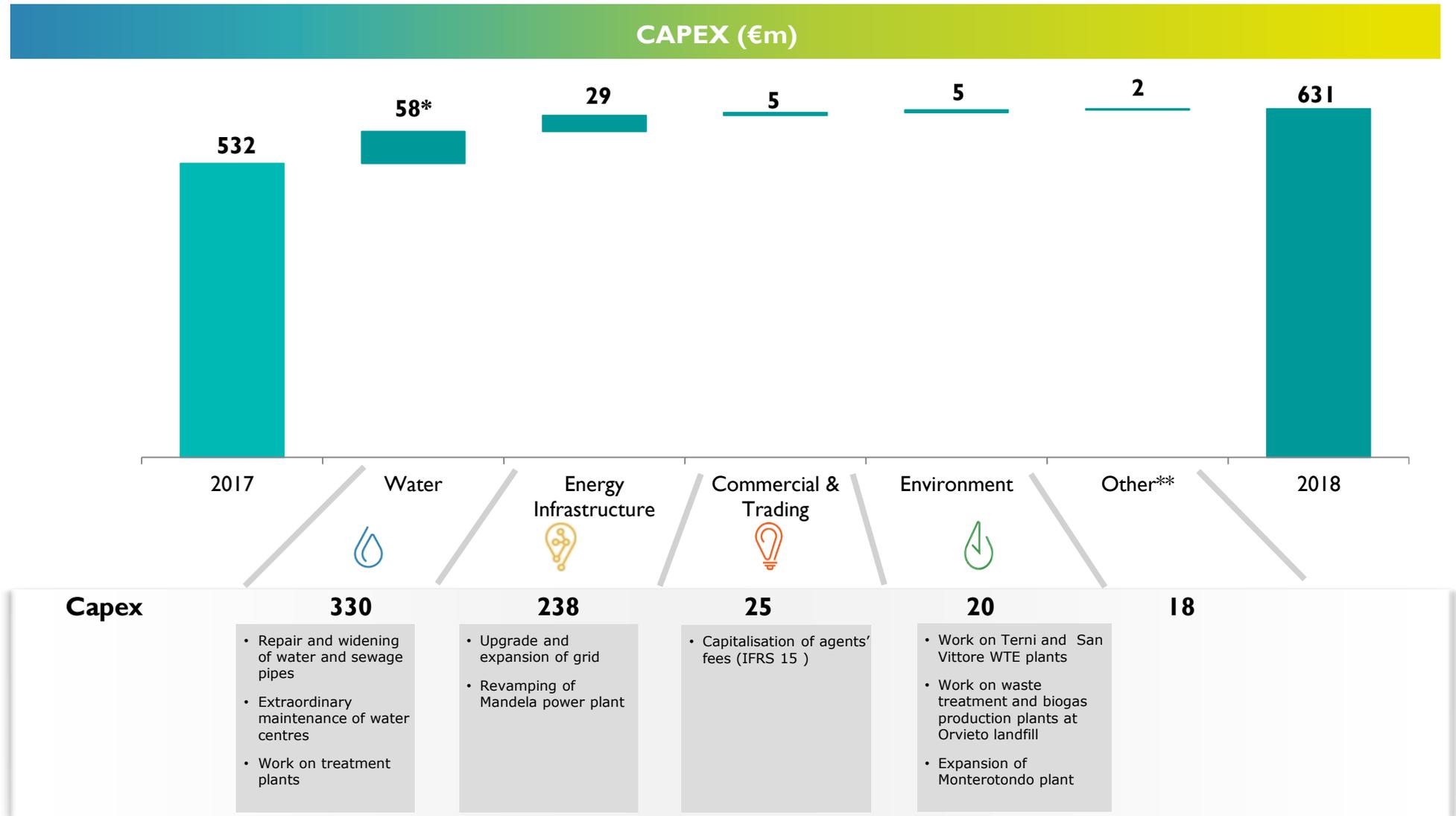
[^] Increase in workforce primarily reflects changes in scope of consolidation (Gori +746; Consorcio Servicios Sur +172)

* 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

	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)

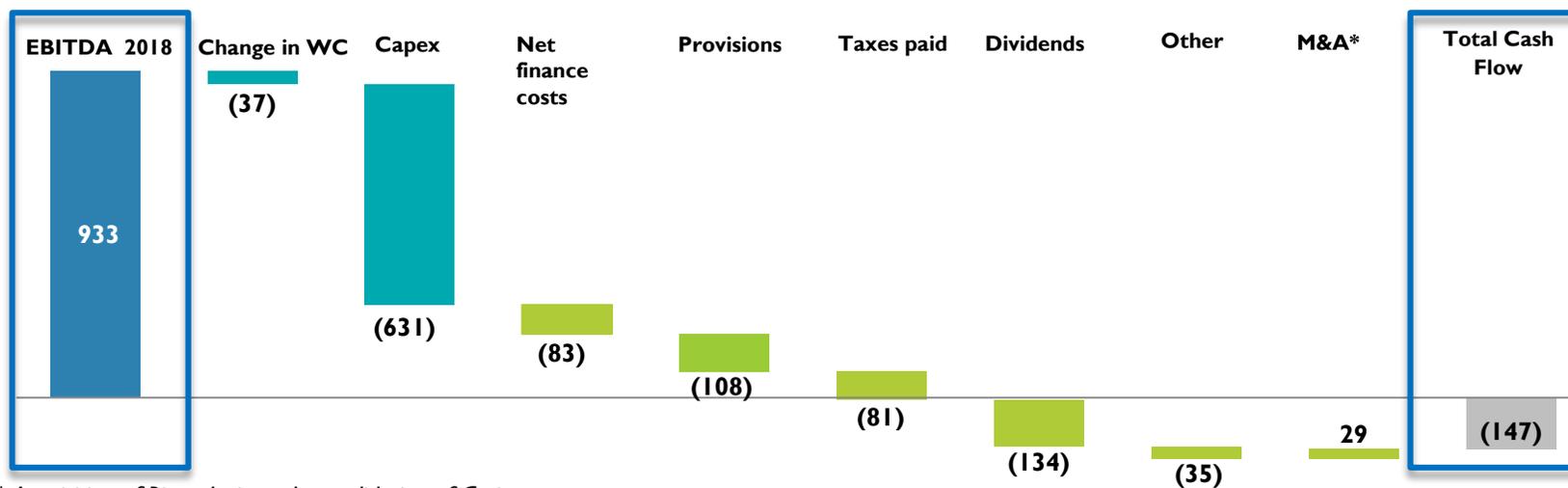
Excellent credit collection performance

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)

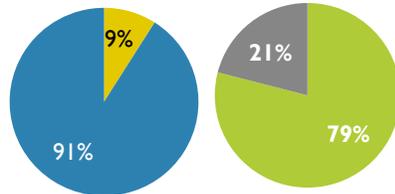
NET DEBT/ EQUITY 31 DEC 2018	NET DEBT/ EQUITY 31 DEC 2017
1.3x	1.3x

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

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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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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.