Acea Group
Investor Guidebook

August 2019

Agenda

ACEA GROUP
- The Acea Group today
- Historical results
- Business Plan 2019-2022
- Potential upside (not included in Plan targets)
- Sustainability plan

WATER
- Business Plan 2019-2022
- Regulatory framework

ENERGY INFRASTRUCTURE
- Business Plan 2019-2022
- Regulatory framework

COMMERCIALE & TRADING
- Business Plan 2019-2022
- Regulatory framework

ENVIRONMENT
- Business Plan 2019-2022
- Regulatory framework

RESULTS
- H1 2019
- Q1 2019
- 2018

ACEA GROUP

- **Acea today**
- **Historical results**

Acea Today

Leader in the multi-utility market

Water

1° Italian **player** in the water supply sector

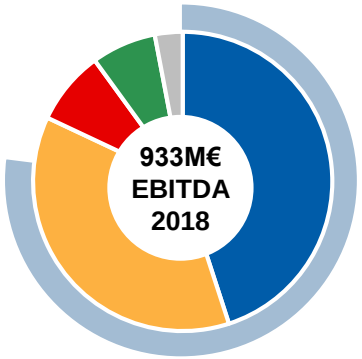
With **9 millions** customers served in Lazio, Tuscany, Umbria and Campania

Energy Infrastructure

Among the leading Italian players in the electricity distribution market

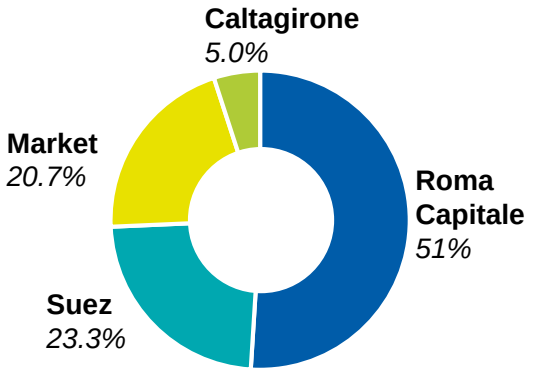
with **10 TWh** distributed electricity

2018 EBITDA



77% regulated

Shareholder structure



Source: CONSOB July 2019

Commercial & Trading

Among the main national players in the energy market

with **6 TWh** of electricity sold

Environment

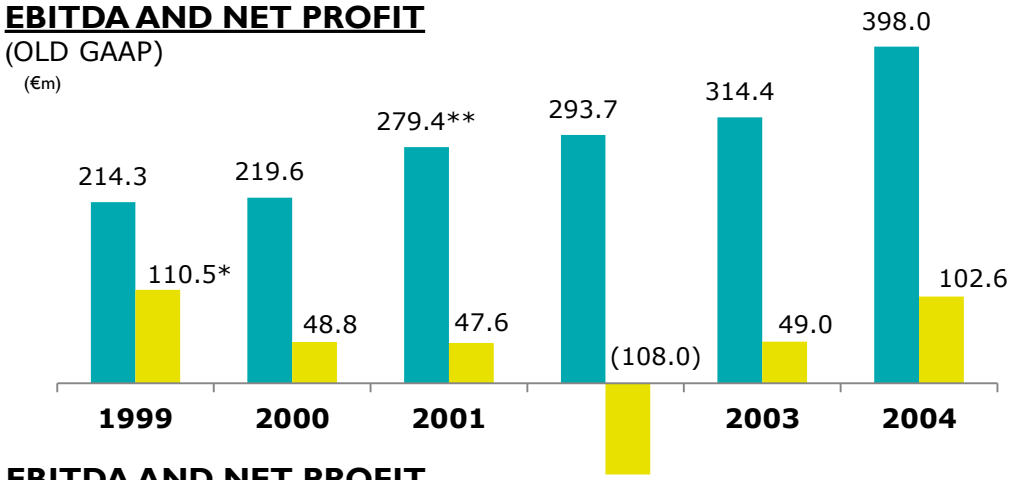
Leading player in the Italian waste treatment sector

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

Historical Results

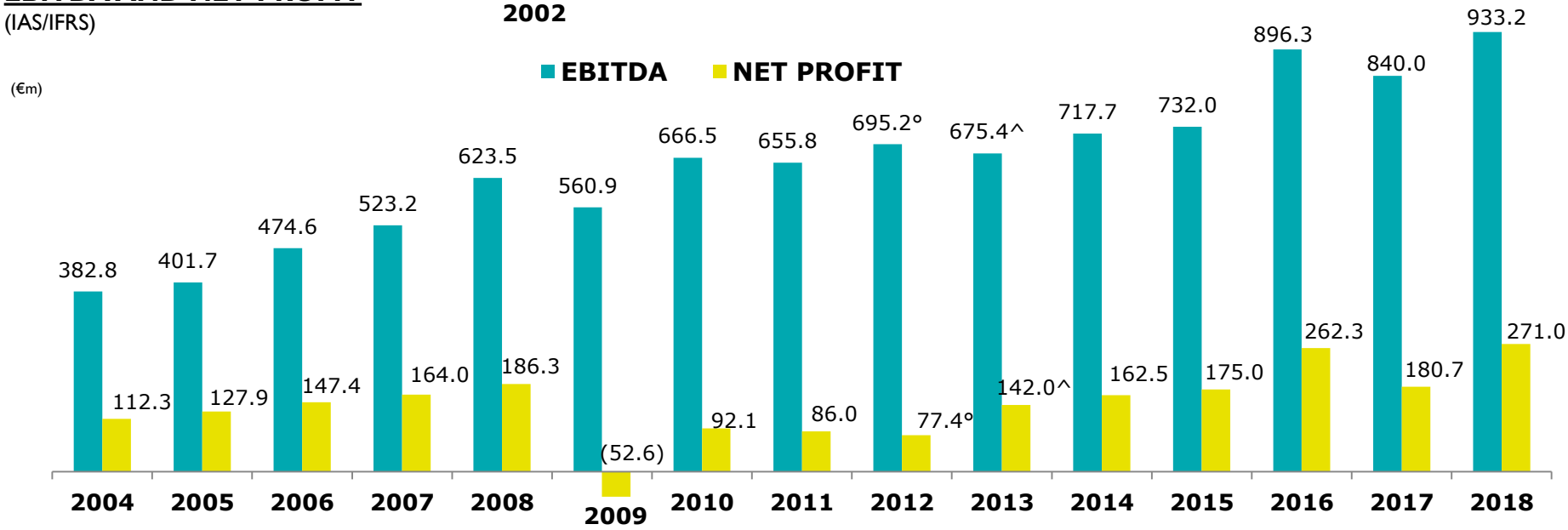
EBITDA and Net Profit performance

EBITDA AND NET PROFIT
(OLD GAAP)



* *In 1999, Acea SpA benefitted from a tax holiday. Without this, net profit would have amounted to €65m.*
** *Including €45m from Enel Distribuzione Roma*

EBITDA AND NET PROFIT
(IAS/IFRS)



° *Restated*
^ *Adoption of IFRS 10 and 11 was obligatory from 1 January 2014. For comparative purposes, the figures for 2013 have been restated.*

Historical Results
DIVIDEND (2004-2018)

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
DPS (€)	0.378	0.470	0.540	0.62	0.657	0	0.450	0.28	0.30	0.42	0.45	0.50	0.62	0.63	0.71
Dividend Total (€m)	80.5	100.1	115.0	132.0	139.9		95.8	59.6	63.9	89.4	95.8	106.5	132.0	134.2	151.2
- of which Roma Capitale	*41.1*	*51.1*	*58.7*	*67.3*	*71.3*		*48.9*	*30.4*	*32.6*	*45.6*	*48.9*	*54.3*	*67.3*	*68.4*	*77.1*
Dividend yield*	5.6%	5.3%	4.7%	4.4%	5.6%		5.5%	4.1%	6.7%	4.3%	4.6%	4.2%	5.2%	4.7%	5.3%
Payout**	72%	78%	78%	80%	75%		75%	69%	83%	63%	59%	61%	50%	74%	56%

* *Based on average price for the year*
** *Based on net profit after non-controlling interests*

Historical Results
Financial ratios and Capex

NET DEBT/EBITDA (2004-2018)

2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
2.62x	2.33x	2.52x	2.53x	2.62x	3.80x	3.31x	3.55x	3.59x	3.33x	2.91x	2.75x	2.37x	2.88x	2.75x

CAPEX

(OLD GAAP) (€m)	1999	2000	2001	2002	2003	2004
Grids	60.0	53.5	68.9	70.5	76.4	97.2
Energy	9.5	5.2	5.5	3.8	6.8	5.9
Water	29.6	36.6	53.7	35.4	44.6	65.9
Acea Holding	19.9	9.7	19.8	13.2	5.2	6.9
Total Capex	**119.0**	**105.0**	**147.9**	**122.9**	**133.0**	**175.9**

(IAS/IFRS) (€m)	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013**	2014	2015	2016
Grids	97.2	98.2	123.5	133.9	144.6	187.9	161.1	129.0	101.9	103.2	122.4	156.2	197.9
Energy	4.4	151.9	42.1	40.8	36.9	39.8	48.7	22.5	27.1	11.4	19.7	30.6	55.3
Water	64.6	83.9	119.0	186.8	199.5	177.4	202.8	230.4	224.4	130.0	148.9	204.4	230.4
Environment	-	-	0.7	6.4	17.5	89.4	48.5	20.6	37.5	12.1	13.3	25.9	34.0
Acea Holding	6.9	6.6	8.1	12.0	18.8	23.6	12.1	10.5	8.0*	11.9	14.2	11.8	13.1
Total Capex	**173.1**	**340.6**	**293.4**	**379.9**	**417.3**	**518.1**	**473.2**	**413.0**	**398.9**	**268.6**	**318.5**	**428.9**	**530.7**

(€m)	2016°	2017	2018
Water	227.1	271.4	329.7
Energy infrastructure	225.8	209.4	238.3
Commercial and Trading	27.4	19.4	24.6
Environment	34.0	15.4	20.1
Engineering and Services	1.8	0.8	1.6
Overseas	1.5	5.2	6.6
Acea Holding	13.2	10.7	10.0
Total Capex	**530.7**	**532.3**	**631.0**

* *The figure does not include investment in purchase of property housing Company's headquarters*
** *Adoption of IFRS 10 and 11 was obligatory from 1 January 2014. For comparative purposes, the figures for 2013 have been restated.*

° *The new structure of the Acea Group was approved in June 2017. The figures for 2016 have, therefore, been reclassified on the basis of the new business segments.*

ACEA GROUP

➢ **Business Plan 2019-2022**

Strategy and Targets

Pillars of the Business Plan 2018-22 …

- **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**
- S**upply chain** optimization
- **Balanced** organizational **model**

Strategy and Targets

Strong and sustainable growth

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

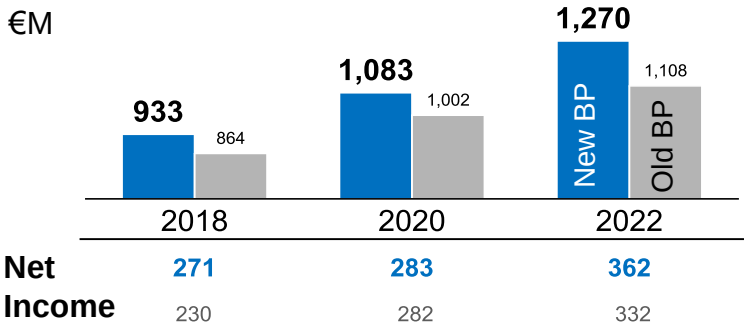
2019 GUIDANCE

EBITDA 2018 → EBITDA 2019 ≥ +7%
€933M

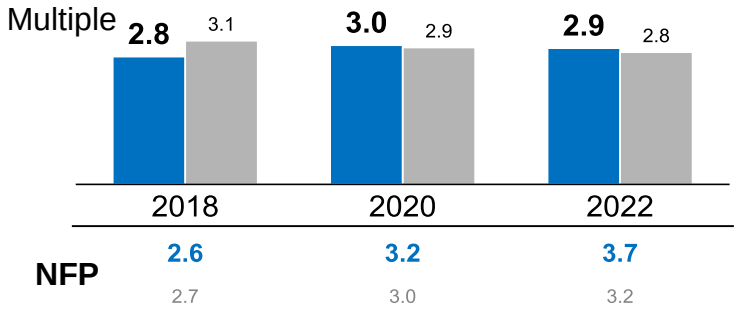
CAPEX up by over 10% versus €631M of 2018

NET DEBT: €2.85B – €2.95B

EBITDA growth with +8.0% CAGR

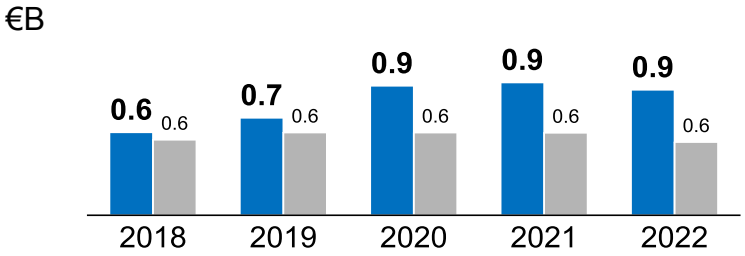


NFP/EBITDA down to 2.9X

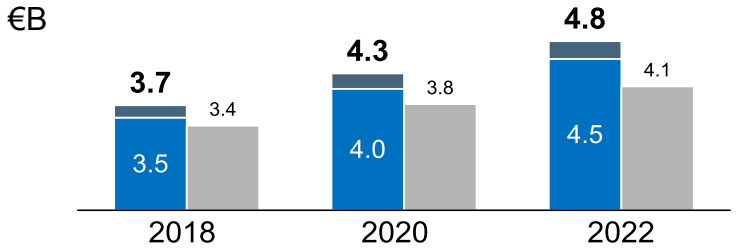


CAPEX €4.0B

CAPEX old plan €3.1B

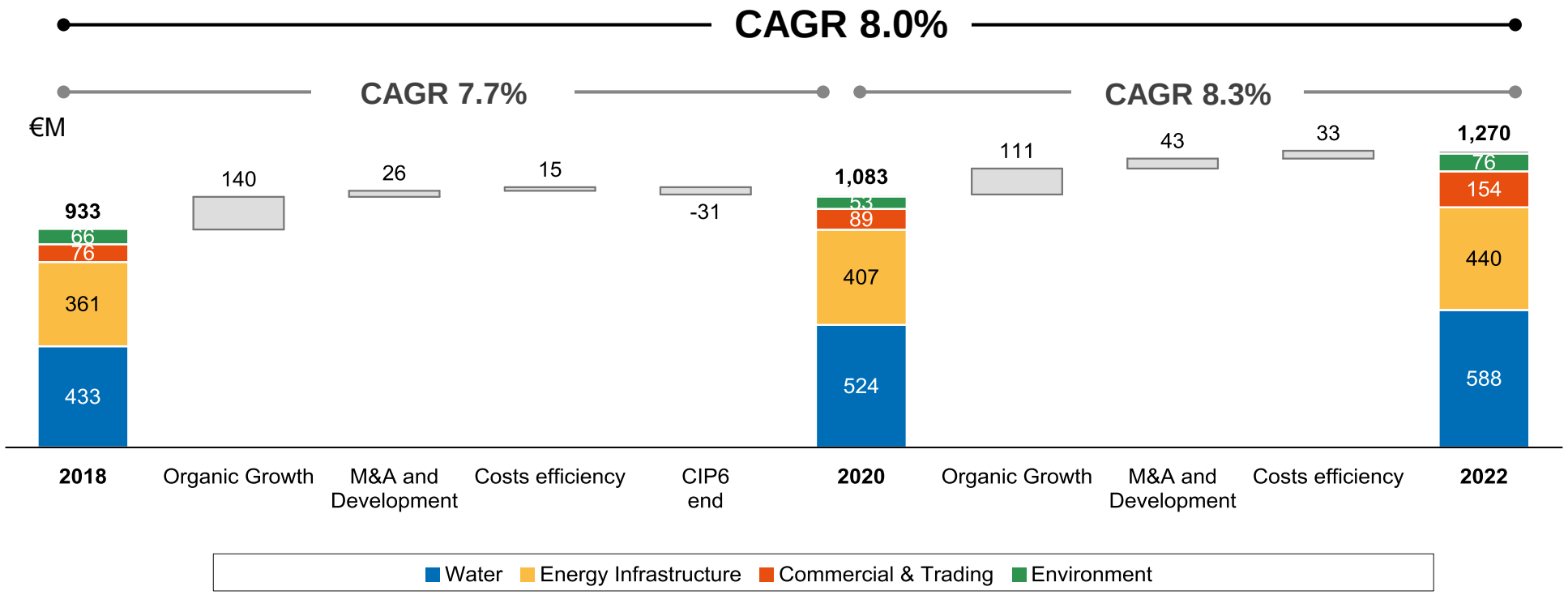


RAB up ~30% by 2022



Strategy and Targets

Outperformed previous business plan EBITDA targets



Cross-business line actions

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

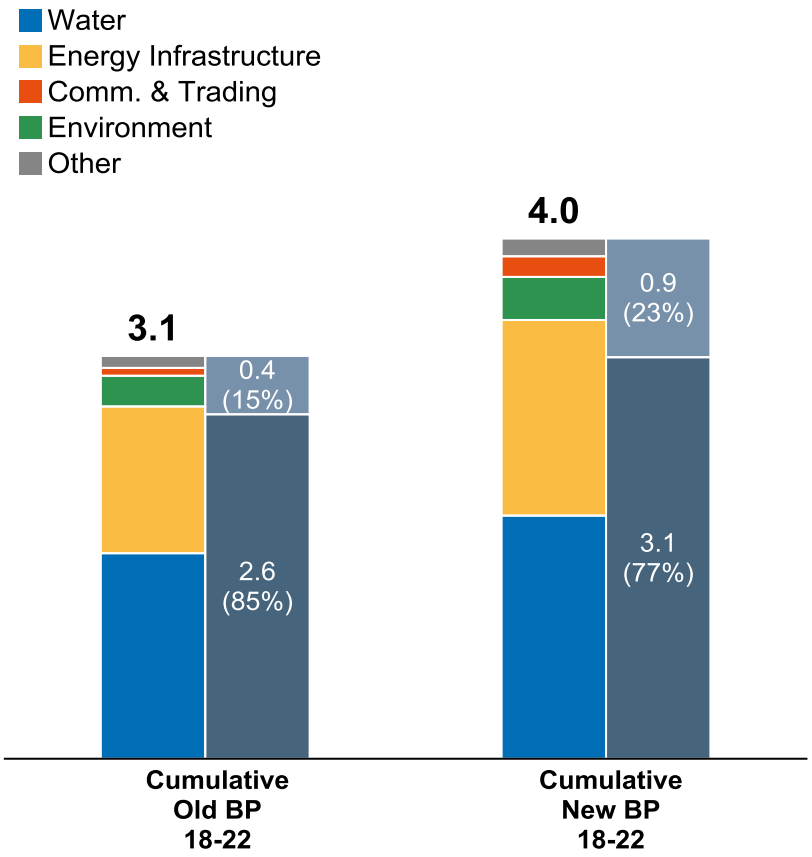
Environment

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

Strategy and Targets
Additional €900M investments

Cumulative 2018-2022

€B



Highlights

€M (approx.)

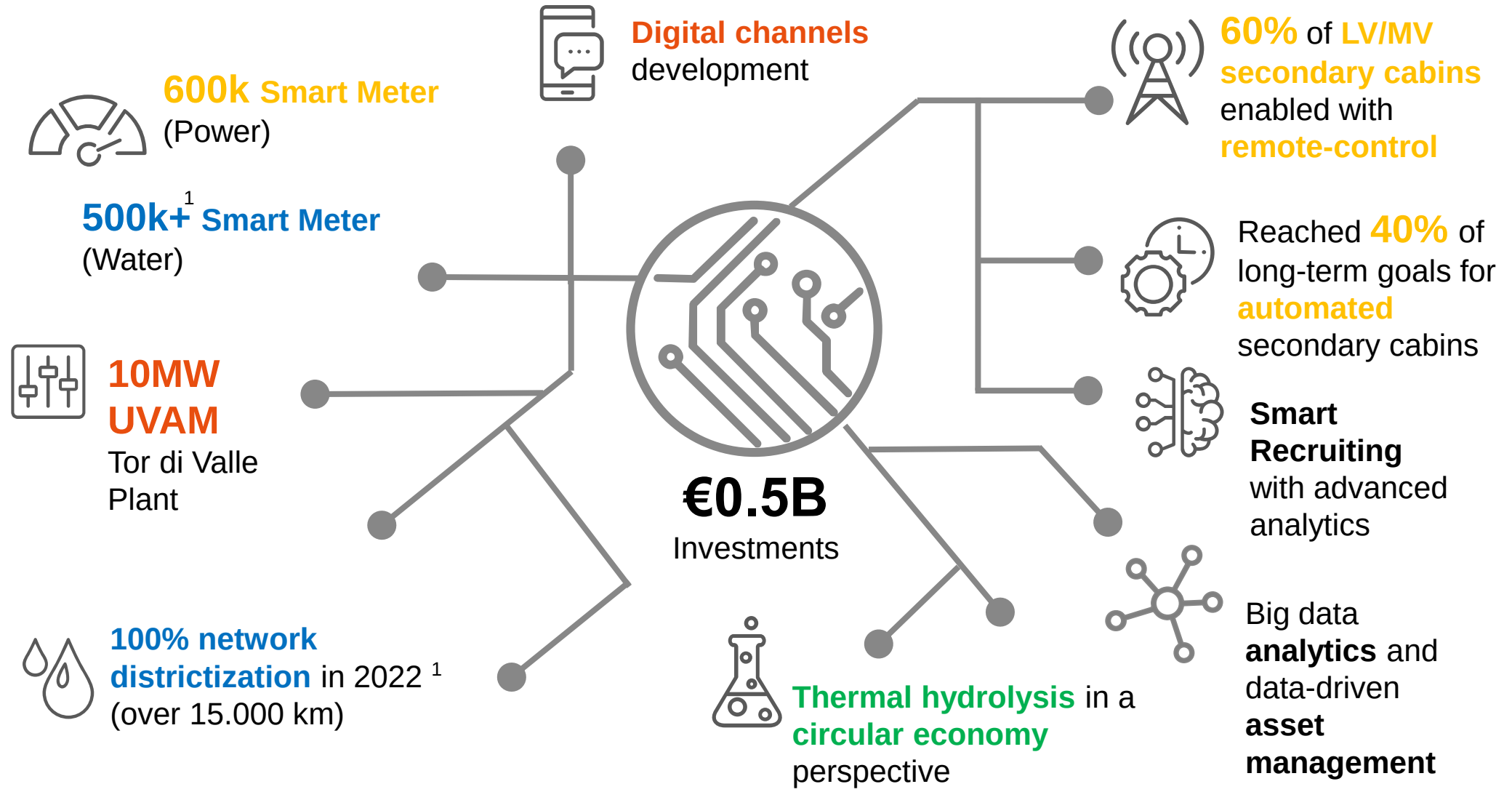
+250 **Gori** consolidation and additional investments (**Peschiera/Marcio**)

+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



Note: (1) ATO2 e ATO5

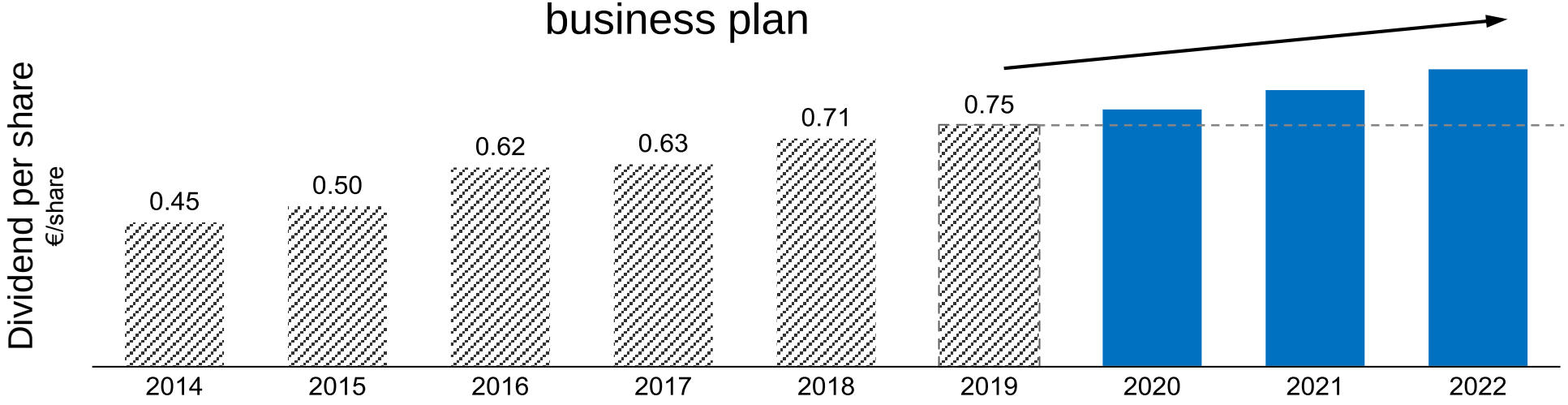
Strategy and Targets

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



Strategy and Targets
Financial strategy

16 May 2019 - Successful placing of Euro 500 million bond under the EMTN Programm, 9 years, fixed rate 1.75%.

July 2019 – EMTN programme ceiling increased to €4bn

Highlights

Working Capital

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

Rating

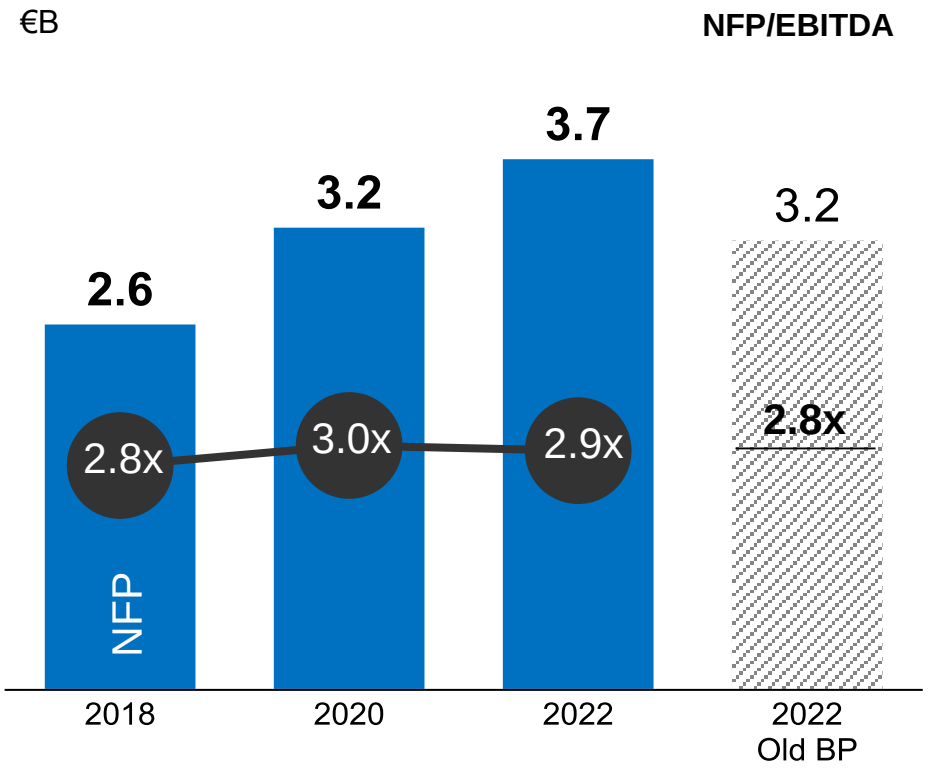
FitchRatings	Moody's
BBB+	**Baa2**
Stable outlook	*Stable outlook*

Debt

Situation at 30 June 2019

- Average maturity **5.8 yrs**
- Average cost of debt **2.18%**

Net Financial Position



2019-2022 Business Plan

Key Assumptions

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

ACEA GROUP

- **Potential UPSIDE**

(not included in Business Plan targets)

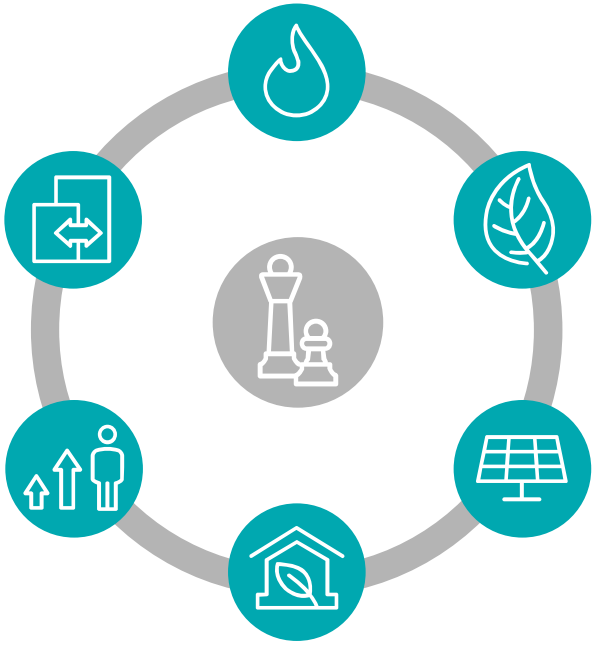
Strategic Opportunities

Potential initiatives to be implemented

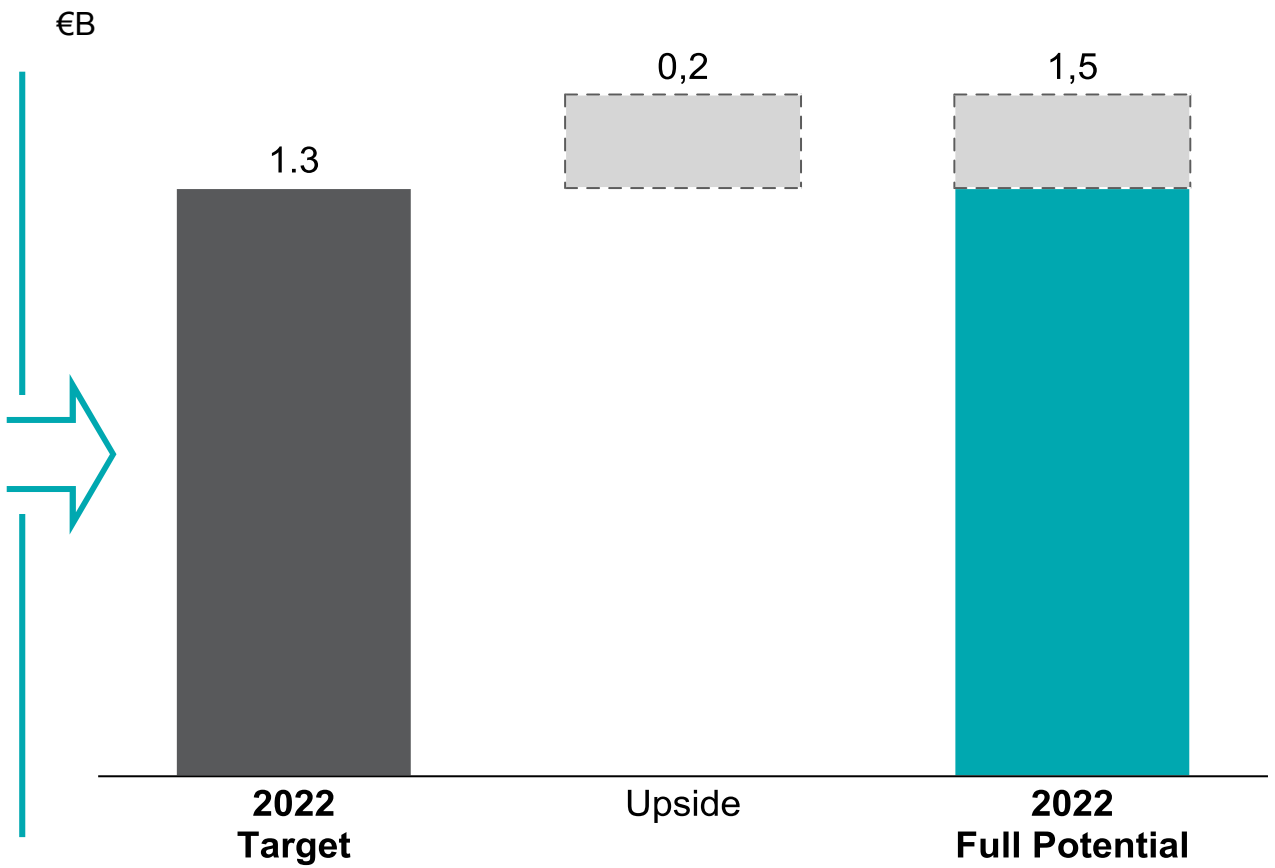
		EBITDA (€M)	Investments (€M)
Gas Distribution	Growth in the gas distribution market with **selected acquisition** and **ATEM tenders**	**5-20**	**35-110**
Smart Energy Efficiency	**ESCO acquisitions** and **cogeneration / trigeneration** pilots and thermal coat installations	**5-10**	**50-70**
M&A Waste	**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



ACEA GROUP

➢ **Sustainability**

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)

CO_2 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%**

Water

- **Business Plan 2019-2022**
- **Regulatory framework**

Water Business Line
Key Actions

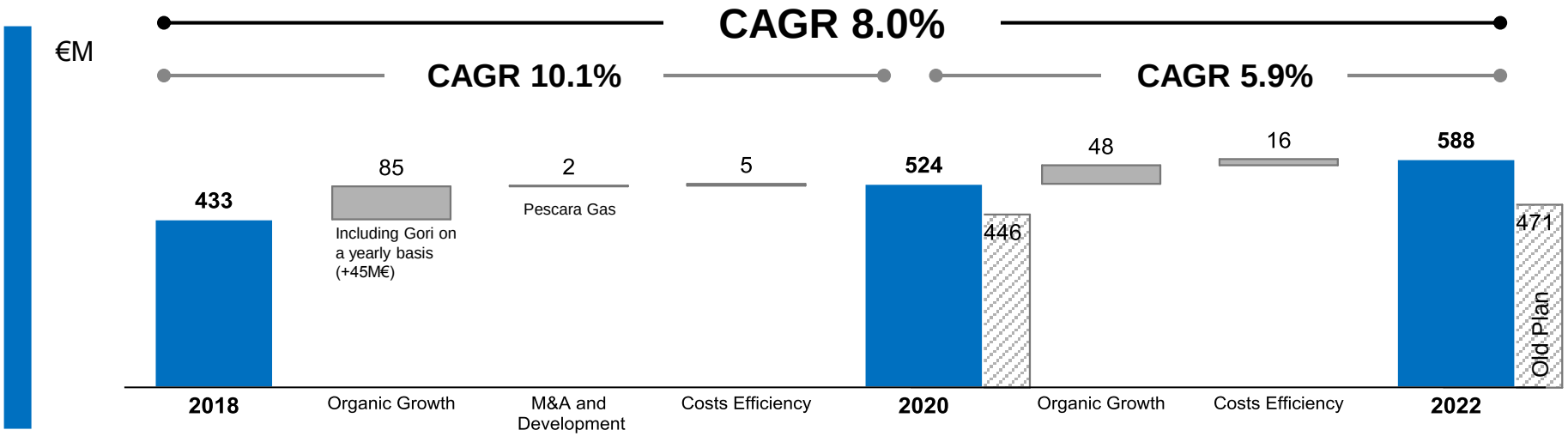
Implementation of old BP strategic initiatives

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

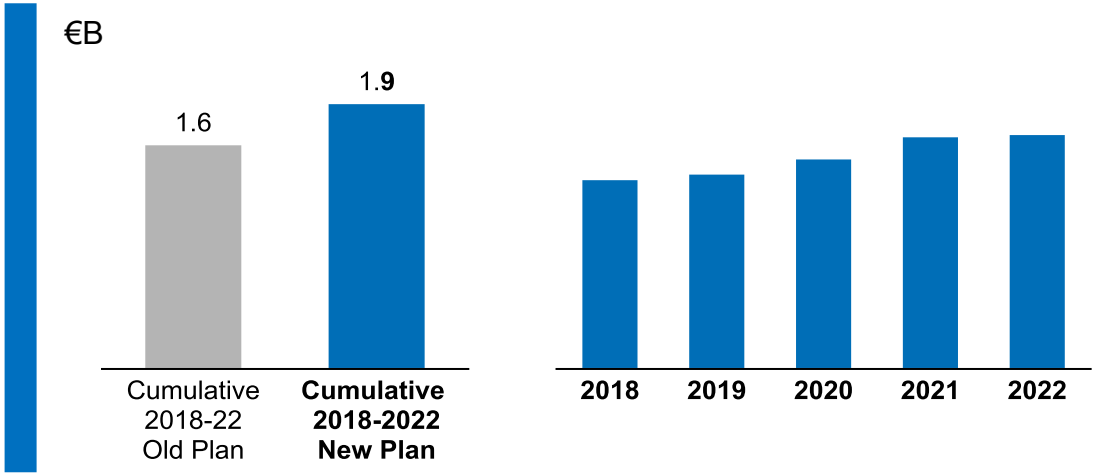
- **500k+ smart water meter** and projects for water network **districtization**
- Focus on **preservation of water**, with **development** of a dedicated structure
- Rationalization of **35+ small purification facilities**
- **90%** investments on Technical Quality
- **Supply securitization,** by doubling 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
- Procedure completed for **renewal of concession for the Peschiera-Le Capore** water main, due to expire in September 2031 (July 2019)

Water Business Line
Key Financials

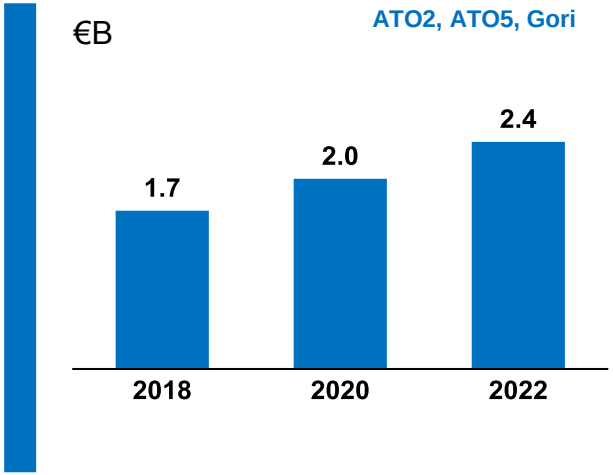
EBITDA



INVESTMENTS



RAB



Water Business : regulation

TARIFF REGIME FOR SECOND REGULATORY PERIOD 2016-2019

ARERA Resolution 664/2015 - Water Tariff Regime for the second regulatory period (WTR-2)

The tariff regime for the **four-year period 2016-2019 (the second regulatory period)** is based on a matrix chart with 6 different **regulatory framework** depending on the ratio of required capex to the value of existing infrastructure, eventual changes in the operator's objectives or operations (consolidation, significant improvements in service quality) and the value of the operator's opex per inhabitant served compared with the estimated average opex for the sector as a whole in 2014.

Key points in the Resolution are set out below:

- The **duration of the regulatory period** has been set at **four years**, with **biennial revision** (for the years 2018-2019) of the value of the RAB, the components subject to adjustment and opex, taking into account any accounting and inflation adjustments, in addition to certain of the parameters used in calculating the cost of debt (see the next slide that provides details of the content of Resolution 918/17, which has established rules and procedures for the biennial revision).
- 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.
- A **"sharing" mechanism**, based on a regulatory framework that penalises the least efficient operators.
- Introduction of a **system of rewards and penalties linked to the contractually required quality standards**. The reward component is excluded from any tariff caps.
- The possibility of recognising a **cost component relating to the cost of upgrading to meet the contractually required quality standards ($Opex_{QC}$)**, if not already included in the existing Service Charter (recognition does not permit the recognition of rewards at local level).
- 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 distinction between upgradeable opex and endogenous opex has been retained**. Costs linked to the expansion of operations and/or significant improvements in service quality are also allowed for.
- Based on the parameters established (*) in the resolution, the sum of the assessed **cost of debt and tax expense in the water sector amounts to 5.4%** **for the years 2016 and 2017** (compared with 6.1% for the regulatory period 2014-2015 and 6.4% for the period 2012-2013).
- 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.

(*)
- The **ERP** (Equity Risk Premium) is **4%** (compared with 5.5% for the electricity sector).
- The real **RF** (Risk Free) rate is **0.5%**, determined on the basis of yields on 10-year euro area government bonds with ratings of at least "AA" (in line with the electricity sector).
- The **WRP** (Water Risk Premium) is **1.5%** (compared with a CRP – Country Risk Premium – of 1% used in the period 2016-2018 in the electricity sector).

Water Business: regulation

TARIFF REGIME FOR SECOND REGULATORY PERIOD 2016-2019

ARERA Resolution 918/2017 – Biennial revision of tariff arrangements for integrated water services (2018-2019)

Determination 918/2017, approved at the end of December, sets out not only the rules and procedures for the biennial revision provided for in Resolution 664/2015, but also the amendments and additions made necessary by determinations that during 2017 have served to complete the regulatory framework for water systems (the regulation of **technical quality**, approval of the **integrated text on charges**, regulation of the **social bonus for water**).

Without modifying the WTR-2 tariff regime introduced by Resolution 664/2015, which remains in force, the principal provisions of the latest Resolution with an impact on the period 2018-2019 are detailed below:

- **Accounting and monetary adjustment of recognised costs**: tariff determinations are to be updated on the basis of the 2016 accounts (for the 2018 tariff) and 2017 accounts (for the 2019 tariff); the inflation adjustment for opex in 2017 and 2018 has also been set (inflation rate for 2017 = -0.10% and for 2018 = 0.70%), as have the cost of fixed investment (deflator 2017=1.003 - deflator 2018=0.998 - deflator 2019= 1).
- **Cost of electricity:** the sector's average cost of electricity supplies has been revised down to €0.1585 per kWh (a reduction from the amount used in tariff determinations for 2016-2017), included in the calculation of the recognised cost for the years 2018-2019 and in determining adjustments for the previous two years.
- **Wholesale cost of water**: extension of the method of computation applied to the previous two years to the years 2018 and 2019, overriding the rolling cap regulation provided for in WTR-2 from 2018. As regards the adjustments for 2016-2017, the failure of the WTR-2 regime to recognise the increased costs incurred for the wholesale supply of water in concessions hit by **water emergency** has also been overridden.
- **$Opex_{QC}$ adjustments**: recovery (only if to the end user's advantage) of the gap between quantification of the component included in tariff determinations for 2016 and 2017 and the costs effectively incurred by the operator;
- **ERC (Environmental and Resource Costs)**: the range of costs to be classed as ERC has been expended, taking into account additional opex that may result from the need to comply with the new technical quality targets.
- The component intended to **pre-finance the cost of new investment (FNI):** the obligation to use the related provisions solely to finance new investment has been introduced.

Water Business: regulation

TARIFF REGIME FOR SECOND REGULATORY PERIOD 2016-2019

ARERA Resolution 918/2017 – Biennial revision of tariff arrangements for integrated water services(2018-2019)

- **Technical quality**:
  - Review of **scheduled works** based on the operator's starting point for technical quality (taking 2016 as the base year) and the achievement of the targets set by the new technical quality regime introduced by Resolution 917/2017)
  - 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 possibility of recognising **additional costs for Opex QT** linked to improvements in technical quality (which, unlike contractually required quality standards, do not affect application of the incentive mechanism based on rewards and penalties).
- **Universal access to water**: in keeping with the provisions of Resolution 897/2017, the resolution includes a specific cost component dubbed OP_{social} should the Concession Authority decide to introduce or continue with an **additional bonus** compared with the one applied nationally (social bonus), which is instead covered by a specific tariff component (UI3) introduced from 1 January 2018.
- **Change in the parameters for the cost of debt and tax expense:** the real RF rate (0.5%) and Kd (2.8%) have been confirmed, whilst the WRP has been revised (1.7%); the tax rate (tc) used in calculating the tax shield for the cost of debt has also been revised (down from 27.5% to 24%) and, as a result, parameter T representing the total tax rate has been revised (down from 34.2 to 31.9%).

Based on the changes introduced to the parameters included in Resolution 918/2017, the sum of the assessed **cost of debt and tax expense in the water sector amounts to 5.3% for the years 2018 and 2019** (2016-2017 5.4%).
Details are provided in the following slide, which also provides a comparison with the Electricity sector).

In Determination DSID 1/2018 of 29 March 2018, the regulator has established the procedures for collecting technical and tariff data and the standard forms to be used for the report accompanying the plan of scheduled works and the revised tariff arrangements for the period 2018-2019.

Water Business
WACC

Calculation of real pre-tax WACC

WATER SECTOR WACC	WATER SECTOR WACC 664/2015	WATER SECTOR WACC 918/2017
OF+OFin	**5.4%**	**5.3%**
OF	**3.7%**	**3.8%**
alfa	1.6%	1.6%
km	2.1%	2.2%
OFin	**1.7%**	**1.5%**
RAI	6.3%	6.2%
Real Ke $_{16-17}$	**5.2%**	**5.4%**
Real RFR	**0.5%**	**0.5%**
Levered b	**0.80**	**0.80**
tc_{16-17}	27.50%	24.0%
T $_{corrected\ for\ inflation}$	**34.20%**	**31.9%**
d (g)	**50%**	**50%**
e (1-g)	**50%**	**50%**
d/e	**1.00**	**1.00**
ERP	**4.0%**	**4.0%**
WRP	**1.5%**	**1.7%**
Real Kd $_{16-17}$	**2.8%**	**2.8%**
WRP	**1.5%**	**1.7%**
DRP	**0.8%**	**0.8%**
Inflation		
RPI	**1.5%**	**1.5%**

Water Business: regulation

SECTOR REGULATION WITH AN IMPACT ON TARIFFS IN THE FOUR-YEAR PERIOD 2016-2019

INTRODUCTION OF THE COMPONENT LINKED TO CONTRACTUALLY REQUIRED QUALITY

AEEGSI Resolution **655/2015** established contractually required specific and overall quality standards for the water service, setting maximum response times and minimum quality standards for the services to be provided to end users. These are the same throughout the country.

Compensation was automatically due to end users in the event of failure to meet the specific quality standards. Failure to meet overall standards for two years running could result in the imposition of a fine. The determination, fully effective from 1 January 2017, also established the procedures for recording, reporting and checking the data relating to services provided by the operator at end users' request.

REWARDS AND ADDITIONAL COSTS

1. Art. 2 of Resolution 655/2015 grants concession authorities the option of encouraging the achievement of quality standards higher than the minimum standards applied nationally. This may be done at the proposal of the Operator. In recognising such outperformance, the authority also quantifies the bonus, which in any event may not exceed a certain cap linked to the operator's operational efficiency versus the national average. In fact the bonus is higher, the more the operator is efficient compared with the national average operating cost per customer served, set by the Authority at €109 per customer. **The reward is not subject to any tariff cap.**

2. If the standards set out in the operator's Service Charter are less demanding than the minimum standards required by the regulator, the Concession Authority may submit a reasoned proposal to recognise an **additional tariff component** ($Opex_{QC}$) to adjust for the minimum standards. For the related standards, recognition of this component precludes the award of any bonus.

Water Business: regulation

Resolution 917/2017 – Technical quality (1/3)

AEEGSI **Resolution 917/2017** has supplemented the mechanism introduced at the end of 2015 designed to promote contractually required quality with new regulations governing the **technical quality** of the integrated water service. In the latter case, the regulator has adopted a graduated approach **from 1 January 2018** and selective application of the regulations through mechanisms providing *ex ante* and *ex post* flexibility.
The new regulations set minimum technical quality standards and targets for the integrated water service through the introduction of **specific standards** designed to guarantee the services provided to each end user, and granting the right to compensation if the standards or targets are not met. The regulations have also introduced **overall standards** describing the technical conditions under which the service must be provided and that are linked to an incentive mechanism based on rewards and penalties. The resolution also provides for specific **requirements** as a necessary condition of qualifying for the incentives associated with the overall standards.

Application of the system of indicators forming the basis of technical quality – and the start of monitoring of the underlying data – is scheduled to begin from 1 January 2018. From 1 January 2019, obligations governing the recording and storage of data, according to the procedures provided for in the Resolution, will come into effect from 1 January 2019, whilst initial quantification of the rewards/penalties will take place in 2020 based on the results reported for 2018 (compared with 2016) and 2019 (compared with 2018).

The **rewards are not subject to any cap on tariff increases.** Provisions must be made in 2020 for any **penalties** imposed with regard to the first two years of application (2018-2019).

The cost of the incentives will be covered from 2018 by an equalisation component at national level (UI2), which will primarily aim to promote technical quality. This will be in addition to, from 2020 alone, a further method of allocating the cost based on a percentage of opex to be made available by all operators.

The Concession Authority may submit a reasoned proposal to recognise an **additional tariff component**, within the limits established in the resolution, for the years 2018 and 2019 **($Opex_{QT}$).**

Unlike the similar component relating to contractually required quality ($Opex_{QC}$), recognition does not entail exclusion from the above incentive mechanism.

Water Business: regulation

Resolution 917/2017 – Technical quality (2/3)

PREREQUISITES

Conditions to be met to qualify for INCENTIVE MECHANISMS

- Availability and reliability of meter readings
- Compliance with quality standards for water distributed to end users
- Compliance with standards governing management of urban waste water
- Availability and reliability of technical quality data

Indicators associated with incentive mechanism involving rewards and penalties

SPECIFIC STANDARDS

(minimum conditions required by regulatory standards for end user to qualify for compensation for non-compliance)

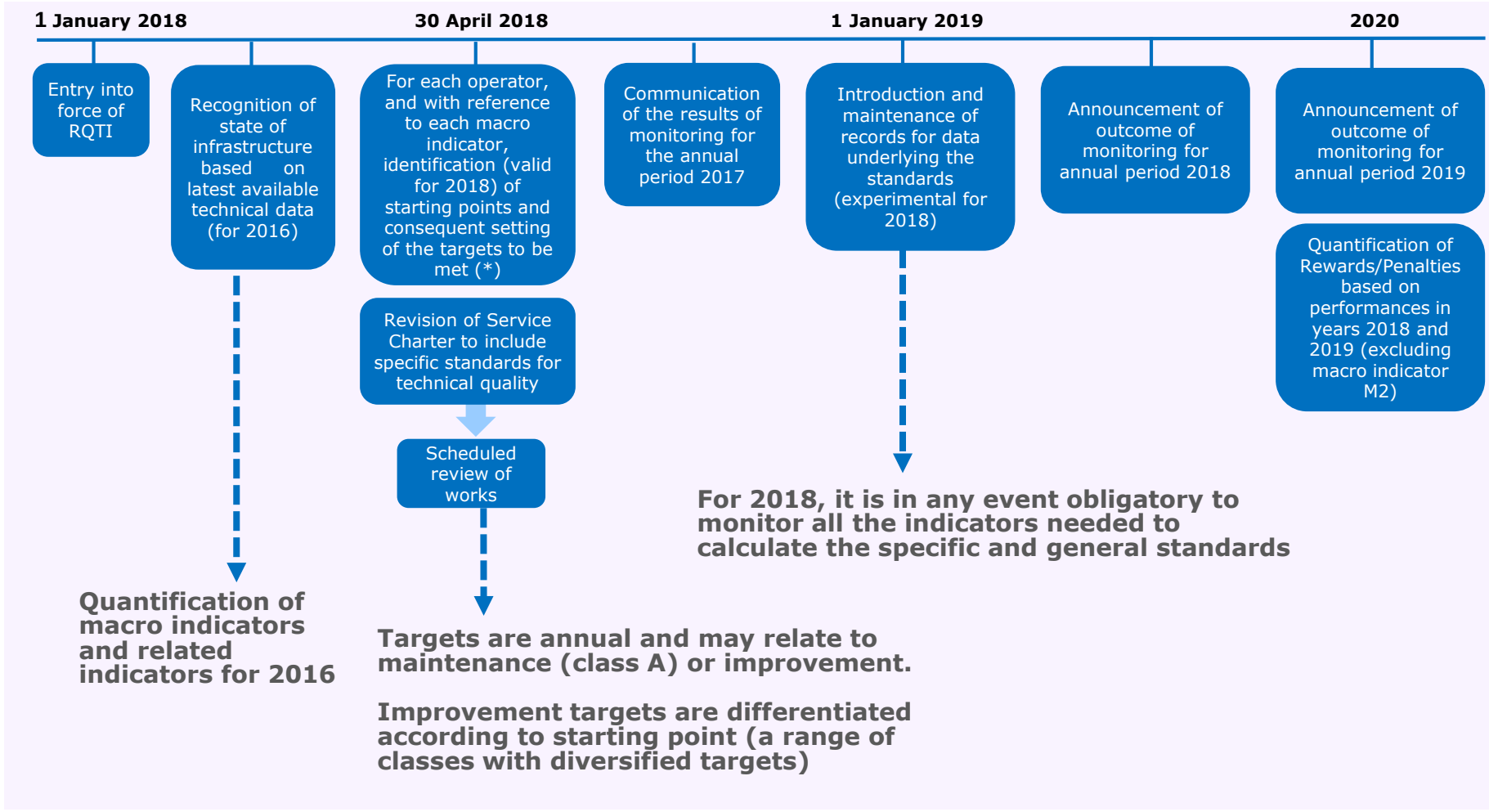
No.	Indicator	Specific standard
51	Maximum duration of one-off scheduled outage	24 hours
52	Maximum time-lag before activation of emergency replacement service in the event of a drinking water outage	48 hours
53	Minimum notice period for scheduled work involving interruption to supply	48 hours

GENERAL STANDARDS

	MACRO INDICATOR		Additional related indicators (levels of "advanced" and "excellent" are awarded on the basis of scores and rankings)
FRESH WATER SUPPLY	M1	Water leaks	G1.1 Share of measured volumes (measured volumes as proportion of total)
	M2	Outages	G2.1 Availability of water resources
	M3	Quality of water supply	G3.1 Number of samples analysed G3.2 Application of Water Safety Plan (WSP) model
SEWERAGE	M4	Adequacy of sewerage system	G.4.1 Annual breakages in sewerage network in terms of kilometres inspected
TREATMENT	M5	Disposal of sludge	G5.1 Absence of deposits covered by infringement procedure 2014/2059 G5.2 Coverage provided by treatment service versus population covered by fresh water provision G5.3 Carbon footprint of treatment service
	M6	Quality of treated water	G6.1 Quality of treated water – extended G6.2 Number of samples analysed G6.3 Proportion of measurements breaching limits

Water Business: regulation

Resolution 917/2017 – Technical quality (3/3)



(*) Under the provisions of Determination DSID no. 1/2018, the tariff data for 2016-2017, to be collected for the purposes of revising tariffs for the period 2018-2019, must include the TQ data for both 2016 and 2017 (the latter even if not final).

Water Business: regulation

FURTHER SECTOR REGULATION WITH AN IMPACT ON TARIFFS IN THE PERIOD 2018-2019

REFORM OF THE RATES APPLIED TO END USERS

(Integrated Text on Charges for Water Services)

AEEGSI **Resolution 665/2017** has approved the criteria for reforming the structure of the charges applied to end users, in order to simplify and standardise the charges at national level. The determination covers the structure of charges for domestic users, for non-domestic uses and for the collection and the treatment of industrial waste water authorised for discharge into the public sewerage system.
The reform focuses primarily on **residential domestic uses**, setting fixed charges for each service; variable charges for fresh water based on the amount of water consumed **per inhabitant** (initially, a standard quantity based on typical domestic usage consisting of 3 components and from 2022 on the effective quantity).

In compliance with the Cabinet Office Decree of 13 October 2016 on subsidised rates for the integrated water service(*), the minimum level of consumption to qualify for the special rates has been fixed at 18.25 m^3 per inhabitant per year.

Industrial waste water authorised for discharge into the public sewerage system is charged for on the basis of a trinomial tariff structure for collection and treatment. This includes a fixed amount, a variable amount based on the main pollutants identified and a "capacity" rate determined on the basis of the concentrations and volumes present in the discharge authorisation documents. There is also a **revenue cap** with a margin of flexibility of 10%, at the level of each concession area, and cap on the increase that may be applied to each industrial user.

The gradual process of redefining the structure of charges, starting from 1 January 2018, is also established. The new structure should have been defined by each Concession Authority, under a procedure involving the operator, **by 30 June 2018** (the process has yet to be completed).

(*)*The Cabinet Office Decree has established that the minimum quantity of water needed in order to meet essential needs is 50 litres per inhabitant per day, equal to 18.25 m^3 per inhabitant per year*.

Water Business: regulation

FURTHER SECTOR REGULATION WITH AN IMPACT ON TARIFFS IN THE PERIOD 2018-2019

SOCIAL BONUS FOR ECONOMICALLY DEPRIVED DOMESTIC USERS OF WATER

(Integrated Text on the Social Bonus for Water)

In implementation of the provisions of specific regulatory measures (the latest being the cabinet Office Decree of October 13, 2016), the AEEGSI issued **Resolution 897/2017** setting out the method of application of the **social bonus for water** for economically and socially deprived domestic users.

The resolution sets out the conditions to be met to qualify for the benefit, quantified on the basis of the size of the household and applying the subsidised tariff to the minimum quantity of water needed in order to meet essential needs, as defined by central government. The resolution establishes the procedures for applying for the bonus and for the award and provision of the benefit.

The Resolution also establishes that the cost of the social bonus for water users is, from 2018, to be **covered** by a new **equalisation component at national level (UI3),** to be introduced from January 1, 2018 and charged to users of the integrated water service other than those classed as deprived.

The Concession Authority also has the option of introducing and retaining, where already in existence, additional measures designed to help economically deprived users. To cover the cost of this «supplementary bonus» is not covered by the nationally applied equalisation component (UI3) but, as better defined in Resolution 918/17, by a specific tariff component dubbed OP_{social}, which can be quantified and thus included as a tariff component in the revenue cap for the years 2018 and 2019.

Water Business

RAB - 2019-2022 INDUSTRIAL PLAN

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

(€m)	2018	2020 Plan	2022 Plan
ATO2	*1,327*	*1,589*	*1,928*
ATO5	*127*	*149*	*153*
Gori	*206*	*254*	*296*
RAB ATO2+ATO5	***1,660***	***1,992***	***2,377***

Under the regulatory framework, the RAB does not include goodwill recognised in the companies' statutory financial statements.

Water Business

Acea's investments in water companies in: Lazio, Umbria, Campania and Tuscany.

LAZIO

ATO 2 Central Lazio (concession expires 2032)	ATO 5 Frosinone (concession expires 2033)
Ato 2 (Acea 96%) provides the integrated water service in Rome and in another 111 municipalities in the surrounding province.	**Ato 5** (Acea 98%) provides the integrated water service in Frosinone and in another 86 municipalities in the surrounding province.

UMBRIA

ATO1 Perugia – includes municipalities in the province of Perugia (concession expires 2027)	ATI 4 Umbria – includes 32 municipalities in the province of Terni (concession expires 2032)
Umbra Acque (Acea 40%)	**Acea owns 100% of TWS, which in turn holds 64% of Umbriadue Servizi Idrici**, which provides the integrated water service in ATI4 Umbria

CAMPANIA

ATO3 Regione Campania – includes municipalities in the provinces of Naples and Salerno (concession expires 2032)
Sarnese Vesuviano (Acea 99%) **controls 37% of Gori.** Other investors in Gori are Ente d'Ambito Sarnese Vesuviano and ASM Azienda Speciale.

TUSCANY

ATO4 Alto Valdarno – includes municipalities in the provinces of Arezzo and Siena (concession expires 2027)	ATO6 Ombrone – includes municipalities in the provinces of Siena and Grosseto (concession expires 2026)	ATO2 Basso Valdarno – includes municipalities in the provinces of Pisa, Lucca, Florence, Pistoia and Siena (concession expires 2031*)	ATO3 Medio Valdarno – includes municipalities in the provinces of Florence, Arezzo, Prato and Pistoia (concession expires 2024*)	Municipality of Lucca – Integrated water service Municipality of Lucca (concession expires 2025)
Intesa Aretina (Acea 35%) **controls 46% of Nuove Acque,** with remaining 54% controlled by municipalities, the Provincial Authority and others.	**Ombrone** (Acea 99.5%) **controls 40% of Acquedotto del Fiora.** Other investors in Acquedotto del Fiora are Municipality of Grosseto, Municipality of Siena and other Municipalities.	**Acque Blu Arno Basso** (Acea 77%) **controls 45% of Acque.** Other investors in Acque are Publiservizi, Cerbaie and GEA.	**Acque Blu Fiorentine** (Acea 75%) **controlls 40% of Publiacqua.** Other shareholders of Publiacqua are Consiag and the Municipality of Florence.	**Acea holds 48% of GEAL**, which provides the integrated water service in the municipality of Lucca. The remaining interest is held by Lucca Holding (Municipality of Lucca).

** Extension of concession approved by EGA (pending ARERA's approval)*

Energy Infrastructure

- **Business Plan 2019-2022**
- **Regulatory framework**

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

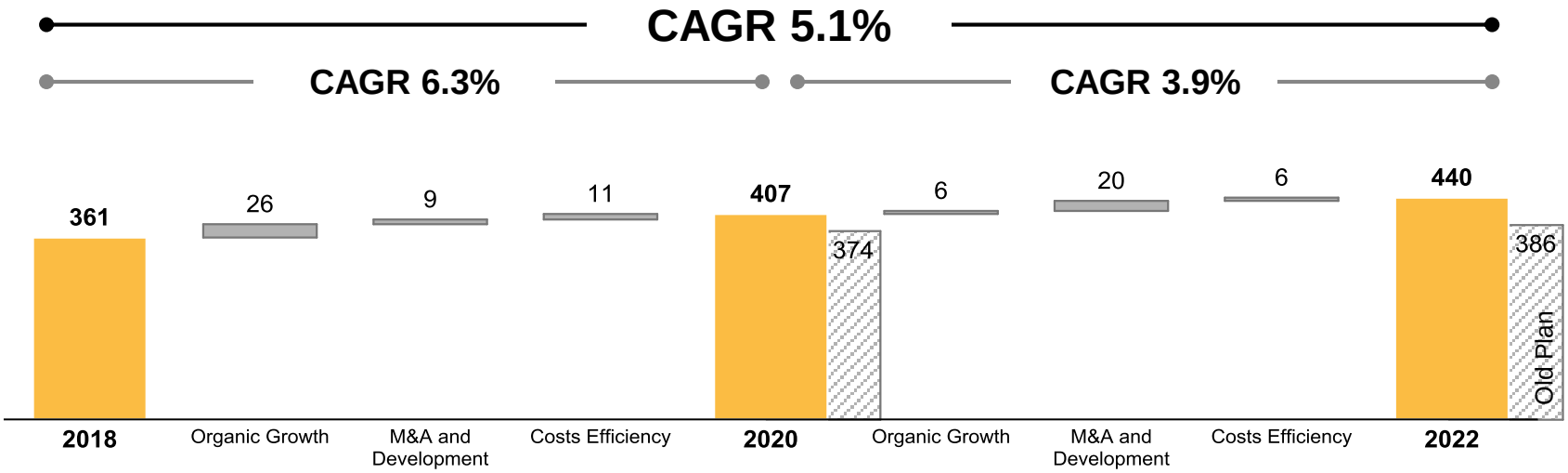
Renovation/expansion activities on the **LV/MV network** for over **2,500km**

Agreements for the acquisition of photovoltaic plants with **total capacity of approximately 25 MWp** (July 2019):

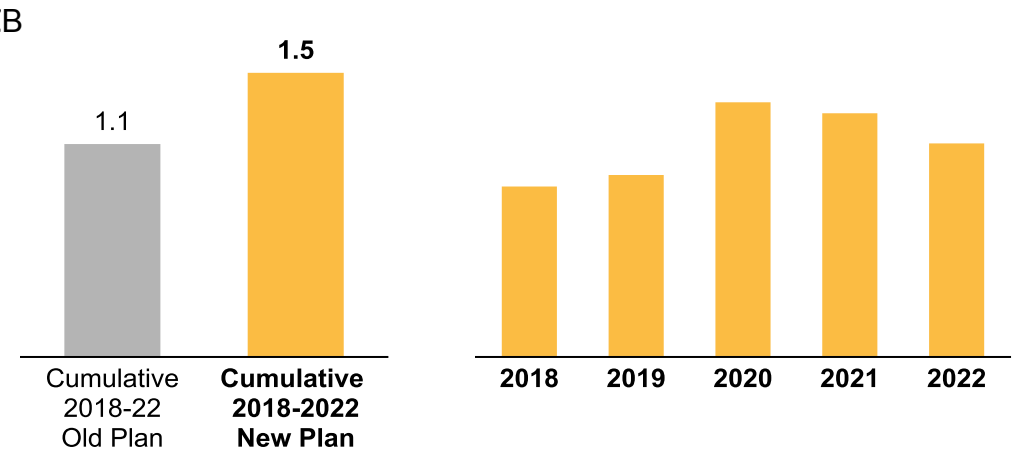
- Total Enterprise Value: ~€75m
- Total EBITDA: ~€11m
- Feed-in tariffs provided by Conto Energia initiative

Energy Infrastructure
Key Financials

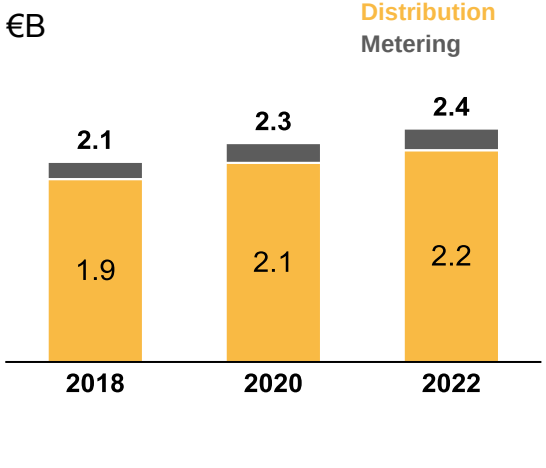
EBITDA



INVESTMENTS



RAB



Energy Infrastructure

EBITDA BREAKDOWN

		2018	2020 Plan	2022 Plan
ENERGY INFRASTRUCTURE		360	407	440
Distribution (Areti)	€m	317	352	363
Production (Acea Produzione+Ecogena)	€m	49	52	73
Public Lighting	€m	-5	3	4

Energy Infrastructure: electricity distribution totex

CONSULTATION DOCUMENT 683/2017

With regard to the second sub-period of the regulatory period 2020-2023, the regulator intends to adopt a **Totex**-based approach, introducing innovative elements into price regulation with respect to the past. The initial approach was described in Consultation Document 683/2017, as follows:

- Focus on **total expenditure**, represented by the sum of opex and capex;
- A ***forward-looking*** approach with ***ex ante*** approval, by the regulator, of the entity's expected objectives and outputs and presented in Business Plans. In this way, the regulator, after conducting a process of cost assessment and benchmarking, identifies the «baseline Totex» and the performance of the «glide path»*;*
- Application of menu regulation with the introduction of incentive schemes, involving use of an IQI (Information Quality Incentives) matrix, encouraging operators to include expenditure forecasts when presenting their business plans that (i) as realistic as possible and (ii) as close as possible to the «baseline Totex» arrived at by the regulator.

To allow for gradual implementation, the regulator has applied certain elements of continuity:

- capital at the time of transferring to the Totex approach is managed using the same criteria;
- opex do not change substantially as they are already subject to an *ex ante* regime.

Under the Totex approach*,* total expenditure is divided into two parts based on a percentage allocation established *ex ante* by the regulator on the basis of the optimal level of capitalisation for the entity and proposals from operators, in addition to historical trends; the two parts are defined as follows:

- «fast money», the part funded through revenue in the year;
- «slow money» which will increase invested capital for regulatory purposes and on the basis of which, as under the current tariff regime, the return on capital and depreciation are calculated (the latter applied to a group of assets with a single useful life);

Key points covered by the consultation document and thus that remain open regard:

- **Business plans** that form the basis for the Totex process over a time horizon of 5/10 years; the plans should contain two sections: i) a section about the entity, describing its business objectives with earnings and financial indicators; ii) and one dealing with stakeholders, describing stakeholder engagement, their vision, points of view and expected objectives;
- **Baseline Totex and the glide path for total expenditure**: the regulator's ability to correctly assess the future recognition of costs is key to the effectiveness of the entire «Totex» approach, without which the process could result in situations of overspending or underspending;
- The **mechanism for managing uncertainties** which, using a suitable system of controls and checks, enables, for example, changes to be made to the entity's revenue streams in the reference period through re-opening mechanisms; on the other hand, a number of initiatives, given their particular or exceptional nature, may be excluded from application of the approach based on *ex ante* cost recognition and, once identified, will continue to generate a return on the basis of *ex post* models of recognition*;*
- **Incentive schemes**, divided into two types: i) incentives that result from the adoption of menu regulation and from the application of the IQI – Information Quality Incentives matrix; ii) incentives devised specifically to achieve predetermined output/performance targets.

The Regulator established that individual operators were to complete the activities for which they were responsible and that the Totex approach was to come into effect within a 30-month period, proposing, for the sub-period 2020-2023, the application of this approach «to electricity distribution, ensuring extensive coverage throughout the country» and «to the national transmission system operator».

It should be noted that no Resolution was adopted after the Consultation Document and that, apart from the conduct of any pilot projects, implementation of the Totex approach has been postponed until after the sub-period 2020-2023.

Energy Infrastructure: electricity distribution regulation

REGULATORY DEVELOPMENTS 2018

Resolution 50/18 Stranded costs;
ARERA Consultation Document 331/2018 Upgrade of plumbing risers;
ARERA Consultation Document 460/2018 Resilience plan

STRANDED COSTS

Following Consultation Document 569/2017, the Authority issued Resolution 50/2018 whereby it set up the mechanism for the recovery of stranded costs paid but not collected by distributors. The mechanism allowed Areti, in 2018, to recover the stranded costs already paid to CSEA and GSE.

Within the framework of the fifth regulatory period for tariffs and the quality of transmission, distribution and metering (2016-2023), ARERA determined the following:

1) REGARDING THE UPGRADE OF PLUMBING RISERS

The Authority began a procedure in relation to the upgrade of aging plumbing risers, with Consultation Document 331/2018 on the allocation of costs and attribution of responsibilities between distribution system operators and condominiums. In the Consultation Document, ARERA proposes providing refunds to condominiums that cooperate in upgrading their plumbing risers. Upon completion of the procedure, the Regulator intends to adopt Resolutions at the beginning of next year.

2) REGARDING THE RESILIENCE PLAN

The Authority started a procedure related to grid resilience, following the first Consultation 645/2017/R/eel and the ensuing discussions with operators. With Consultation Document 460/2018, ARERA published its final stance on the financial incentives for the activities designed to increase the resilience of electricity distribution systems, particularly their ability to cope with stresses.
The Consultation Document calls for:

1. incentives payable as parameters are met (e.g. risk indicator);
2. a penalty mechanism in case of failure to deliver or late delivery;
3. a mechanism for the partial or total return of the incentive in case the system proves inadequate.

Energy Infrastructure: electricity distribution regulation

REGULATORY DEVELOPMENTS 2018

2018 Budget Law: biennial statute of limitations;
Resolution ARERA 639/2018 revised WACC

BIENNIAL STATUTE OF LIMITATIONS

Following the 2018 Budget Law (no. 205/2017), ARERA consulted on a number of occasions with stakeholders on operators' obligations and on the protection of customers receiving back-bills for periods of more than two years. ARERA adopted resolutions 97, 264 and 569 of 2018 to provide guidance on this matter. To date, the Authority has established, among other things, that operators have an obligation to inform customers of their right to assert a statute of limitations with a notice in the bill containing the amount due and in the related past due notices. Several operators and associations have requested a review of the latest resolution, no. 569. On the other hand, in a Consultation Document (570/2018), the Regulator has outlined the cases where failure to meter power consumption is attributable to the DSO or the customer. To that end, ARERA is considering regulatory changes, such as:

- the disclosure of meter reading schedules;
- permitting direct contact between DSOs and final customers
- introducing greater customer information obligations regarding the date of the next meter reading and failed meter reading attempts.

REVISED WACC

With Consultation Document 557/2018, the Authority began the process of revising the rate of return on invested capital for infrastructure services in the gas and electricity sectors, for the period 2019-2021, setting the parameters to be revised (with reference to articles 5 and 6 of Resolution 583/2015) and those undergoing consultation: T (tax rate) and gearing D/(E+D).
With Resolution 639/2018/R/com, ARERA largely confirmed the levels set out in the Consultation Document, granting a 0.1% CRP increase.

ELECTRICITY DISTRIBUTION*
WACC 2019-2021: 5.9% (previous 5.6%)

GAS DISTRIBUTION AND METERING**
Gas distribution - WACC 2019: 6.3% (previous 6.1%)
Gas metering - WACC 2019: 6.8% (previous 6.6%)

* *WACC regulatory period: 6 years (2016-2021). WACC was set at 5.6% for the first three years (2016-2018) and revised to 5.9% for 2019-2021.*
** *It is noted that the fourth regulatory period (2014-2019) for gas distribution and metering ends in 2019. Thus, the Authority may revise WACC in light of new developments during the fifth regulatory period.*

Energy Infrastructure
WACC Electricity Distribution

Calculation of real pre-tax WACC

		ACTUAL
WACC ELECTRICITY DISTRIBUTION	**WACC DIS EE** 654/2015 - All.D	**WACC DIS EE 639/2018**
$Wacc^{real}_{pre\text{-}tax}$	**5.6%**	**5.9%**
$Ke^{real}_{16\text{-}17}$	**4.9%**	**5.7%**
Factor Ke	**84.8%**	**72.5%**
$Kd^{real}_{16\text{-}17}$	**2.0%**	**2.4%**
Factor Kd	**0.49**	**0.55**
F	**0.5%**	**0.5%**
$Ke^{real}_{16\text{-}17}$	**4.9%**	**5.7%**
$RF_{nominal}$	**0.79%**	**0.64%**
$isr_{16\text{-}17}$	**1.39%**	**1.62%**
RFR_{real}	**0.5%**	**0.5%**
β asset	**0.39**	**0.39**
β levered	**0.61**	**0.686**
$tc_{16\text{-}17}$	27.50%	**24.00%**
T corrected for inflation	**34.40%**	**31.0%**
d (g)	**44%**	**50%**
e (1-g)	**56%**	**50%**
d/e	**0.80**	**1.00**
TMR	**6.0%**	**6.0%**
ERP	**5.5%**	**5.5%**
CRPp	**1.00%**	**1.40%**
$Kd^{real}_{16\text{-}17}$	**2.00%**	**2.40%**
CRPp	**1.00%**	**1.40%**
DRP	**0.50%**	**0.50%**
F	**0.50%**	**0.46%**
ia	**1.50%**	**1.70%**
	33.8%	**27.5%**

RAB - 2019-2022 Industrial Plan

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

(€m)	2018	2020 Plan	2022 Plan
RAB ARETI	*2,085*	*2,281*	*2,432*

Under the regulatory framework, the RAB does not include goodwill recognised in the companies' statutory financial statements.

ENERGY INFRASTRUCTURE

NEW AREAS OF REGULATION

Energy Infrastructure: District heating

In 2018, ARERA issued a number of integrated texts containing regulations for the provision of district heating and cooling, as indicated in the primary legislation in Legislative Decree 102/2014, for the first regulatory period: 1 July 2019 - December 2021

- **Resolution 24/2018/R/tlr - TUAR** «Regulation of the criteria for determining connection fees and the procedure by which end users can exercise their right to terminate the contract»
- **Resolution 574/2018/2018/tlr - OITLR** «Information obligations for entities operating in the district heating and cooling sector»
- **Resolution 661/2018/2018/tlr - RQCT** «Regulation of the quality of district heating and cooling services»

Commercial and Trading

- **Business Plan 2019-2022**
- **Regulatory framework**

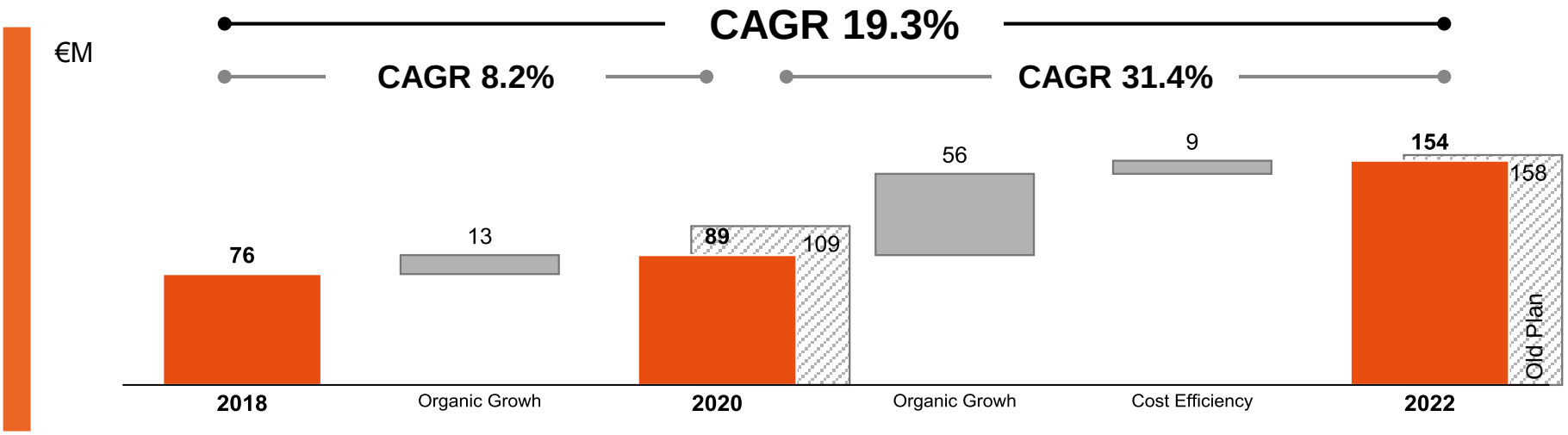
Commercial and Trading
Key Initiatives

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

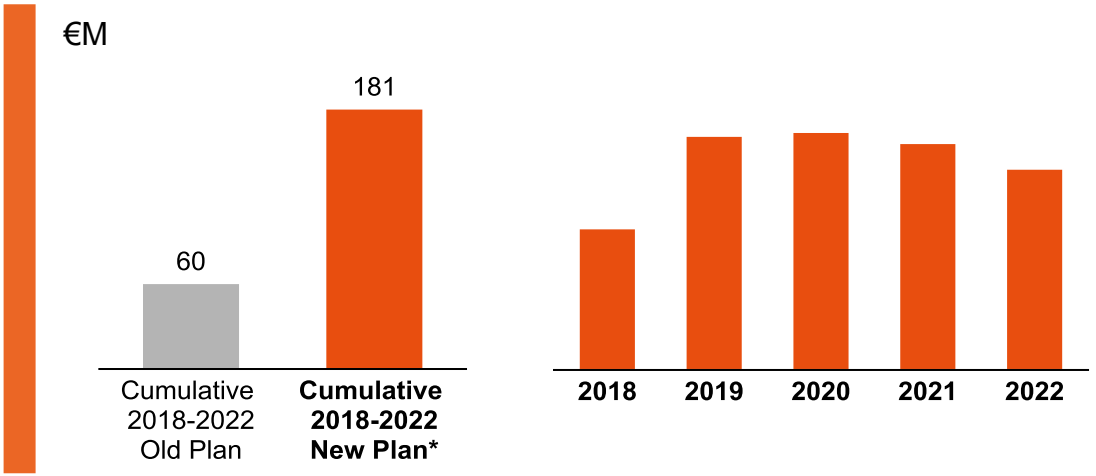
- **Strong commercial boost** (3x vs. 2018) supported by a new offering model
- **Increase of share of pull commercial channels** (e.g. Shop, Branch and Digital) up to 50%
- **Strengthening of digital channels** (10% on total acquisitions)
- **Operational excellence** on key processes and **reduction 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

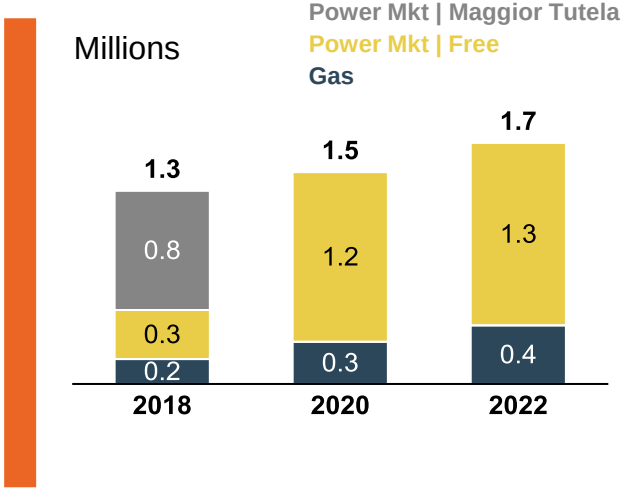
EBITDA



INVESTMENTS



CUSTOMER BASE



*Investments include Commissioning Capitalizations IFRS15

Commercial and Trading: regulation

Annual market and competition law (124/17) Price Comparison Site
2018 Budget Law: biennial statute of limitations and electronic invoicing
ARERA Consultation Document 52/18 Stranded costs

Price Comparison Site (*Portale Offerte*)

The Price Comparison Site went live on 1 July 2018, bringing together and publishing all retail offers in the electricity and natural gas markets. The site has been created and is operated by the Single Buyer, as provided for by ARERA which, pursuant to Law 124/2017, called for **the end of enhanced protection market services** as of 1 July 2019. This deadline has been extended until **1 July 2020** by the Law converting Law Decree 91/2018 – Law 108 of 21 September 2018. December saw the conclusion of the third and last phase of development of the "Price Comparison Site".

Biennial statute of limitations and electronic invoicing

Following the 2018 Budget Law (no. 205/2017), ARERA consulted on a number of occasions with stakeholders on operators' obligations and on the protection of customers receiving back-bills for periods of more than two years (**the biennial statute of limitations**). ARERA adopted resolutions 97, 264 and 569 of 2018 to provide guidance on this matter. To date, the Authority has established, among other things, that operators have an obligation to inform customers of their right to assert a statute of limitations with a notice in the bill containing the amount due and in the related past due notices. Several operators and associations have requested a review of the latest resolution, no. 569.

The provisions on electronic invoicing contained in the 2018 Budget Law are part of the measures intended to improve the Government's ability to effectively combat tax evasion and VAT fraud. The new electronic invoicing obligations concern all VAT-registered entities and will take effect on 1 January 2019.

Stranded Costs

Following Consultation Document 569/2017, ARERA circulated Consultation Document 52/2018, which contains a mechanism, similar to that for distributors, for retailers who, even though they have paid stranded costs to the distributor, have not received any payment from the final customer. Currently, the proposed mechanism has not yet been finalized with a Resolution, due to the legal challenges lodged by consumers' associations.

Environment

- **Business Plan 2019-2022**
- **Regulatory framework**

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)

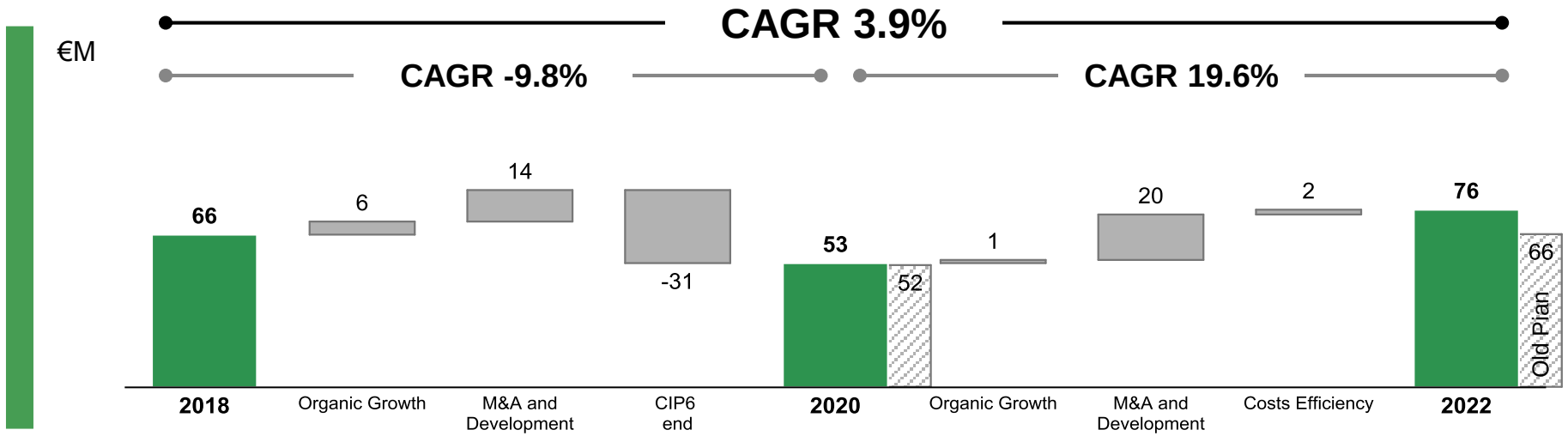
Partnership with market operators for the **recovery** of San Vittore WTE plant **ashes** in a **circular economy** perspective

Acquisition of 90% of DEMAP, which owns a plastic treatment plant with an authorised capacity of 75,000 tons per year (July 2019)
- EV of 100% of DEMAP: €20m
- DEMAP's EBITDA: €3.5m

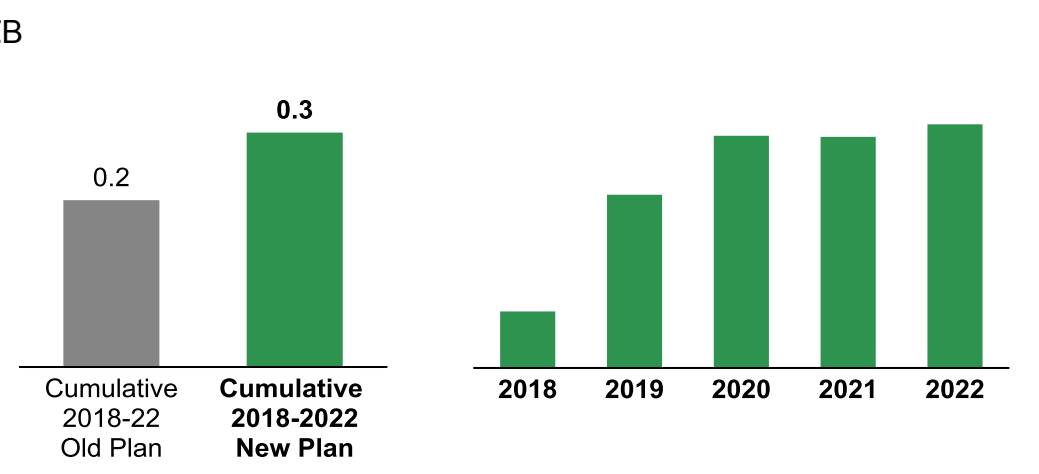
Acquisition of 60% of Berg, engaged in the treatment of wastewater with an authorized capacity of 143,000 Tons per year (July 2019)
- EV of 100% of Berg: €10m
- Berg's EBITDA: €1.6m

Environment
Key Financials

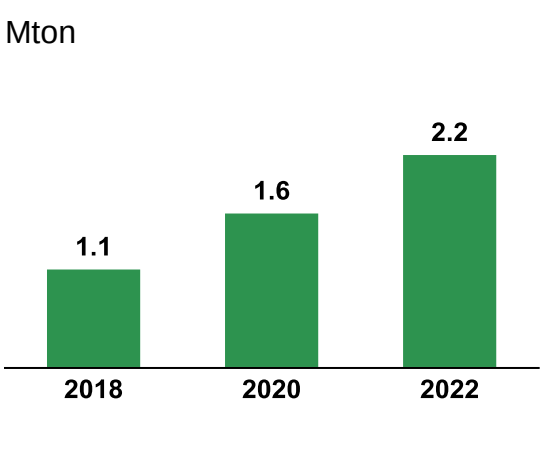
EBITDA



INVESTMENTS



VOLUMES



Environment: regulation

Existing regulations regarding incentives for renewable sources other than photovoltaic (**Min. for Econ. Dev. Decree of 23 June 2016**, which has amended the previous ministerial decree of 6 July 2012) envisages the following forms of incentive:

Feed-in tariff, being the total revenue generated from electricity fed into the grid and from the incentive (only for plants with capacity below a set amount, equal to 500 kW);

Incentive, being additional revenue linked to electricity fed into the grid, as more fully described in the above decree.

The feed-in tariff and the incentive have different purposes:

Energy source (wind, biomass, geothermal, hydro, biogas, etc.) and type (e.g. biomass type A, B, C and D)

Type of project (new plant, reconstruction, reactivated, repowering, total or partial upgrade)

Plant capacity (nominal capacity in MW resulting from the sum of the electric capacity of the alternators, obtained by multiplying the apparent capacity expressed in MVA by the nominal capacity)

CIP 6/92	CIP 6/92 determination, the incentive is based on the avoided cost (the plant's avoided cost; the avoided cost of operation and maintenance; the avoided cost of fuel).
Ex-GCs	Conversion of the right to GCs into an incentive is introduced by art. 19 of the Ministerial Decree ("MD") of 6 July 2012. The incentive is added to revenue generated by the electricity fed into the grid, and is equal to: $I = k \cdot (180 - Re) \cdot 0.78$ Factor k is defined by the regulation based on the type of source and intervention (for San Vittore and Terni k = 1.3). The term Re indicates the sale price for electricity fixed by the regulator (ARERA).
MD 6 July 2012 and MD 23 June 2016 (FER-E system)	These decrees have established, among other things, the method for computing the incentive and the feed-in tariff (the second is valid only if the capacity of the plant is below a specific ceiling) in relation to the energy source, the type of intervention (namely: new plant, reconstruction, etc.) and the plant's capacity.

THE 2018 BUDGET LAW HAS ALSO GIVEN THE AEEGSI (AUTORITA' PER L'ENERGIA ELETTRICA IL GAS E IL SISTEMA IDRICO) RESPONSIBILITY FOR REGULATING THE ENVIRONMENT SECTOR. THE AEEGSI HAS THUS BECOME ARERA (AUTORITA' DI REGOLAZIONE PER ENERGIA RETI E AMBIENTE)

Environment: regulation

San Vittore Lines 2 and 3	Lines 2 and 3 entered service in April 2011 and July 2011, respectively. They qualify for the CIP 6/92 incentive until **July 2019**, making total conventional capacity of 23.2 MW. Estimated value: €237.20/MWh. Energy associated with excess capacity, within the limit of 1.8MW, qualifies for the ex-GC incentive, the value of which is based on the annual average zonal sale price of electricity. Estimated value: €90.07/MWh, solely with regard to the portion of the energy qualifying for the incentive.
San Vittore Line 1	Line 1 entered service on 1 October 2016. The incentive is determined in accordance with the detailed rules provided by the MD of 6 July 2012. Estimated value: €37.95/MWh, solely with regard to the portion of the energy qualifying for the incentive (**~** 55% of the total fed into the grid, provided that it is type-C biomass).
Terni	The incentive (ex-GCs) is governed by art. 19 of the MD of 6 July 2012 (conversion of GCs into incentives). Estimated value: €90.07/MWh, solely with regard to the portion of the energy qualifying for the incentive.
Orvieto (biogas from landfill)	The plant has two sections: M1 and M2. The energy qualifies for the ex-GC tariff. The «k» multiplying factor in the formula for computing the incentive is 1.00 for M1 and 0.80 for M2. Estimated incentive: k·€90.07/MWh. This results in two amounts, to be applied to the respective volumes of energy.
Orvieto (biogas from anaerobic digestion)	**All-inclusive tariff** provided for in the MD 6 July 2012 (P < 1 MW): €174.44/MWh.

Estimated incentives and tariffs

Environment: regulation

Tariffs for Acea's plants

Basic tariffs applicable to Acea's plants

Type of plant	MD 6 July 2012	MD 23 June 2016
Biogas plant between 0.6 and 1 MW	€178/MWh	€160/MWh
Biogas plant between 1 and 5 MW	€125/MWh	€112/MWh
WTE plants > 5 MW	€125/MWh	€119/MWh

Estimated incentives and tariffs (budget 2019)

Plant	Ref.	Tariff/Incentive	Value	Expiry	Fixed/variable
Terni	ex-GCs	Incentive	€90.07/MWh	2028	Variable (NSP)*
San Vittore Lines 2 e 3 (P < 23,2)	CIP 6/92	Tariff	€237.20/MWh	2019	Variable (AFC)**
San Vittore Lines 2 e 3 (P > 23,2)	ex-GCs	Incentive	€90.07/MWh	2026	Variable (NSP)
San Vittore Linea1	MD 6 July 2012	Incentive	€37.95/MWh	2036	Variable (NSP)
Orvieto Landfill	ex-GCs	Incentive	€82.43/MWh	2019 M1 2026 M2	Variable (NSP)
Orvieto Landfill + Composting	MD 6 July 2012	Tariff	€174.44/MWh	2035	Fixed

* *National Single Price*
** *Avoided Fuel Cost*

Environment: regulation
Acea's plants

Overall view of electricity production plants

Treatment plant	FER e.e.	Number of sets	Installed capacity (MW)	Gross production 2018 (GWh)
Terni	SSF (pulper)	1	13.6	82,41
Paliano	-	-	-	-
San Vittore	SSF (ex RDF)	3	43.8	307,30
Orvieto (1)	biogas	4	3.125	18,63
Monterotondo M. (2)	biogas	1	0.834	-
Sabaudia (3)	-	-	-	-
Aprilia (2)	biogas	3	3.0	-

(1) Biogas plant using waste from landfill, 2 sets with total capacity of 2.127 MW; Biogas plant using anaerobically treated waste, 2 sets with total capacity of 0.998 MW.

(2) Production plant to be built as part of expansion; one biogas-fueled set for Monterotondo (834 kW nominal) and 3 biogas-fueled sets for Aprilia (total nominal capacity of approx. 3,000 kW).

(3) Plant not expected to produce electricity.

Environment: new areas of regulation

Environment: Waste

In 2018, ARERA began the processes necessary for the provisions of Law 205/2017 to take effect:

- **Resolution 225/2018/R/rif -** «Start of procedure for the adoption of rate regulation measures covering the cycle for urban and similar waste, including sorted waste»
- **Resolution 226/2018/R/rif -** «Start of procedure for the adoption of measures to regulate the quality of service in the cycle for urban and similar waste, including sorted waste»

Financial results

H1 2019 Results

acea

H1 2019 financial highlights

(€m)	H1 2019 (a)	H1 2018 (b)	% change (a/b)
Consolidated revenue	1,553.1	1,454.3	+6.8%
EBITDA	502.6*	449.9	+11.7%
EBIT	260.2	250.7	+3.8%
Group net profit**	143.0	142.7	+0.2%

EBITDA GUIDANCE RAISED FOR 2019

EBITDA 2018 €933m

Initial guidance : +5%/+6%

Updated guidance: ≥+7%

+6.9% versus H1 2018
after income relating to investment in TWS group

Capex	342.0	282.0	+21.3%

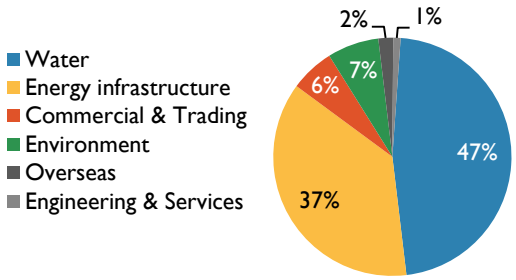
Capex guidance confirmed for 2019: up by over 10% versus 2018 (€631m)

(€m)	30 June 2019 (a)	31 Dec 2018 (b)	30 June 2018 (c)	% change (a/b)	% change (a/c)
Net debt	2,842.5°	2,568.0	2,570.3	+10.7%	+10.6%
Invested capital	4,738.4	4,471.5	4,236.6	+6.0%	+11.8%

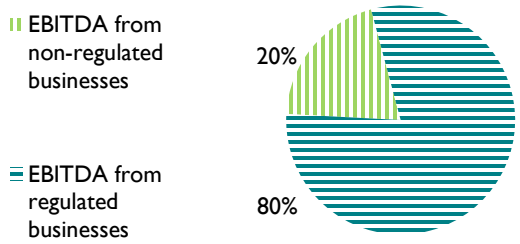
Net debt guidance confirmed for 2019: €2.85-2.95bn

* *Effect of consolidation of Gori: €34.2m*
** *Recognition in H1 2018 of income from acquisition of the investment in the TWS group (€8.9m)*
° *Impact of application of IFRS16 from 1 January 2019 (up €56.8m)*

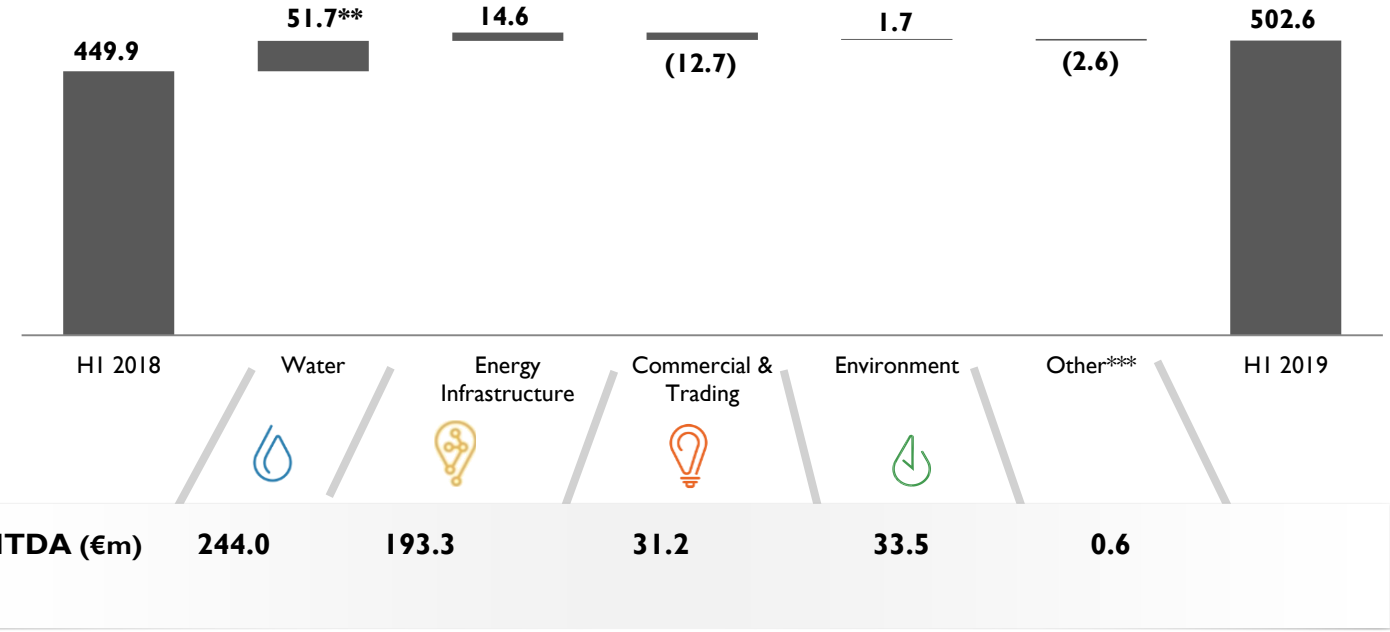
EBITDA



EBITDA H1 2019



EBITDA (€m)



EBITDA (€m)	244.0	193.3	31.2	33.5	0.6

Average Group workforce

H1 2019	H1 2018	Change
6,612	5,545	+1,067*

** Increase in workforce primarily reflects changes in scope of consolidation (Gori +841; Consorcio Servicio Sur +195; Pescara Distribuzione Gas +12)*

*** Effect of consolidation of Gori: €31.6m (in H1 2019 Gori's EBITDA is €34.2m, in H1 2018 Gori contributed €2.6m to EBITDA)*

**** Overseas, Engineering & Services, Corporate*

EBITDA and quantitative data

H1 2019 financial highlights

Water

EBITDA main drivers

KEY HIGHLIGHTS

- Line-by-line consolidation of Gori: +€31.6m. Funding of €100m obtained for the Company
- Companies consolidated using equity method: +€0.6m
- Completion of acquisition of 51% of Pescara Distribuzione Gas

(€m)	H1 2019 (a)	H1 2018 (b)	% change (a/b)
EBITDA	**244.0**	**192.3**	**+26.9%**
Of which: ACEA ATO2	*176.8*	*161.7*	*+9.3%*
Acea ATO5	*13.1*	*11.5*	*+13.9%*
Gori	*34.2*	*-*	*n/s*
Companies consolidated using equity method	*17.8*	*17.2*	*+3.5%*
Other consolidated companies	*2.1*	*1.9*	*+10.5%*
Capex	**168.3**	**156.4**	**+7.6%**

Quantitative data	H1 2019	H1 2018
Total volume of water distributed (Mm^3)	**251**	**210**

	H1 2019 (a)	H1 2018 (b)	Change (a-b)
Average workforce	**2,672**	**1,794**	**+878***

** The increase primarily reflects the consolidation of Gori (+841) and Pescara Distribuzione Gas (+12)*

EBITDA and quantitative data

H1 2019 financial highlights

Energy Infrastructure
EBITDA main drivers

KEY HIGHLIGHTS

- Distribution: +€13.1m
- Generation: stable
- Public Lighting: +€1.4m
- Acquisitions of photovoltaic plants with total capacity of approximately 25 MWp finalised, mainly **in July**

(€m)	H1 2019 (a)	H1 2018 (b)	%change (a/b)
EBITDA	**193.3**	**178.7**	**+8.2%**
- Distribution	168.2	155.1	*+8.4%*
- Generation	25.3	25.4	*-0.4%*
- Public Lighting	-0.3	-1.7	*n/s*
Capex	**133.4**	**105.6**	**+26.3%**

Quantitative data	H1 2019	H1 2018
Total electricity distributed (GWh)	**4,755**	**4,845**
Number of customers ('000s)	**1,631**	**1,626**
Total electricity produced (GWh)	**295**	**298**

	H1 2019 (a)	H1 2018 (b)	Change (a-b)
Average workforce	**1,361**	**1,386**	**-25**

EBITDA and quantitative data

H1 2019 financial highlights

Commercial & Trading

EBITDA main drivers

KEY HIGHLIGHTS

- Reduced margins on Free market (mass market segment)
- Reduced margins on Enhanced Protection market (cut in late payment component in Central Italy in RCV tariff)

(€m)	H1 2019 (a)	H1 2018 (b)	%change (a/b)
EBITDA	**31.2**	**43.9**	**-28.9%**
Capex	**18.5**	**5.5**	***n/s***

	H1 2019 (a)	H1 2018 (b)	Change (a-b)
Average workforce	**471**	**465**	**+6**

Quantitative data	H1 2019	H1 2018
Total energy sold (GWh)	**3,134**	**3,086**
Free market	1,998	1,852
Enhanced Protection market	1,136	1,234
No. of electricity customers ('000s)	**1,160**	**1,190**
Free market	347	325
Enhanced Protection market	813	865
Total gas sold (Mm^3)	**83**	**73**
No. of gas customers ('000s)	**179**	**169**

EBITDA and quantitative data

H1 2019 financial highlights

Environment

EBITDA main drivers

KEY HIGHLIGHTS

- Increase in compost volumes
- Acea Ambiente: extension of CIP6
- Acquisition, **in July**, of 90% of Demap, the owner of a plastic treatment plant (authorised capacity of 75k tonnes a year)

(€m)	H1 2019 (a)	H1 2018 (b)	%change (a/b)
EBITDA	**33.5**	**31.8**	**+5.3%**
Capex	**10.6**	**8.6**	**+23.3%**

Quantitative data	H1 2019	H1 2018
Treatment and disposal* (Ktonnes)	**604**	**552**
WTE electricity produced (GWh)	**170**	**178**

	H1 2019 (a)	H1 2018 (b)	Change (a-b)
Average workforce	**374**	**360**	**+14****

* *Includes ash disposed of*

** *Consolidation of Bioecologia (+9)*

EBITDA and quantitative data

H1 2019 financial highlights

Overseas

Positive contribution from Aguas de San Pedro

(€m)	H1 2019 (a)	H1 2018 (b)
EBITDA	7.9	7.3
Capex	3.6	2.2

	H1 2019 (a)	H1 2018 (b)	Change (a-b)
Average workforce	795	606	+189*

Engineering & Services

Reduced contribution from Acea Elabori

(€m)	H1 2019 (a)	H1 2018 (b)
EBITDA	6.5	7.5
Capex	0.8	0.5

	H1 2019 (a)	H1 2018 (b)	Change (a-b)
Average workforce	272	272	=

Holding company

(€m)	H1 2019 (a)	H1 2018 (b)
EBITDA	(13.8)	(11.7)
Capex	6.6**	3.1

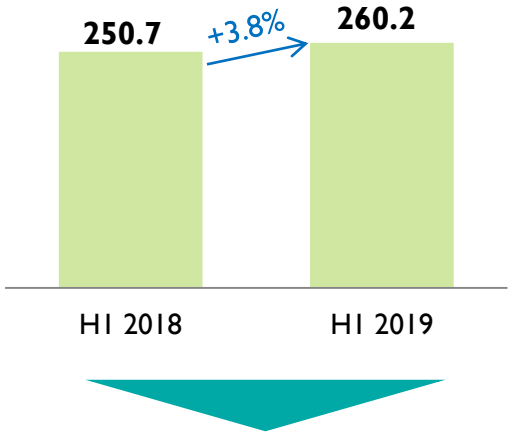
	H1 2019 (a)	H1 2018 (b)	Change (a-b)
Average workforce	667	662	+5

* *Consolidation of Consorcio Servicio Sur (+195)*

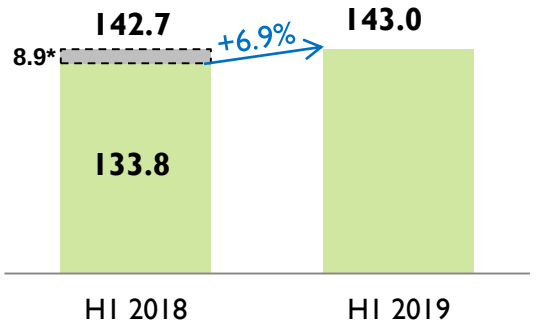
** *Increased Capex on IT systems*

EBIT and Net profit

EBIT (€m)



NET PROFIT (€m)



TAX RATE	30.8%	30.0%

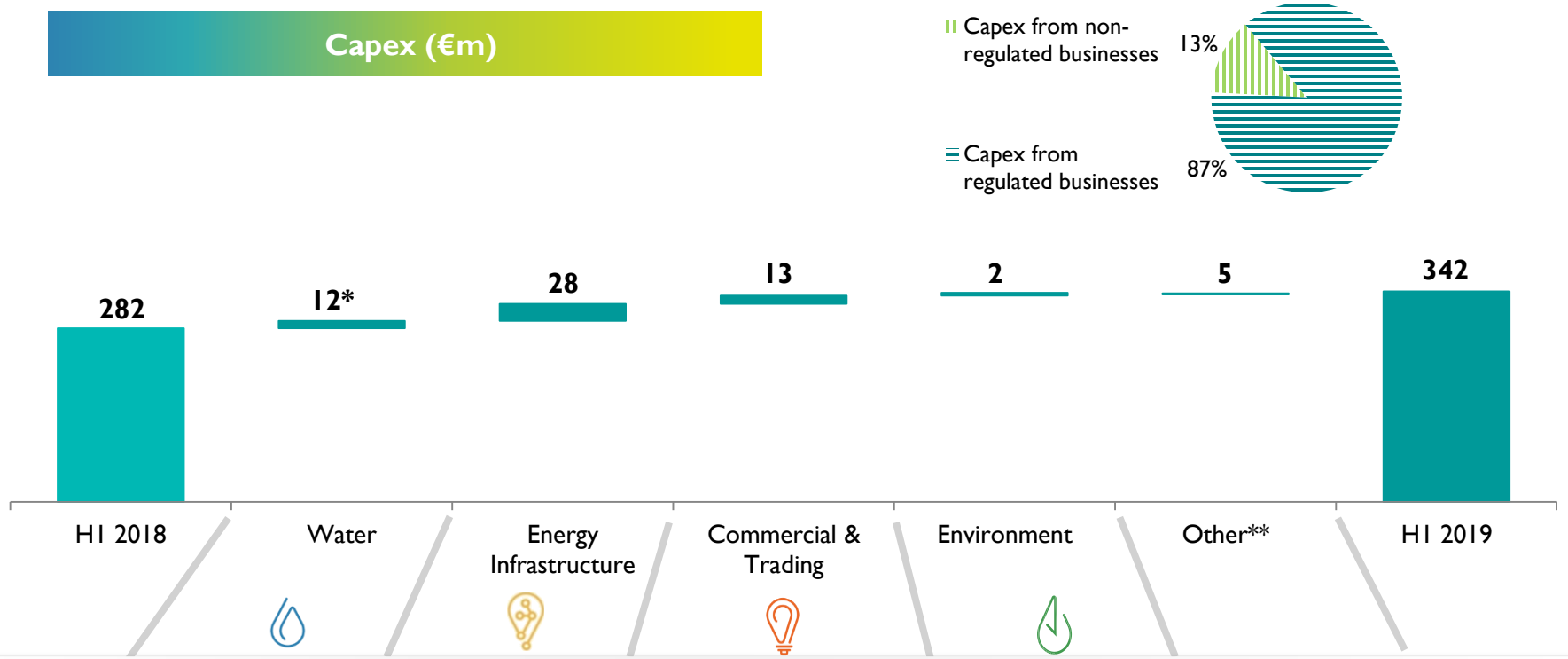
(€m)	HI 2019	HI 2018	% change
Depreciation	200.1	161.8	+23.7%
Write-downs	36.0	31.9	+12.9%
Provisions	6.3	5.5	+14.5%
Total	**242.4**	**199.2**	**+21.7%**

Increase in depreciation linked to growth in Capex across all areas of business (above all Water) and impact of IFRS 16

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

Capex

Strong capex growth, above all in regulated businesses



Capex	168	133	19	11	11
	• Repair and widening of water and sewage pipes • Extraordinary maintenance of water centres • Work on treatment plants	• Upgrade and expansion of grid • Revamp of Mandela hydroelectric plant and of Tor di Valle and Montemartini thermoelectric plants	• IT systems • Customer acquisition	• Expansion of Orvieto landfill • Revamp of Monterotondo and Aprilia plants	

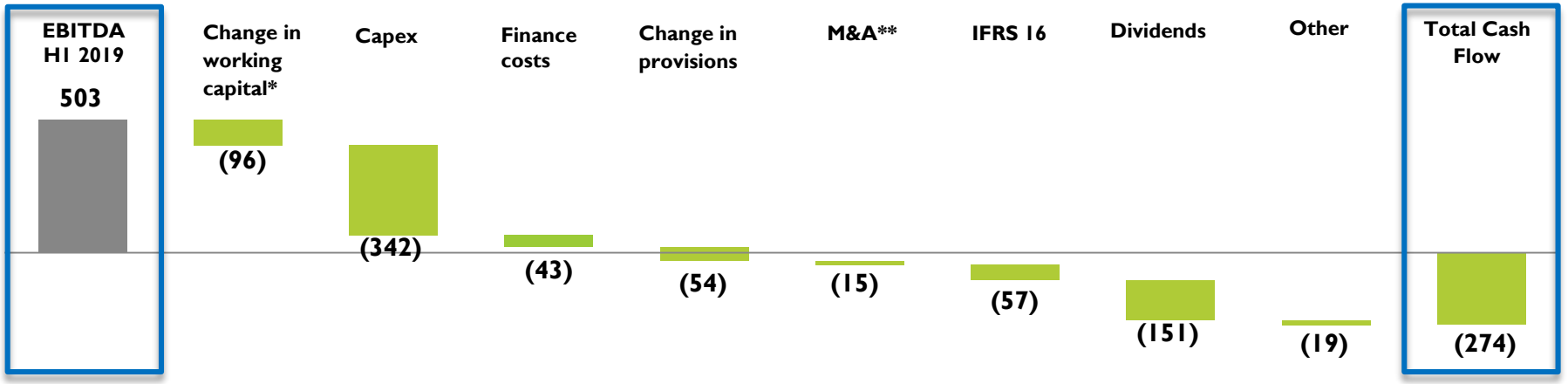
** Effect of consolidation of Gori (€21m)*

*** Overseas, Engineering & Services, Corporate*

Cash flow

(€m)	H1 2019	H1 2018
EBITDA	503	450
Change in working capital	(96)	(81)
CAPEX	(342)	(282)
FREE CASH FLOW	**65**	**87**
Net finance income/(costs)	(43)	(42)
Change in provisions	(54)	(39)
M&A**	(15)	-
IFRS 16	(57)	-
Dividends	(151)	(134)
Other	(19)	(19)
TOTAL CASH FLOW	**(274)**	(147)
TOTAL CASH FLOW excluding impact of IFRS 16 and acquisition of Pescara Distribuzione Gas	***(202)***	***(147)***

- **Cash outflow due to working capital movements reflecting seasonal factors**
- **Cash outflow due to working capital movements reflecting regulatory measures, amounting to approximately €47m**
- **Cash outflow for working capital in LTM, totalling approximately €50m, in line with expectations for current year**
- **Significant improvement in performance of credit collection in Commercial & Trading segment (improvement in 6-month unpaid ratio of approximately 2%)**



* *Before adjustments for credit losses*
** *Acquisition of Pescara Distribuzione Gas*

Net debt

(€m)	30 June 2019 (a)	31 Dec 2018 (b)	30 June 2018 (c)	Change (a-b)	Change (a-c)
Net debt	**2,842.5***	**2,568.0**	**2,570.3**	***274.5***	***272.2***
Medium/long-term	3,431.1	3,341.4	3,359.7	89.7	*71.4*
Short-term	(588.6)	(773.4)	(789.4)	*184.8*	*200.8*

30 June 2019

NET DEBT/ EQUITY	NET DEBT/ EBITDA LTM
1.5x	2.9x

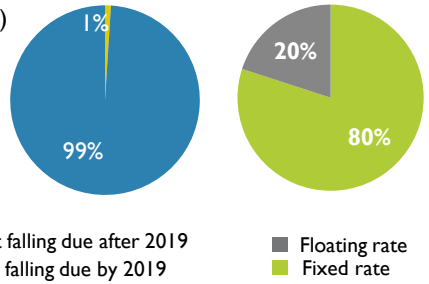
16 May 2019 - Issue of bonds worth €500m under EMTN programme successfully completed. Bonds have a term to maturity of 9 years and pay a fixed rate of 1.75%

July 2019 – EMTN programme ceiling increased to €4bn

Debt structure

(maturity and interest rates at 30 June 2019)

- >Fixed rate 80%
- >Average cost 2.18%
- >Average term 5.8 years



Ratings

FitchRatings	Moody's
BBB+	**Baa2**
Stable Outlook	*Stable Outlook*

* *Impact of application of IFRS 16 from 1 January 2019 (+€56.8m)*

ACEA Group

Q1 2019 Results

acea

Q1 2019 financial highlights

(€m)	Q1 2019 (a)	Q1 2018 (b)	% change (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%
Capex	151.2	133.0	+13.7%

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

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

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%

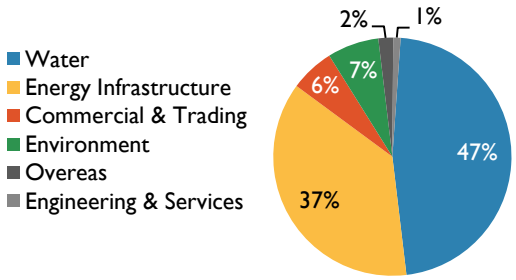
Net debt guidance 2019: €2.85-2.95bn

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

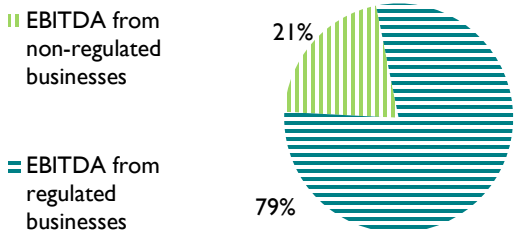
*** Recognition in Q1 2018 of income from acquisition of the investment in the TWS group (€8.9m)*

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

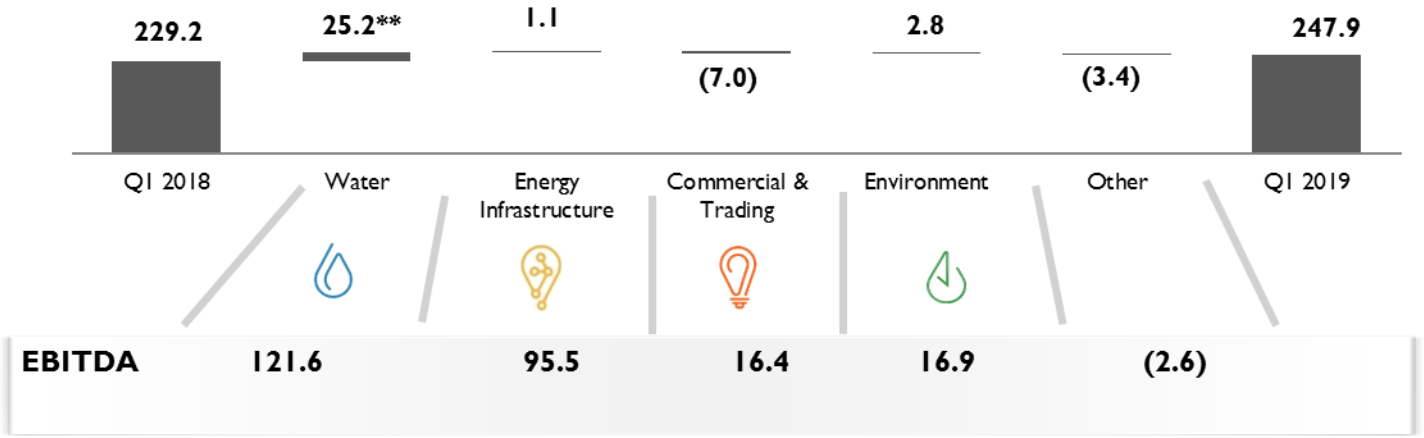
EBITDA



EBITDA Q1 2019



EBITDA (€m)



Average Group workforce

Q1 2019	Q1 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)
EBITDA *Of which:*	**121.6**	**96.4**	**+26.1%**
ACEA ATO2	*89.5*	*83.8*	*+6.8%*
Acea ATO5	*6.5*	*3.9*	*+66.7%*
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%**

Quantitative data	Q1 2019	Q1 2018
Total volume of water distributed (Mm^3)	**125**	**127**

	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)
EBITDA	**95.5**	**94.4**	***+1.2%***
- Distribution	81.8	80.7	*+1.4%*
- Generation	14.9	14.0	*+6.4%*
- Public Lighting	(1.2)	(0.2)	*n/s*
Capex	**63.7**	**54.4**	***+17.1%***

Quantitative data	Q1 2019	Q1 2018
Total electricity distributed (GWh)	**2,454**	**2,469**
Number of customers ('000s)	**1,630**	**1,626**
Total electricity produced (GWh)	**166**	**155**

	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)
EBITDA	**16.4**	**23.4**	**-29.9%**
Capex	**6.1**	**4.1**	**+48.8%**

	Q1 2019 (a)	Q1 2018 (b)	Change (a-b)
Average workforce	**469**	**467**	**+2**

Quantitative data	Q1 2019	Q1 2018
Total energy sold (GWh)	**1,646**	**1,593**
Enhanced Protection market	1,047	930
Free market	599	663
No. of electricity customers ('000s)	**1,173**	**1,204**
Enhanced Protection market	342	324
Free market	831	880
Total gas sold (Mm^3)	**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)
EBITDA	**16.9**	**14.1**	***+19.9%***
Capex	**3.1**	**4.6**	***-32.6%***

Quantitative data	Q1 2019	Q1 2018
Treatment and disposal* (Ktonnes)	**304**	**254**
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

(€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*

Engineering & Services

Increased contribution from Ingegnerie Toscane and TWS

Fall in contribution from Acea Elabori

(€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

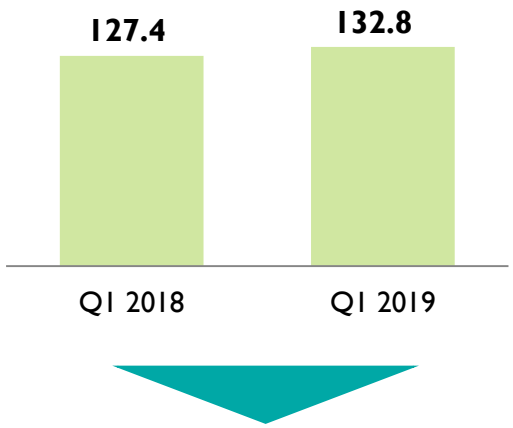
(€m)	Q1 2019 (a)	Q1 2018 (b)
EBITDA	(8.4)	(4.2)
Capex	3.5	1.5

	Q1 2019 (a)	Q1 2018 (b)	Change (a-b)
Average workforce	667	664	+3

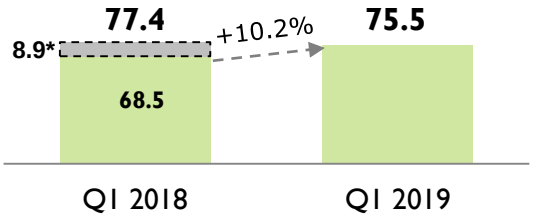
** Consolidation of Consorcio Servicio Sur (+210)*

EBIT and Net profit

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	64	6	3	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)*

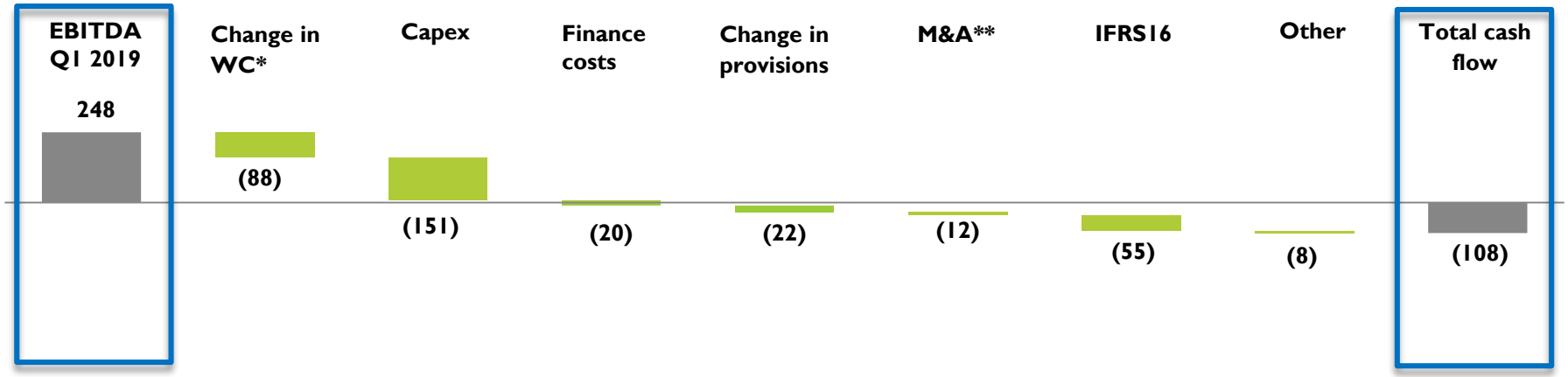
** *Overseas, Engineering & Services, Corporate*

Cash flow

(€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)**
TOTAL CASH FLOW excluding impact of IFRS16 and acquisition of Pescara Distribuzione Gas	***(41)***	***(61)***

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

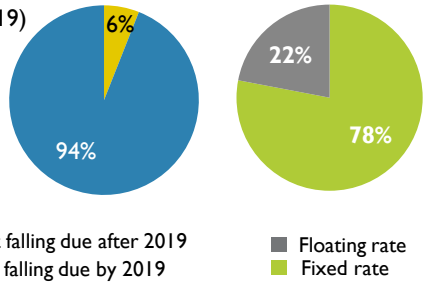
(€m)	31 Mar 2019 (a)	31 Dec 2018 (b)	31 Mar 2018 (c)	Change (a-b)	Change (a-c)
Net debt	**2,675.7***	**2,568.0**	**2,482.1**	***107.7***	***193.6***
Medium/long-term	2,979.6	3,341.4	3,540.2	*(361.8)*	*(560.6)*
Short-term	(303.9)	(773.4)	(1,058.1)	*469.5*	*754.2*

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

acea

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%**
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

EBITDA main drivers

- 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

(€m)	2018 (a)	2017 (b)	%change (a/b)
EBITDA	**433.0**	**349.6**	**+23.9%**
Of which:			
Profit/(Loss) from companies consolidated under IFRS 11	*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%

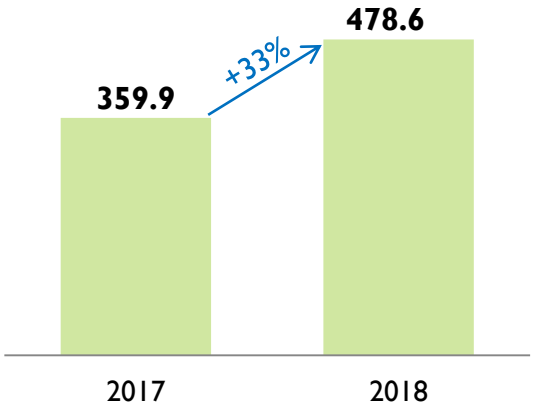
Holding company

(€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 and Net profit

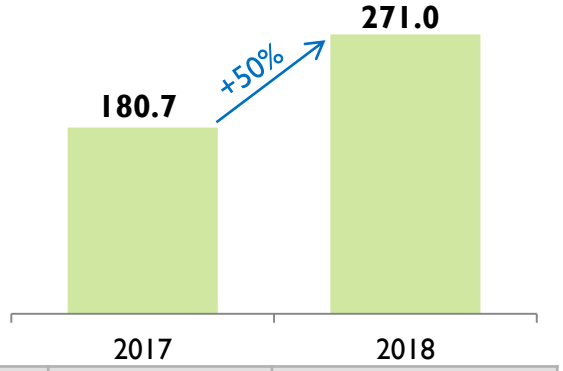
EBIT (€m)



Average Group workforce

2018	2017
6,471^	5,494

NET PROFIT (€m)



TAX RATE	33.3%	30.4%

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%**

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

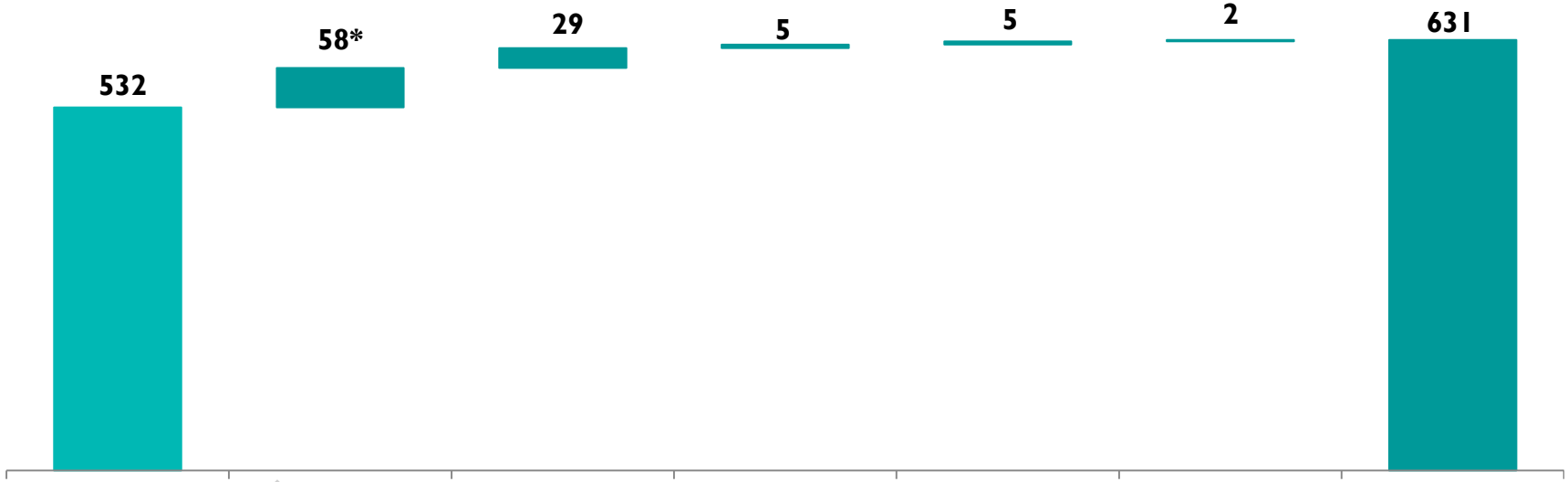
* *Based on the average price for the year*

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

Capex

Strong capex growth, above all in regulated businesses

CAPEX (€m)



Capex	330	238	25	20	18
	• Repair and widening of water and sewage pipes • Extraordinary maintenance of water centres • Work on treatment plants	• Upgrade and expansion of grid • Revamping of Mandela power plant	• Capitalisation of agents' fees (IFRS 15)	• Work on Terni and San Vittore WTE plants • Work on waste treatment and biogas production plants at Orvieto landfill • Expansion of Monterotondo plant	

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

** *Overseas, Engineering & Services, Corporate*

Cash flow

Significant improvement in working capital in Q4 2018

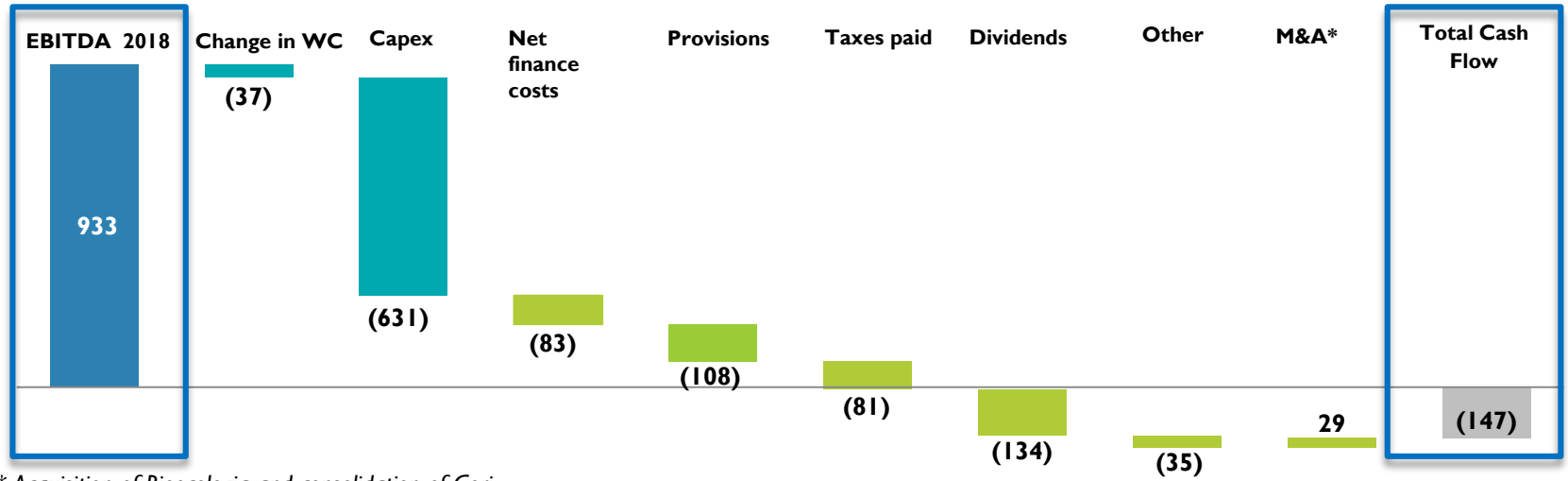
	2018	2017
EBITDA	933	840
Change in working capital	(37)	(126)
CAPEX	(631)	(532)
FREE CASH FLOW	**265**	**182**
Net finance income/(costs)	**(83)**	**(72)**
Provisions	**(108)**	**(119)**
Taxes paid	**(81)**	**(137)**
Dividends	**(134)**	**(132)**
Other	**(35)**	**(16)**
M&A*	**29**	**0**
Total cash flow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

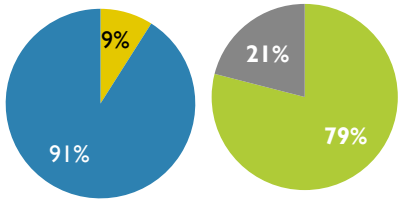
NET DEBT/ EQUITY 31 DEC 2018	NET DEBT/ EQUITY 31 DEC 2017
1.3x	1.3x

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



Ratings

FitchRatings	Moody's
BBB+	**Baa2**
Stable Outlook	*Stable Outlook*

Disclaimer

THIS PRESENTATION CONTAINS CERTAIN FORWARD-LOOKING STATEMENTS THAT REFLECT THE COMPANY'S MANAGEMENT'S CURRENT VIEWS WITH RESPECT TO FUTURE EVENTS AND FINANCIAL AND OPERATIONAL PERFORMANCE OF THE COMPANY AND ITS SUBSIDIARIES.

THESE FORWARD-LOOKING STATEMENTS ARE BASED ON ACEA S.P.A.'S CURRENT EXPECTATIONS AND PROJECTIONS ABOUT FUTURE EVENTS. BECAUSE THESE FORWARD-LOOKING STATEMENTS ARE SUBJECT TO RISKS AND UNCERTAINTIES, ACTUAL FUTURE RESULTS OR PERFORMANCE MAY MATERIALLY DIFFER FROM THOSE EXPRESSED THEREIN OR IMPLIED THEREBY DUE TO ANY NUMBER OF DIFFERENT FACTORS, MANY OF WHICH ARE BEYOND THE ABILITY OF ACEA S.P.A. TO CONTROL OR ESTIMATE PRECISELY, INCLUDING CHANGES IN THE REGULATORY FRAMEWORK, FUTURE MARKET DEVELOPMENTS, FLUCTUATIONS IN THE PRICE AND AVAILABILITY OF FUEL AND OTHER RISKS.

YOU ARE CAUTIONED NOT TO PLACE UNDUE RELIANCE ON THE FORWARD-LOOKING STATEMENTS CONTAINED HEREIN, WHICH ARE MADE ONLY AS OF THE DATE OF THIS PRESENTATION. ACEA S.P.A. DOES NOT UNDERTAKE ANY OBLIGATION TO PUBLICLY RELEASE ANY UPDATES OR REVISIONS TO ANY FORWARD-LOOKING STATEMENTS TO REFLECT EVENTS OR CIRCUMSTANCES AFTER THE DATE OF THIS PRESENTATION.

THIS PRESENTATION DOES NOT CONSTITUTE A RECOMMENDATION REGARDING THE SECURITIES OF THE COMPANY.

***

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.