

Under review

**Acea Group
Business Plan 2019-2022**

May 2020

The Acea logo is centered within a dark grey circular area. This circle is part of a larger graphic on the left side of the page, which consists of several concentric, semi-circular bands. The top band is filled with a pattern of small white dots, while the lower bands are composed of solid white lines of varying thicknesses, creating a sense of depth and movement.

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

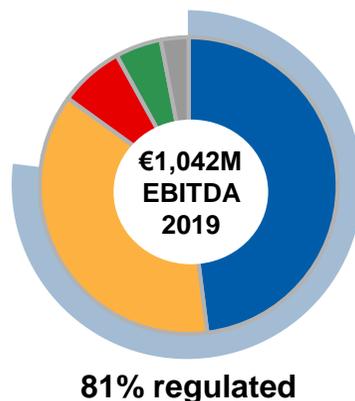


Energy Infrastructure

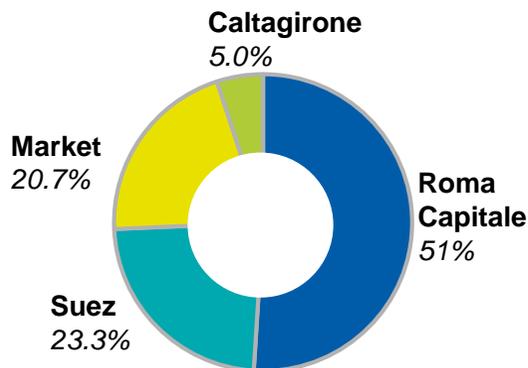
Among the leading Italian players in the electricity distribution market

with **10 TWh** distributed electricity

2019 EBITDA



Shareholder structure



Source: CONSOB May 2020



Commercial & Trading

Among the main national players in the energy market

With **more than 6 TWh** of electricity sold



Environment

Leading player in the Italian waste treatment sector

with **more than 1.2 million tons** waste treated/disposed

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**
- **Supply chain optimization**
- **Balanced** organizational **model**

Strategy and Targets - Strong and sustainable growth

2020 GUIDANCE

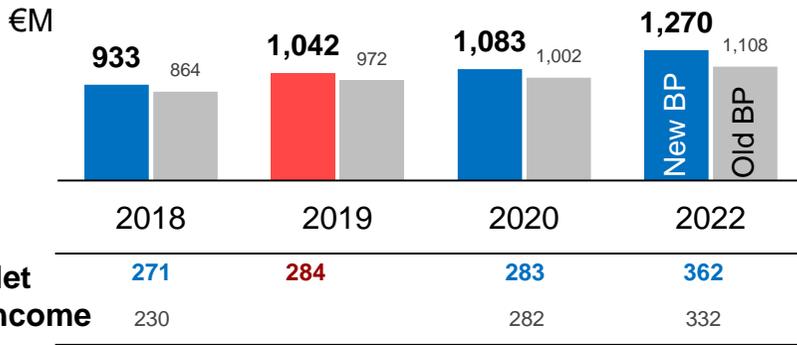
2019 EBITDA €1,042M → 2020 EBITDA +6%/+8%

CAPEX broadly in line with 2019 and the Business Plan

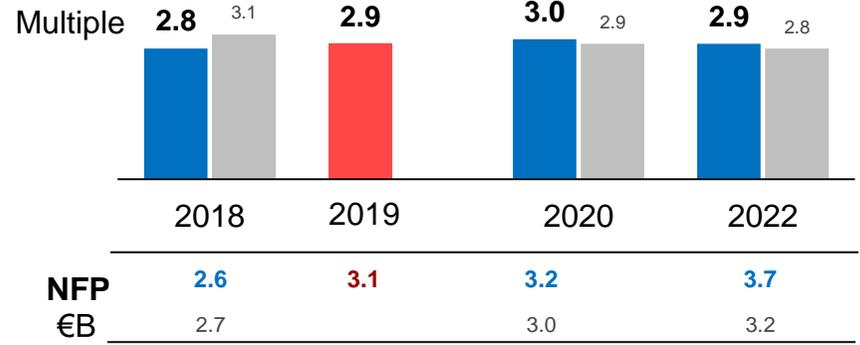
NET DEBT: €3.45B – €3.55B

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

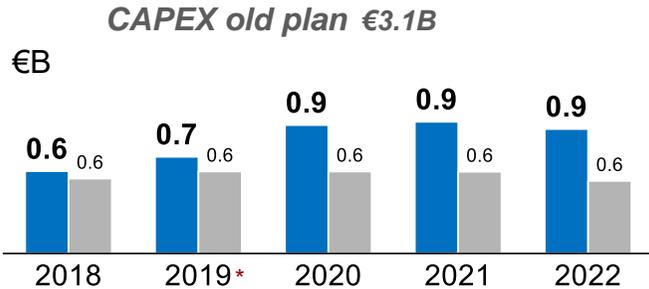
EBITDA growth with +8.0% CAGR



NFP/EBITDA down to 2.9X

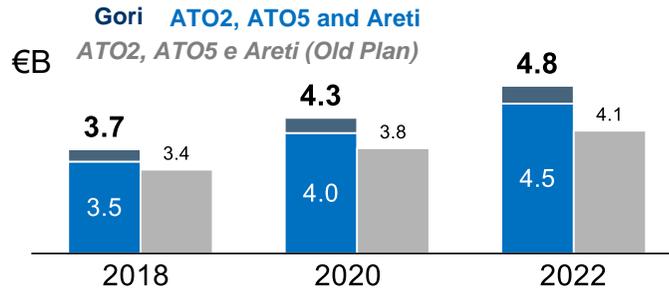


CAPEX €4.0B

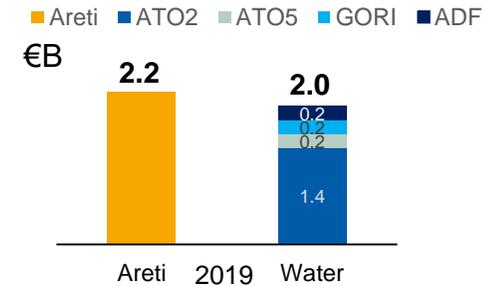


*2019 capex actual €0.793B

RAB up ~30% by 2022

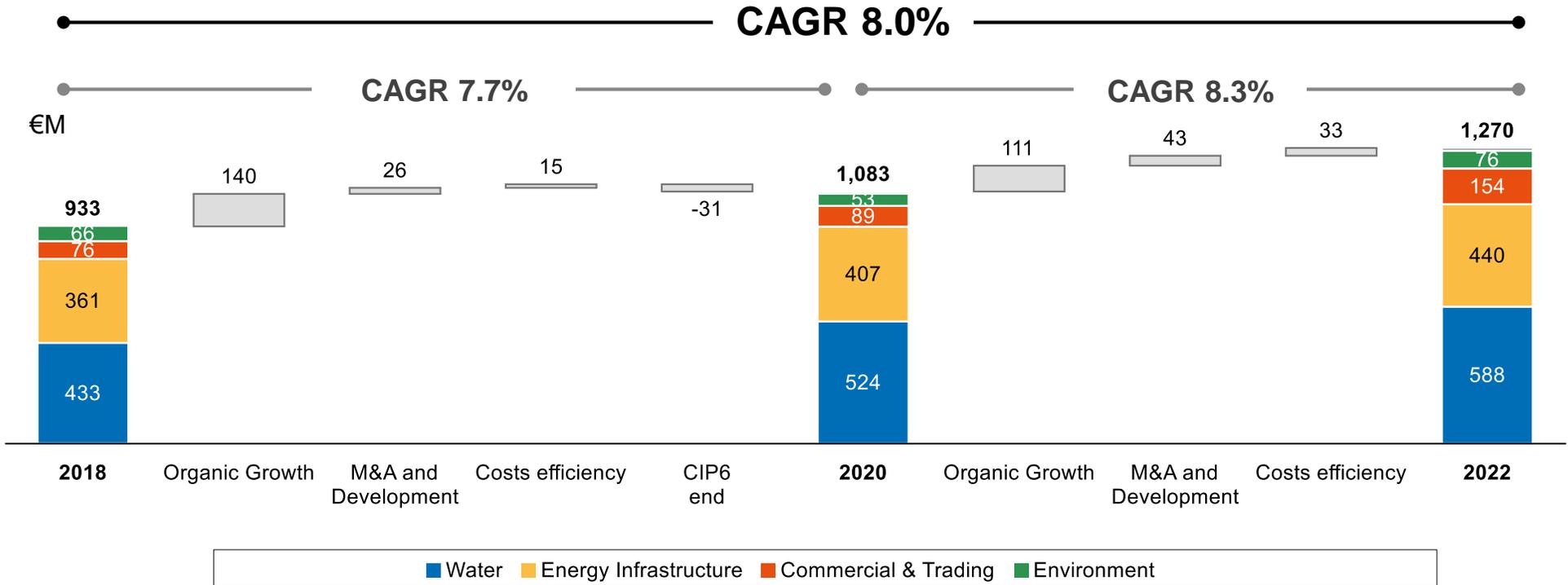


RAB 2019



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

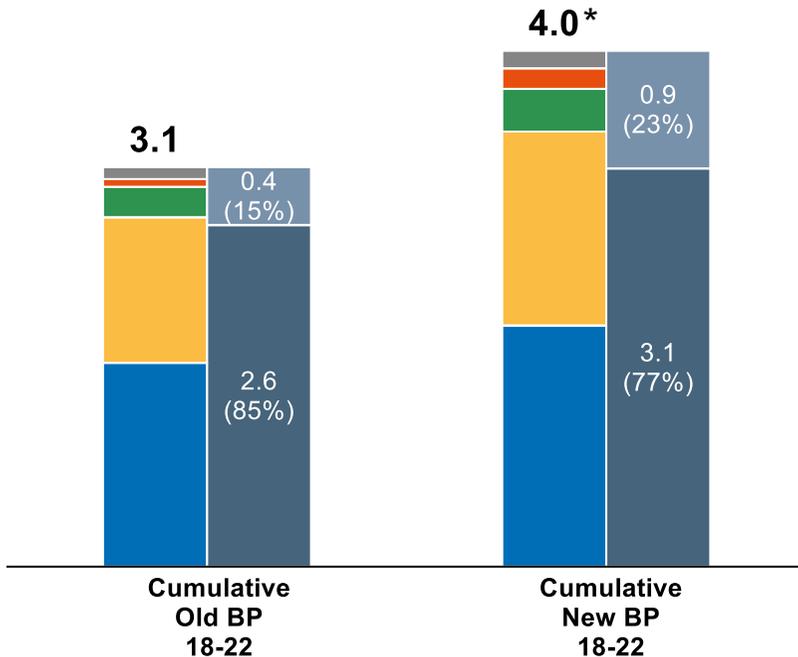
Strategy and Targets

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

*of which €0.5B innovation and industry 4.0 (smart meter, network districtization, automated secondary cabins, etc.)

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

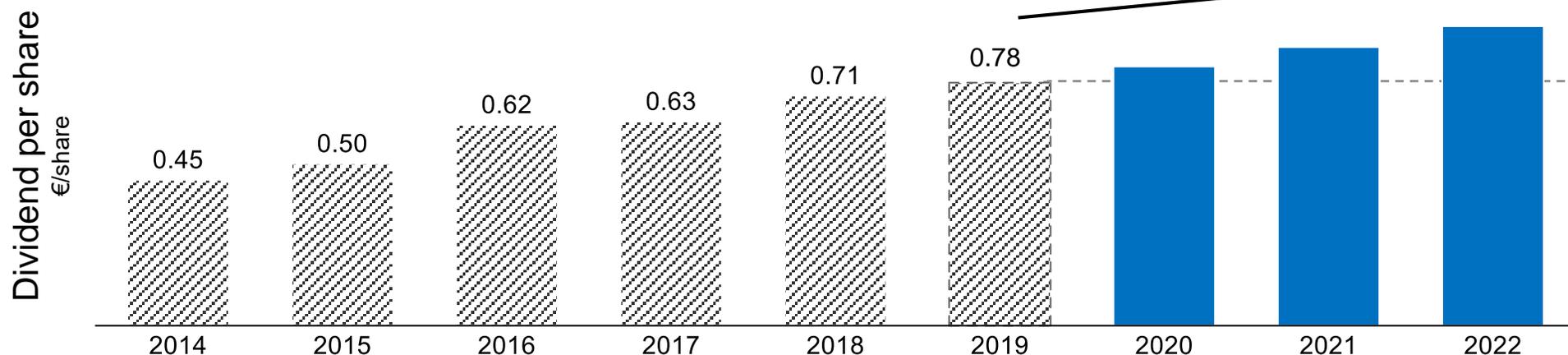
Growing dividends vs previous business plan



Growing
dividends vs old
business plan

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

€0.75 minimum
dividend per share from
2019*



* The Board of Directors will propose at the Annual General Meeting a dividend per share of 0.78 euro.

Strategy and Targets

Financial strategy

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

July 2019 – EMTN programme ceiling increased to €4bn

29 January 2020 - Placing of Euro 500 million bond under the EMTN Programm, 9 years, fixed rate 0.50%.

Highlights

Working Capital

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

Rating

FitchRatings **MOODY'S**

BBB+

Baa2

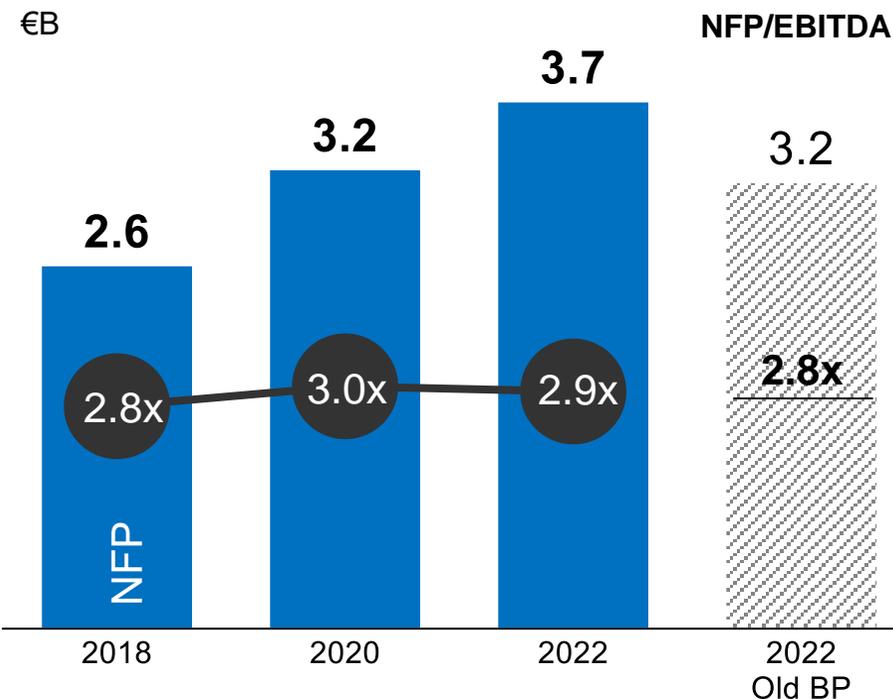
Stable outlook

Stable outlook

Debt

- **Situation at 31 March 2020**
- Average maturity **6.16 yrs**
- Average cost of debt **1.93%**

Net Financial Position





Water

Business Line Highlights

Water Business Line

Key Actions

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)



Acquedotto del Fiora full consolidation (over 402K clients served)

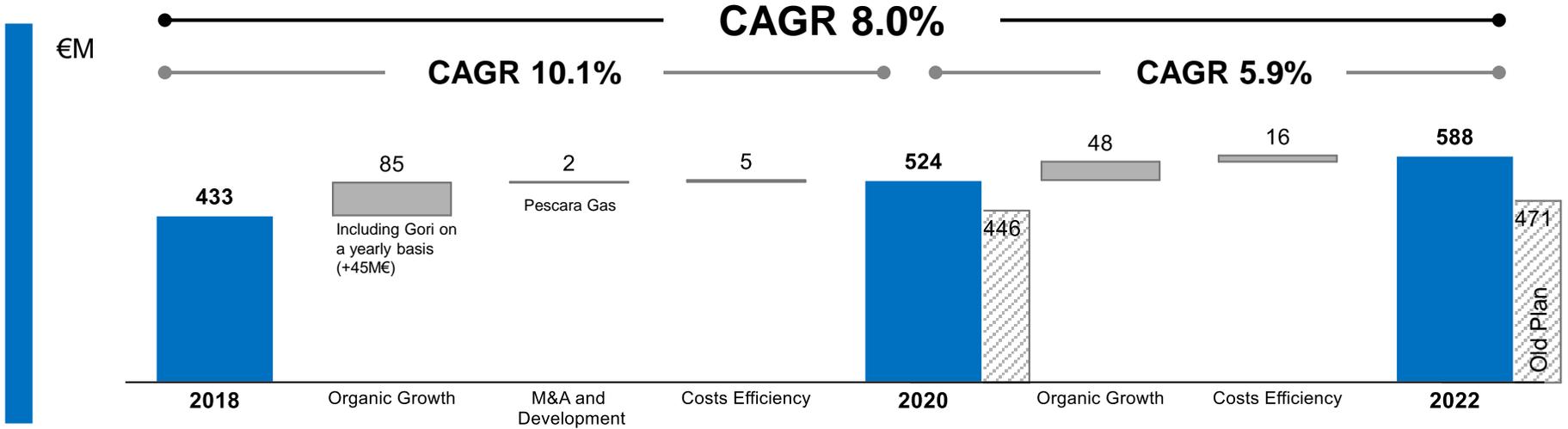


Agreement signed for the **acquisition of 51%** stake in the company **Alto Sangro Distribuzione Gas** (34k PDR; March 2020)

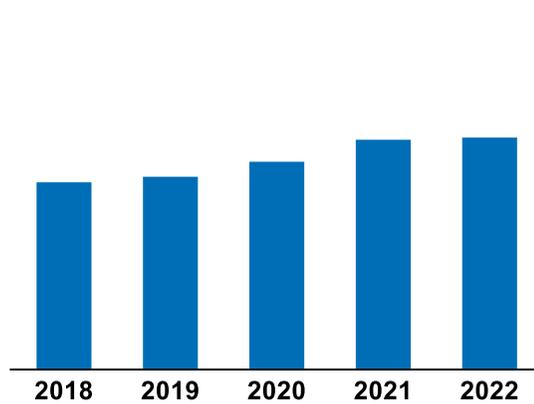
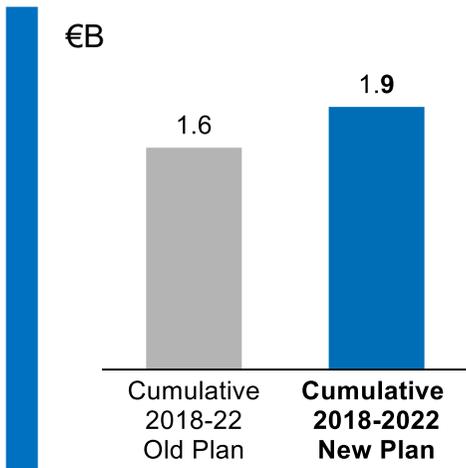
Water Business Line

Key Financials

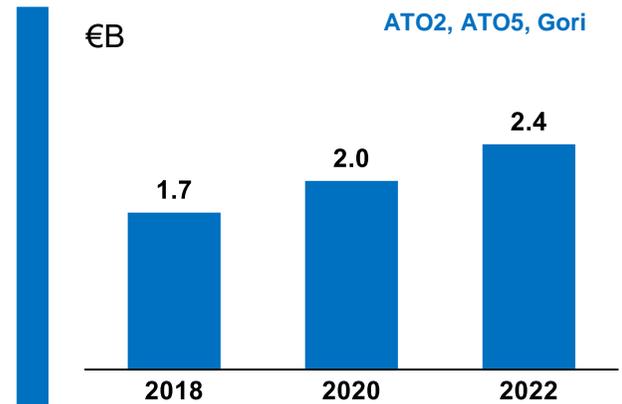
EBITDA



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**



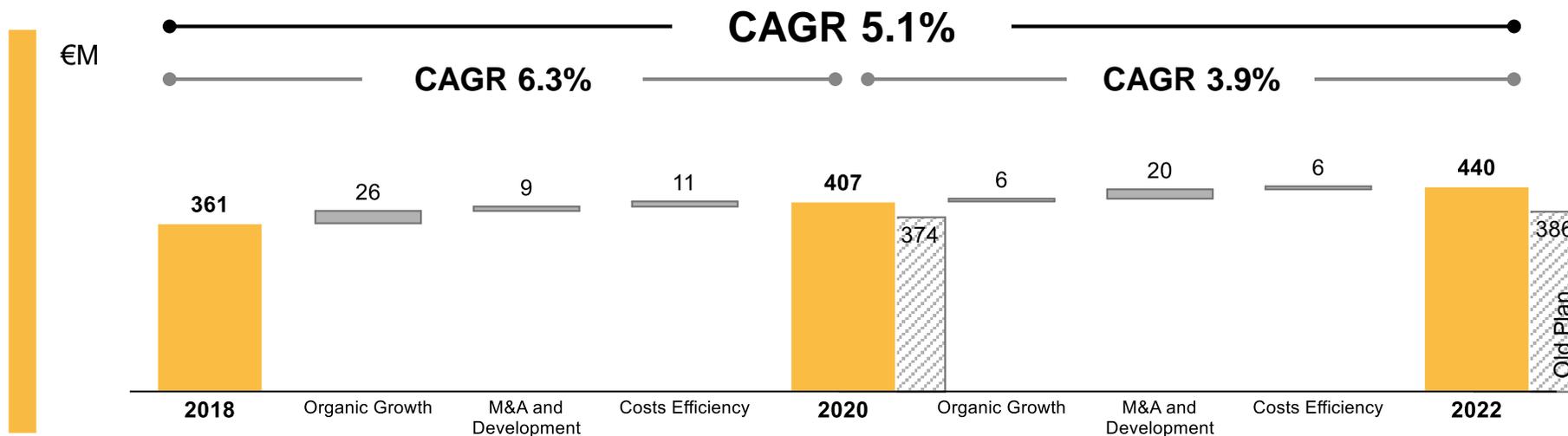
Agreements for the acquisition of photovoltaic plants with **total capacity of approximately 29 MWp**



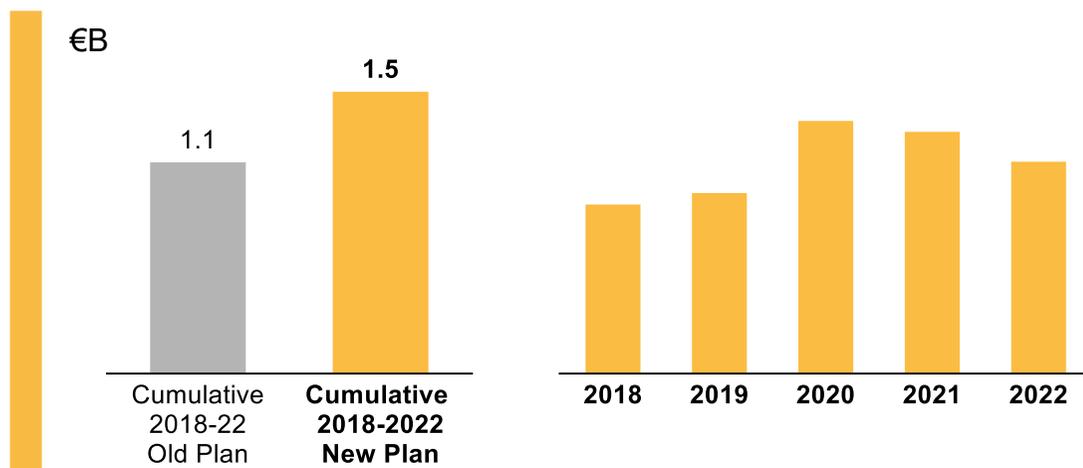
Energy Infrastructure

Key Financials

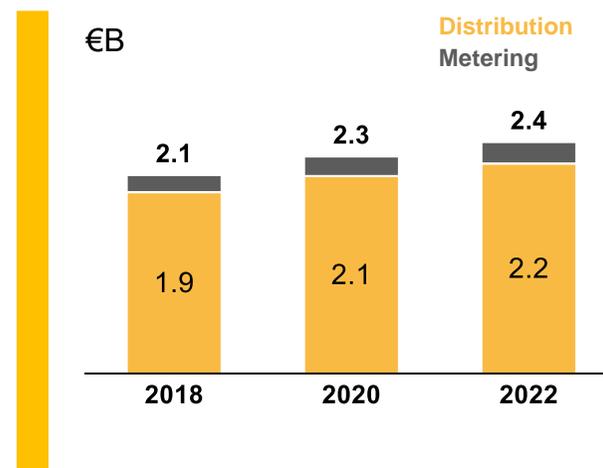
EBITDA



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)



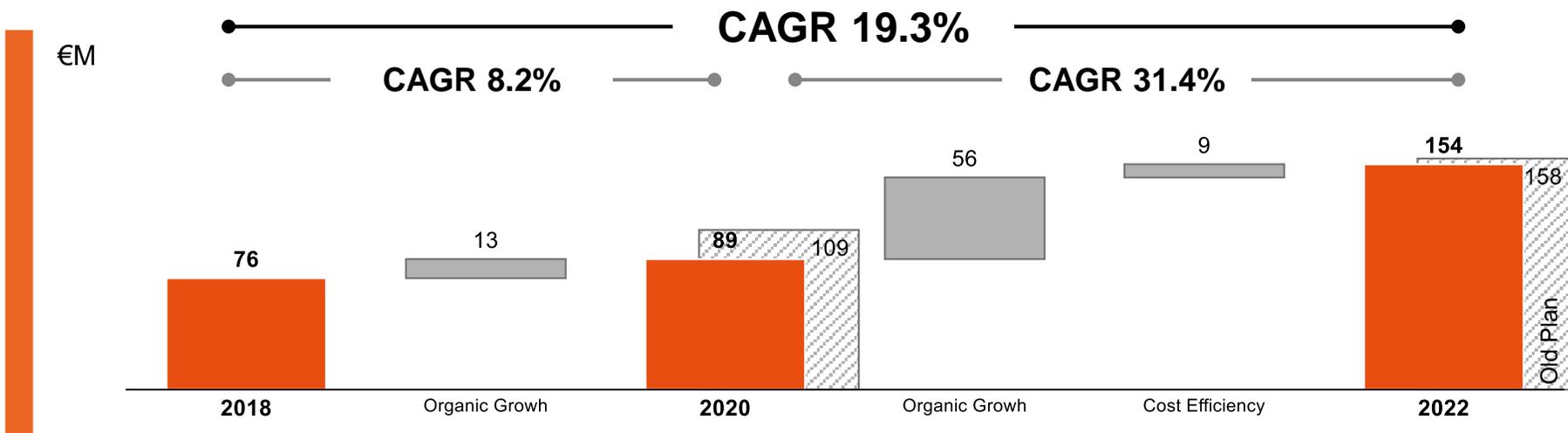
Signed with ERG two Power Purchase Agreements (PPA) concerning the supply of renewable energy totalling 1.5 TWh during the period 2020-2022 (October 2019)



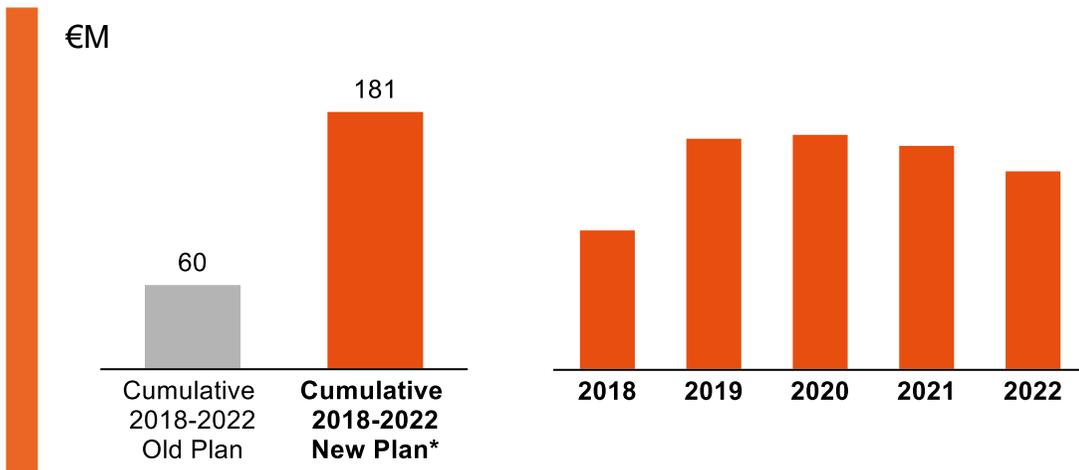
Commercial and Trading

Key Financials

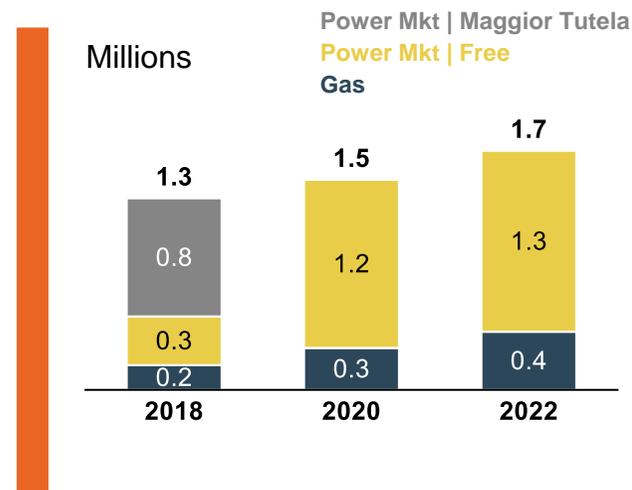
EBITDA



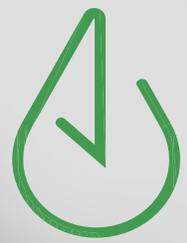
INVESTMENTS



CUSTOMER BASE



*Investments include Commissioning Capitalizations IFRS15



Environment

Business Line Highlights



Environment Key Actions

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



Implementation of old BP strategic initiatives



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 authorized capacity of 75,000 tons per year (July 2019)
 > EV of 100% of DEMAP: €20m
 > DEMAP's EBITDA: €3.5m



Inaugurated at Monterotondo Marittimo (Grosseto) one of the largest composting plants in Central Italy with an authorized capacity of 70 kton per year (October 2019)
 > Capex €22m
 > Expected contribution to EBITDA €2.5m



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



Acquisition of 60% of Ferrocarril and Cavallari (which owns 100% of Multigreen), **active in the storage, treatment and selection of waste** with a total authorized capacity of more than 145,000 tons per year (April 2020)
 > EV of 100% of Ferrocarril and Cavallari: ~ €25m
 > Ferrocarril and Cavallari's EBITDA: ~ €4.5m

Environment / Engineering and Services areas

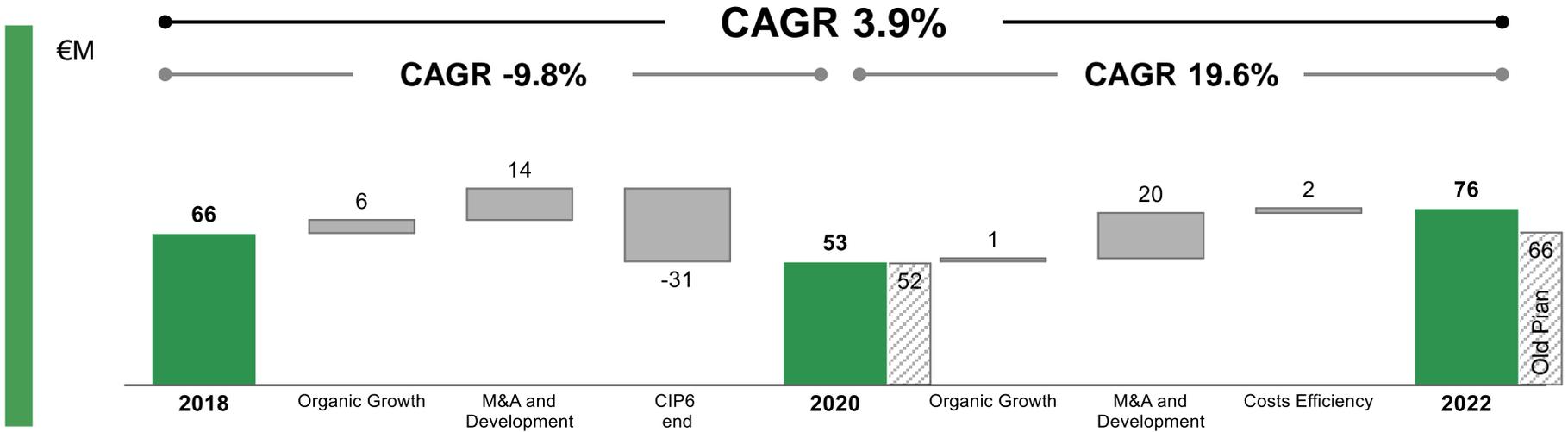


Agreement to acquire 70% of Simam, a leading company in the engineering, construction and management of water and waste treatment facilities, and in environmental interventions and remediation, with high-tech global services (May 2020)
 > EV of 100% Simam: €30m
 > Simam's EBITDA: ~ €7.0m

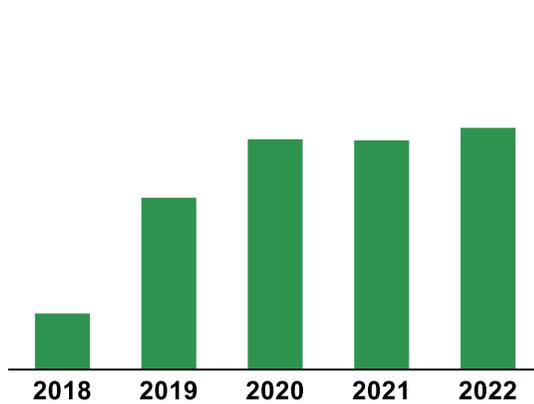
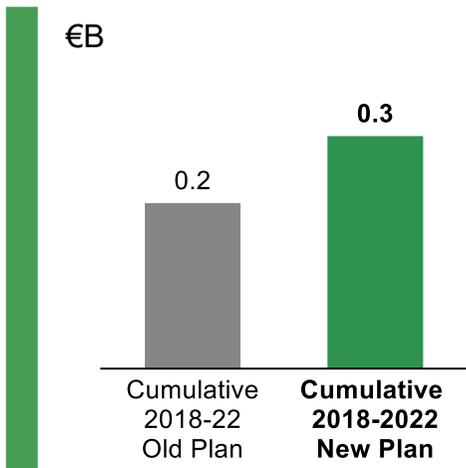


Environment Key Financials

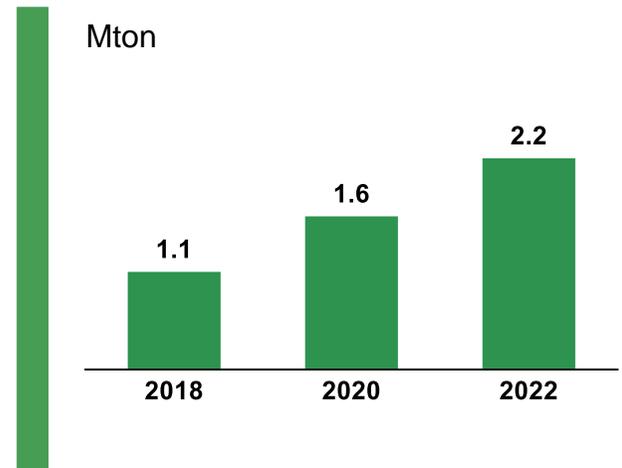
EBITDA



INVESTMENTS



VOLUMES





Strategic Opportunities

Potential Business Plan Upsides

Strategic Opportunities

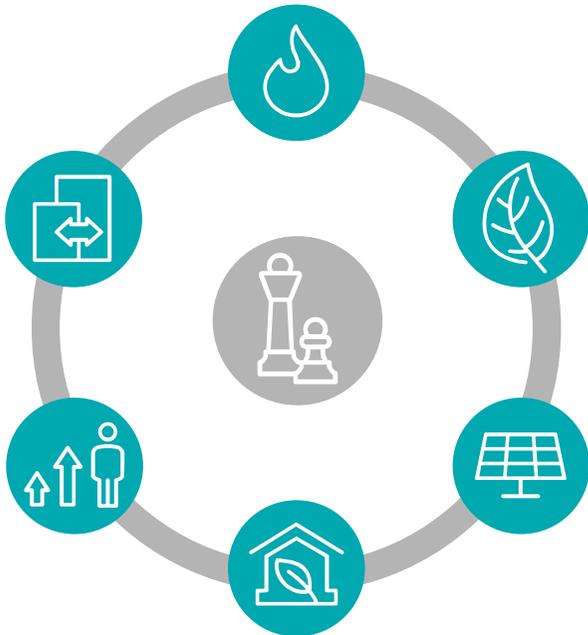
Potential initiatives to be implemented

		EBITDA (€M)	Investments (€M)
	Gas Distribution Growth in the gas distribution market with selected acquisition and AEM 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)	

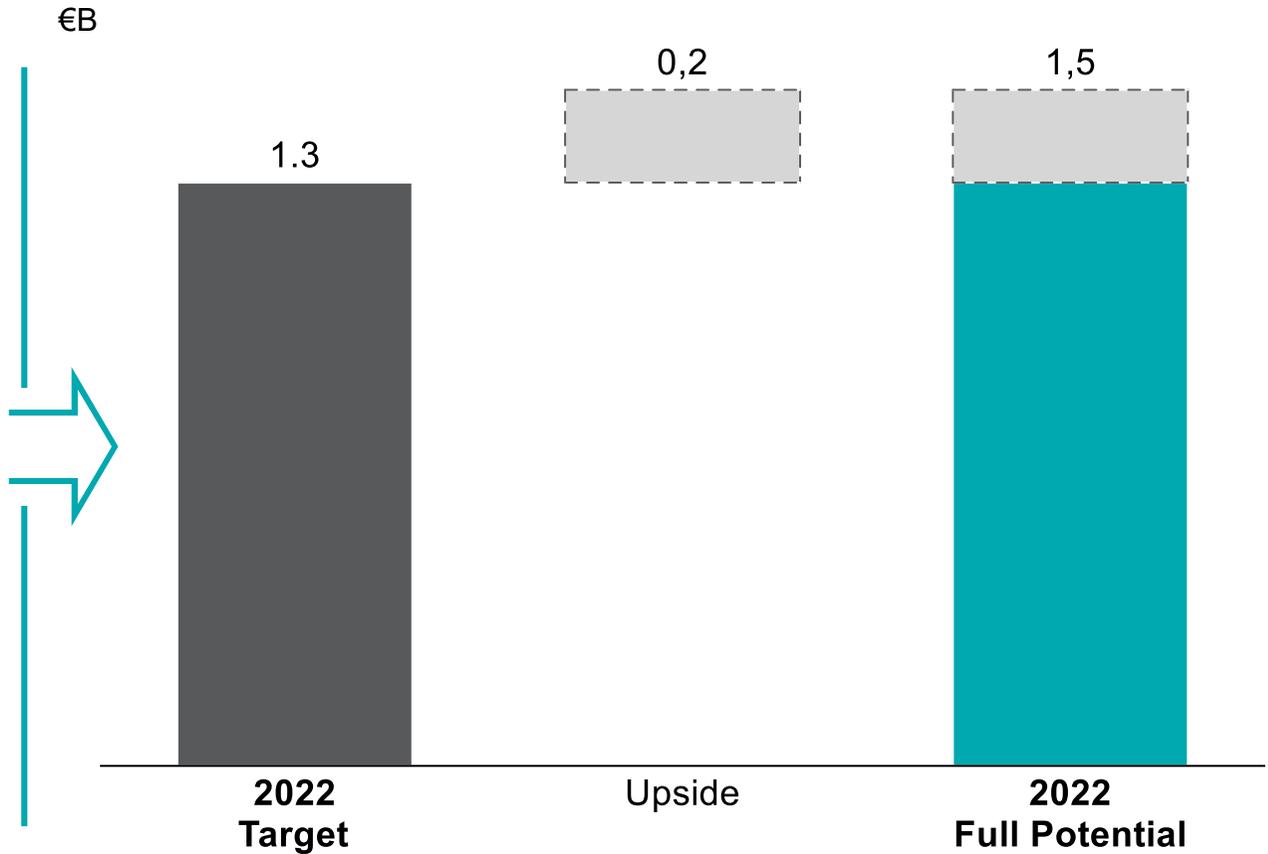
Strategic Opportunities

€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

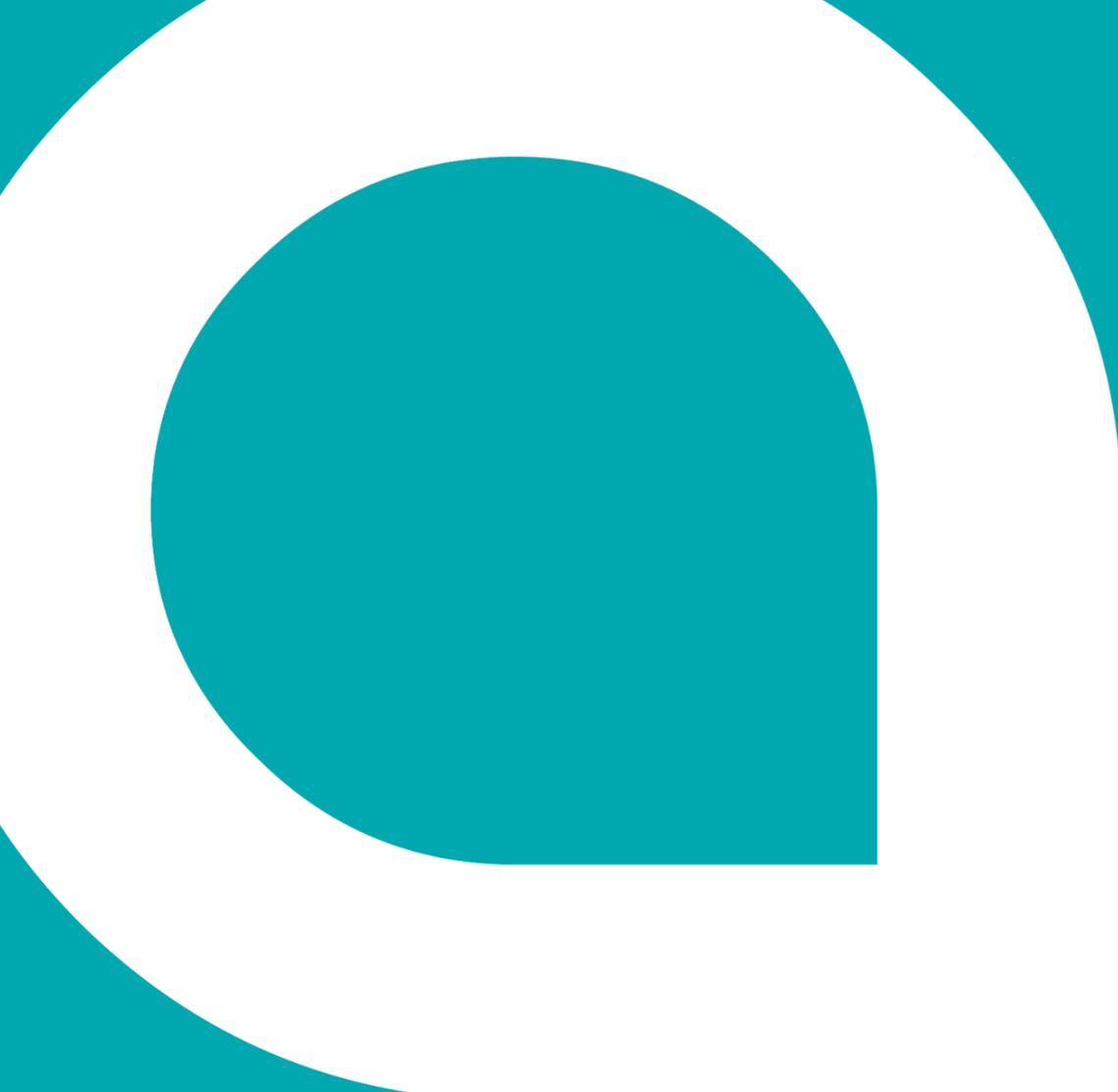


€800M of dividends throughout the Plan (**+€100M** vs old Plan),
minimum dividend per share of **0.75 €** distributed in 2020

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 2020 Results

Executive summary

Continued improvement in results and development of the Group's businesses

THE ACEA GROUP CONTINUED TO DELIVER GROWTH IN THE **FIRST QUARTER OF 2020**, DRIVEN BY OUR MAJOR INVESTMENT PROGRAMME

- **EBITDA** of €276m +12% versus Q1 2019
- **EBIT** of €137m +3% versus Q1 2019
- **Capex** of €190m +26% versus Q1 2019

KEY EVENTS DURING THE FIRST QUARTER OF 2020:

- Successful placement of a **€500m bond issue**, with a term of 9 years and paying interest of 0.50% (January 2020).
- Signature of an **agreement to acquire 51% of «Alto Sangro Distribuzione Gas»** (537 km of network, 34,000 redelivery points in the province of l'Aquila). The transaction is in line with the gas market growth strategy and strengthens Acea's presence in the sector in Abruzzo (March 2020).

KEY EVENTS AFTER 31 MARCH 2020:

- Signature of an **agreement for the acquisition of 60% of «Ferrocarr» and «Cavallari»** (which owns 100% of Multigreen) – 4 waste storage, treatment and sorting plants, handling 145 thousand tonnes per year (April 2020).
- Signature of an **agreement for the acquisition of 70% of Simam**, a leader in the design, construction and operation of liquid waste treatment plants and in the delivery of environmental and remediation projects, offering integrated high-tech solutions (May 2020)

Covid-19

Initial assessment of potential impact of “Covid-19 emergency” on Acea Group

The impact of the «Covid-19 emergency» on the operating results for the first quarter of 2020 is **negligible** thanks to the Acea Group’s **resilience**, reflecting the fact that we primarily operate regulated businesses (contributing approximately 85% of consolidated EBITDA).

In the last few days of the first quarter, we saw a slowdown in cash generated by sales, the impact of which will be offset over the coming months.

The Group also has **significant cash reserves**: approximately €800m at 31 March 2020, in addition to approximately €600m in new loans and committed credit facilities in the process of being finalised. **This liquidity will enable us to meet our obligations and service debt through to 2024 and beyond.**

In terms of the **potential outlook for the impact of the «Covid-19 emergency»** on the Acea Group’s financial performance, we do not expect – based on the current situation – that there will be a significant effect on the results for the current year.

THE PREVIOUSLY ANNOUNCED GUIDANCE FOR 2020 IS CONFIRMED:

(assuming a full return to normal business activity from 1 July 2020)

- **EBITDA** +6%/+8% versus 2019 (€1,042m)
- **CAPEX** broadly in line with 2019 (€793m)
- **NET DEBT** €3.45-3.55bn

(€m)	Q1 2020 (a)	Q1 2019 (b)	% change (a/b)
Consolidated revenue	833.5	823.3	+1.2%
EBITDA	276.4	247.9	+11.5%
EBIT	136.8	132.8	+3.0%
Group net profit	70.6	75.5	-6.5%

Contribution to EBITDA of consolidation of Acquedotto del Fiora and new acquisitions

(€m)	Q1 2020	Q1 2019
Acquedotto del Fiora	15.1	1.4°
Pescara Distribuzione Gas	0.5	-
Demap	1.2	-
Berg	0.6	-
Photovoltaic	2.3	-

Capex	190.0	151.2	+25.7%

(€m)	31 Mar 2020 (a)	31 Dec 2019 (a)	31 Mar 2019 (c)	% change (a/b)	% change (a/c)
Net debt	3,184.4	3,062.8	2,675.7	+4.0%	+19.0%

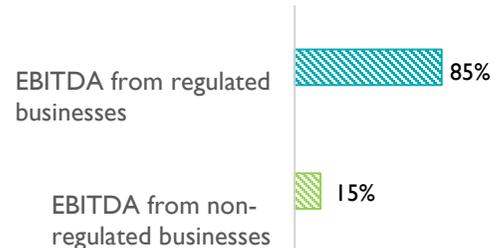
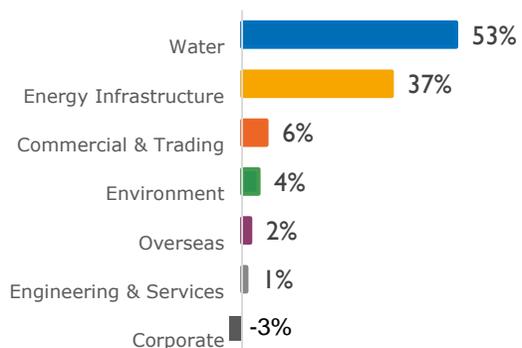
Average Group workforce

Q1 2020	Q1 2019	Change
7,706	6,608	+1,098*

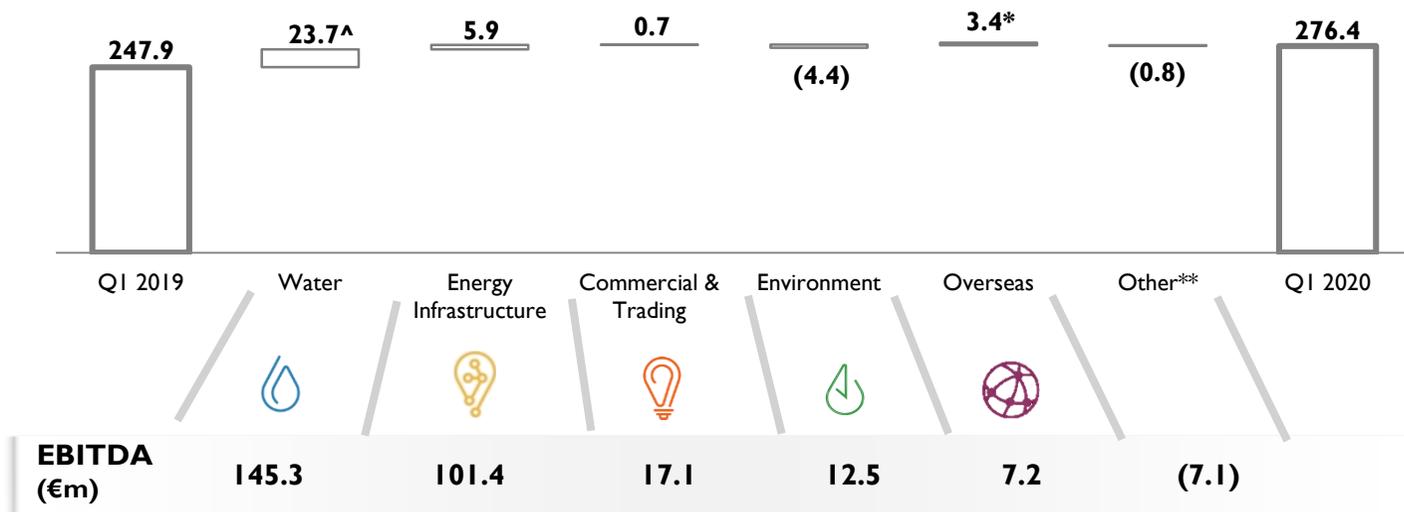
° Contribution from consolidation of equity-accounted investments

* The increase in the workforce is primarily due to changes in scope (Acquedotto del Fiora +399; Pescara Distribuzione Gas +13; Acea Perù +499; Consorcio Agua Azul +32; Demap +15; Berg +18)

EBITDA QI 2020



EBITDA (€m)



[^] Line-by-line consolidation of Acquedotto del Fiora

^{*} Line-by-line consolidation of Consorzio Agua Azul, following the increase in the interest to 44%

^{**} Engineering & Services, Corporate

EBITDA and quantitative data

Q1 2020 financial highlights

Water

Including gas distribution

KEY HIGHLIGHTS

- Line-by-line consolidation of Acquedotto del Fiora
- Acquisition of Pescara Distribuzione Gas

EBITDA GROWTH

- Application of Tariff Regime for third regulatory period 2020-2023 (Arera Resolution 580/2019):
 - ✓ effect of investment in growth
 - ✓ recognition of new cost components
 - ✓ no award of bonus for commercial quality
- Line-by-line consolidation of Acquedotto del Fiora (from October 2019): +€13.7m
- Acquisition of Pescara Distribuzione Gas (March 2019): +€0.5m

EBITDA
main
drivers



(€m)	Q1 2020 (a)	Q1 2019 (b)	%change (a/b)
EBITDA	145.3	121.6	+19.5%
Acea ATO2	99.4	89.5	+11.1%
Acea ATO5	5.4	6.6	-18.2%
Gori	17.0	17.9	-5.0%
Acquedotto del Fiora	15.1	1.4	n/s
Equity-accounted water companies	6.9	5.5	+25.5%
Other consolidated water companies	1.0	0.7	+42.9%
Pescara Distribuzione Gas	0.5	-	n/s
Capex	104.0	73.1	+42.3%

EBITDA and quantitative data

Q1 2020 financial highlights

Energy Infrastructure

KEY HIGHLIGHTS

- Acquisition of new photovoltaic plants, increasing total capacity to ~29MWp

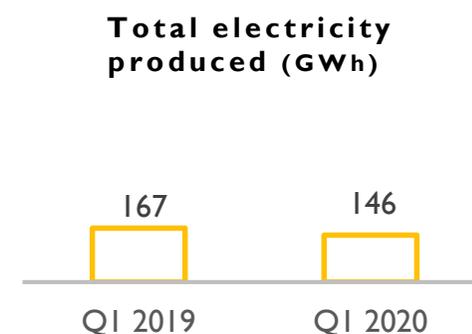
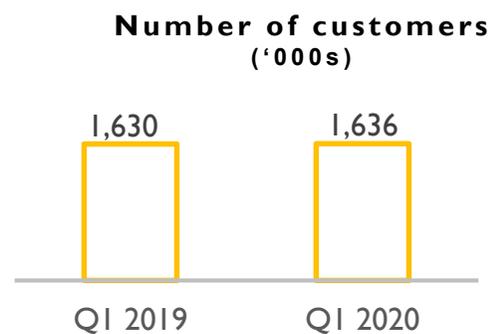
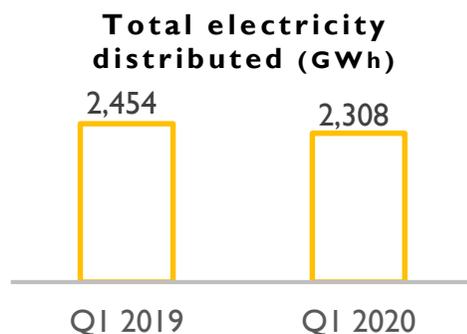
EBITDA GROWTH

- Distribution: +€9.2m
- Public lighting: +€0.6m (new lighting points)
- Generation: -€3.9m:
 - Hydroelectric production -€3.0m (sharp reduction in market prices, partly due to the “Covid-19 emergency”)
 - photovoltaic +€2.3m
 - Recognition in Q1 2019 of non-recurring components ~€3m

EBITDA
main
drivers



(€m)	Q1 2020 (a)	Q1 2019 (b)	%change (a/b)
EBITDA	101.4	95.5	+6.2%
- Distribution	91.0	81.8	+11.2%
- Generation	11.0	14.9	-26.2%
- Public lighting	(0.6)	(1.2)	n/s
Capex	66.2	63.7	+3.9%



EBITDA and quantitative data

Q1 2020 financial highlights

Commercial & Trading

KEY HIGHLIGHTS

- Increased customer base

EBITDA

- Increased margin on free market: greater number of mass market customers
- Reduction in margin on enhanced protection market: revised mechanism for compensating for delinquent accounts (ARERA Resolution 100/2020)
- Reduction in business customers' consumption in March due to "Covid-19 emergency"

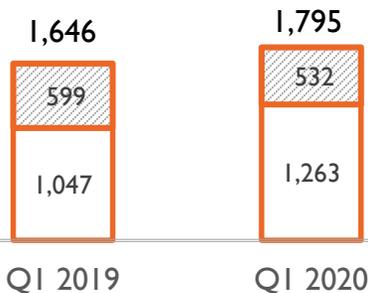
EBITDA
main
drivers



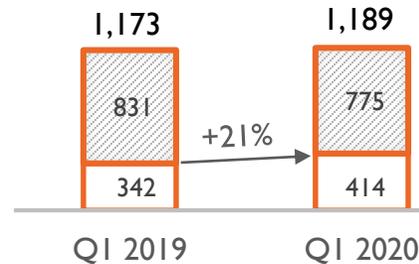
(€m)	Q1 2020 (a)	Q1 2019 (b)	%change (a/b)
EBITDA	17.1	16.4	+4.3%
Capex	9.0	6.1	+47.5%

Free market Enhanced protection market

Total energy sold (GWh)



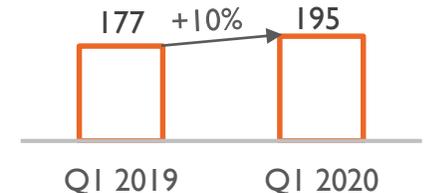
Number of electricity customers ('000s)



Total gas sold (Mm³)



Number of gas customers ('000s)



EBITDA and quantitative data

Q1 2020 financial highlights

Environment

KEY HIGHLIGHTS Q1 2020

- Acquisition of 90% of Demap (plastic treatment)
- Acquisition of 60% of Berg (liquid waste treatment)

EVENTS AFTER 31 MARCH 2020

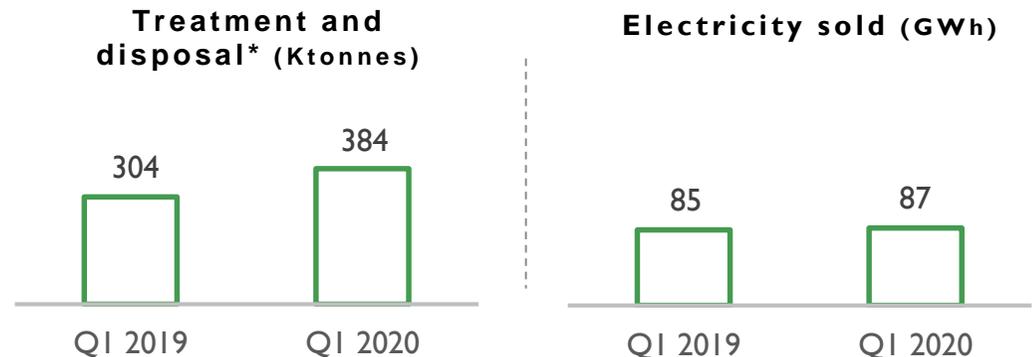
- Agreement for acquisition of 60% of «Ferrocarril» and «Cavallari» (waste storage, treatment and sorting)

(€m)	Q1 2020 (a)	Q1 2019 (b)	%change (a/b)
EBITDA	12.5	16.9	-26.0%
of which: Demap	1.2	-	n/s
Berg	0.6	.	n/s
Capex	3.9	3.1	+25.8%

EBITDA

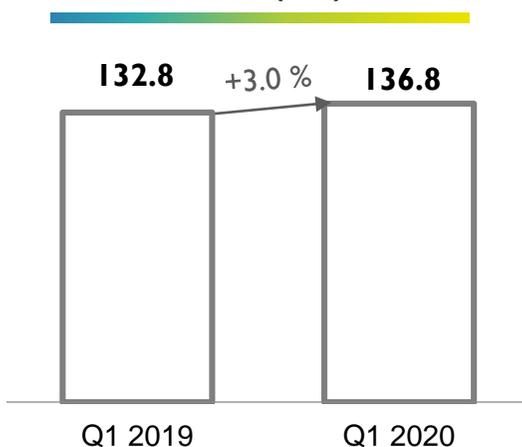
- Acquisition of Demap (July 2019): +€1.2m
- Acquisition of Berg (October 2019): +€0.6m
- End of CIP6 incentives from 1 August 2019 (-€6.6m)

EBITDA
main
drivers

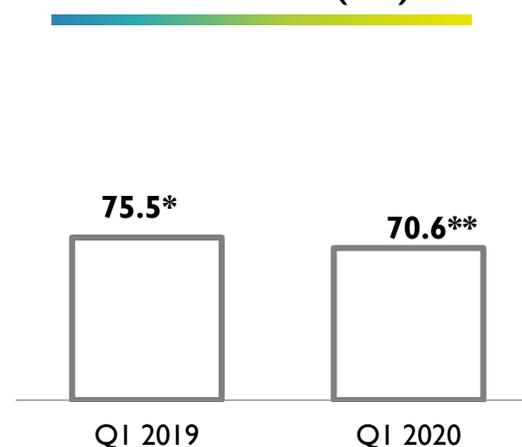


* Includes ash disposed of

EBIT (€m)



NET PROFIT (€m)



TAX RATE

29.6%

30.0%

* Net profit Q1 2019:

- ✓ Recognition of non-recurring item (€1.5m) relating to Agua Azul Bogotá
- ✓ Presence of CIP6 incentives (Environment segment), ended 1 August 2019 (€5m)

** Net profit Q1 2020:

- ✓ Impact of consolidation of Acquedotto del Fiora fully offset by at the level of net profit by effect of profit attributable to non-controlling interests

(€m)	Q1 2020	Q1 2019	% change
Depreciation	117.1	95.2	+23.0% ➔
Write-downs	19.9	18.6	+7.0% ➔
Provisions	2.6	1.4	+85.7% ➔
Total	139.6	115.2	+21.2%

Consolidation of Acquedotto del Fiora (€6.3m)
Increased capex

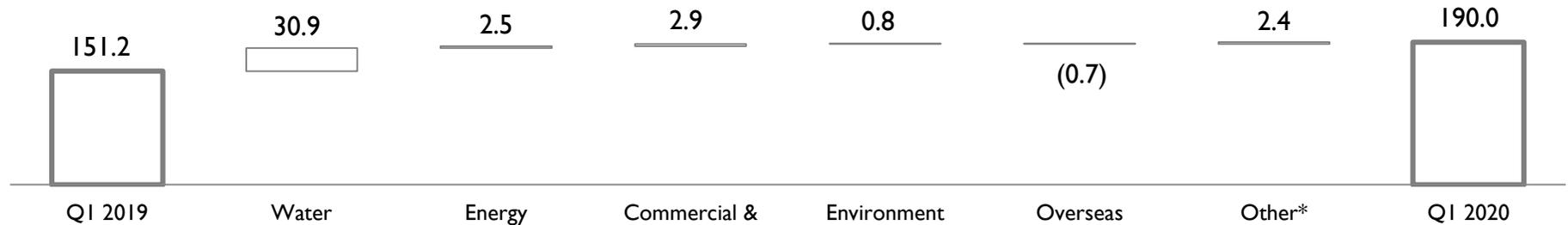
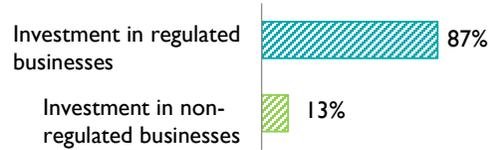
Consolidation of Acquedotto del Fiora (€0.6m)

Consolidation of Acquedotto del Fiora (€0.5m)

Capex

Capex growth continues across all areas of business, with focus on regulated activities

Capex: +25.7%



Capex (€m)	104.0	66.2	9.0	3.9	0.8	6.1
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- Water**
 - Repair and widening of water and sewage pipes
 - Extraordinary maintenance of water centres
 - Work on treatment plants
 - Consolidation of AdF (€6.7m)
- Energy Infrastructure**
 - Upgrade and expansion of grid
 - "Resilience" plan with work on secondary substations and on the MV and LV network
 - Work on Orte, Sant'Angelo and Salisano hydroelectric plants and Tor di Valle and Montemartini thermoelectric plants
- Commercial & Trading**
 - Customer acquisition
 - IT systems
 - Cloud licences for new "Customer Relationship Management"
- Environment**
 - Monterotondo Marittimo plant
 - Expansion of Orvieto landfill
- Overseas**
 - Agua de San Pedro: minor investment
- Other***
 - Corporate: IT projects

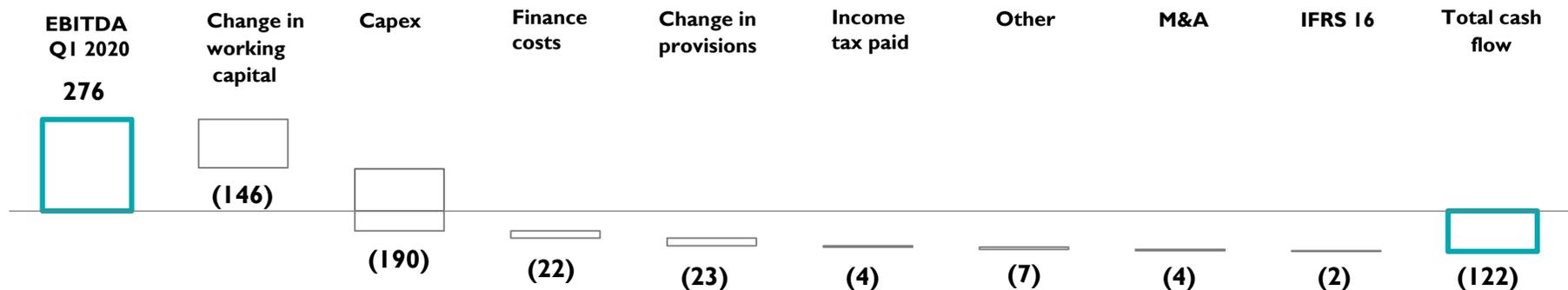
* Engineering & Services, Corporate

Cash flow

Continued focus on reducing working capital

	Q1 2020	Q1 2019
EBITDA	276	248
Change in working capital	(146)	(88)
Capex	(190)	(151)
FREE CASH FLOW	(60)	9
Net finance income/(costs)	(22)	(20)
Change in provisions	(23)	(22)
Income tax paid	(4)	-
Dividends	-	-
Other	(7)	(8)
M&A	(4)	(12)
IFRS 16	(2)	(55)
TOTAL CASH FLOW	(122)	(108)

- Net working capital requirements in Q1 2020 due to:
 - ✓ Seasonal effects (also present in Q1 2019)
 - ✓ Delay in collections by Acea Energia and water companies due to «Covid-19 emergency» (~€40/50m)



(€m)	31 Mar 2020 (a)	31 Dec 2019 (b)	31 Mar 2019 (c)	Change (a-b)	Change (a-c)
Net debt	3,184.4	3,062.8	2,675.7	121.6	508.7
Medium/long-term	4,026.5	3,523.3	2,979.6	503.2	1,046.9
Short-term	(842.1)	(460.5)	(303.9)	(381.6)	(538.2)

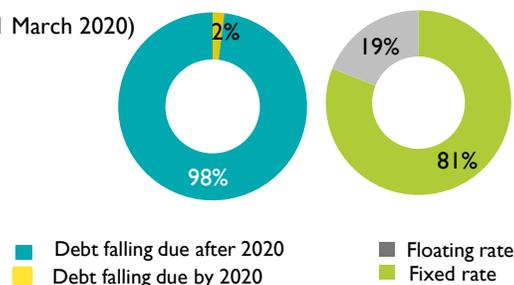
NET DEBT/ EBITDA LTM 31 MARCH 2020	NET DEBT/ EQUITY 31 MARCH 2020
3.0x	1.4x

29 January 2020 – Issue of bonds worth €500m under EMTN. Bonds have a 9-year term and pay a fixed rate of 0.50%

Structure of debt

(maturity and interest rates at 31 March 2020)

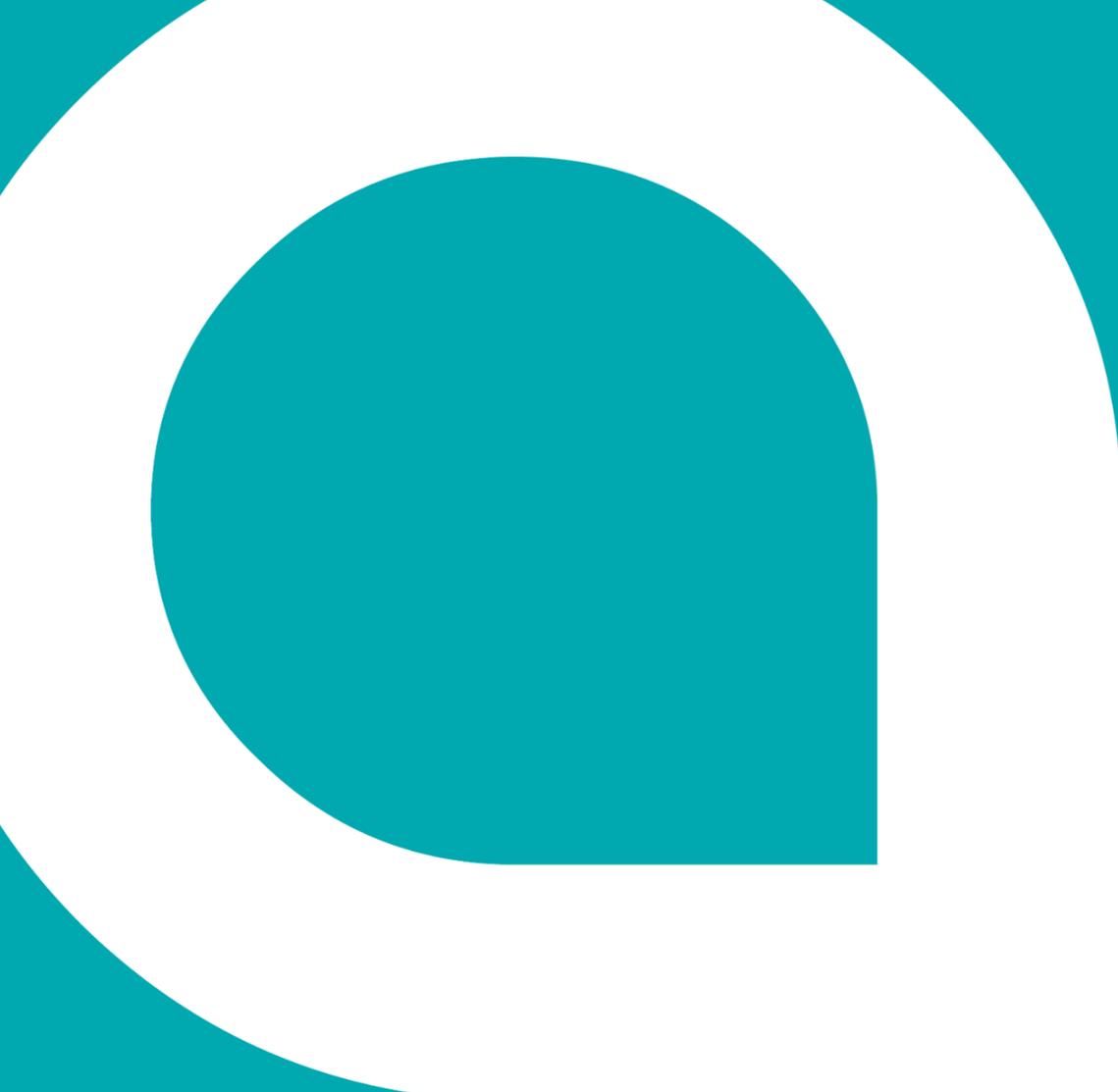
- > Fixed rate 81%
- > Average cost 1.93%
- > Average term 6.16 years



Ratings

FitchRatings	BBB+
	Stable Outlook
MOODY'S	Baa2
	Stable Outlook

⇒ Affirmed on 12 May 2020 despite the recent downgrading of Italy's sovereign debt rating



2019 Results

(€m)	2019 (a)	2018 (b)	% change (a/b)
Consolidated revenue	3,186.1	3,028.5	+5.2%
EBITDA	1,042.3	933.2	+11.7%
EBIT	518.1	478.6	+8.3%
Group net profit	283.7	271.0	+4.7%
Dividend per share (€)	0.78	0.71	+9.9%
Capex	792.8	630.8	+25.7%

EBITDA +12%: well ahead of guidance

- Initial guidance : +5%/+6%
- Guidance provided in H1 2019: $\geq +7\%$
- Guidance provided in 9M 2019: $\geq +10\%$

(€m)	31 Dec 2019 (a)	30 Sept 2019 (b)	31 Dec 2018 (c)	% change (a/b)	% change (a/c)
Net debt	3,062.8	2,960.3	2,568.0	+3.5%	+19.3%

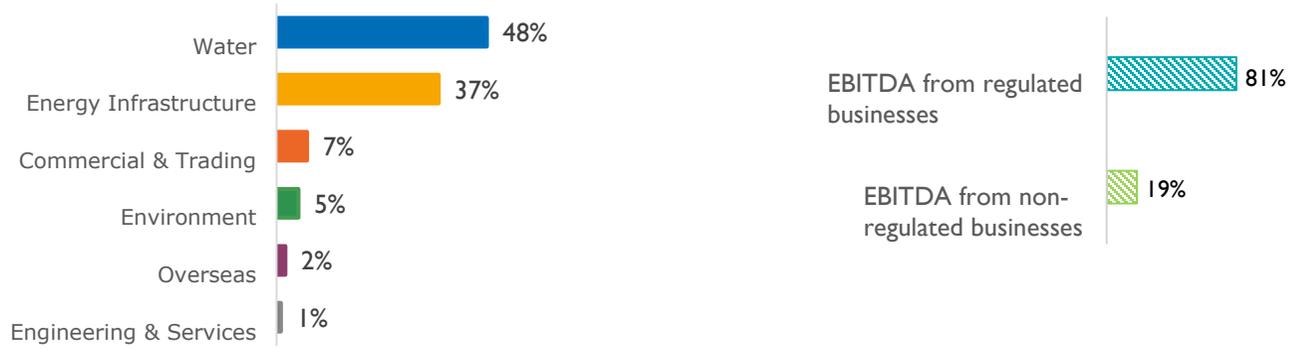
Net debt: below lower end of guidance (€2.85-2.95bn).
 €2.83bn excluding impact of IFRS 16, M&A and consolidation of Acquedotto del Fiora

GUIDANCE 2020: FURTHER GROWTH EXPECTED

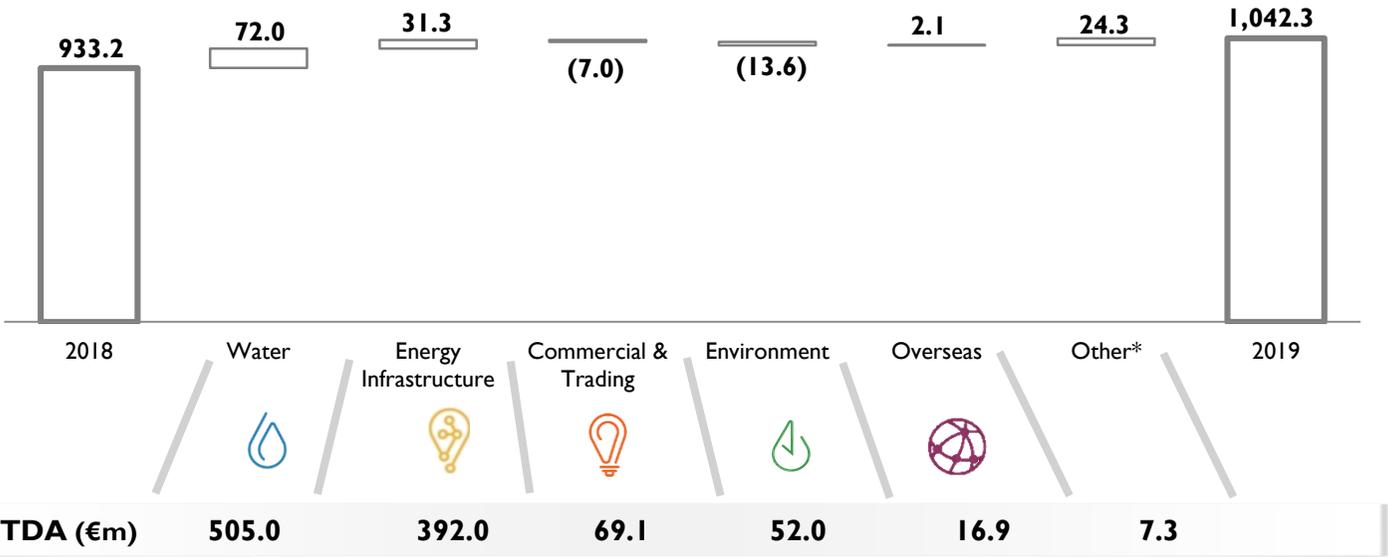
- ✓ **EBITDA** +6%/+8% versus 2019 (€1,042m) in line with the CAGR in Business Plan 2019-2022
- ✓ **CAPEX** broadly in line with 2019 and the Business Plan 2019-2022
- ✓ **NET DEBT** €3.45-3.55bn

EBITDA

EBITDA 2019



EBITDA (€m)



Contribution to EBITDA from consolidation of Gori, Acquedotto del Fiora and new acquisitions (€m)

	2019	2018
Gori	68.6	14.7°
Acquedotto del Fiora	18.1	4.6°°
Pescara Distribuzione Gas	1.7	-
Fotovoltaico	3.6	-
Demap	1.8	-
Berg	0.5	-

* Engineering & Services, Corporate
 ° Includes contribution from consolidation of equity-accounted investments, totalling €3m
 °° Contribution from consolidation of equity-accounted investments

EBITDA and quantitative data

2019 financial highlights

Water

Including gas distribution business

KEY HIGHLIGHTS

- October 2019: line-by-line consolidation of Acquedotto del Fiora
- March 2019: acquisition of Pescara Distribuzione Gas

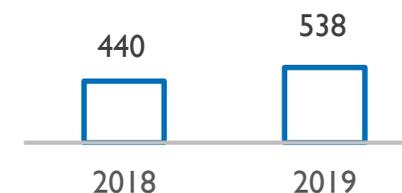
EBITDA GROWTH

- Line-by-line consolidation of Gori (from November 2018): +€53.9m
- Line-by-line consolidation of Acquedotto del Fiora (from October 2019): +€13.5m
- Acquisition of Pescara Distribuzione Gas (March 2019): +€1.7m
- ATO2: commercial quality bonus +€2.2m
- Equity-accounted companies: -€3.7m

EBITDA
main
drivers

(€m)	2019 (a)	2018 (b)	%change (a/b)
EBITDA	505.0	433.0	+16.6%
Acea ATO2	356.1	357.4	-0.4%
Acea ATO5	24.4	20.8	+17.3%
Gori	68.6	11.7	n/s
Acquedotto del Fiora	18.1	-	n/s
Equity-accounted water companies	36.2	39.9	-9.3%
Other consolidated water companies	(0.1)	3.2	n/s
Pescara Distribuzione Gas	1.7	-	n/s
Capex	380.1	329.7	+15.3%

Volumes of water distributed (Mm³)



EBITDA and quantitative data

2019 financial highlights



Energy Infrastructure

KEY HIGHLIGHTS

- Acquisition of new photovoltaic plants with total capacity of 28MWp

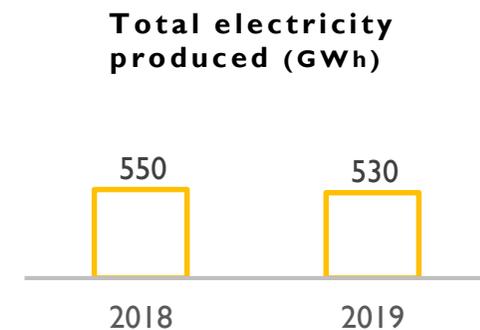
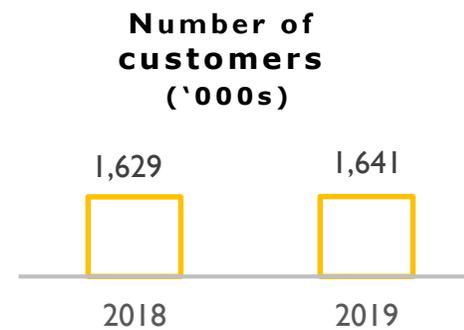
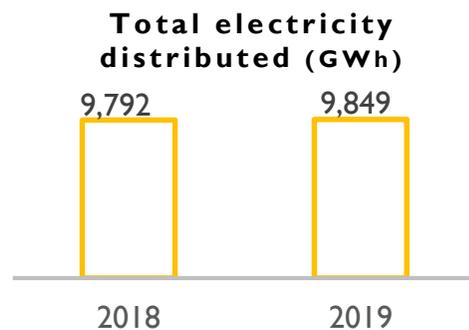
EBITDA GROWTH

- Distribution: +€28.3m
- Public Lighting: +€7.3m (new lighting points and cuts to external costs)
- Generation: -€4.4m:
 - photovoltaic contribution +€3.6m
 - recognition in 2018 of an extraordinary component of €5m
 - reduction in volume produced and less price

EBITDA main drivers



(€m)	2019 (a)	2018 (b)	% change (a/b)
EBITDA	392.0	360.7	+8.7%
- Distribution	345.4	317.1	+8.9%
- Generation	44.6	49.0	-9.0%
➤ of which: Photovoltaic	3.6	-	n/s
- Public Lighting	1.9	(5.4)	n/s
Capex	287.8	238.3	+20.8%



EBITDA and quantitative data

2019 financial highlights

Commercial & Trading

KEY HIGHLIGHTS

- Improvement in sales channels with resulting increase in number of free market customers for electricity (+20.5%) and gas (+11.0%)
- Improvement in collections

EBITDA

- Increased sales of electricity and gas to free market customers
- Reduced margins essentially due to revised mechanism for compensating for delinquent accounts and to cut in enhanced protection market tariff (RCV component)

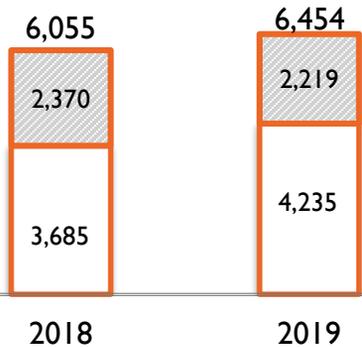
EBITDA
main
drivers



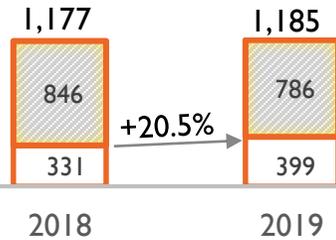
(€m)	2019 (a)	2018 (b)	% change (a/b)
EBITDA	69.1	76.1	-9.2%
Capex	42.5	24.6	+72.8%

Total energy sold (GWh)

Enhance...



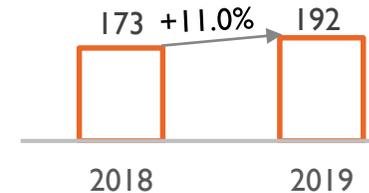
Number of electricity customers ('000s)



Total gas sold (Mm³)



Number of gas customers ('000s)



EBITDA and quantitative data

2019 financial highlights

Environment

KEY HIGHLIGHTS

- July 2019: acquisition of Demap (plastics treatment)
- October 2019: acquisition of Berg (liquid waste treatment)
- October 2019: Monterotondo Marittimo composting plant opened

EBITDA

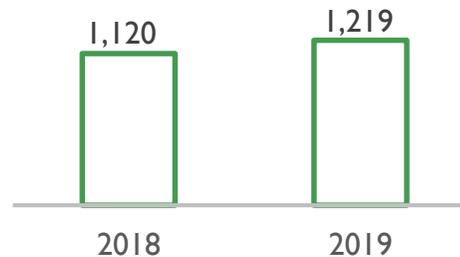
- Acquisitions of Demap and Berg (+€2.3m)
- End of CIP6 incentives from 1 August 2019 (-€16.7m)

EBITDA
main
drivers

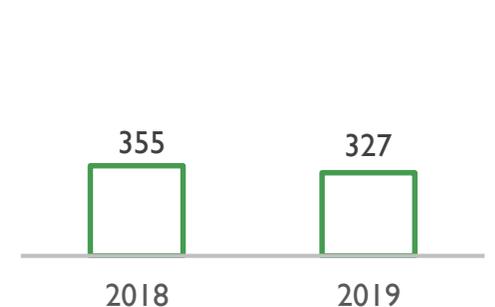


(€m)	2019 (a)	2018 (b)	% change (a/b)
EBITDA	52.0	65.6	-20.7%
Demap	1.8	-	n/s
Berg	0.5	-	n/s
Capex	51.9	20.0	+159.5%

Treatment and disposal* (Ktonnes)

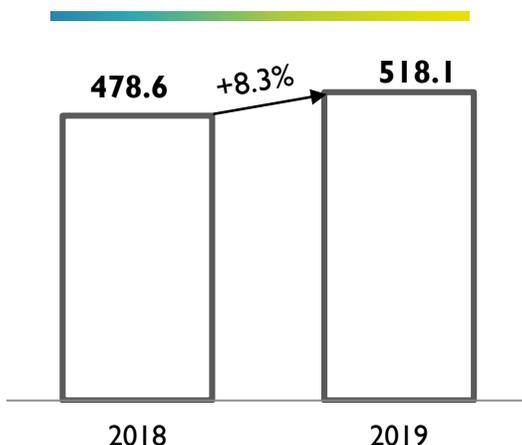


Electricity sold (GWh)

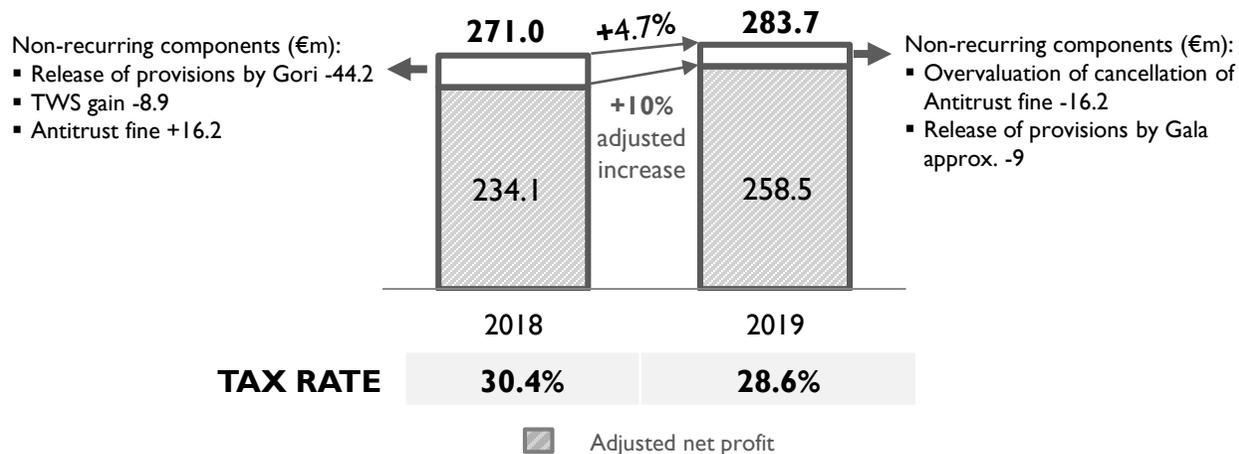


* Includes ash disposed of

EBIT (€m)



NET PROFIT (€m)



(€m)	2019	2018	% change
Depreciation	409.6	366.8	+11.7%
Write-downs	66.8	75.1	-11.1%
Provisions	47.8	12.8	n/s
Total	524.2	454.7	+15.3%

Consolidation of Gori and Acquadotto del Fiora
Increased capex
Impact of IFRS 16

Release in 2018 of provisions for risks by Gori (€44m)

DIVIDEND HISTORY

	2017	2018	2019
DPS (€)	0.63	0.71	0.78 [^]
Total dividend (€m)	134.2	151.2	166.1
Dividend yield*	4.7%	5.3%	4.7%
Payout**	74%	56%	59%

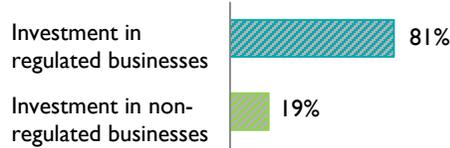
* Based on the average price for the year

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

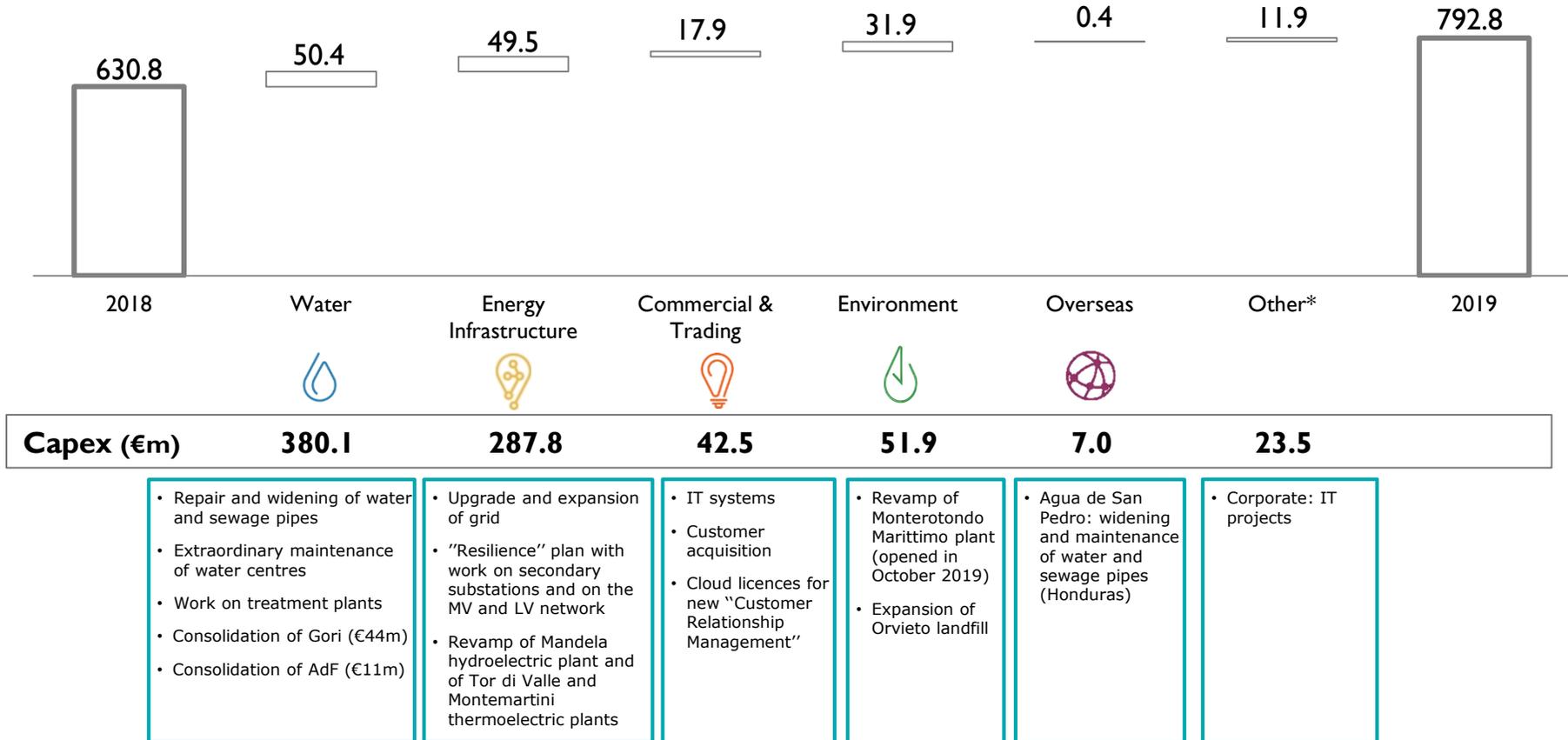
[^] The Board of Directors will propose the dividend for 2019 at the Annual General Meeting called for 28 and 29 April 2020, in first and second call, respectively

Capex

Strong capex growth across all areas of business, with focus on regulated activities



Capex +25.7%



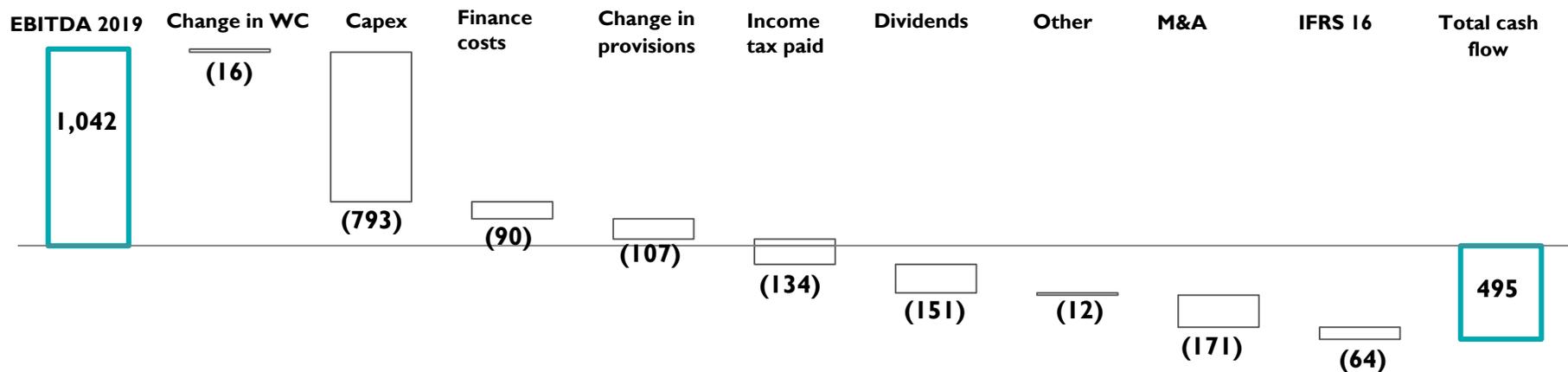
* Engineering & Services, Corporate

Cash flow

Continued improvement in working capital

	2019	2018
EBITDA	1,042	933
Change in working capital	(16)	(35)
Capex	(793)	(631)
FREE CASH FLOW	233	267
Net finance income/(costs)	(90)	(83)
Change in provisions	(107)	(108)
Income tax paid	(134)	(81)
Dividends	(151)	(134)
Other	(12)	(35)
M&A and consolidations	(171)	29
IFRS 16	(64)	-
TOTAL CASH FLOW	(495)	(146)

- ✓ Excellent performance of collections with regard to Acea Energia
- ✓ Working capital demands due to regulatory impact: €41m
- ✓ Excluding regulatory impact, working capital generated a cash inflow

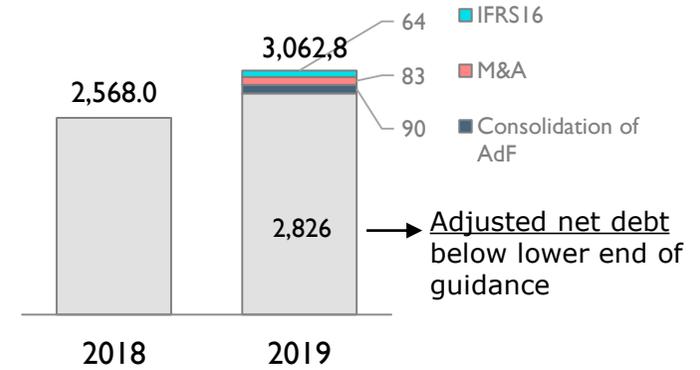


Net debt

Below lower end of guidance

(€m)	31 Dec 2019 (a)	30 Sept 2019 (b)	31 Dec 2018 (c)	Change (a-b)	Change (a-c)
Net debt	3,062.8	2,960.3	2,568.0	102.5	494.8
Medium/long-term	3,523.3	3,467.5	3,341.4	55.8	181.9
Short-term	(460.5)	(507.2)	(773.4)	46.7	312.9

Net debt



NET DEBT/ EBITDA 31 DECEMBER 2019	NET DEBT/ EBITDA 31 DECEMBER 2018
2.9x	2.8x

16 May 2019 - Issue of bonds worth €500m under EMTN. Bonds have a 9 year term and pay a fixed rate of 1.75%

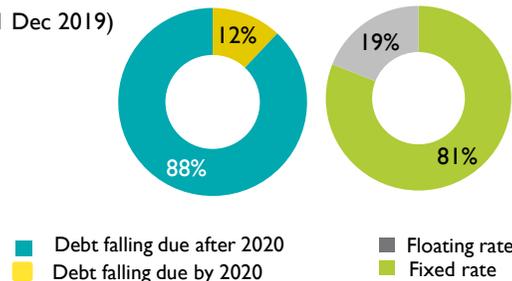
29 January 2020 – Issue of bonds worth €500m under EMTN. Bonds have a 9-year term and pay a fixed rate of 0.50%

July 2019 - Ceiling for EMTN programme raised to €4bn

Structure of debt

(maturity and interest rates at 31 Dec 2019)

- > Fixed rate 81%
- > Average cost 2.15%
- > Average term 5.3 years



Ratings

FitchRatings	BBB+
	Stable Outlook
MOODY'S	Baa2
	Stable Outlook

Regulatory framework

- *Water*
- *Electricity distribution*
- *Environment*

TARIFF REGIME FOR THE THIRD REGULATORY PERIOD (2020-2023)

Delibera ARERA 580/2019

- WACC: 5.24% (previously 5.3%)
- WACC on fixed assets in progress: 3.92%
- Increase in inflation rate (from 1.5% to 1.7%)
- The limits on annual growth of the tariff multiplier linked to classification in the matrix of regulatory frameworks have been reduced
- Reduction in standard coverage for late payments in Central Italy from 3.8% to 3%

EXPIRY OF CONCESSIONS

ATO2 Lazio Centrale (Acea ATO2)	2032
ATO5 Frosinone (Acea ATO5)	2033
ATO3 Regione Campania (Gori)	2032
ATO4 Alto Valdarno (Nuove Acque)	2027
ATO2 Basso Valdarno (Acque)	2031*
ATO3 Medio Valdarno (Publiacqua)	2024**
ATO6 Ombrone (Acquedotto del Fiora)	2031*
Municipality of Lucca (Geal)	2025
ATO1 Perugia (Umbra Acque)	2027
ATI4 Umbria (Umbriadue Servizi Idrici)	2032

* Extension of the concession approved by the concession authority at the time of the biennial review 2018-2019 (also approved by ARERA).

** Extension of the concession approved by the concession authority at the time of the biennial review 2018-2019, yet to be approved by ARERA.

ARERA RESOLUTION:

- **568/2019** tariffs for electricity distribution (**TIT**) and metering (**TIME**) revised for the sub-period 2020-2023
- **646/2015** "Quality of electricity distribution and metering services and output-based regulation" (**TIQE**) amended and supplemented by RESOLUTION **566/2019/R/eel** for the sub-period 2020-2023
- **534/2019** Initiatives designed to boost the resilience of electricity distribution networks, Areti plan for 2019-2021.
- **467/2019** experimental regulation for the upgrade of aging plumbing risers in buildings
- **306/2019** Revision for the three-year period 2020-2022 of the recognition of 2G smart metering costs
- **583/2015 TIWACC** supplemented by resolutions 639/2018/R/com and 570/2019/R/gas

REGULATORY PERIOD: EIGHT YEARS 2016-2023 divided into two sub-periods, each lasting four years:

- 2016-2019
- 2020-2023

REGULATORY PERIOD WACC: SIX YEARS 2016-2021

- WACC for 2016-2018 5.6%
- WACC for 2019-2021 5.9%

Areti's concession expires in 2030

WACC FOR OTHER ACTIVITIES

ELECTRICITY TRANSMISSION

Electricity transmission WACC for 2019-2021 : 5.6%

GAS NETWORKS

Gas transport	WACC for 2019: 5.7%	WACC for 2020-2021: 5.7%
Gas distrib	WACC for 2019: 6.3%	} WACC for 2020-2021: 6.3%
Gas metering	WACC for 2019: 6.8%	
Gas storage	WACC for 2019: 6.7%	WACC for 2020-2021: 6.7%

ARERA RESOLUTION 443/2019

- Regulatory period 2018-2021, structured in line with the previous tariff regulation (Presidential Decree 158/99), with the introduction of certain elements such as sharing arrangements for revenue from the sale of material and energy derived from waste and the related CONAI revenue.
- Real pre-tax WACC: 6.3% for the period 2020-2021, with an additional 1% for the 2-year time lag between capex being carried out and its recognition in RAB.
- Determination of four different regulatory frameworks, limiting the annual rise in the tariff to reflect the quality of service provided and changes in the scope of operations.
- Cost recognition on the basis of accurate ex post data based on reliable accounting records for the previous two years and no longer on forecasts.
- Identification of efficient costs and subsequent adjustments for 2018 and 2019 (introduced on a progressive basis and recognisable over no more than 4 years).
- Whilst awaiting determination of the tariffs for incoming waste (to be determined by 31 December 2020), the charges covering the costs of disposal and treatment and of treatment and recovery are determined on the basis of approved and/or negotiated tariffs.

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.

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