

PRESS RELEASE

ACEA: BOARD OF DIRECTORS APPROVES 2018-2022 BUSINESS PLAN FOCUSED ON INVESTMENTS, INFRASTRUCTURE RESILIENCE AND INNOVATION

INFRASTRUCTURE INVESTMENTS TOTALLING 3 BILLION EURO

EBITDA IN 2020 TO EXCEED ONE BILLION EURO

MONITORING OF GROUP NET DEBT AND GROWTH IN DIVIDENDS WITH PAY-OUT CONSTANTLY ABOVE 50%

Within the rapidly changing scenario of all industrial sectors in which the Group operates, Acea has identified the foundations and strategic objectives on which to base its growth path via the 2018-2022 business Plan. A Plan characterised by strong discontinuity, providing for a marked increase in infrastructure investments as regards both the water and the electricity sector.

Plan targets

- Infrastructure investments totalling 3 billion Euro, of which 400 million Euro in connection with technological innovation projects
- Average 6% annual growth in EBITDA, reaching 1 billion Euro in 2020 and exceeding 1.1 billion Euro by 2022
- Increase in dividends: 0.7 billion Euro distributable throughout the Plan period, with pay-out constantly above 50%
- Monitoring of Group net debt, with reduction of NFP/EBITDA ratio to 2.8x in 2022
- Performance Improvement to support growth through operational efficiency with savings in terms of costs and investments amounting to 300 million Euro over the Plan period

Summary of economic-financial targets

	2017*	2020	2022
EBITDA (million Euro)	832	1,002	1,108
RAB (billion Euro)	3.2	3.8	4.1
NFP/EBITDA ratio	3.0x	2.9x	2.8x

* 2017 Guidance

Milan, 28 November 2017 – Acea's Board of Directors, chaired by Luca Lanzalone, today approved the 2018-2022 Business Plan.

ACEA's CEO, Stefano Donnarumma, commented: "ACEA is an industrial group, bound and determined to return to its original vocation: to manage infrastructures, making them more resilient and building new infrastructures that perform constantly better and more efficiently, to ride innovation, to pursue a sound financial discipline, to encourage great attention towards the environment and to provide good remuneration for its shareholders. These are the pillars of our Plan. The foundations on which we intend to carry out the work that awaits us."

Basic principles of the 2018 – 2022 Plan

The new Business Plan will be supported by **four strategic pillars** associated with **strong industrial growth**, centred around the improvement of infrastructure and a customer-oriented approach, a **continuous territorial emphasis** based on decarbonisation-oriented sustainable development through increased electrification of consumption and the recovery of material in the waste treatment cycle, from a circular economy perspective. The third pillar is focused on **technological innovation** which, with investments totalling over 400 million Euro, will enable increased automation of industrial processes and greater infrastructure resilience, in view of the “Smart Grid” and “Smart City” projects. The fourth pillar is concerned with **operational efficiency** and **performance improvement** via the rigorous management of costs and investments, leading to savings of around 300 million Euro over the Plan period.

With the implementation of investments totalling 3 billion Euro envisaged in the Plan, EBITDA will rise to over 1 billion Euro in 2020 and 1.1 billion Euro in 2022, positively influencing the RAB (Regulatory Asset Base), which will reach 4 billion Euro (+25%) by the end of the Plan period. The growth in EBITDA is steered above all by the development of tariff dynamics in the regulated sectors, the efficiencies achievable by carrying out a performance improvement and cost reduction process, together with expansion of the power and gas customer base and enhancement of plant engineering in the area, making it possible to absorb the effects caused by discontinuation of *CIP6* incentives. Net profit, in 2020, will reach approximately 282 million Euro, rising to 332 million Euro by the end of 2022.

Actions planned for each business area

- **WATER** – EBITDA in 2022 at over 470 million Euro with CAGR 2017-2022 of 6.4%, supported by scheduled investments totalling 1.6 billion Euro, focused on infrastructure resilience and the upgrading of purification facilities.

Acea, as Italy’s leading water services operator, intends to support the development of the Integrated Water Services sector with a view to reducing the gap in terms of infrastructure and plant engineering in its territories of operation.

The following main interventions will be carried out:

- an **extraordinary restoration plan concerning over 800 kms of water and sewer network** which will allow the possibility to reduce the network leaks by 15 p.p. over the five years of the Plan, dealing with water emergencies, if any, in the best way possible;
- development and **upgrading of major purification plants** and rationalisation of about 40 smaller facilities;
- **supply reinforcement and securitisation** to ensure the safety of the water resource, particularly including in the Business Plan the design for development of the Peschiera aqueduct;
- modernisation and introduction of remote reading systems on meters, thanks to the installation of around **500 thousand Smart Meters**.

- **ENERGY INFRASTRUCTURES** – EBITDA in 2022 at 386 million Euro with CAGR 2017-2022 of 3.5%, supported by scheduled investments totalling 1.1 billion Euro focused on infrastructure resilience, allowing increased system electrification, which will be the enabling factor for the development of new value-added services within the scope of the “Smart City” initiatives. This industrial course, in keeping with Italy’s National Energy Strategy 2017, is oriented towards a constantly greater energy system decarbonisation.

The following main interventions will be carried out by ACEA:

- **upgrade of over 2,500 kms of low voltage network** to enhance resilience and increase available capacity in order to facilitate the change from 3kW to 6kW for all residential consumers;
- **smartisation of the Roma Capitale grid** to enable new services via the **laying of approximately 1,500 kms of fibre optic cable and the installation of around 1 million Smart Meters**;

- **automation and remote control systems** on Secondary Sub-stations and Public Lighting.

- **COMMERCIAL AND TRADING** – The Group target is to generate EBITDA of 109 million Euro in 2020 and 158 million Euro in 2022, supported by scheduled investments in the sector totalling 60 million Euro. The result will be achieved by increasing the customer base, forecast at 1.9 million in 2022, with a growth of 33% over the current number (1.4 million). The intervention anticipated in the Plan will primarily be focused on:

- **greater marketing drive through digital and cross-selling channels;**
- **improvement as regards all actions aimed at customer satisfaction** and optimisation of operational procedures with consequent cost savings.

This growth will take place within a commercial scenario made more competitive and challenging by the full liberalisation of the electricity market starting from 2019, which will provide an opportunity for ACEA to enhance and consolidate its position in the sector.

- **ENVIRONMENT** – EBITDA at 66 million Euro in 2022 with CAGR 2017-2022 of 0.6%, supported by scheduled investments totalling 0.2 billion Euro. The results will reflect the discontinuation of CIP6 incentives pertaining to the San Vittore plant, offset by the contribution from the new initiatives considered in the Plan. These will concern, above all, the consolidation of the waste treatment cycle, in keeping with the circular economy development goals ("Closing the loop"); in particular actions will be launched aimed at:

- **creating approximately 200 ktons of additional capacity for existing composting plants;**
- **developing new composting facilities for approximately 250 ktons;**
- **acquiring new plants for approximately 220 ktons.**

By the end of the Plan period, 1.7 million tons of waste is expected to be treated, with a growth of 70% over the current figure of 1 million tons.

Additional strategic opportunities

ACEA has identified a series of potential strategic initiatives that could be implemented during the first three years of the Plan. The projects identified, all in keeping with the Group's areas of operation, include the following:

- **entry into the natural gas distribution market:** contact has been made with selected operators in areas of interest to ACEA for the evaluation of potential acquisition/co-participation transactions, as well as possible participation in future Ambito calls for tenders;
- development of projects in connection with **Smart Energy Services** which, through the implementation of a network infrastructure integrated with a system of telecommunications, are capable of providing innovative services to citizens, companies and the Public Administration. Towns will, in fact, be required to have services available that can ensure their efficiency, at the same time improving the quality of life for residents.

Overall, strategic initiatives carried out during the three years of the Plan will be able to contribute to **EBITDA with a total amount estimated at between 100 and 300 million Euro.**

This figure does not take account of the impacts, if any, associated with the **increase in capacity of the Peschiera source**, already discussed with the competent Institutions with a view to identifying optimal financing and implementation procedures.

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