



aceea

Acea
Business
Plan
2020/24

27 October 2020

Agenda



ACEA GROUP TODAY



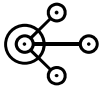
BUSINESS PLAN 2020-2024



STRATEGY AND TARGETS



BUSINESS LINE HIGHLIGHTS



STRATEGIC OPPORTUNITIES



CLOSING REMARKS



Q&A

Agenda



ACEA GROUP TODAY



BUSINESS PLAN 2020-2024



STRATEGY AND TARGETS



BUSINESS LINE HIGHLIGHTS



STRATEGIC OPPORTUNITIES



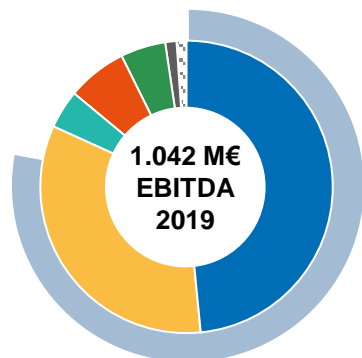
CLOSING REMARKS



Q&A

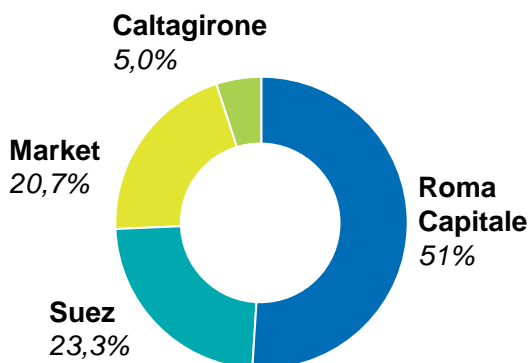
Acea is a leading multi-utility player in the Italian market

2019 EBITDA



81% regulated

Ownership structure



Water

Leader in the water supply sector in Italy

With **more than 9 M customers** in Lazio, Toscana, Umbria, Molise e Campania



Energy Infrastructure

Leading Italian player in the electricity distribution market

With **10 TWh** of distributed electricity



Commercial & Trading

One of the main players in the Italian energy market

With **6,5 TWh** of electricity sold



Environment

4th player in the Italian waste treatment sector

With **more than 1,3 M tons** of treated / disposed waste



Power generation

Green player in power generation in Italy

With more than **250 MW** of installed capacity¹



Engineering and services

Business line offering **technical services** to the Group

With **more than 100 M€** of **services** every year



Gas distribution

Entry in the gas distribution business with **~100k redelivery points**²

Agenda



ACEA GROUP TODAY



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Q&A

5 mega trends are reshaping utilities' reference markets irreversibly



Sustainability & Circular Economy

- **Central role** of utilities in sustainability with particular focus on **circular economy**
- **Protection of water resources** and **recycling-transformation** of waste into new resources



Customer centricity

- «Paradigm shift» with **customer value becoming more important**
- Transition from «**Commodity-Based**» to «**Service-Based**»



Energy transition

- Push toward **decarbonization**, phase-out of coal vs **RES boost**
- **Electrification** and new energy consumption related to emerging needs driven by the **new European Green Deal**



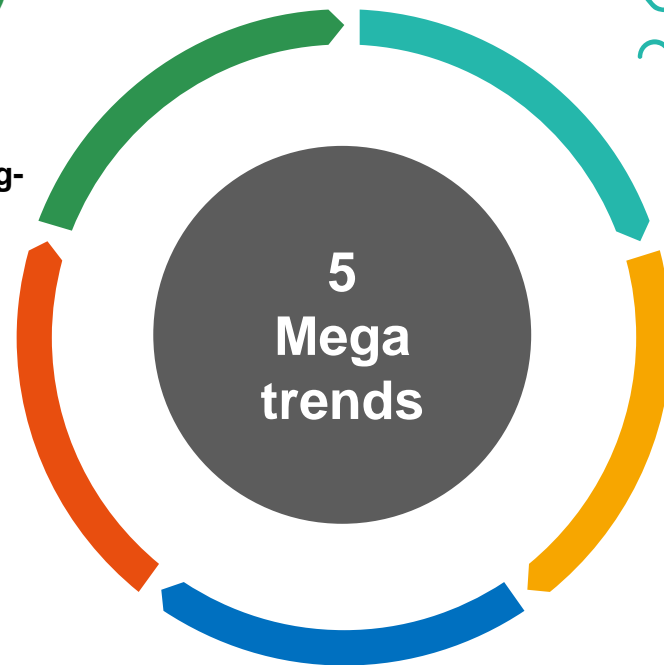
Innovation & Digital

- **Digital and innovation as enablers** for development along the entire value chain
- Technological enabling of **new advanced services** (e.g. predictive maintenance, smart meter)



Consolidation in reference markets

- Progressive **consolidation of competition** in select reference markets (e.g. Waste, Water)
- Opportunities for utilities to become **leaders** of target **geographies or supply chains**





Growth

Growth driven by regulated businesses, with **significant investment** related to **RAB**...

6.7%
EBITDA CAGR
2019-24

5.9 B€
2024 RAB

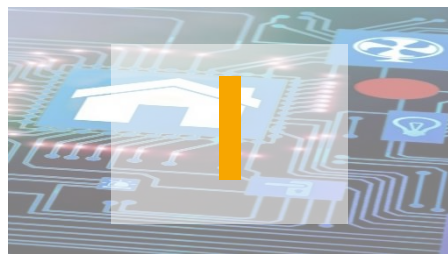


Renewables

...also supported by **investments in RES**, both industrial scale and consumer

747 MW
Installed PV capacity
in 2024

~1000
Domestic PV plants in
2024



Innovation

...together with investments for **new innovative services** (VAS)

0.6 B€
Innovation capex
2020-24

2200+
EV charging stations
in 2024



Delivery

...proving a consistent track record of **outperforming business plan targets**

>5%
Avg. EBITDA outperformance
vs. plan (last 3 years)

4.7 B€
Capex and M&A 2020-24



Sustainability

...with increasing focus on **environmental impact** and **circular economy**

-11 pp
Water losses in 2024

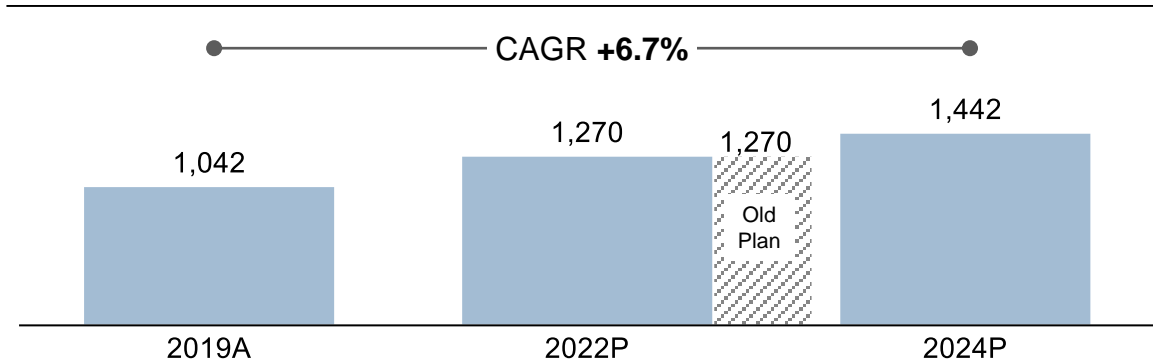
150+
«Smart Comp»
composters in 2024

Acea as a leading player in infrastructure and sustainability

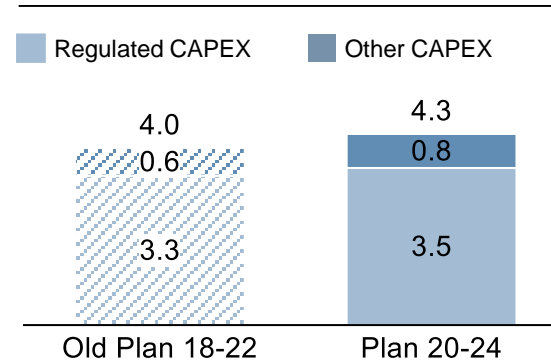
Strategy and targets

Key financials

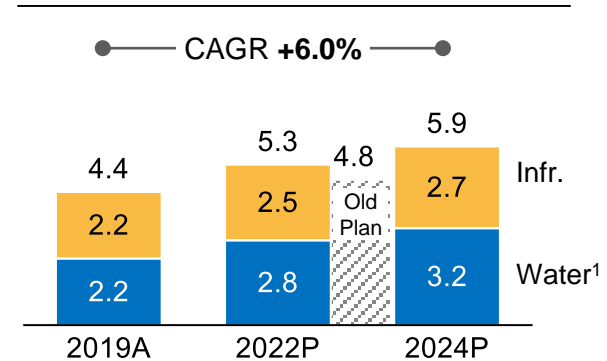
EBITDA | M€



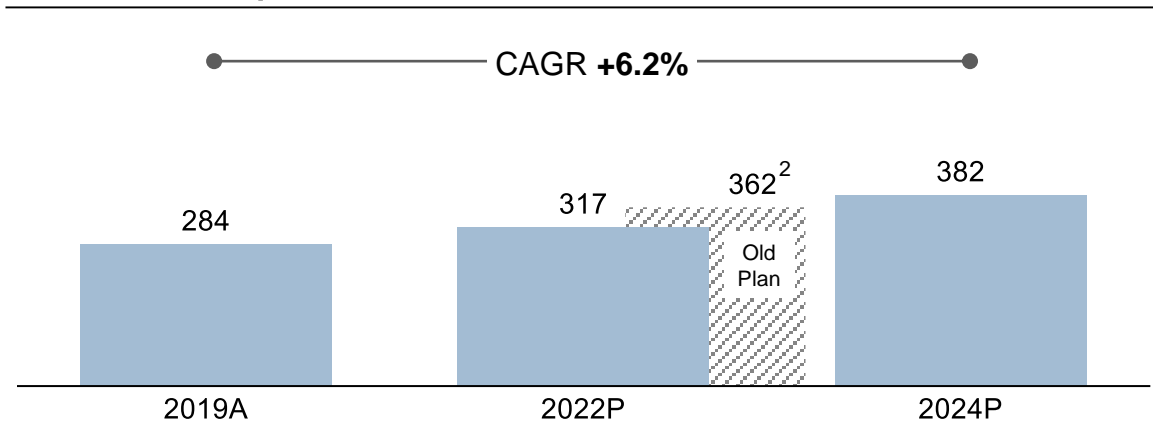
Cumulative CAPEX | B€



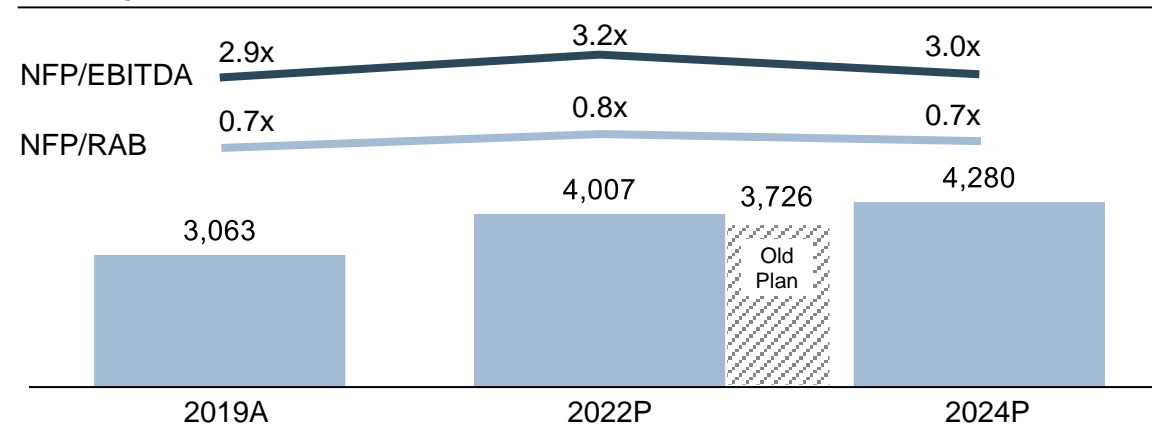
RAB | B€



Net Income | M€



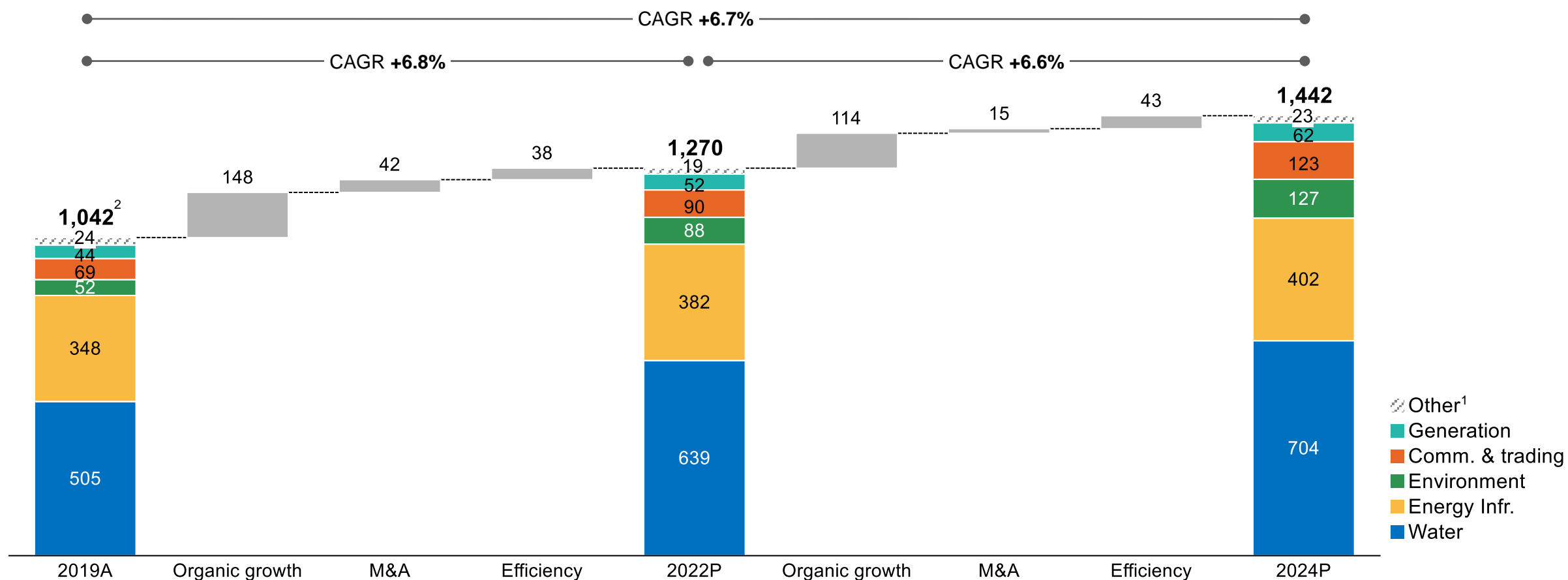
NFP | M€



Strategy and targets

Key financials

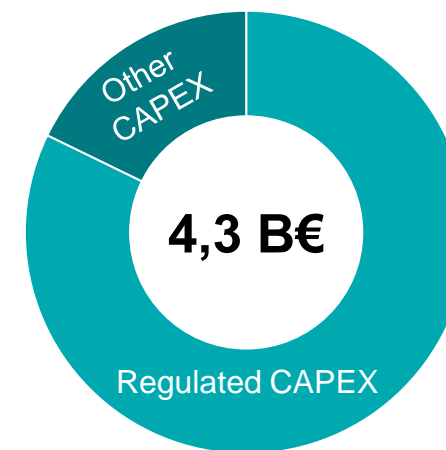
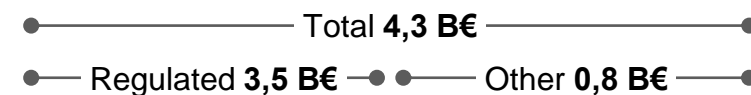
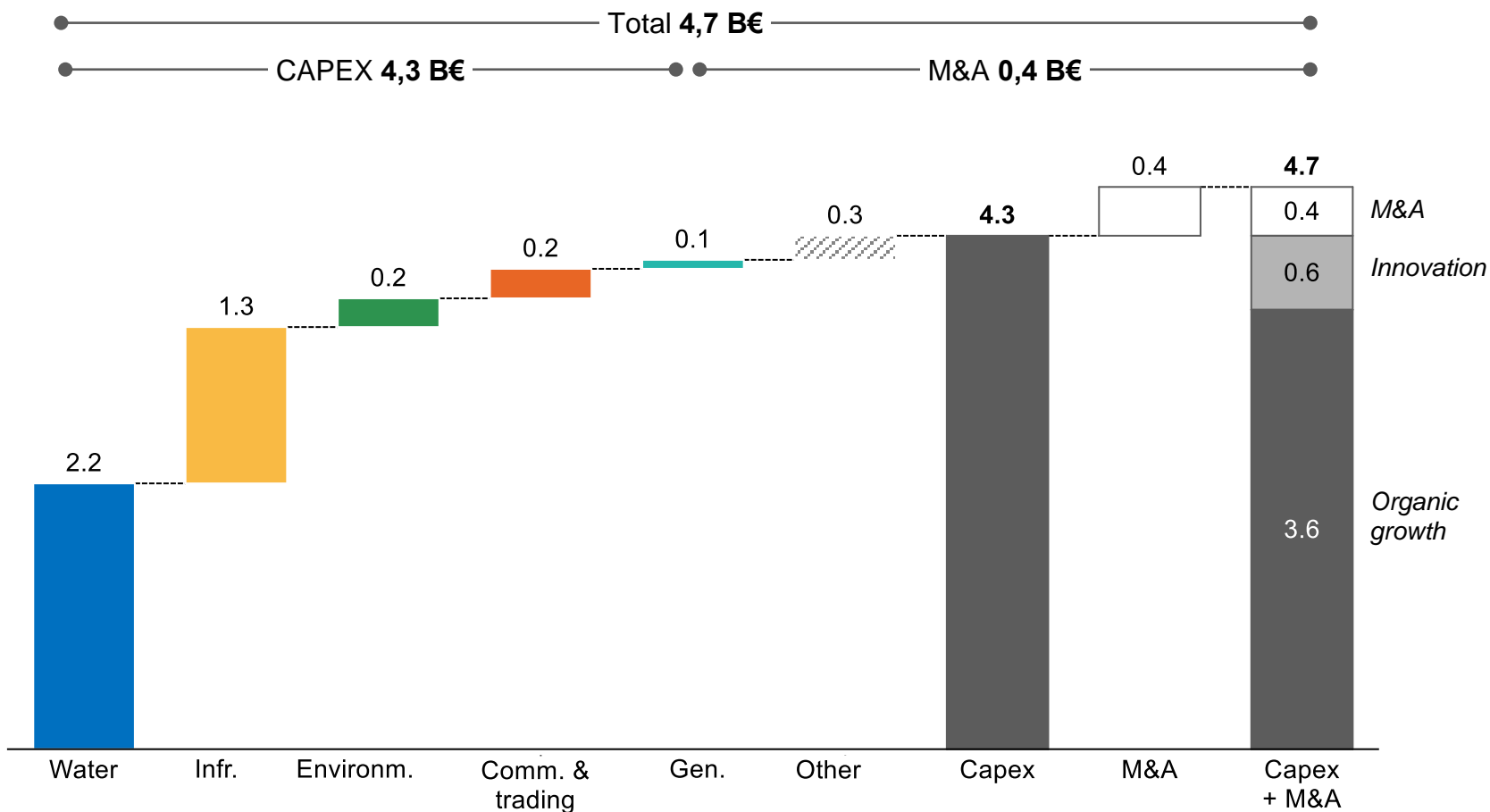
EBITDA | M€



Strategy and targets

CAPEX and M&A

CAPEX e M&A evolution | B€



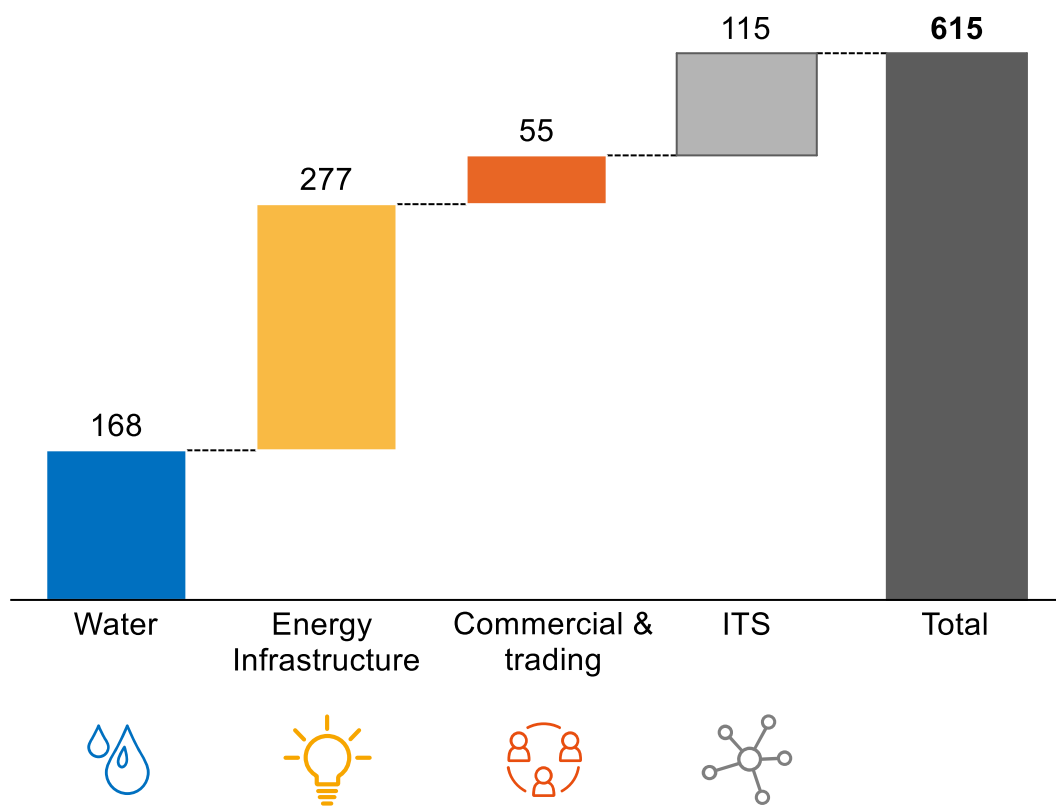
More than 80% RAB investments

Strategy and targets










Innovation as a driver for growth

INNOVATION

Capex related to Innovation | M€, 2020-2024



Selected initiatives

-  **500k+** smart meters installed
-  Grids' performance optimization through **Water Management System**
-  **1.3M 2G** smart meters installed
-  New **Control center** for grids' management
-  **+100K** digital customers (acquired through digital channels)
-  **2,200+** EV charging stations installed
-  **150+** "Smart Comp" composters installed
-  Corporate **data lake** and **data-driven** asset management (*data-driven company*)
-  Development of new Salesforce **CRM platform**



More than 2B€ related to specific sustainability targets with highest relevance and priority to the Group

SUSTAINABILITY

Sustainable Development Goals (SDGs)

Related to investments in sustainability



Acea sustainability rating



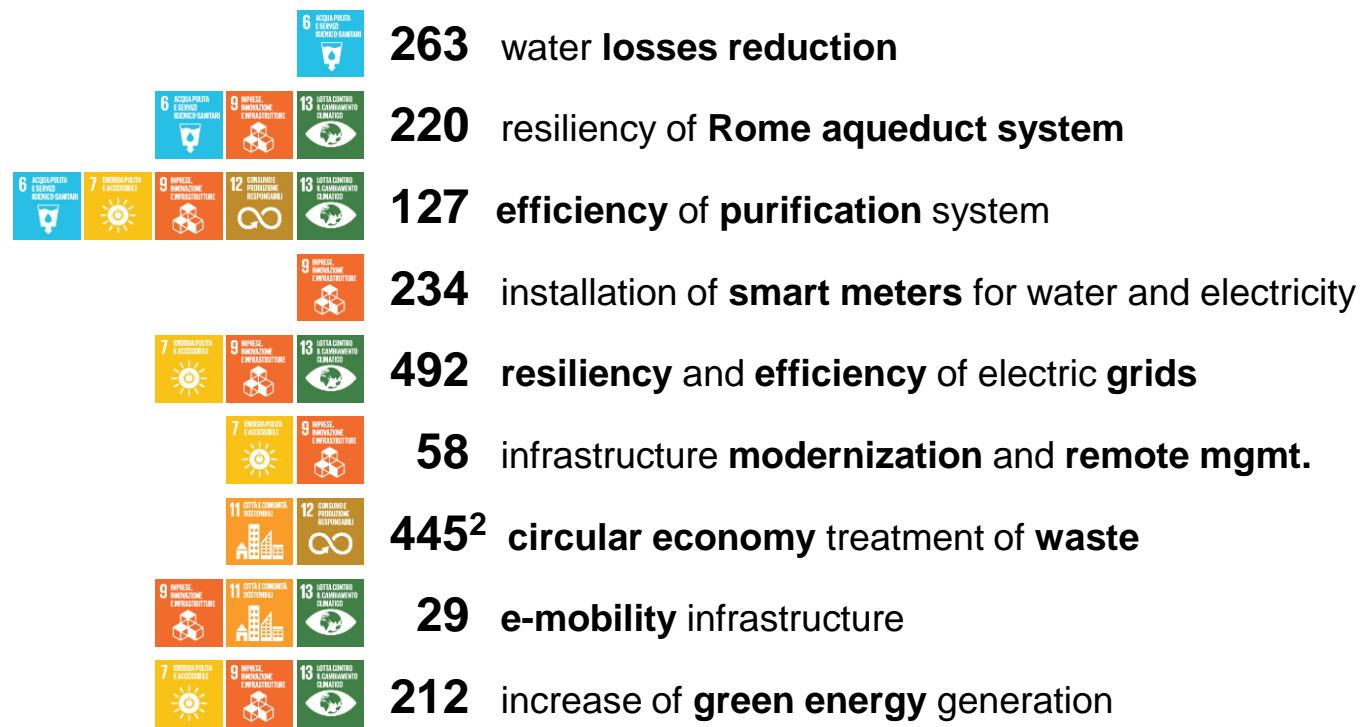
A-
Leadership



EE-
Positive

CAPEX related to sustainability targets | M€, 2020-2024

2.1B€ of investments related to **sustainability** targets over the plan (+400M€¹ vs. previous Business Plan):



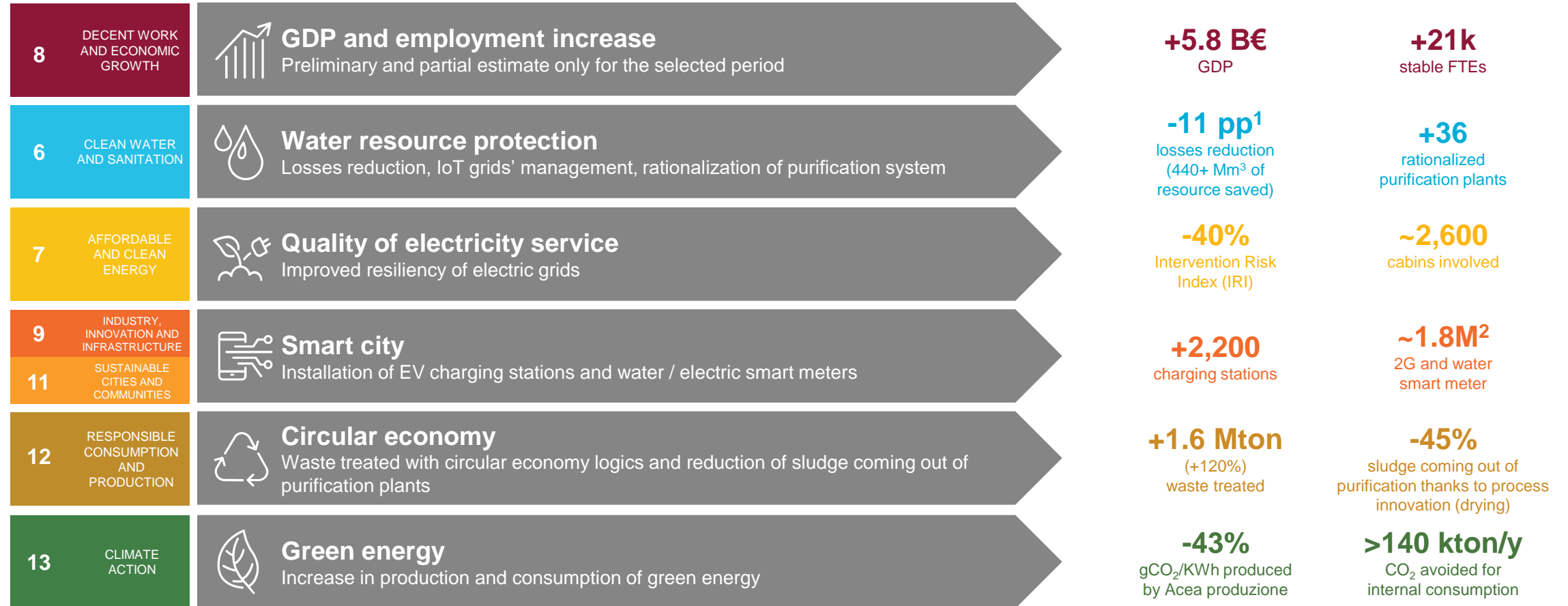
Note: (1) +180M€ related to the installation of smart water and electric meters, +120M€ related to efficiency and resiliency of electric grids, +100M€ to improve the efficiency of the purification system; (2) Includes 206M€ of M&A capex



New and more challenging targets vs previous business plan

SUSTAINABILITY

Acea targets at 2024 (vs. 2019)



Strategy and targets

Solid financial structure

Highlights

Working Capital

Average **working capital** absorption over the plan (~40 M€/year¹)

Rating

FitchRatings

MOODY'S

BBB+

Baa2

Outlook stable

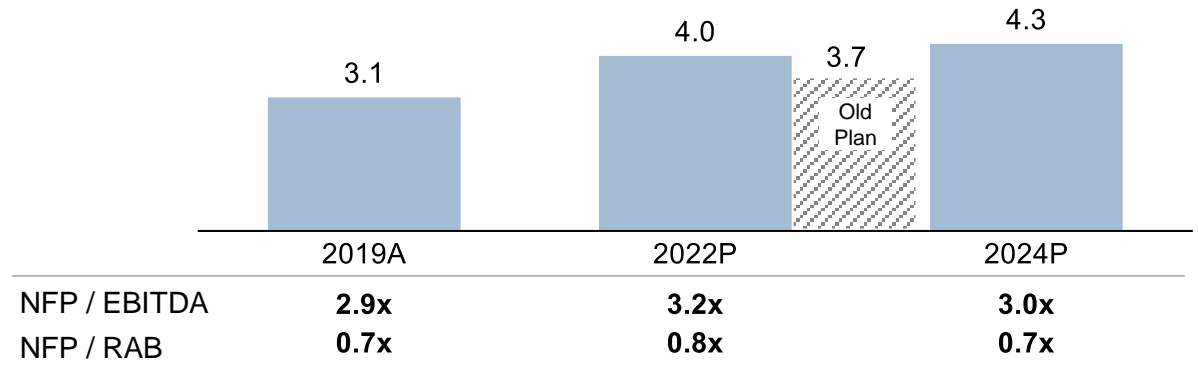
Outlook stable

Debt

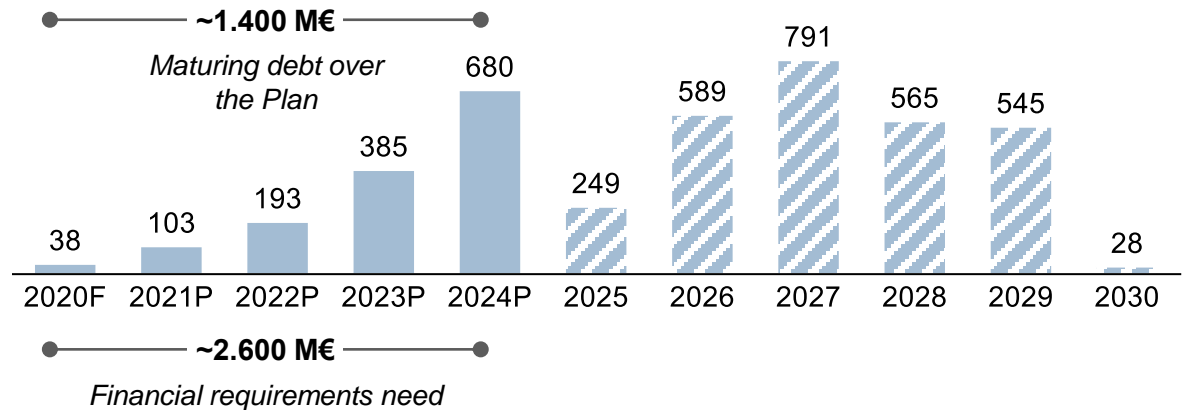
As of June 30, 2020

- **~5,8 years** average debt duration
- **~1,8%** average cost of debt
- **82%** fixed rate debt
- **600M€** committed credit lines

Net Financial Position | B€



Financial maturities | M€



Strategy and targets

Higher dividends vs. previous plan



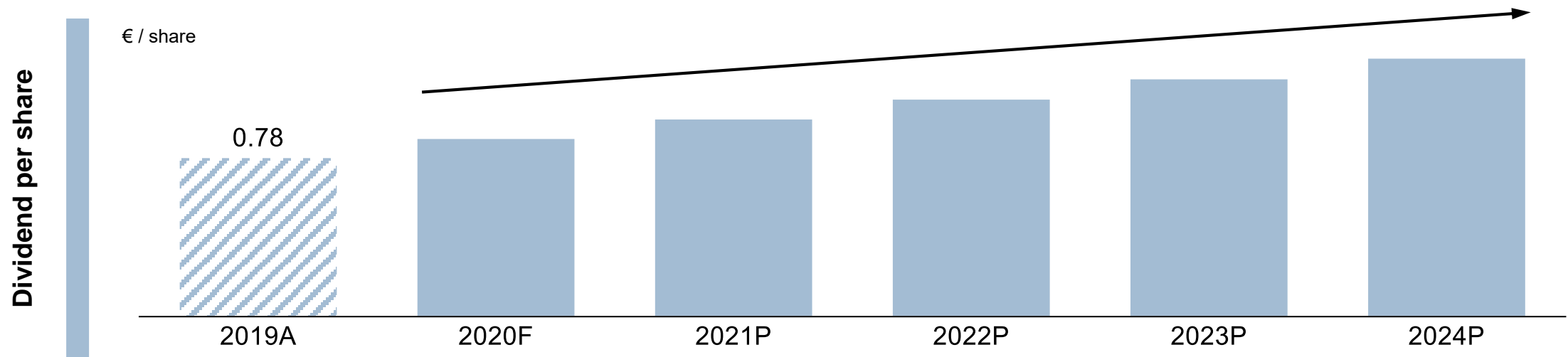
Increasing
dividends vs.
previous plan



860M€ dividends
distributed
throughout the plan



0.80 €/share
minimum dividend in
2021



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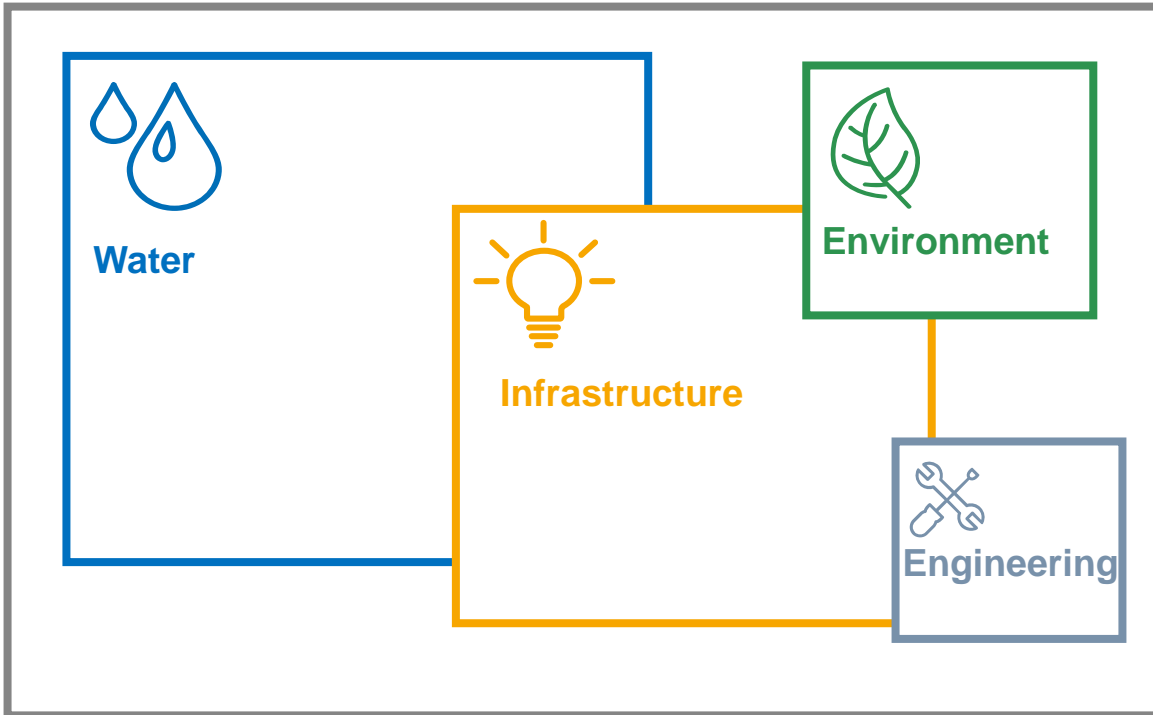


Q&A

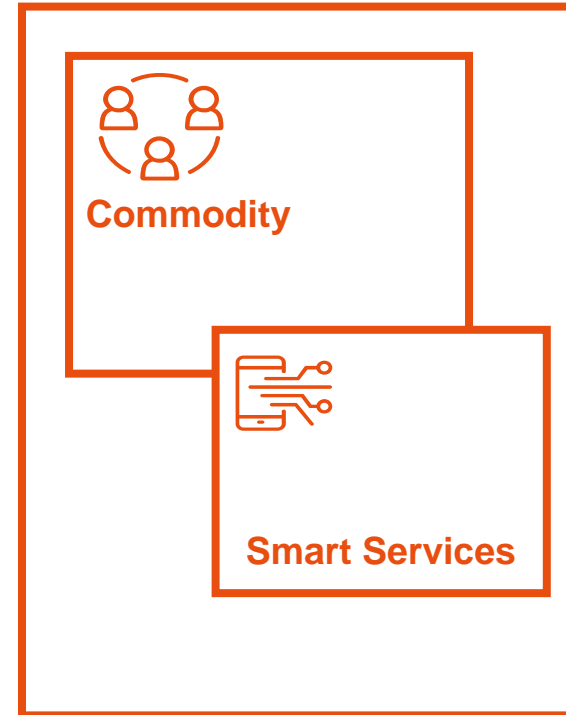
New organizational structure to maximize the value generated from the portfolio of businesses

NEW ORGANIZATION

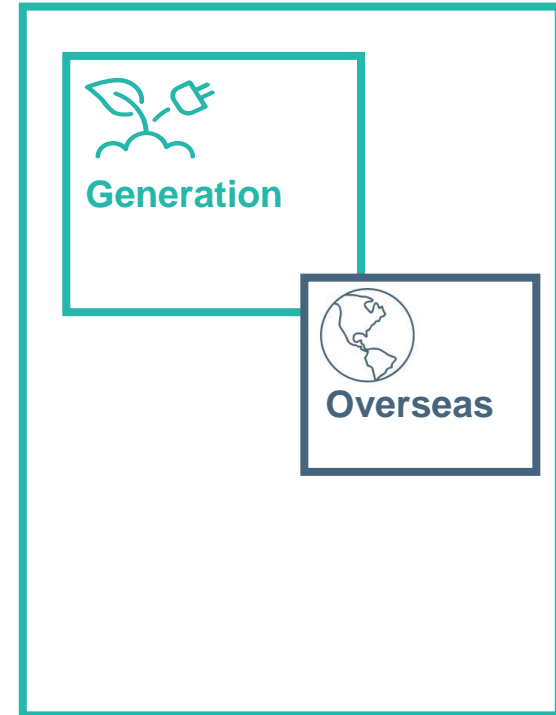
Operations



Commercial

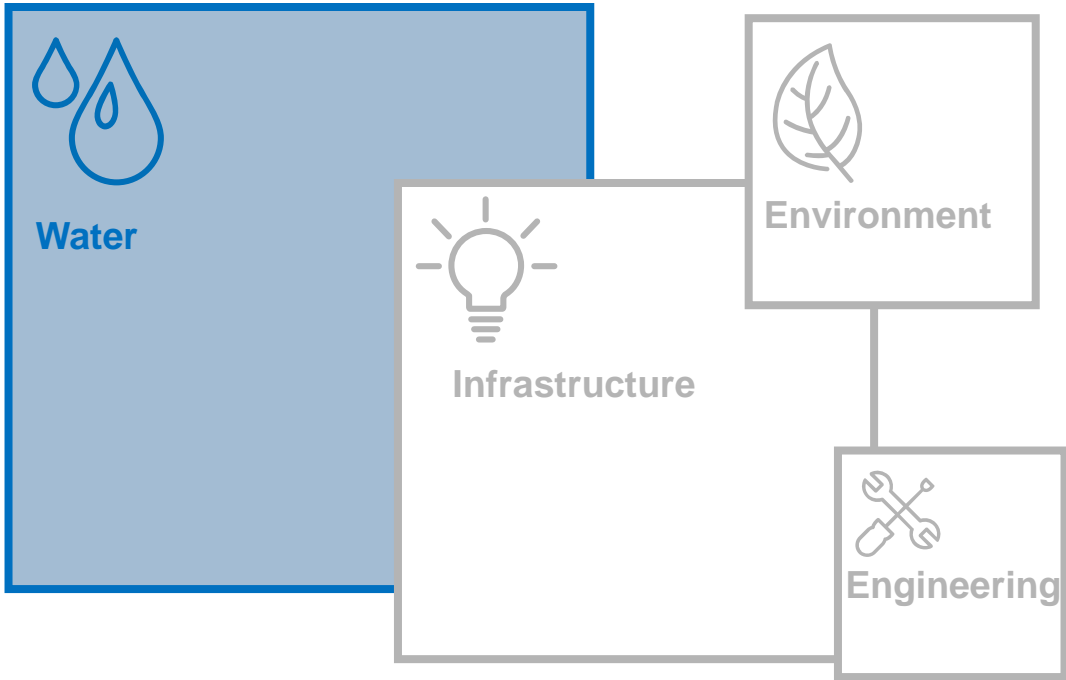


Generation / overseas

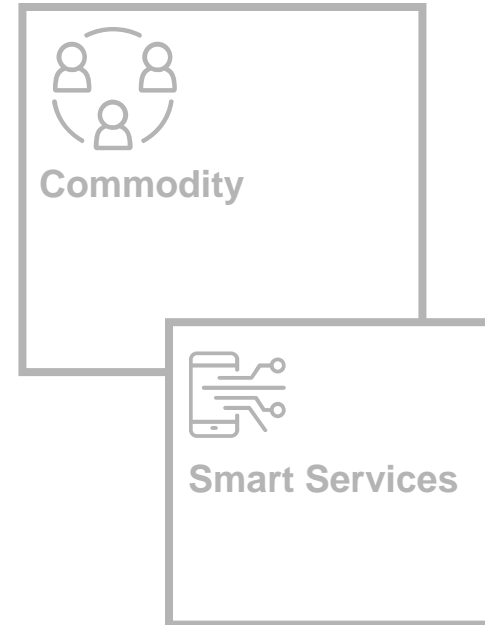


Agenda

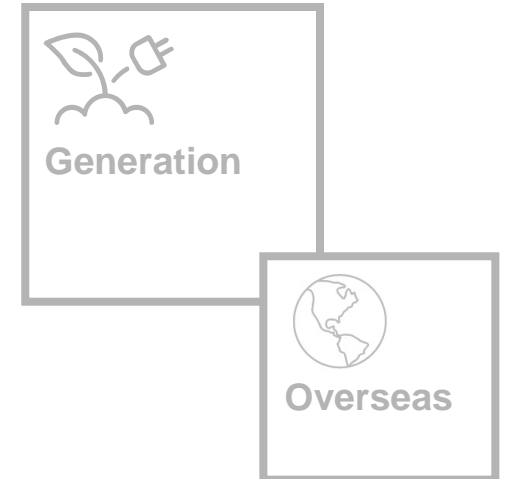
Operations



Commercial



Generation / overseas



Development of a
Smart Water Company
for the **sustainability** of
the water resource
through improved
quality and **efficiency**

Expansion through
tenders in new
territories



Smart water meters installation plan and
projects for **grids' districtualization**

+500k
Smart meters installed



On-going pursuit of **water resource protection**
and **losses reduction**

-11 pp
water losses¹



Rationalization of small **water purification**
plants

36
Rationalized plants



Grids' **performance optimization** through **Water**
Management System

-15 pp
Failures incidence

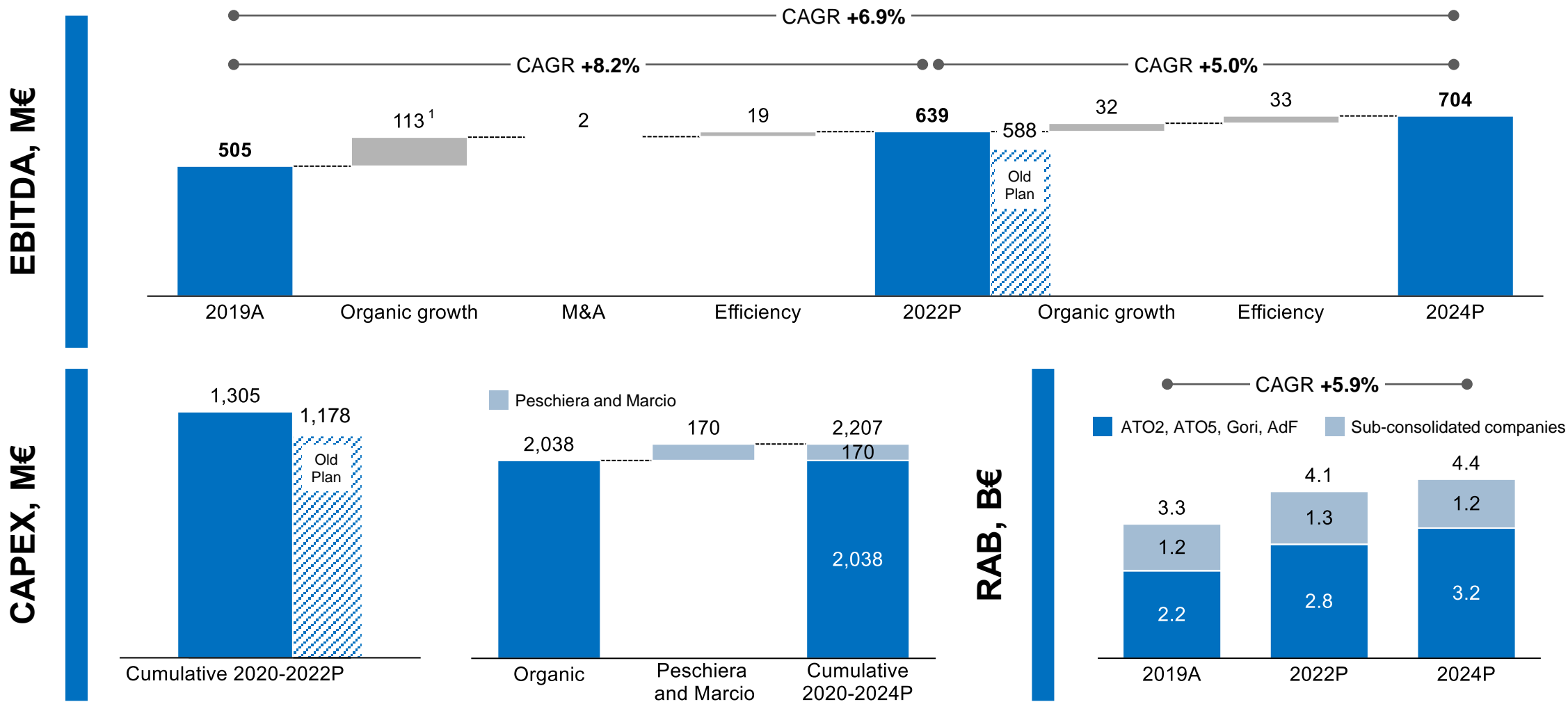


Ensuring **water supply continuity** through the
doubling of Peschiera and Marcio aqueducts

170 M€
CAPEX



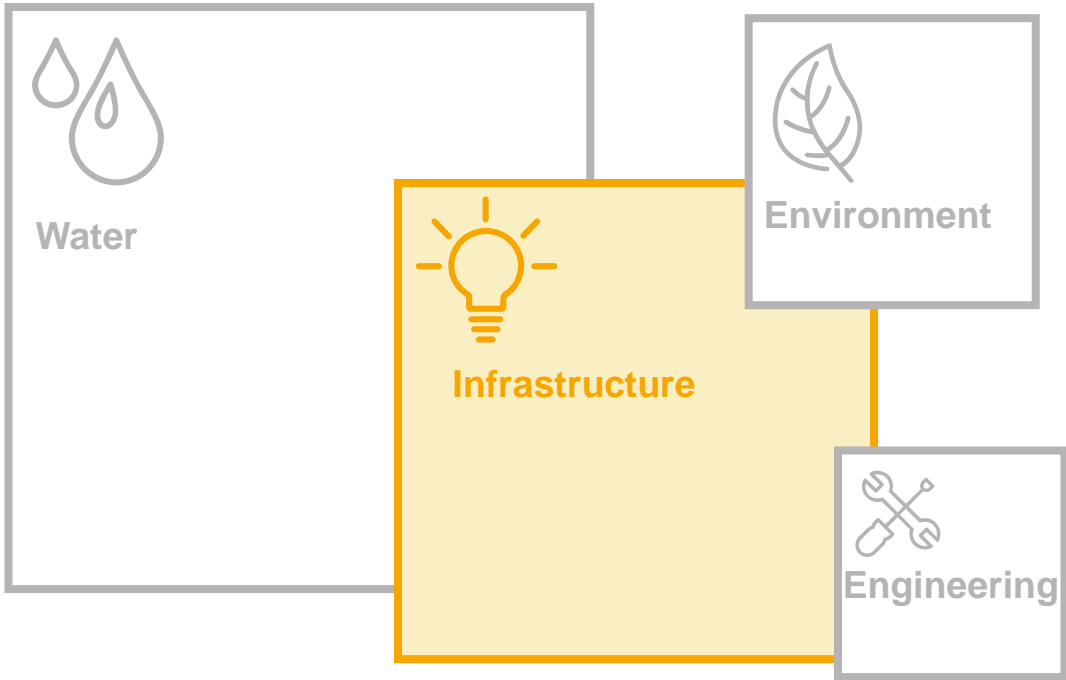
Water Key financials



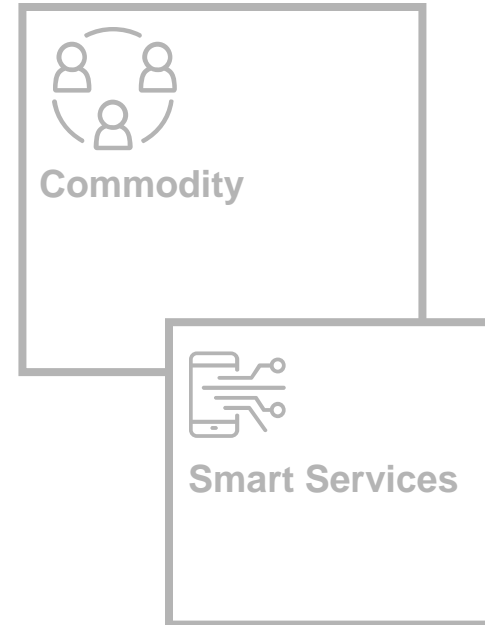
Notes: Key financial also include numbers from the gas distribution business; (1) ~50 M€ related to the changes in the consolidation perimeter of AdF

Agenda

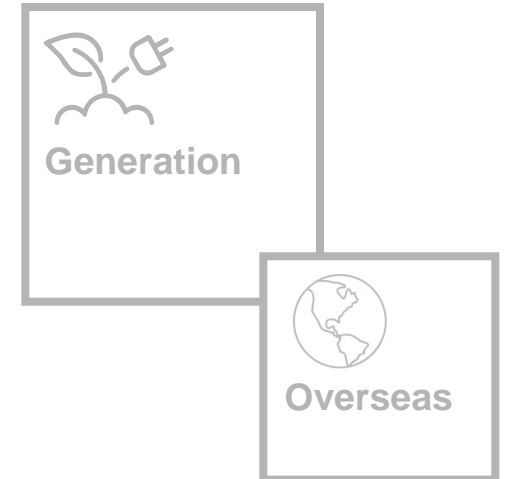
Operations



Commercial



Generation / overseas



A leading player in the **energy transition** process through projects aimed at **increasing electrification** and integration of the distributed generation



Investments in grids' resiliency with upgrades on **specific cabins** rewarded with a premium vs. the reference WACC

145+ M€
CAPEX



Digitalization through remote control and **IoT solutions** on private and public grids

60%+
MV/LV cabins



Development work on grids to reflect new regulation on **service continuity** (penalty suspension recognized)

155+ M€
CAPEX



Installation of **2G smart meters**

1.3 M
installed meters
at 2024



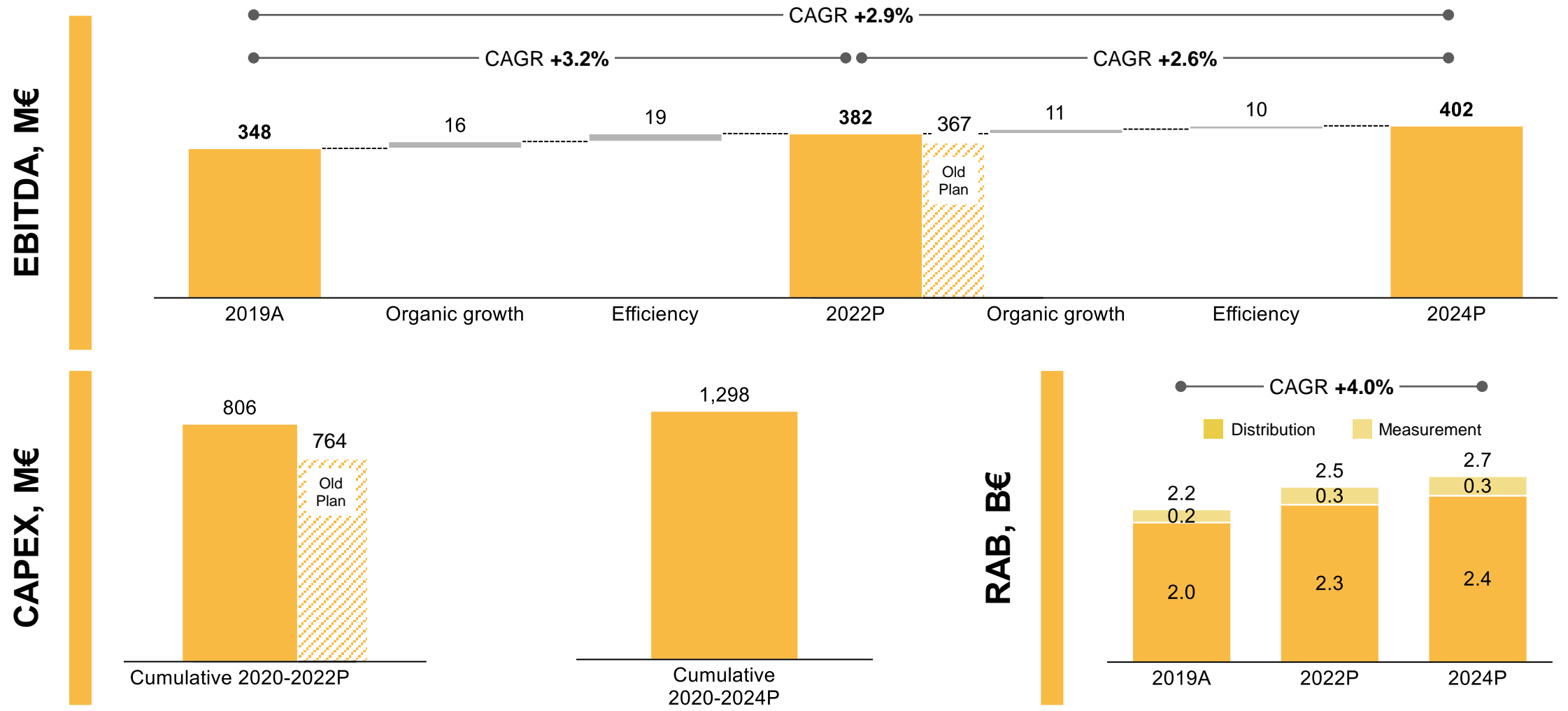
New **Control center** for grids' management

13+ M€
CAPEX



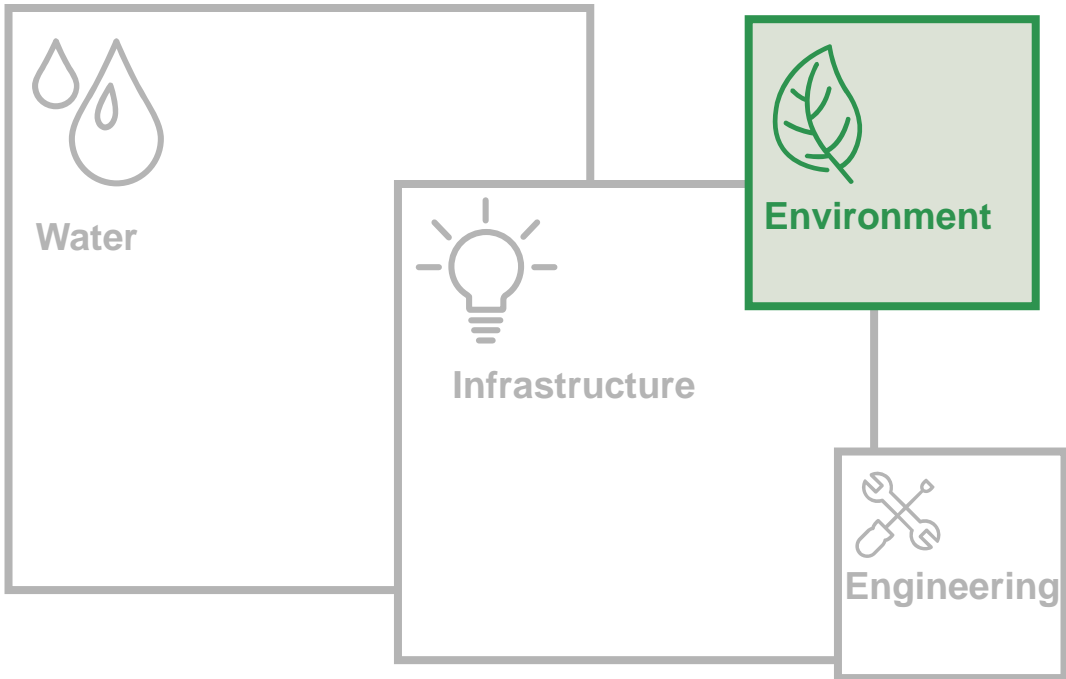
Energy Infrastructure

Key financials



Agenda

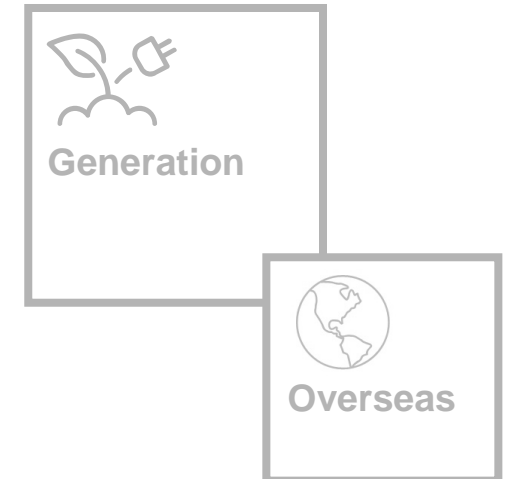
Operations



Commercial



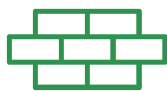
Generation / overseas





Market consolidation towards **circular economy** also with a «**one-stop-shop**» approach

Acceleration to **close the waste loop** in Central Italy



«**Core business**» consolidation in energy recovery (WtE), disposal of non-separated waste, and disposal / treatment of organic waste

+0.5 Mt/y
added capacity at 2024



Strengthening of the **Waste-to-Material (WtM)** chain with **circular economy approach** (e.g. plastic, paper, ...)

+0.6 Mt/y
added capacity at 2024



Further development of the **special waste segment** promoting synergies with Water (e.g. sludge) and WtE (e.g. ashes) segments

+0.5 Mt/a
added capacity at 2024

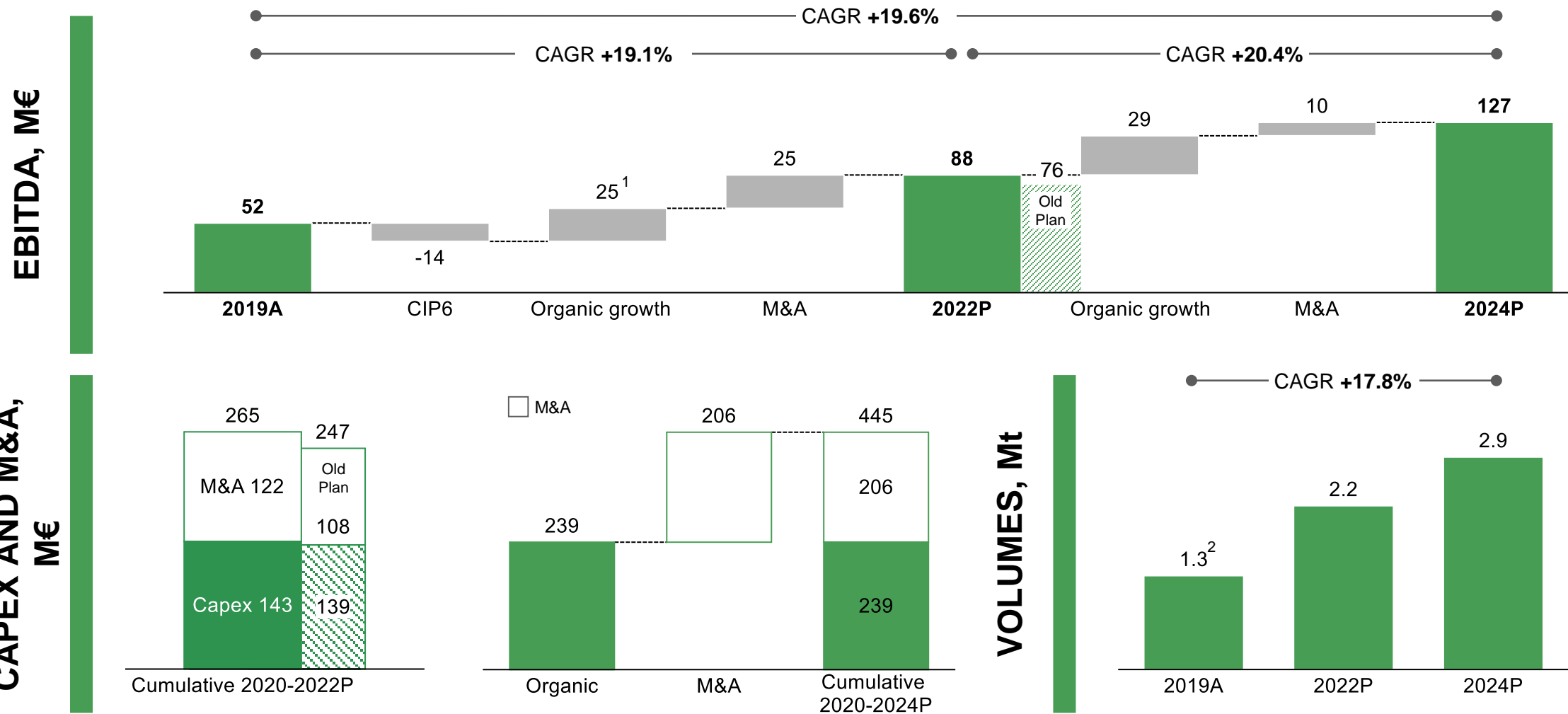


Value creation from the **post-merger integration** of acquired companies and **development of industrial synergies** through operating model commissioning and control systems integration

15+
acquired plants at 2024

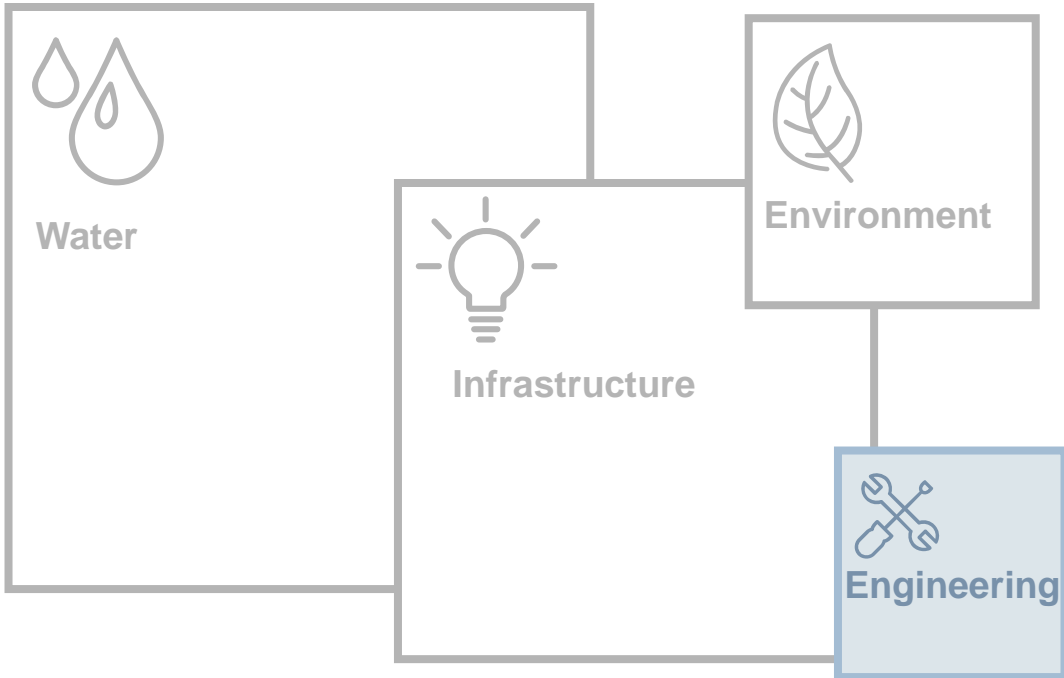


Environment Key financials

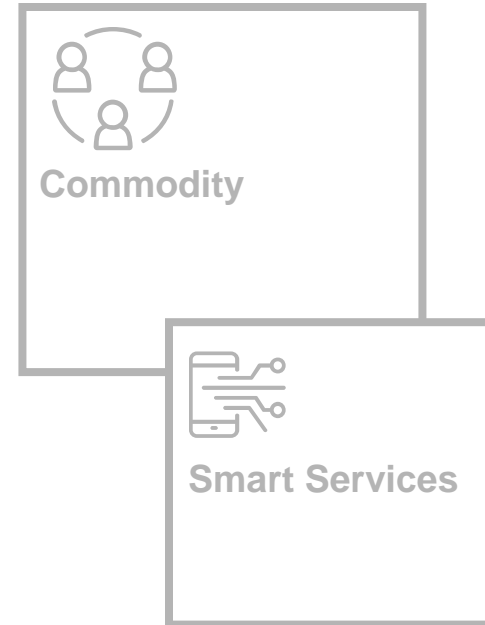


Agenda

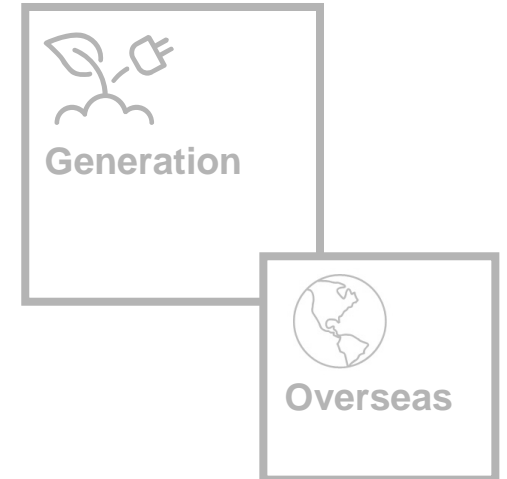
Operations



Commercial



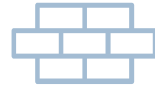
Generation / overseas





Engineering & services Main initiatives

Development of a
**building oriented
company** tasked with
turnkey management
of **construction and
engineering** activities



Integration of the acquisition of **SIMAM** and **focus** on core **engineering activities**

+10 M€
2024 EBITDA



Construction of plants through **internalization of construction activities** with an EPC view

+440 M€
realized plants at
2024



Performance improvement to reduce unitary costs related to SII

+20%
general contractor
margin insourcing



End-to-end management of investment with reduction of execution time and strengthening of **laboratory activities**

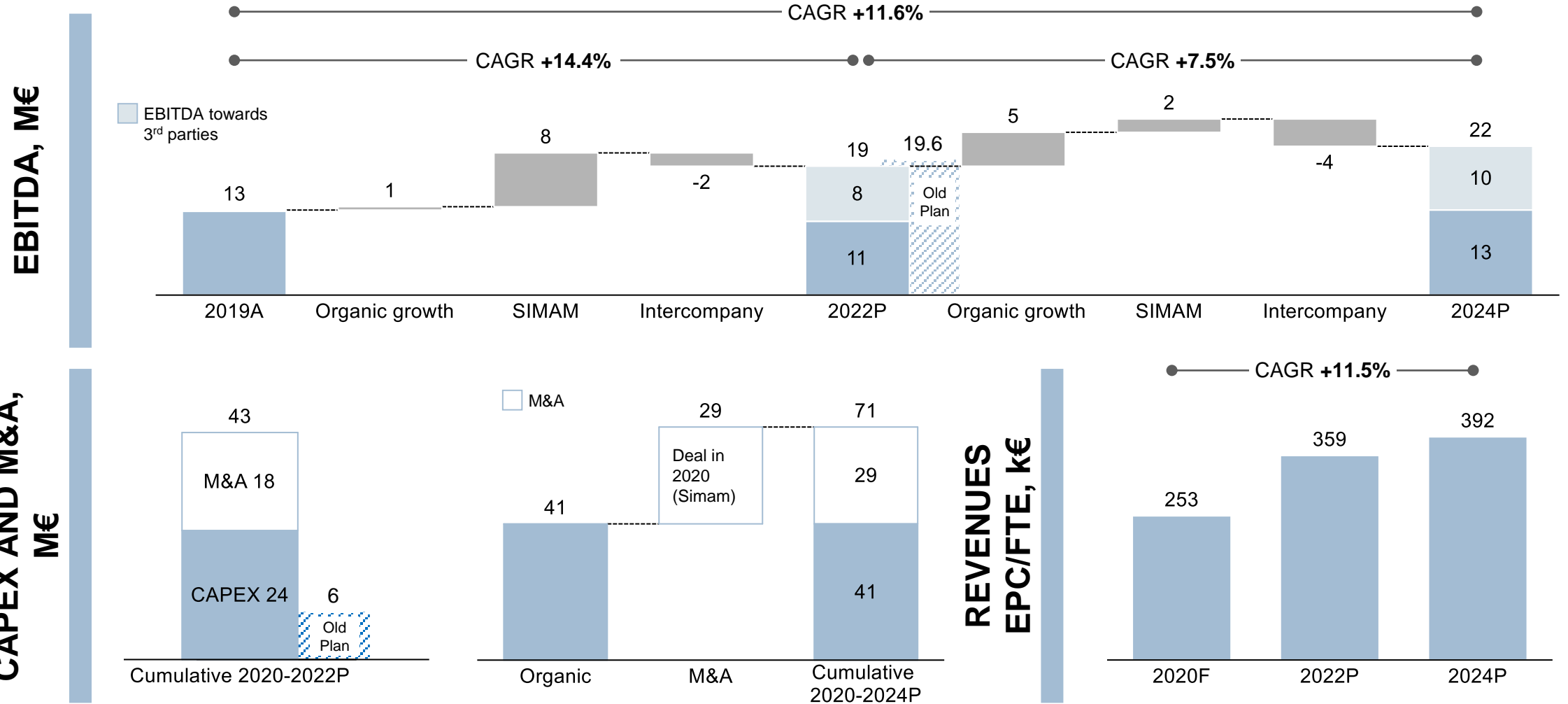


Development of a **commercial unit** to support growth and of a **research center**



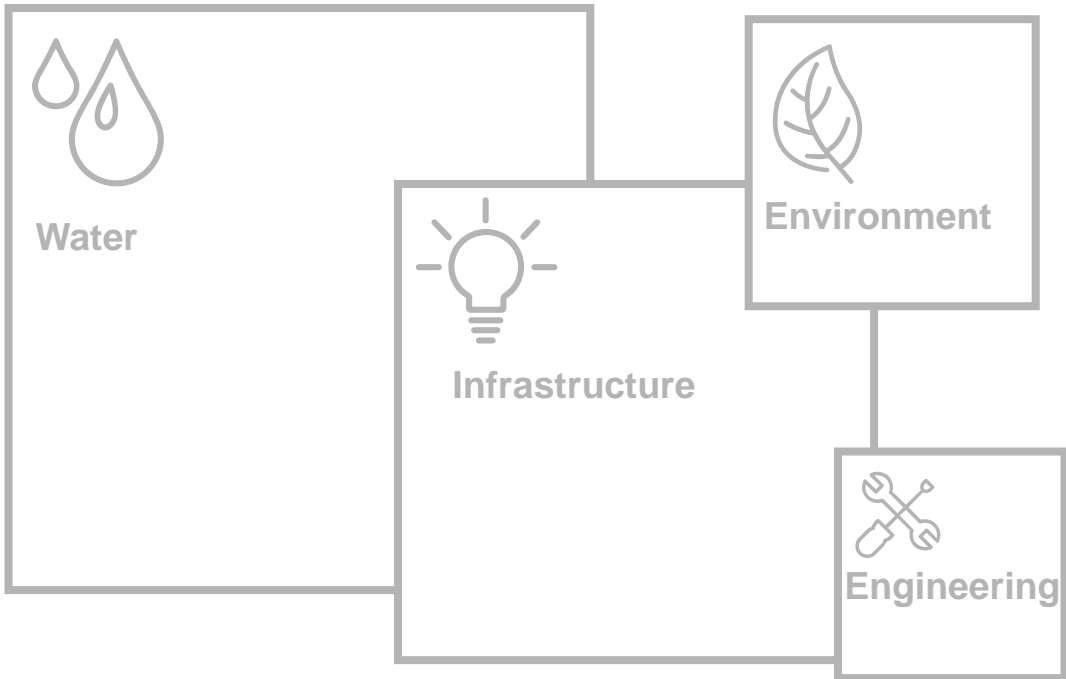
Engineering & services

Key financials



Agenda

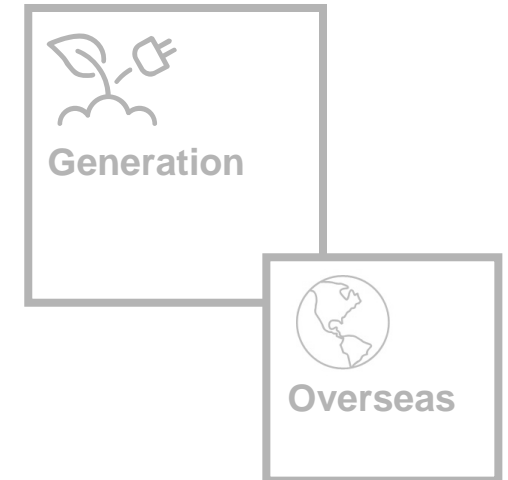
Operations



Commercial



Generation / overseas



Commercial expansion in the **Center and South of Italy**, supported by **regulated market phase-out** and **«digital» offerings**



Focus on **core territories** with growth in the **Center and South of Italy**

+240k
customers (net growth vs 2019)



Cross-selling e up-selling opportunities thanks to regulated market phase-out in 2022

~700k
customers switching to free market



Boost of dual fuel penetration (i.e. gas) on the existing customer base

+80k
gas customers vs 2019



Digital Attack through a **new platform** for **customer journey** management

+100k
digital customer vs 2019

Development of a
**Services-Based
Company** to
strengthen the
relationship with
customers and
increase Acea Group
brands franchise



Organic development of e-mobility segment with charging stations increase and value-added services

2,200+
charging stations
at 2024



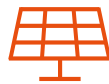
Push on **energy efficiency services** leveraging on opportunities from **fiscal incentives**

100+
condominiums
at 2024



Installation of «Smart Comp» composters, managed remotely through an IoT platform developed by Acea

150+
composters installed
at 2024



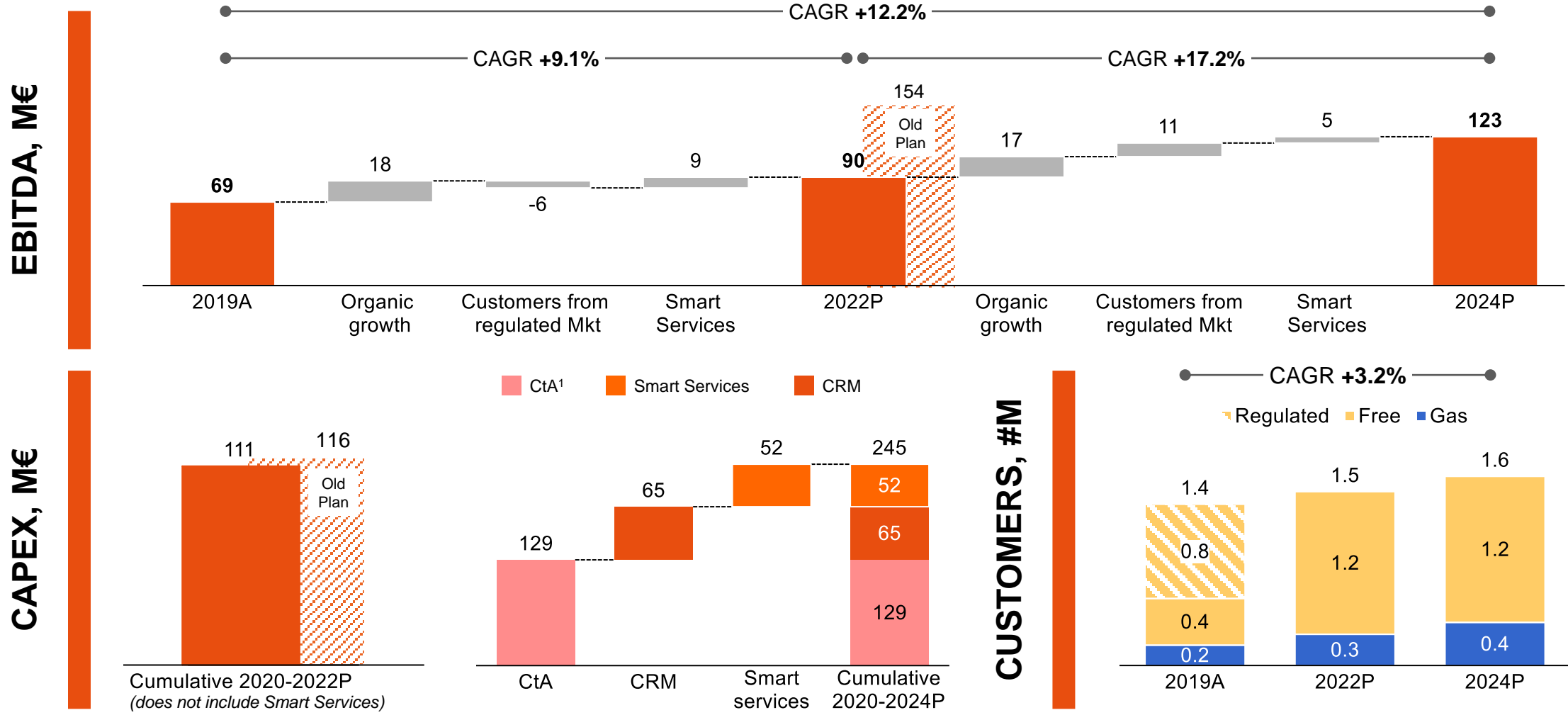
Installation of **residential PV and solar thermal plants**

~1,000
plants installed
at 2024



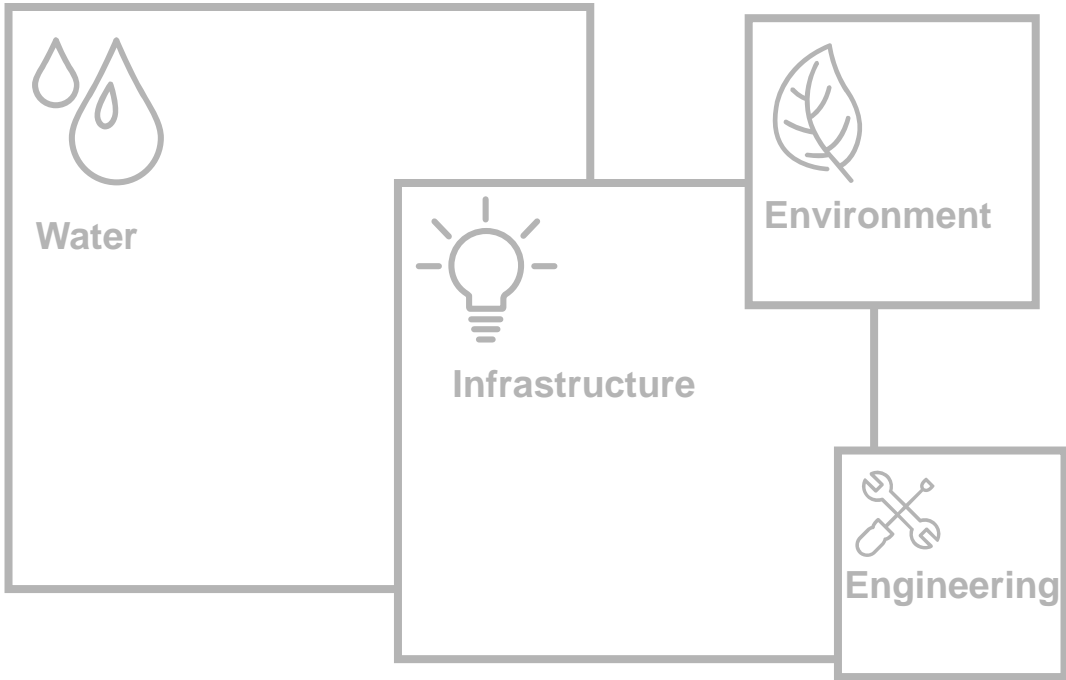
Commercial & trading

Key financials

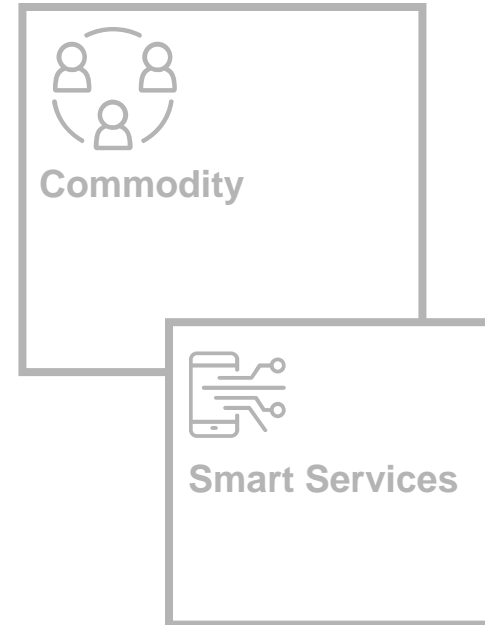


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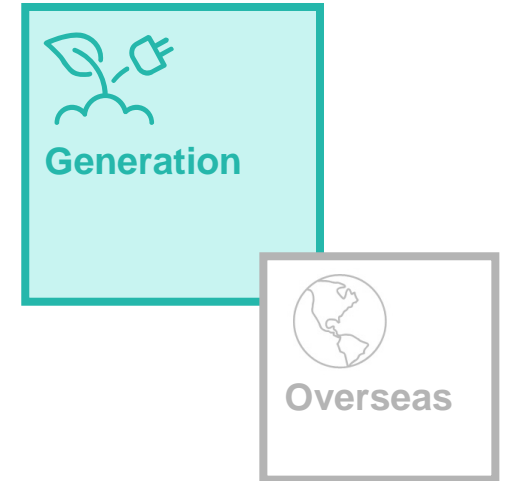
Operations



Commercial



Generation / overseas



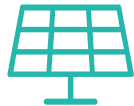
Growth of **PV** portfolio
to exploit opportunities
from the **energy**
transition and
decarbonization
processes



RES growth to exploit **opportunities** from the
decarbonization process

747 MW

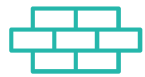
installed at 2024



Greenfield development of PV in **industrial and**
and agricultural areas

569 MW

installed at 2024



M&A development to accelerate PV portfolio
growth

178 MW

installed at 2024



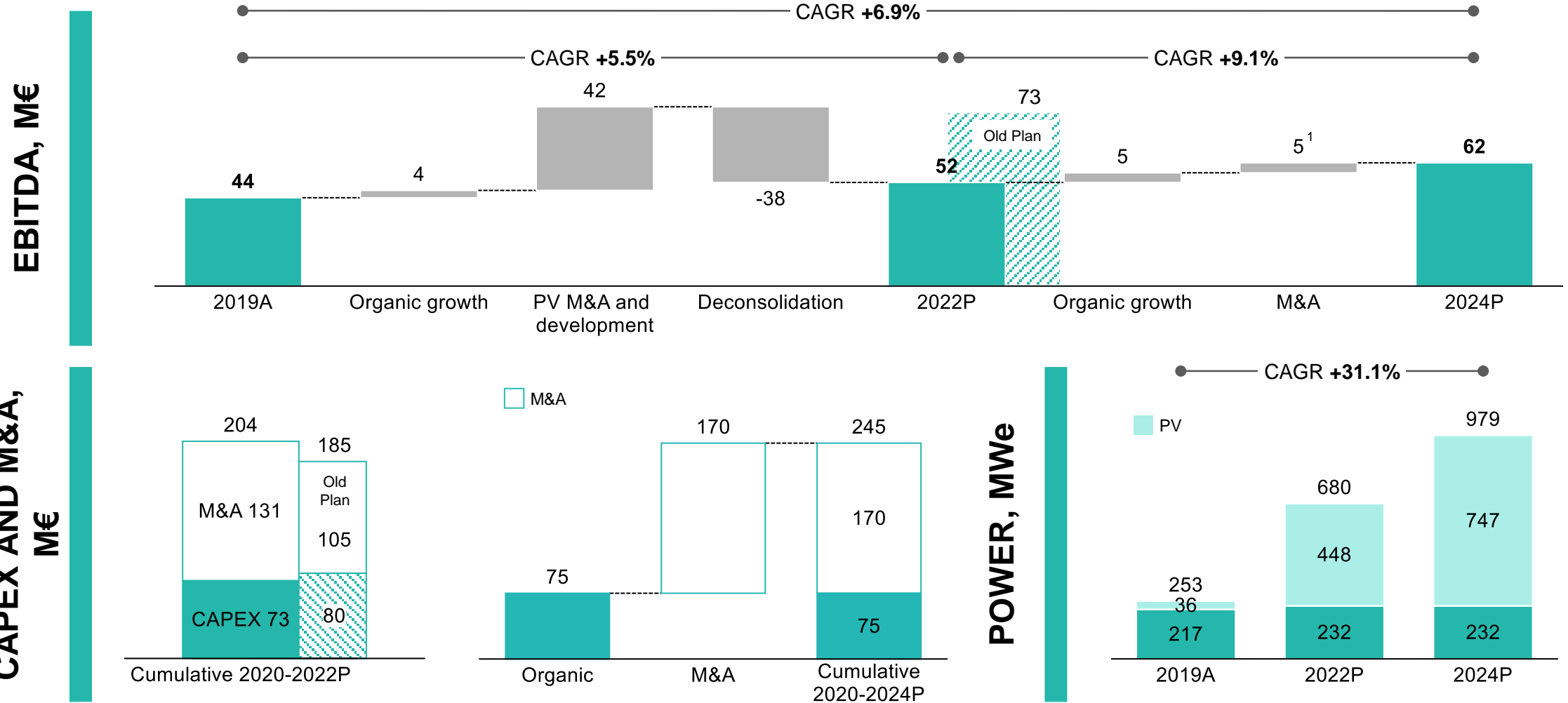
Deconsolidation of **PV stake** to reduce financial
exposure and focus on PV investments to
become one of the **main players** in the sector

-150 M€

NFP deconsolidation



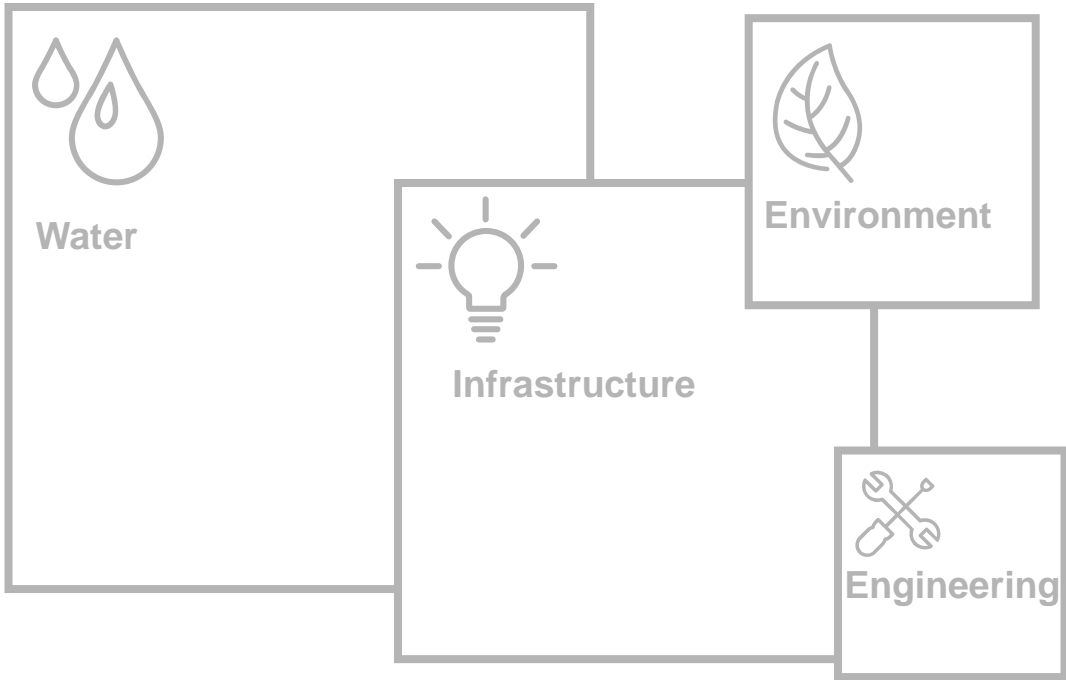
Generation Key financials



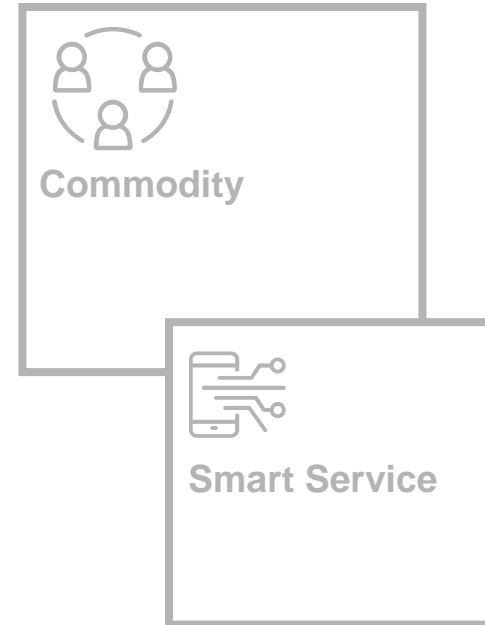
Fonte: (1) Post deconsolidation the EBITDA value is equal to the Net Income pertaining to the company

Agenda

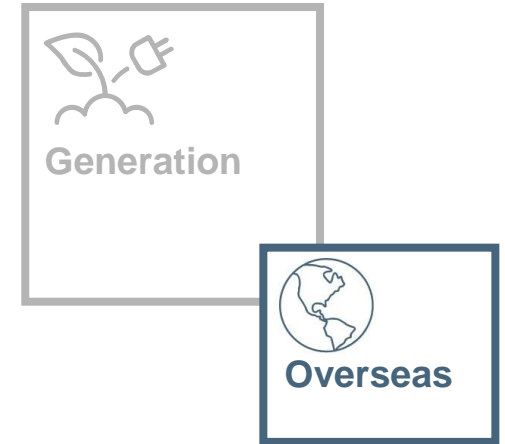
Operations



Market



Generation / overseas





Overseas

Current positioning and key financials

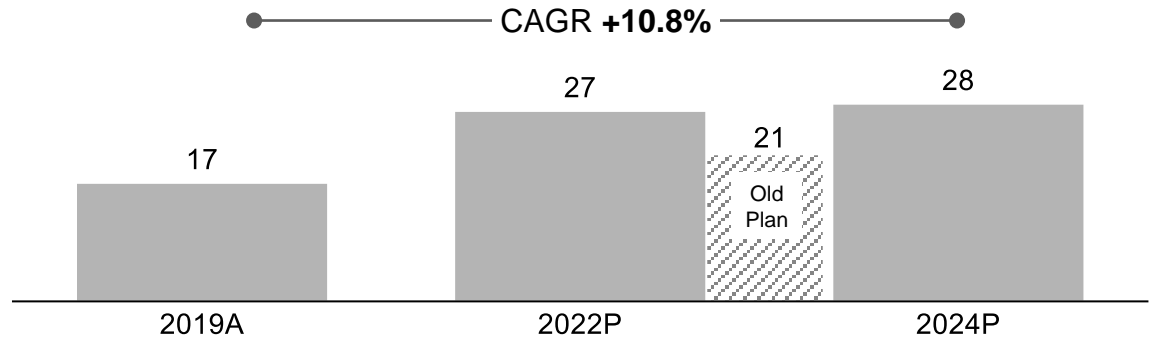
Current positioning



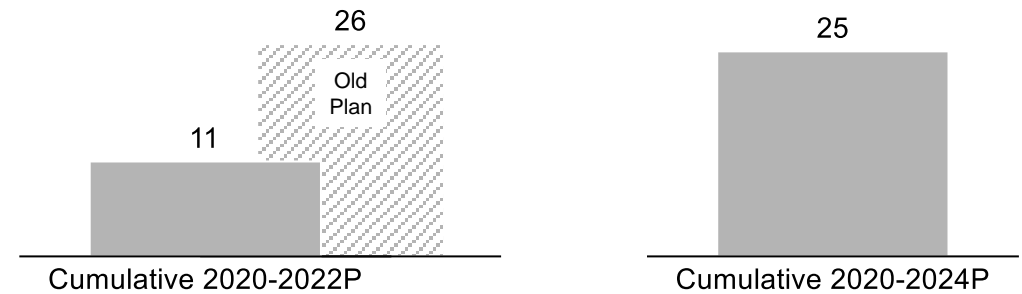
- **Acea International:** overseas holding (management, scouting, tender monitoring)
- **Acea Dominicana:** management of commercial services for the north and east regions of Dominican Republic
- **Consortio Agua Azul:** provision of water and discharge services in the city of Lima
- **Agua de San Pedro:** management of water services for the city of San Pedro Sula in Honduras
- **Acea Peru:** subsidiary established to scout and develop opportunities in the country



EBITDA | 2019-2024, M€



CAPEX | M€



Organic growth on the same perimeter

Agenda



ACEA GROUP TODAY



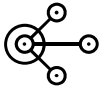
BUSINESS PLAN 2020-2024



STRATEGY AND TARGETS



BUSINESS LINE HIGHLIGHTS



STRATEGIC OPPORTUNITIES







CLOSING REMARKS



Q&A

Strategic opportunities

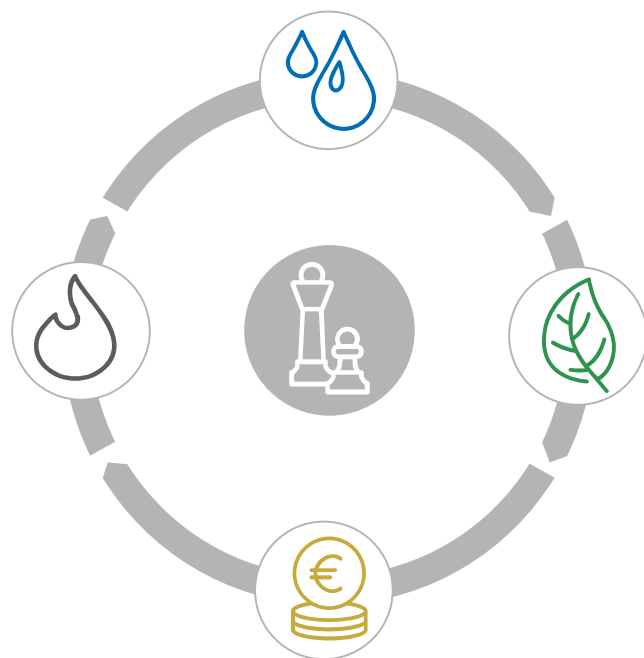
Additional potential upsides

Selected strategic opportunities			EBITDA 2024 M€	CAPEX 2020-24 M€
Water consolidation		<ul style="list-style-type: none"> • Consolidation of existing concessions in which Acea has a minority stake • Expansion within regions of interest 	+100	+400
Gas portfolio expansion		<ul style="list-style-type: none"> • Growth in gas distribution through tender participation in relevant territories (big cities/ ATEM), leveraging on the first «tactical» acquisitions 	+10-20	+50-130
Boost M&A - Waste		<ul style="list-style-type: none"> • Acceleration of market consolidation through further M&A transactions on segments / geographies considered strategic for Acea 	+25-50	+200-400
Recovery Fund		<ul style="list-style-type: none"> • Opportunity for Acea to play an active role in the development of major projects financed by the “Recovery Fund” to close the infrastructural gap in areas where it is not possible to invest with tariff incentives 	-	-

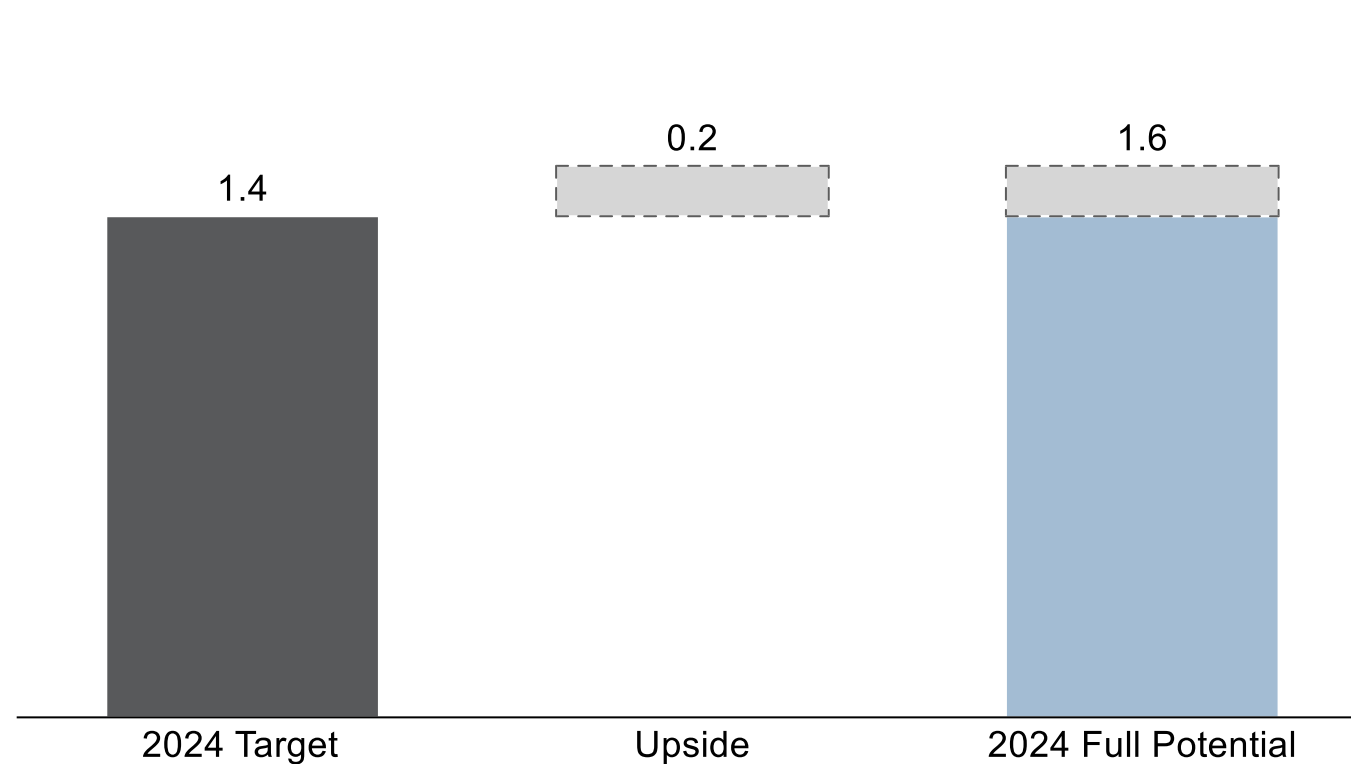
Strategic opportunities and upsides

Full potential EBITDA

Strategic opportunities



Target full potential EBITDA upside at 2024 | B€



Agenda



ACEA GROUP TODAY



BUSINESS PLAN 2020-2024



STRATEGY AND TARGETS



BUSINESS LINE HIGHLIGHTS



STRATEGIC OPPORTUNITIES



CLOSING REMARKS



Q&A

Closing remarks

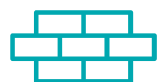
Significant growth at 2024, while maintaining a balanced capital structure



6.7% of **EBITDA CAGR** with a **2024 target** of **1.4 B€**



Group **net profit** growing to **0.38 B€** in 2024



4.3 B€ of organic **CAPEX** (~850 M€ / year) and **0.4B€** capex from M&A (~80 M€ / year)



RAB growing to **5.9 B€** in 2024



Balanced **NFP / EBITDA** ratio over the plan reaching **3,0x** in 2024 and **NFP/RAB of 0,7x** in 2024



860 M€ of dividends to be distributed throughout the plan and **minimum dividend** of **0.80 €/share** in 2021

Agenda



ACEA GROUP TODAY



BUSINESS PLAN 2020-2024



STRATEGY AND TARGETS



BUSINESS LINE HIGHLIGHTS



STRATEGIC OPPORTUNITIES



CLOSING REMARKS



Q&A

Q&A





Appendix

Analysts' presentation

Rome, 27 October 2020



H1 2020 Results

acea

H1 2020 Results

Financial Highlights

(€m)	HI 2020 (a)	HI 2019 (b)	% change (alb)
Consolidated revenue	1,622.0	1,553.1	+4.4%
EBITDA	568.7	502.6	+13.2%
EBIT	277.4	260.2	+6.6%
Group net profit	143.8	143.0	+0.6%

- EXCELLENT PERFORMANCE OF REGULATED BUSINESSES (Water, Electricity Distribution)
- ABILITY TO RECOVER OF NON-REGULATED ACTIVITIES MOST EXPOSED TO THE CRISIS
- CONSOLIDATION OF ACQUEDOTTO DEL FIORA (AdF)
- CONTRIBUTION FROM NEW ACQUISITIONS

Capex	410.6	342.0	+20.1%
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Average Group workforce

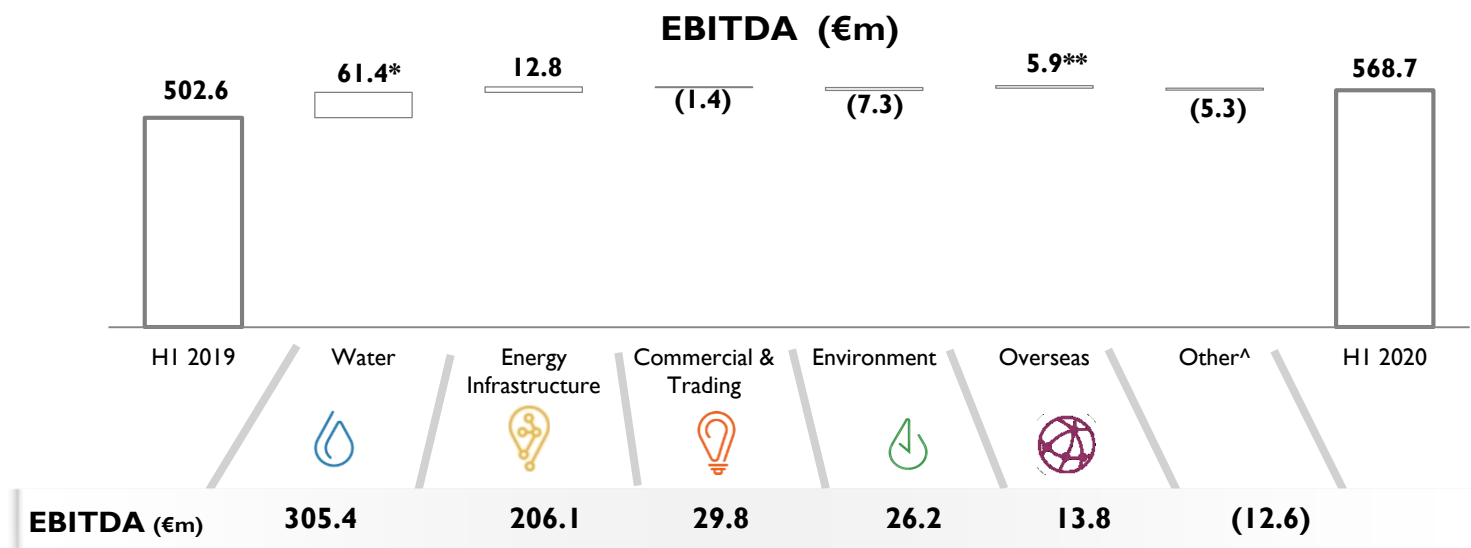
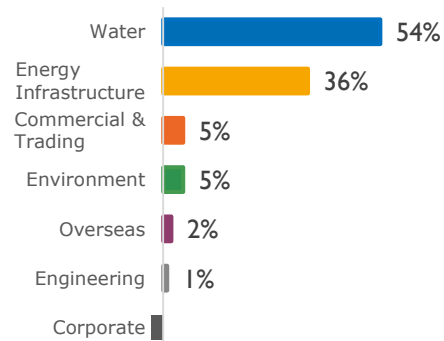
HI 2020	HI 2019	Change
7,909	6,611	+1,298*

(€m)	30 June 2020 (a)	31 Dec 2019 (b)	30 June 2019 (c)	% change (alb)	% change (alc)
Net debt	3,527.5	3,062.8	2,842.5	+15.2%	+24.1%

H1 2020 Results

EBITDA

EBITDA HI 2020



Contribution to EBITDA of consolidation of AdF, Consorcio Agua Azul and new acquisitions

(€m)	HI 2020	HI 2019
AdF	30.6	^^2.6
Consorcio Agua Azul	5.0	^^0.6
Pescara Distribuzione Gas	1.1	0.5
Demap	2.0	-
Berg	1.1	-
Ferrocarril/Cavallari/Multigreen	1.6	-
Simam	1.1	-
Photovoltaic	5.7	-
TOTAL	48.2	3.7

* Line-by-line consolidation of AdF

** Line-by-line consolidation of Consorcio Agua Azul, following the increase in the interest to 44%

^ Engineering, Corporate

^^ Contribution from consolidation using the equity method

Water

Including gas distribution

KEY HIGHLIGHTS

- Agreement for Acquisition of 51% of “Alto Sangro Distribuzione Gas”

EBITDA GROWTH

- Application of Tariff Regime for third regulatory period 2020-2023 (Arera Resolution 580/2019):
 - effect of investment in growth
 - no award of bonus for commercial quality (€16.8m), offset by recognition of new cost components (including those relating to sludge disposal)
- Line-by-line consolidation of AdF (from October 2019): +€28.0m
- Acquisition of Pescara Distribuzione Gas (March 2019): +€0.6m

EBITDA
main
drivers



(€m)	HI 2020 (a)	HI 2019 (b)	%change (a/b)
EBITDA	305.4	244.0	+25.2%
Acea ATO2	200.8	176.8	+13.6%
Acea ATO5	15.7	13.1	+19.8%
Gori	39.5	34.2	+15.5%
AdF	30.6	2.6	n/s
Equity-accounted water companies	15.8	15.2	+3.9%
Other consolidated water companies	1.9	1.6	+18.8%
Pescara Distribuzione Gas	1.1	0.5	n/s
Capex	229.2	168.3	+36.2%



Energy Infrastructure

KEY HIGHLIGHTS

- Acquisition of new photovoltaic plants on the secondary market, increasing total capacity to ~45 MWp
- 40 MWp on primary market already authorised

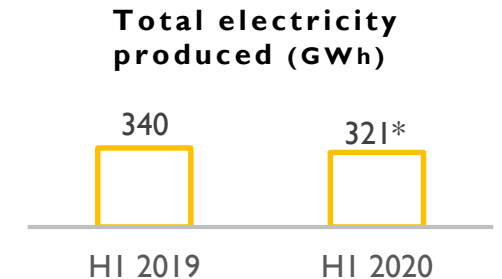
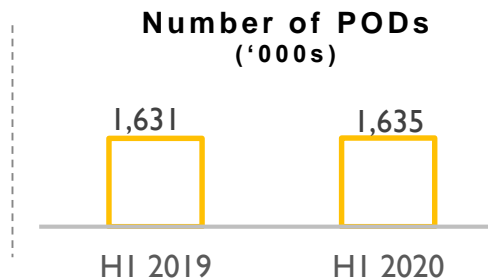
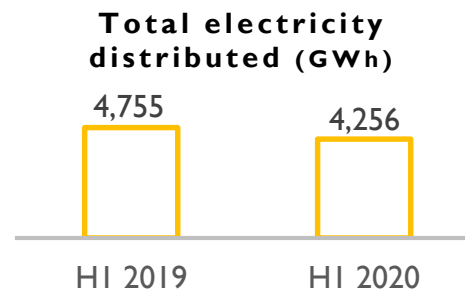
EBITDA GROWTH

- Distribution: +€13.1m (primarily due to tariff and regulatory effects)
- Public Lighting: +€1.0m (new lighting points)
- Generation: -€1.3m:
 - ⬇️ Declining volumes and sharp fall in energy market prices, partly due to Covid-19 emergency
 - ⬆️ Photovoltaic +€5.7m

EBITDA
main
drivers



(€m)	HI 2020 (a)	HI 2019 (b)	%change (a/b)
EBITDA	206.1	193.3	+6.6%
- Distribution	181.3	168.2	+7.8%
- Generation	24.1	25.4	-5.1%
- Public Lighting	0.7	-0.3	n/s
Capex	141.3	133.4	+5.9%



Commercial & Trading



KEY HIGHLIGHTS

- Increased customer base on free market
- Ability to recover from an emergency situation, offsetting impact of enhanced protection market regulation and reduced consumption of business customers

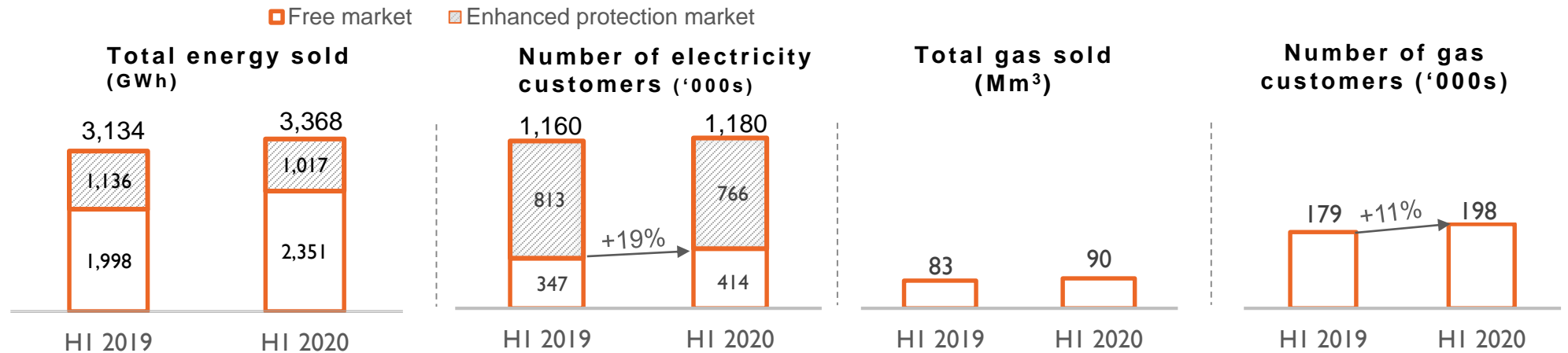
EBITDA

- 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-June period due to Covid-19 emergency

EBITDA
main
drivers

(€m)	HI 2020 (a)	HI 2019 (b)	%change (a/b)
EBITDA	29.8	31.2	-4.5%
Capex	17.4	18.5	-5.9%



Environment

KEY HIGHLIGHTS H1 2020

- Acquisition of 60% of Ferrocart/Cavallari/Multigreen (waste storage, treatment and sorting)

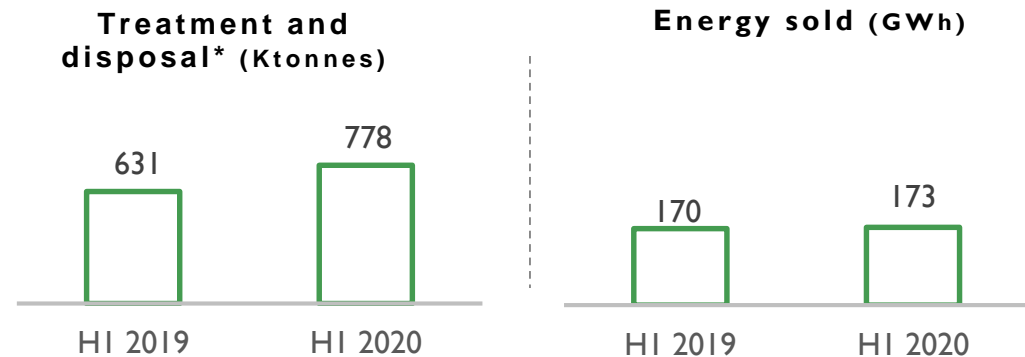
EBITDA

- Acquisition of Demap (July 2019): +€2.0m
- Acquisition of Berg (October 2019): +€1.1m
- Acquisition of Ferrocart/Cavallari/Multigreen (April 2020): +€1.6m
- Increase in disposal tariffs and volume
- End of CIP6 incentives from 1 August 2019 (-€18.0m)

EBITDA
main
drivers



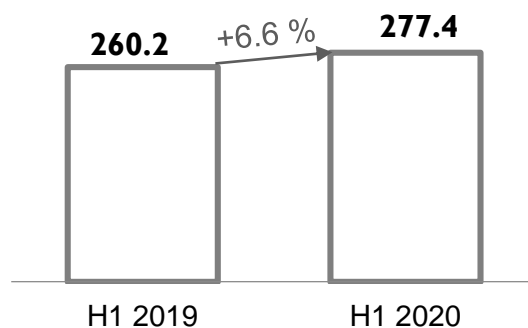
(€m)	HI 2020 (a)	HI 2019 (b)	%change (a/b)
EBITDA	26.2	33.5	-21.8%
of which: Demap	2.0	-	n/s
Berg	1.1	-	n/s
Ferrocart/Cavallari/ Multigreen	1.6	-	n/s
Capex	9.5	10.6	-10.1%



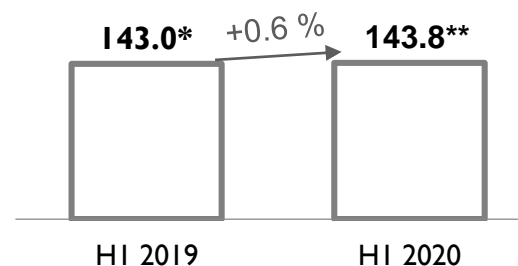
H1 2020 Results

EBIT and net profit

EBIT (€m)



NET PROFIT (€m)



(€m)	HI 2020	HI 2019	% change
Depreciation	239.9	200.1	+19.9%
Write-downs	43.8	36.0	+21.7%
Provisions	7.5	6.3	+19.0%
Total	291.2	242.4	+20.1%

➔ Consolidation of AdF (€13.0m)
Increased capex, above all in Water segment

➔ Effect of Covid-19 emergency and consolidation of AdF (€0.9m)

➔ Consolidation of AdF (€0.7m)

TAX RATE	30.0%	30.5%
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* Net profit H1 2019:

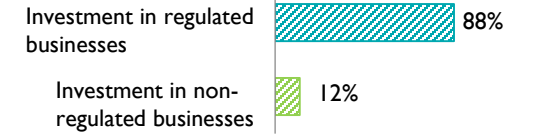
- ✓ Recognition of non-recurring item (€1.5m) relating to Agua Azul Bogotá
- ✓ Presence of CIP6 incentives (Environment segment), ended 1 August 2019 (€13m)

** Net profit H1 2020:

- ✓ Impact of consolidation of AdF and Consorcio Agua Azul fully offset by at the level of net profit by effect of profit attributable to non-controlling interests

CAPEX – growth in capex on regulated activities continues

Capex: +20.1%



Capex (€m)	229.2	141.3	17.4	9.5	0.9	12.3
------------	-------	-------	------	-----	-----	------

- | | | | | | |
|--|--|--|--|---|--|
| <ul style="list-style-type: none"> • Repair and widening of water and sewage pipes • Extraordinary maintenance of water centres • Work on treatment plants • Consolidation of AdF (€15.5m) | <ul style="list-style-type: none"> • Upgrade and expansion of grid • ‘Resilience’ plan with work on secondary substations and on the MV and LV network | <ul style="list-style-type: none"> • Customer acquisition • IT systems | <ul style="list-style-type: none"> • San Vittore plant • Expansion of Orvieto landfill | <ul style="list-style-type: none"> • Agua de San Pedro: reduced investment | <ul style="list-style-type: none"> • Corporate: IT projects |
|--|--|--|--|---|--|

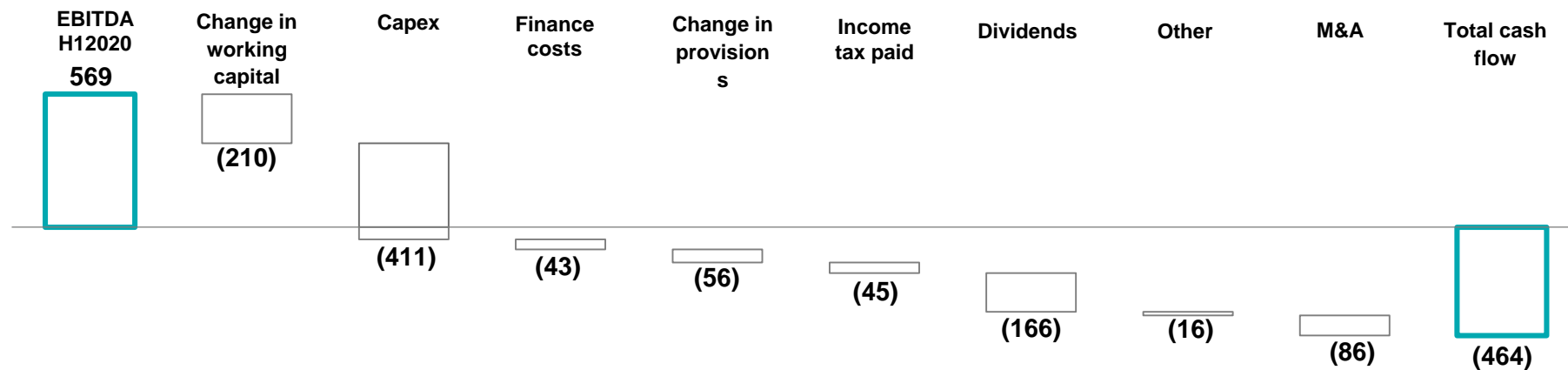
H1 2020 Results

Cash Flow – continued focus on reducing working capital

	HI 2020	HI 2019
EBITDA	569	503
Change in working capital	(210)	(96)
Capex	(411)	(342)
FREE CASH FLOW	(52)	65
Net finance income/(costs)	(43)	(43)
Change in provisions	(56)	(54)
Income tax paid	(45)	-
Dividends	(166)	(151)
Other	(16)	(19)
M&A	(86)	(15)
IFRS 16	-	(57)
TOTAL CASH FLOW	(464)	(274)

The increase in net working capital in H1 2020 is primarily due:

- seasonal effects
- Covid-19 emergency:
 - ✓ payments in arrears at Acea Energia and the water companies (~€60m)
 - ✓ deferred collection of regulatory items (~€60m)



H1 2020 Results

Net debt

(€m)	30 June 2020 (a)	31 Dec 2019 (b)	30 June 2019 (c)	Change (a-b)	Change (a-c)
Net debt	3,527.5	3,062.8	2,842.5	464.7	685.0
Medium/long-term	4,095.8	3,523.3	3,431.1	572.5	664.7
Short-term	(568.3)	(460.5)	(588.6)	(107.8)	20.3

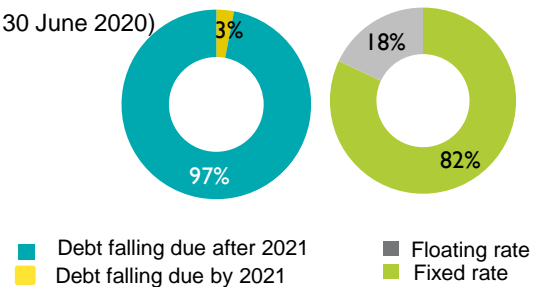
NET DEBT/ EBITDA LTM 30 June 2020
3.2x

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 30 June 2020)

- > Fixed rate 82%
- > Average cost 1.82%
- > Average term 5.85 years



Ratings

FitchRatings **BBB+**
Stable Outlook

MOODY'S **Baa2**
Stable Outlook



2019 Results

2019 Results

Financial Highlights

(€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%

(€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%

EBITDA +12%: well ahead of guidance

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

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

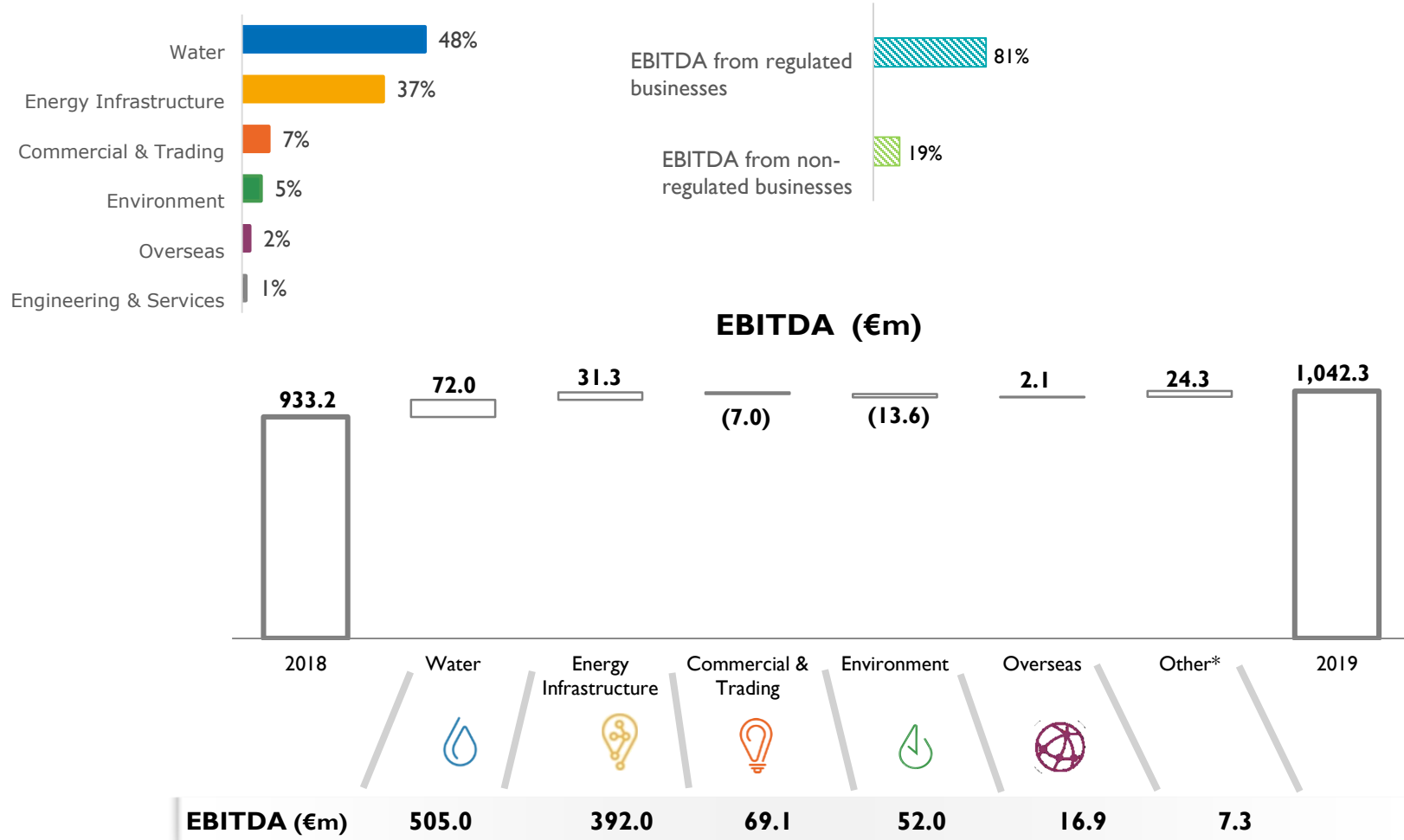
GUIDANCE 2020: FURTHER GROWTH EXPECTED

- ✓ **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

2019 Results

EBITDA

EBITDA 2019



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	-

EBITDA and quantitative data

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

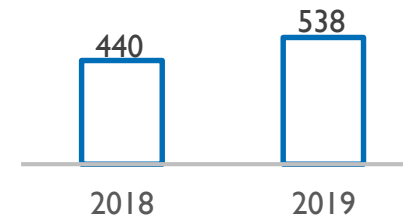
- Line-by-line consolidation of Gori (from November 2018): +€53.9m
- Line-by-line consolidation of Acquedotto del Fiora (from October 2019): +€13.5m
- Acquisition of Pescara Distribuzione Gas (March 2019): +€1.7m
- ATO2: commercial quality bonus +€2.2m
- Equity-accounted companies: -€3.7m

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

Energy Infrastructure

KEY HIGHLIGHTS

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

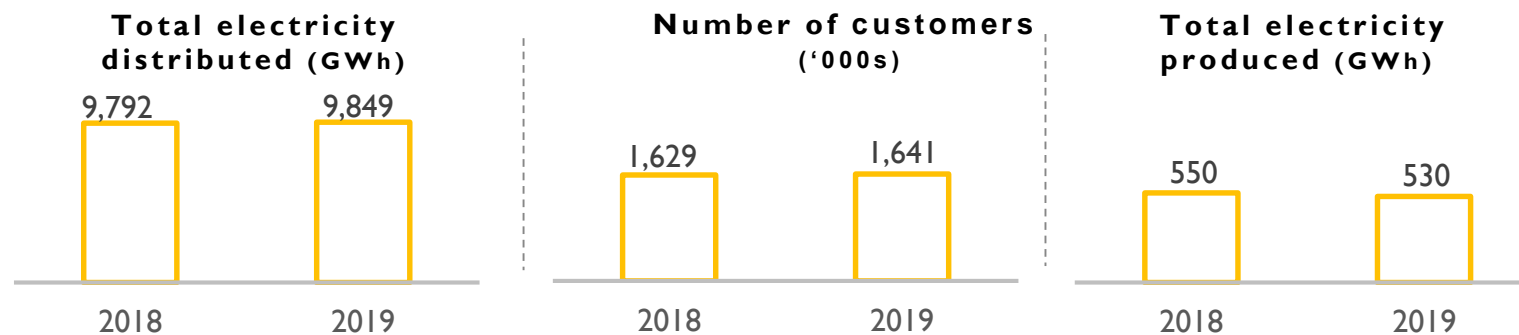
EBITDA GROWTH

- 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

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

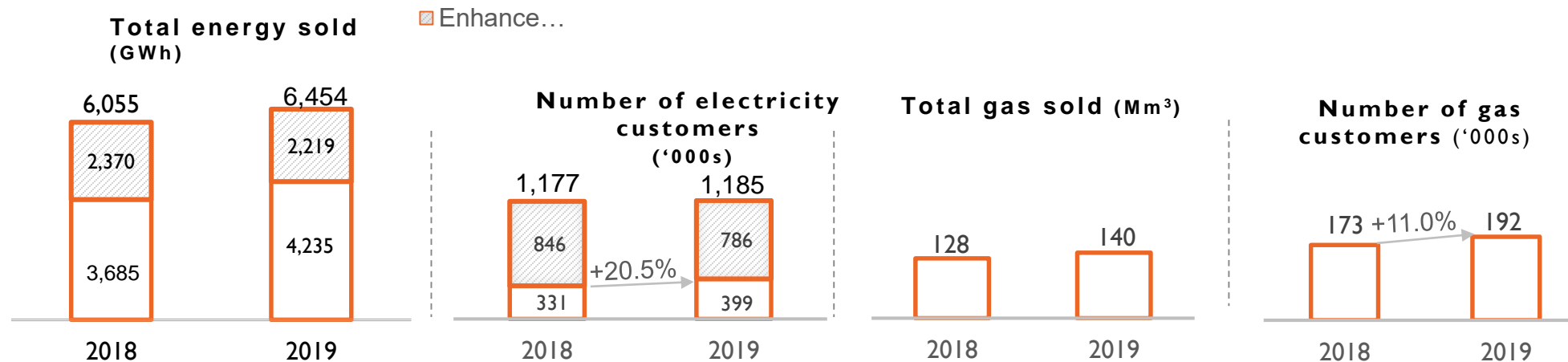
EBITDA

- 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%



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

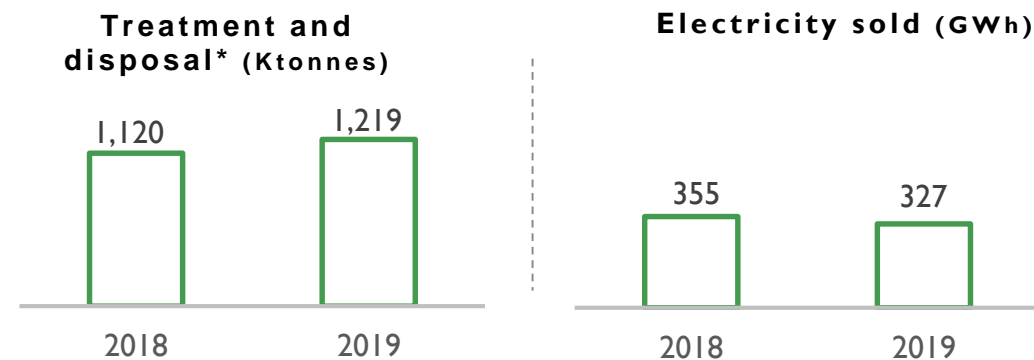
EBITDA

EBITDA
main
drivers



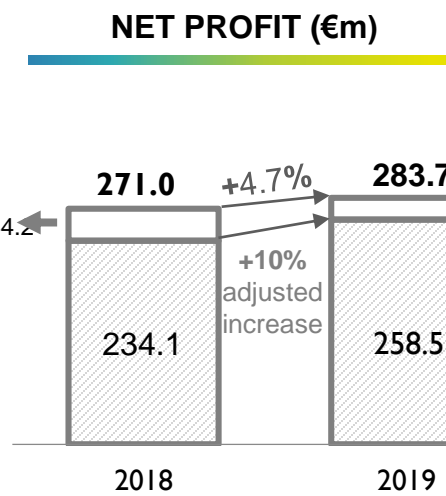
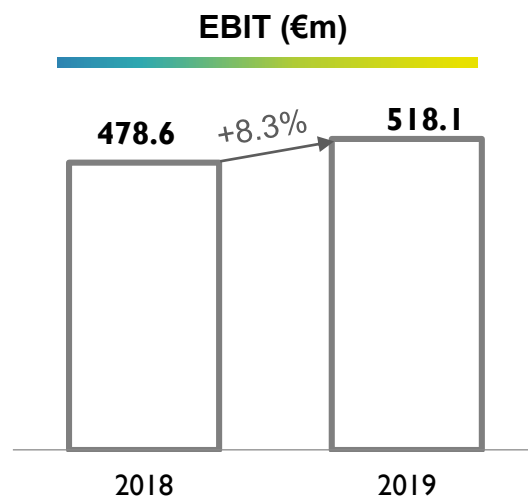

- Acquisitions of Demap and Berg (+€2.3m)
- End of CIP6 incentives from 1 August 2019 (-€16.7m)

(€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%



2019 Results

EBIT and net profit



- Non-recurring components (€m):
- Release of provisions by Gori -44.2
 - TWS gain -8.9
 - Antitrust fine +16.2

- Non-recurring components (€m):
- Overvaluation of cancellation of Antitrust fine -16.2
 - Release of provisions by Gala approx. -9

TAX RATE

Year	Tax Rate
2018	30.4%
2019	28.6%

□ Adjusted net profit

(€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 Acquedotto del Fiora
Increased capex
Impact of IFRS 16

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

DIVIDEND HISTORY

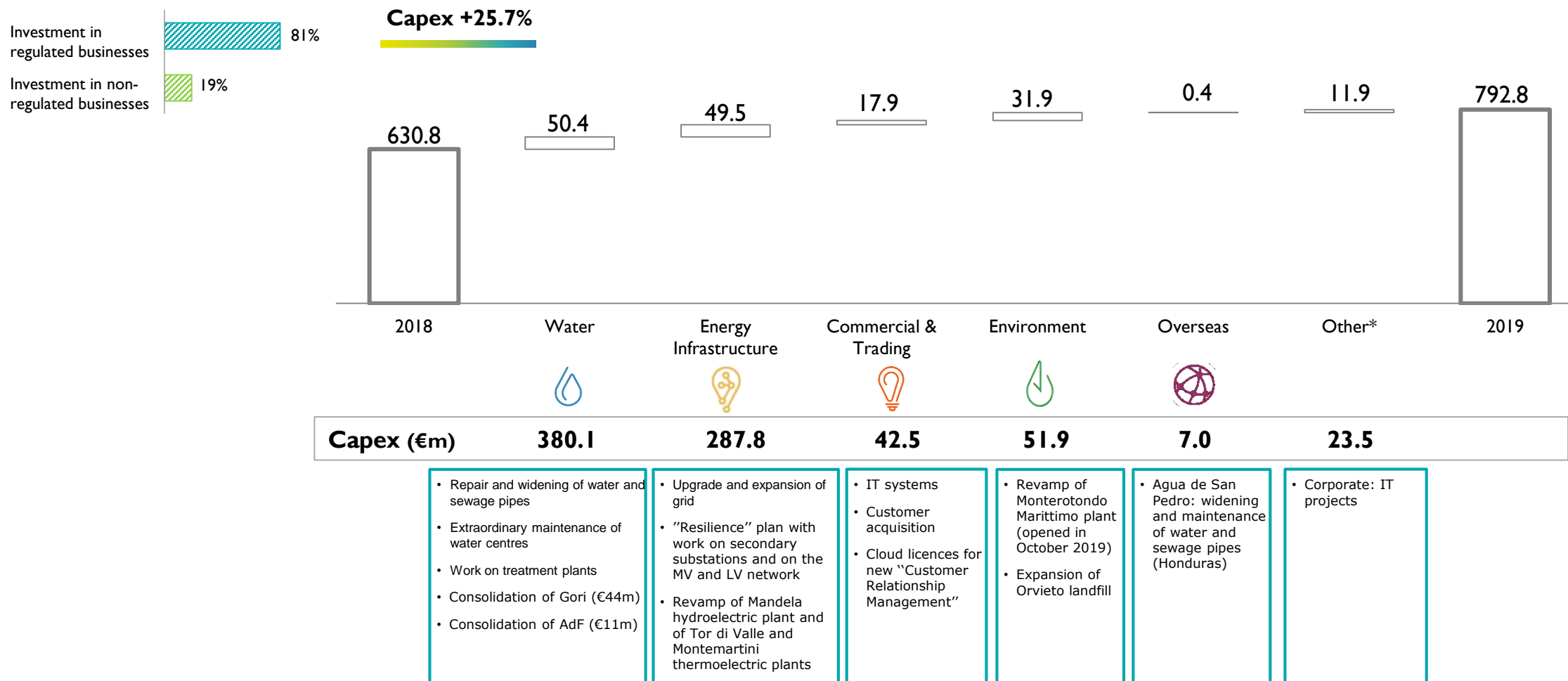
	2017	2018	2019
DPS (€)	0.63	0.71	0.78
Total dividend (€m)	134.2	151.2	166.1
Dividend yield*	4.7%	5.3%	4.7%
Payout**	74%	56%	59%

* Based on the average price for the year

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

2019 Results

CAPEX – Strong growth across all areas, with focus on regulated activities

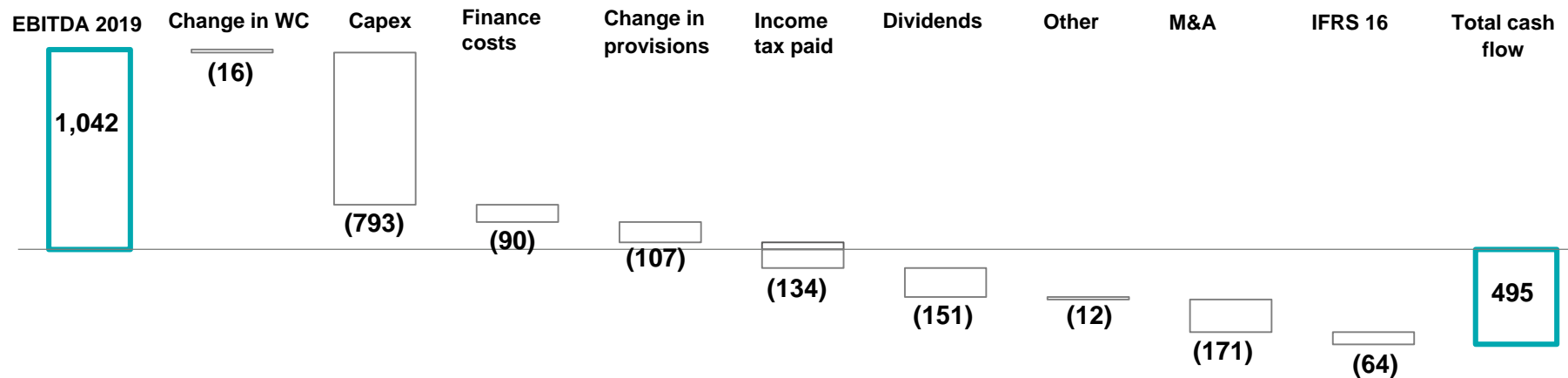


2019 Results

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

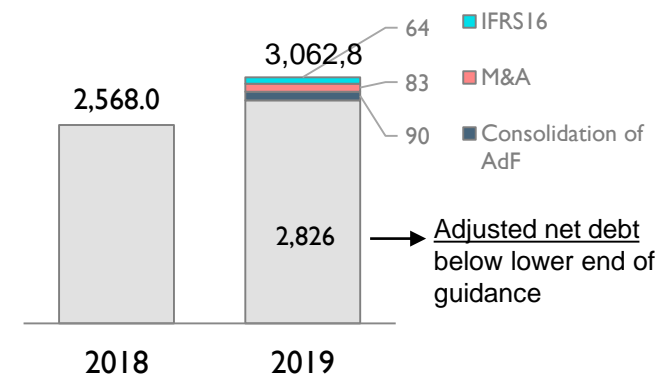


2019 Results

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%

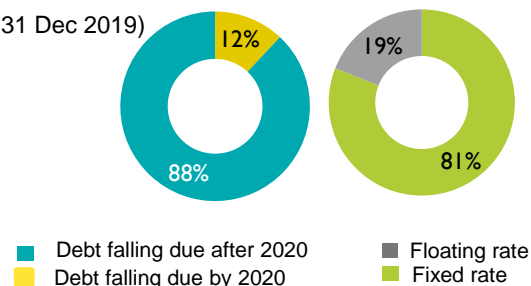
29 January 2020 – Issue of bonds worth €500m under EMTN. Bonds have a 9-year term and pay a fixed rate of 0.50%

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*

Regulation

Water (1/2)

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% (provision amended by ARERA in Resolution 235/2020/R/idr of 23 June 2020)
- 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

ARERA RESOLUTION 235/2020

«Adoption of urgent measures for the integrated water service, in response to the Covid-19 emergency»

- Deferral of deadlines for meeting tariff and technical quality requirements.
- Recognition in allowed costs of 0.6% of turnover to cover late payments caused by restrictions linked to the spread of Covid-19
- Assessment of quality performance based on cumulative data for the two-year period 2020-2021
- Amendment of cost recognition criteria (on a forecast basis, with any gaps to be made up through back-billing) linked to the Covid-19 emergency
- Selective measures for financial sustainability of concessions during the emergency (advance payments to be applied for to CSEA – Cassa Servizi Energetici e Ambientali only for concessions where tariffs are approved by 30 September 2020)
- Increase in returns on WIP (Work In Progress): 3.73% in the first two years of the regulatory cycle and 2.77% in the subsequent years (previously 3.58%, 3.31%, 3.04% and 2.77%)

Regulation

Electricity distribution (1/2)

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%

ARERA RESOLUTION 380/2020: "Launch of the process of adopting provisions regarding the methods and criteria for determining and revising the rate of return on invested capital in the electricity and gas sectors for the second regulatory period".

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%

Regulation

Electricity distribution (2/2)

MAIN REGULATORY CHANGES IN 2020

Urgent measures linked to the COVID-19 epidemic

The regulator urgently issued a series of resolutions designed to mitigate, as far as possible, the difficulties faced by final consumers and certain businesses connected with the rules governing the response to non-payment by customers, with specific regard to the process for cutting off the supply of electricity.

ARERA Resolution 60/2020/R/com – Managing non-payments

In this Resolution, the regulator suspended application of the procedure for managing non-payments set out in supply contracts with final customers until 17 May of the current year.

Resolution ARERA 116/2020/R/com – Billing for transmission services

In Resolution 116/2020/R/com, ARERA suspended the application of default procedures in the event of non-payment by traders of transmission service charges due for payment in April 2020. This reflects potential for non-payment by customers who have benefitted from the above Resolution 60/2020/R/com.

More specifically, the regulator has suspended the above procedures where the transmission service user has paid at least 70% of the total amount billed for LV withdrawal points. At the same time, given the fact that the measures introduced could make it difficult for distributors to pay general system charges to the CSEA and GSE, the regulator has given distributors the option of making a payment in proportion to the amount effectively collected. This payment must, in any event, be within the minimum amount (80%) needed to ensure the system is fully funded.

Resolution ARERA 248/2020/R/com – Procedures for recovering unpaid amounts

The measures introduced by Resolution 116/2020/R/com were extended on a number of occasions by the regulator, up to and including bills falling due in June 2020. As a result, the later Resolution 248/2020/R/com set out the procedures for recovering unpaid amounts payable to distributors by transmission users and general system charges not paid by the former to the CSEA and GSE.

Resolution ARERA 213/2020/R/eel – Temporary changes to the 2G directives

Within the above context, Resolution 213/2020/R/eel introduced, for 2020, a series of changes to the regulations governing the rollout of 2G smart metering systems with the aim of avoiding penalties to be paid by distribution companies as a result of factors beyond their control linked to the epidemic.

The main changes introduced regard the preparation of detailed plans for the mass phase of the rollout, the suspension of penalties for falling behind the schedule set out in the plan and a halt to application of the “Information Quality Incentive” matrix.

The regulator has reserved the right to extend, in full or in part, the measures adopted in this Resolution into 2021 depending on how the health emergency evolves.

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.

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