



aceea

Acea  
Business  
Plan  
2020/24

January 2021

# Agenda



**ACEA GROUP TODAY**



**BUSINESS PLAN 2020-2024**



**STRATEGY AND TARGETS**



**BUSINESS LINE HIGHLIGHTS**



**STRATEGIC OPPORTUNITIES**










**CLOSING REMARKS**



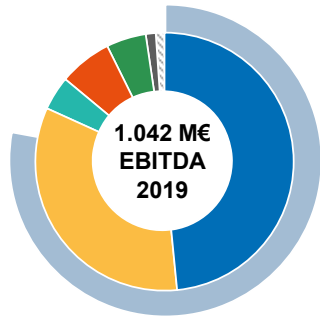
**Q&A**

# Agenda

|   |                                |
|---|--------------------------------|
|    | <b>ACEA GROUP TODAY</b>        |
|    | <b>BUSINESS PLAN 2020-2024</b> |
|    | STRATEGY AND TARGETS           |
|    | BUSINESS LINE HIGHLIGHTS       |
|    | STRATEGIC OPPORTUNITIES        |
|   | <b>CLOSING REMARKS</b>         |
|  | <b>Q&amp;A</b>                 |

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

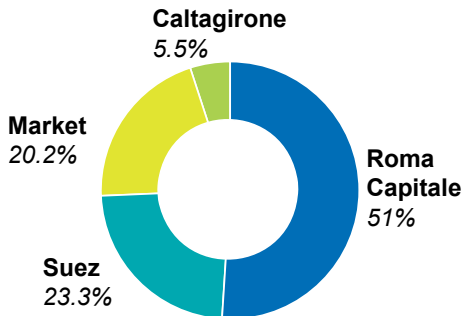
## 2019 EBITDA



81% regulated

## Ownership structure

(Source: CONSOB December 2020)



## 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

**4<sup>th</sup> 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 capacity<sup>1</sup>



## 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**<sup>2</sup>

# Agenda

|   |                                |
|---|--------------------------------|
|    | ACEA GROUP TODAY               |
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|    | STRATEGIC OPPORTUNITIES        |
|   | CLOSING REMARKS                |
|  | 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**



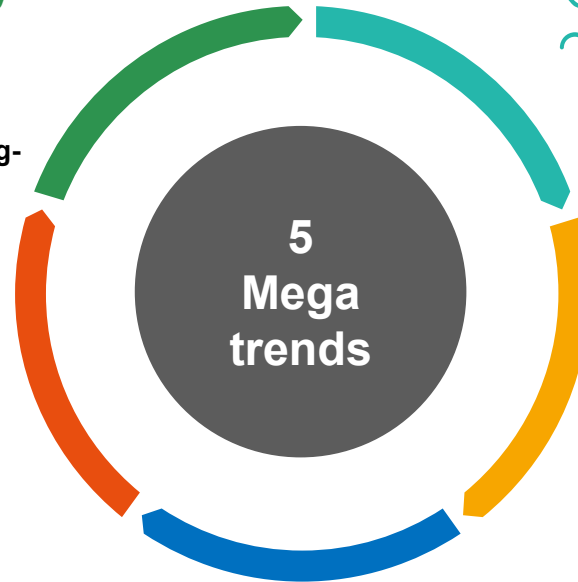
## Innovation & Digital

- **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+**

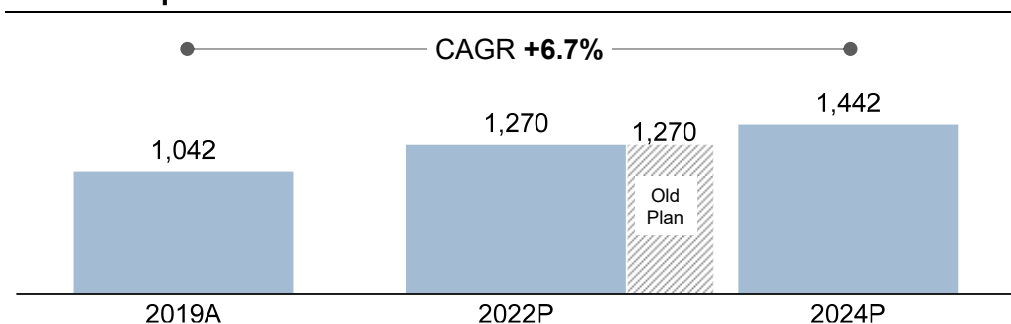
«Smart Comp»  
composters in 2024

***Acea as a leading player in infrastructure and sustainability***

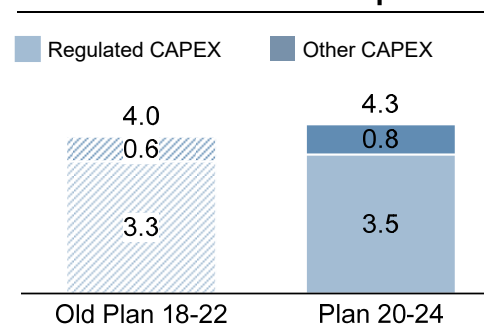
# Strategy and targets

## Key financials

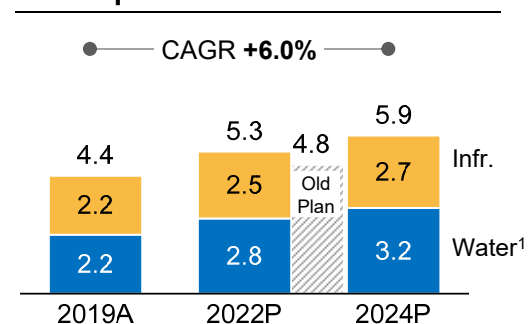
### EBITDA | M€



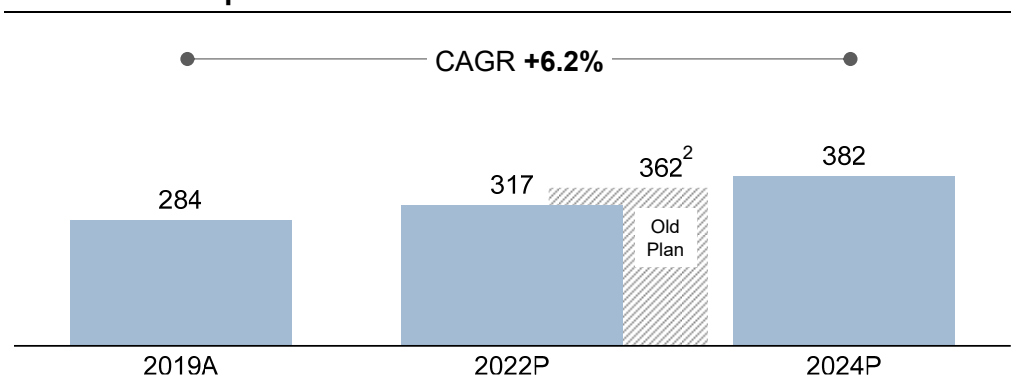
### Cumulative CAPEX | B€



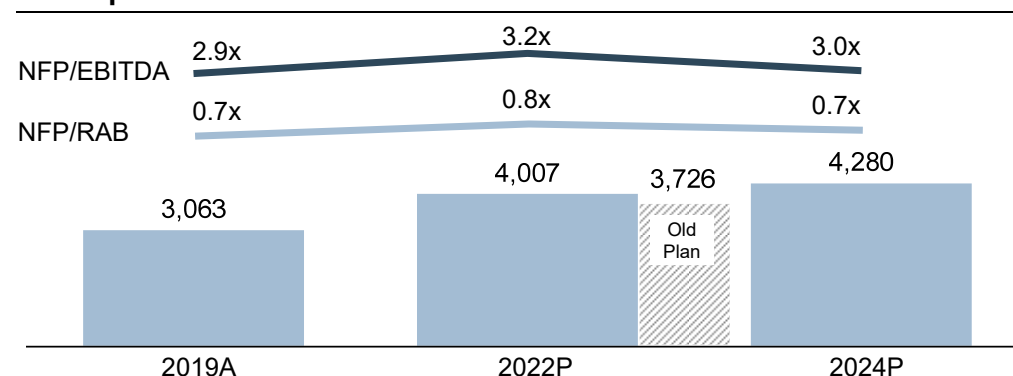
### RAB | B€



### Net Income | M€



### NFP | M€



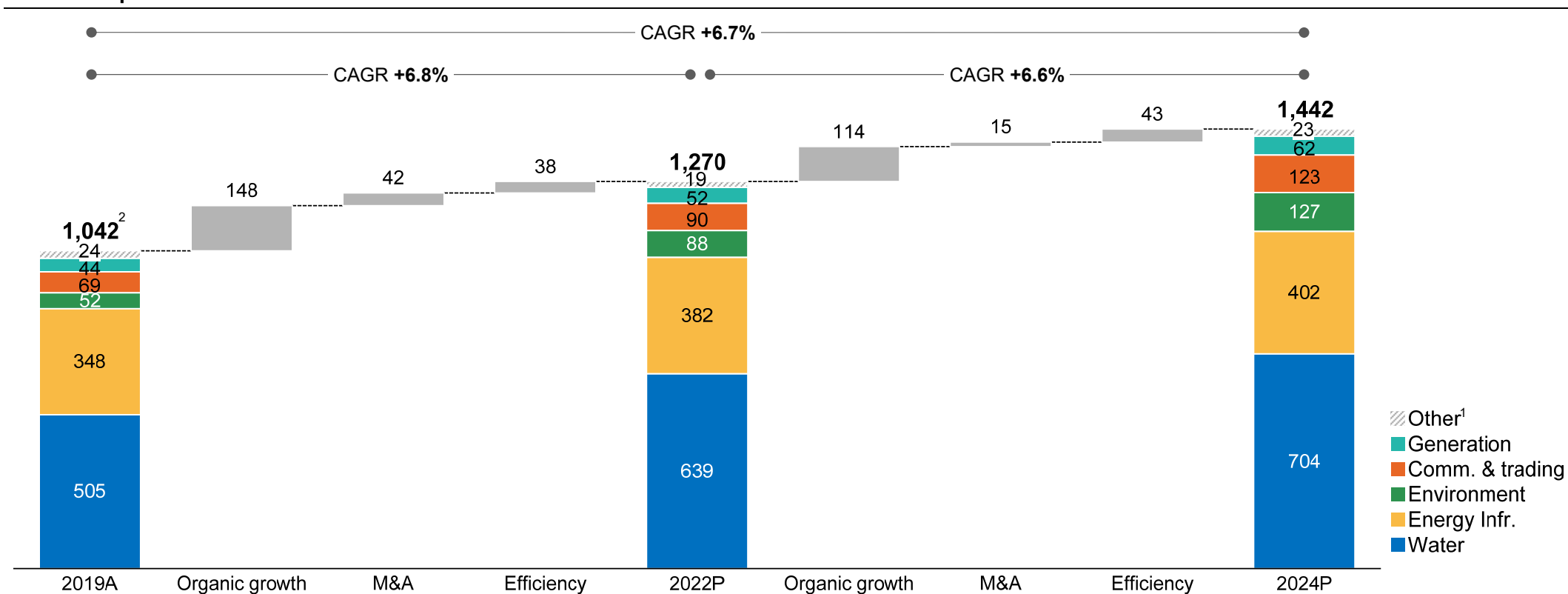
Note: (1) Water RAB value does not consider RAB of sub-consolidated companies; (2) The value does not consider the PV portfolio deconsolidation in 2022 included in the New Business Plan (38M€ EBITDA reduction because of PV deconsolidation in 2022)



# Strategy and targets

## Key financials

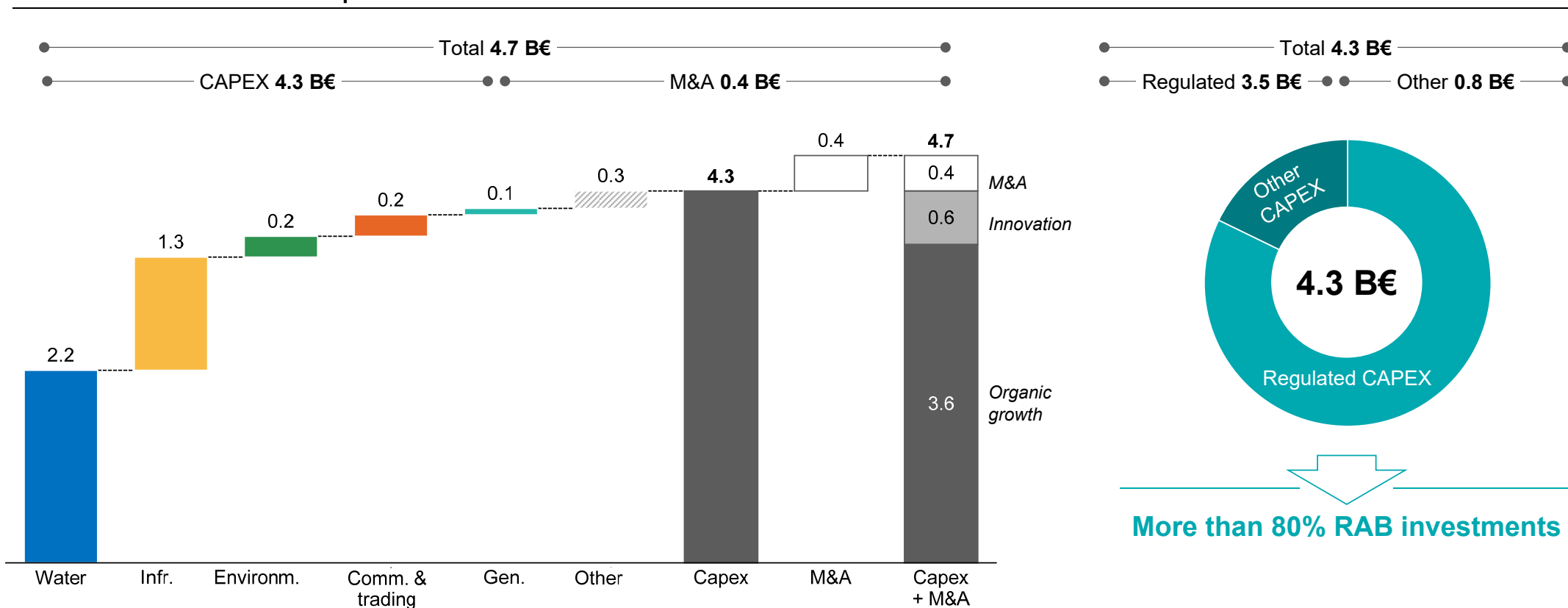
### EBITDA | M€



Notes: (1) Includes Engineering & services, Overseas business and Corporate costs; (2) Does not represent -2M€ from the sum of Engineering & services, Overseas business and Corporate costs

# Strategy and targets CAPEX and M&A

## CAPEX e M&A evolution | B€

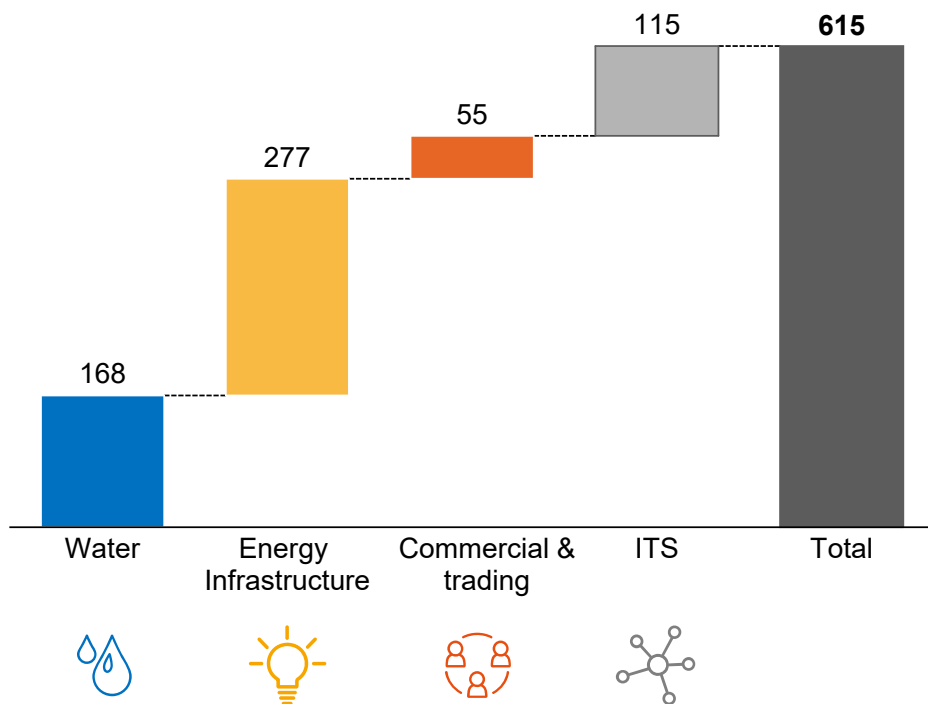


# Strategy and targets










## 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

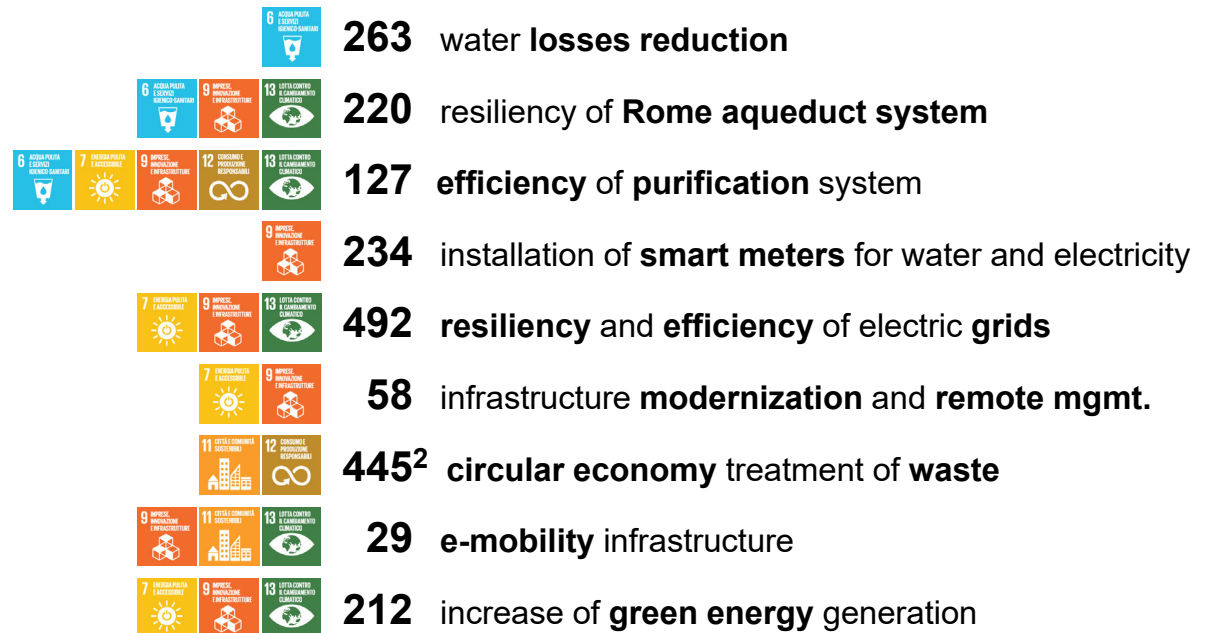


Acea sustainability rating



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

**2.1B€** of investments related to **sustainability** targets over the plan (+400M€<sup>1</sup> 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)

|    |   |   |  |  |
|----|---|---|--|--|
| 8  | DECENT WORK AND ECONOMIC GROWTH         |  <b>GDP and employment increase</b><br>Preliminary and partial estimate only for the selected period                               | <b>+5.8 B€</b><br>GDP  | <b>+21k</b><br>stable FTEs   |
| 6  | CLEAN WATER AND SANITATION              |  <b>Water resource protection</b><br>Losses reduction, IoT grids' management, rationalization of purification system               | <b>-11 pp<sup>1</sup></b><br>losses reduction (440+ Mm <sup>3</sup> of resource saved) | <b>+36</b><br>rationalized purification plants   |
| 7  | AFFORDABLE AND CLEAN ENERGY             |  <b>Quality of electricity service</b><br>Improved resiliency of electric grids  | <b>-40%</b><br>Intervention Risk Index (IRI)   | <b>~2,600</b><br>cabins involved   |
| 9  | INDUSTRY, INNOVATION AND INFRASTRUCTURE |  <b>Smart city</b><br>Installation of EV charging stations and water / electric smart meters                                       | <b>+2,200</b><br>charging stations   | <b>~1.8M<sup>2</sup></b><br>2G and water smart meter                                   |
| 11 | SUSTAINABLE CITIES AND COMMUNITIES      |   |  |  |
| 12 | RESPONSIBLE CONSUMPTION AND PRODUCTION  |  <b>Circular economy</b><br>Waste treated with circular economy logics and reduction of sludge coming out of purification plants | <b>+1.6 Mton</b><br>(+120%)<br>waste treated   | <b>-45%</b><br>sludge coming out of purification thanks to process innovation (drying) |
| 13 | CLIMATE ACTION                          |  <b>Green energy</b><br>Increase in production and consumption of green energy   | <b>-43%</b><br>gCO <sub>2</sub> /KWh produced by Acea produzione                       | <b>&gt;140 kton/y</b><br>CO <sub>2</sub> avoided for internal consumption              |

# Strategy and targets

## Solid financial structure

### Highlights

#### Working Capital

Average **working capital** absorption over the plan (~40 M€/year<sup>1</sup>)

#### Rating

|                       |                       |
|-----------------------|-----------------------|
| <b>FitchRatings</b>   | <b>MOODY'S</b>        |
| <b>BBB+</b>           | <b>Baa2</b>           |
| <i>Outlook stable</i> | <i>Outlook stable</i> |

#### Debt

##### As of September 30, 2020

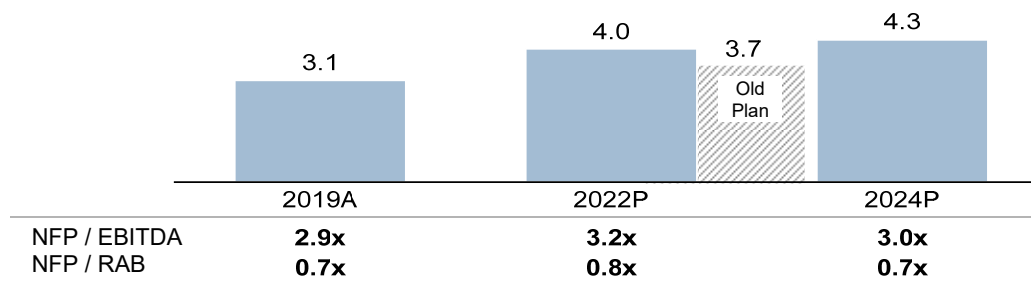
- **~5.6 years** average debt duration
- **~1.8%** average cost of debt
- **82%** fixed rate debt
- **600 M€** of committed lines (500 M€ undrawn and available until 2023)

#### Green Bond

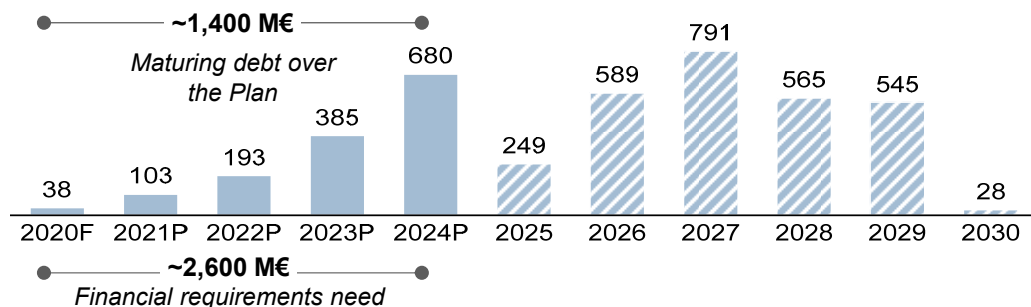
January 21st, 2021 – Acea successfully completed its first green bond issuance worth €900m in two tranches, under the Green Financing Framework and form part of €4bn EMTN programme:

- first tranche of €300m, coupon 0%, maturity September 28th, 2025
- second tranche €600m, coupon 0.25%, maturity July 28th, 2030

#### Net Financial Position | B€



#### Financial maturities as of September 30, 2020 | M€



Note: (1) Without 2020 Covid-19 impact

## Strategy and targets Higher dividends vs. previous plan



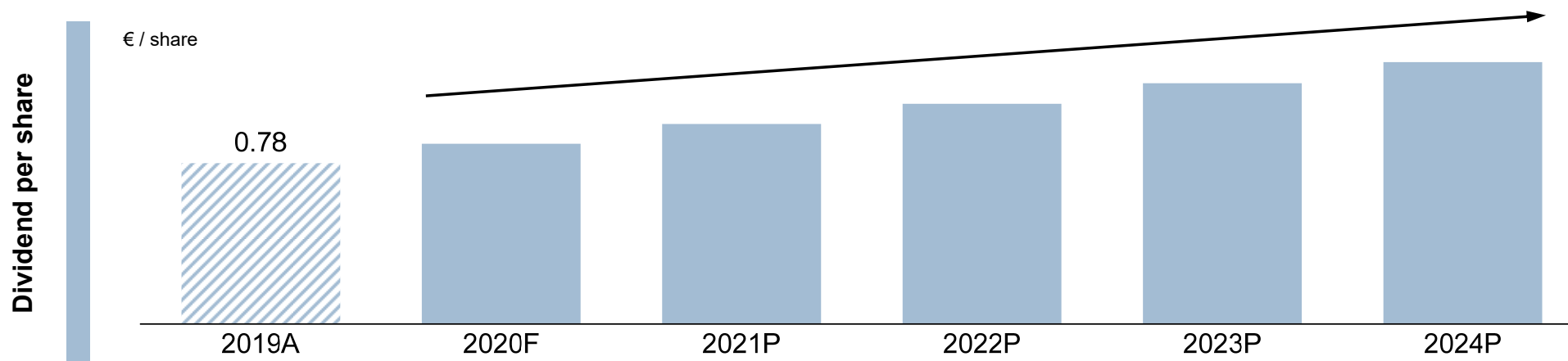
**Increasing**  
dividends vs.  
previous plan



**860M€** dividends  
distributed  
throughout the plan



**0.80 €/share**  
minimum dividend in  
2021



# Agenda



ACEA GROUP TODAY



## BUSINESS PLAN 2020-2024



STRATEGY AND TARGETS



BUSINESS LINE HIGHLIGHTS



STRATEGIC OPPORTUNITIES



CLOSING REMARKS



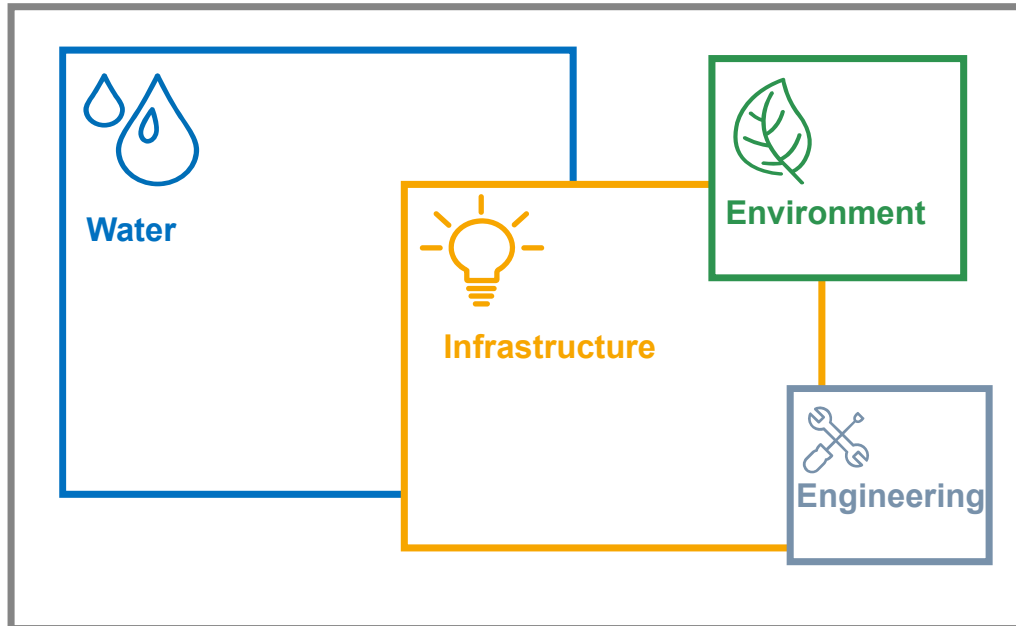
Q&A



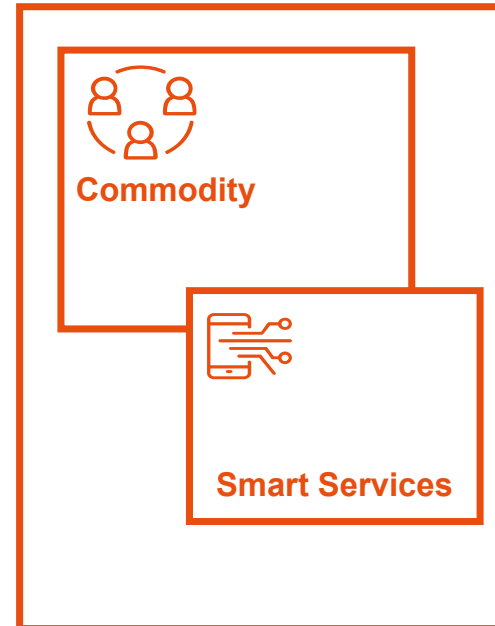
# New organizational structure to maximize the value generated from the portfolio of businesses

## NEW ORGANIZATION

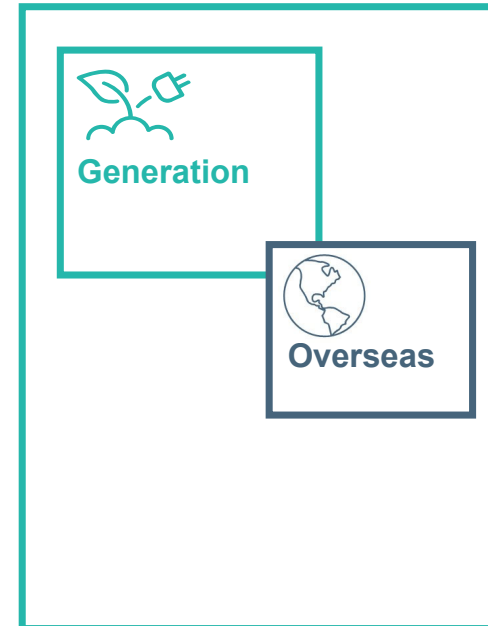
### Operations



### Commercial



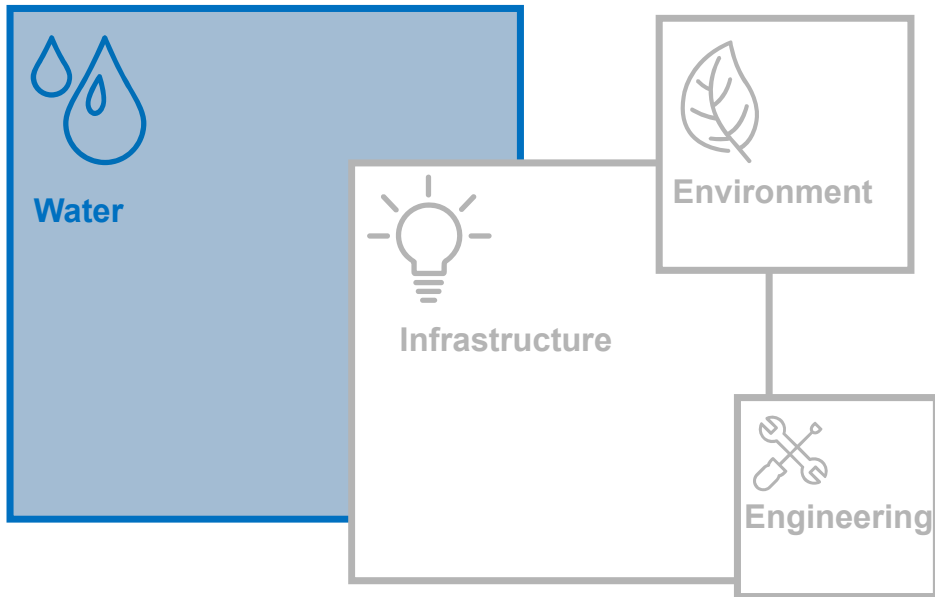
### Generation / overseas



# Agenda

## Operations

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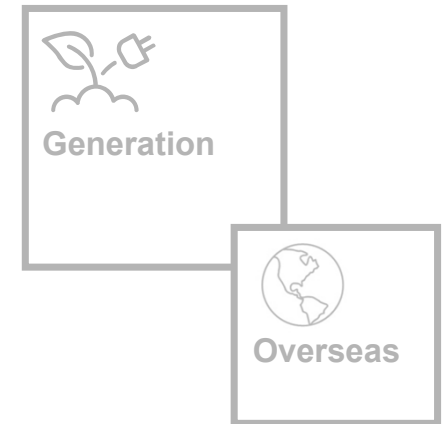
## Commercial

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## Generation / overseas

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# Water Main initiatives

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 losses<sup>1</sup>



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

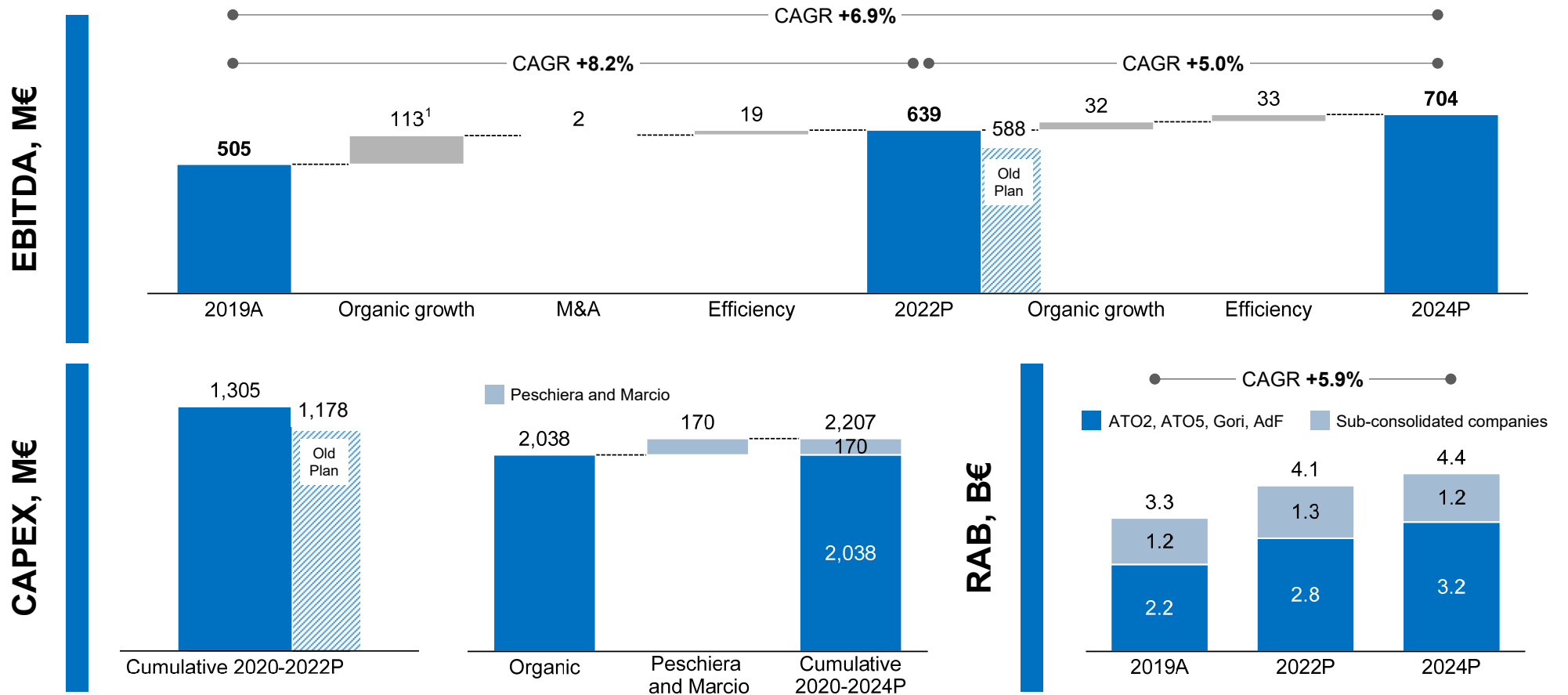
**170 M€**  
CAPEX



**SII Terni full consolidation** (32 municipalities in the Province of Terni, over 220K clients served; November 2020)



# Water Key financials

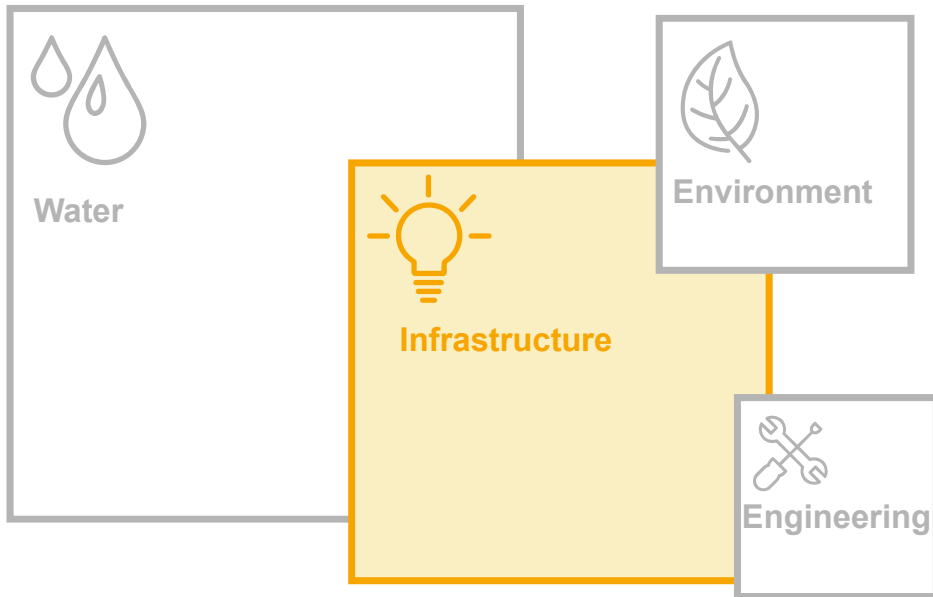


Notes: Key financial also include numbers from the gas distribution business; (1) ~50 M€ related to the changes in the consolidation perimeter of AdF

# Agenda

## Operations

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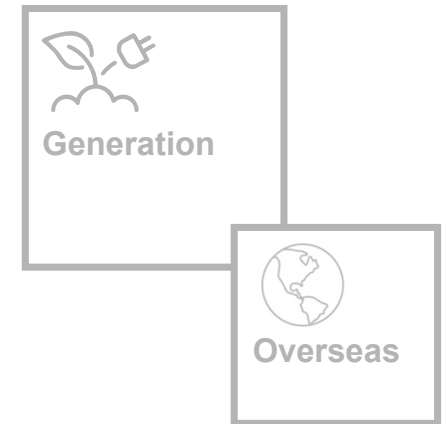
## Commercial


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## Generation / overseas

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# Energy Infrastructure Main initiatives

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

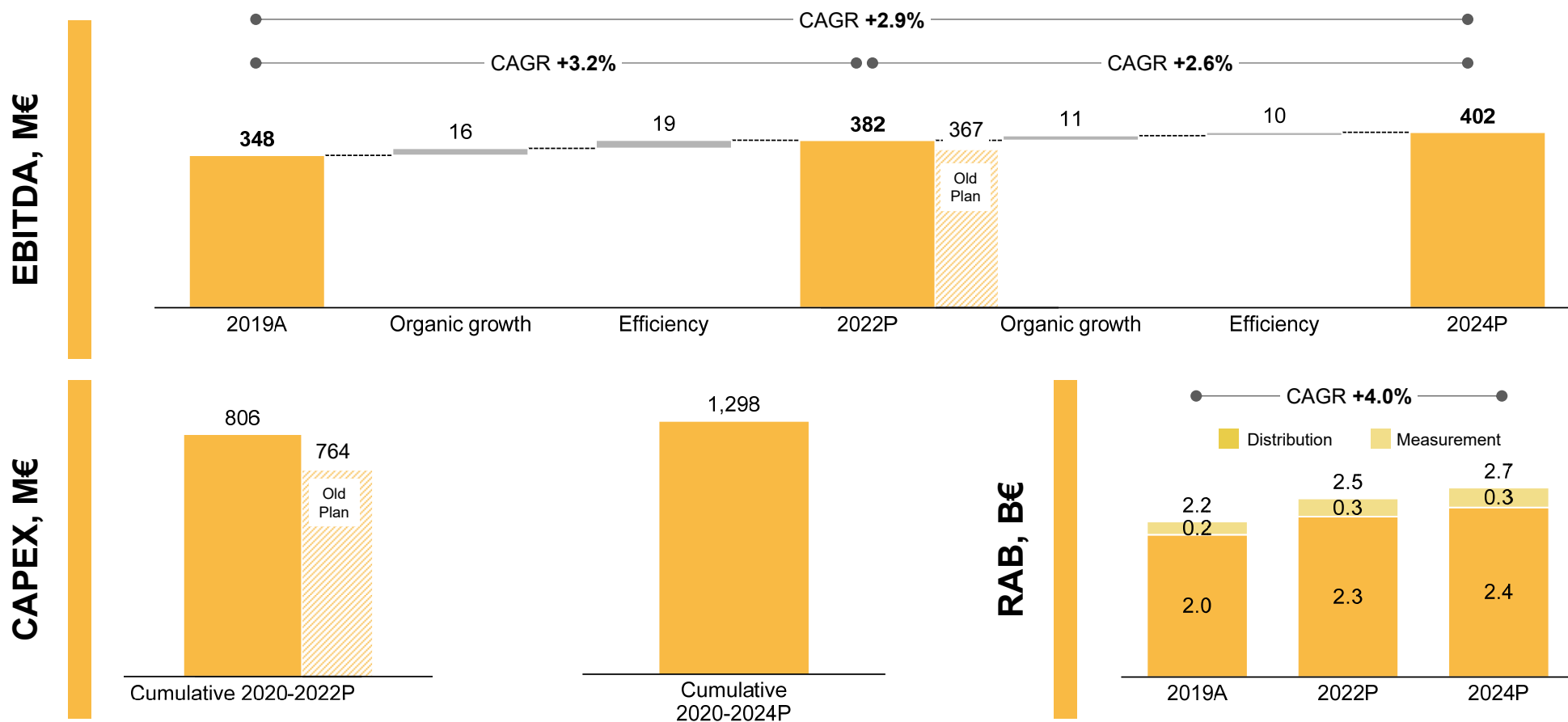


New **Control center** for grids' management

**13+ M€**  
CAPEX



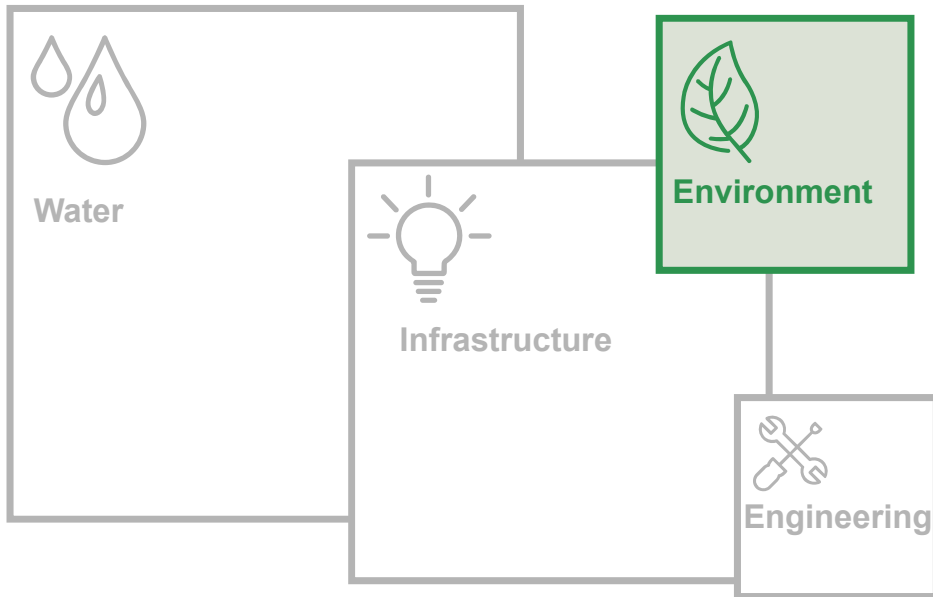
# Energy Infrastructure Key financials



# Agenda

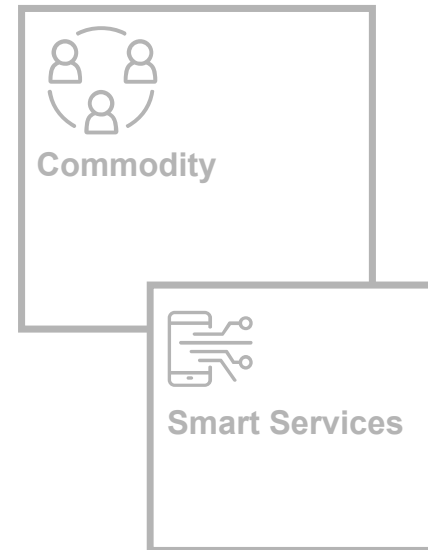
## Operations

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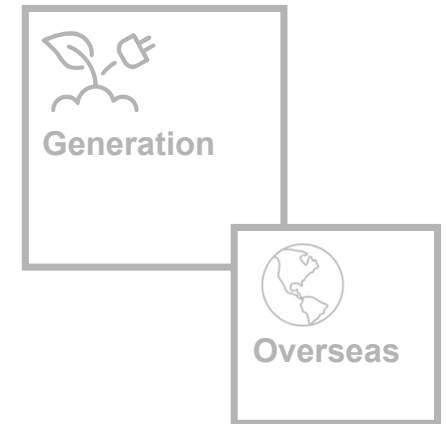
## Commercial

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## Generation / overseas

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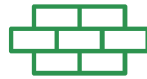




## Environment Main initiatives

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

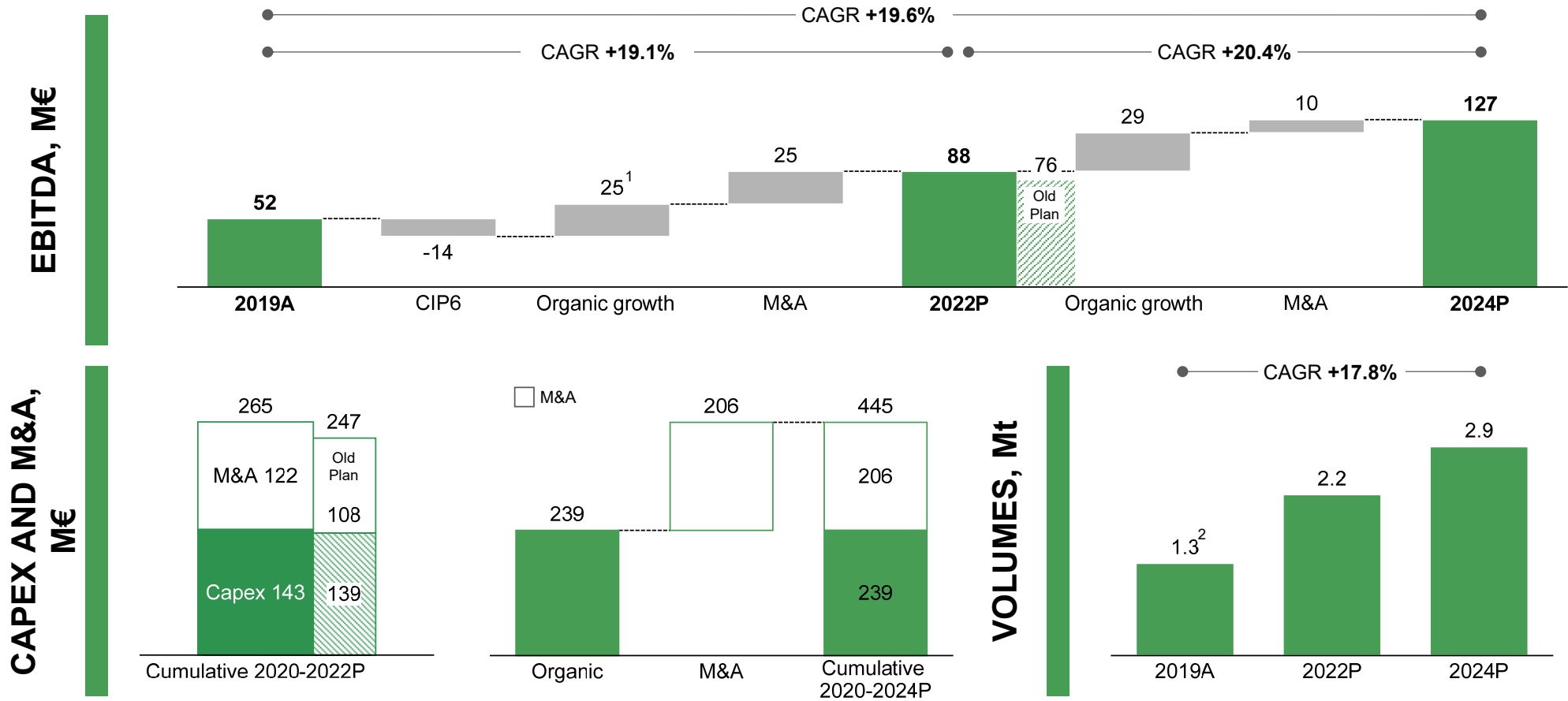


Value creation from the **post-merger integration** of acquired companies **and development of industrial synergies** through operating model commissioning and control systems integration

**15+**  
acquired plants at  
2024



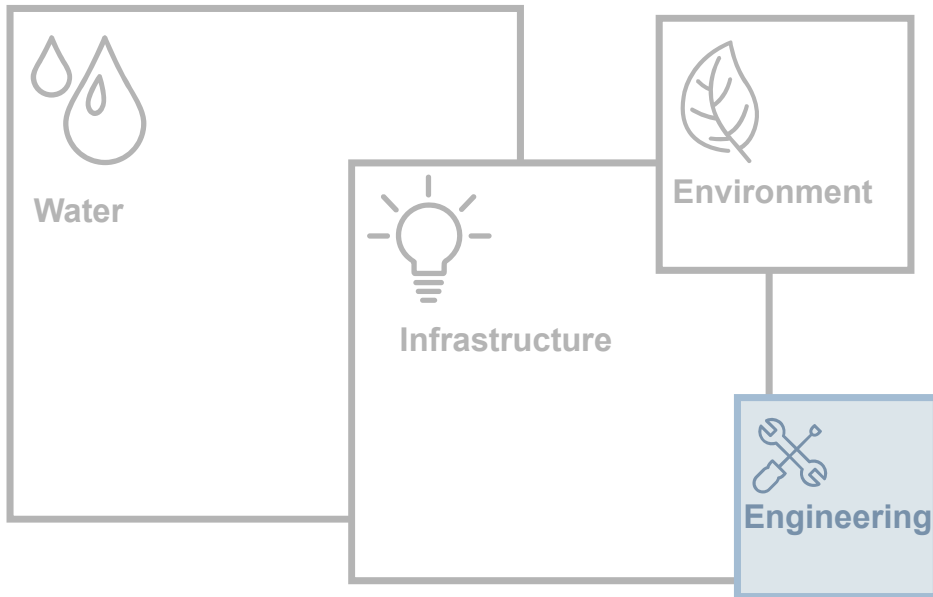
# Environment Key financials



# Agenda

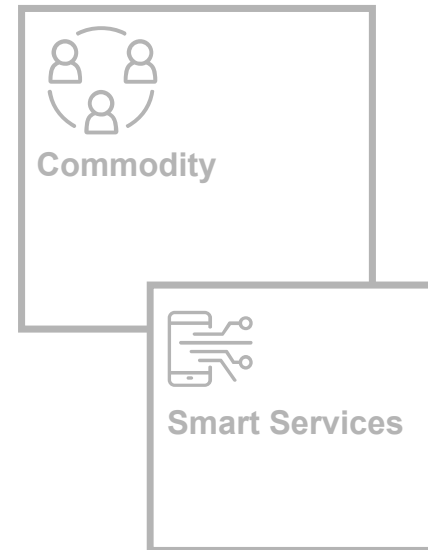
## Operations

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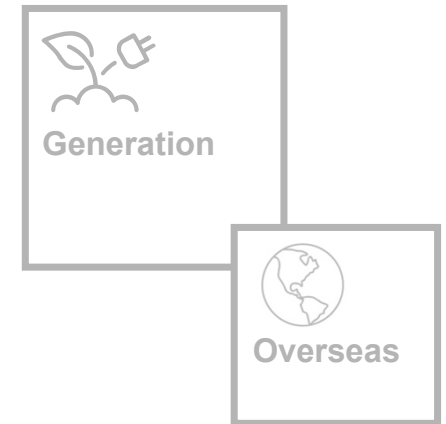
## Commercial

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## Generation / overseas

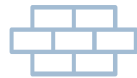
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## Engineering & services Main initiatives

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**

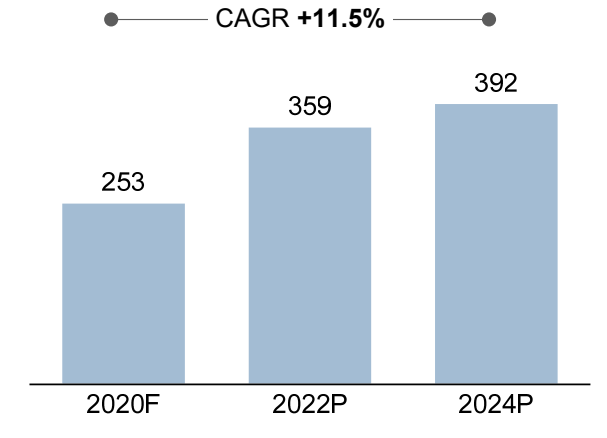
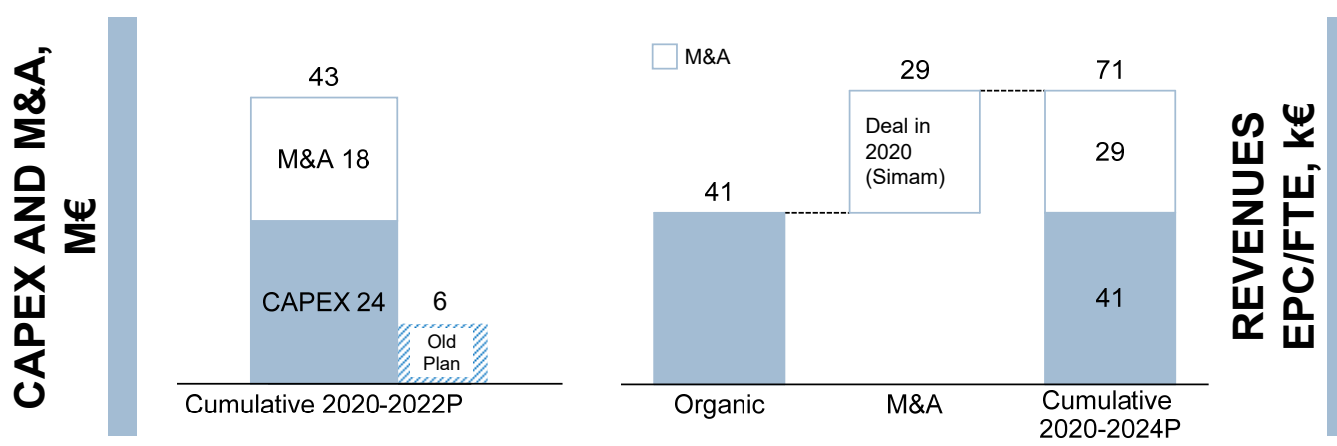
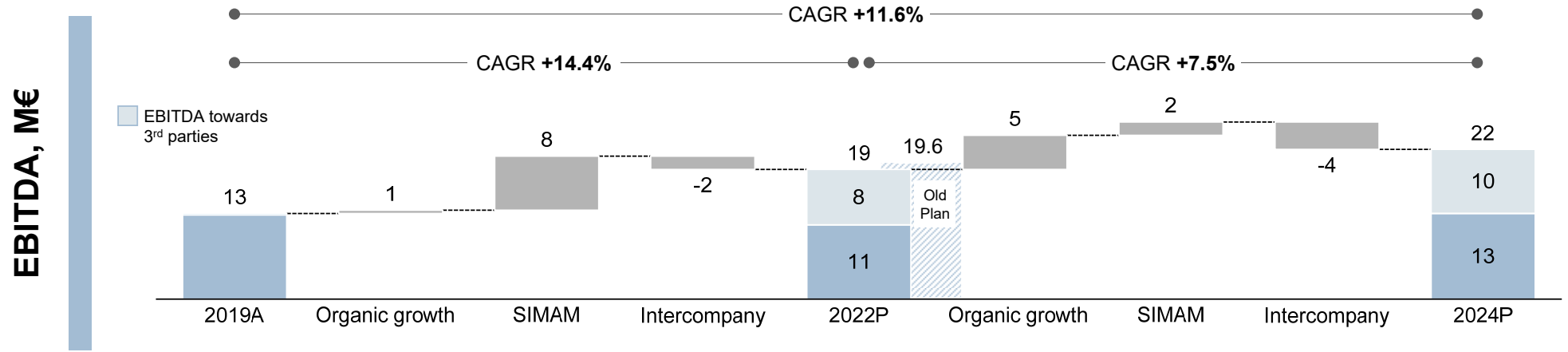


Development of a **commercial unit** to support growth and of a **research center**



# Engineering & services

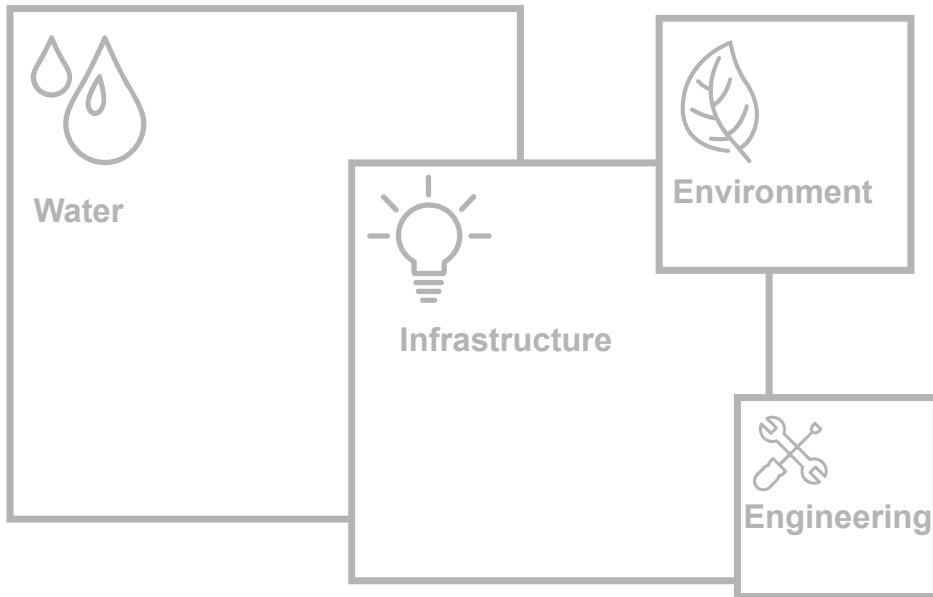
## Key financials



# Agenda

## Operations

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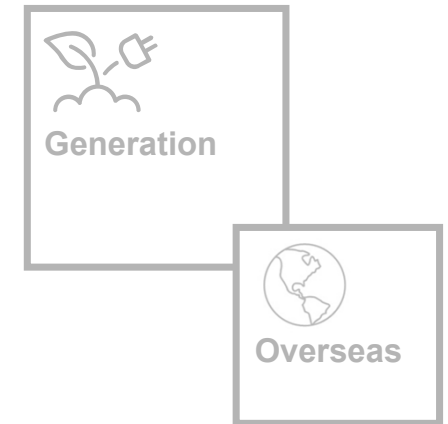
## Commercial


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## Generation / overseas

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 Commercial & trading: focus on energy commodity  
Main initiatives

**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 and 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



Commercial & trading: focus on Smart Services

## Main initiatives

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



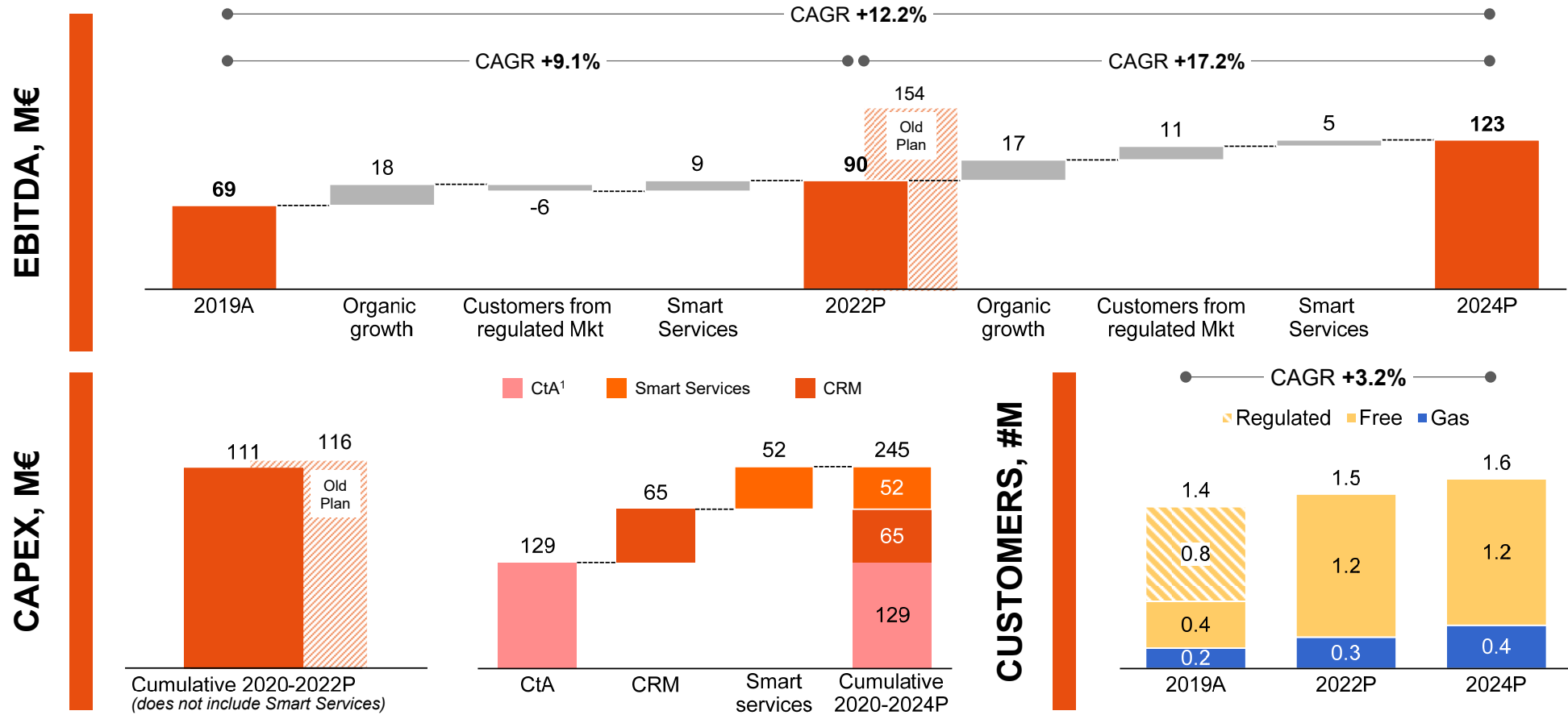
Installation of **residential PV and solar thermal plants**

**~1,000**  
plants installed  
at 2024



# Commercial & trading

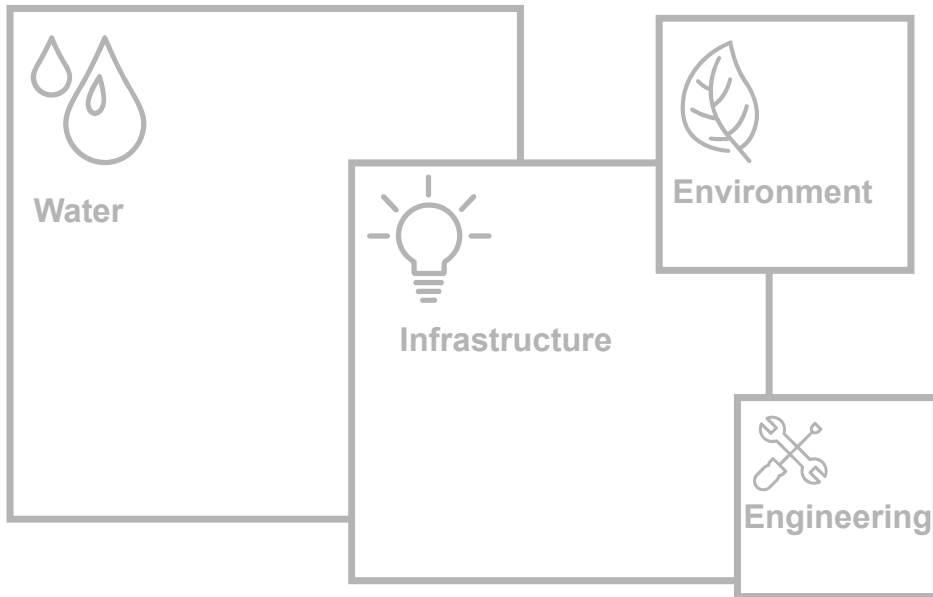
## Key financials



# Agenda

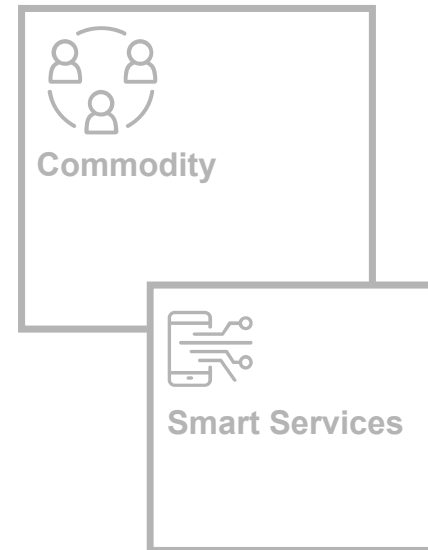
## Operations

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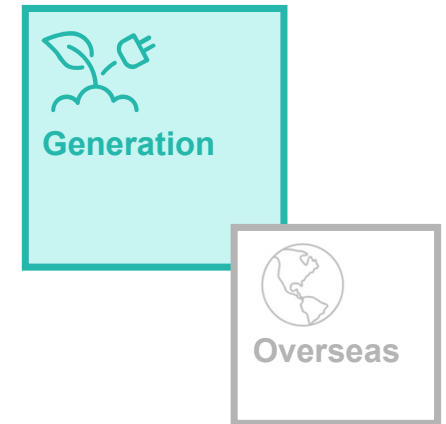
## Commercial

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## Generation / overseas

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**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 agricultural areas**

**569 MW**  
installed at 2024



**M&A development** to accelerate PV portfolio growth

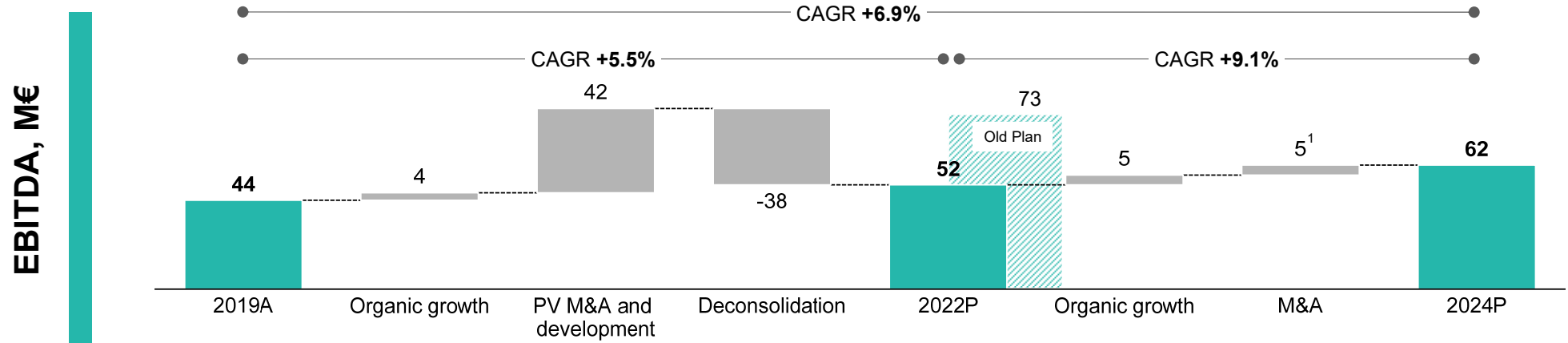
**178 MW**  
installed at 2024



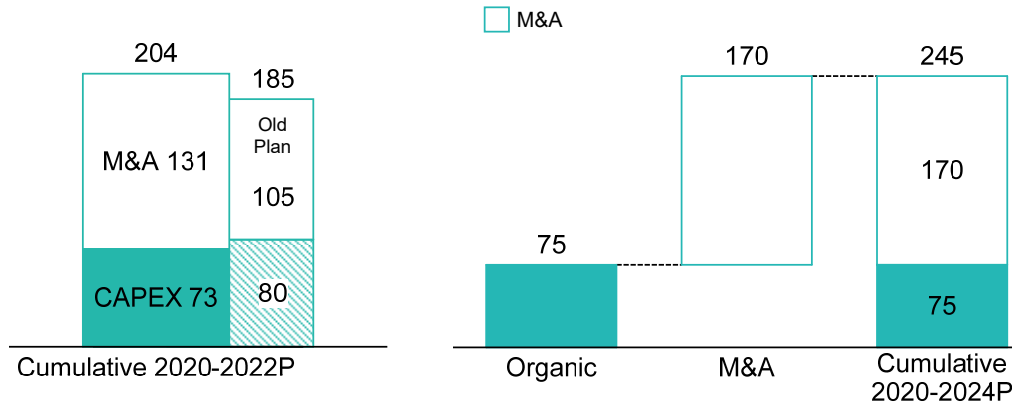
**Deconsolidation of PV stake** to reduce financial exposure and focus on PV investments to become one of the **main players** in the sector

**-150 M€**  
NFP deconsolidation

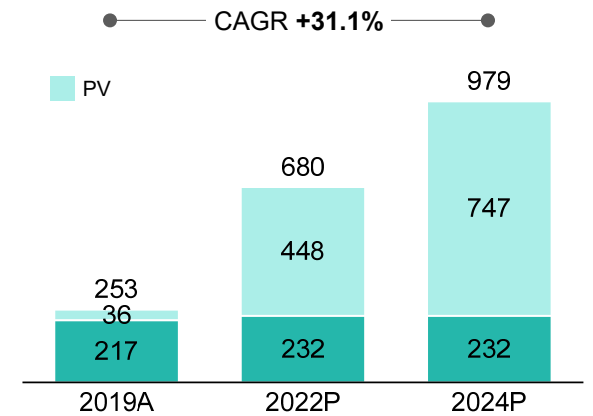
# Generation Key financials



**CAPEX AND M&A, M€**



**POWER, MWe**

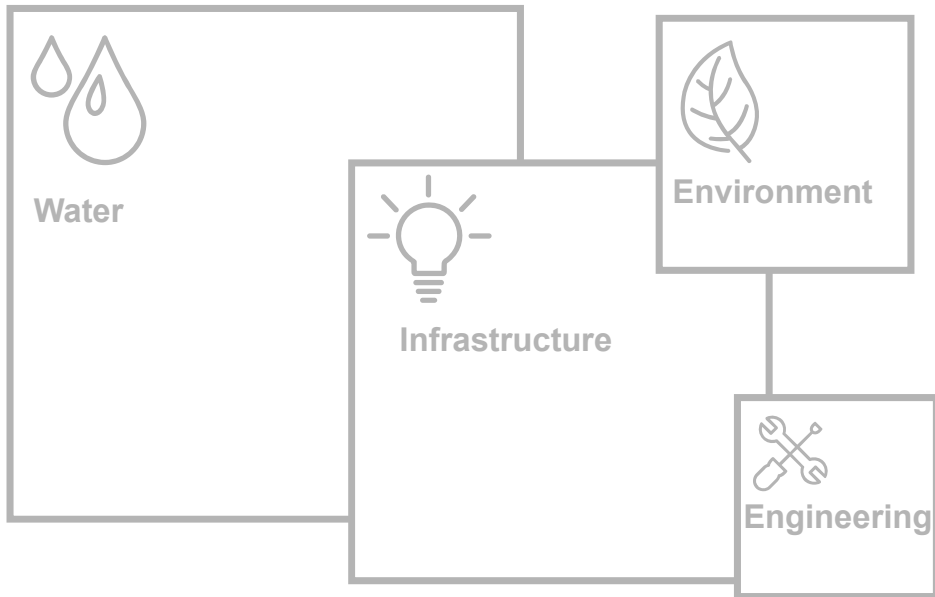


Fonte: (1) Post deconsolidation the EBITDA value is equal to the Net Income pertaining to the company

# Agenda

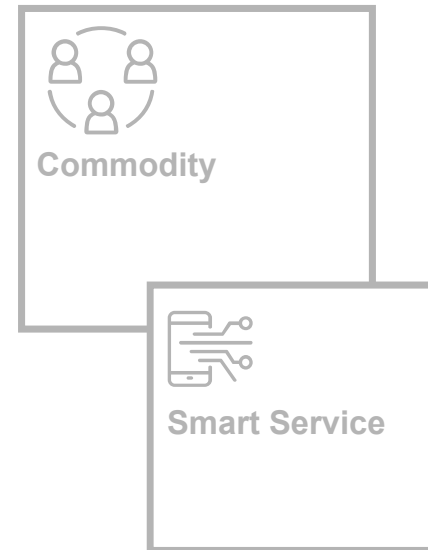
## Operations

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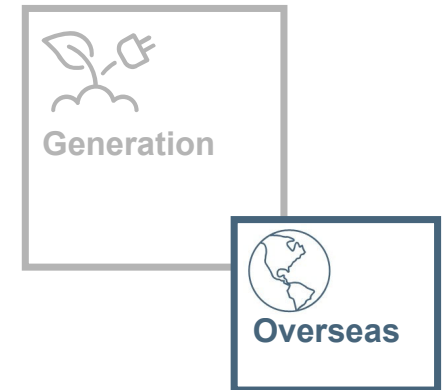
## Market

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## Generation / overseas

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# Overseas

## Current positioning and key financials

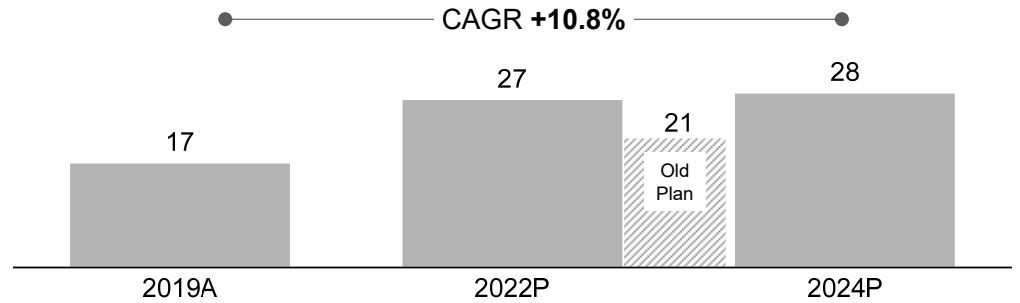
### Current positioning



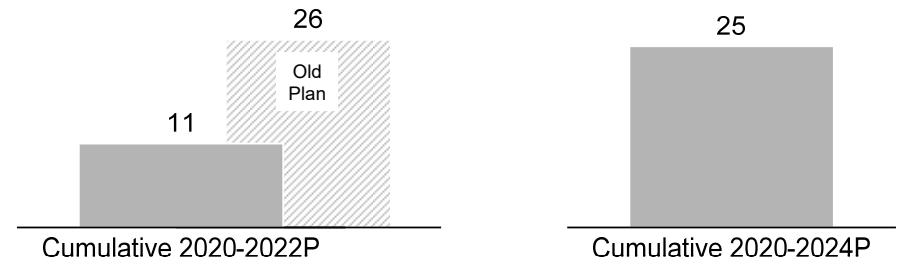
- **Acea International:** overseas holding (management, scouting, tender monitoring)
- **Acea Dominicana:** management of commercial services for the north and east regions of Dominican Republic
- **Consortio Agua Azul:** provision of water and discharge services in the city of Lima
- **Agua de San Pedro:** 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"> <li>• <b>Consolidation of existing concessions</b> in which Acea has a minority stake</li> <li>• <b>Expansion within regions of interest</b></li> </ul>   | <b>+100</b>      | <b>+400</b>        |
| Gas portfolio expansion          |  <ul style="list-style-type: none"> <li>• Growth in gas distribution through <b>tender participation in relevant territories (big cities/ ATEM)</b>, leveraging on the first «tactical» acquisitions</li> </ul>   | <b>+10-20</b>    | <b>+50-130</b>     |
| Boost M&A - Waste                |  <ul style="list-style-type: none"> <li>• <b>Acceleration of market consolidation</b> through further M&amp;A transactions on segments / geographies considered strategic for Acea</li> </ul>  | <b>+25-50</b>    | <b>+200-400</b>    |
| Recovery Fund                    |  <ul style="list-style-type: none"> <li>• Opportunity for Acea to play an active role in the development of <b>major projects</b> financed by the “Recovery Fund” <b>to close the infrastructural gap</b> in areas where it is not possible to invest with tariff incentives</li> </ul> | -                | -                  |



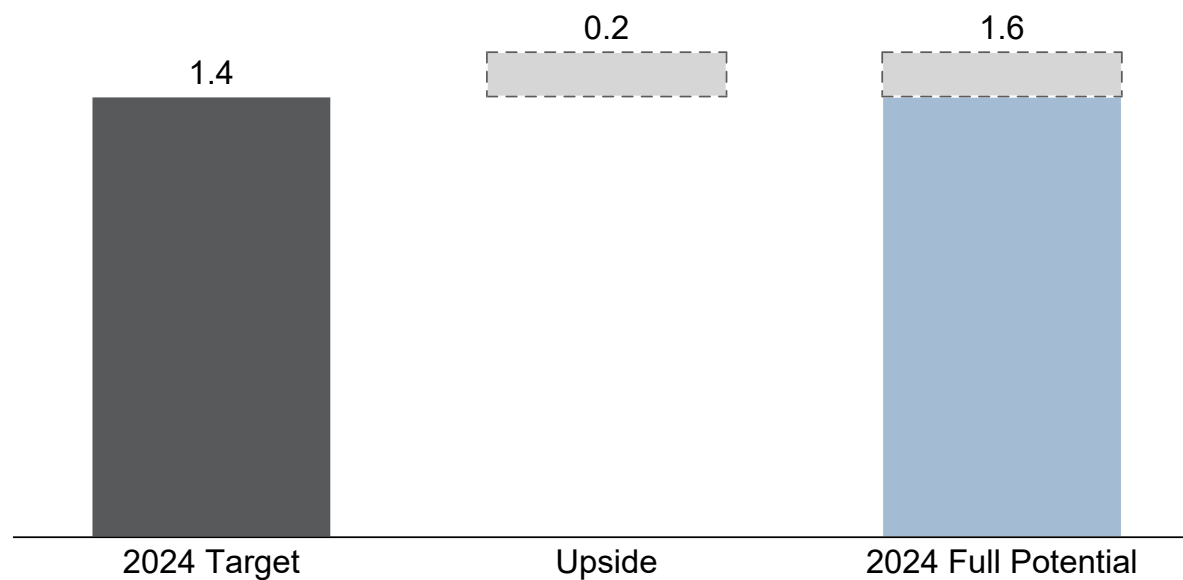
# Strategic opportunities and upsides

## 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  |
|   | <b>CLOSING REMARKS</b>   |
|  | 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

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# Appendix

acea



## 9M 2020 Results

acea

# 9M 2020 Results - Executive summary

## Operational resilience and financial strength

### STRONG PERFORMANCE DESPITE THE CHALLENGING SOCIAL AND ECONOMIC BACKDROP CAUSED BY THE ONGOING HEALTH EMERGENCY INCREASED INVESTMENT IN REGULATED INFRASTRUCTURE



- **EBITDA** of €859m +12% versus 9M 2019
- **EBIT** of €426m +6% versus 9M 2019
- **NET PROFIT** of €219m in line with 9M 2019
- **Capex** of €625m +18% versus 9M 2019

### FURTHER GROWTH OF REGULATED BUSINESSES AND EXPANSION IN PHOTOVOLTAIC AND ENVIRONMENT SECTORS THANKS TO ACQUISITIONS



- **Acquisition of 60% of «Ferrocarril» and «Cavallari»** (which owns 100% of Multigreen) – 4 waste storage, treatment and sorting plants, handling 145k tonnes per year (April 2020)
- **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-technology solutions (May 2020)
- **Acquisition of 51% of «Alto Sangro Distribuzione Gas»** (537 km of network, 34k redelivery points in the province of l'Aquila) (August 2020)
- **Acquisition of photovoltaic plants**, with total installed capacity amounting to 52 MWp. Development of primary market projects, **40 MWp already authorised** out of a pipeline of over 400 MWp
- Placement of a **€500m bond issue** with a term of 9 years and coupon of 0.50% (January 2020)
- **Fitch confirms Acea's rating** of «BBB+» with a «Stable» outlook. (May 2020)
- **Standard Ethics raises outlook** for Acea from “Stable” to “Positive”. Rating of “EE-” (July 2020).
- **New Business Plan 2020-2024 approved** (October 2020), targeting creation of value via strong emphasis on sustainability. Key Plan targets are:
  - CAGR EBITDA of approx. 7%, €1.4bn by 2024;
  - Capex of €4.7bn in the period 2020-2024 (+€700m versus previous Plan).
  - Net Debt/EBITDA ratio of 3x in 2024 and Net Debt/RAB ratio of 0.7x in 2024.
  - Dividends totalling €860m in the period 2020-2024, up on previous Plan, with minimum DPS in 2021 of €0.80.



## 9M 2020 Results - Executive summary

### Operational resilience and financial strength

#### REGULATED BUSINESSES PROVE HIGHLY RESILIENT LIMITED IMPACT ALSO ON ACTIVITIES MOST EXPOSED TO THE CRISIS

#### 9M 2020

- **EBITDA:** growth beats expectations, despite the ongoing health emergency.



#### **CONFIRMATION OF GUIDANCE FOR 2020:**

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

## 9M 2020 Results Financial Highlights

| (€m)                 | 9M 2020<br>(a) | 9M 2019<br>(b) | % change<br>(a/b) |
|----------------------|----------------|----------------|-------------------|
| Consolidated revenue | 2,472          | 2,346          | +5%               |
| EBITDA               | 859            | 769            | +12%              |
| EBIT                 | 426            | 403            | +6%               |
| Group net profit     | 219            | 219            | -                 |

|       |     |     |      |
|-------|-----|-----|------|
| Capex | 625 | 529 | +18% |
|-------|-----|-----|------|

- HIGHLY RESILIENT REGULATED BUSINESSES (Water, Electricity Distribution)
- TIMELY RECOVERY OF NON-REGULATED ACTIVITIES MOST EXPOSED TO THE CRISIS
- CONSOLIDATION OF ACQUEDOTTO DEL FIORA (AdF) FROM OCTOBER 2019
- CONTRIBUTION FROM NEW ACQUISITIONS
- RECOGNITION IN 9M 2019 OF NON-RECURRING INCOME OF €16.2M FOLLOWING CANCELLATION OF ANTITRUST FINE BY REGIONAL ADMINISTRATIVE COURT

| (€m)     | 30 Sept 2020<br>(a) | 31 Dec 2019<br>(b) | 30 Sept 2019<br>(c) | % change<br>(a/b) | % change<br>(a/c) |
|----------|---------------------|--------------------|---------------------|-------------------|-------------------|
| Net debt | 3,535               | 3,063              | 2,960               | +15%              | +19%              |

### Average Group workforce

| 9M 2020 | 9M 2019 | Change |
|---------|---------|--------|
| 7,701   | 6,614   | 1,087* |

# 9M 2020 Results - Executive summary

## “Covid-19 emergency”: a new way of working

The Covid-19 epidemic has accelerated the **adoption of new ways of working** and required us to foster a **solid, shared corporate culture** even when **working remotely**



### Training



Adoption of **remote training programmes for personnel**



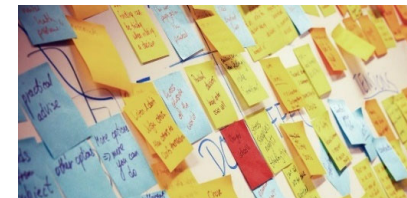
### Workplaces



**Workplaces** suited to the **new organisational arrangements**



### Agile working



Agile ways of working using **virtual scrum boards**



### Performance



**Performance** measured using a **results-driven approach**



### Work-life balance



Improved **quality of life** thanks to **Working From Home** and **reduced commuting**



### Footprint

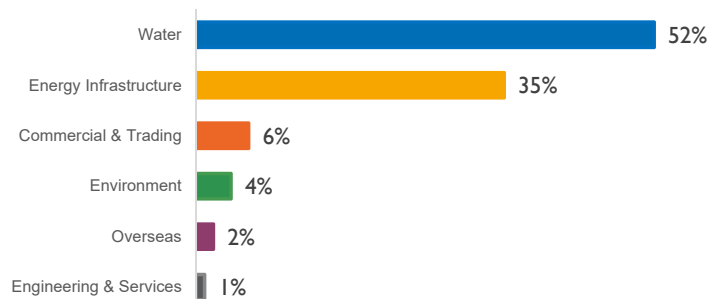


Reduction in the **Company's carbon footprint**

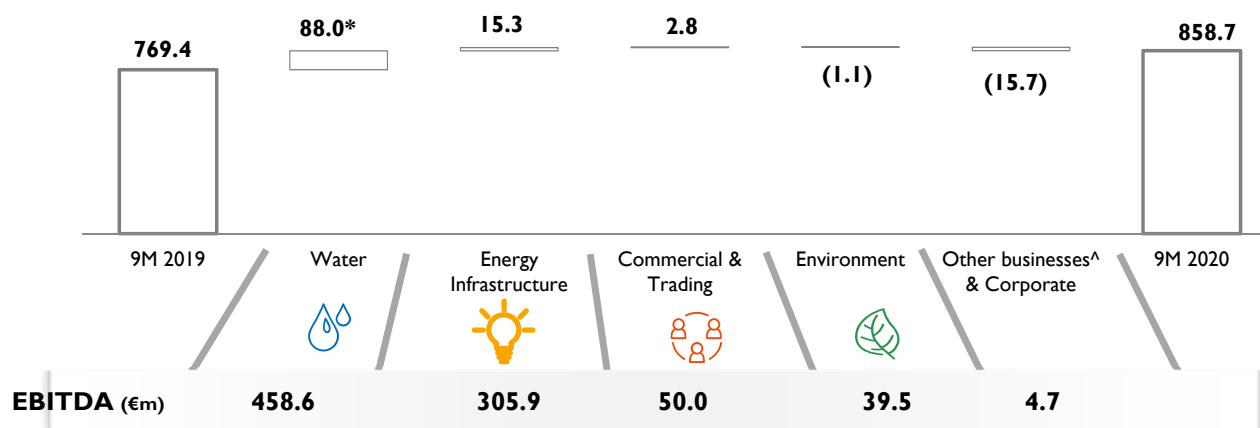
# 9M 2020 Results

## EBITDA

### EBITDA 9M 2020



### EBITDA (€m)



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

| (€m)                             | 9M 2020     | 9M 2019           |
|----------------------------------|-------------|-------------------|
| AdF                              | 44.7        | <sup>^^</sup> 3.6 |
| Consorzio Agua Azul Lima         | 7.3         | <sup>^^</sup> 0.9 |
| Pescara Distribuzione Gas        | 1.6         | 1.2               |
| Alto Sangro Distribuzione Gas    | 0.4         | -                 |
| Demap                            | 3.0         | 1.0               |
| Berg                             | 1.5         | -                 |
| Ferrocarril/Cavallari/Multigreen | 3.0         | -                 |
| Simam                            | 3.1         | -                 |
| Photovoltaic                     | 10.1        | 2.3               |
| <b>TOTAL</b>                     | <b>74.7</b> | <b>9.0</b>        |

### ORGANIC GROWTH ~+8%:

after stripping out the impact on the results for 9M 2019 of cancellation of the Antitrust fine and CIP6 feed-in tariffs and before changes in the scope of consolidation

## 9M 2020 Results

# EBITDA and operational results - Financial highlights



### EBITDA GROWTH

EBITDA  
main  
drivers

- 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 (€25.5m), offset by recognition of new cost components (including those relating to sludge disposal)
- Line-by-line consolidation of AdF (from October 2019): +€41.1m
- Acquisition of Pescara Distribuzione Gas (March 2019): +€0.4m
- Acquisition of Alto Sangro Distribuzione Gas (August 2020): +€0.4m

| (€m)                               | 9M 2020<br>(a) | 9M 2019<br>(b) | %change<br>(a/b) |
|------------------------------------|----------------|----------------|------------------|
| <b>EBITDA</b>                      | <b>458.6</b>   | <b>370.7</b>   | <b>+23.7%</b>    |
| Acea ATO2                          | 304.0          | 270.5          | +12.4%           |
| Acea ATO5                          | 25.1           | 19.2           | +30.7%           |
| Gori                               | 59.7           | 51.3           | +16.4%           |
| AdF                                | 44.7           | 3.6            | n/s              |
| Equity-accounted water companies   | 20.7           | 26.2           | -21.0%           |
| Other consolidated water companies | 2.4            | (1.3)          | n/s              |
| Gas distribution                   | 2.0            | 1.2            | +66.7%           |
| <b>Capex</b>                       | <b>338.4</b>   | <b>253.5</b>   | <b>+33.5%</b>    |

## 9M 2020 Results

# EBITDA and operational results - Financial highlights



## Energy Infrastructure

### KEY HIGHLIGHTS

- Acquisition of new photovoltaic plants: raising total capacity to 52 MWp

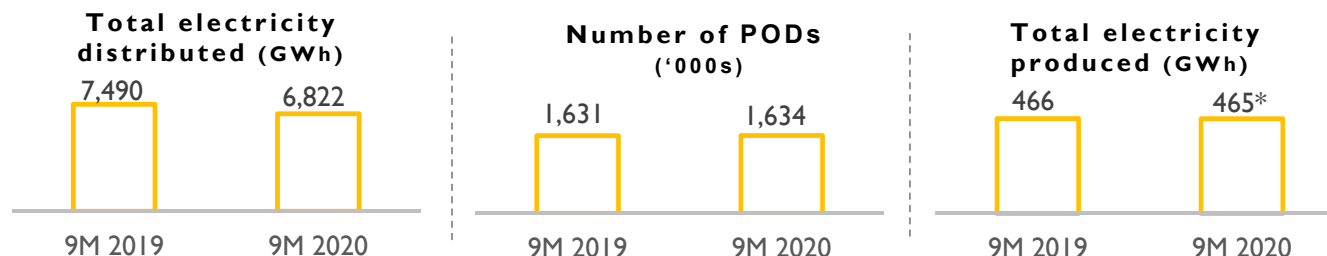
### EBITDA GROWTH

- Distribution: +€15.7m (primarily due to tariff and regulatory effects)
- Generation: -€0.3m:
  - Photovoltaic: +€7.6m
  - Hydroelectric: declining volumes and sharp fall in prices (Covid-19 emergency): -€7.9m

EBITDA  
main  
drivers



| (€m)              | 9M 2020<br>(a) | 9M 2019<br>(b) | %change<br>(a/b) |
|-------------------|----------------|----------------|------------------|
| <b>EBITDA</b>     | <b>305.9</b>   | <b>290.6</b>   | <b>+5.3%</b>     |
| - Distribution    | 271.2          | 255.5          | +6.1%            |
| - Generation      | 35.2           | 35.5           | -0.8%            |
| - Public Lighting | (0.5)          | (0.4)          | n/s              |
| <b>Capex</b>      | <b>222.8</b>   | <b>196.5</b>   | <b>+13.4%</b>    |
| - Distribution    | 201.1          | 185.0          | +8.7%            |
| - Generation      | 18.7           | 9.7            | +92.8%           |
| - Public Lighting | 3.0            | 1.8            | +66.7%           |



\* of which photovoltaic: 50 GWh

# 9M 2020 Results

## EBITDA and operational results - Financial highlights



### Commercial & Trading

#### KEY HIGHLIGHTS

- Increased customer base on free market
- Ability to restore margins despite the Covid-19 emergency

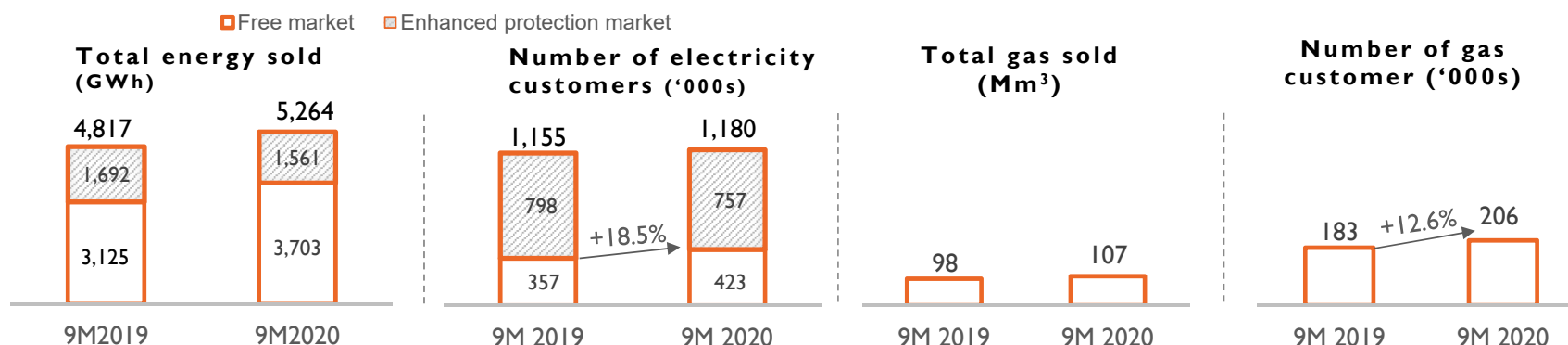
#### EBITDA

EBITDA  
main  
drivers



- Increased margin on free market: greater number of mass market customers and higher volume of electricity sold
- 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-September period due to Covid-19 emergency

| (€m)   | 9M 2020<br>(a) | 9M 2019<br>(b) | %change<br>(a/b) |
|--------|----------------|----------------|------------------|
| EBITDA | 50.0           | 47.2           | +5.9%            |
| Capex  | 27.0           | 31.8           | -15.1%           |



## 9M 2020 Results

# EBITDA and operational results - Financial highlights



## Environment

### EBITDA

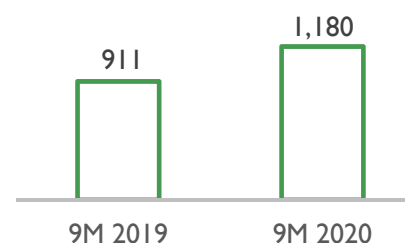
EBITDA  
main  
drivers



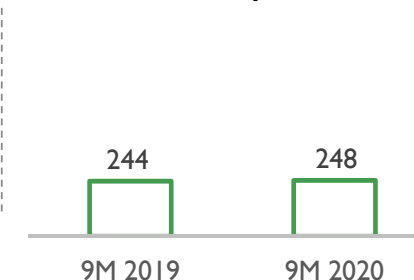
- Change in scope of consolidation:
  - ✓ Acquisition of Demap (July 2019): +€2.0m
  - ✓ Acquisition of Berg (October 2019): +€1.5m
  - ✓ Acquisition of Ferrocart/Cavallari/Multigreen (April 2020): +€3.0m
- Increase in disposal tariffs and volumes
- End of CIP6 feed-in tariffs from 1 August 2019: -€18.7m
- Reduction in prices of energy sold

| (€m)                               | 9M 2020<br>(a) | 9M 2019<br>(b) | %change<br>(a/b) |
|------------------------------------|----------------|----------------|------------------|
| EBITDA                             | 39.5           | 40.6           | -2.7%            |
| of which: Demap                    | 3.0            | 1.0            | n/s              |
| Berg                               | 1.5            | -              | n/s              |
| Ferrocart/Cavallari<br>/Multigreen | 3.0            | -              | n/s              |
| Capex                              | 18.2           | 29.4           | -38.1%           |

Treatment and disposal (Ktonnes)



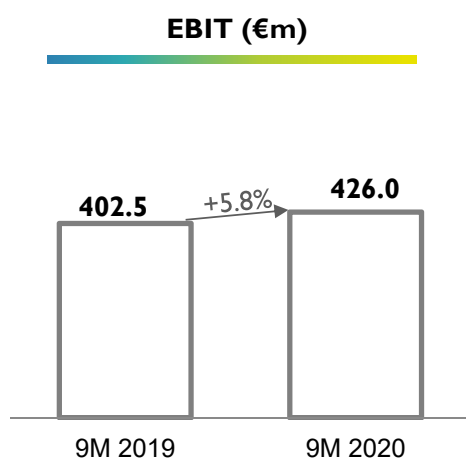
Electricity sold (GWh)



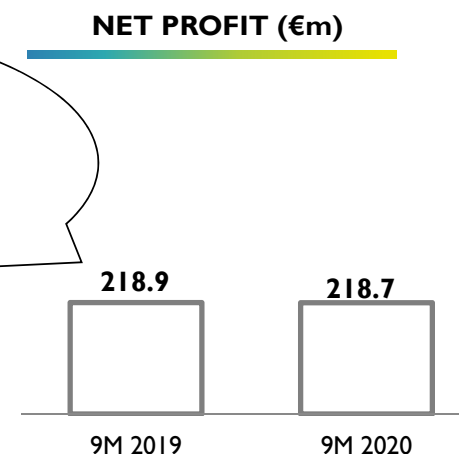


# 9M 2020 Results

## EBIT and net profit



- CIP6 feed-in tariffs (Environment segment) ended from 1 August 2019: ~€13m
- Recognition of non-recurring income following cancellation of antitrust fine: €16.2m

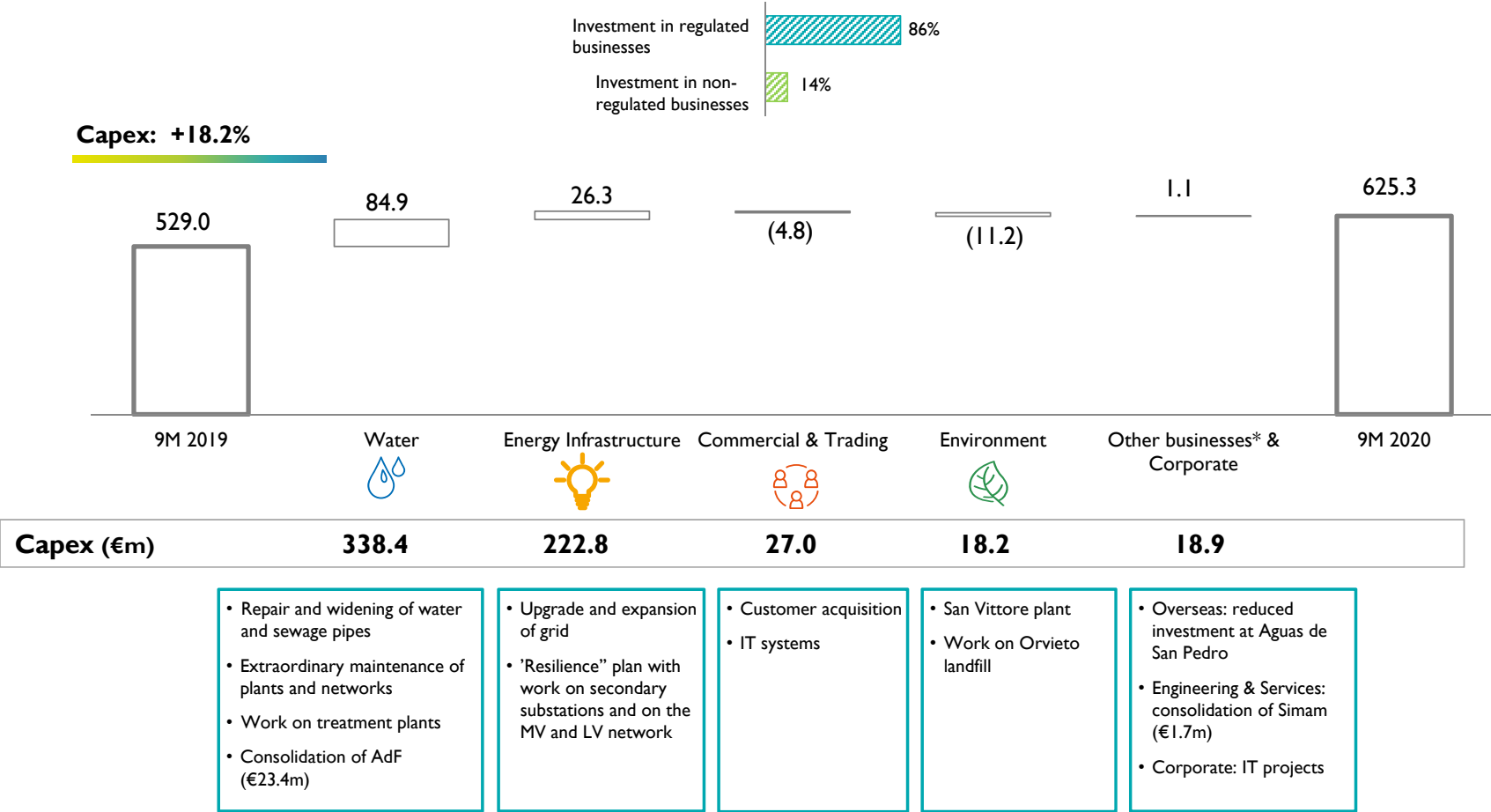


| TAX RATE | 9M 2019 | 9M 2020 |
|----------|---------|---------|
|          | 30.0%   | 30.5%   |

| (€m)         | 9M 2020      | 9M 2019      | % change      |                                 |
|--------------|--------------|--------------|---------------|---------------------------------|
| Depreciation | 364.8        | 306.7        | +18.9%        | ➔ Consolidation of AdF (€20.2m) |
| Write-downs  | 58.1         | 51.8         | +12.2%        | ➔ Consolidation of AdF (€1.1m)  |
| Provisions   | 9.8          | 8.4          | +16.7%        | ➔ Consolidation of AdF (€1.0m)  |
| <b>Total</b> | <b>432.7</b> | <b>366.9</b> | <b>+17.9%</b> |                                 |

# 9M 2020 Results

## CAPEX - Continuing to invest on regulated activities



\* Overseas, Engineering & Services

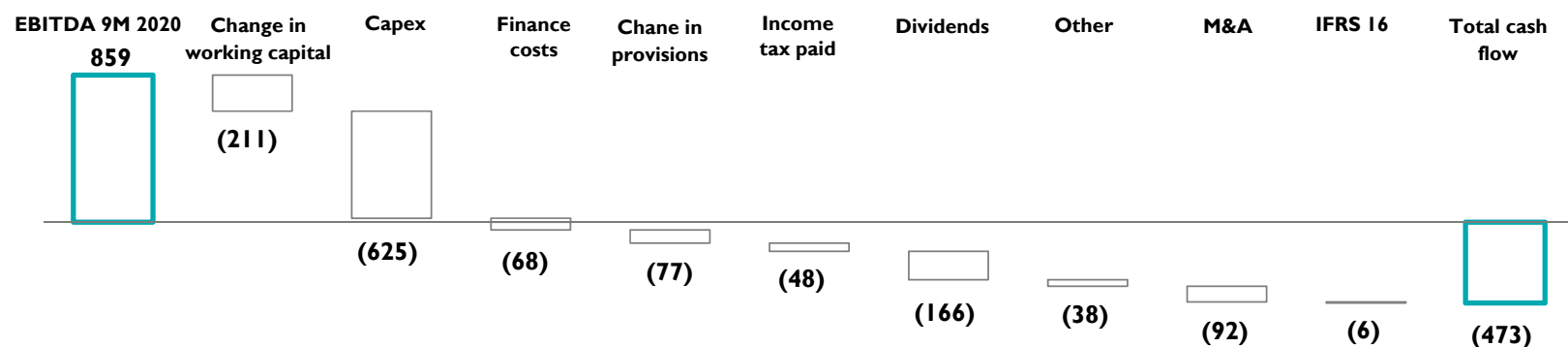
# 9M 2020 Results

## Cash flow - Ongoing focus on working capital improvement

|                            | 9M 2020      | 9M 2019      |
|----------------------------|--------------|--------------|
| EBITDA                     | 859          | 769          |
| Change in working capital  | (211)        | (118)        |
| Capex                      | (625)        | (529)        |
| <b>FREE CASH FLOW</b>      | <b>22</b>    | <b>122</b>   |
| Net finance income/(costs) | (68)         | (66)         |
| Change in provisions       | (77)         | (81)         |
| Income tax paid            | (48)         | (58)         |
| Dividends                  | (166)        | (151)        |
| Other                      | (38)         | (29)         |
| M&A                        | (92)         | (71)         |
| IFRS 16                    | (6)          | (60)         |
| <b>TOTAL CASH FLOW</b>     | <b>(473)</b> | <b>(394)</b> |

Increased cash outflow due to change in working capital was influenced by regulatory effects and impact of Covid-19 emergency (~€90m)

- Covid-19 emergency (€57m):
  - ✓ payments in arrears at Acea Energia and the water companies (€27m)
  - ✓ deferred collection of regulatory items (€30m)
- Increase in regulatory impact (€33m)



# 9M 2020 Results

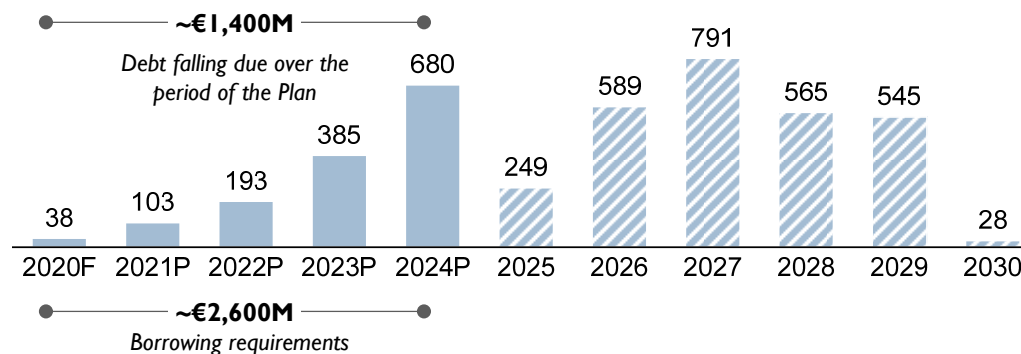
## Net debt

| (€m)             | 30 Sept 2020<br>(a) | 31 Dec 2019<br>(b) | 30 Sept 2019<br>(c) | Change<br>(a-b) | Change<br>(a-c) |
|------------------|---------------------|--------------------|---------------------|-----------------|-----------------|
| Net debt         | 3,535.4             | 3,062.8            | 2,960.3             | 472.6           | 575.1           |
| Medium/long-term | 4,116.9             | 3,523.3            | 3,467.5             | 593.6           | 649.4           |
| Short-term       | (581.5)             | (460.5)            | (507.2)             | (121.0)         | (74.3)          |

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

|   |
|---|
| NET DEBT/ EBITDA LTM<br>30 September 2020 |
| 3.1x                                      |

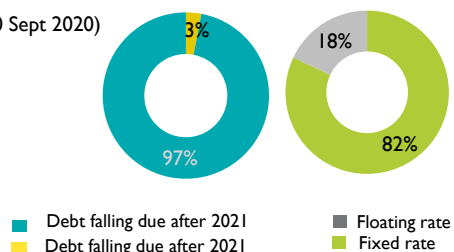
### Debt (€m)



### Structure of debt

(maturity and interest rates at 30 Sept 2020)

- > Fixed rate 82%
- > Average cost 1.76%
- > Average term 5.6 years



### Ratings

FitchRatings

BBB+

Stable Outlook

MOODY'S

Baa2

Stable Outlook

### Sustainability ratings



A-

Leadership



EE-

Positive



# H1 2020 Results

acea

# H1 2020 Results

## Financial Highlights

| (€m)                 | HI 2020<br>(a) | HI 2019<br>(b) | % change<br>(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% |
|-------|-------|-------|--------|

### Average Group workforce

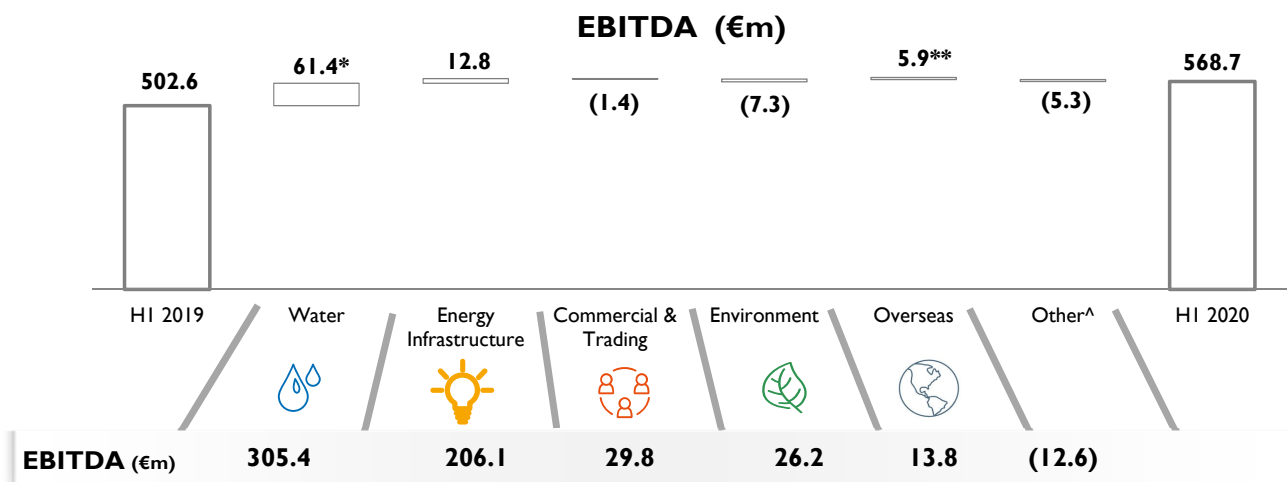
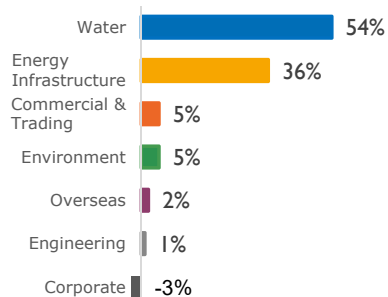
| HI 2020 | HI 2019 | Change  |
|---------|---------|---------|
| 7,909   | 6,611   | +1,298* |

| (€m)     | 30 June 2020<br>(a) | 31 Dec 2019<br>(b) | 30 June 2019<br>(c) | % change<br>(alb) | % change<br>(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         | -          |
| <b>TOTAL</b>                     | <b>48.2</b> | <b>3.7</b> |

\* 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

# H1 2020 Results

## EBITDA and quantitative data



### 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<br>(a) | HI 2019<br>(b) | %change<br>(a/b) |
|------------------------------------|----------------|----------------|------------------|
| <b>EBITDA</b>                      | <b>305.4</b>   | <b>244.0</b>   | <b>+25.2%</b>    |
| 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              |
| <b>Capex</b>                       | <b>229.2</b>   | <b>168.3</b>   | <b>+36.2%</b>    |



# H1 2020 Results

## EBITDA and quantitative data



### 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:

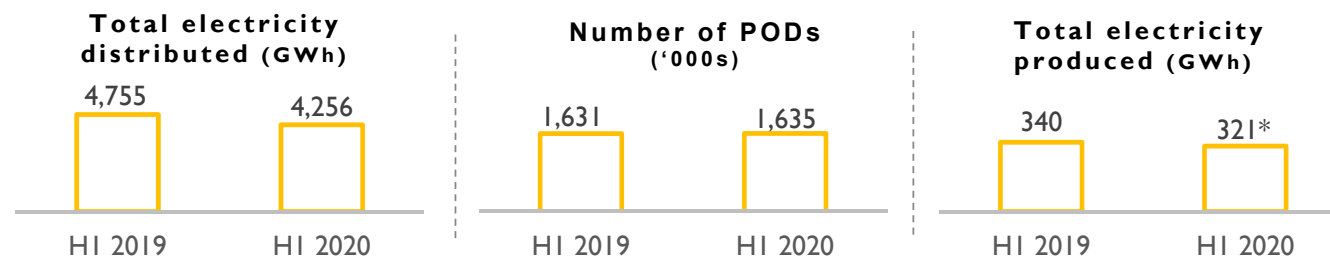
⬇️ Declining volumes and sharp fall in energy market prices, partly due to Covid-19 emergency

⬆️ Photovoltaic +€5.7m

EBITDA  
main  
drivers



| (€m)              | HI 2020<br>(a) | HI 2019<br>(b) | %change<br>(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%            |



\* of which photovoltaic: 28 GWh

# H1 2020 Results

## EBITDA and quantitative data



### 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

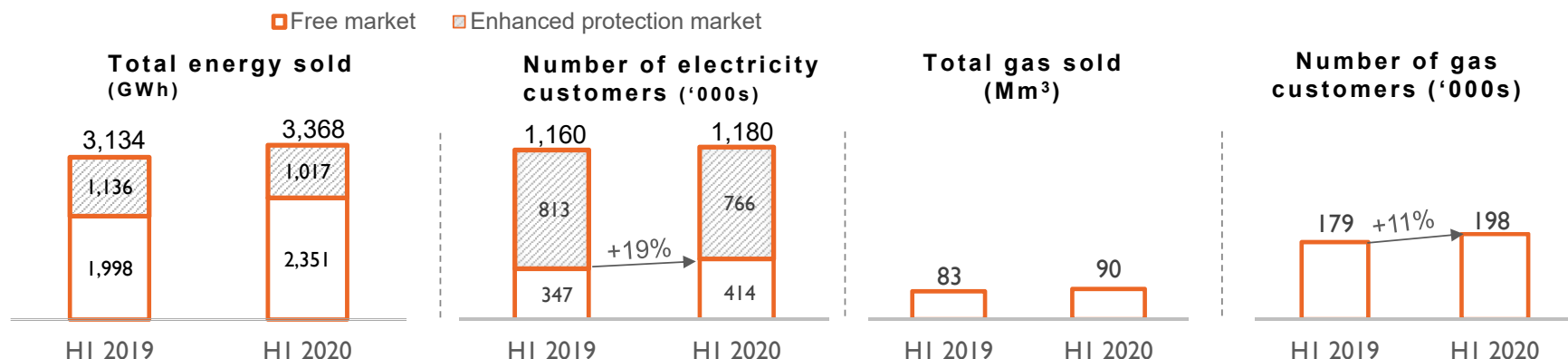
#### EBITDA

- 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<br>(a) | HI 2019<br>(b) | %change<br>(a/b) |
|--------|----------------|----------------|------------------|
| EBITDA | 29.8           | 31.2           | -4.5%            |
| Capex  | 17.4           | 18.5           | -5.9%            |



# H1 2020 Results

## EBITDA and quantitative data

### Environment

#### KEY HIGHLIGHTS H1 2020

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

#### EBITDA

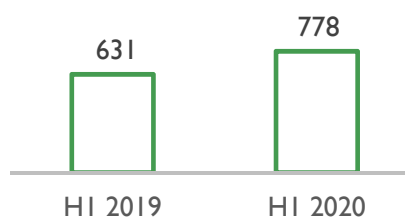
- Acquisition of Demap (July 2019): +€2.0m
- Acquisition of Berg (October 2019): +€1.1m
- Acquisition of Ferrocart/Cavallari/Multigreen (April 2020): +€1.6m
- Increase in disposal tariffs and volume
- End of CIP6 incentives from 1 August 2019 (-€18.0m)

EBITDA  
main  
drivers

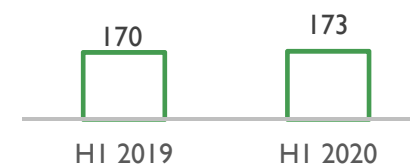


| (€m)                               | HI 2020<br>(a) | HI 2019<br>(b) | %change<br>(a/b) |
|------------------------------------|----------------|----------------|------------------|
| EBITDA                             | 26.2           | 33.5           | -21.8%           |
| of which: Demap                    | 2.0            | -              | n/s              |
| Berg                               | 1.1            | -              | n/s              |
| Ferrocart/Cavallari/<br>Multigreen | 1.6            | -              | n/s              |
| Capex                              | 9.5            | 10.6           | -10.4%           |

#### Treatment and disposal\* (Ktonnes)

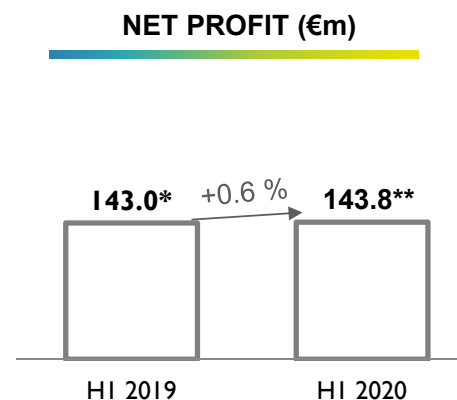
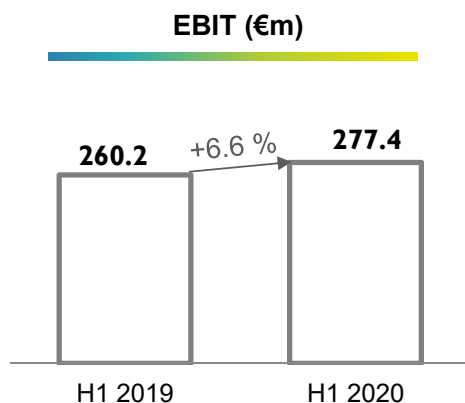


#### Energy sold (GWh)



# H1 2020 Results

## EBIT and net profit



| (€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%        |
| <b>Total</b> | <b>291.2</b> | <b>242.4</b> | <b>+20.1%</b> |

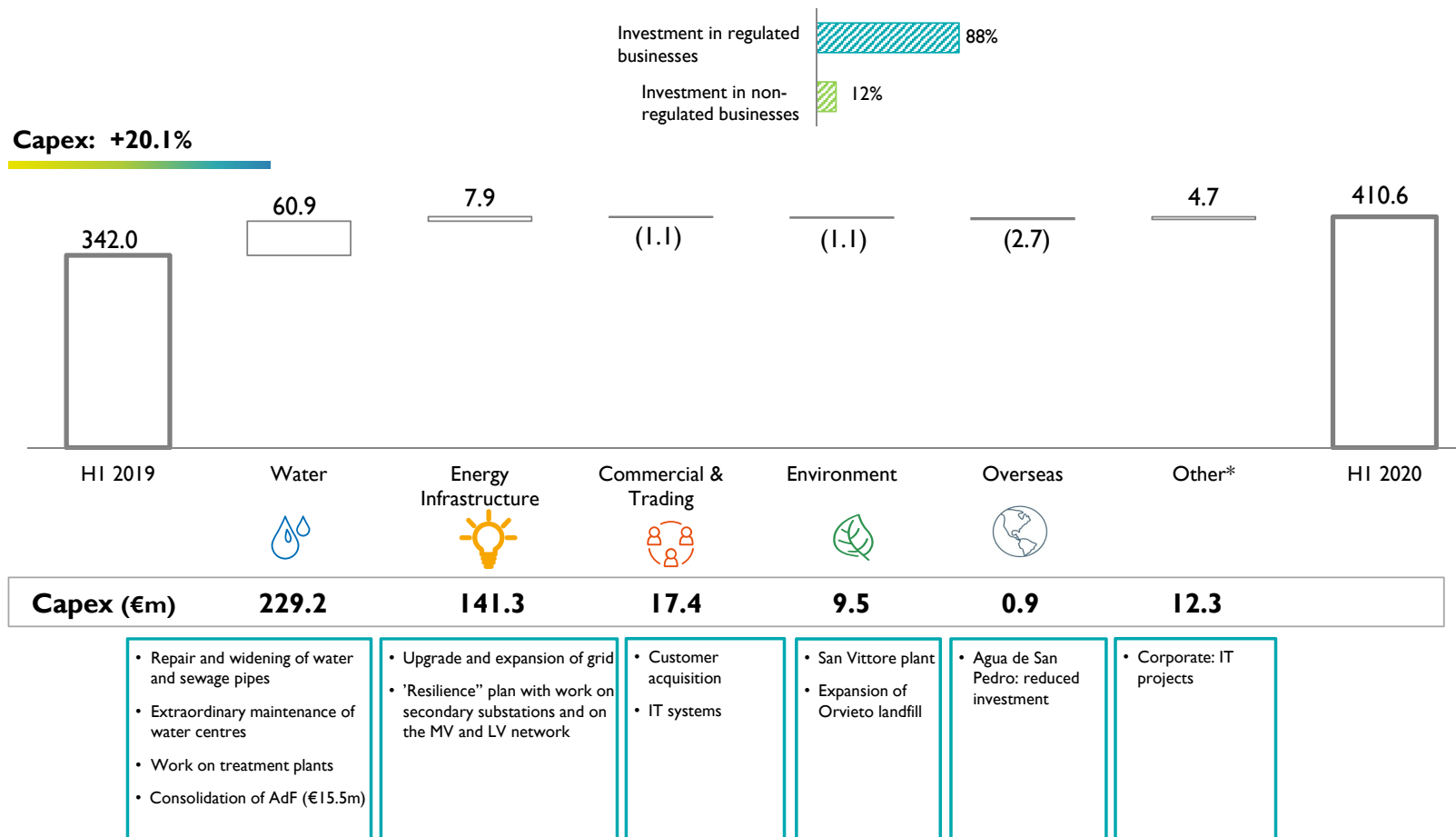
- ➔ Consolidation of AdF (€13.0m)  
Increased capex, above all in Water segment
- ➔ Effect of Covid-19 emergency and consolidation of AdF (€0.9m)
- ➔ Consolidation of AdF (€0.7m)

| TAX RATE | 30.0% | 30.5% |
|----------|-------|-------|
|----------|-------|-------|

- \* 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

# H1 2020 Results

## CAPEX – growth in capex on regulated activities continues



\* Engineering, Corporate

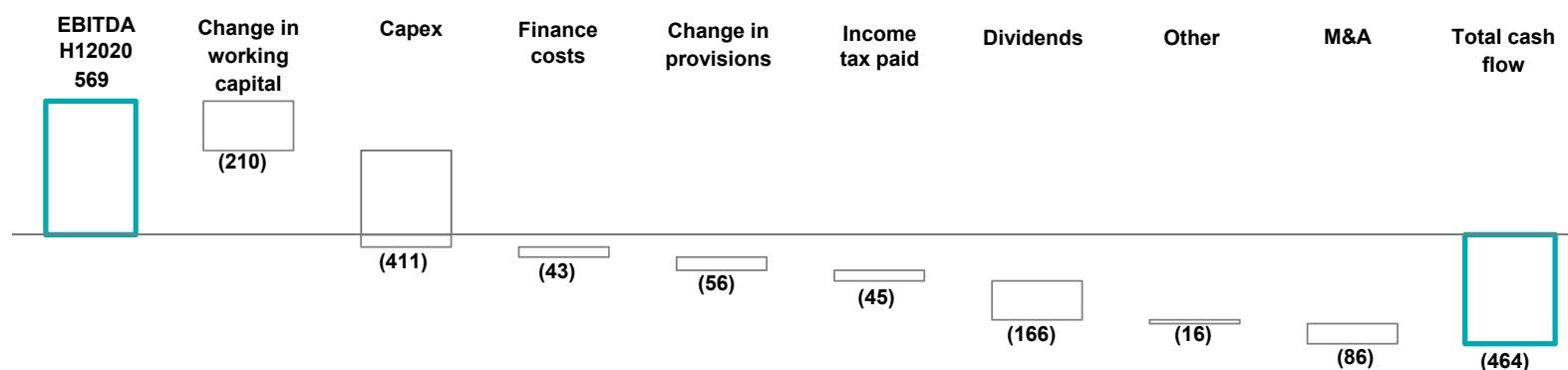
# H1 2020 Results

## Cash Flow – continued focus on reducing working capital

|                            | HI 2020      | HI 2019      |
|----------------------------|--------------|--------------|
| EBITDA                     | 569          | 503          |
| Change in working capital  | (210)        | (96)         |
| Capex                      | (411)        | (342)        |
| <b>FREE CASH FLOW</b>      | <b>(52)</b>  | <b>65</b>    |
| 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)         |
| <b>TOTAL CASH FLOW</b>     | <b>(464)</b> | <b>(274)</b> |

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)



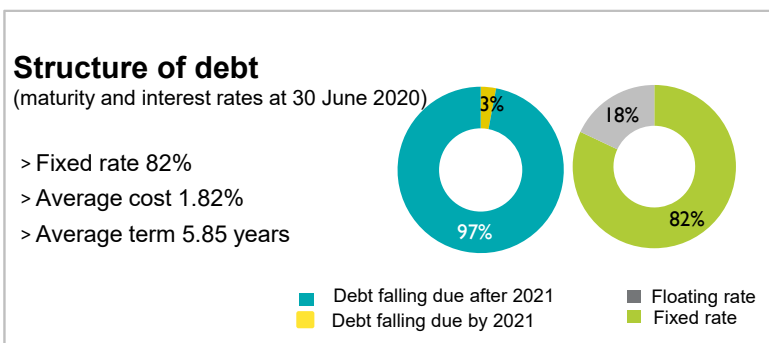
# H1 2020 Results

## Net debt

| (€m)             | 30 June 2020<br>(a) | 31 Dec 2019<br>(b) | 30 June 2019<br>(c) | Change<br>(a-b) | Change<br>(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<br>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%



**Ratings**

|                     |                |
|---------------------|----------------|
| <b>FitchRatings</b> | BBB+           |
|                     | Stable Outlook |
| <b>MOODY'S</b>      | Baa2           |
|                     | Stable Outlook |



# 2019 Results

acea



## 2019 Results

### Financial Highlights

| (€m)                   | 2019<br>(a) | 2018<br>(b) | % change<br>(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<br>(a) | 30 Sept 2019<br>(b) | 31 Dec 2018<br>(c) | % change<br>(a/b) | % change<br>(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:  $\geq +7\%$
- Guidance provided in 9M 2019:  $\geq +10\%$

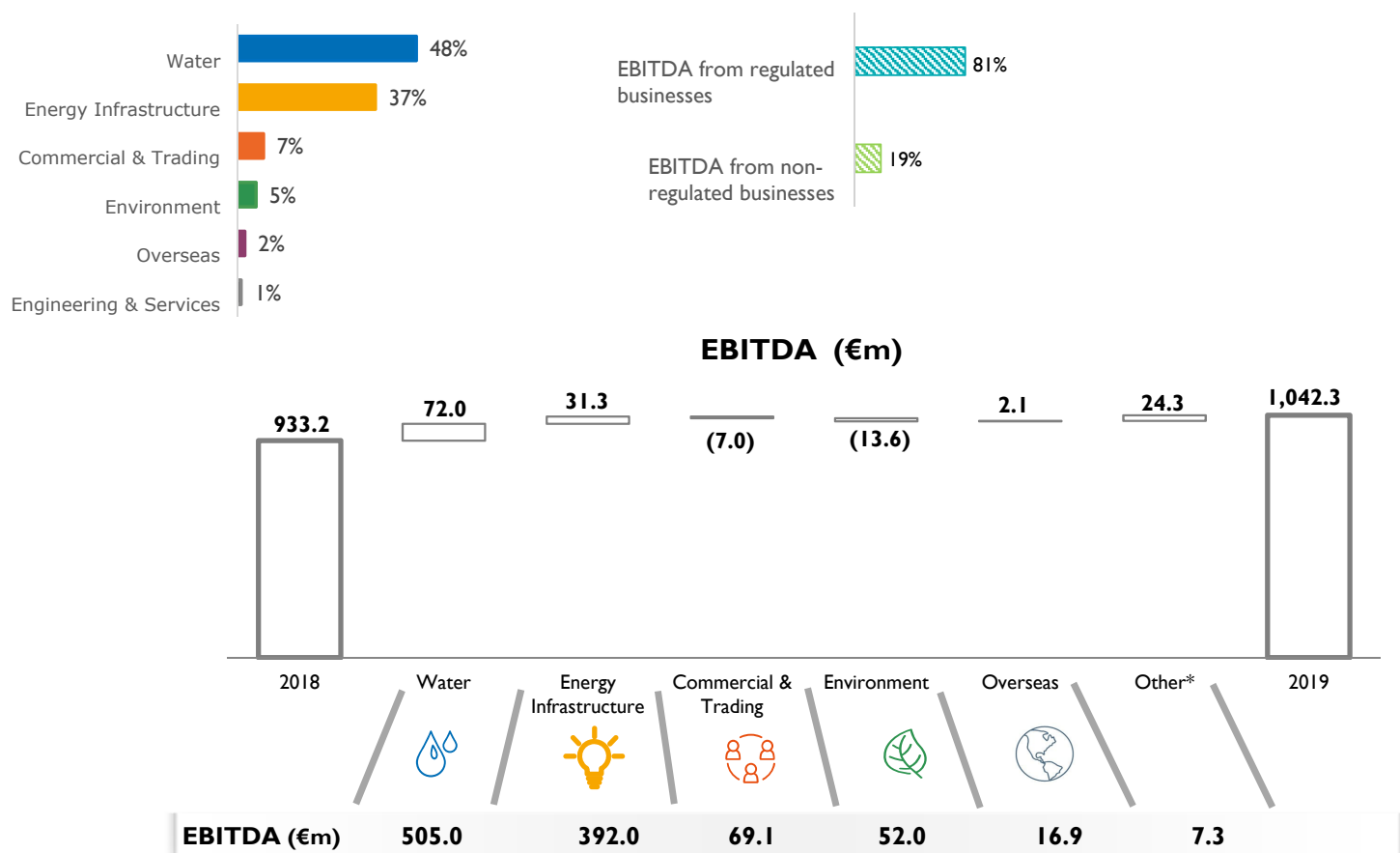
**Net debt:** below lower end of guidance (€2.85-2.95bn).  
€2.83bn excluding impact of IFRS 16, M&A and consolidation of Acquedotto del Fiora

#### 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



### 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  | -     |

## 2019 Results

### 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

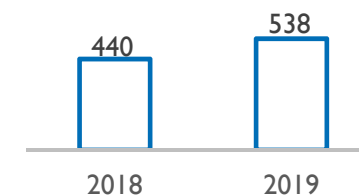
##### EBITDA GROWTH

- 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<br>(a)  | 2018<br>(b)  | %change<br>(a/b) |
|------------------------------------|--------------|--------------|------------------|
| <b>EBITDA</b>                      | <b>505.0</b> | <b>433.0</b> | <b>+16.6%</b>    |
| 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              |
| <b>Capex</b>                       | <b>380.1</b> | <b>329.7</b> | <b>+15.3%</b>    |

Volumes of water distributed (Mm<sup>3</sup>)



## 2019 Results

### EBITDA and quantitative data



## Energy Infrastructure

### KEY HIGHLIGHTS

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

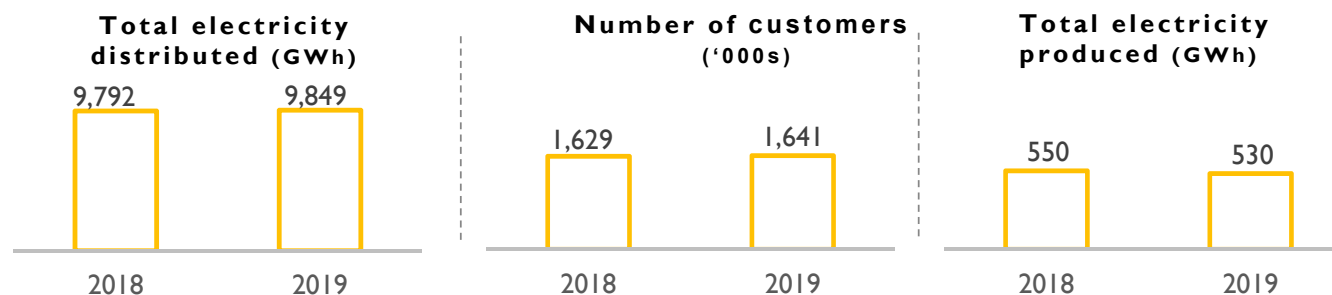
### EBITDA GROWTH

- 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<br>(a)  | 2018<br>(b)  | % change<br>(a/b) |
|--------------------------|--------------|--------------|-------------------|
| <b>EBITDA</b>            | <b>392.0</b> | <b>360.7</b> | <b>+8.7%</b>      |
| - 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               |
| <b>Capex</b>             | <b>287.8</b> | <b>238.3</b> | <b>+20.8%</b>     |



# 2019 Results

## 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

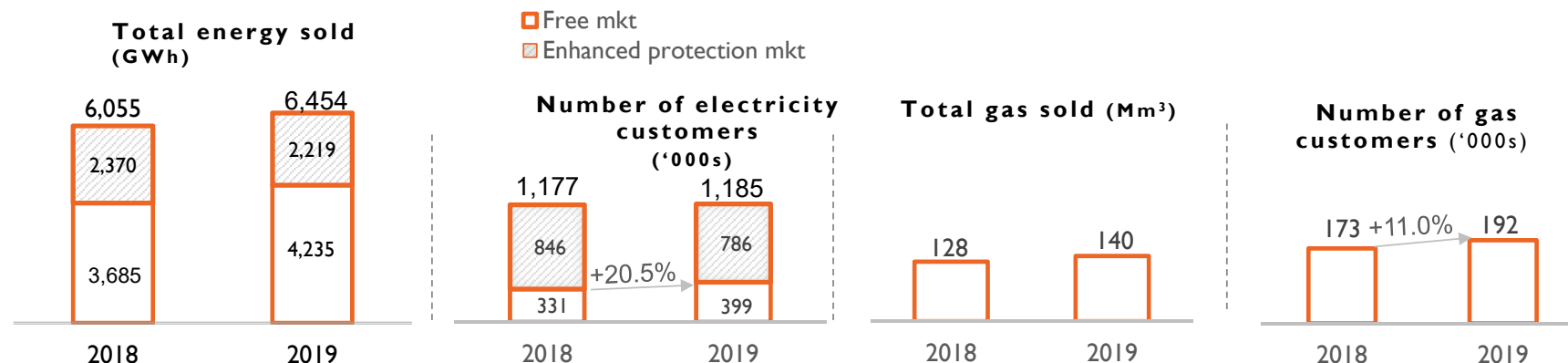
#### EBITDA

- 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<br>(a) | 2018<br>(b) | % change<br>(a/b) |
|--------|-------------|-------------|-------------------|
| EBITDA | 69.1        | 76.1        | -9.2%             |
| Capex  | 42.5        | 24.6        | +72.8%            |



# 2019 Results

## EBITDA and quantitative data



### 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

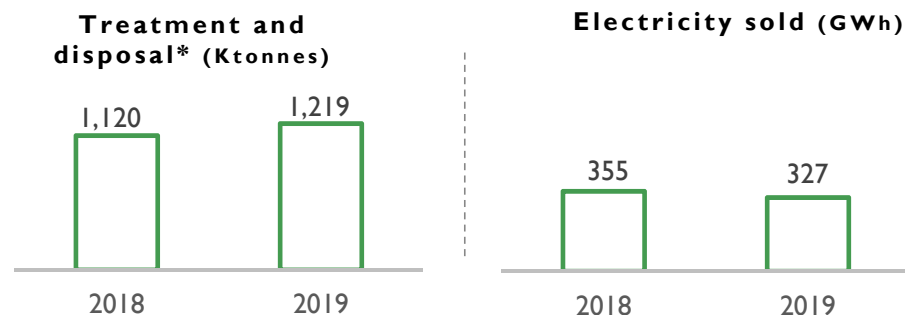
#### EBITDA

EBITDA  
main  
drivers



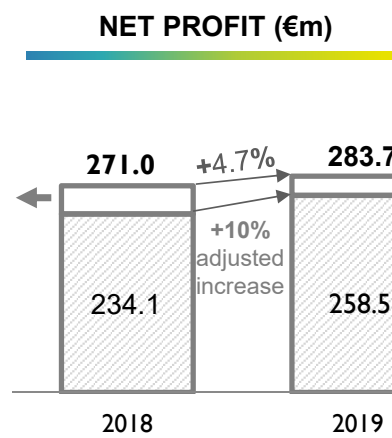
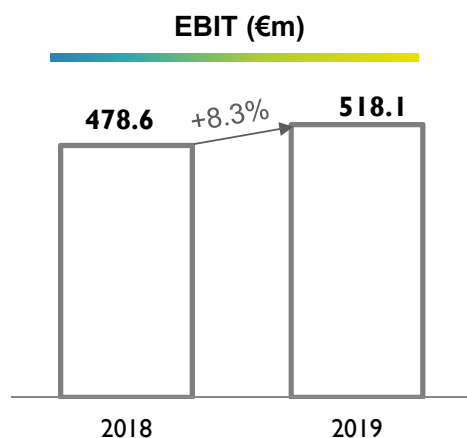
- Acquisitions of Demap and Berg (+€2.3m)
- End of CIP6 incentives from 1 August 2019 (-€16.7m)

| (€m)   | 2019<br>(a) | 2018<br>(b) | % change<br>(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**      **30.4%**      **28.6%**

□ Adjusted net profit

### 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%   |

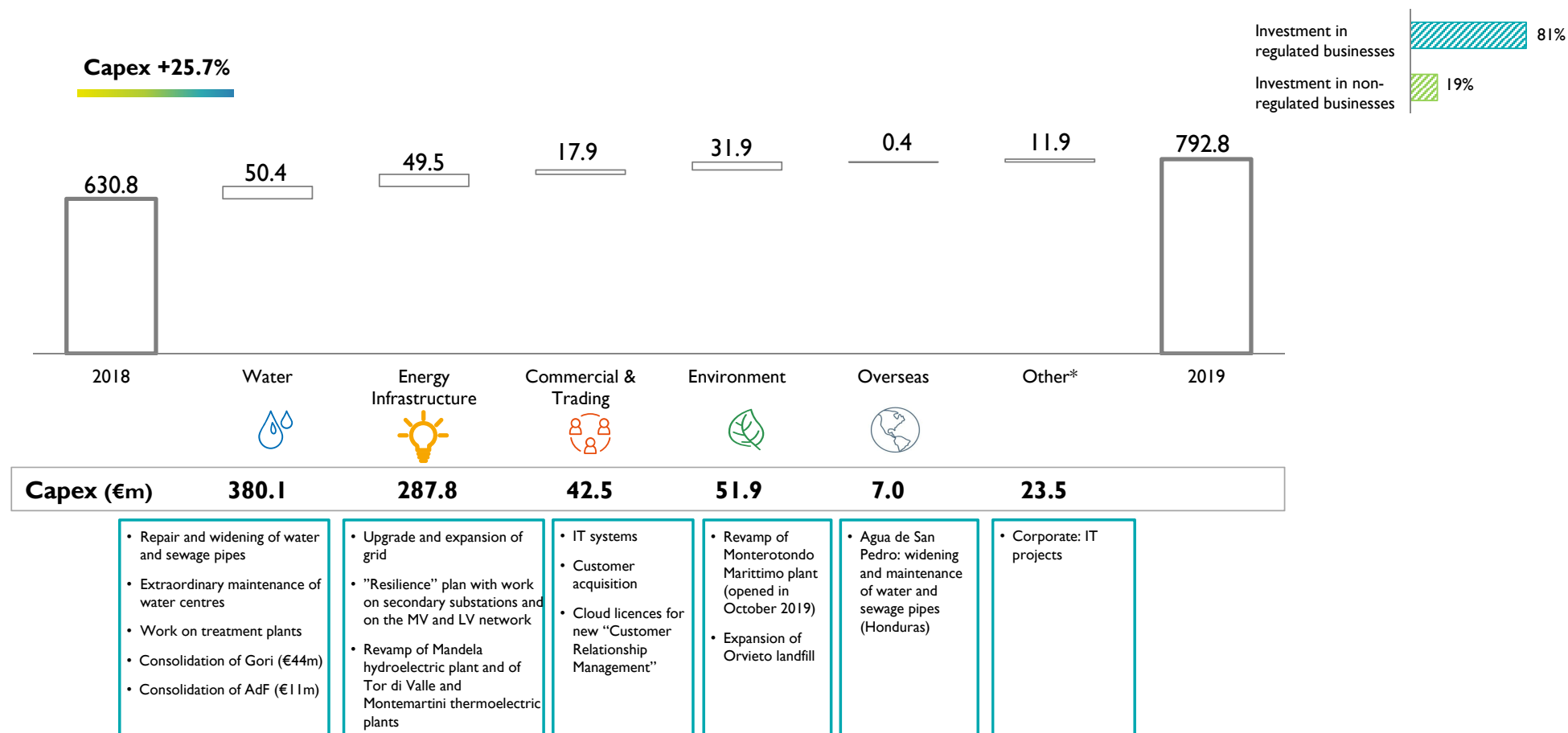
| (€m)         | 2019         | 2018         | % change      |
|--------------|--------------|--------------|---------------|
| Depreciation | 409.6        | 366.8        | +11.7%        |
| Write-downs  | 66.8         | 75.1         | -11.1%        |
| Provisions   | 47.8         | 12.8         | n/s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

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

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

## 2019 Results

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



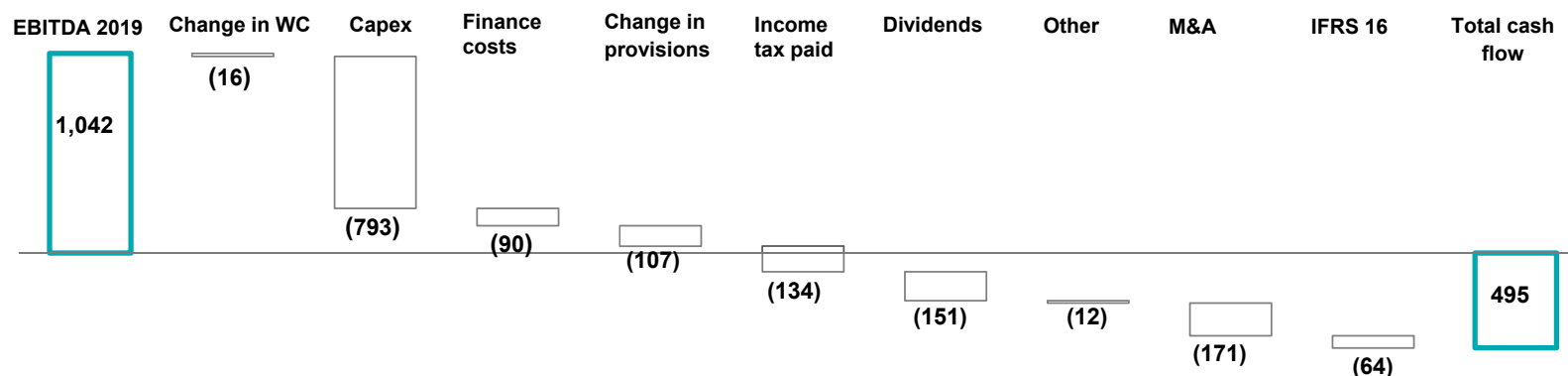


## 2019 Results

### Cash Flow – Continued improvement in working capital

|                            | 2019         | 2018         |
|----------------------------|--------------|--------------|
| EBITDA                     | 1,042        | 933          |
| Change in working capital  | (16)         | (35)         |
| Capex                      | (793)        | (631)        |
| <b>FREE CASH FLOW</b>      | <b>233</b>   | <b>267</b>   |
| 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)         | -            |
| <b>TOTAL CASH FLOW</b>     | <b>(495)</b> | <b>(146)</b> |

- ✓ 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

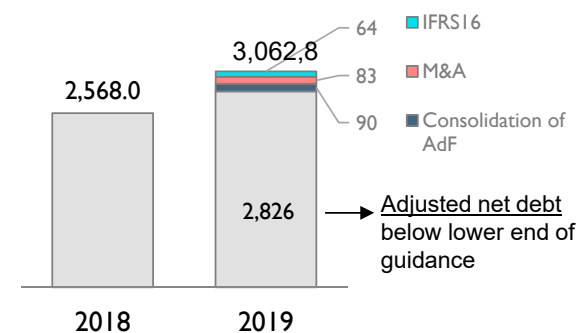


## 2019 Results

### Net debt – Below lower end of guidance

| (€m)             | 31 Dec 2019<br>(a) | 30 Sept 2019<br>(b) | 31 Dec 2018<br>(c) | Change<br>(a-b) | Change<br>(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<br>31 DECEMBER 2019 | NET DEBT/ EBITDA<br>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%

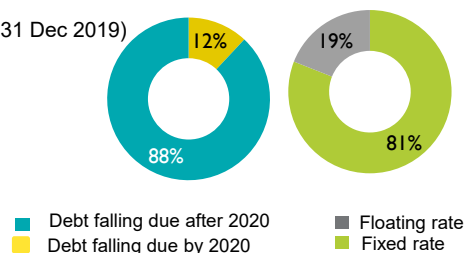
**29 January 2020** – Issue of bonds worth €500m under EMTN. Bonds have a 9-year term and pay a fixed rate of 0.50%

**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   |

## Regulation Water (2/2)

### **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.

# Regulation Environment

## 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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