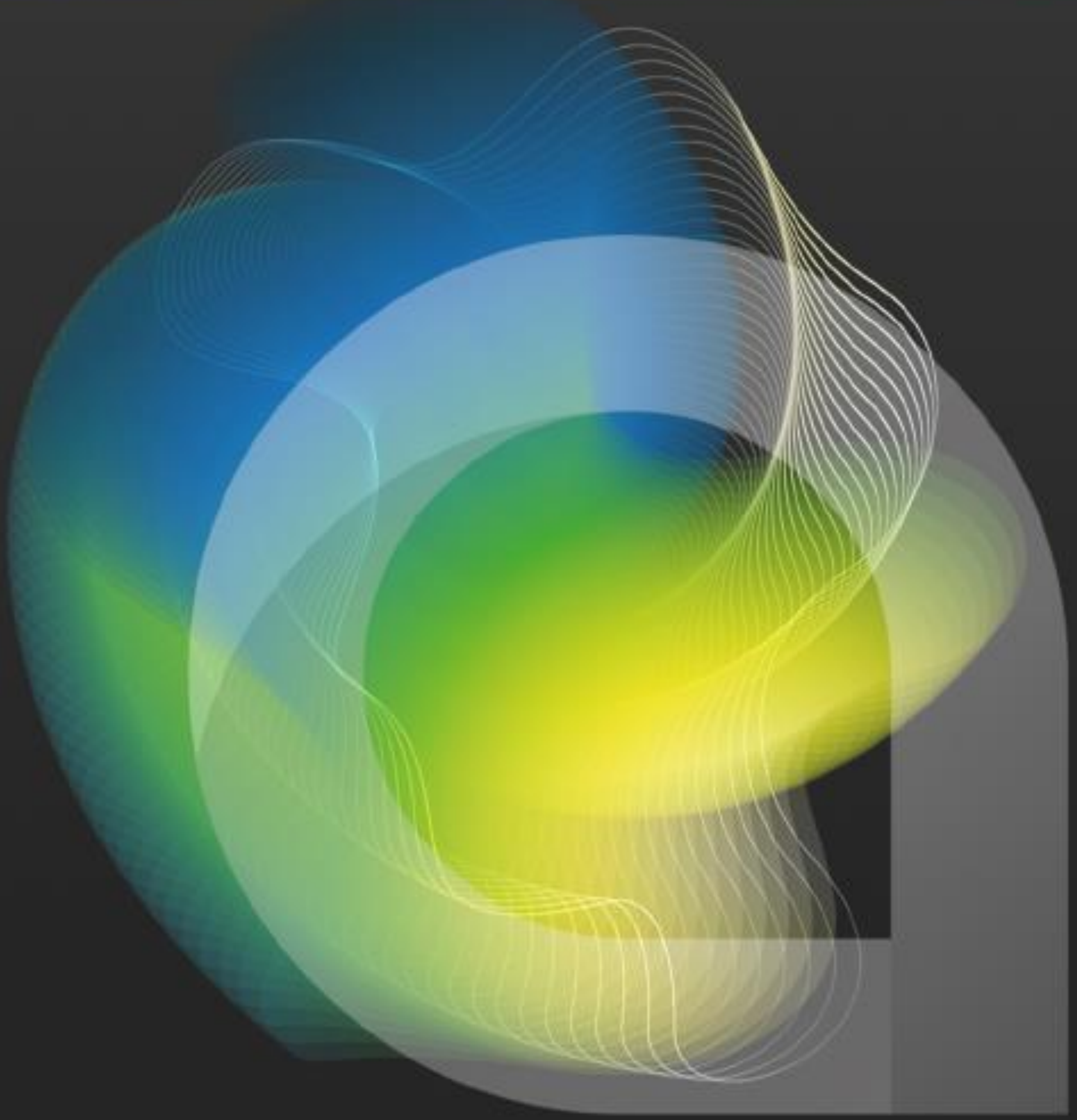


Acea Business Plan 2020/24

November 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

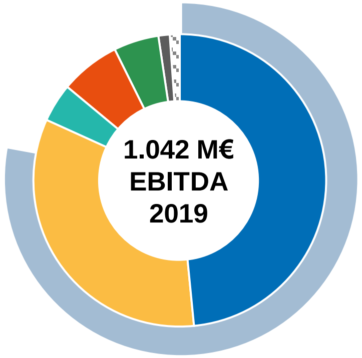
- STRATEGY AND TARGETS
- BUSINESS LINE HIGHLIGHTS
- STRATEGIC OPPORTUNITIES

CLOSING REMARKS

Q&A

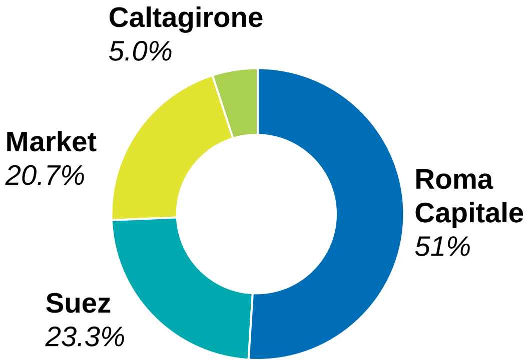
Acea is a leading multi-utility player in the Italian market

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 capacity[1]

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]

Note: (1) ~120 from hydroelectric plants and ~97 from thermoelectric plants; (2) Pescara gas acquired in 2019 and Alto Sangro Gas acquired in 2020

Agenda

ACEA GROUP TODAY

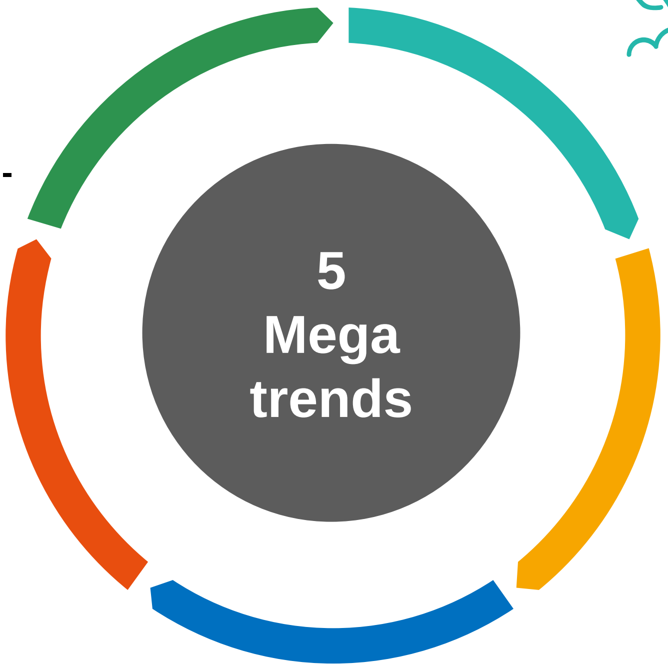
BUSINESS PLAN 2020-2024

- **STRATEGY AND TARGETS**
- BUSINESS LINE HIGHLIGHTS
- STRATEGIC OPPORTUNITIES

CLOSING REMARKS

Q&A

5 mega trends are reshaping utilities' reference markets irreversibly



5 Mega trends

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

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**

Customer centricity

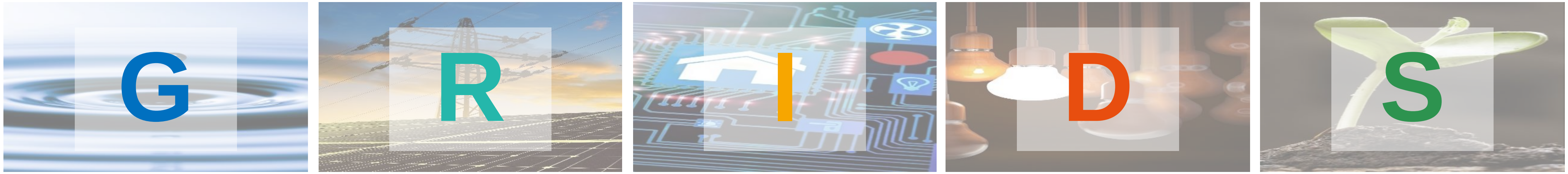
- «Paradigm shift» with **customer value becoming more important**
- Transition from **«Commodity-Based» to «Service-Based»**

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

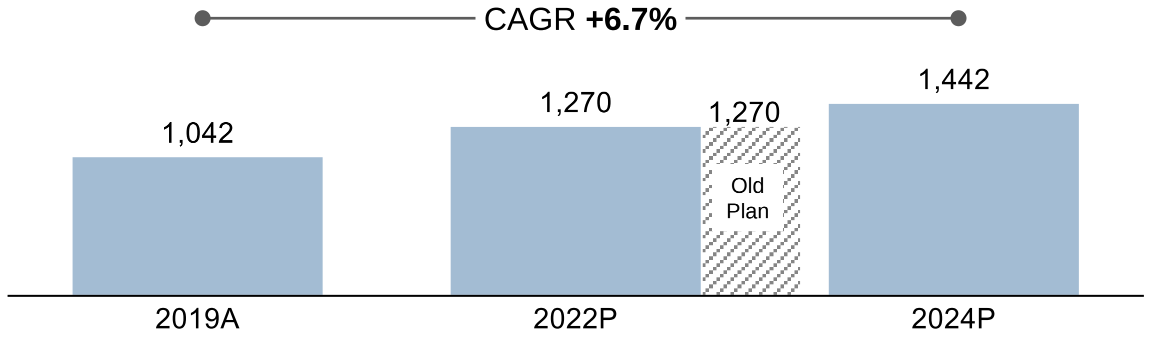
150+
«Smart Comp» composters in 2024

Acea as a leading player in infrastructure and sustainability

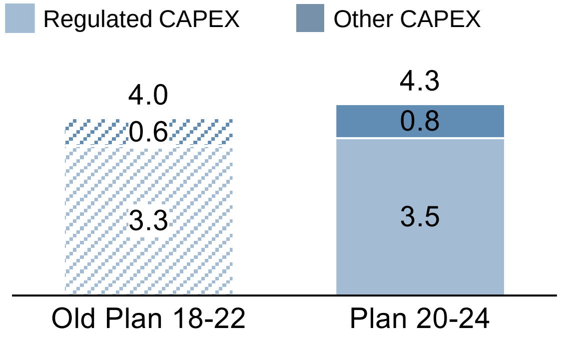
Strategy and targets

Key financials

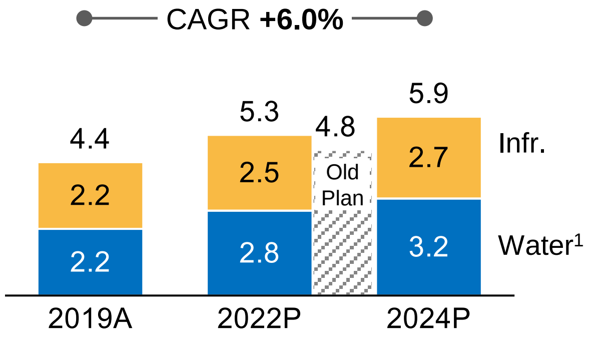
EBITDA | M€



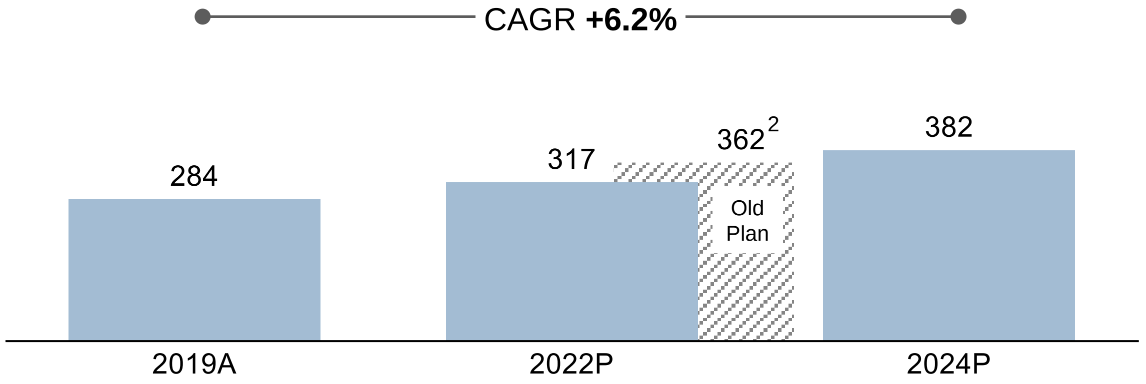
Cumulative CAPEX | B€



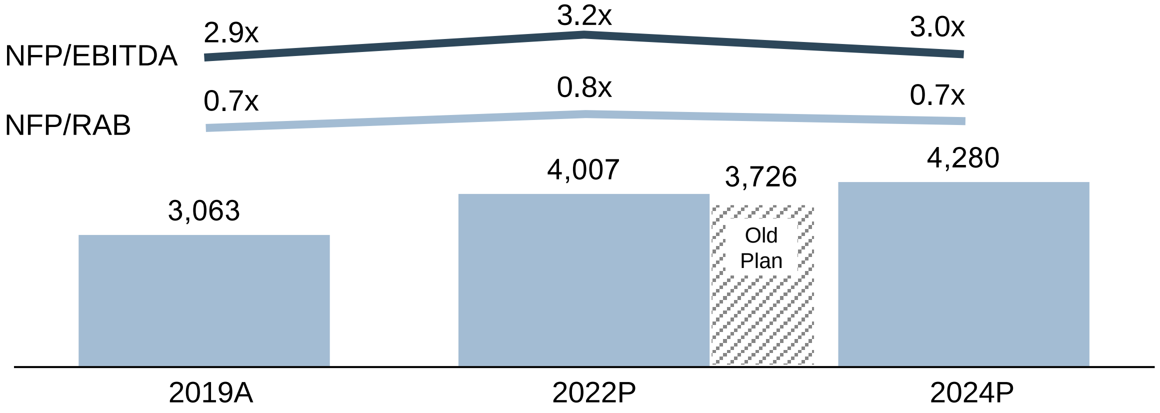
RAB | B€



Net Income | M€



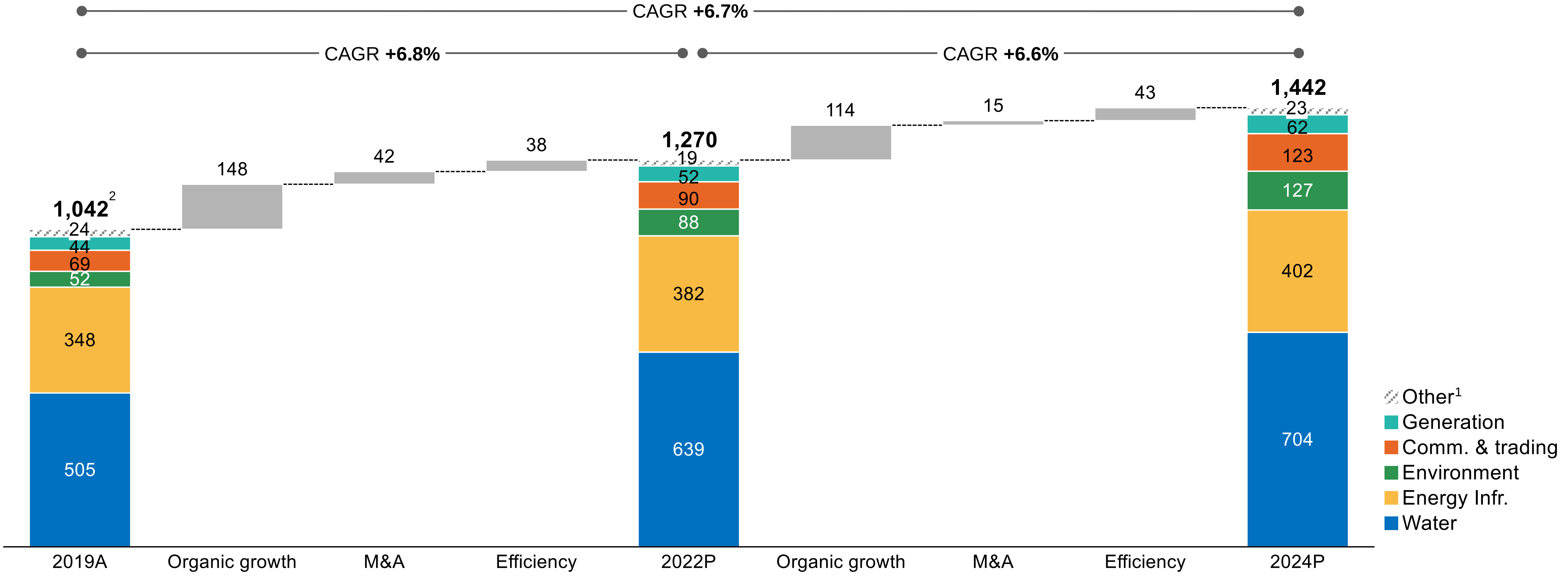
NFP | M€



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)

Key financials

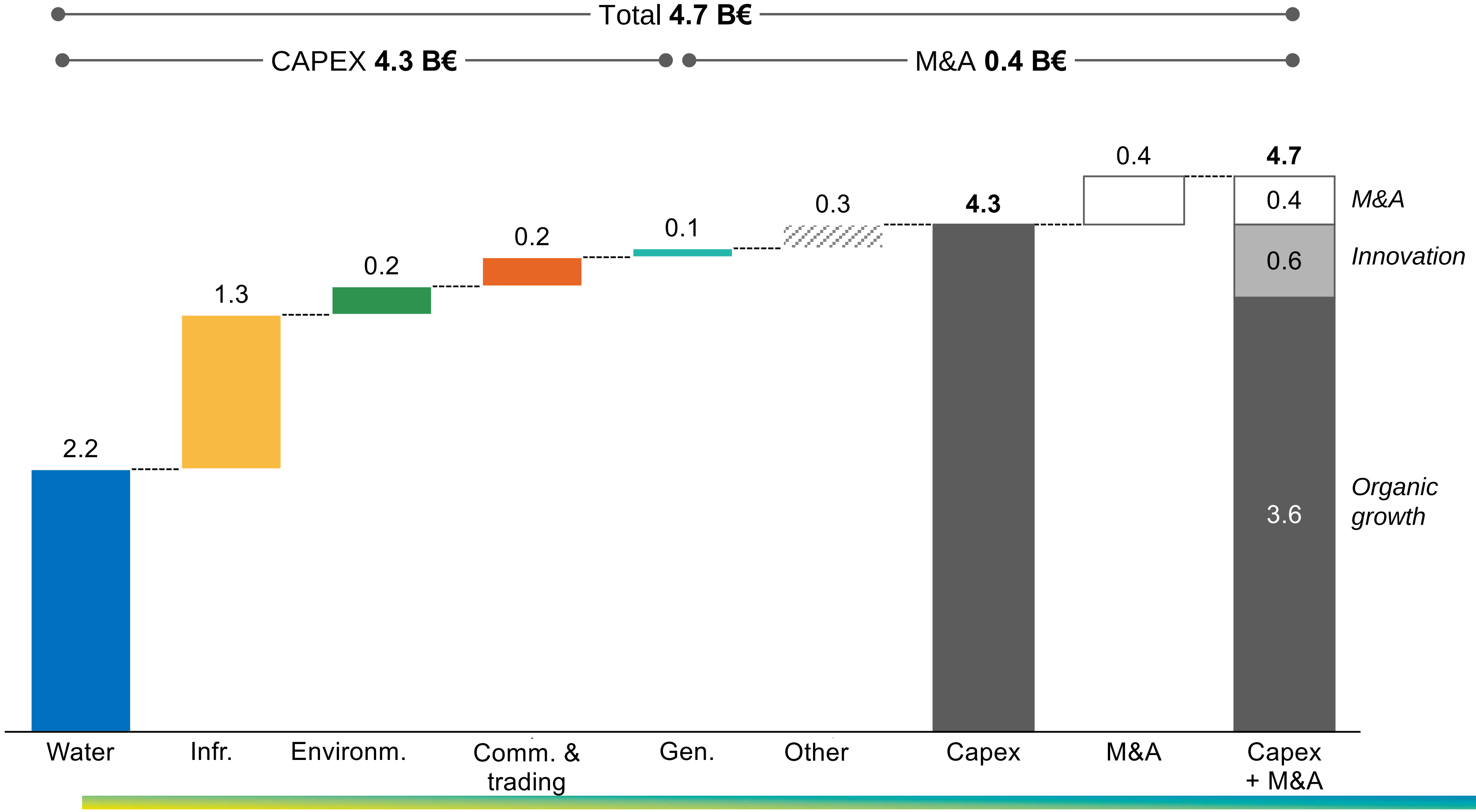
EBITDA | M€

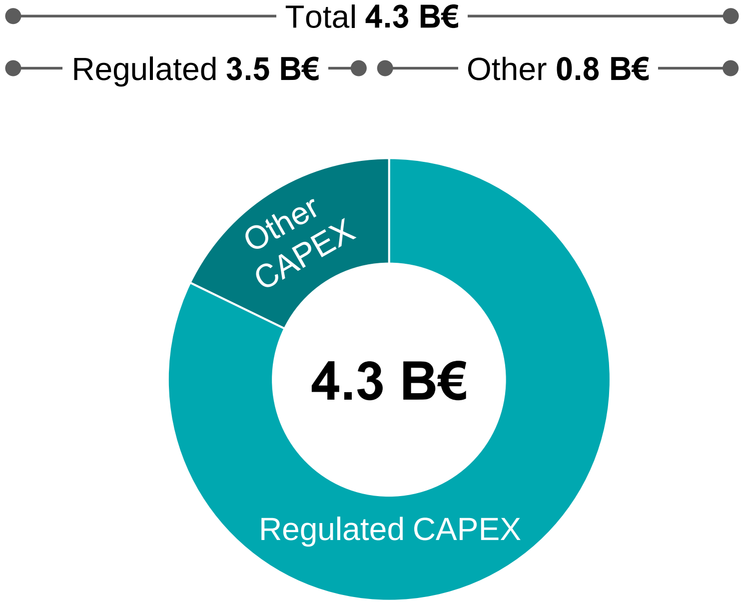


Notes: (1) Includes Engineering & services, Overseas business and Corporate costs; (2) Does not represent –2M€ from the sum of Engineering & services, Overseas business and Corporate costs

Strategy and targets
CAPEX and M&A

CAPEX e M&A evolution | B€





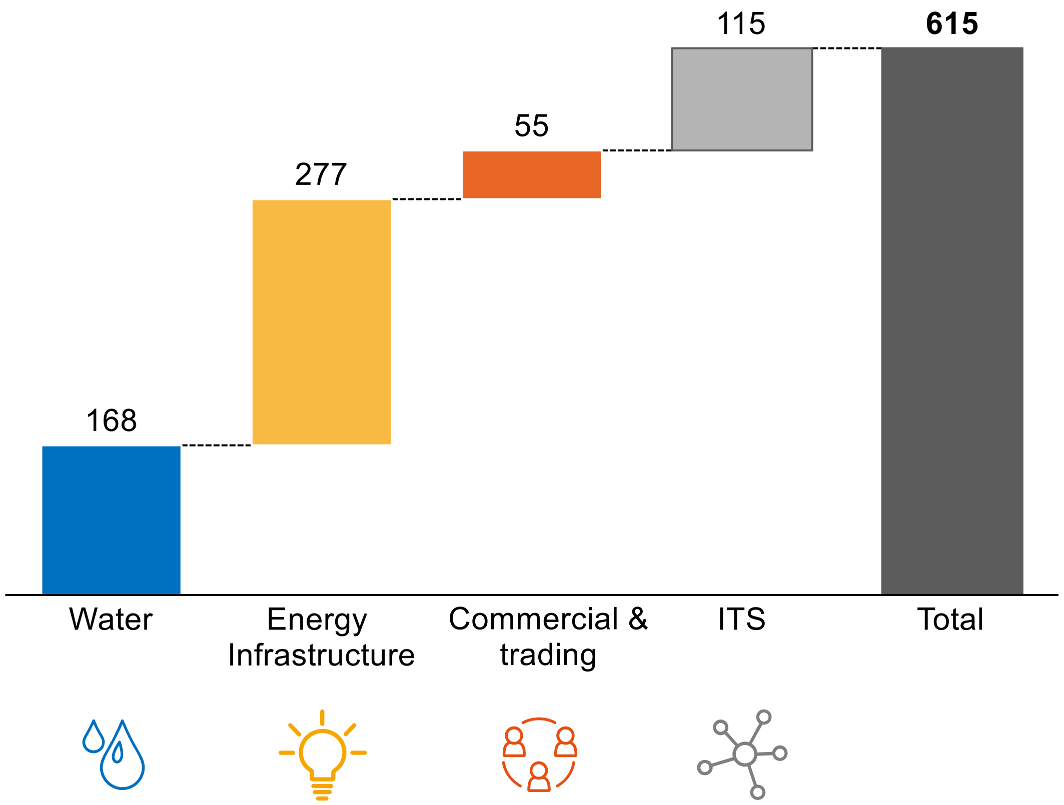
More than 80% RAB investments

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

CDP	standard ethics
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):

263	water **losses reduction**
220	resiliency of **Rome aqueduct system**
127	**efficiency** of **purification** system
234	installation of **smart meters** for water and electricity
492	**resiliency** and **efficiency** of electric **grids**
58	infrastructure **modernization** and **remote mgmt.**
445[2]	**circular economy** treatment of **waste**
29	**e-mobility** infrastructure
212	increase of **green energy** generation

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	**GDP and employment increase** Preliminary and partial estimate only for the selected period	**+5.8 B€** GDP	**+21k** stable FTEs
6 CLEAN WATER AND SANITATION	**Water resource protection** Losses reduction, IoT grids' management, rationalization of purification system	**-11 pp**[1] losses reduction (440+ Mm^3 of resource saved)	**+36** rationalized purification plants
7 AFFORDABLE AND CLEAN ENERGY	**Quality of electricity service** Improved resiliency of electric grids	**-40%** Intervention Risk Index (IRI)	**~2,600** cabins involved
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE 11 SUSTAINABLE CITIES AND COMMUNITIES	**Smart city** Installation of EV charging stations and water / electric smart meters	**+2,200** charging stations	**~1.8M**[2] 2G and water smart meter
12 RESPONSIBLE CONSUMPTION AND PRODUCTION	**Circular economy** Waste treated with circular economy logics and reduction of sludge coming out of purification plants	**+1.6 Mton** (+120%) waste treated	**-45%** sludge coming out of purification thanks to process innovation (drying)
13 CLIMATE ACTION	**Green energy** Increase in production and consumption of green energy	**-43%** gCO_2/KWh produced by Acea produzione	**>140 kton/y** CO_2 avoided for internal consumption

Note: (1) Weighted average for the area; (2) 1.3M of meters related to the Energy Infrastructure business (Areti) and 0.5M meters related to the Water business

Strategy and targets

Solid financial structure

Highlights

Working Capital

Average working capital absorption over the plan (~40 M€/year[1])

Rating

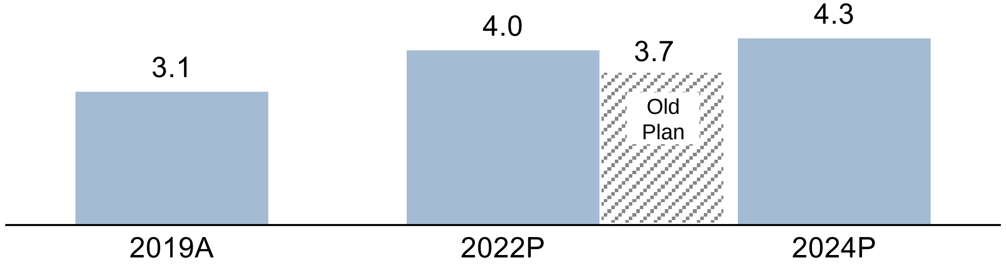
FitchRatings	Moody's
BBB+	**Baa2**
Outlook stable	*Outlook stable*

Debt

As of September 30, 2020

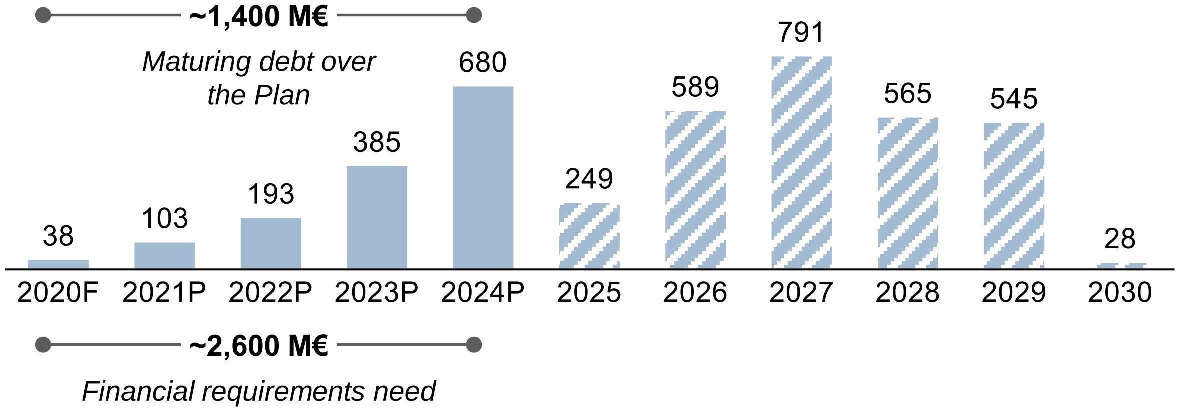
- **~5.6 years** average debt duration
- **~1.8%** average cost of debt
- **82%** fixed rate debt
- **600 M€** of committed lines (500 M€ undrawn and available until 2023)

Net Financial Position | B€



	2019A	2022P	2024P
NFP / EBITDA	**2.9x**	**3.2x**	**3.0x**
NFP / RAB	**0.7x**	**0.8x**	**0.7x**

Financial maturities | M€



Note: (1) Without 2020 Covid-19 impact

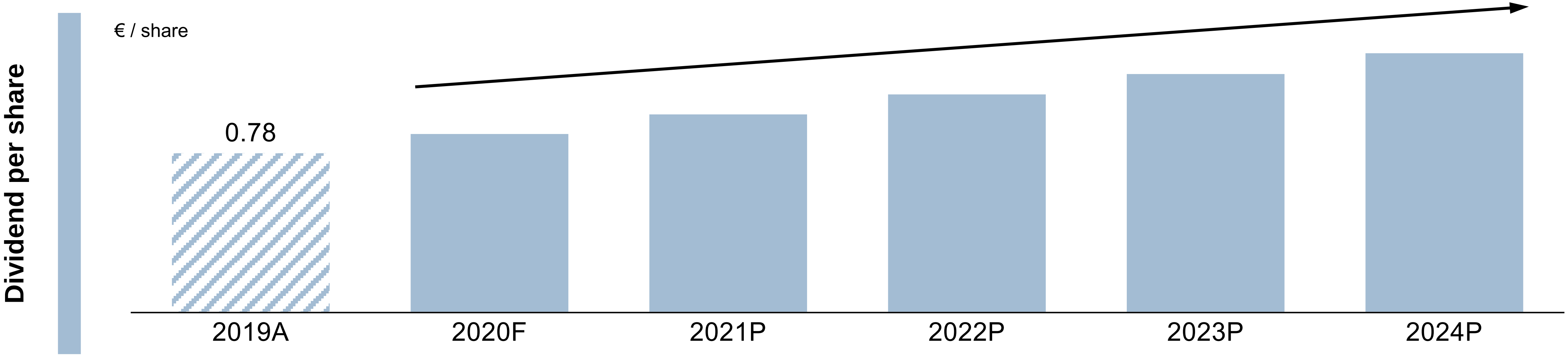
Strategy and targets

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

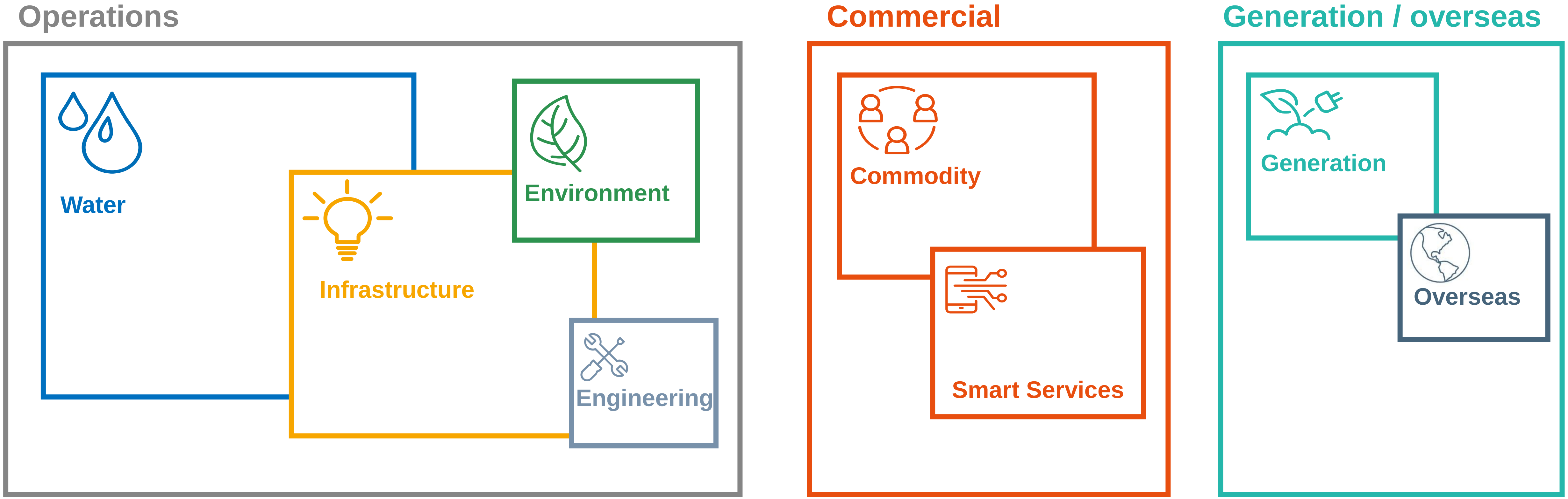
- STRATEGY AND TARGETS
- **BUSINESS LINE HIGHLIGHTS**
- STRATEGIC OPPORTUNITIES

CLOSING REMARKS

Q&A

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

NEW ORGANIZATION



Operations

- Water
- Infrastructure
- Environment
- Engineering

Commercial

- Commodity
- Smart Services

Generation / overseas

- Generation
- Overseas

Agenda

Operations

- **Water**
- Infrastructure
- Environment
- Engineering

Commercial

- Commodity
- Smart Services

Generation / overseas

- Generation
- Overseas

Water
Main initiatives

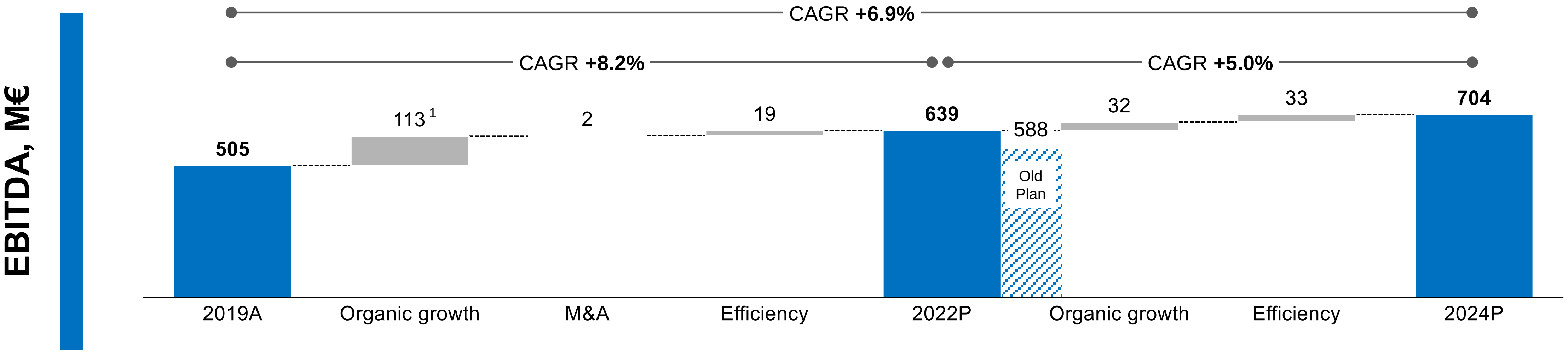
Development of a **Smart Water Company** for the **sustainability** of the water resource through improved **quality** and **efficiency**

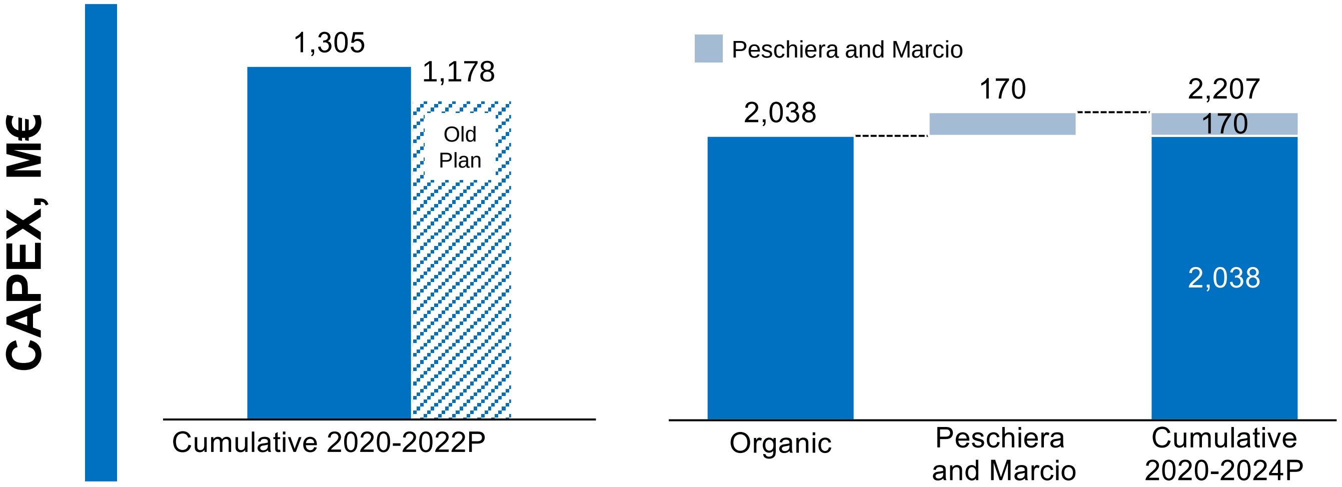
Expansion through **tenders** in new territories

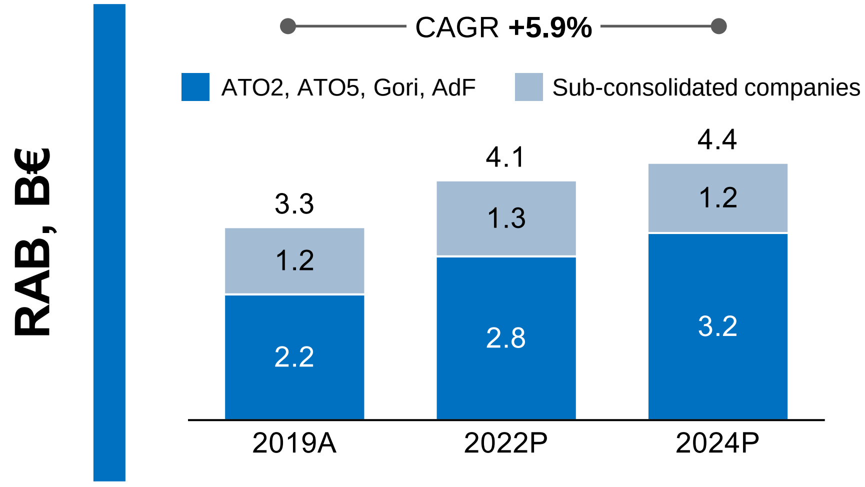
Smart water meters installation plan and projects for **grids' districtualization**	**+500k** Smart meters installed
On-going pursuit of **water resource protection** and **losses reduction**	**-11 pp** water losses[1]
Rationalization of small **water purification plants**	**36** Rationalized plants
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)	

Note: (1) Weighted average for the area, equal to 440+ Mm^3 of saved water over the plan

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

Water

Infrastructure

Environment

Engineering

Commercial

Commodity

Smart Services

Generation / overseas

Generation

Overseas

Energy Infrastructure

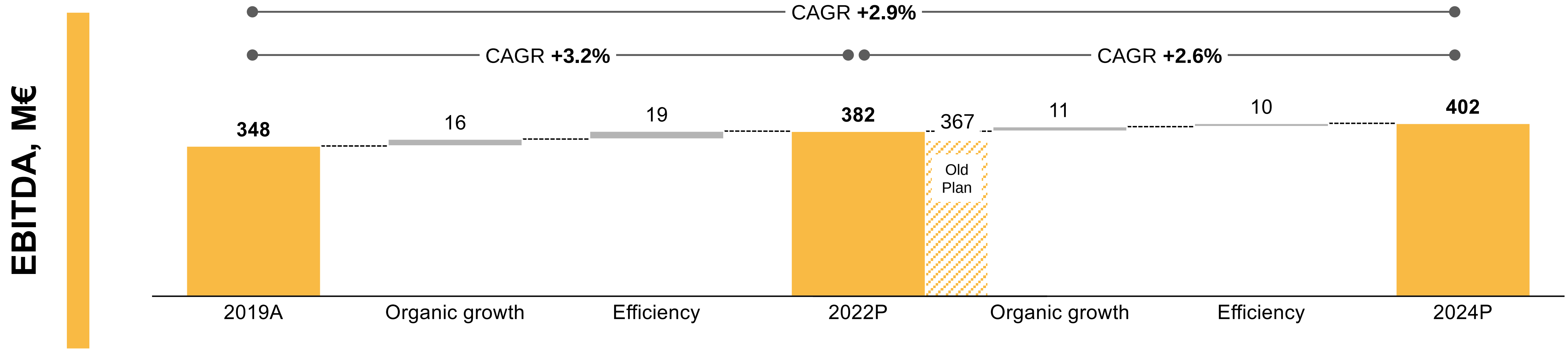
Main initiatives

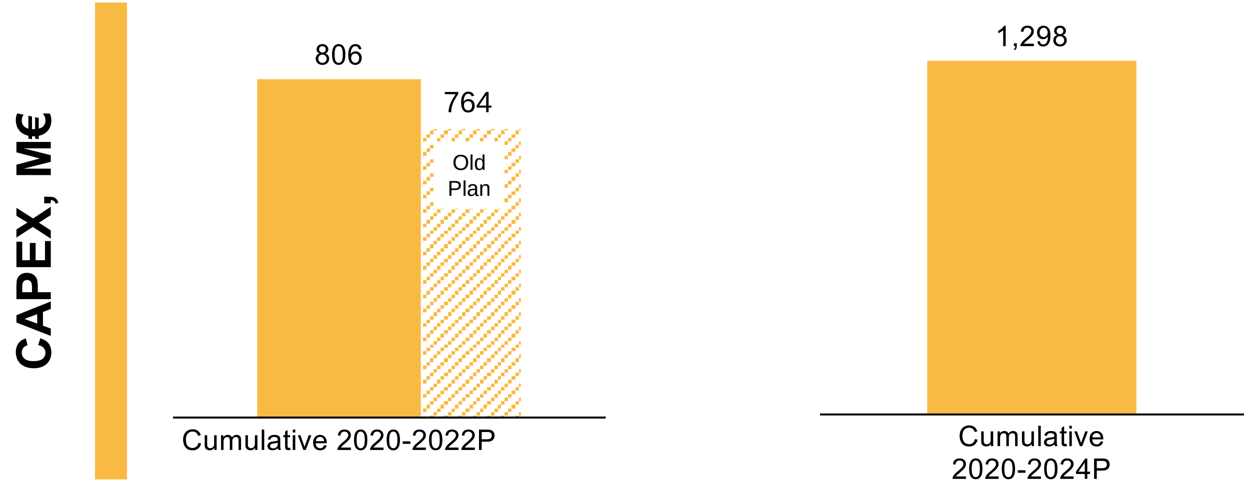
A leading player in the **energy transition** process through projects aimed at **increasing electrification** and integration of the distributed generation

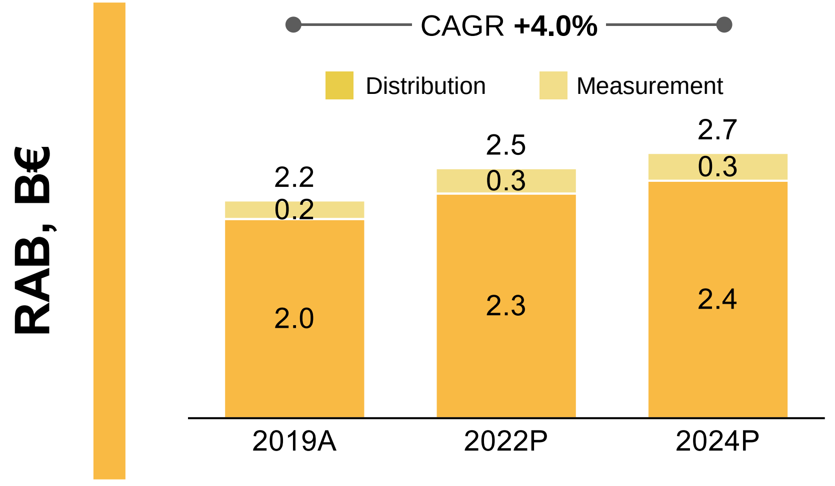
Investments in grids' resiliency with upgrades on **specific cabins** rewarded with a premium vs. the reference WACC	**145+ M€** CAPEX
Digitalization through remote control and **IoT solutions** on private and public grids	**60%+** MV/LV cabins
Development work on grids to reflect new regulation on **service 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

Water

Infrastructure

Environment

Engineering

Commercial

Commodity

Smart Services

Generation / overseas

Generation

Overseas

Environment

Main initiatives

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

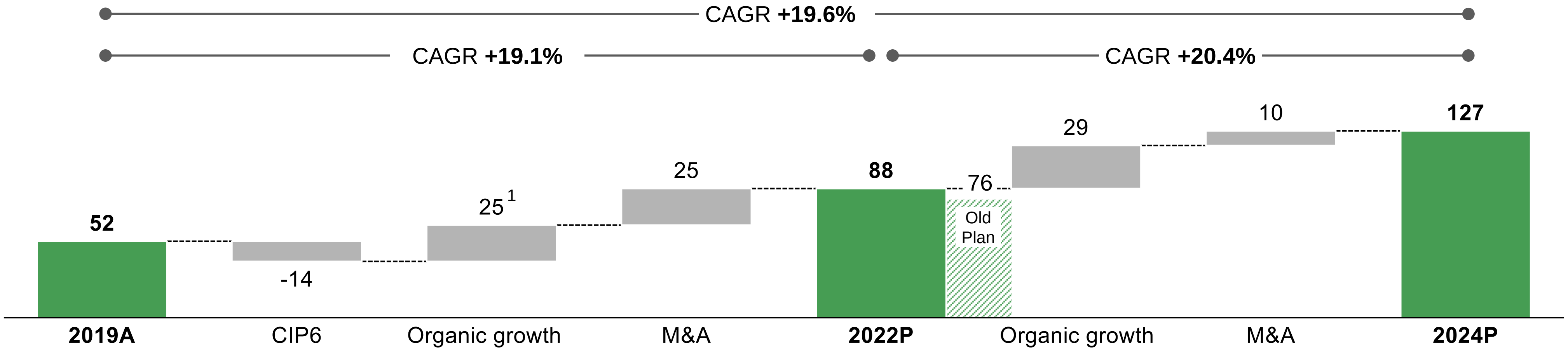
Acceleration to **close the waste loop** in Central Italy

«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

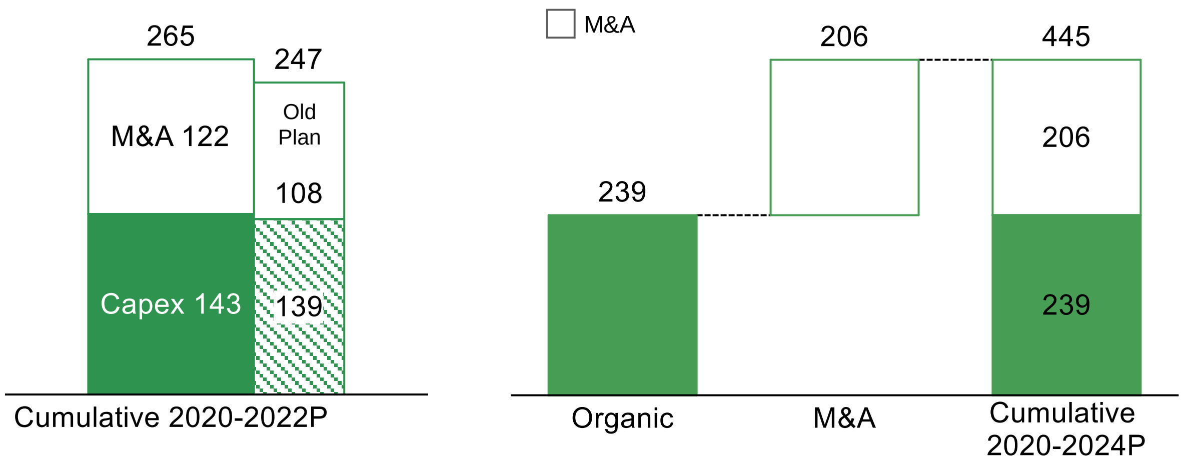
Environment

Key financials

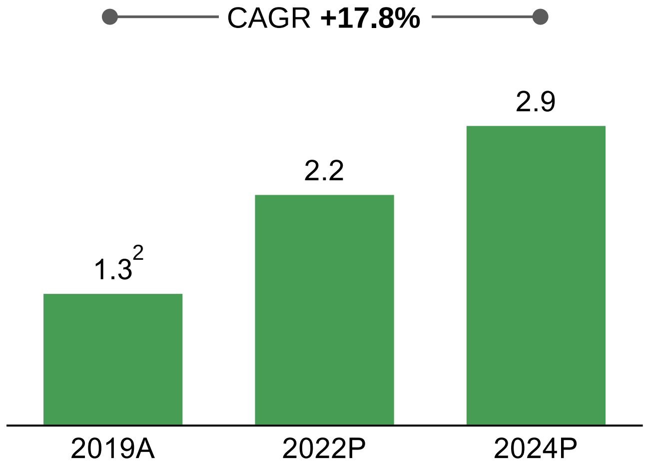
EBITDA, M€



CAPEX AND M&A, M€



VOLUMES, Mt



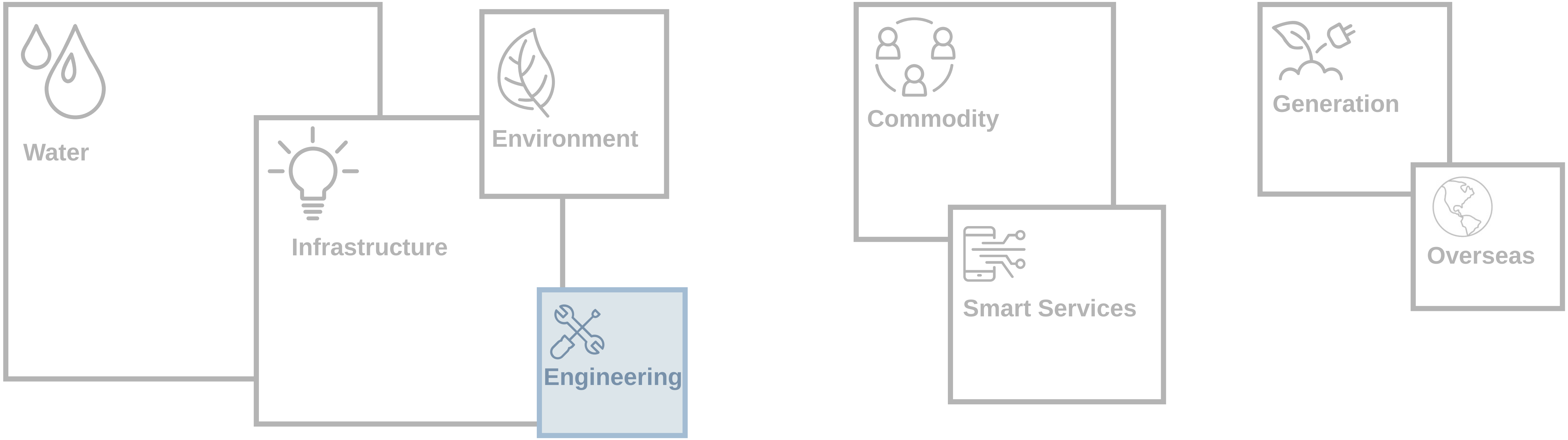
Note: (1) Includes growth related to M&A already closed in 2020; (2) Includes all volumes treated during the year from 2019 M&A operations

Agenda

Operations

Commercial

Generation / overseas



Water

Infrastructure

Environment

Engineering

Commodity

Smart Services

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

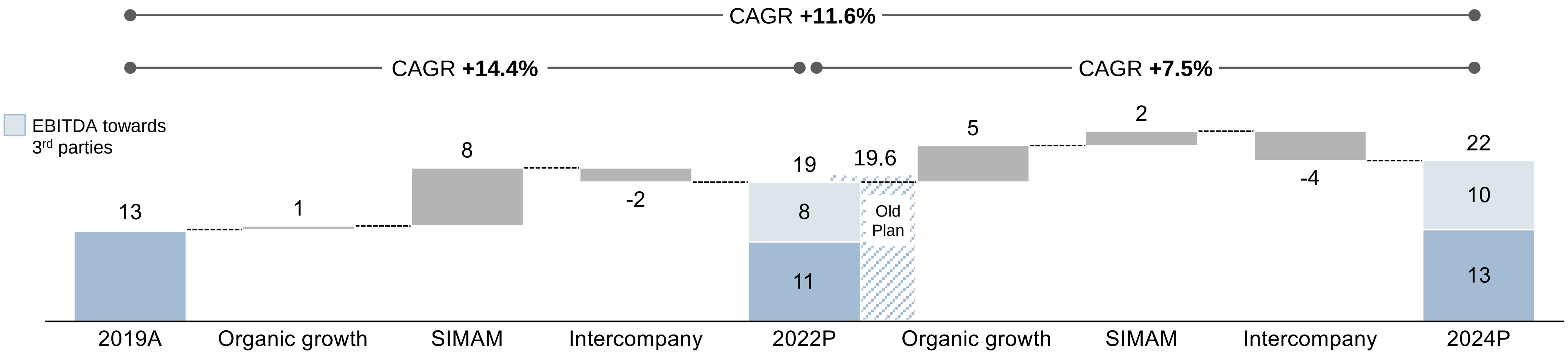
+20%
general contractor margin insourcing

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

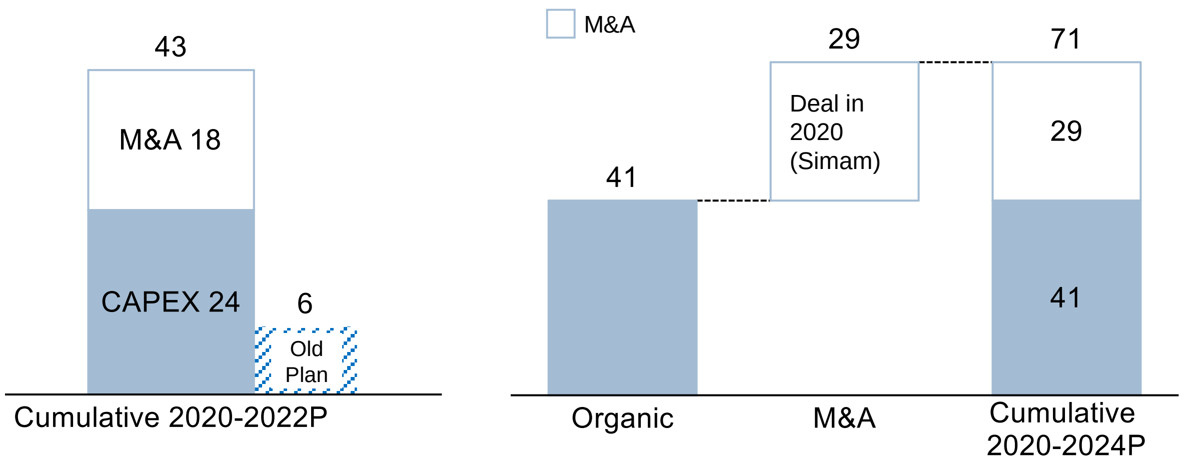
Development of a **commercial unit** to support growth and of a **research center**

Engineering & services
Key financials

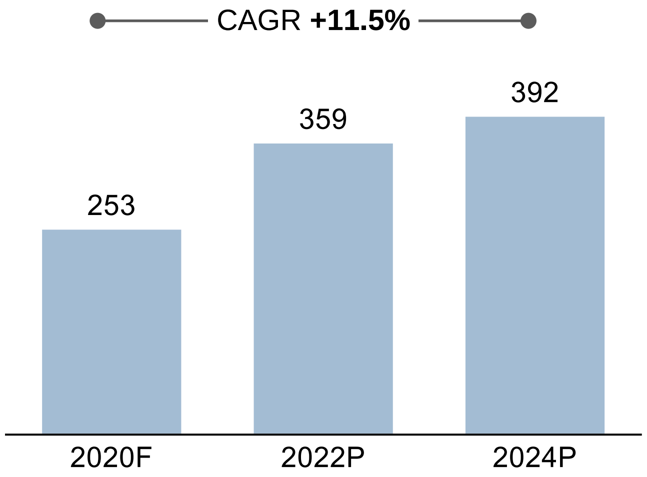
EBITDA, M€



CAPEX AND M&A, M€



REVENUES EPC/FTE, k€



Agenda

Operations

Water

Infrastructure

Environment

Engineering

Commercial

Commodity

Smart Services

Generation / overseas

Generation

Overseas

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

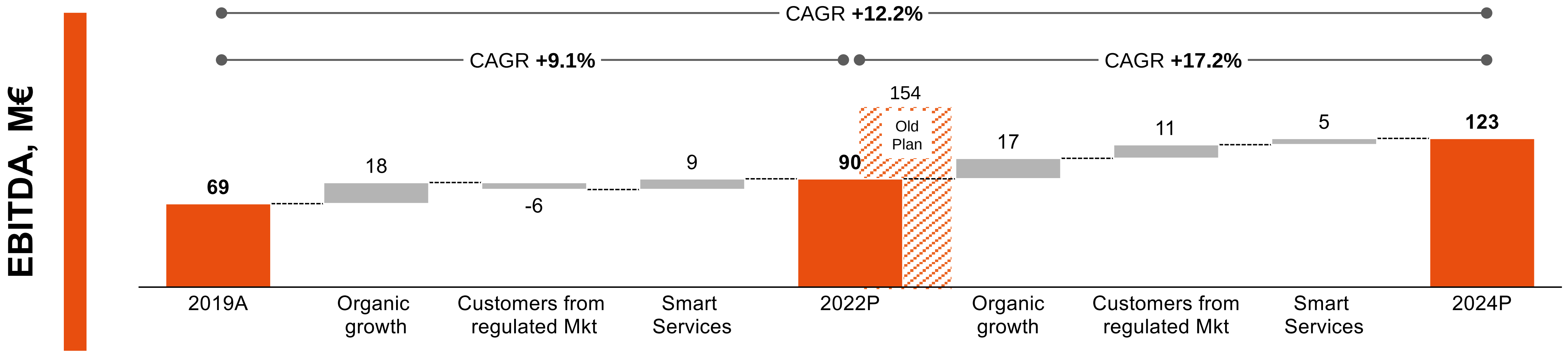
Commercial & trading: focus on Smart Services

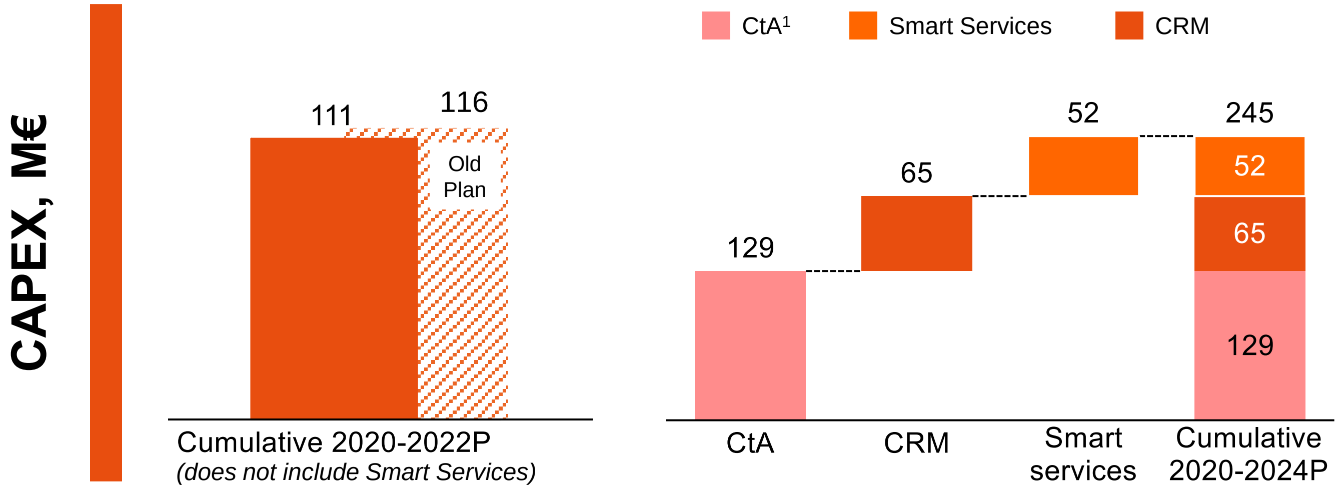
Main initiatives

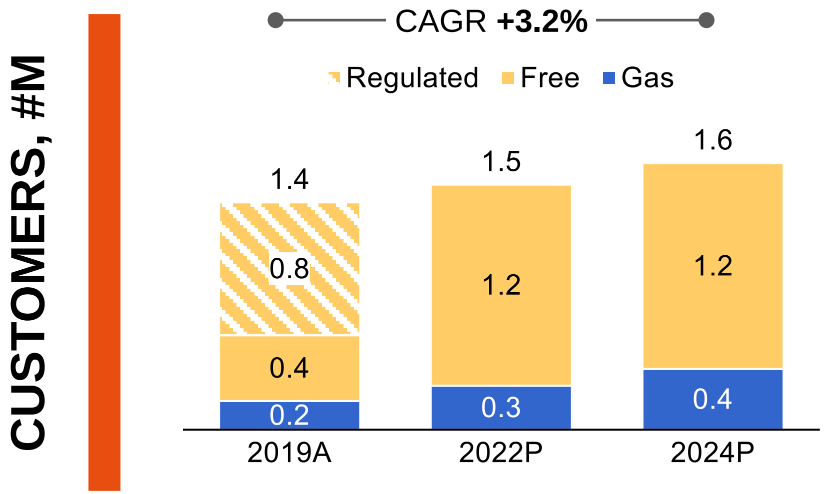
Development of a **Services-Based Company** to strengthen the relationship with customers and increase Acea Group brands franchise

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







Note: (1) Cost-to-Acquire = cost to acquire new customers

Agenda

Operations

Water

Infrastructure

Environment

Engineering

Commercial

Commodity

Smart Services

Generation / overseas

Generation

Overseas

Generation

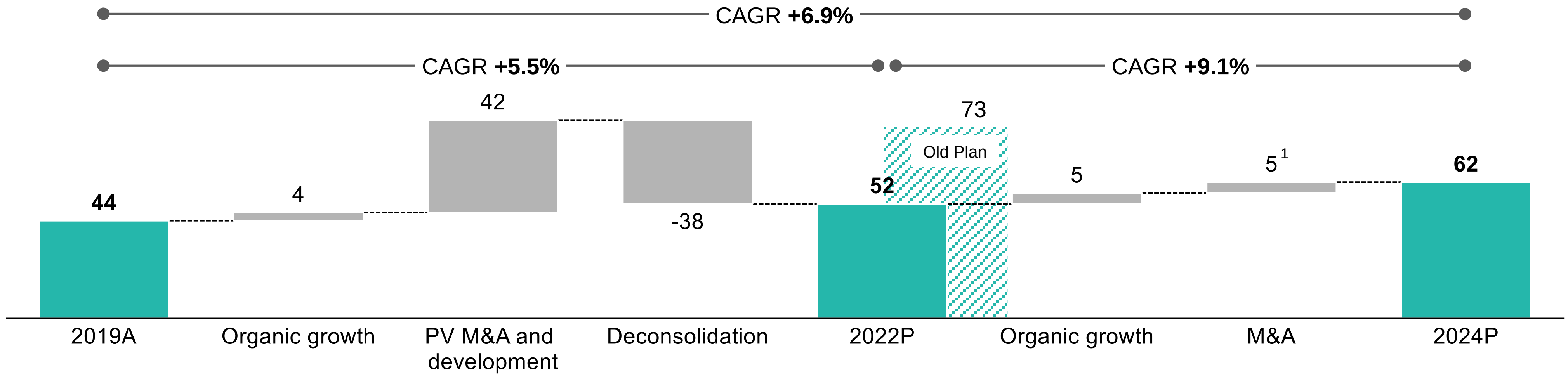
Main initiatives

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

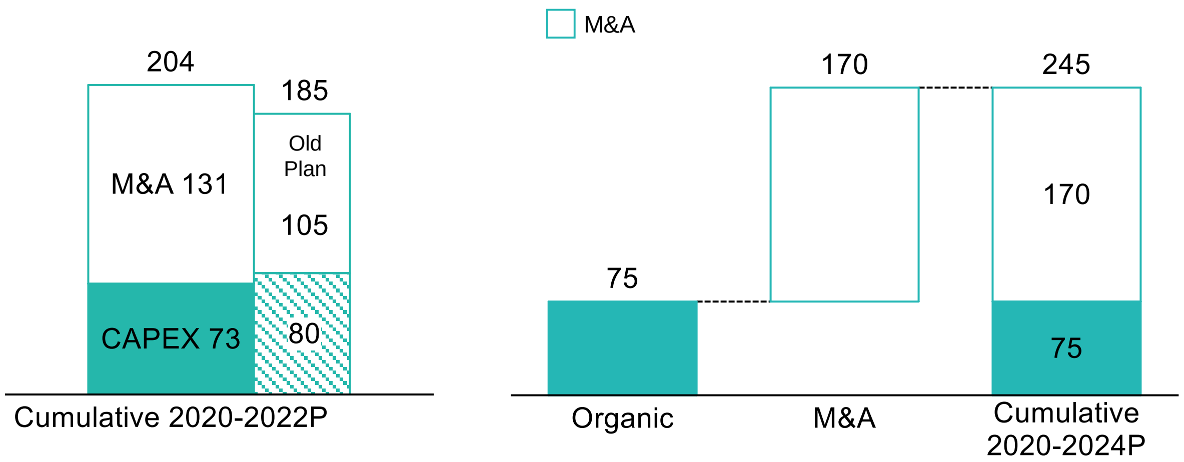
RES growth to exploit **opportunities from the decarbonization process**	**747 MW** installed at 2024
Greenfield development of PV in **industrial and and agricultural areas**	**569 MW** installed at 2024
M&A development to accelerate PV portfolio growth	**178 MW** installed at 2024
Deconsolidation of **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

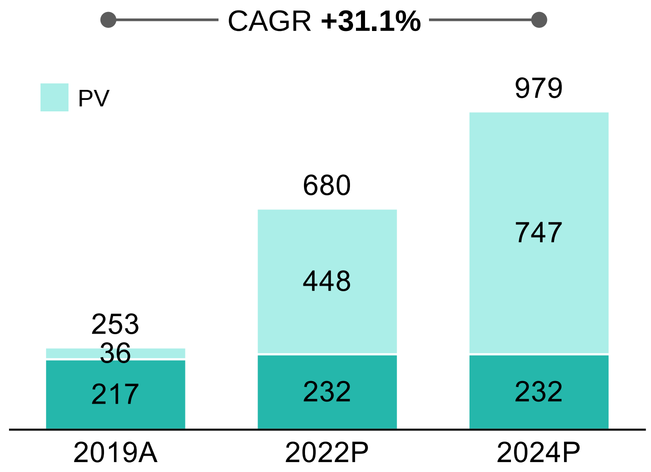
EBITDA, M€



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

- Water
- Infrastructure
- Environment
- Engineering

Market

- Commodity
- Smart Service

Generation / overseas

- Generation
- **Overseas**

Overseas
Current positioning and key financials

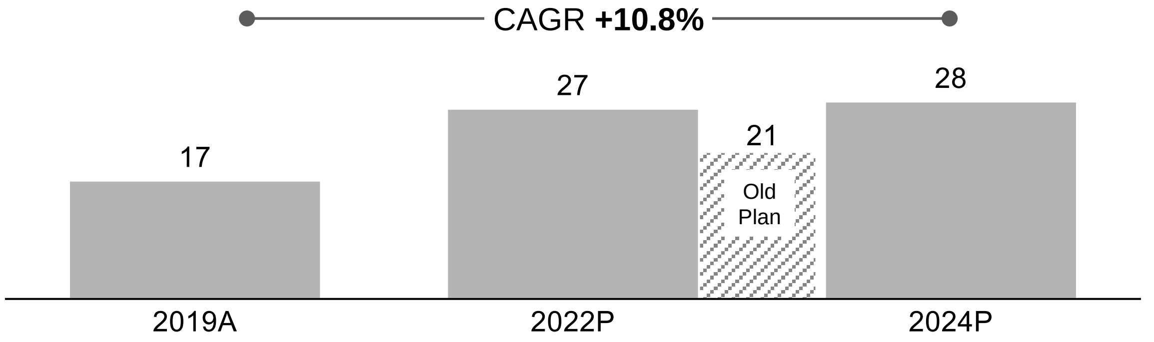
Current positioning

Overseas companies

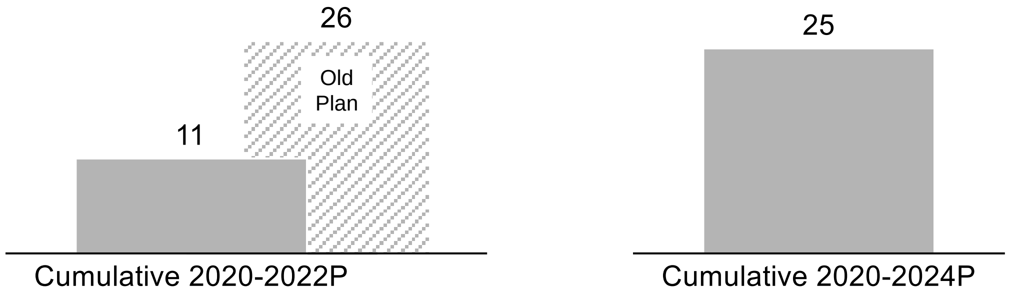
51%	Aguazul Bogotá
100%	Acea International
50%	Consorcio Servicio Sur
100%	Acea Dominicana
44%	Consorcio Agua Azul
61%	Aguas de San Pedro
100%	Consorcio – Acea Dominicana
100%	Acea Perù

- **Acea International:** overseas holding (management, scouting, tender monitoring)
- **Acea Dominicana:** management of commercial services for the north and east regions of Dominican Republic
- **Consorcio 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

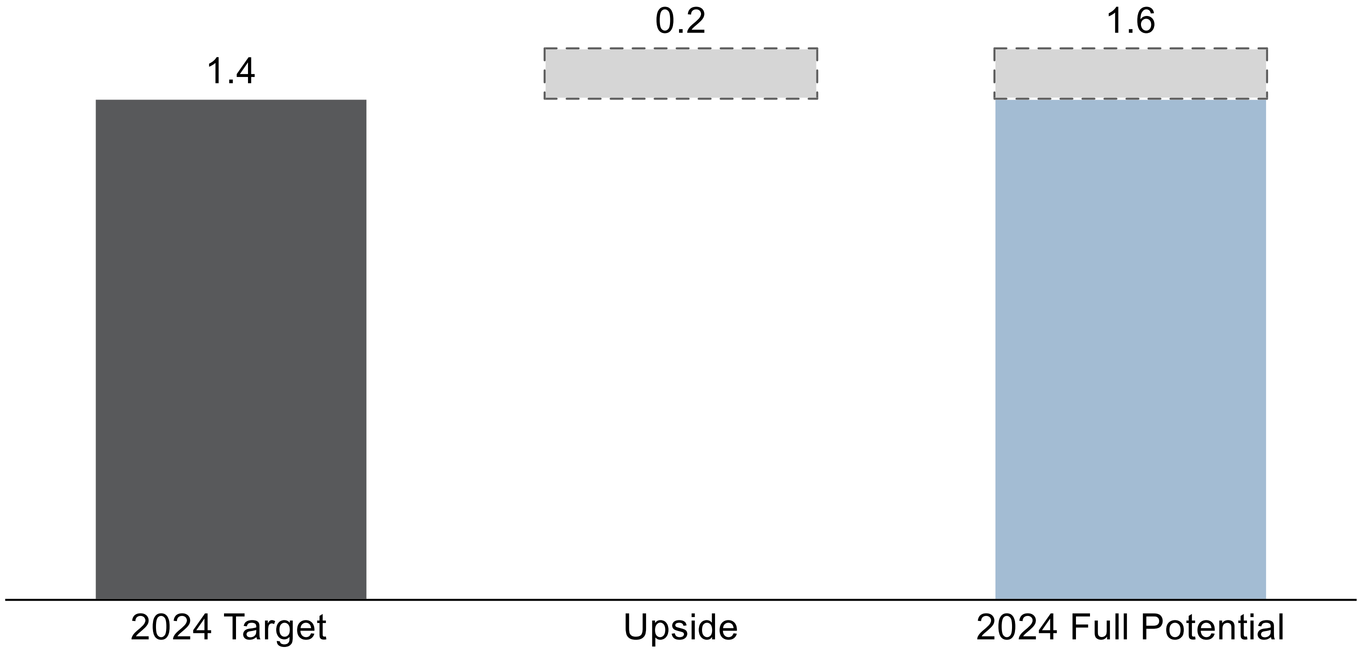
Selected strategic opportunities		EBITDA 2024 | M€	CAPEX 2020-24 | M€
Water consolidation	• **Consolidation of existing concessions** in which Acea has a minority stake • **Expansion** within **regions of interest**	+100	+400
Gas portfolio expansion	• Growth in gas distribution through **tender participation in relevant territories** (**big cities/ ATEM**), leveraging on the first «tactical» acquisitions	+10-20	+50-130
Boost M&A - Waste	• **Acceleration of market consolidation** through further M&A transactions on segments / geographies considered strategic for Acea	+25-50	+200-400
Recovery Fund	• 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

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

9M 2020 Results

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 «Ferrocart» 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 (a)**	**9M 2019 (b)**	***% change (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 (a)**	**31 Dec 2019 (b)**	**30 Sept 2019 (c)**	***% change (a/b)***	***% change (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*

** The increase in the workforce is primarily due to changes in scope (AdF, ACEA Perù, the Environment segment, Simam)*

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

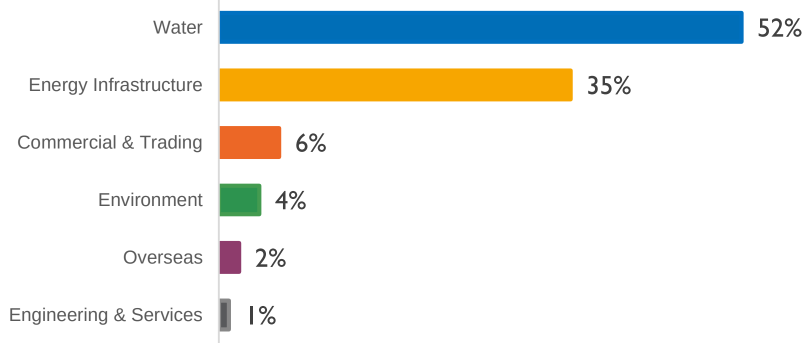
Improved **quality of life** thanks to **Working From Home** and **reduced commuting**

Footprint

Redution in the **Company’s carbon footprint**

9M 2020 Results
EBITDA

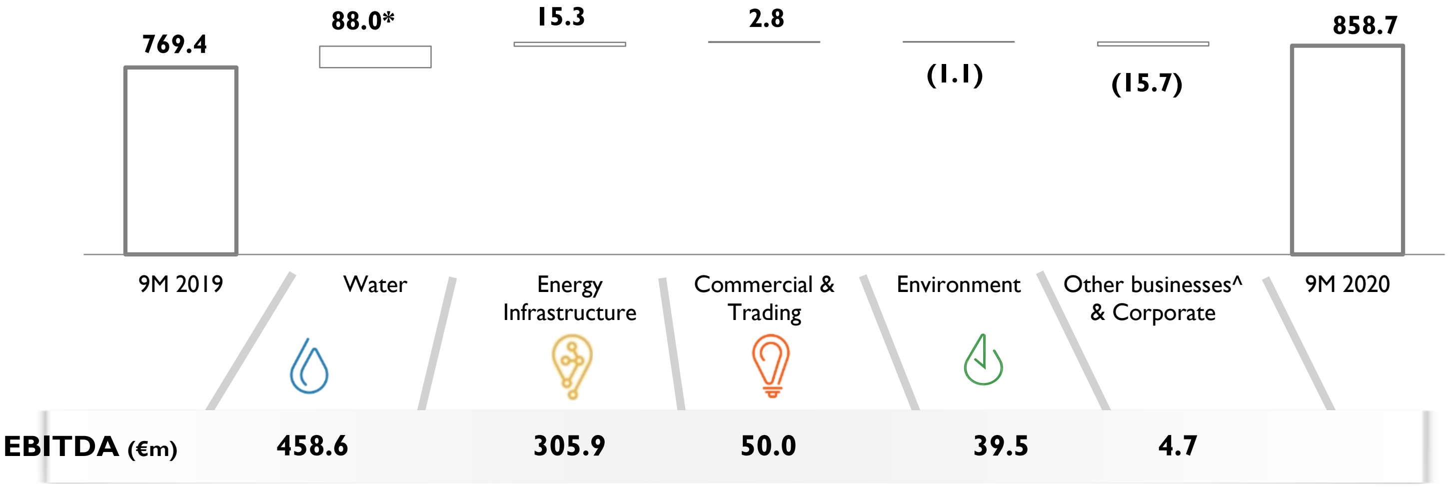
EBITDA 9M 2020



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

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

EBITDA (€m)



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

Line-by-line consolidation of AdF

^ *Overseas, Engineering & Services*

^^ *Contribution from consolidation using the equity method*

9M 2020 Results
EBITDA and operational results - Financial highlights

Water

Including gas distribution

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 (a)	9M 2019 (b)	% change (a/b)
EBITDA	458.6	370.7	+23.7%
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%
Capex	338.4	253.5	+33.5%

9M 2020 Results
EBITDA and operational results - Financial highlights

Energy Infrastructure

KEY HIGHLIGHTS

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

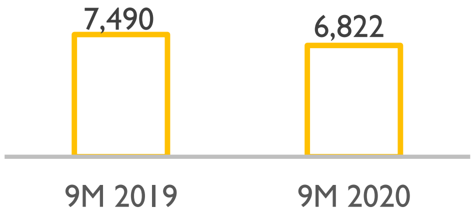
EBITDA GROWTH

EBITDA main drivers

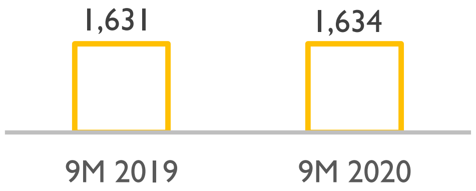
- Distribution: +€15.7m (primarily due to tariff and regulatory effects)
- Generation: -€0.3m:
  - Photovoltaic: +€7.6m
  - Hydroelectric: declining volumes and sharp fall in prices (Covid-19 emergency): -€7.9m

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

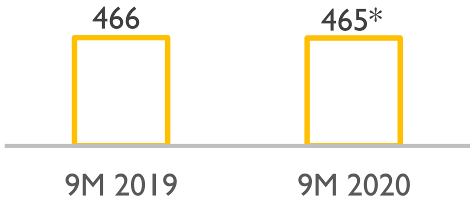
Total electricity distributed (GWh)



Number of PODs ('000s)



Total electricity produced (GWh)



* of which photovoltaic: 50 GWh

9M 2020 Results

EBITDA and operational results - Financial highlights

Commercial & *Trading*

KEY HIGHLIGHTS

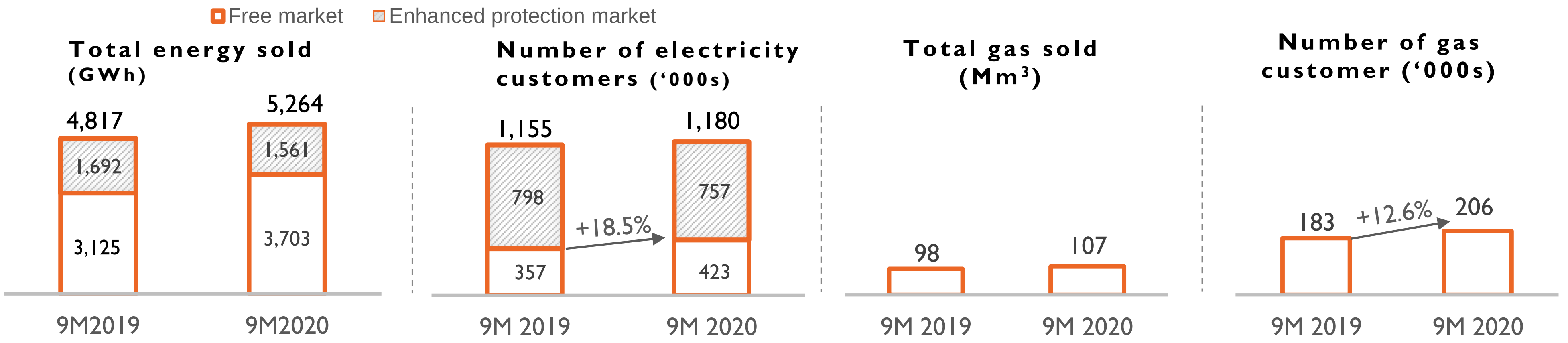
- Increased customer base on free market
- Ability to restore margins despite the Covid-19 emergency

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** (a)	**9M 2019** (b)	**% change** *(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

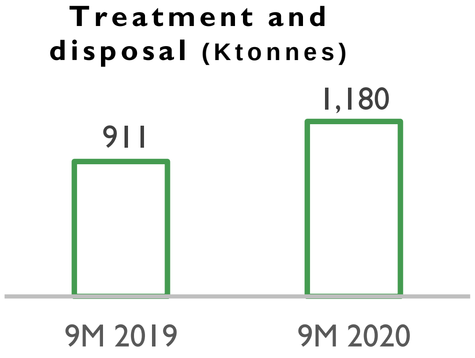
EBITDA

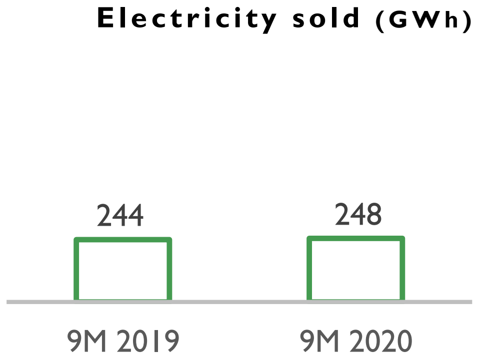
EBITDA main drivers

- 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 (a)	9M 2019 (b)	% change (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 /Multigreen	3.0	-	*n/s*
Capex		18.2	29.4	*-38.1%*

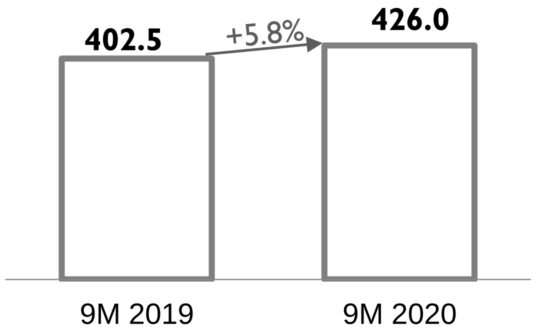




9M 2020 Results

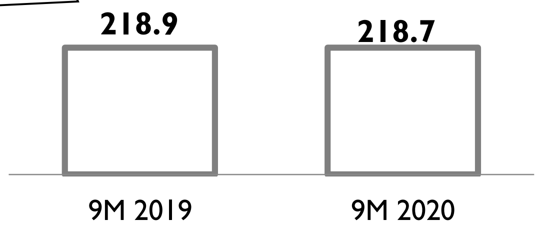
EBIT and net profit

EBIT (€m)



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

NET PROFIT (€m)

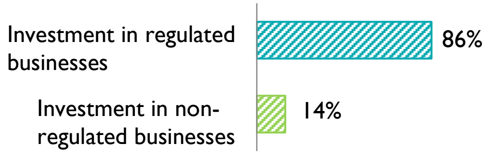


TAX RATE	**30.0%**	**30.5%**

(€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)
Total	**432.7**	**366.9**	***+17.9%***	

9M 2020 Results

CAPEX - Continuing to invest on regulated activities



Capex: +18.2%

Capex (€m)	**338.4**	**222.8**	**27.0**	**18.2**	**18.9**

- Repair and widening of water and sewage pipes
- Extraordinary maintenance of plants and networks
- Work on treatment plants
- Consolidation of AdF (€23.4m)

- Upgrade and expansion of grid
- 'Resilience'' plan with work on secondary substations and on the MV and LV network

- Customer acquisition
- IT systems

- San Vittore plant
- Work on Orvieto landfill

- Overseas: reduced investment at Aguas de San Pedro
- Engineering & Services: consolidation of Simam (€1.7m)
- Corporate: IT projects

** Overseas, Engineering & Services*

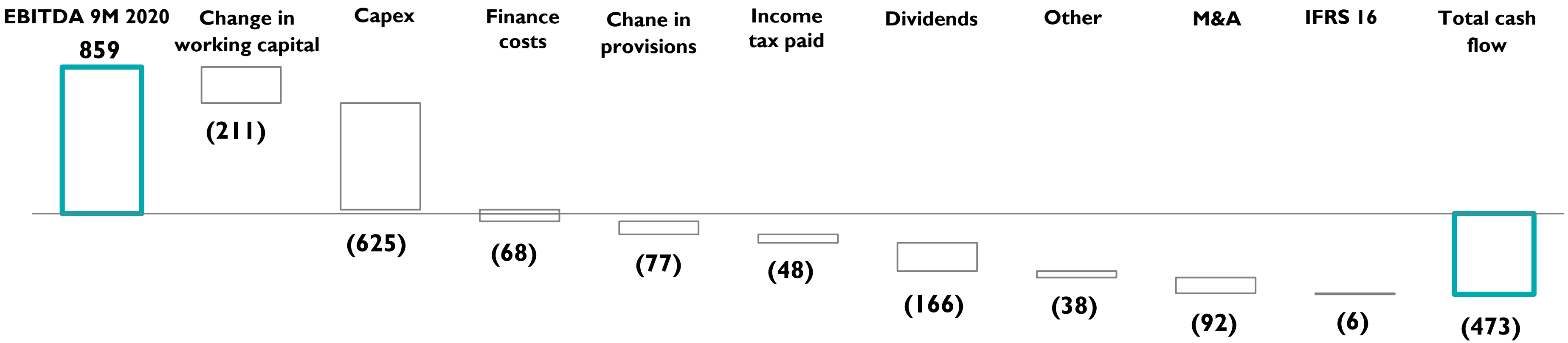
9M 2020 Results

Cash flow - Ongoing focus on working capital improvement

	9M 2020	9M 2019
EBITDA	859	769
Change in working capital	(211)	(118)
Capex	(625)	(529)
FREE CASH FLOW	**22**	**122**
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)
TOTAL CASH FLOW	**(473)**	**(394)**

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)



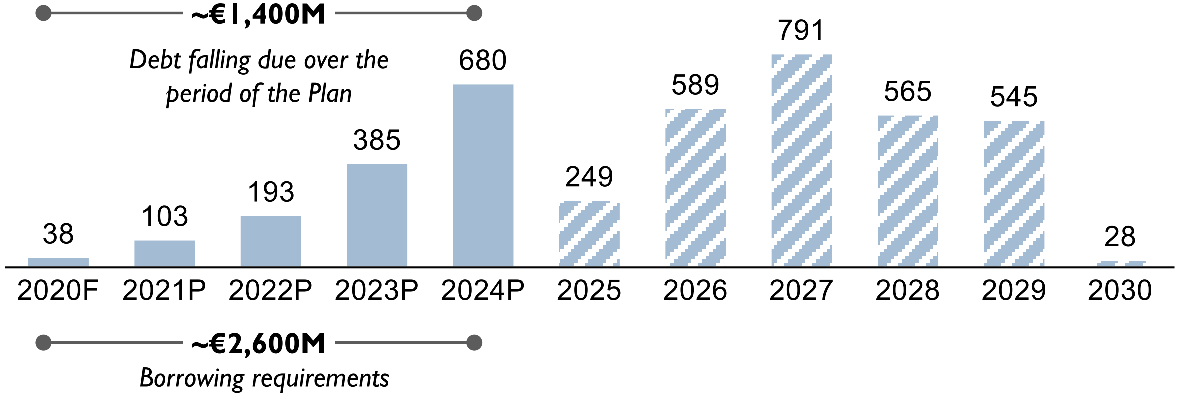
9M 2020 Results
Net debt

(€m)	30 Sept 2020 (a)	31 Dec 2019 (b)	30 Sept 2019 (c)	*Change* *(a-b)*	*Change* *(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 30 September 2020
3.1x

Debt (€m)



~€1,400M

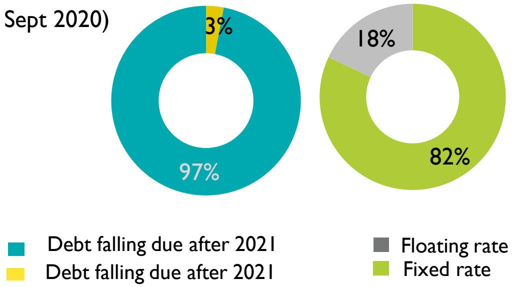
Debt falling due over the period of the Plan

~€2,600M

Borrowing requirements

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

Sustainability ratings

CDP	standard ethics
A-	EE-
Leadership	*Positive*

H1 2020 Results

H1 2020 Results

Financial Highlights

(€m)	**H1 2020 (a)**	**H1 2019 (b)**	***% change (a/b)***
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%*

Capex	410.6	342.0	*+20.1%*

(€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	+15.2%	*+24.1%*

- 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

Average Group workforce

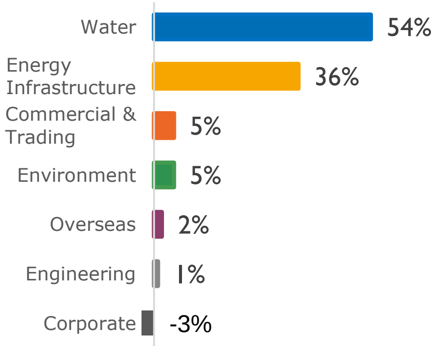
H1 2020	**H1 2019**	**Change**
7,909	6,611	+1,298*

** The increase in the workforce is primarily due to changes in scope (AdF +402; Acea Perù +437; Environment +172; Simam +132)*

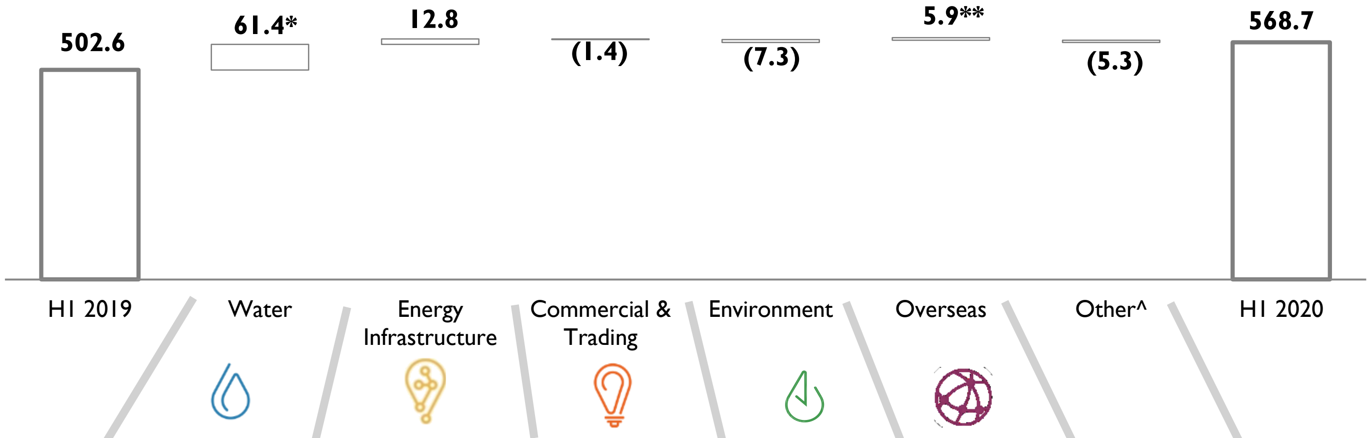
H1 2020 Results

EBITDA

EBITDA H1 2020



EBITDA (€m)



EBITDA (€m)	305.4	206.1	29.8	26.2	13.8	(12.6)

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

(€m)	H1 2020	H1 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	-
Ferrocart/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

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

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 (€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

(€m)	**H1 2020** (a)	**H1 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%*

H1 2020 Results
EBITDA and quantitative data

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

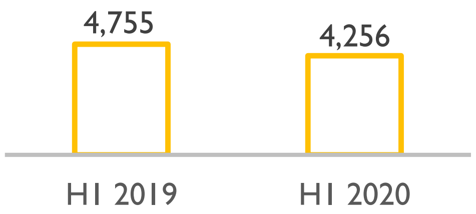
EBITDA main drivers

EBITDA GROWTH

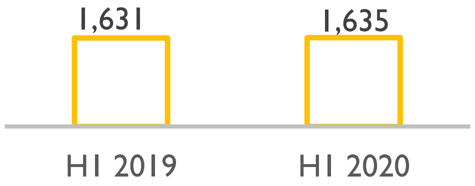
- Distribution: +€13.1m (primarily due to tariff and regulatory effects)
- Public Lighting: +€1.0m (new lighting points)
- Generation: -€1.3m:
  - ⇩ Declining volumes and sharp fall in energy market prices, partly due to Covid-19 emergency
  - ⇧ Photovoltaic +€5.7m

(€m)	**H1 2020** (a)	**H1 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%

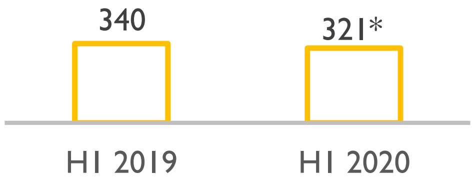
Total electricity distributed (GWh)



Number of PODs ('000s)



Total electricity produced (GWh)



* *of which photovoltaic: 28 GWh*

H1 2020 Results

EBITDA and quantitative data

Commercial & *Trading*

KEY HIGHLIGHTS

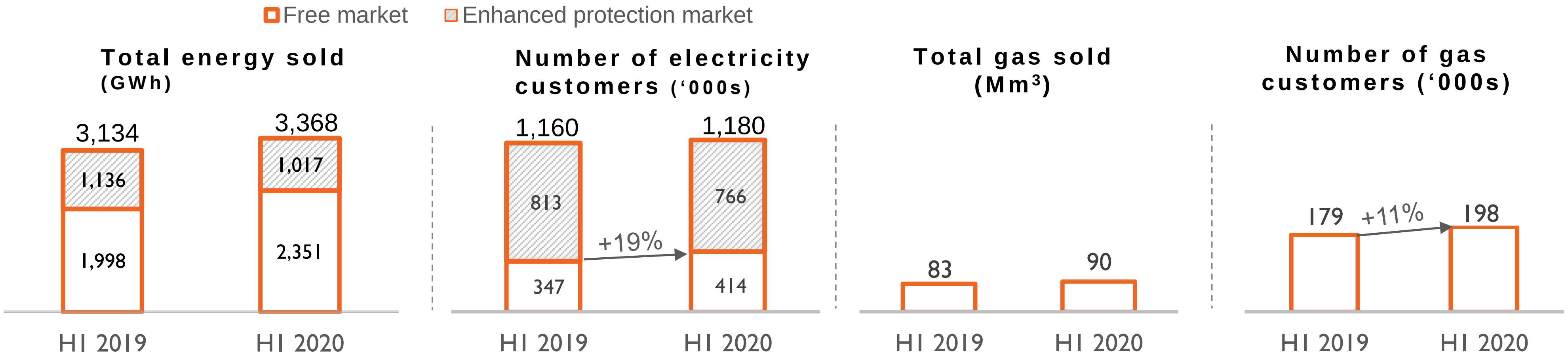
- Increased customer base on free market
- Ability to recover from an emergency situation, offsetting impact of enhanced protection market regulation and reduced consumption of business customers

EBITDA main drivers

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

(€m)	**HI 2020** (a)	**HI 2019** (b)	*% change* *(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

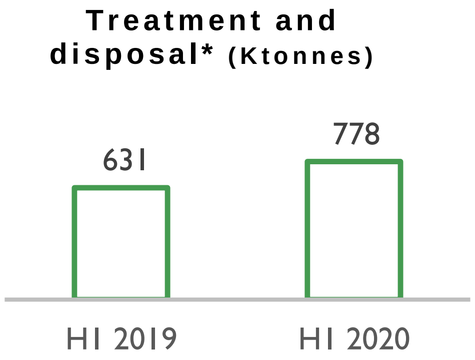
- Acquisition of 60% of Ferrocart/Cavallari/ Multigreen (waste storage, treatment and sorting)

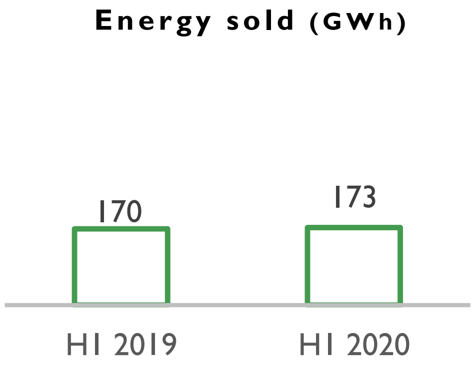
EBITDA

EBITDA main drivers

- 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)

(€m)		H1 2020 (a)	H1 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	-10.4%



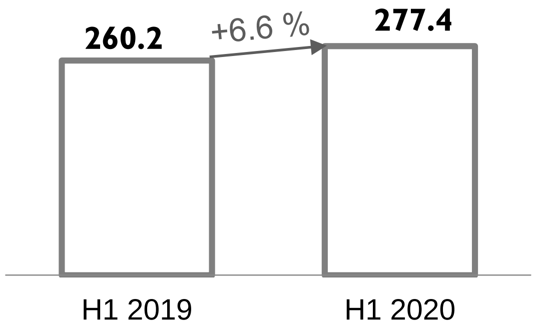


* Includes ash disposed of

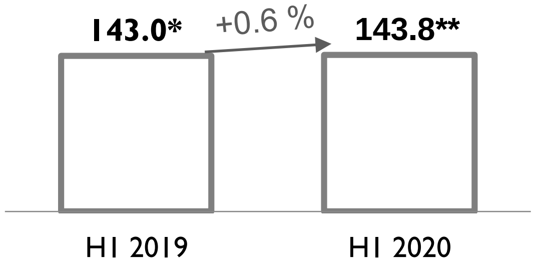
H1 2020 Results

EBIT and net profit

EBIT (€m)



NET PROFIT (€m)



TAX RATE	**30.0%**	**30.5%**

(€m)	H1 2020	H1 2019	% change	
Depreciation	239.9	200.1	+19.9%	Consolidation of AdF (€13.0m) Increased capex, above all in Water segment
Write-downs	43.8	36.0	+21.7%	Effect of Covid-19 emergency and consolidation of AdF (€0.9m)
Provisions	7.5	6.3	+19.0%	Consolidation of AdF (€0.7m)
Total	**291.2**	**242.4**	**+20.1%**	

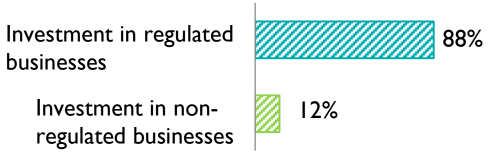
* *Net profit H1 2019:*

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

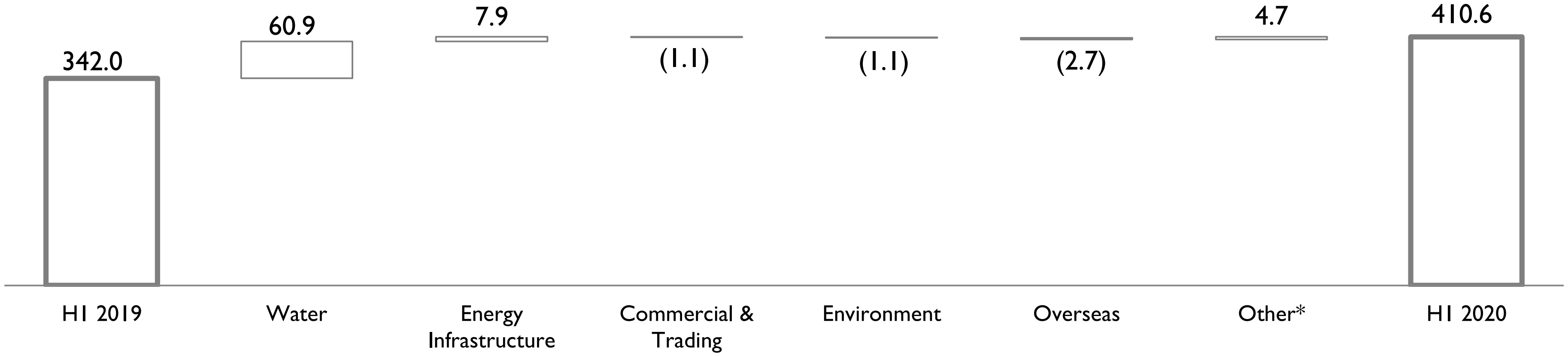
** *Net profit H1 2020:*

- ✓ *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**
	• Repair and widening of water and sewage pipes • Extraordinary maintenance of water centres • Work on treatment plants • Consolidation of AdF (€15.5m)	• Upgrade and expansion of grid • 'Resilience'' plan with work on secondary substations and on the MV and LV network	• Customer acquisition • IT systems	• San Vittore plant • Expansion of Orvieto landfill	• Agua de San Pedro: reduced investment	• Corporate: IT projects

---

* *Engineering, Corporate*

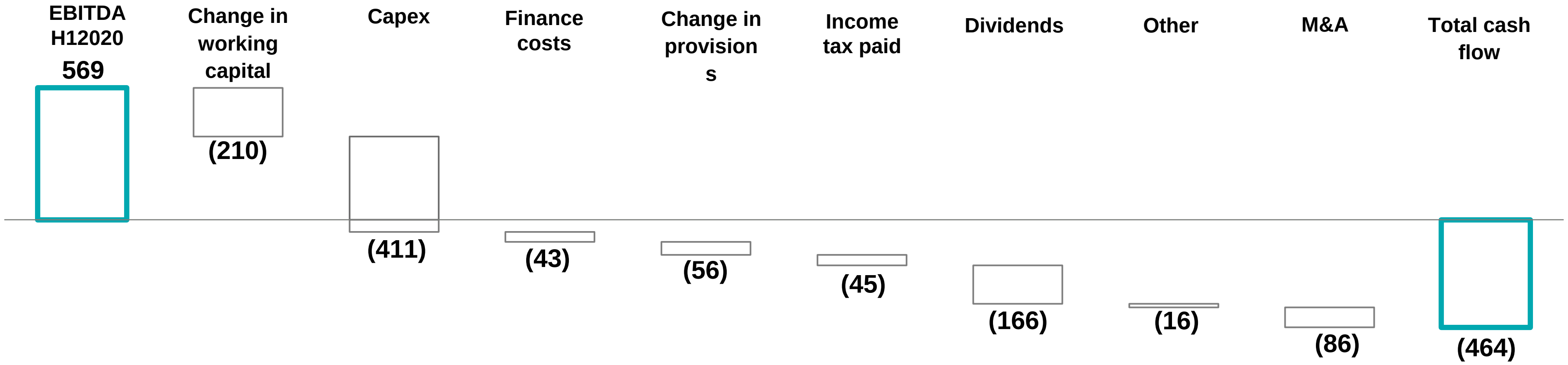
H1 2020 Results

Cash Flow – continued focus on reducing working capital

	H1 2020	H1 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)



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*

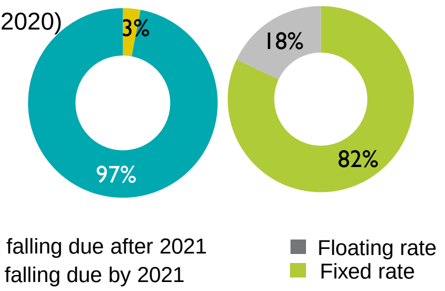
NET DEBT/ EBITDA LTM 30 June 2020
3.2x

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**

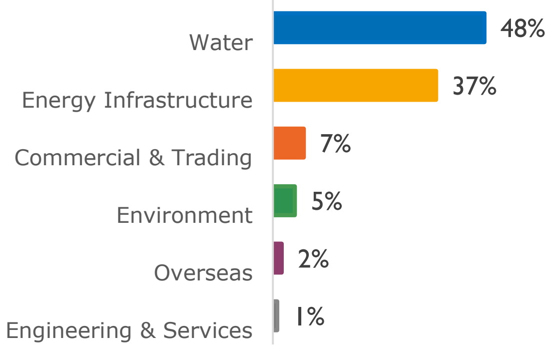
- *Initial guidance : +5%/+6%*
- *Guidance provided in H1 2019: ≥ +7%*
- *Guidance provided in 9M 2019: ≥ +10%*

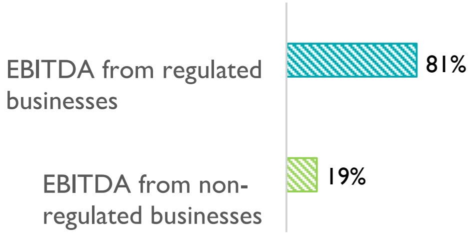
Net debt: below lower end of guidance (€2.85-2.95bn).
€2.83bn excluding impact of IFRS 16, M&A and consolidation of Acquedotto del Fiora

GUIDANCE 2020: FURTHER GROWTH EXPECTED

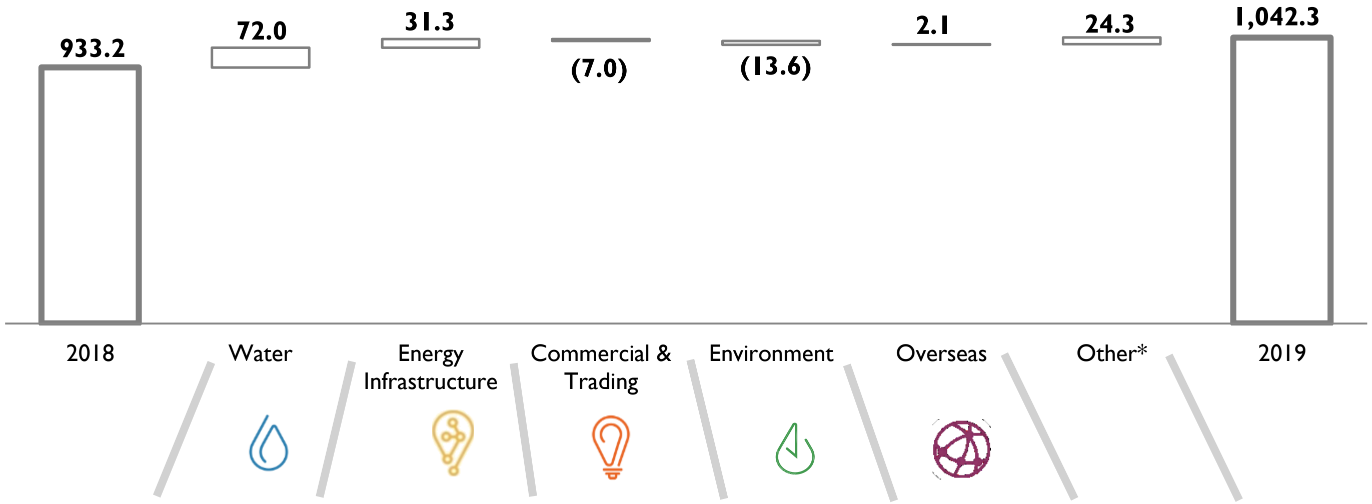
✓ **EBITDA** +6%/+8% versus 2019 (€1,042m) in line with the CAGR in Business Plan 2019-2022
✓ **CAPEX** broadly in line with 2019 and the Business Plan 2019-2022
✓ **NET DEBT** €3.45-3.55bn

2019 Results
EBITDA





EBITDA (€m)



EBITDA (€m)	**505.0**	**392.0**	**69.1**	**52.0**	**16.9**	**7.3**

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

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

---

* *Engineering & Services, Corporate*

° *Includes contribution from consolidation of equity-accounted investments, totalling €3m*

°° *Contribution from consolidation of equity-accounted investments*

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

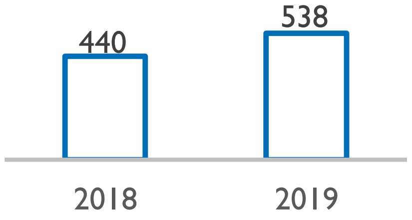
EBITDA main drivers

- 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

(€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)



2019 Results

EBITDA and quantitative data

Energy Infrastructure

KEY HIGHLIGHTS

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

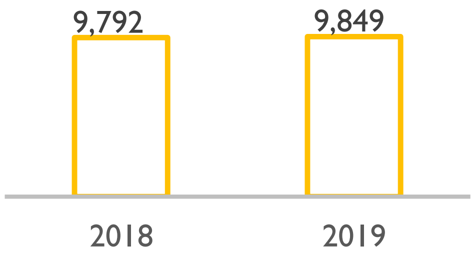
EBITDA GROWTH

EBITDA main drivers

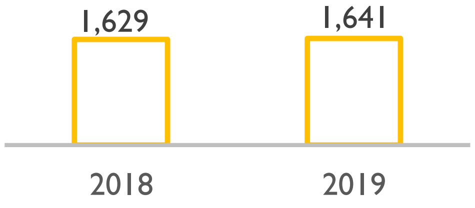
- Distribution: +€28.3m
- Public Lighting: +€7.3m (new lighting points and cuts to external costs)
- Generation: -€4.4m:
  - photovoltaic contribution +€3.6m
  - recognition in 2018 of an extraordinary component of €5m
  - reduction in volume produced and less price

(€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%*

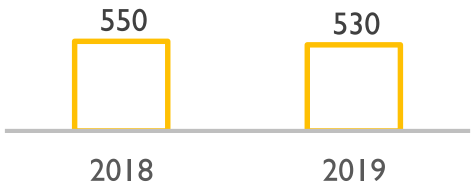
Total electricity distributed (GWh)



Number of customers ('000s)



Total electricity produced (GWh)



2019 Results

EBITDA and quantitative data

Commercial & *Trading*

KEY HIGHLIGHTS

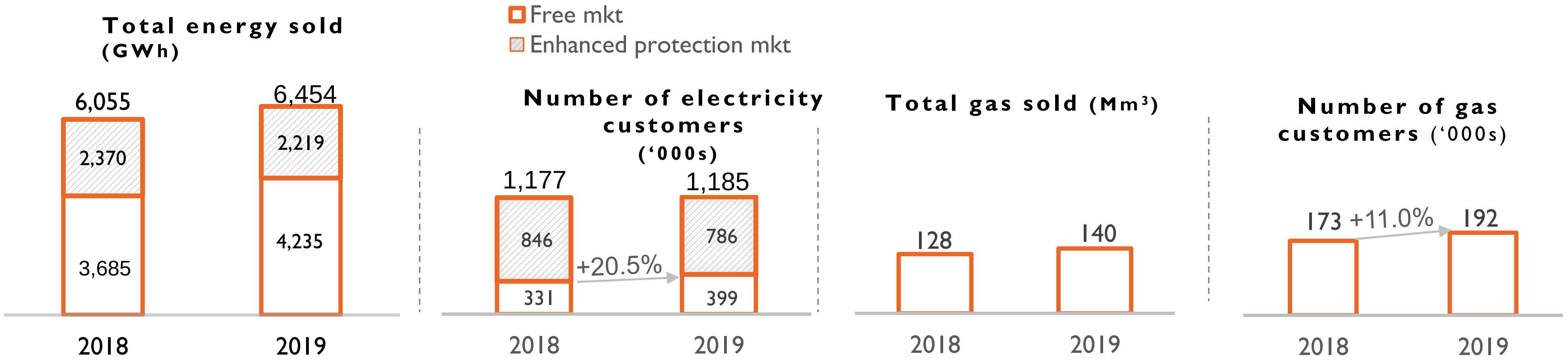
- Improvement in sales channels with resulting increase in number of free market customers for electricity (+20.5%) and gas (+11.0%)
- Improvement in collections

EBITDA

EBITDA main drivers

- ↑ 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)

(€m)	**2019** (a)	**2018** (b)	*% change* *(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

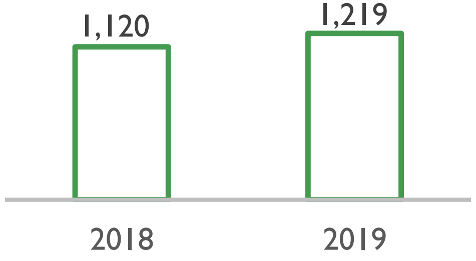
(€m)	**2019** (a)	**2018** (b)	*% change (a/b)*
EBITDA	52.0	65.6	*-20.7%*
Demap	1.8	-	*n/s*
Berg	0.5	-	*n/s*
Capex	51.9	20.0	*+159.5%*

EBITDA

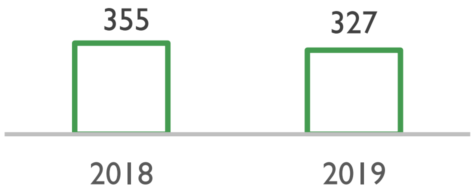
EBITDA main drivers

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

Treatment and disposal* (Ktonnes)



Electricity sold (GWh)

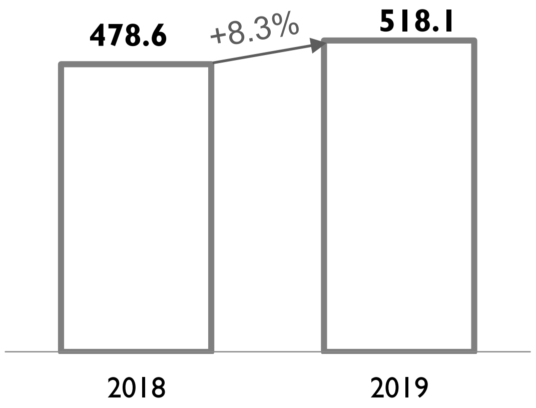


* Includes ash disposed of

2019 Results

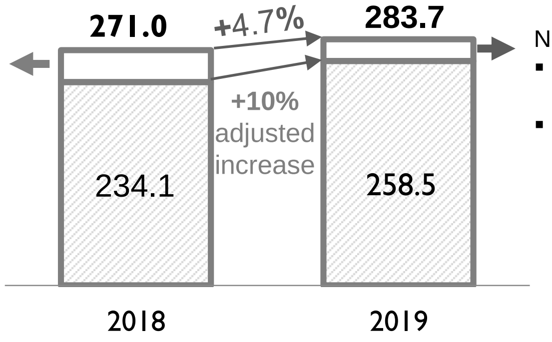
EBIT and net profit

EBIT (€m)



NET PROFIT (€m)

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

(€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%**

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

Provisions: 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%

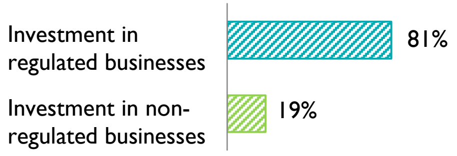
---

* *Based on the average price for the year*

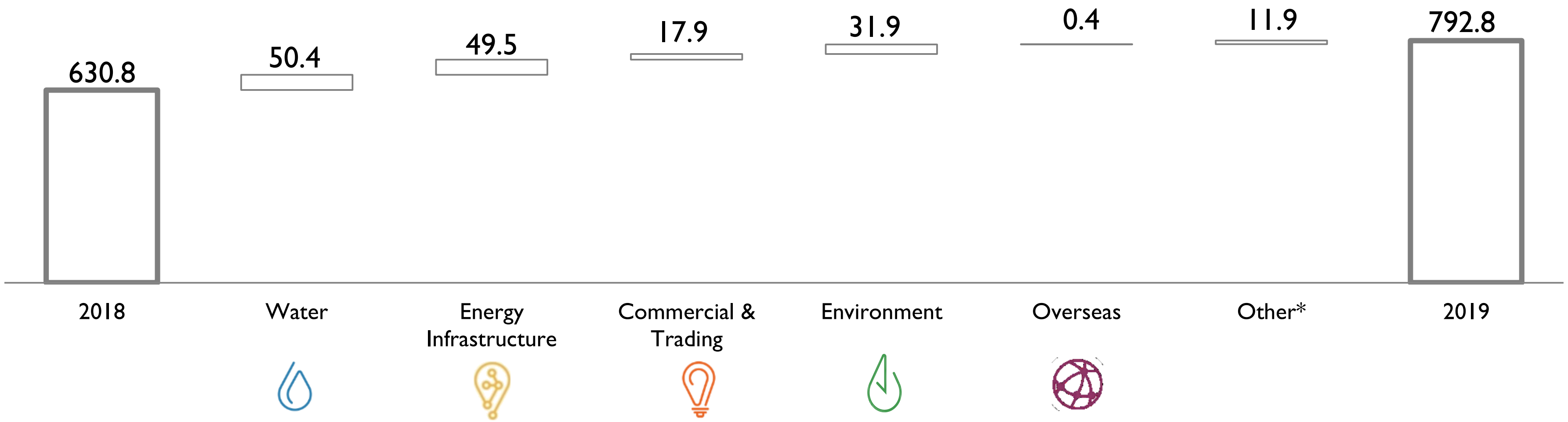
** *Based on consolidated net profit after non-controlling interests*

2019 Results

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



Capex +25.7%



Capex (€m)	**380.1**	**287.8**	**42.5**	**51.9**	**7.0**	**23.5**
	• Repair and widening of water and sewage pipes • Extraordinary maintenance of water centres • Work on treatment plants • Consolidation of Gori (€44m) • Consolidation of AdF (€11m)	• Upgrade and expansion of grid • ”Resilience” plan with work on secondary substations and on the MV and LV network • Revamp of Mandela hydroelectric plant and of Tor di Valle and Montemartini thermoelectric plants	• IT systems • Customer acquisition • Cloud licences for new “Customer Relationship Management”	• Revamp of Monterotondo Marittimo plant (opened in October 2019) • Expansion of Orvieto landfill	• Agua de San Pedro: widening and maintenance of water and sewage pipes (Honduras)	• Corporate: IT projects

---

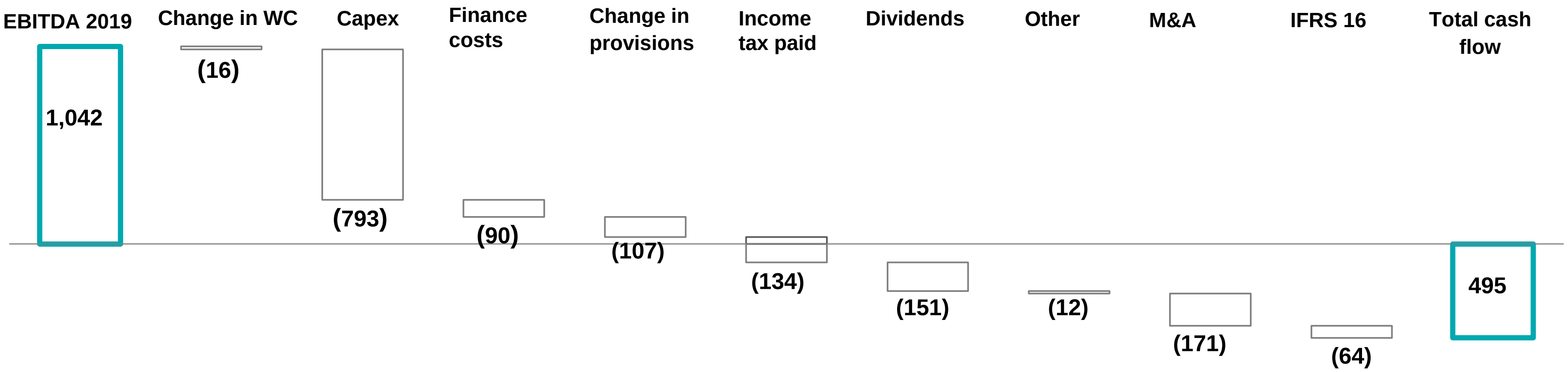
** Engineering & Services, Corporate*

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

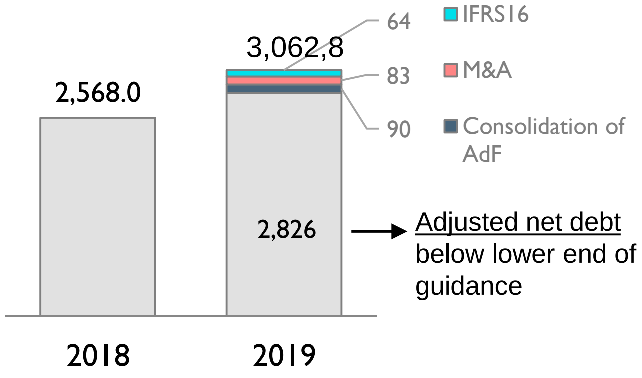


2019 Results

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



Adjusted net debt below lower end of guidance

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%

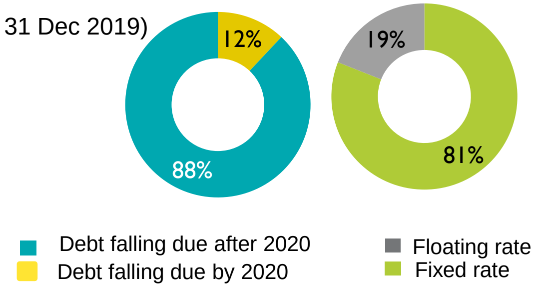
July 2019 - Ceiling for EMTN programme raised to €4bn

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

Structure of debt

(maturity and interest rates at 31 Dec 2019)

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



Ratings

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

acea

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

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

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

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 serious 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 det 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.

Disclaimer

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

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

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

THIS PRESENTATION DOES NOT CONSTITUTE A RECOMMENDATION REGARDING THE SECURITIES OF THE COMPANY. THIS PRESENTATION DOES NOT CONTAIN AN OFFER TO SELL OR A SOLICITATION OF ANY OFFER TO BUY ANY SECURITIES ISSUED BY ACEA S.P.A. OR ANY OF ITS SUBSIDIARIES.

***

PURSUANT TO ART. 154-BIS, PAR. 2, OF THE LEGISLATIVE DECREE N. 58 OF FEBRUARY 24, 1998, THE EXECUTIVE IN CHARGE OF PREPARING THE CORPORATE ACCOUNTING DOCUMENTS AT ACEA, FABIO PARIS – CFO OF THE COMPANY - DECLARES THAT THE ACCOUNTING INFORMATION CONTAINED HEREIN CORRESPOND TO DOCUMENT RESULTS, BOOKS AND ACCOUNTING RECORDS.