



Acea Group 9M 2020 Results

Rome, 10 November 2020

aceea

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.

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 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)

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**

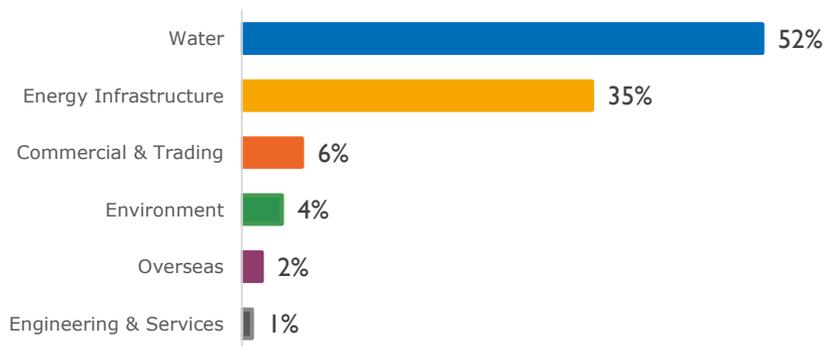


Footprint



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

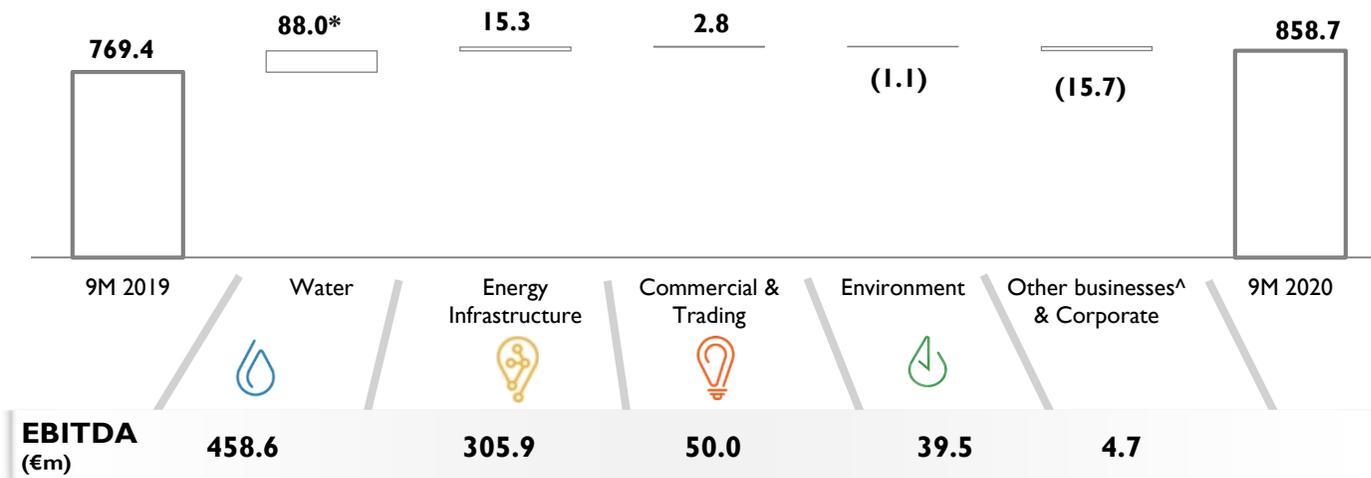
EBITDA 9M 2020



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

(€m)	9M 2020	9M 2019
AdF	44.7	^^3.6
Consorzio 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	-
Ferrocarril/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

EBITDA and operational results

9M 2020 financial highlights

Water

Including gas distribution

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 (€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

EBITDA
main
drivers

(€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%

EBITDA and operational results

9M 2020 financial highlights

Energy Infrastructure

KEY HIGHLIGHTS

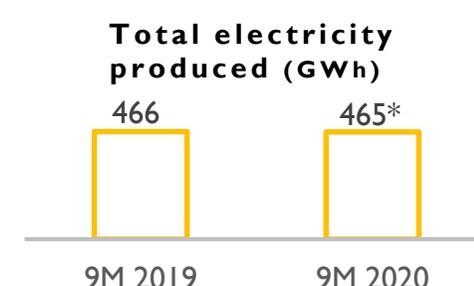
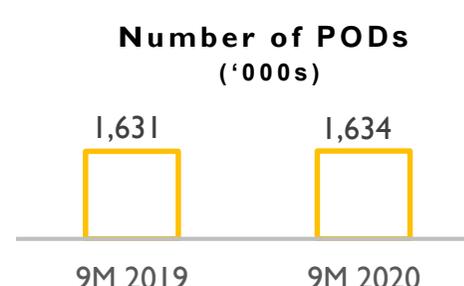
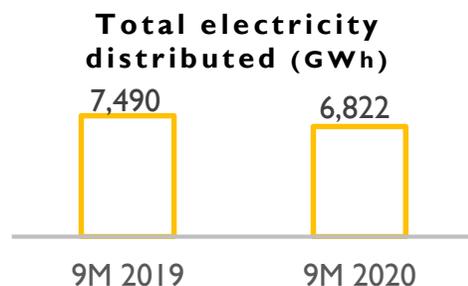
- Acquisition of new photovoltaic plants: raising total capacity to 52 MWp

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 (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%



* of which photovoltaic: 50 GWh

EBITDA and operational results

9M 2020 financial highlights

Commercial & Trading

KEY HIGHLIGHTS

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

EBITDA

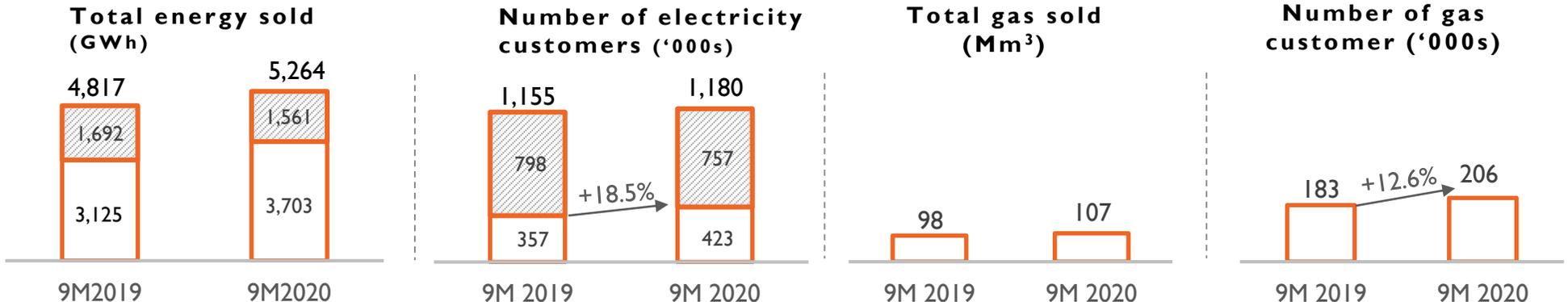
- Increased margin on free market: greater number of mass market customers and higher volume of electricity sold
- Reduction in margin on enhanced protection market: revised mechanism for compensating for delinquent accounts (ARERA Resolution 100/2020)
- Reduction in business customers' consumption in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

EBITDA main drivers



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

Free market Enhanced protection market



EBITDA and operational results

9M 2020 financial highlights

Environment

EBITDA

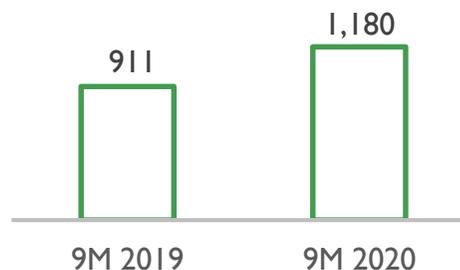
EBITDA
main
drivers



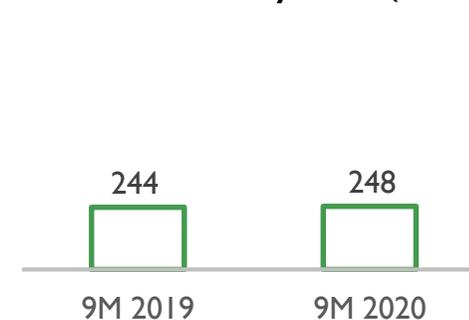
- Change in scope of consolidation:
 - ✓ Acquisition of Demap (July 2019): +€2.0m
 - ✓ Acquisition of Berg (October 2019): +€1.5m
 - ✓ Acquisition of Ferrocart/Cavallari/Multigreen (April 2020): +€3.0m
- Increase in disposal tariffs and volumes
- End of CIP6 feed-in tariffs from 1 August 2019: -€18.7m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

Treatment and disposal (Ktonnes)

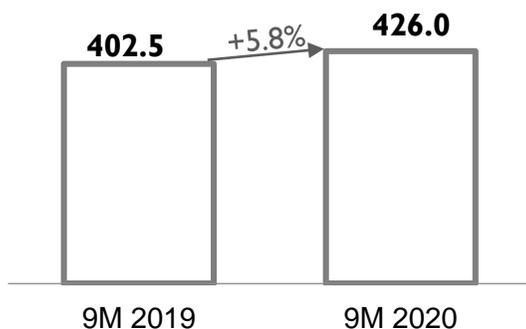


Electricity sold (GWh)

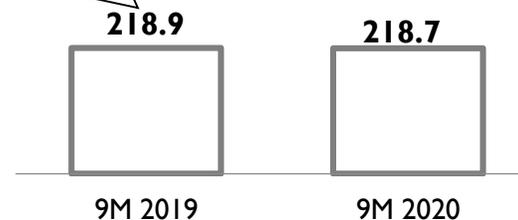


EBIT (€m)

NET PROFIT (€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



TAX RATE

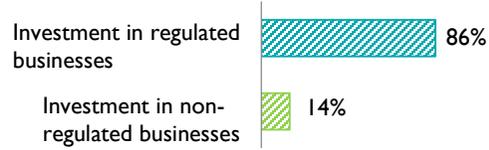
30.0%

30.5%

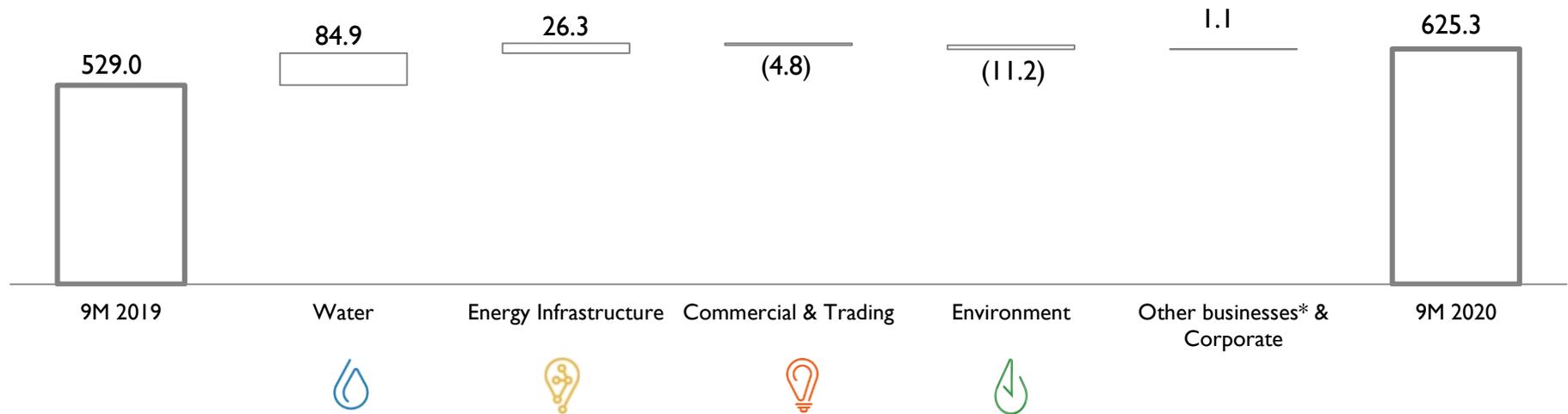
(€m)	9M 2020	9M 2019	% change	
Depreciation	364.8	306.7	+18.9%	➔ Consolidation of AdF (€20.2m)
Write-downs	58.1	51.8	+12.2%	➔ Consolidation of AdF (€1.1m)
Provisions	9.8	8.4	+16.7%	➔ Consolidation of AdF (€1.0m)
Total	432.7	366.9	+17.9%	

Capex

Continuing to invest on regulated activities



Capex: +18.2%



Capex (€m)	338.4	222.8	27.0	18.2	18.9
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- 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

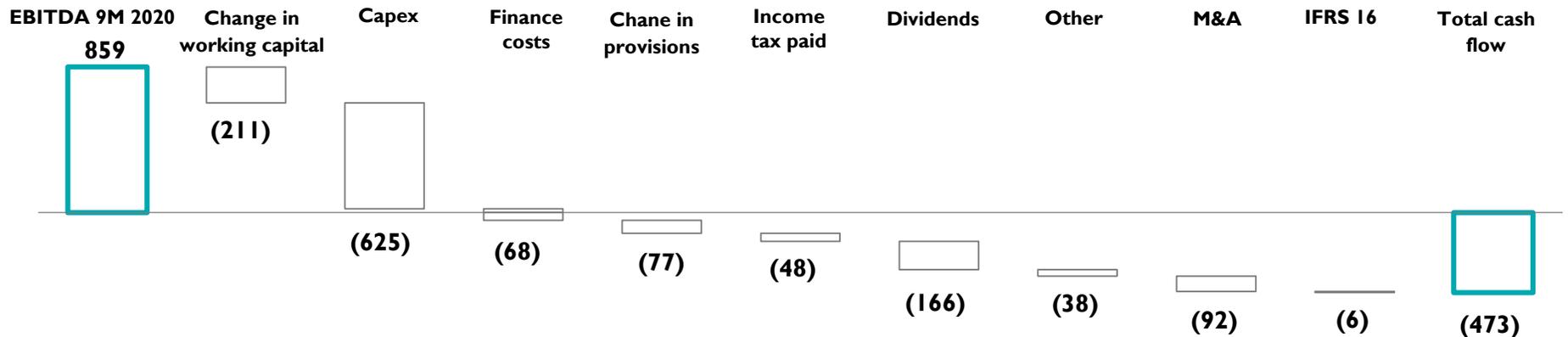
Cash flow

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)

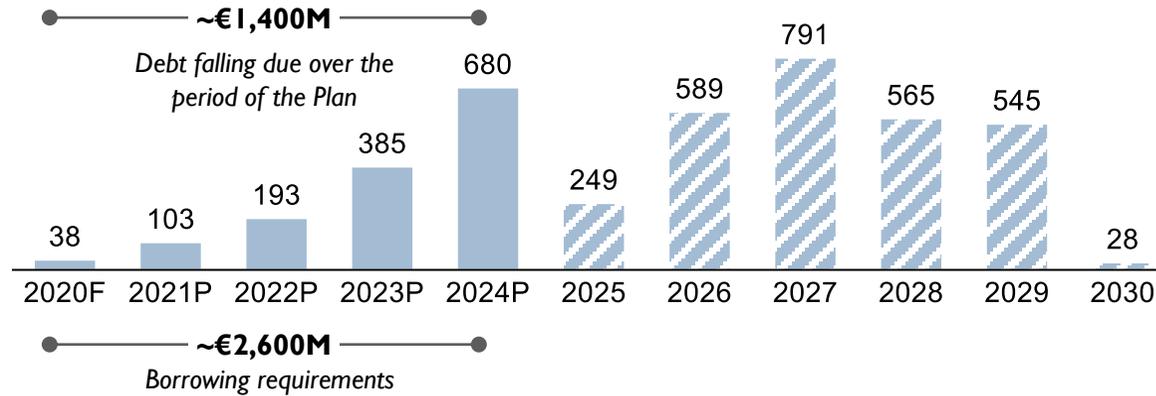


(€m)	30 Sept 2020 (a)	31 Dec 2019 (b)	30 Sept 2019 (c)	Change (a-b)	Change (a-c)
Net debt	3,535.4	3,062.8	2,960.3	472.6	575.1
Medium/long-term	4,116.9	3,523.3	3,467.5	593.6	649.4
Short-term	(581.5)	(460.5)	(507.2)	(121.0)	(74.3)

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

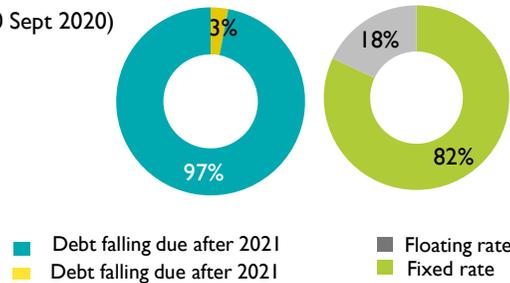
Debt (€m)



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

CDP
DISCLOSURE INSIGHT ACTION

A-
Leadership

standard
ethics

EE-
Positive



ACEA Group

9M 2020 Results

Rome, 10 November 2020

Q&A session



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

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