



Acea Group H1 2020 Results

Rome, 29 July 2020

acea

Executive summary

ACEA Group sees continued growth



SIGNIFICANT IMPROVEMENT IN RESULTS DESPITE THE IMPACT OF THE HEALTH EMERGENCY GROWTH IN INVESTMENT IN REGULATED INFRASTRUCTURE CONTINUES

- **EBITDA** of €569m +13% versus HI 2019 (organic growth >8%)
- **EBIT** of €277m +7% versus HI 2019
- **NET PROFIT** of €144m +1% versus HI 2019
- **Capex** of €411m +20% versus HI 2019



KEY TRANSACTIONS COMPLETED SINCE THE BEGINNING OF THE YEAR

- ✓ Successful placement of a **€500m bond issue**, with a term of 9 years and paying interest of 0.50% (January 2020).
- ✓ Signature of an **agreement to acquire 51% of «Alto Sangro Distribuzione Gas»** (537 km of network, 34,000 redelivery points in the province of l'Aquila). (March 2020)
- ✓ **Acquisition of 60% of «Ferrocart» and «Cavallari»** (which owns 100% of Multigreen) – 4 waste storage, treatment and sorting plants, handling 145 thousand 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-tech solutions (May 2020)
- ✓ **Acquisition of photovoltaic plants** continues, with total installed capacity amounting to up to 45 MWp. Development of primary market projects, **40 MWp already authorised** (HI 2020) out of a pipeline of over 400 MWp
- ✓ **Fitch's confirmation of Acea's rating** of «BBB+» with a «Stable» outlook. (May 2020)
- ✓ **Standard Ethics has upgraded the outlook** for Acea from “Stable” to “**Positive**”. The rating is “EE-” (July 2020). Acea is a member of the SE European Multi-Utilities index.

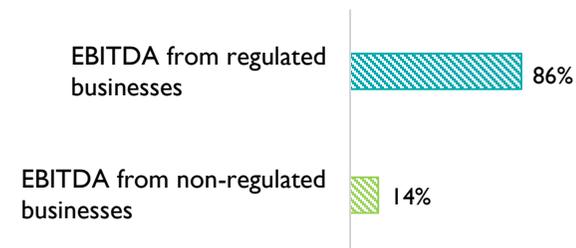
Executive summary

IMPACT OF “COVID-19 EMERGENCY”

HI 2020

- **EBITDA:** ALL AREAS OF BUSINESS PROVED RESILIENT TO THE CRISIS. THE GROUP CONTINUES TO SEE STRONG GROWTH DESPITE THE NEGATIVE IMPACT OF THE HEALTH EMERGENCY.
- **NET WORKING CAPITAL:** INCREASE OF
 - ~ €60M IN PAYMENT ARREARS
 - ~ €60M IN DEFERRED COLLECTION OF REGULATORY ITEMS TO BE ALMOST ENTIRELY RECOVERED BY THE END OF 2020

HIGH RESILIENCE due to major presence in regulated businesses



SOLID FINANCIAL STRUCTURE LIQUIDITY WILL ENABLE US TO MEET OBLIGATIONS FALLING DUE AND SERVICE DEBT BEYOND 2024

UPDATED GUIDANCE FOR 2020:

- | | | |
|--|------------------|---------------------------|
| ➤ EBITDA >8% versus 2019 (€1,042m) | RAISED | Previous guidance +6%/+8% |
| ➤ CAPEX broadly in line with 2019 (€793m) | CONFIRMED | |
| ➤ NET DEBT €3.45-3.55bn | CONFIRMED | |

Executive summary

“Covid-19 emergency”: the Acea Group’s response in H1 2020



Use of **smart working** arrangements continued



Guaranteed continuity and **efficiency of all the services provided.**



Ongoing «**dialogue**» with **local communities and all the Group’s stakeholders.**



Rollout of **serological testing** for «Covid-19» for 3,000 employees. Over 1,900 tests carried out.

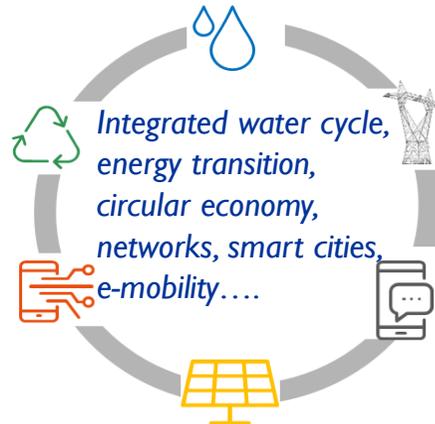


RECOVERY Plan already launched.

THE EUROPEAN REGULATORY FRAMEWORK IS EVOLVING: GROWTH OPPORTUNITIES

Green Deal - National Energy and Climate Plan - Recovery Fund - “Simplifications” Decree

Utilities will play a central role in the country’s «restart». The European Green Deal will help to relaunch investment that will be a key driver of the economic recovery.



Acea confirms its strong commitment to:

- Reducing the **infrastructure gap**, above all in the **water sector** in Italy
- Improving the **quality of the services offered**
- Ongoing delivery of **digitalisation**
- **Sustainable development**
- **The energy transition**

Plan to double the capacity of the Peschiera Acqueduct included in the “Simplifications” Decree as a “priority project” for Italy.

HI 2020 financial highlights

(€m)	HI 2020 (a)	HI 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%

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

Capex	410.6	342.0	+20.1%
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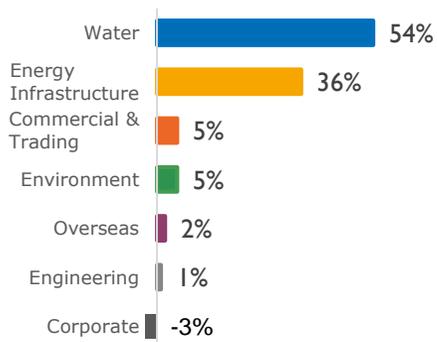
Average Group workforce

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

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

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

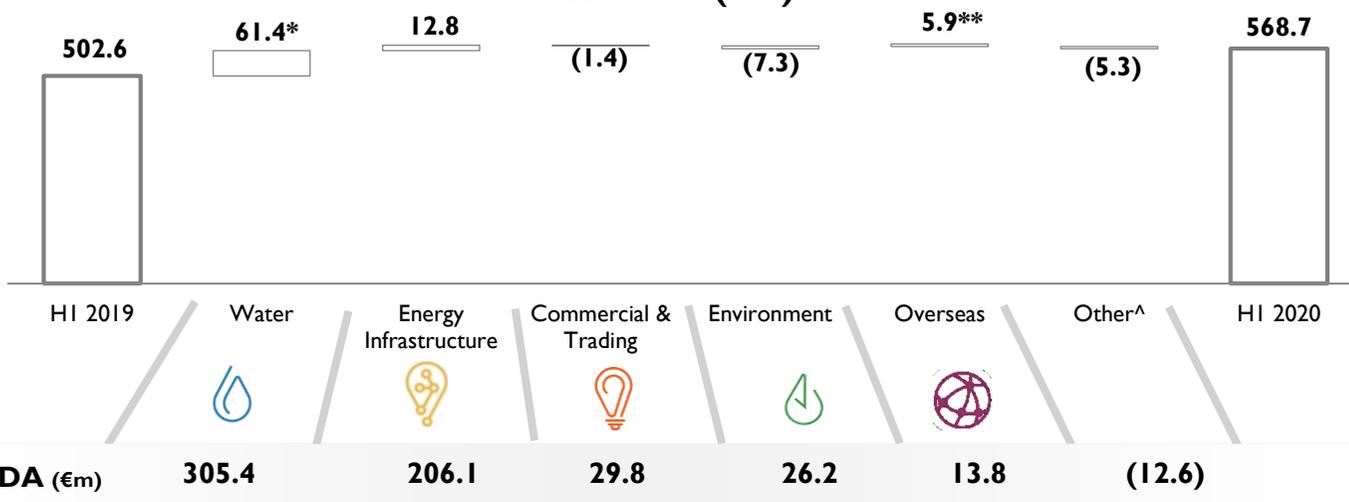
EBITDA HI 2020



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

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

EBITDA (€m)



* 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

EBITDA and quantitative data

HI 2020 financial highlights

Water

Including gas distribution

KEY HIGHLIGHTS

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

EBITDA GROWTH

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

EBITDA
main
drivers



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

EBITDA and quantitative data

HI 2020 financial highlights

Energy Infrastructure

KEY HIGHLIGHTS

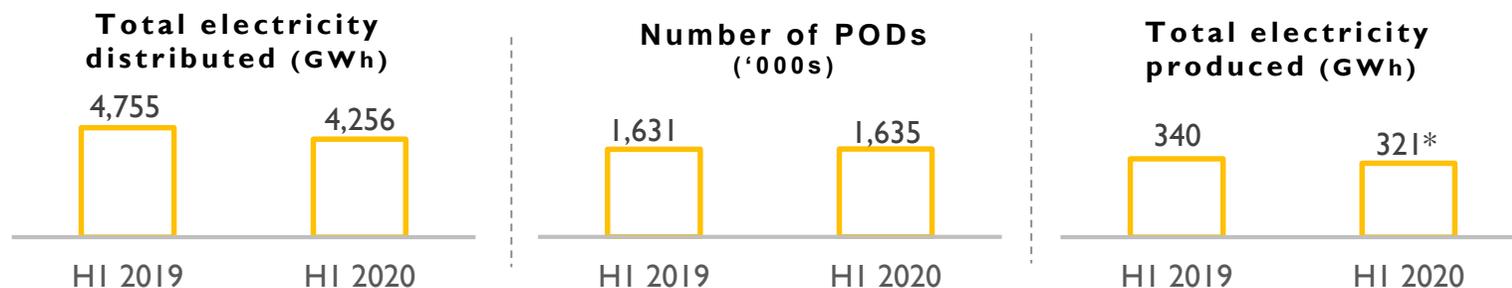
- Acquisition of new photovoltaic plants on the secondary market, increasing total capacity to ~45 MWp
- 40 MWp on primary market already authorised

EBITDA GROWTH

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

EBITDA
main
drivers

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



* of which photovoltaic: 28 GWh

EBITDA and quantitative data

HI 2020 financial highlights



Commercial & Trading

KEY HIGHLIGHTS

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

EBITDA

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

EBITDA
main
drivers



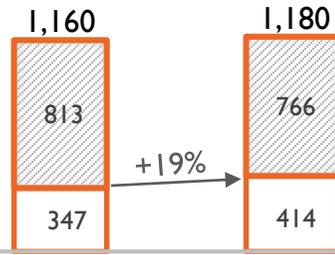
(€m)	HI 2020 (a)	HI 2019 (b)	%change (a/b)
EBITDA	29.8	31.2	-4.5%
Capex	17.4	18.5	-5.9%

Free market Enhanced protection market

Total energy sold (GWh)



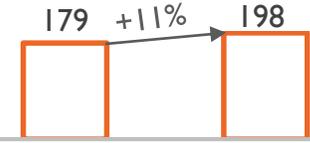
Number of electricity customers ('000s)



Total gas sold (Mm³)



Number of gas customers ('000s)



EBITDA and quantitative data

HI 2020 financial highlights

Environment

KEY HIGHLIGHTS HI 2020

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

EBITDA

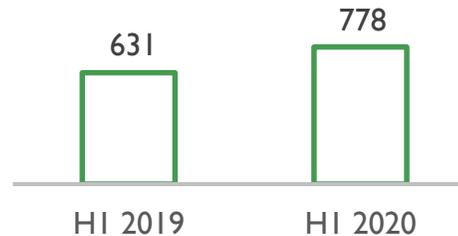
- Acquisition of Demap (July 2019): +€2.0m
- Acquisition of Berg (October 2019): +€1.1m
- Acquisition of Ferrocart/Cavallari/Multigreen (April 2020): +€1.6m
- Increase in disposal tariffs and volume
- End of CIP6 incentives from 1 August 2019 (-€18.0m)

EBITDA
main
drivers

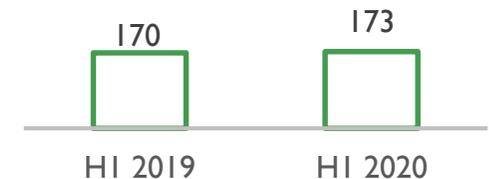


(€m)	HI 2020 (a)	HI 2019 (b)	%change (a/b)
EBITDA	26.2	33.5	-21.8%
of which: Demap	2.0	-	n/s
Berg	1.1	-	n/s
Ferrocart/Cavallari/ Multigreen	1.6	-	n/s
Capex	9.5	10.6	-10.4%

Treatment and disposal* (Ktonnes)

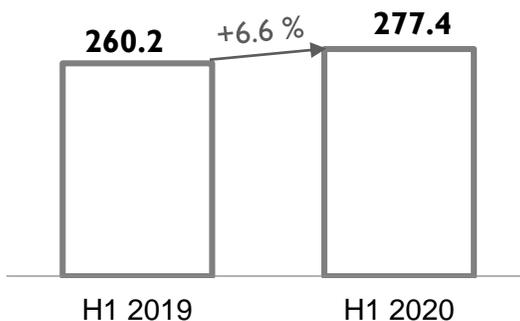


Energy sold (GWh)

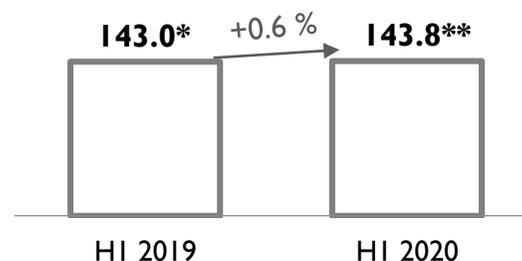


* Includes ash disposed of

EBIT (€m)



NET PROFIT (€m)



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

(€m)	H1 2020	H1 2019	% change
Depreciation	239.9	200.1	+19.9%
Write-downs	43.8	36.0	+21.7%
Provisions	7.5	6.3	+19.0%
Total	291.2	242.4	+20.1%

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

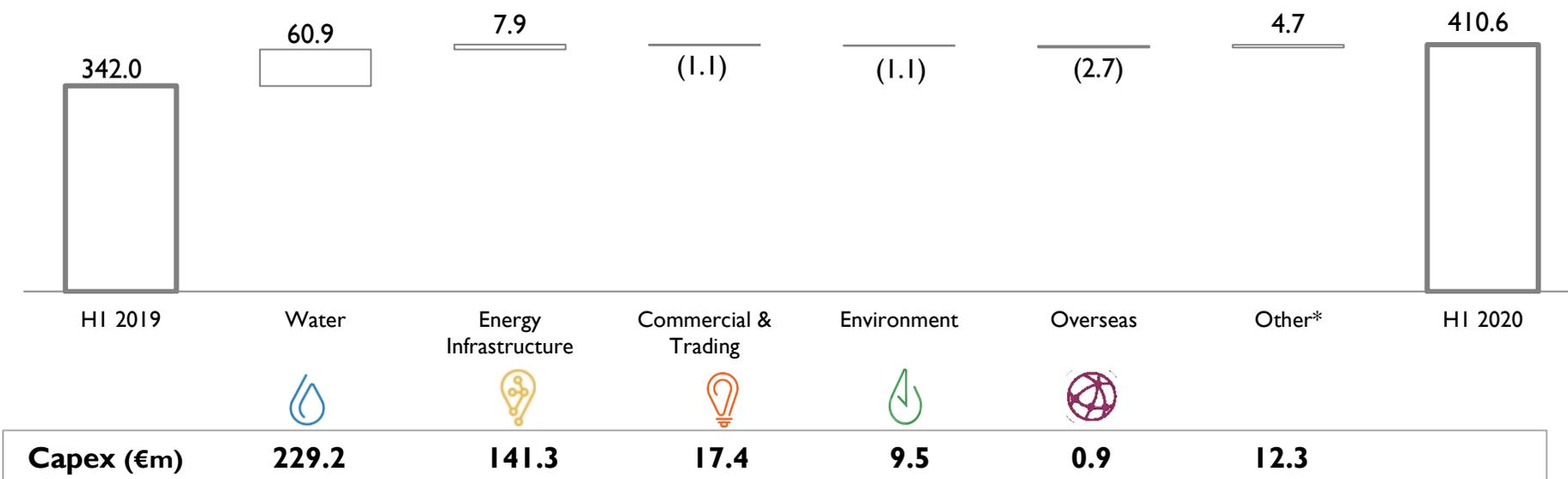
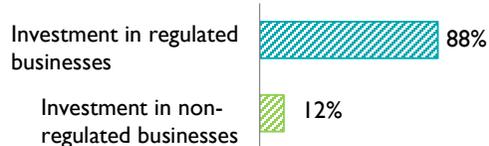
➔ Effect of Covid-19 emergency and consolidation of AdF (€0.9m)

➔ Consolidation of AdF (€0.7m)

Capex

Growth in capex on regulated activities continues

Capex: +20.1%



Capex (€m)	229.2	141.3	17.4	9.5	0.9	12.3
	<ul style="list-style-type: none"> Repair and widening of water and sewage pipes Extraordinary maintenance of water centres Work on treatment plants Consolidation of AdF (€15.5m) 	<ul style="list-style-type: none"> Upgrade and expansion of grid 'Resilience' plan with work on secondary substations and on the MV and LV network 	<ul style="list-style-type: none"> Customer acquisition IT systems 	<ul style="list-style-type: none"> San Vittore plant Expansion of Orvieto landfill 	<ul style="list-style-type: none"> Agua de San Pedro: reduced investment 	<ul style="list-style-type: none"> Corporate: IT projects

* Engineering, Corporate

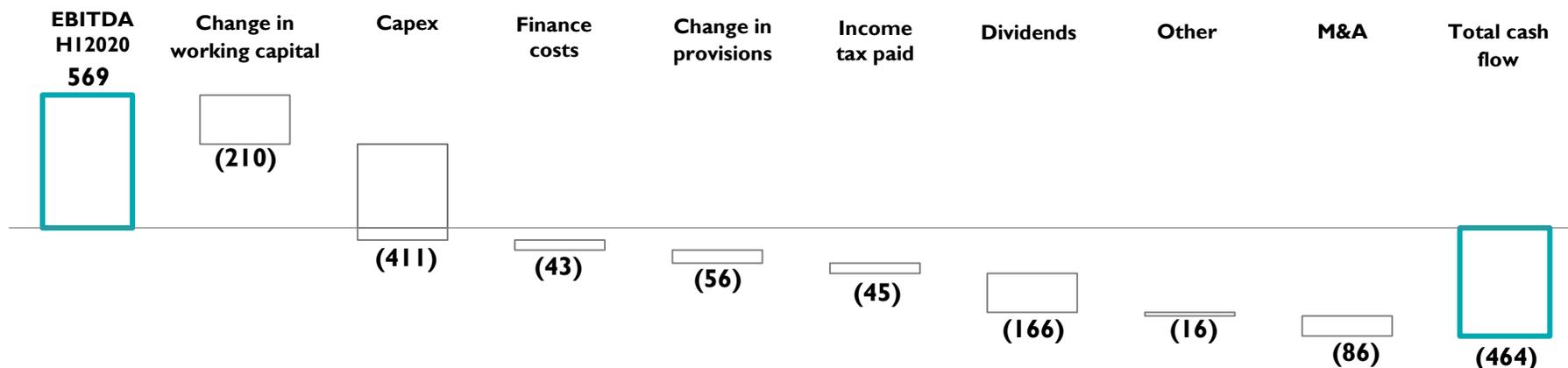
Cash flow

Continued focus on reducing working capital

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

The increase in net working capital in HI 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)



(€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

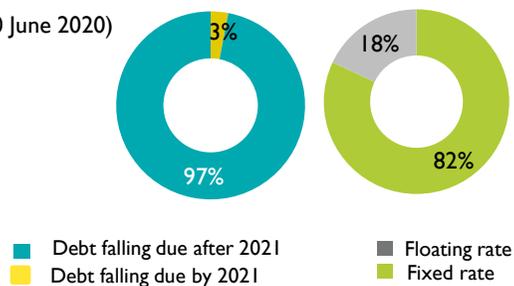
3.2x

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



ACEA Group

HI 2020 Results

Rome, 29 July 2020

Q&A session



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.

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