



Results for the year ended 31 December 2023

6 March 2024

Agenda



Challenging market environment



FY2023 results



Appendix

«Evolving» market environment

FALLING PRICES AND DEFINITION OF NEW REGULATORY PERIOD PARAMETERS FOR WATER AND NETWORKS

Regulation



- **Release of MTI-4** (Resolution 639/2023) defining the integrated water service tariff rules for the 4th regulatory period (2024-2029), with an **increase in WACC from 4.8% to 6.1%** and higher tariff caps by around 2pp starting **from 2024**
- Definition of **new ROSS tariff rules** for electricity distribution based on recognition of Total Spending (Resolution 497/2023/R/com) for the 6th regulatory period (2024-2027). Increase in **WACC from 5.2% to 6.0% starting from 2024**

Commodity prices and inflation



- Energy price (**SNP**) in **2023** falling **to 127€/MWh** (approximately -176€/MWh vs 2022) in line with 2021 levels, offsetting the record increases posted in 2022
- Gas price (**PSV index**) down to **43€/MWh** (-82€/MWh vs 2022), substantially in line with 2021 levels
- **2023 inflation +5.7%** (+8.1% in 2022). Prices up by **5.3%** (+4.1% in 2022) **excluding the energy component**

Interest rates



Higher financial costs compared to 2022:

- **Mid Swap 4Y - 5Y December 2023 3.2% - 3.1%**
- Mid Swap 4Y - 5Y December 2022 1.7% - 1.7%

Agenda



Challenging Market Environment



FY2023 results



Appendix

FY2023 Highlights

Regulated Revenue¹
+6%
vs 2022

EBITDA² +7%
vs 2022

Net profit² +22%
vs 2022

CAPEX³ +9%
vs 2022

OPERATING CF
148M€

GROWTH IN EBITDA AND INVESTMENTS IN REGULATED BUSINESSES¹ AND CONSTANT OPERATIONAL DISCIPLINE

Group revenue equal to €4.6bn of which around €2.4bn related to Water Italy and Grids and Public Lighting, and Environment business, up by +6% compared to 2022

Organic EBITDA equal to €1,347m, +€87m compared to 2022 driven by the growth in the regulated businesses, +10% Water Italy and +7% Grids and Public Lighting, by the higher volumes of energy produced mainly from renewable sources and operating efficiencies, which more than offset the unfavourable energy scenario. EBITDA margin up by 5pp (from 25% to 30%)

Reported net profit equal to €294m, +5% compared to 2022. The growth in EBITDA allows to tackle the rise in financial costs caused by higher interest rates and the increase in depreciation linked to the investments

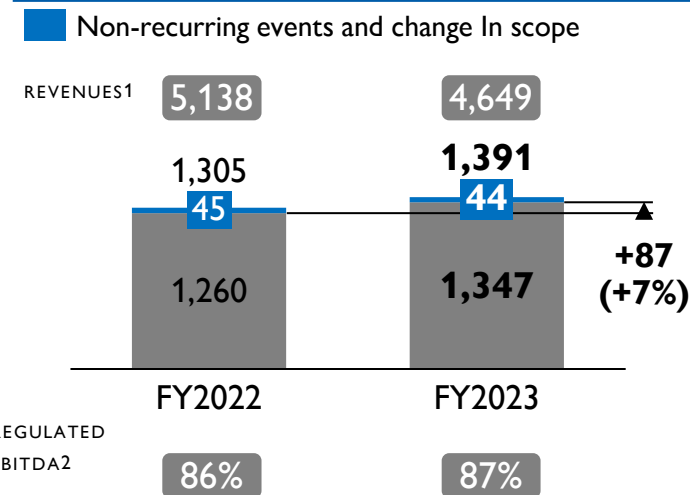
Net capex equal to €993m in line with 2022. Water, Grids and Public Lighting and Environment sectors reported a growth of +95M€ vs 2022 supported by public funding (+€101m vs 2022)

Positive operating cash flow corresponding to €148m, +€129m compared to 2022, mainly driven by improved working capital, which allowed us to keep a sound financial structure: NFP/EBITDA 3.49x

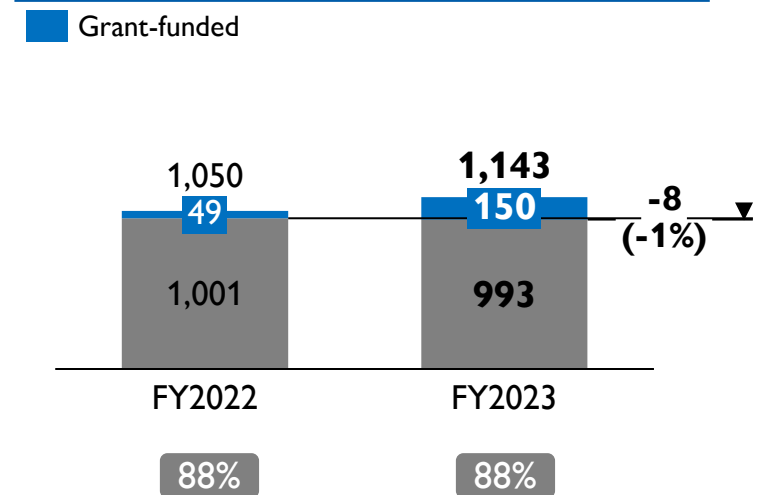
Overview of FY2023 results

ORGANIC GROWTH AND RELAUNCH OF INVESTMENTS

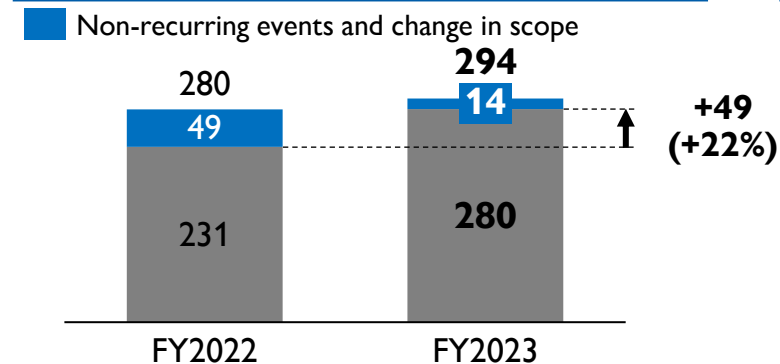
EBITDA, €m



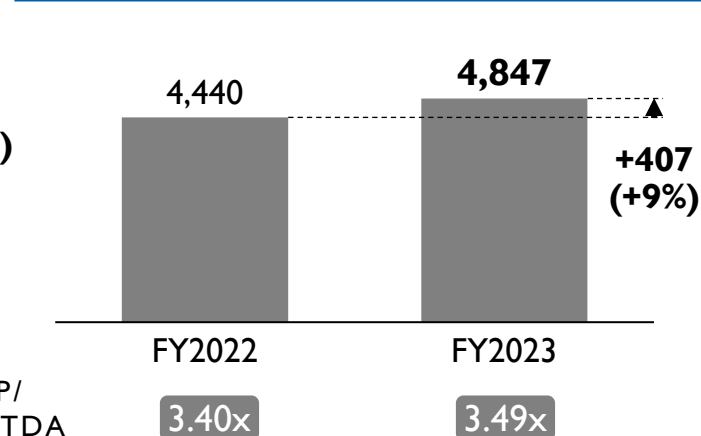
CAPEX, €m



Net profit, €m



NFP, €m



Organic EBITDA growth mainly driven by regulated businesses and efficiency initiatives, offsetting the negative impact of the energy scenario

Relaunch of investments in the Water Italy, Grids and Public Lighting businesses

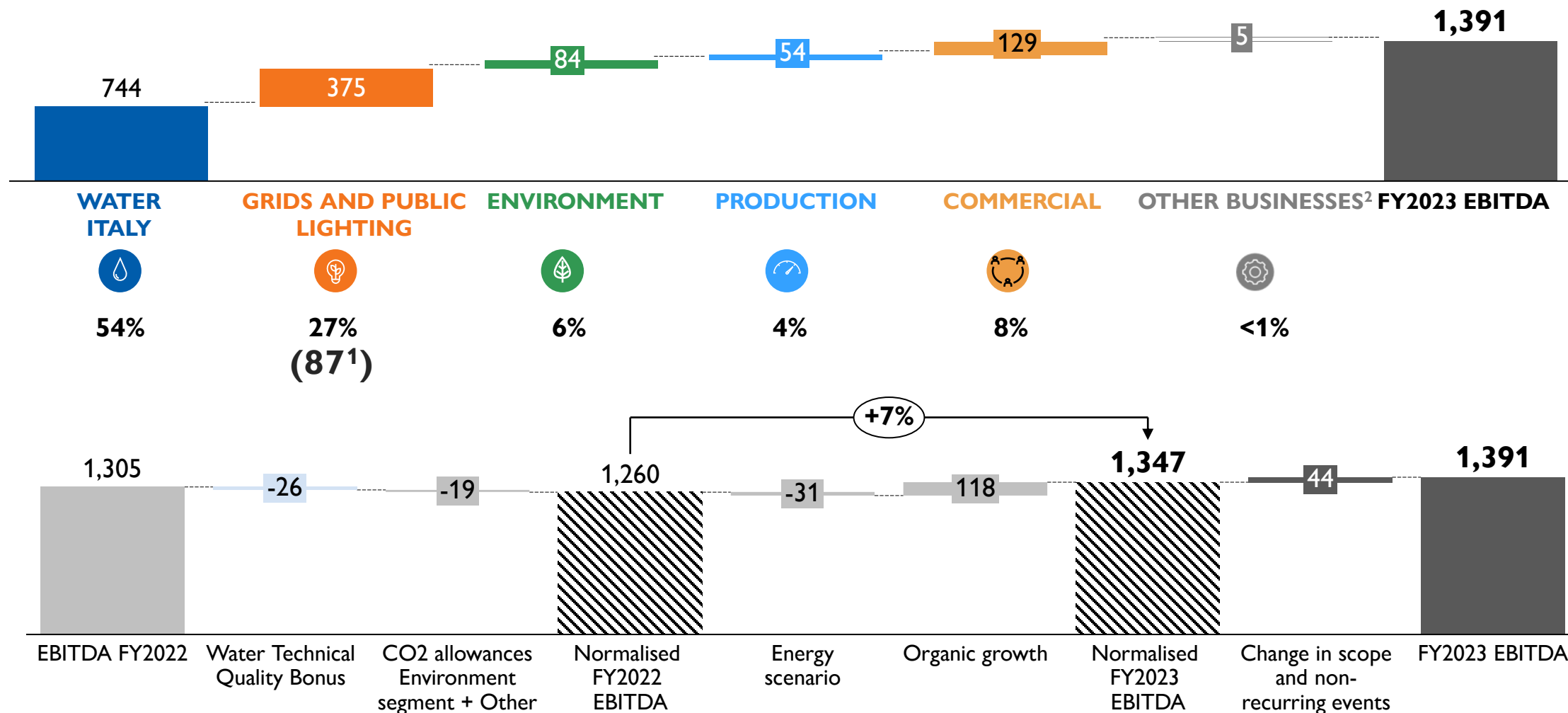
Operating performance has more than offset increases in depreciation and financial costs

Significant reduction in **NET DEBT/EBITDA** ratio compared with 2023 guidance (<3.8x)

EBITDA FY2023

IMPROVEMENT DRIVEN BY ORGANIC GROWTH OF REGULATED BUSINESSES

EBITDA, €m

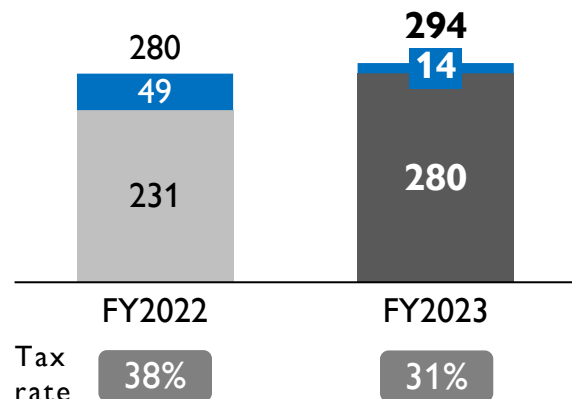


FY2023 NET PROFIT

OPERATING EFFICIENCIES AND ORGANIC GROWTH HAVE OFFSET INCREASES IN DEPRECIATION AND FINANCIAL COSTS

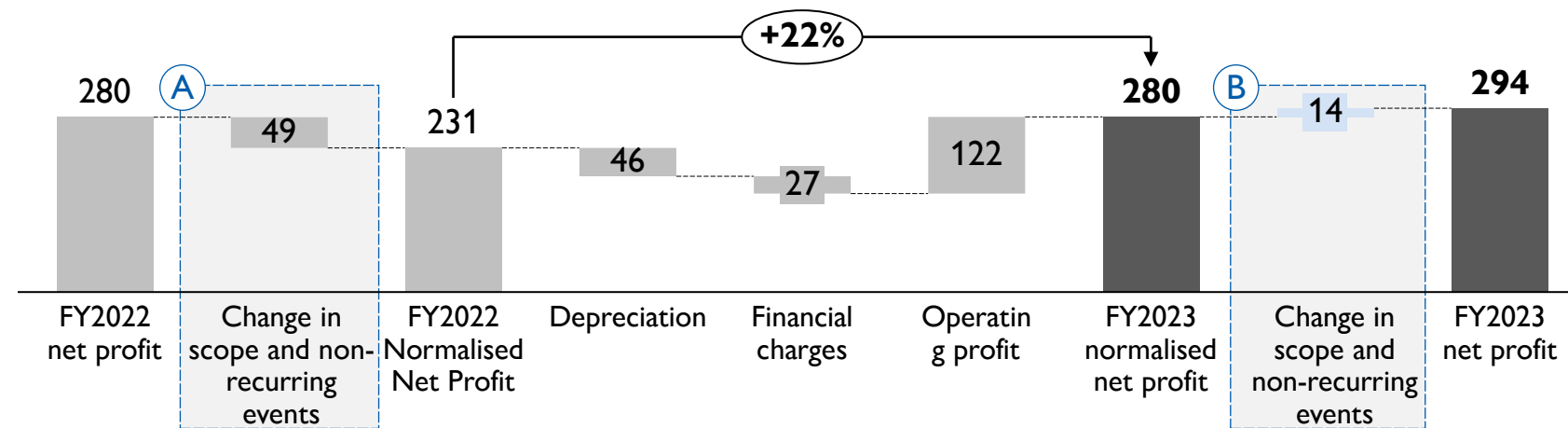
Net profit, €m

■ Non-recurring events and changes in scope



Actions aimed at **efficiency recovery** and **growth in the regulated businesses more than offset the increase in depreciation and interest rates** (rise in rates began in H2 2022).

FY22-23 net profit bridge, €m



A FY 2022 non-recurring events (€49m), primarily including:

- Gain on sale of stake in photovoltaic assets (€16m)
- Exemption from obligation to purchase CO2 allowances for Terni plant (€8m)
- “Water Technical Quality Bonus” (€18m)
- income from the discounting of Gori’s debt (€4m)
- Capital gain from sale of SIMAM (€3m)

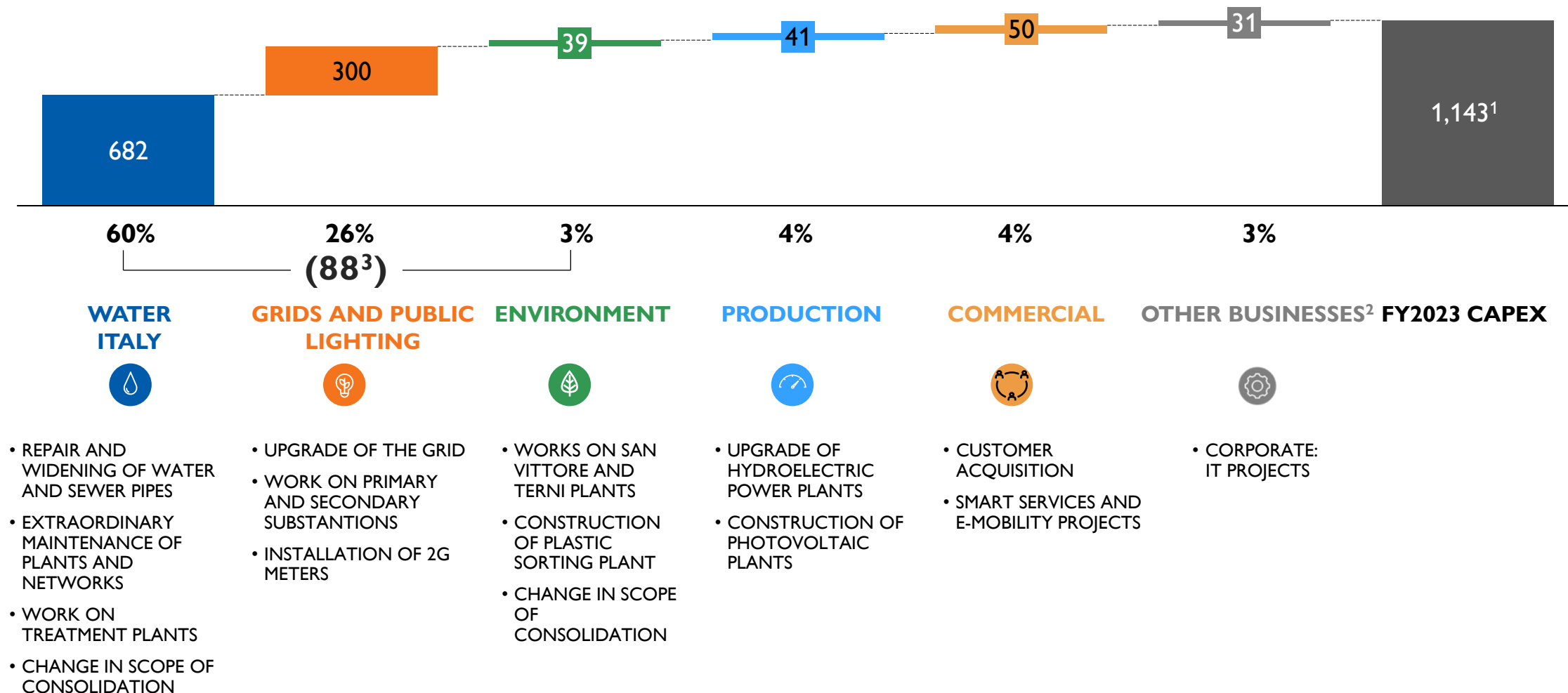
B FY2023 non-recurring events (€14m), primarily including:

- “Water Technical Quality Bonus” (€18m)
- Capital gain from sale of SIMAM (€2m)
- Change in scope (€3m)
- FTV Revamping - Energy Box (€-9m)

FY2023 CAPEX

INVESTMENT PLAN CONTINUES WITH FOCUS ON REGULATED BUSINESSES

CAPEX, €m

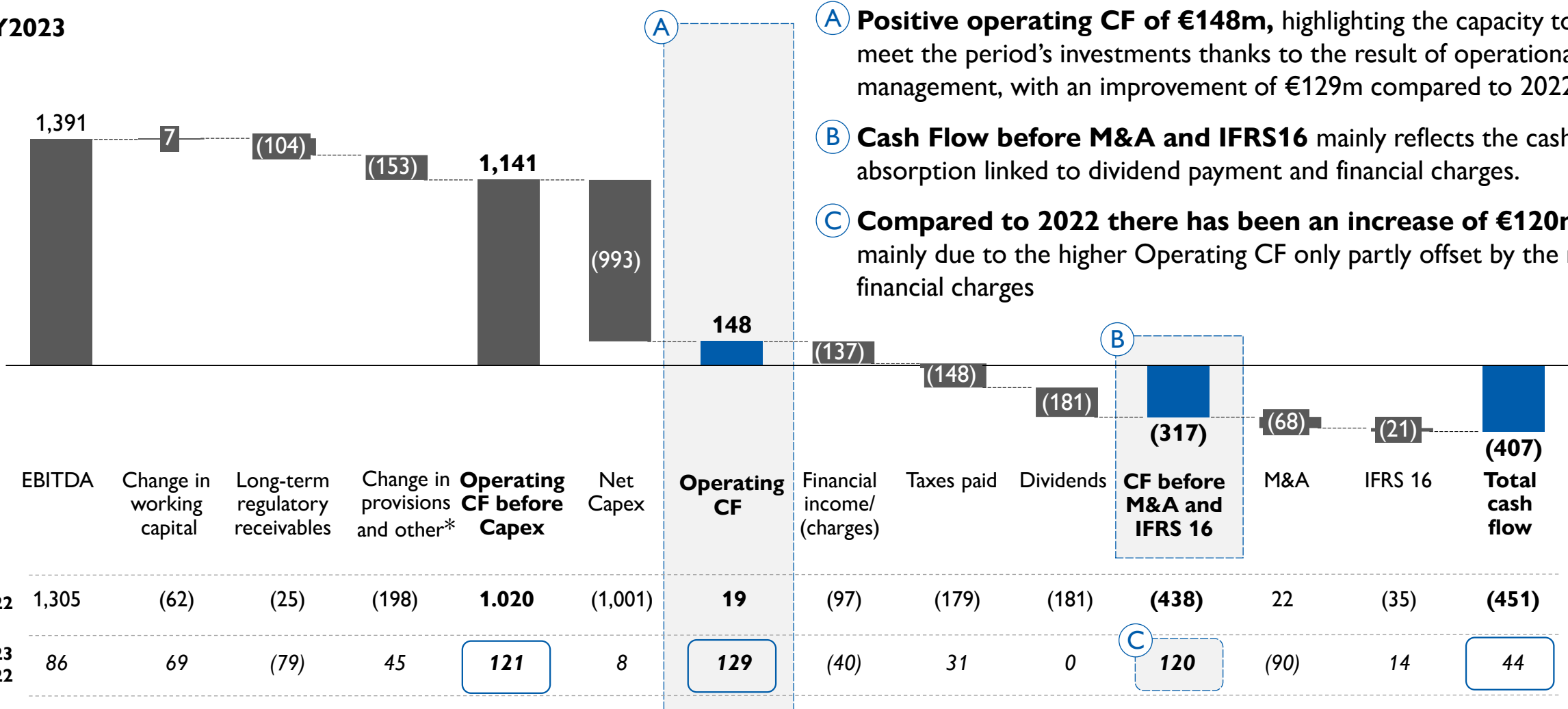


FY2023 Cash Flow

IMPROVEMENT IN FREE CASH FLOW

CASH FLOW, €m

FY2023



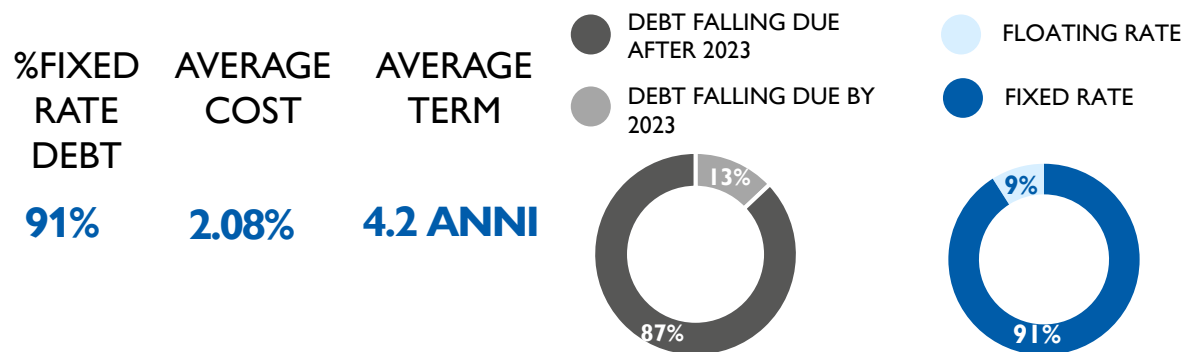
FY2023 Financial Structure

LEVERAGE GUIDANCE CONFIRMED, AVERAGE COST OF DEBT 2%

FY22-FY23 NFP, €m

	CONS DEC 22	CONS DEC 23	Δ CONS DEC 23 vs DEC 22
NFP	4,440	4,847	407
Long-term debt	4,722	4,771	
Short-term debt	620	923	
Cash and cash equivalents	(902)	(847)	

Debt structure (Maturity and interest rates as at 31/12/2023)



17 JANUARY 2023

Placement of a new green bond worth €500m, paying coupon interest of 3.875% and maturing on 24 January 2031

3 FEBRUARY 2023

Completion of the €200m «tap» issue of January's Green Bond on the same terms (coupon and maturity)

6 JULY 2023

€435m EIB loan to be used to fund investments in improving the coverage and quality of integrated water services, cutting water losses and boosting energy efficiency

Leverage

NET DEBT/EBITDA
31/12/2023
3.49x

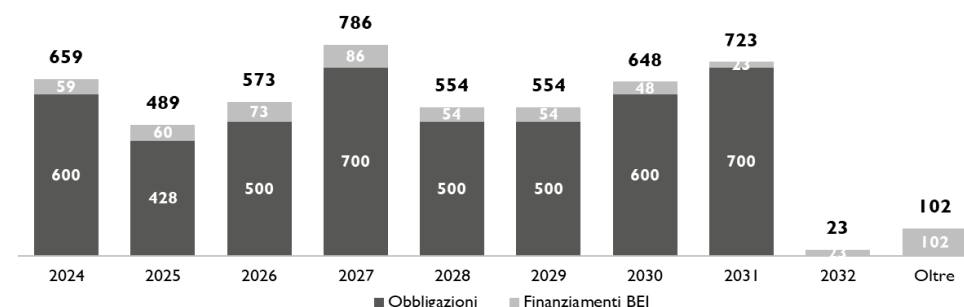
NET DEBT/EBITDA
31/12/2022
3.40x

Rating

FitchRatings «**BBB+**»
Outlook Negative

MOODY'S «**Baa2**»
Outlook Stable

Long-term debt main maturity profile, €m



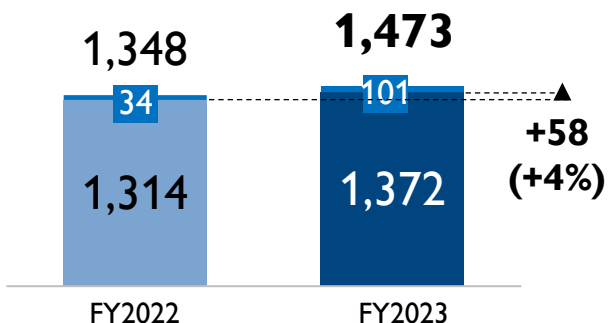


Water Italy¹: organic EBITDA growth +10%

VALUE CREATION THROUGH INVESTMENT

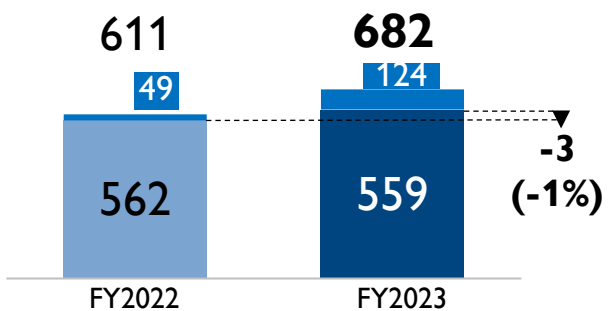
Revenue, €m

■ Non-recurring events and changes in scope

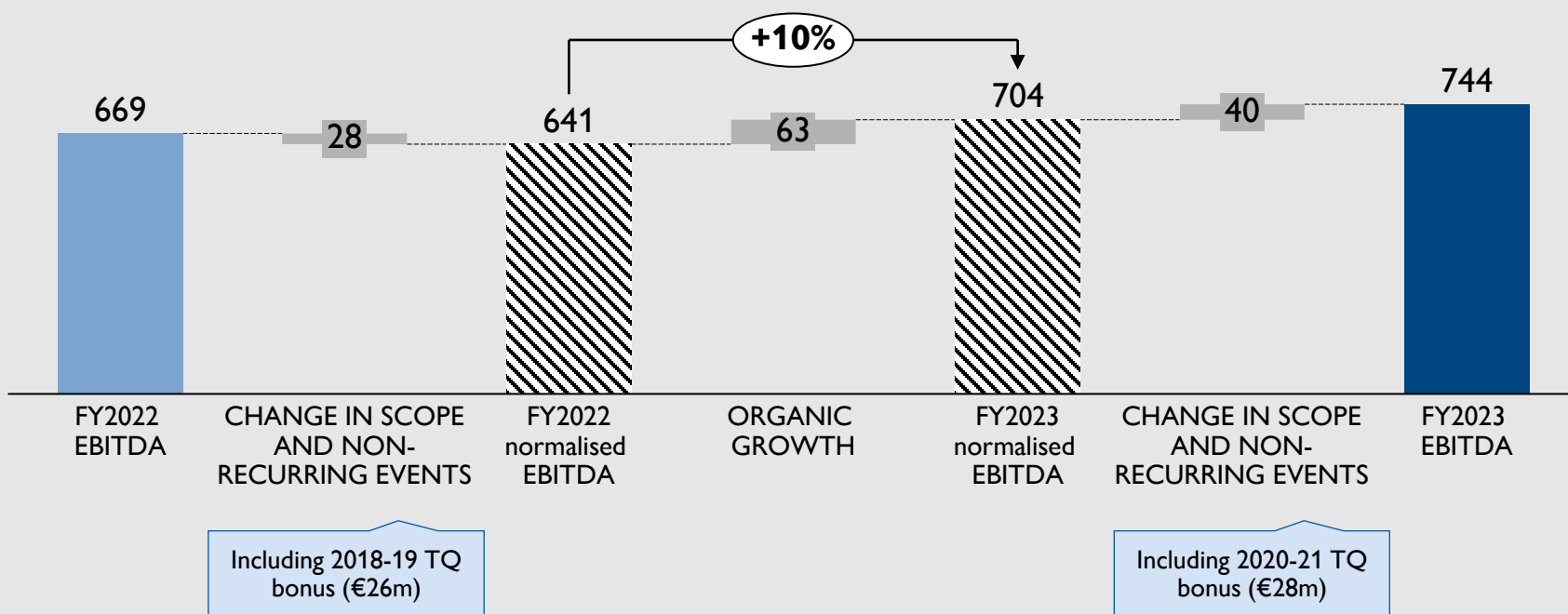


Capex, mln€

■ Grant-funded



EBITDA main drivers, €m



COMBINATION WITH ASM TERNI

- ✓ closing of first phase (6 December 2022)
- ✓ Closing of second phase, completing the transaction (20 April 2023)
- ✓ Acea's stake in ASM Terni rises to 45%

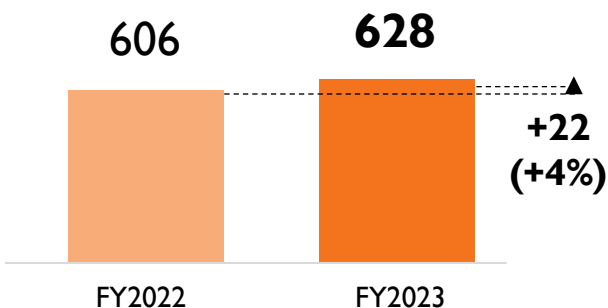
RAB² 31 December 2023:
€4.6 bn



Grids and Public Lighting: EBITDA growth +7%

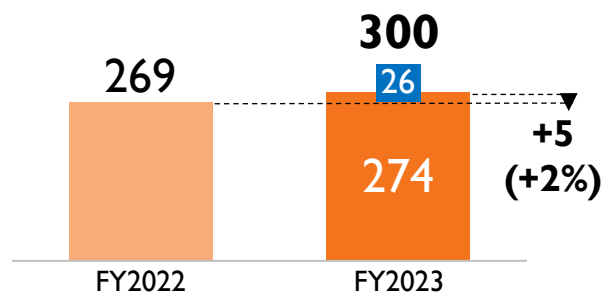
FOCUS ON RESILIENCE AND DIGITALISATION OF THE GRID

Revenue, €m

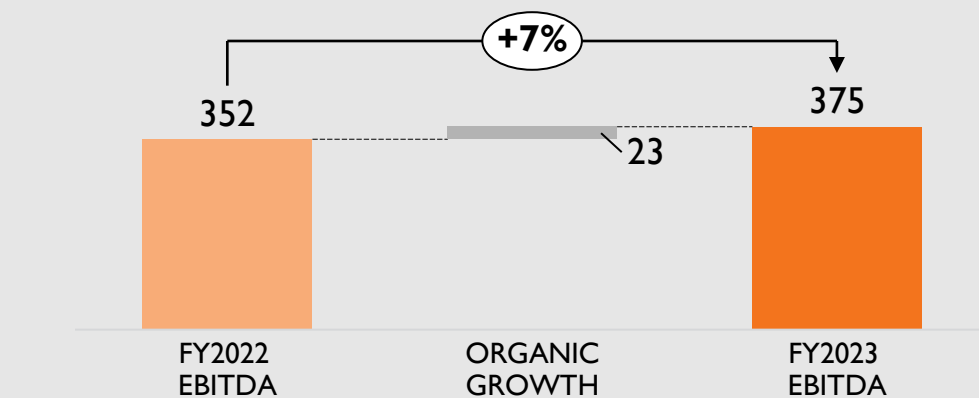


Capex, mln€

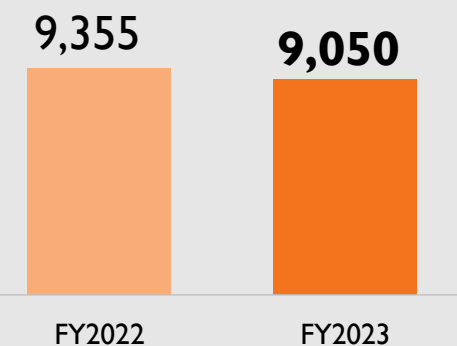
■ Grant-funded



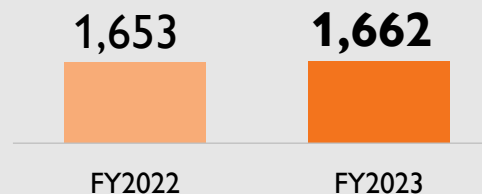
EBITDA, €m



Total Electricity Distributed (GWh)



Number of PODs ('000)



2G ELECTRICITY METERS

Installed during FY2023

~ 334K

RAB¹ 31 December 2023:
€2.8 BN

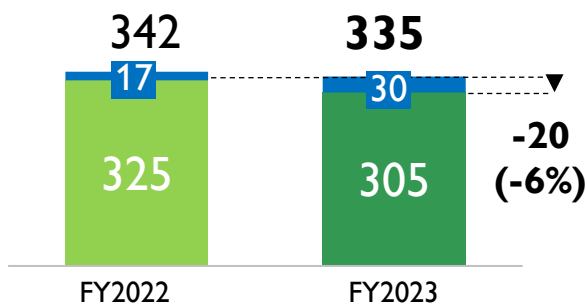


Environment: increase in treated waste +7%

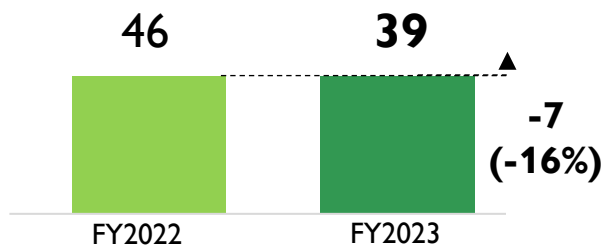
ONGOING INTEGRATION OF PLANTS ACQUIRED IN CENTRAL ITALY

Revenue, €m

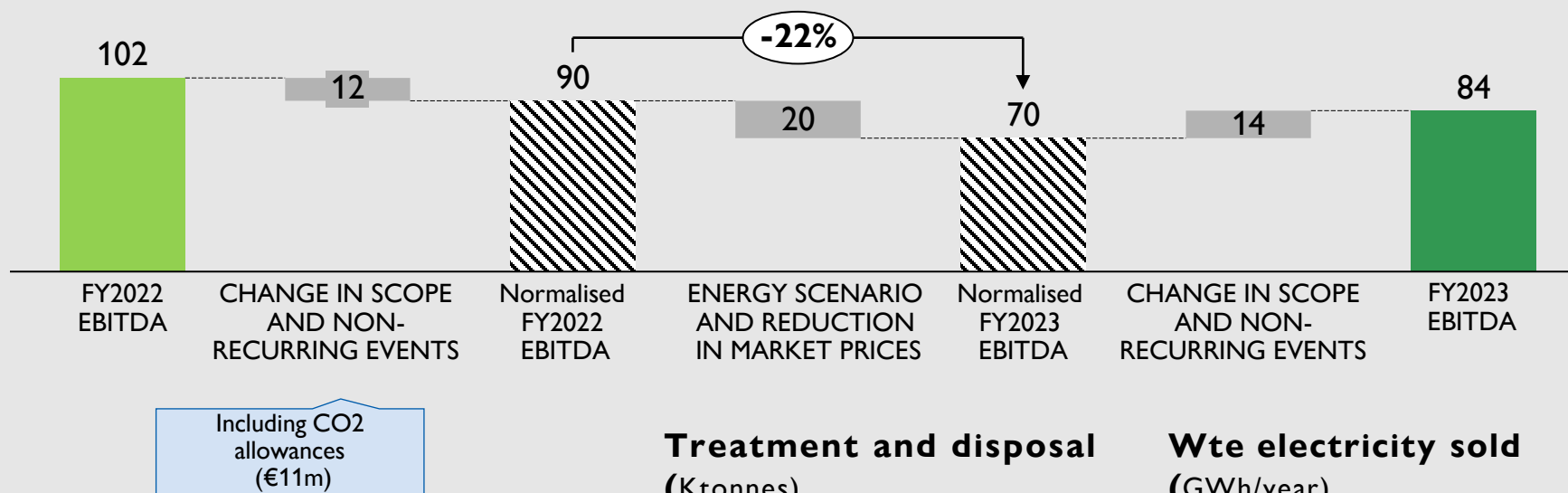
■ Non-recurring events and change in scope



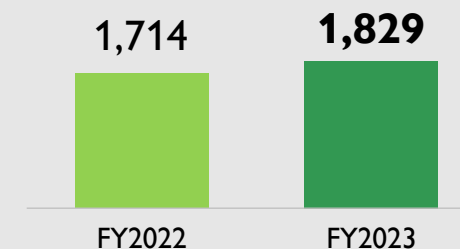
Capex, €m



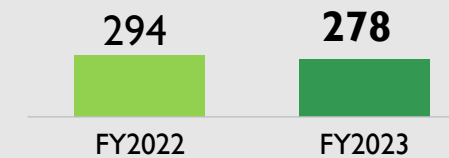
EBITDA main drivers, €m



Treatment and disposal (Ktonnes)



Wte electricity sold (GWh/year)



ACQUISITION OF 35% OF DECO

- ✓ Completed acquisition of Deco, a company operating in the waste sector in Abruzzo (23 January 2023)

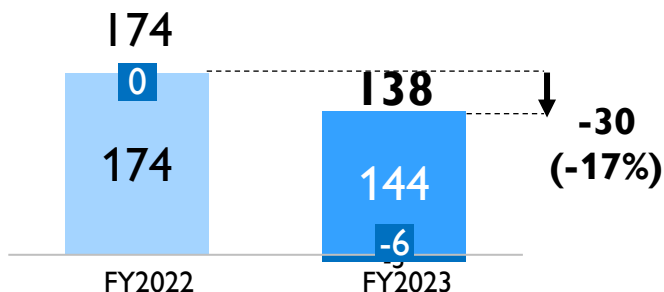


Production: increase in electricity output +13%

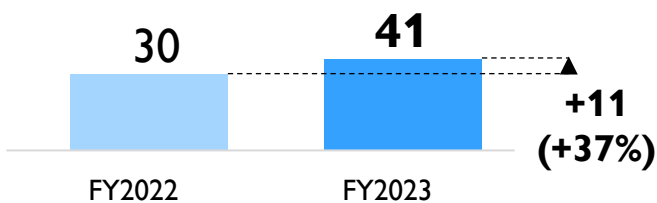
OVER 200MW OF PHOTOVOLTAIC PLANTS AUTHORISED (READY TO BUILD)

Revenue, €m

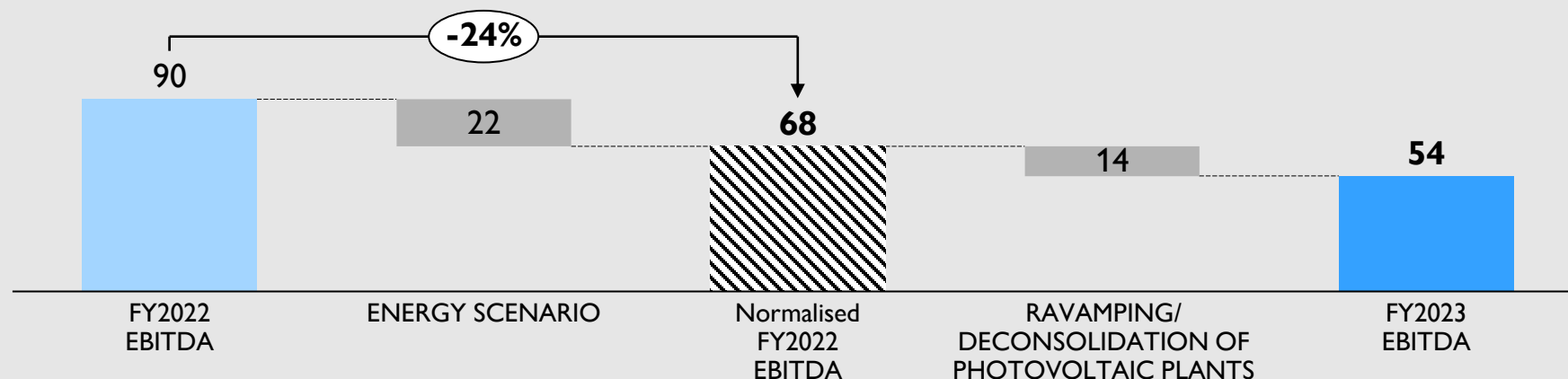
■ Non-recurring events and change in scope



Capex, €m



EBITDA main drivers, €m

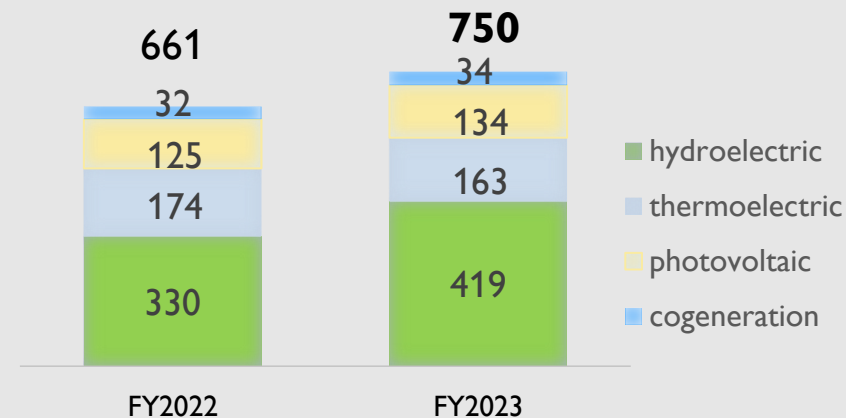


Photovoltaic plants update

Total pipeline of 871 MW

- ✓ 179 MW shovel ready (under construction + ready to build)
 - ✓ 30 MW authorised
 - ✓ 662 MW being authorised
- Installed capacity 101 MW

Total energy produced (GWh)



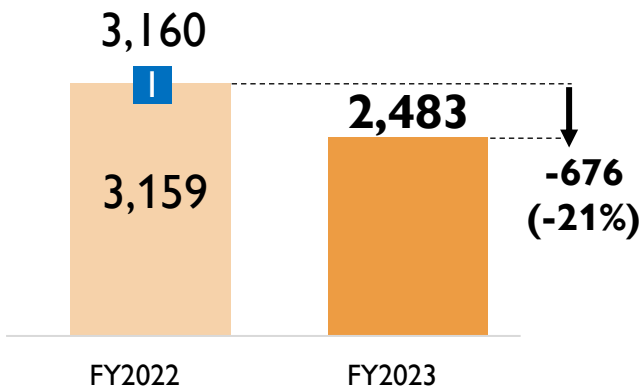


Commercial: EBITDA growth +45%

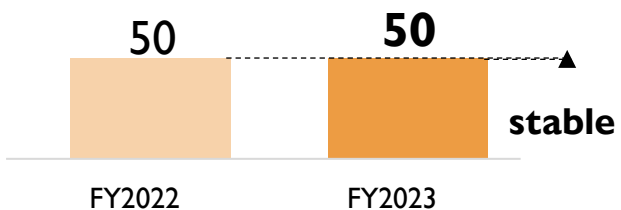
GROWTH IN FREE MARKET CUSTOMER BASE

Revenue, €m

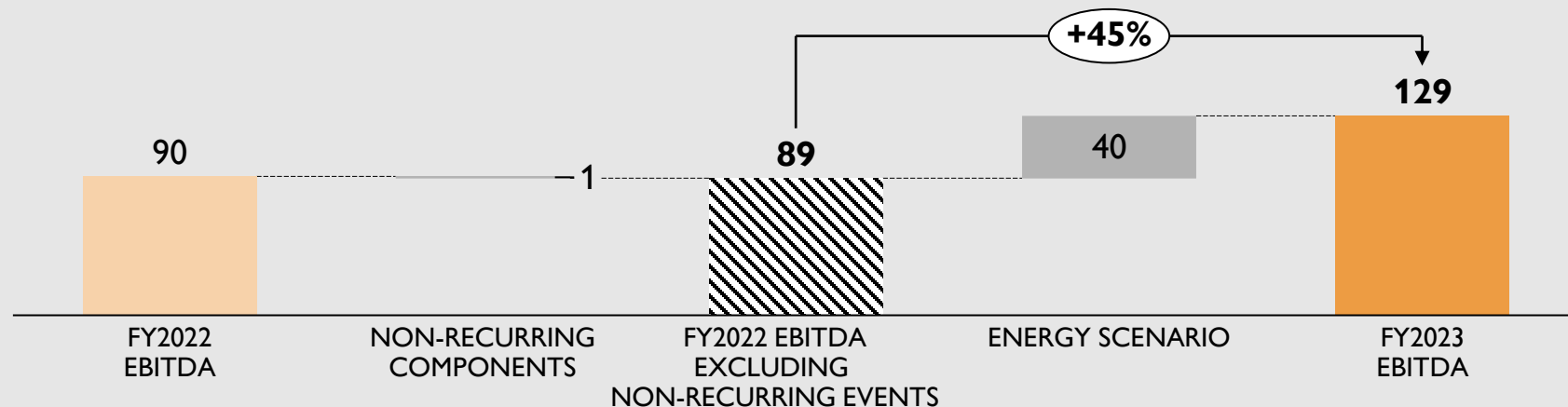
■ Non-recurring event and change in scope



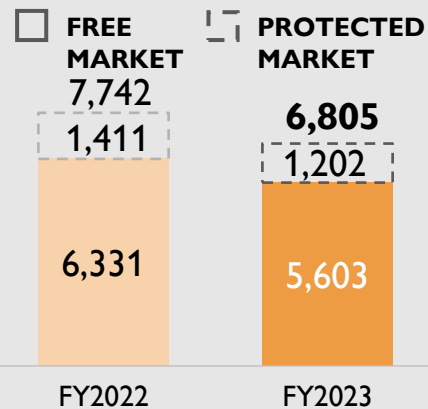
Capex, €m



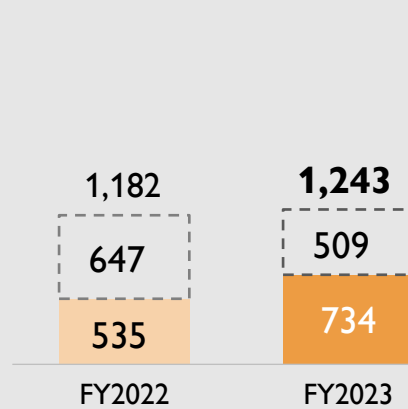
EBITDA main drivers, €m



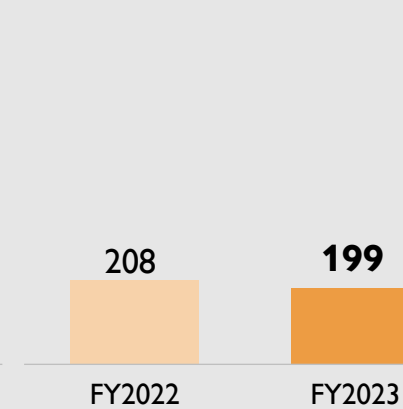
Total electricity sold (GWh)



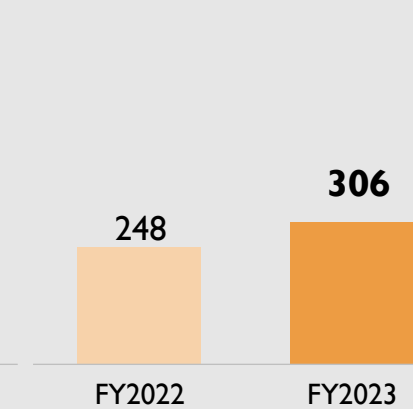
Number of electricity customers ('000)



Total gas sold (Mmc)



Number of gas customers ('000)



2024 Guidance

EBITDA: **+3%/+5% vs 2023**

Investments: **€1.5 bn (€1.1 bn net of grants)**

NFP/EBITDA : **~3.5x**

**Strong growth in EBITDA
and investments**

Agenda



Challenging market environment



FY2023 results



Appendix

Sustainability rating



64/100



**"EE+"
Positive Outlook**



**«A -"
Leadership**



"A"



81,58/100



**"Leader
ESG
Identity"**



**19,7
ESG risk
rating**

Consolidated Income Statement and Balance Sheet as of 31/12/23

CONSOLIDATED INCOME STATEMENT (€/000)

	2023	2022	Increase/(Decrease)
Sales and service revenues	4,430,252	4,957,179	(526,927)
Other operating income	219,124	181,066	38,058
Consolidated net revenue	4,649,376	5,138,245	(488,869)
Staff costs	334,478	305,066	29,412
Cost of materials and overheads	2,938,418	3,556,055	(617,638)
Consolidated operating costs	3,272,896	3,861,121	(588,225)
Net profit/(loss) from commodity risk management	0	0	0
Profit/(loss) on non-financial investments	14,397	27,897	(13,500)
Gross Operating Profit	1,390,877	1,305,021	85,856
Net impairment losses/(reversals of impairment losses) on trade receivables	86,487	113,370	(26,883)
Amortisation, Depreciation and Provisions	692,060	625,799	66,261
Operating Profit/(Loss)	612,330	565,851	46,478
Finance income	39,481	25,962	13,518
Finance costs	(176,009)	(111,670)	(64,339)
Profit/(Loss) on investments	(603)	17,793	(18,396)
Profit/(Loss) before tax	475,198	497,937	(22,739)
Income tax expense	147,755	186,777	(39,022)
Net Profit/(Loss)	327,443	311,160	16,284
Net Profit/(Loss) from Discontinued Operations			
Net Profit/(Loss)	327,443	311,160	16,284
Net Profit/(Loss) attributable to non-controlling interests	33,536	31,435	2,100
Net Profit/(Loss) attributable to owners of the Parent	293,908	279,725	14,183
Earnings/(Loss) per share attributable to owners of the Parent			
<i>Basic</i>	<i>1.38008</i>	<i>1.31348</i>	<i>0.06660</i>
<i>Diluted</i>	<i>1.38008</i>	<i>1.31348</i>	<i>0.06660</i>
Earnings/(Loss) per share attributable to owners of the Parent net of Treasury Shares			
<i>Basic</i>	<i>1.38278</i>	<i>1.31605</i>	<i>0.06673</i>
<i>Diluted</i>	<i>1.38278</i>	<i>1.31605</i>	<i>0.06673</i>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (€/000)

	31 December 2023	31 December 2022	Increase/(Decrease)
Property, plant and equipment	3,334,868	3,144,250	190,618
Investment property	1,990	2,256	(266)
Goodwill	254,626	255,048	(421)
Concessions and infrastructure rights	3,787,263	3,470,906	316,357
Intangible assets	413,162	420,191	(7,028)
Right-of-use assets	93,284	90,397	2,887
Investments in unconsolidated subsidiaries and associates	359,281	348,885	10,397
Other investments	8,029	3,007	5,023
Deferred tax assets	205,065	179,823	25,242
Financial assets	18,852	30,531	(11,679)
Other non-current assets	716,582	615,144	101,438
Non-current assets	9,193,002	8,560,435	632,567
Inventories	97,843	104,507	(6,665)
Trade receivables	1,213,200	1,265,439	(52,239)
Other current assets	405,026	460,786	(55,760)
Current tax assets	13,075	26,296	(13,221)
Current financial assets	487,251	342,085	145,165
Cash and cash equivalents	359,379	559,908	(200,529)
Current assets	2,575,774	2,759,022	(183,248)
Non-current assets held for sale	18,288	19,076	(788)
TOTAL ASSETS	11,787,064	11,338,533	448,531

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TARIFF REGIME FOR THE FOURTH REGULATORY PERIOD (MTI-4) 2024 – 2029

ARERA RESOLUTION: 639/2023

CONFIRMED THIRD REGULATORY PERIOD GENERAL OVERVIEW AND REVENUE CALCULATION METHODOLOGY (i.e. Guaranteed Revenue Constraint (VRG)).

- **Greater visibility:** regulatory period of 6 years (2024-2029), with potential two-year revision of RF (Real Risk-free), WRP (Water Utility Risk Premium) and Kd (cost of debt expressed in real terms) parameters
- **Allowed return: 6,13%** (compared to MTI-3 allowed return of 4.8%), determined based on the sum of 4.31% for the financial charge component and 1.82% for the tax charge component. Recognition of a 1% time lag on investments from 2012 confirmed
- **Revenues cap for the 6 regulatory schemes:** maximum annual variations between 5.95% (scheme 2) and 9.95% (scheme 6). As regards scheme 5, which includes ATO2, the annual limit is 8.45% (compared to 6.2% during the 2020-2023 regulatory period)
- **Expected inflation:** 2.7%
- **RAB deflator:** 3.4% for 2023 and 2.8% for 2024
- **Inflation rates applied for revision of allowed opex:** 4.5% for 2023 and 8.8% for 2024
- Increase in **late-payment cost** component
- **Introduction of an incentive mechanism**, for the first two years of the regulatory period (2024-2025), **in favour of energy and environmental sustainability** (wastewater reuse and reduction of energy costs)
- **WIPs pertaining to non-strategic works:** remuneration to cover financial charges for 4 years (1st year at 4.31%, up to the minimum level represented by the Kd for the 4th year)



ARERA RESOLUTION 556/2023 – «Revision of rate of return on invested capital for infrastructure services in the electricity and gas sectors for the year 2024»

- **2024 WACC** electricity distribution: **6.0%**

ARERA RESOLUTION 497/2023 – «Application Criteria for Spending and Service Objectives (ROSS) for the transport of natural gas and the transmission, distribution and metering of electricity. Amendments to TIROSS 2024-2031 and RTTG 6PRT»

- Application of the ROSS-base solution from 2024 for electricity distributors serving at least 25K PODs
- Capital costs of 2G smart meters excluded from the scope of application
- Work in progress included in the RAB
- Reduction in the time lag for CPI and deflator

ARERA RESOLUTION 616/2023 – «Tariff regulation of electricity distribution and metering services for the period 2024-2027»

Operator combination incentives

- Both in the case of operators subject to the parametric regime (serving less than 25K PODs) and the ROSS-base regime (serving at least 25K PODs) and in the case of combinations involving a distributor serving between 25K and 100K PODs and one serving over 100K PODs.

Rationalisation of HV grid assets

- Proposed one-off bonus to be paid to the selling distributor, expressed as a percentage (decreasing according to the year of sale: 4% by 2025, 3% by 2026 and 2027) compared with the revalued historical cost of the power lines/cables being sold

2024 allowed opex

- Baseline of unit operating costs confirmed for each company according to the eligible operating costs effectively incurred in 2022. This baseline is revalued considering 2023 and 2024 inflation (provisionally inferred from the Bank of Italy's publication "Macroeconomic Projections for the Italian Economy", respectively corresponding to 6.0% and 1.9%)
- RAB deflator: reduction of time lag to 1 year (the deflator for 2024 tariffs will take account of the values referring to both 2022 and 2023, namely respectively 4.2% and 1.6%, as shown in the Draft Budgetary Plan)



ARERA RESOLUTION 617/2023 – «Approval of output-based regulations and the commercial quality of electricity distribution and metering services, with effect from 1 January 2024»

Incentives for the use of non-repayable funding

- Bonus for the use of non-repayable funding by electricity distributors equal to 10% (as opposed to the current approximate figure of 8.6%).
- Output-based incentives
- Output-based incentive for distribution grid development interventions: reserved for operators serving over 100K PODs who have the obligation to draw up grid development plans. The resolution sets the incentive mechanism for 2024, whereas the mechanism pertaining to the three years 2025-2027 will be defined by way of a subsequent measure.
- Incentives for the implementation of compensation arrangements for reactive energy input in critical areas
- The right to receive a bonus corresponding to the reactive energy input tariff charges paid by the company in the 24 months preceding the entry into service of the arrangement and during the month in question.



ARERA RESOLUTION 363/2021 (MTR-2) – «Approva of the tariff regime for waste (MTR-2) for the second regulatory period 2022-2025»

- The scope of application covers **treatment plants used in the «recovery and disposal» of all urban waste**, regardless of how it is subsequently classified. Recycling chains, managed by recycling consortia and other entities, **are**, on the other hand, **not addressed**.
- **Regional planning** has been given a decisive role in **defining plants involved in closure of the cycle**, operating in structurally rigid markets (insufficient capacity to meet demand for treatment), as «minimum». These plants are **subject to revenue caps**.
- Plants not classified as «minimum» as part of the planning process will be considered «**additional**»: these plants **will not be subject to regulated tariffs** but will only be subject to disclosure requirements.
- In a later resolution (68/2022/R/rif dated 22 February 2022), ARERA determined, in line with the approach adopted when setting the TIWACC for the energy sectors, the **WACC** for the regulatory period **2022-2025** – save for any intra-period adjustments – **as 6% for facilities not integrated into the waste cycle** (the WACC for the integrated cycle is instead 5.6%).
- With Determination 01/DRIF/2022 of 22 April 2022, ARERA approved the standard formats for the documents constituting the tariff proposal that the operators of "minimum" plants submit to the competent bodies, i.e., EGATOs or regional authorities. Reference is made, in particular, to financial plans and the accompanying report.

ARERA RESOLUTION 487/2023 – «Evaluation of the parameters forming the basis for calculating the cost of capital, in implementation of ARERA Resolution 389/2023/R/rif, concerning the two-yearly review (2024-2025) of the Waste Tariff Regime (MTR-2)»

- Confirmation at the time of initial application of the amounts for determining the rate of return.
- Any future revisions taking into account determinations regarding the trigger mechanism referred to in art. 8 of the TIWACC (contained in Annex A to Resolution 614/2021/R/COM) are unaffected.

ARERA RESOLUTION 7/2024 – «Compliance with the sentences of State Council, regarding the tariff regulation of waste treatment plants, referred to Arera's resolution 363/2021, and further provisions»

Amendments to waste regulatory scheme MTR-2 (2nd regulatory period 2022-2025):

- **Regulation for essential treatment plants has been confirmed**, due to provisions reported in the national waste management plan "PNGR" (Ministerial Decree 24 June 2022, n. 257).
- The tariff regulation for the two-year period 2022-2023 has been removed, with consequent first application from the two-year period 2024-25 (pursuant to resolution 389/2023/R/rif), with substantial confirmation of the already adopted methodology.
- Following the activation of the trigger mechanism envisaged for gas and power regulated sectors, the **WACC for essential non-integrated plants** for the years 2024 and 2025 has been **upgraded from 6.0% to 6.6%**.

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.

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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, SABRINA DI BARTOLOMEO - CFO OF THE COMPANY - DECLARES THAT THE ACCOUNTING INFORMATION CONTAINED HEREIN CORRESPOND TO DOCUMENT RESULTS, BOOKS AND ACCOUNTING RECORDS.



Ocea

Results for the year ended 31 December 2023

6 marzo 2024