

Concerning 2021, the values classified as special items and the managerial adjustments made are related to the following:

- a negative adjustment of the change in gas storage coming to 4.4 million euro, and an ensuing positive tax effect coming to 1.2 million euro;
- the partial repurchase of five bonds, for a total book value of 1,780 million euro, which led to the recognition of expenses totalling 82.6 million euro since the repurchase price was higher than the book value. The related tax effect, coming to 19.8 million euro, was also taken into account and recognised as an adjustment to the tax charge for the period;
- a write-down of the equity investment and non-current financial receivable related to H.E.P.T. Co. Ltd, totalling 2.4 million euro, due to the conditions of the Chinese market in question;
- a tax realignment of certain goodwill amounts that were recorded at 31 December 2019, pursuant to Article 1, paragraph 83, of Law 178/2020. This operation resulted in the tax recognition of these amounts, with the consequent recognition of a tax benefit coming to 87.0 million euro, against the payment of a 3% substitute tax set at 9.2 million euro.

### 1.04.01 Operating results and investments

#### Efficiency in the services offered and growth in industrial margins

For the Hera Group, the year 2022 closed with improvement in operating results and investments compared to the previous year, with consolidated adjusted Ebitda coming to 1,295.0 million euro, up 6.2%, adjusted Ebit up 3.4%, and adjusted net profit up 0.8%. As regards investments as well, significant growth was seen, coming to 20.8%, reflecting the Group's ongoing focus on the resilience of assets under management.

These results are particularly important, since they must be set against the backdrop of a particularly complex external scenario, characterised by continuous volatility on the energy market and a highly unstable international geopolitical situation. The management policies adopted by the Group, and its solid and resilient business model, proved to be effective in responding to these complexities, and even in this difficult moment guaranteed that the quality and continuity of the services provided remained high and continued to create value for its stakeholders.

As regards this latter aspect, note that the Hera Group, in order to support its customers during this particular situation, developed and implemented a few specific initiatives, from the possibility given to customers of requesting monthly billing for consumption and payment by instalments, to tools for monitoring consumption, and advice on saving energy and money. In addition, a specific training plan for operators was activated to offer qualified support on consumption analysis and efficiency.

The initiatives to support customers, the value generated for stakeholders and the proven ability to positively face the challenges of 2022, which showed an unprecedented complexity, find their foundations in the Group's consolidated multi-business industrial model, balanced between regulated and free-market activities.

Despite the complicated scenario, the Hera Group has continued to grasp opportunities to expand its scope of operations through a number of acquisitions. In particular, in the waste management area, note the acquisition by Marche Multiservizi Spa of Macero Maceratese Srl, a company specialised in the recovery and treatment of waste, and the acquisition by Aliplast Spa of Alibardi Fiorenzo Srl, a company specialised in the collection and production of plastic material. The energy areas, instead, benefited from the acquisition of Con Energia Spa by Hera Comm Spa.

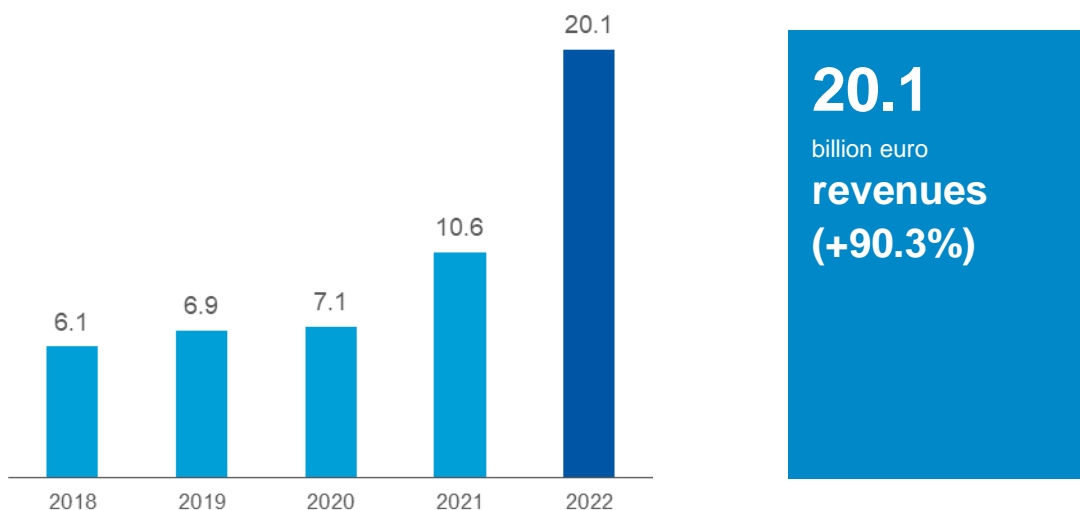
The following table shows operating results at 31 December 2022 and 2021:

Income statement (mn€)	Dec 22	% Inc.	Dec 21 (redetermined)	% Inc.	Abs. change	% change
Revenues	20,082.0	0.0%	10,555.3	0.0%	9,526.7	90.3%
Other operating revenues	548.2	2.7%	400.1	3.8%	148.1	37.0%
Raw and other materials**	(16,635.9)	(82.8)%	(6,672.9)	(63.2)%	9,963.0	149.3%
Service costs	(2,105.8)	(10.5)%	(2,464.6)	(23.3)%	(358.8)	(14.6)%
Other operating expenses	(74.9)	(0.4)%	(66.5)	(0.6)%	8.4	12.6%
Personnel costs	(601.1)	(3.0)%	(592.8)	(5.6)%	8.3	1.4%
Capitalised costs	82.5	0.4%	60.8	0.6%	21.7	35.7%
<b>Ebitda*</b>	<b>1,295.0</b>	<b>6.4%</b>	<b>1,219.4</b>	<b>11.6%</b>	<b>75.6</b>	<b>6.2%</b>
Amortization, depreciation and provisions	(667.1)	(3.3)%	(612.1)	(5.8)%	55.0	9.0%
<b>Ebit*</b>	<b>627.9</b>	<b>3.1%</b>	<b>607.3</b>	<b>5.8%</b>	<b>20.6</b>	<b>3.4%</b>
Financial operations	(125.0)	(0.6)%	(119.8)	(1.1)%	5.2	4.3%
<b>Pre-tax result*</b>	<b>502.9</b>	<b>2.5%</b>	<b>487.5</b>	<b>4.6%</b>	<b>15.4</b>	<b>3.2%</b>
Taxes	(130,6)	(0.7)%	(130,6)	(1.2)%	-	0.0%
<b>Net result*</b>	<b>372.3</b>	<b>1.9%</b>	<b>356.9</b>	<b>3.4%</b>	<b>15.4</b>	<b>4.3%</b>
Result from special items	-	0.0%	12.6	0.1%	(12.6)	100.0%
<b>Net profit for the period*</b>	<b>372.3</b>	<b>1.9%</b>	<b>369.5</b>	<b>3.5%</b>	<b>2.8</b>	<b>0.8%</b>
Attributable to:						
Parent company shareholders*	322.2	1.6%	330.3	3.1%	(8.1)	(2.5)%
Minority shareholders	50.1	0.2%	39.2	0.4%	10.9	27.8%

\* Adjusted results, as described in paragraph 1.02

\*\* Managerial values to reflect the different managerial value of gas storage

## REVENUES (bn/€)



Revenues at December 2022 were up by 9,526.7 million euro compared to 2021, almost exclusively as an effect of the significant increase in the price of electricity and gas seen in 2022. Indeed, the energy sectors showed significant growth, coming to 8,842 million euro, or 93% of the overall change. In addition, growth was seen in turnover for energy services, related to energy efficiency in residential buildings

(insulation bonus and 110% super-bonus) and an increase in activities for value-added services for customers. As a whole, these effects contributed with roughly 290 million euro.

Lastly, revenues from the waste management sector contributed with 160 million euro, mainly due to energy production, acquisitions on the industry market and increased prices in the markets. For further details, see the analyses of the individual business areas in paragraph 1.07.

Other operating revenues in December 2022 increased by 148.1 million euro compared to 2021. Note the higher revenues from energy efficiency certificates amounting to 60 million euro, as described in more detail in the Gas area in paragraph 1.07.01, and higher revenues from contracts on assets under concession coming to 56 million euro.

**Costs of raw materials related to trends in revenues**

The cost of raw and other materials increased by 9,963.0 million euro compared to December 2021. This increase was related to a rise in energy commodity prices, as seen under revenues. Lastly, note the increase in the purchasing price of raw materials in the recovery market and the higher purchasing costs for energy efficiency certificates, as mentioned above.

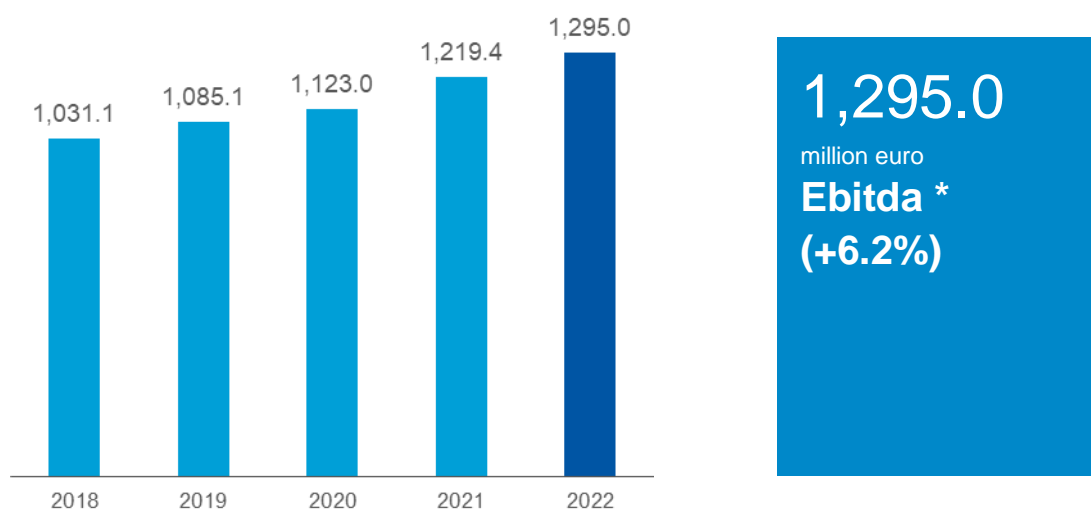
Other operating expenses decreased by a total of 350.4 million euro (with lower service costs coming to 358.8 million euro and higher operating expenses at 8.4 million euro). Overall, lower costs amounted to 739 million euro mainly related to system charges, as a result of the legislative measures indicated in paragraph 1.07.01 and paragraph 1.07.02, concerning higher costs for gas transport and storage. The decrease in costs indicated above was partially offset by higher costs in energy services for energy efficiency and value-added services, amounting to approximately 242 million euro. Higher costs were also seen for waste collection and treatment, totalling roughly 90 million euro, mainly due to higher supplier prices, corporate acquisitions and increased activities related to developing new sorted waste collection projects. Lastly, note the higher costs for orders on goods under concession and for third-party works, coming to roughly 63 million euro.

**+1.4% increase in the cost of personnel**

Personnel costs increased by 1.4% compared to 2021, for the equivalent of 8.3 million euro. This increase was related to salary increases under the national collective labour agreement and changes in the scope of consolidation due to the corporate acquisitions, as mentioned above. These effects were partially contained by a lower average presence recorded in the period.

Capitalised costs increased by 21.7 million euro, due to higher works invested in assets owned by the Group.

**EBITDA \* (mn€)**

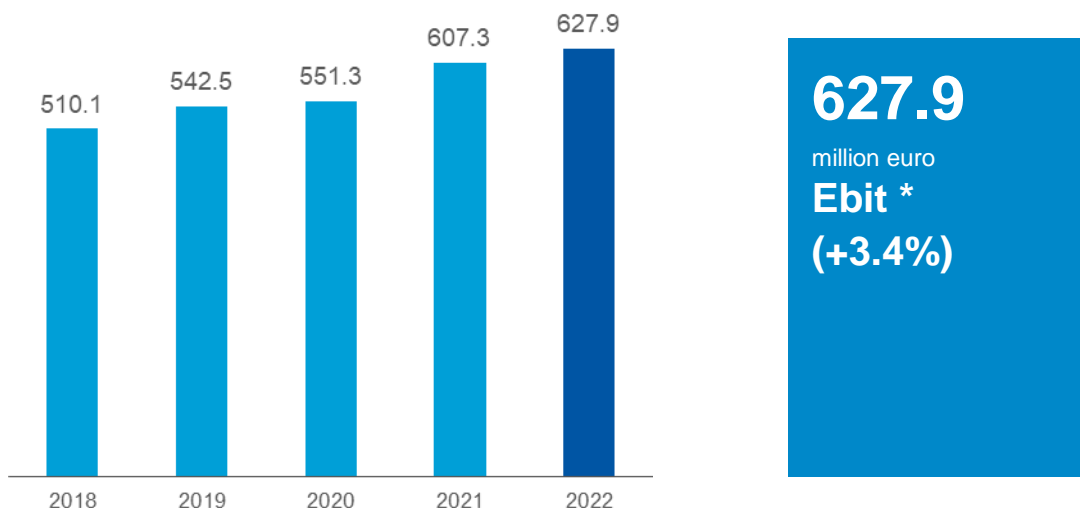


Adjusted Ebitda rose by 75.6 million euro compared to 2021, up by 6.2%. This trend was due to good performances in the waste management area, which increased by 46.3 million euro, and the overall contribution coming from the energy areas, totalling 28.8 million euro.

For further details, see the analyses of the individual business areas.

Depreciation, amortisation and provisions at 31 December 2022 increased by 9.0% compared to the previous year, settling at 667.1 million euro. Higher depreciation and amortisation were mainly due to new investments, an increase in commissions in sales companies for commercial campaigns, and changes in the scope of operations resulting from the consolidation of companies with gas sales and waste management activities. Allocations to the provision for bad debts also increased overall, mainly due to the protected and gradual protected service markets.

EBIT\* (mn€)



Adjusted Ebit amounted to 627.9 million euro, up 3.4%. The increase resulting from growth in Ebitda was partially reduced by higher depreciation and amortisation, as described above.

**Financial operations increase**

The result from financial operations at 31 December 2022 came to 125.0 million euro, up 5.2 million euro, or 4.3%, compared to 31 December 2021. This change is mainly due to an increase in net financial debt, which occurred in late 2022, due to an increase in the amount of net working capital related to gas storage and the trend in energy commodity prices compared to 2021 (the impact of this was partially mitigated by lower IAS 37 charges).

Adjusted results before taxes increased by 15.4 million euro, or 3.2%. The growth in the net operating margin was added to the impact of financial operations, as described above.

**Tax rate at 26.0%**

Taxes for 2022, as shown in the operations statement, amounted to 130.6 million euro (the same amount as in the previous year): the tax rate for adjusted results came to 26%, as against 26.8% in 2021. In this comparison, note that in both years the benefits deriving from the redemption of certain "higher values" originating from an equal number of acquisition transactions were included.

During 2022, note the benefits that the government provided, through numerous regulatory provisions, as a measure to support the expenses incurred for the purchase of electricity and gas (in this regard and for further details, see the note commenting on taxes in paragraph 2.02.03 of the Consolidated financial statements).

**+4.3% Net result\***

The adjusted net result increased by 4.3%, or 15.4 million euro. Growth in the adjusted pre-tax result remained stable due to the absence of changes in taxes.

In 2021, a special item result was present with a total value of 12.6 million euro. For a detailed description of its content, see the beginning of section 1.04, "Overview of operating and financial trends and definition of APMs".

**+0.8% Net profit\***

The adjusted net profit thus increased by 2.8 million euro (+0.8%), due to the sum of all the events described above.

**Net investments rise to 688,7 million euro**

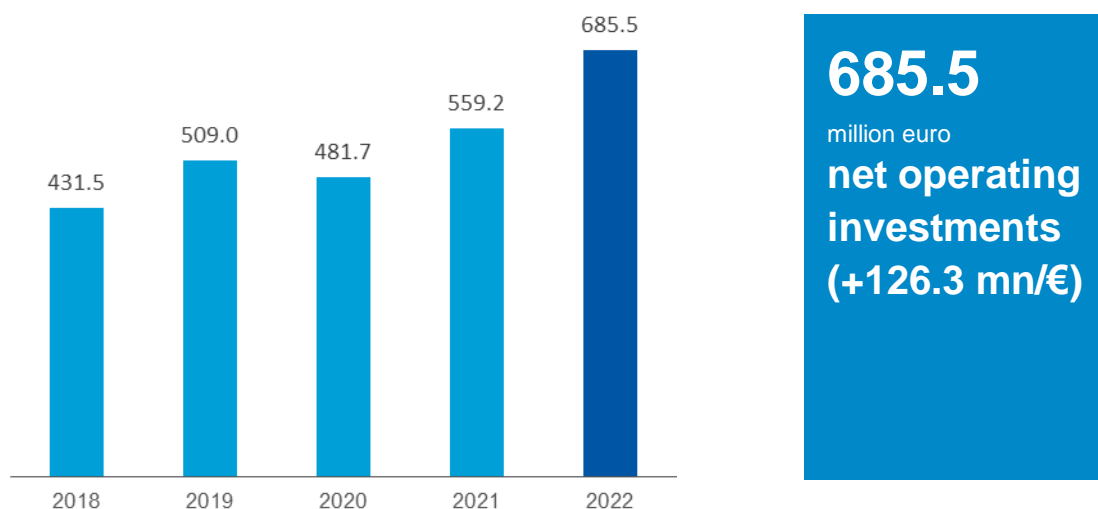
In 2022, the Group's net investments amounted to 688.7 million euro, up 118.4 million euro compared to the previous year. This includes financial investments coming to 3.2 million euro, due to Marche Multiservizi Spa's equity investment in Aurora Srl, a company currently inoperative, involved in the waste treatment sector. Financial investments decreased by 7.8 million euro compared to the previous year, which included an equity investment in SEA - Servizi Ecologici Ambientali Srl.

Capital grants amounted to 23.9 million euro, of which 17.4 million euro involving FoNi investments, as foreseen by the tariff method for the integrated water service. Net operating investments amounted to 685.5 million euro, up 126.3 million euro compared to the previous year.

The following table provides a breakdown by business area, with separate mention of capital grants:

Total investments (mn€)	Dec 22	Dec 21	Abs. change	% change
Gas area	156.7	141.3	15.4	+10.9%
Electricity area	78.3	55.3	23.0	+41.6%
Integrated water cycle area	208.0	194,6	13.4	+6.9%
Waste management area	149.2	98.2	51.0	+51.9%
Other services area	15.3	14.6	0.7	+4.8%
Headquarters	102.1	84.8	17.3	+20.4%
<b>Total gross operating investments</b>	<b>709.5</b>	<b>588.7</b>	<b>120.8</b>	<b>+20.5%</b>
Capital grants	23.9	29.4	(5.5)	(18.7)%
of which FoNi (New Investments Fund)	17.4	16.8	0.6	+3.6%
<b>Total net operating investments</b>	<b>685.5</b>	<b>559.2</b>	<b>126.3</b>	<b>+22.6%</b>
Financial investments	3.2	11.0	(7.8)	(70.9)%
<b>Total net investments</b>	<b>688.7</b>	<b>570.3</b>	<b>118.4</b>	<b>+20.8%</b>

**TOTAL NET OPERATING INVESTMENTS** (mn/€)



Including capital grants, the Group's operating investments amounted to 709.5 million euro, up 120.8 million euro on the previous year, and mainly related to works on plants, networks and infrastructures. In addition, regulatory upgrading was done, especially in the gas distribution sector for the large-scale metre replacement, and in the purification and sewage sector.

Comments on investments in the individual areas are provided in the analysis by business area.

At Group headquarters, investments concerned interventions on corporate buildings, IT systems and the vehicle fleet, as well as laboratories and remote control structures. Overall, investments in structures increased by 17.3 million euro compared to the previous year, mainly due to work on corporate buildings and the vehicle fleet.

### 1.04.02 Financial structure and adjusted net debt

What follows in an analysis of trends in the Group's net invested capital and sources of financing at 31 December 2022.

Invested capital and sources of financing (mn€)	Dec 22	% Inc.	Dec 21 (redetermined)	% Inc.	Abs. change	% change
Net non-current assets*	7,522.3	+94.5%	7,308.3	+109.4%	214.0	+2.9%
Net working capital*	1,096.0	+13.8%	2.4	+0.0%	1,093.6	+45,566.7%
(Provisions)	(657.6)	(8.3)%	(633.4)	(9.5)%	(24.2)	(3.8)%
<b>Net invested capital*</b>	<b>7,960.7</b>	<b>+100.0%</b>	<b>6,677.3</b>	<b>+100.0%</b>	<b>1283.4</b>	<b>+19.2%</b>
Equity*	(3,710.9)	+46.6%	(3,416.0)	+51.2%	(294.9)	(8.6)%
Long-term borrowings	(5,598.5)	+70.3%	(3,633.1)	+54.4%	(1,965.4)	(54.1)%
Net current financial debt	1,348.7	(16.9)%	371.8	(5.6)%	976.9	+262.7%
Net debt	(4,249.8)	+53.4%	(3,261.3)	+48.8%	(988.5)	(30.3)%
<b>Total sources of financing*</b>	<b>(7,960.7)</b>	<b>(100.0)%</b>	<b>(6,677.3)</b>	<b>+100.0%</b>	<b>(1,283.4)</b>	<b>(19.2)%</b>

\* adjusted results, as indicated in the section on Alternative performance measures (APMs)

#### 1,096.0 million euro net working capital

Net working capital\* amounted to 1,096.0 million euro at the end of 2022, up from 2.4 million euro seen at the end of 2021. This change was affected by the fair value of commodity derivatives, which increased by 180.4 million euro compared to the previous year, with a corresponding impact on equity for hedging contracts recognised as cash flow hedges and, to a lesser extent, on the income statement for the year for trading derivatives. The changes in net working capital that led to a corresponding increase in net financial debt were mainly due to:

- the higher value of gas storages, both in terms of prices and volumes, which at 31 December 2022 amounted to 503.7 million euro, as well as to the value of withdrawals made in December, with a value coming to over 200 million euro, which while transmitted have not yet been fully translated into the resulting cash flows from sales to end customers;
- a change in the VAT position coming to 89.9 million euro (at 31 December 2022 this figure resulted in a credit of 17.1 million euro while at December 2021 it was a debit of 72.9 million euro).

As far as the value of trade receivables is concerned, there are no critical issues on the performance on collections, which are, on some market segments, better than the previous year thanks to the continuous and careful control of credit management processes including during the acquisition of contracts (origination management).

#### 657.6 million euro provisions

In 2022, provisions amounted to 657.6 million euro, up from 633.4 million euro at the end of the previous year. This result is mainly the consequence of provisions for the period and adjustments to the post-mortem provisions for landfills and restoration of third-party assets, which more than offset releases for utilisation.

#### 3.7 billion euro equity\*

Equity\* rose from 3,416.0 million euro in 2021 to 3,710.9 million euro in 2022. This equity strengthens the Group's solidity, thanks to the positive net result for 2022 operations, amounting to 372.3 million euro and the effect of cash flow hedge reserves, offset by the impact of dividend payments.

Adjusted return on net invested capital (ROI\*) stood at 7.9% in 2022, down from the 2021 ROI, which came to 9.1%, due to an increase in net invested capital (NIC) that was greater than the increase in operating income (Ebit).