

The table below shows the impact on the balance sheet of the managerial adjustments made to gas storage:

mn€	Dec 23			Dec 22		
	Published values	Managerial adjustments	Managerial values	Published values	Managerial adjustments	Managerial values
Net non-current assets	8,119.2		8,119.2	7,549.1	(26.8)	7,522.3*
Net working capital	166.0		166.0	1,003.0	93.0	1,096,0*
Provisions	(705.9)		(705.9)	(657.6)		(657.6)
<b>Net invested capital</b>	<b>7,579.3</b>		<b>7,579.3</b>	<b>7,894.5</b>	<b>66.2</b>	<b>7,960.7*</b>
Equity adjusted	(3,751.6)		(3,751.6)	(3,644.7)	(66.2)	(3,710.9)*
Net financial debt	(3,827.7)		(3,827.7)	(4,249.8)		(4,249.8)
<b>Total sources of financing</b>	<b>(7,579.3)</b>		<b>(7,579.3)</b>	<b>(7,894.5)</b>	<b>(66.2)</b>	<b>(7,960.7)*</b>

\* Adjusted results, as described above

With reference to 2023, as illustrated above, the accounting and managerial values of storage are equivalent. With reference to 31 December 2022, the value of inventories was adjusted by 93 million euro, with an ensuing negative tax effect coming to 26.8 million euro, which determined a positive impact on equity amounting to 66.2 million euro overall.

### 1.04.01 Operating results and investments

For the Hera Group, 2023 closed with improvement in operating results and investments compared to the previous year. Adjusted Ebitda came to 1,494.7 million euro, up 15.4%; adjusted Ebit increased by 18.0%, and adjusted net profits rose by 12.0%. As regards investments as well, significant growth was seen, coming to 13.1% compared to 2022, reflecting the Group's ongoing focus on the growth, valorisation and reinforced resilience of the assets under management. Lastly, the financial structure showed significant improvement compared to 2022, with Net debt/Ebitda reaching 2.56x.

**Growth in operating results and investments**

These 2023 results must be considered against an external scenario that showed less volatility in energy commodity prices, allowing the Hera Group to operate once again in a more stable market context, even if not yet similar to the one prior to the crisis. In addition, the Group has shown strong resilience when faced with the extreme weather and climate phenomena that occurred in the areas it serves.

The Group's performance is still driven by its multi-business strategy, balanced between regulated and free market activities, with a focus on sustainability and the circular economy. The Hera Group pursues this model through both internal growth and the opportunities offered by the market thanks to external development, with the aim of providing customers with innovative, competitive and increasingly complete solutions.

In particular, note that in 2023 the Hera Group continued to expand the scope of the business areas in which it operates. In the waste management area, a second biomethane production plant located in Spilamberto (MO), became fully operational, and 60% of A.C.R. di Reggiani Albertino Spa was acquired. The latter is an important company operating nationwide in the remediation, industrial waste treatment, industrial plant decommissioning and oil & gas-related civil works sectors. More detailed information on this topic is provided in paragraph 1.07.04.

In the IT-TLC area, the Group's acquisition with Ascopiave of 92% of Asco TLC Spa – later followed by the merger by incorporation of this company into subsidiary Acantho – strengthened Hera's connectivity, telephony and data centre services in more than one region.

Finally, in the energy area, the Ferrara-based company Tiepolo Srl was acquired, for the construction of a photovoltaic solar park in Bondeno, and 60% of Rimini-based F.Ili Franchini Srl, involved in installing plumbing and electrical systems and photovoltaic solutions for business customers.

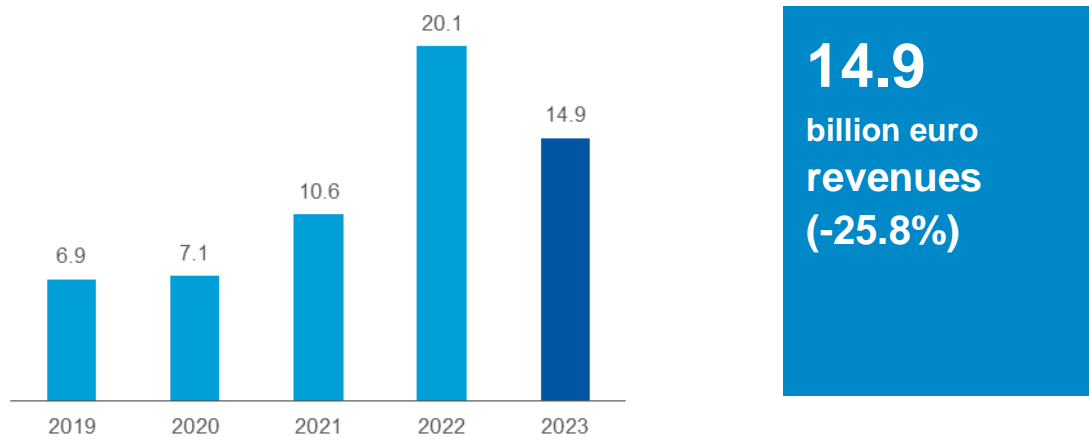
Lastly, note the establishment of Horowatt Srl, the Hera Group and Orogel's NewCo for the construction within 2024 of a sustainable, state-of-the-art agrivoltaic plant inside the Cesena facilities of this agricultural cooperative.

Also note that Hera Comm Spa was awarded two of the nine lots of the safeguarded service for 2023 and 2024, one lot more (two overall) than in the previous two-year period, and was awarded one of the 12 lots of the gradual protected service for supplying electricity to micro-businesses for the period from 1 April 2023 to 31 March 2027. More detailed information on this topic is provided in paragraph 1.07.02.

The following table shows operating results at 31 December 2023 and 2022:

Income statement (mn€)	Dec 23	% Inc.	Dec 22	Inc. change	Abs. change	% change
Revenues	14,897.3	0.0%	20,082.0	0.0%	(5,184.7)	(25.8)%
Other operating revenues	667.8	4.5%	548.2	2.7%	119.6	21.8%
Raw and other materials	(9,765.2)	(65.6)%	(16,635.9)	(82.8)%	(6,870.7)	(41.3)%
Service costs	(3,655.9)	(24.5)%	(2,105.8)	(10.5)%	1,550.1	73.6%
Other operating expenses	(90.3)	(0.6)%	(74.9)	(0.4)%	15.4	20.6%
Personnel costs	(641.1)	(4.3)%	(601.1)	(3.0)%	40.0	6.7%
Capitalised costs	82.1	0.6%	82.5	0.4%	(0.4)	(0.5)%
<b>Ebitda*</b>	<b>1,494.7</b>	<b>10.0%</b>	<b>1,295.0</b>	<b>6.4%</b>	<b>199.7</b>	<b>15.4%</b>
Amortization, depreciation and provisions	(753.7)	(5.1)%	(667.1)	(3.3)%	86.6	13.0%
<b>Ebit*</b>	<b>741.0</b>	<b>5.0%</b>	<b>627.9</b>	<b>3.1%</b>	<b>113.1</b>	<b>18.0%</b>
Financial operations	(177.6)	(1.2)%	(125.0)	(0.6)%	52.6	42.1%
<b>Pre-tax result*</b>	<b>563.4</b>	<b>3.8%</b>	<b>502.9</b>	<b>2.5%</b>	<b>60.5</b>	<b>12.0%</b>
Taxes	(146.4)	(1.0)%	(130.6)	(0.7)%	15.8	12.1%
<b>Net result*</b>	<b>417.0</b>	<b>2.8%</b>	<b>372.3</b>	<b>1.9%</b>	<b>44.7</b>	<b>12.0%</b>
Result from special items	-	0.0%	-	0.0%	-	100.0%
<b>Net profit for the period*</b>	<b>417.0</b>	<b>2.8%</b>	<b>372.3</b>	<b>1.9%</b>	<b>44.7</b>	<b>12.0%</b>
Attributable to:						
Parent company shareholders*	375.2	2.5%	322.2	1.6%	53.0	16.5%
Non-controlling interests	41.8	0.3%	50.1	0.2%	(8.3)	(16.6)%

\* Adjusted results, as described in paragraph 1.02

**REVENUES** (bn€)

Revenues in December 2023 dropped by 5,184.7 million euro compared to 2022. The energy segments showed a 5,570 million euro decrease, mainly due to the drop in energy commodity prices and lower gas volumes due to lower trading activities and the mild weather seen during the year, despite the eight lots awarded out of nine in last resort gas supplier service (for customers with public service activities or without a supplier) for the period from 1 October 2023 to 30 September 2025 (compared to six lots awarded in the previous tender), the confirmation of all nine lots of the default gas distribution service (for customers in arrears) for the period 1 October 2023 - 30 September 2025 and the three lots awarded out of twelve in the Consip GAS15bis tender for supplying natural gas to Public Administrations in 2023-24 (compared to two lots in the previous tender).

This decrease was partially offset by higher volumes of electricity sold, thanks to the commercial development actions, the awarding of four of the seventeen lots of the Consip EE20 tender for supplying electricity to public administrations in 2023 (confirming the results of the previous tender) and the two safeguarded lots.

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 421 million euro.

Lastly, revenues in the waste management sector contributed to this growth with 85.9 million euro, and increase due in particular to the acquisition carried out in the industry market.

For further details, see the analyses of the individual business areas in paragraph 1.07.

Other operating revenues in December 2023 increased by 119.6 million euro compared to 2022, mainly due to higher revenues from contracts on assets under concession and energy efficiency certificates.

Costs for raw and other materials decreased by 6,870.7 million euro compared to December 2022. This decrease is mainly due to the performance of energy revenues, linked to the decrease in energy raw material prices, due to the more stable markets seen over the past year and the lower volumes of gas traded and sold, as mentioned above.

**Costs for raw materials linked to the trend in revenues**

Other operating expenses increased by 1,565.5 million euro (higher service costs amounting to 1,550.1 million euro and higher operating expenses coming to 15.4 million euro). Roughly 950 million euro overall in higher costs for gas transport and storage and system charges were recorded. The latter, which during the previous year had been set at zero to deal with the energy crisis, were fully reinstated, as indicated in paragraphs 1.07.01 and 1.07.02. Energy services for energy efficiency and value added services saw higher costs for works coming to 395 million euro. These were accompanied by higher costs for waste collection and treatment coming to approximately 140 million euro, mainly due to the previously mentioned corporate acquisitions, higher transport costs and increased activities in developing new

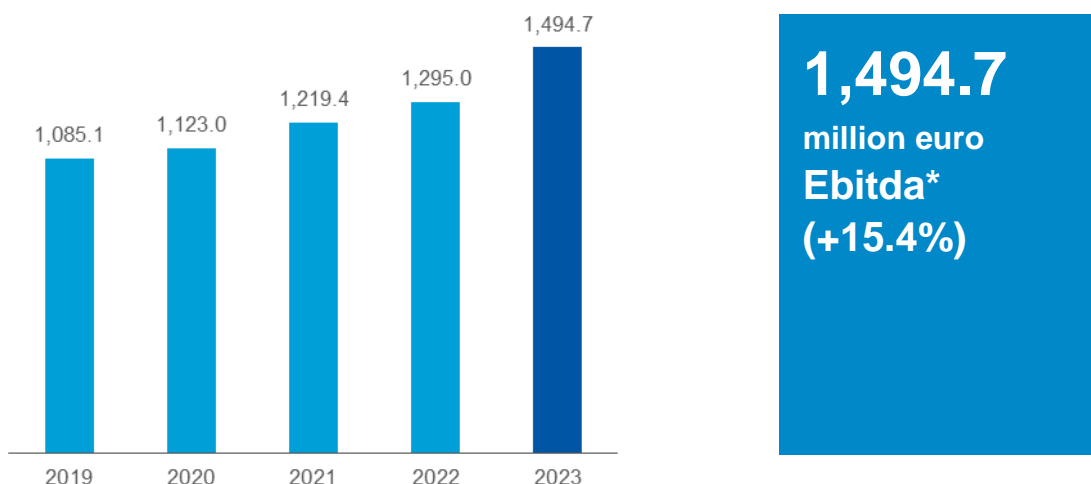
sorted waste collection projects. In addition, higher costs were related to orders on goods under concession coming to roughly 19 million euro, and to an increase in prices for all main services.

Personnel costs increased by 6.7% compared to December 2022, amounting to 40.0 million euro. Approximately 30.0 million euro of this increase was due to the change in the scope of consolidation generated by the corporate acquisitions described above. Net of this event, the increase in personnel costs was limited to 1.7%, caused by the salary increases required by the national collective labour agreement.

**+1.7%  
personnel  
costs, net of  
changes in the  
scope of  
operations**

Capitalised costs were essentially in line with the previous year.

**EBITDA\* (MNE)**

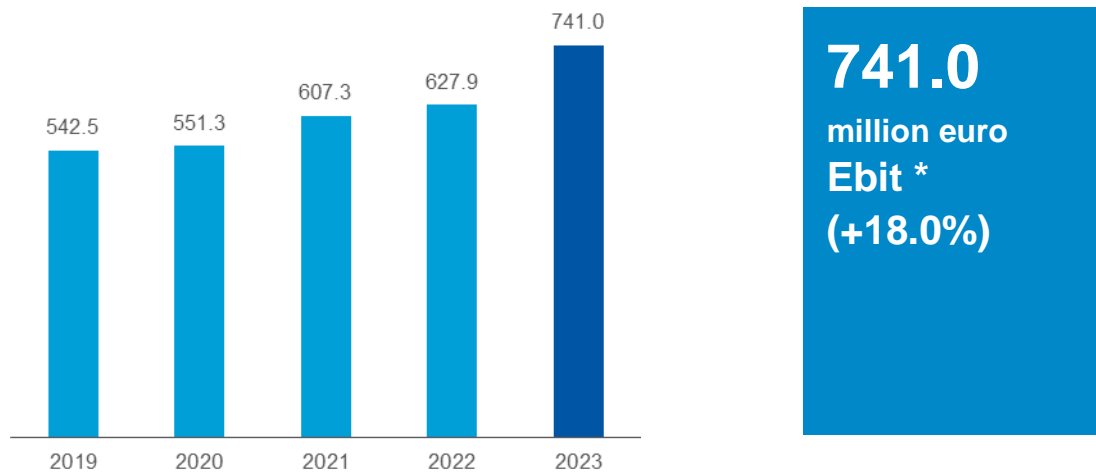


Adjusted Ebitda rose by 199.7 million euro compared to 2022, up by 15.4%. This trend is due to the 169.4 million euro overall contribution coming from the energy areas, the good performances of the waste management area, up 15.4 million euro, and lastly the 9.5 million euro contribution from the water cycle and the 5.4 million euro contribution from other services.

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

Amortisation, depreciation and provisions at 31 December 2023 increased by 86.6 million euro year-on-year, up 13.0%, mainly due to new operating investments, an increase in activities for the acquisition of new customers, and changes in the scope of consolidation arising from the consolidation of companies involved in remediation and waste treatment activities or specialised in the construction of technological plants and renewable energy. Allocations to the provision for bad debts increased, reflecting the increase in the Group's customer base in the various service areas.

## EBIT\* (mn€)



Adjusted Ebit amounted to 741.0 million euro, up 18.0% compared to 2022, showing a higher level of growth than Ebitda\*, since amortisation, depreciation and provisions, as described above, increased to a lesser degree than the rise in Ebitda\*.

### Financial operations increase

The result of financial operations increased by 52.6 million euro compared to 2022. This change is due to the increase in average annual indebtedness that became necessary, particularly in the first six months of the year, to deal with the increased investment in working capital created by the significant increase in energy commodity prices and their volatility seen in the previous year. This was accompanied by a gradual increase in the cost of money in financial markets, brought about by the ECB's restrictive monetary policies. The liability management activities carried out by the Group during 2023 allowed it to progressively contain the changes seen in financial charges, optimising the financial structure, while strengthening its flexibility and capacity to respond effectively to any future abnormal volatility.

The adjusted pre-tax result showed a 12% increase compared to December 2022. The growth deriving from Ebit was only partially offset by the trend in financial operations mentioned above.

The taxes for 2023 shown in the managerial statement amounted to 146.4 million euro, up from 130.6 million euro in 2022. The 26% tax rate was essentially in line with the previous year. In this comparison, note that in both years the benefits arising from the redemption of the higher value arising from certain acquisitions were recognised, as well as the tax credits recognised for the purchase of electricity and gas, pursuant to Decree-Law 4/2022 and subsequent measures which are not relevant for tax purposes. Furthermore, the taxes accrued in 2022 included the "non-recurring contribution against high utility bills" provided for by Law No. 51/2022, which converted Article 37 of Decree-Law No. 21/2022, amounting to 2.3 million euro.

**Tax rate at 26.0%**

As a result of all the events described above, adjusted net profit increased by 44.7 million euro compared to the figure seen in December 2022.

**+12.0% Net profit\***

At the end of 2023, the Group's cumulative net investments amounted to 779.2 million euro, up 90.5 million euro year-on-year.

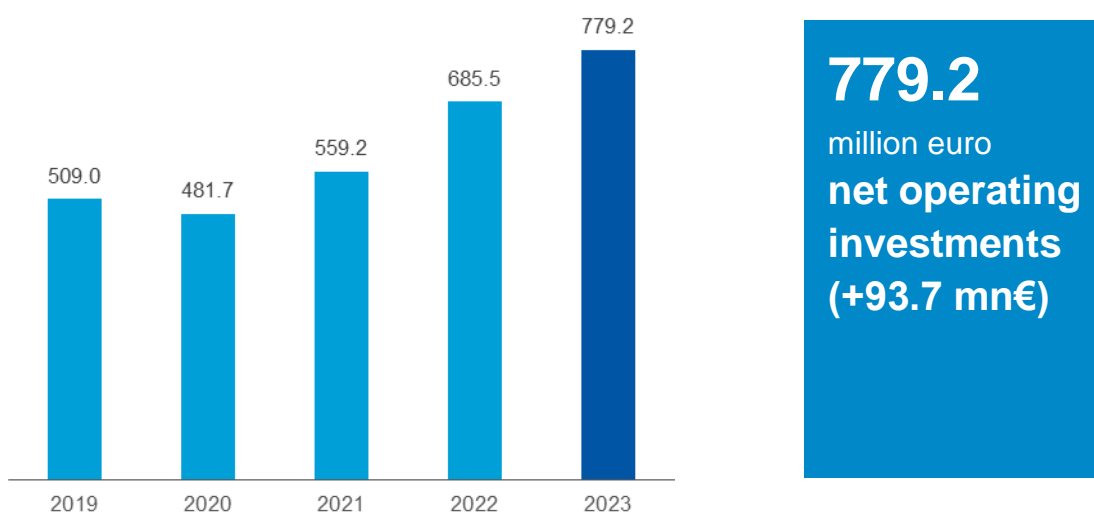
**Net investments rise to 779.2 million euro**

Capital grants amounted to 36.5 million euro, of which 19.5 million euro related to FoNI investments, as foreseen by the tariff method for the integrated water service, and increased by a total of 12.6 million euro year-on-year.

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

Total investments (mn€)	Dec 23	Dec 22	Abs. change	% change
Gas area	191.8	156.7	35.1	+22.4%
Electricity area	124.5	78.3	46.2	+59.0%
Integrated water cycle area	228.2	208.0	20.2	+9.7%
Waste management area	150.8	149.2	1.6	+1.1%
Other services area	13.8	15.3	(1.5)	(9.8)%
Headquarters	106.7	102.1	4.6	+4.5%
<b>Total gross operating investments</b>	<b>815.8</b>	<b>709.5</b>	<b>106.3</b>	<b>+15.0%</b>
Capital grants	36.5	23.9	12.6	+52.7%
of which FoNi (New Investments Fund)	19.5	17.4	2.1	+12.1%
<b>Total net operating investments</b>	<b>779.2</b>	<b>685.5</b>	<b>93.7</b>	<b>+13.7%</b>
Financial investments	-	3.2	(3.2)	(100.0)%
<b>Total net investments</b>	<b>779.2</b>	<b>688.7</b>	<b>90.5</b>	<b>+13.1%</b>

#### TOTAL NET OPERATING INVESTMENTS (mn€)



Including capital grants, the Group's operating investments amounted to 815.8 million euro, up 106.3 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, structural investments amounted to 106.7 million euro, up by 4.6 million euro compared to the previous year, mainly due to renewals on company fleets and investments in Group IT systems.