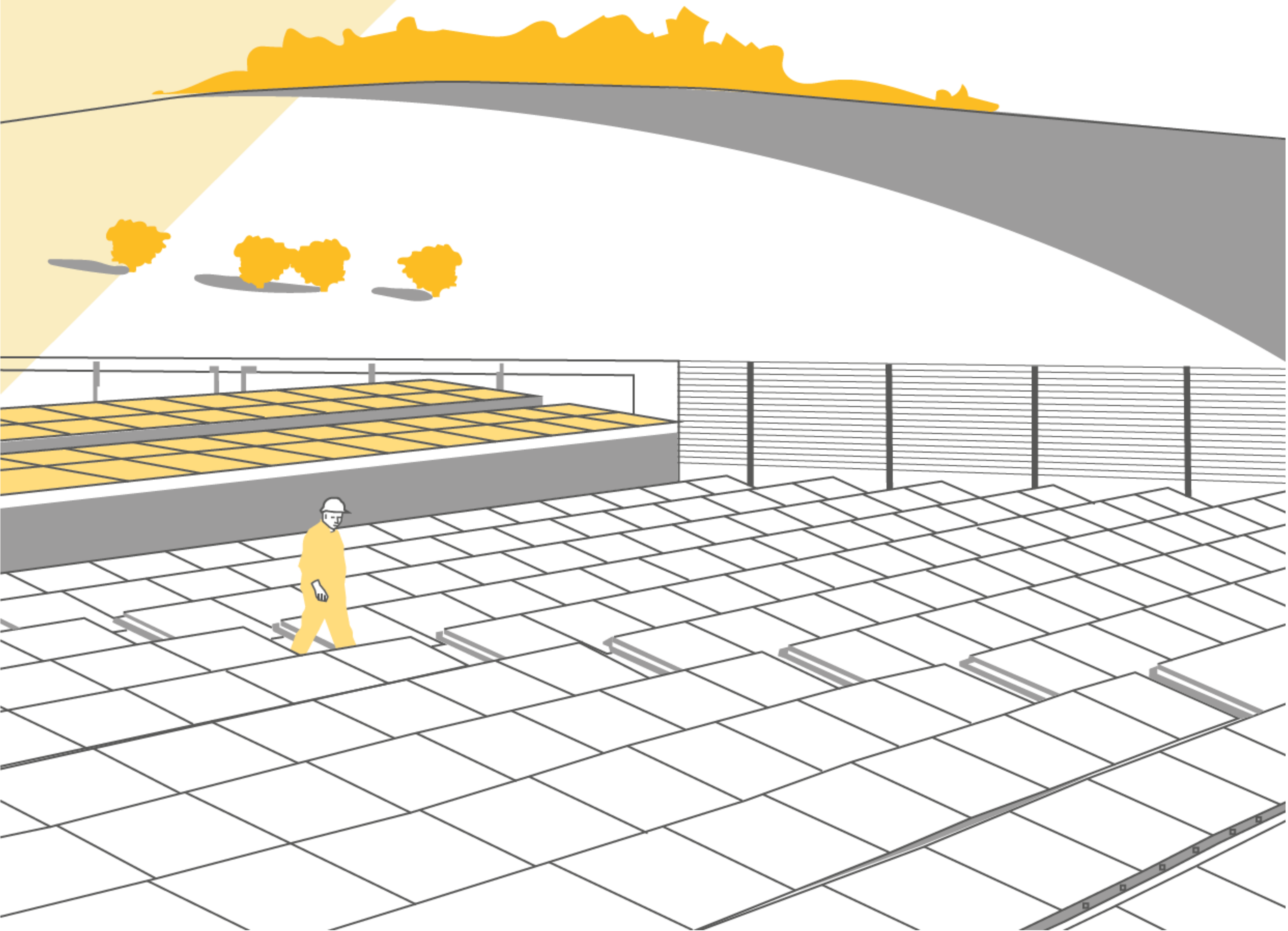
2

CONSOLIDATED FINANCIAL STATEMENTS



2.01 - FINANCIAL STATEMENT FORMATS

2.01.01 - Income statement

MN€	NOTES	2024	2023
Revenues	1	12,889.7	15,331.1
Other income	2	154.7	234.0
Raw and other materials	3	(7,056.4)	(9,672.2)
Service costs	4	(3,724.9)	(3,655.9)
Personnel costs	5	(667.5)	(641.1)
Other operating expenses	6	(97.3)	(90.3)
Capitalised costs	7	89.3	82.1
Amortisation, provisions and depreciation	8	(757.7)	(753.7)
Operating profit		**829.9**	**834.0**
Financial income	9	202.5	157.1
Financial expenses	10	(308.5)	(345.0)
Financial operations		**(106.0)**	**(187.9)**
Share of profits (losses) pertaining to joint ventures and associated companies	11	12.3	10.3
Earnings before taxes		**736.2**	**656.4**
Taxes	12	(200.3)	(173.2)
Net profit for the period		**535.9**	**483.2**
Attributable to:			
parent company shareholders		494.5	441.4
minority shareholders		41.4	41.8
Earnings per share			
basic	17	0.343	0.305
diluted	17	0.343	0.305

Pursuant to Consob Resolution no. 15519 of 27 July 2006, the effects of relationships with related parties are accounted for in the appropriate income statement outlined in paragraph 2.03.01 of this consolidated financial statement.

2.01.02 - Statement of comprehensive income

MN€	NOTES	2024	2023
Net profit (loss) for the period		**535.9**	**483.2**
Items reclassifiable to the income statement			
Fair value of derivatives, change for the period	29	(72.7)	(289.1)
Tax effect related to reclassifiable items		20.5	83.2
Other components of comprehensive income companies valued at net equity		(0.1)	-
Items not reclassifiable to the income statement			
Actuarial income (losses) employee benefit provisions	30	1.8	(2.0)
Shareholdings valued at fair value	26	(3.9)	10.9
Tax effect related to not reclassifiable items		(0.3)	0.4
Total comprehensive profit (loss) for the period		**481.2**	**286.6**
Attributable to:			
parent company shareholders		449.7	238.8
minority shareholders		31.5	47.8

2.01.03 - Statement of financial position

MN€	NOTES	31 DEC 24	31 DEC 23
ASSETS			
Non-current assets			
Property, plants and equipment	21, 25	2,160.7	2,059.3
Rights of use	22, 25	84.2	90.6
Intangible assets	23, 25	4,945.8	4,719.6
Goodwill	24, 25	933.0	908.7
Shareholdings valued using the equity method	26, 27	127.3	147.0
Other shareholdings	26	47.3	48.6
Non-current financial assets	18	158.0	162.8
Deferred tax assets	14	342.9	302.3
Derivative instruments	29	-	0.3
Total non-current assets		**8,799.2**	**8,439.2**
Current assets			
Inventories	32	168.1	198.5
Trade receivables	33	3,172.5	3,586.8
Current financial assets	18	23.1	90.9
Current tax assets	13	31.3	11.4
Current assets from contracts with customers	35	263.9	433.1
Other current assets	37	1,104.5	509.3
Derivative instruments	29	182.4	478.0
Cash and cash equivalents	18	1,315.6	1,332.8
Total current assets		**6,261.4**	**6,640.8**
TOTAL ASSETS		**15,060.6**	**15,080.0**

Pursuant to Consob Resolution no. 15519 of 27 July 2006, the effects of relationships with related parties are accounted for in the appropriate statement of financial position outlined in paragraph 2.03.02 of this consolidated financial statement.

MN€	NOTES	31 DEC 24	31 DEC 23
NET EQUITY AND LIABILITIES			
Share capital and reserves			
Share capital	15	1,440.8	1,443.0
Reserves	15	1,744.8	1,553.8
Profit (loss) for the period	15	494.5	441.4
Group net equity		**3,680.1**	**3,438.2**
Non-controlling interests	16	306.8	313.4
Total net equity		**3,986.9**	**3,751.6**
Non-current liabilities			
Non-current financial liabilities	19	4,154.6	4,421.7
Non-current lease liabilities	22	54.7	56.8
Employee benefits	30	79.9	88.1
Provisions	31	693.1	617.8
Deferred tax liabilities	14	144.8	156.9
Total non-current liabilities		**5,127.1**	**5,341.3**
Current liabilities			
Current financial liabilities	19	1,226.7	890.8
Current lease liabilities	22	24.4	24.5
Trade payables	34	2,723.9	2,619.3
Current tax liabilities	13	48.2	110.2
Current liabilities from contracts with customers	36	203.2	397.4
Other current liabilities	38	1,512.8	1,487.3
Derivative instruments	29	207.4	457.6
Total current liabilities		**5,946.6**	**5,987.1**
TOTAL LIABILITIES		**11,073.7**	**11,328.4**
TOTAL NET EQUITY AND LIABILITIES		**15,060.6**	**15,080.0**

Pursuant to Consob Resolution no. 15519 of 27 July 2006, the effects of relationships with related parties are accounted for in the appropriate statement of financial position outlined in paragraph 2.03.02 of this consolidated financial statement.

2.01.04 - Cash flow statement

MN€	NOTES	31 DEC 24	31 DEC 23
Earnings before taxes		**736.2**	**656.4**
Adjustments to reconcile net profit to cash flow from operating activities			
Amortisation and impairment of assets	8	563.4	526.2
Allocation to provisions	8	194.3	227.5
Effects from valuation using the equity method	11	(12.3)	(10.3)
Financial (income) expenses	9, 10	106.0	187.9
(Capital gains) losses and other non-monetary elements		(1.2)	(8.4)
Change in provisions	31	(34.9)	(27.7)
Change in employee benefit provisions	30	(10.0)	(11.0)
Total cash flow before changes in net working capital		**1,541.5**	**1,540.6**
(Increase) decrease in inventories	39	39.5	378.9
(Increase) decrease in trade receivables	39	(800.9)	(81.9)
Increase (decrease) in trade payables	39	(49.0)	(507.7)
Increase/decrease in other current assets/liabilities, including contracts with customers	39	438.2	439.9
Changes in working capital		**(372.2)**	**229.2**
Dividends collected	39	12.8	15.1
Interest income and other financial income collected	39	56.8	77.8
Interest expenses, net charges on derivatives and other financial charges paid	39	(192.6)	(193.4)
Taxes paid	39	(193.3)	(96.6)
Cash flow from (for) operating activities (a)		**853.0**	**1,572.7**
Investments in property, plants and equipment	21	(282.1)	(242.7)
Investments in intangible assets	23	(578.2)	(573.1)
Investments in subsidiary companies and business units net of cash holdings	28	(33.1)	(76.2)
Other equity investments	28	(0.4)	-
Sale price of property, plants, equipment and intangible assets		8.0	2.6
(Increase) decrease in other investment activities	28	81.2	30.1
Cash flow from (for) investing activities (b)		**(804.6)**	**(859.3)**
New issue of long-term bonds	20	471.1	614.9
Repayments of non-current financial liabilities	20	(7.9)	(750.0)
Repayments and other net changes in financial liabilities	20	(252.9)	(908.5)
Repayments of lease liabilities	20	(20.6)	(22.4)
Acquisition of interests in consolidated companies	20	(1.3)	(0.1)
Increase in minority share capital	20	1.3	1.9
Dividends paid out to Hera shareholders and non-controlling interests	20	(248.8)	(239.1)
(Investments) divestments in treasury shares	15	(6.5)	(19.7)
Cash flow from (for) financing activities (c)		**(65.6)**	**(1,323.0)**
Increase (decrease) in cash holdings (a+b+c)		**(17.2)**	**(609.6)**
Cash and cash equivalents at the beginning of the period	18	1,332.8	1,942.4
Cash and cash equivalents at the end of the period	18	1,315.6	1,332.8

Pursuant to Consob Resolution no. 15519 of 27 July 2006, the effects of relationships with related parties are accounted for in the appropriate cash flow statement outlined in paragraph 2.03.03 of this consolidated financial statement.

2.01.05 - Statement of changes in net equity

MN€	SHARE CAPITAL	RESERVES	RESERVES DERIVATIVES VALUED AT FAIR VALUE	RESERVES ACTUARIAL INCOME (LOSSES) EMPLOYEE BENEFITS	RESERVES SHARE-HOLDINGS VALUED AT FAIR VALUE	PROFIT FOR THE PERIOD	NET EQUITY	NON-CONTROLLING INTERESTS	TOTAL
Balance at 1 Jan 23	**1,450.3**	**1,485.8**	**256.6**	**(31.8)**	**(17.7)**	**255.2**	**3,398.4**	**246.3**	**3,644.7**
Profit for the period						441.4	441.4	41.8	483.2
Other components of comprehensive income:									
fair value of derivatives, change for the period			(212.1)				(212.1)	6.2	(205.9)
actuarial income (losses) employee benefit provisions				(1.3)			(1.3)	(0.2)	(1.5)
fair value of shareholdings, change for the period					10.8		10.8		10.8
Overall profit for the period	**-**	**-**	**(212.1)**	**(1.3)**	**10.8**	**441.4**	**238.8**	**47.8**	**286.6**
change in treasury shares	(7.3)	(12.4)					(19.7)		(19.7)
minority share payments							-	1.9	1.9
change in equity investments		2.9					2.9	(3.0)	(0.1)
changes in scope of consolidation							-	56.8	56.8
other movements		(13)					(1.3)	(0.6)	(1.9)
Allocation of revenues:									
dividends paid out						(180.9)	(180.9)	(35.8)	(216.7)
allocation to reserves		74.3				(74.3)	-		-
Balance at 31 Dec 23	**1,443.0**	**1,549.3**	**44.5**	**(33.1)**	**(6.9)**	**441.4**	**3,438.2**	**313.4**	**3,751.6**
Balance at 1 Jan 24	**1,443.0**	**1,549.3**	**44.5**	**(33.1)**	**(6.9)**	**441.4**	**3,438.2**	**313.4**	**3,751.6**
Profit for the period						494.5	494.5	41.4	535.9
Other components of comprehensive income:									
fair value of derivatives, change for the period			(42.3)				(42.3)	(9.9)	(52.2)
actuarial income (losses) employee benefit provisions				1.4			1.4		1.4
fair value of shareholdings, change for the period					(3.8)		(3.8)		(3.8)
other business components valued at net equity		(0.1)					(0.1)		(0.1)
Overall profit for the period	**-**	**(0.1)**	**(42.3)**	**1.4**	**(3.8)**	**494.5**	**449.7**	**31.5**	**481.2**
change in treasury shares	(2.2)	(4.3)					(6.5)		(6.5)
minority share payments							-	0.2	0.2
change in equity investments		(0.2)					(0.2)	(1.1)	(1.3)
other movements		0.8					0.8	0.2	1.0
Allocation of revenues:									
dividends paid out						(201.9)	(201.9)	(37.4)	(239.3)
allocation to reserves		239.5				(239.5)	-		-
Balance at 31 Dec 24	**1,440.8**	**1,785.0**	**2.2**	**(31.7)**	**(10.7)**	**494.5**	**3,680.1**	**306.8**	**3,986.9**

2.02 - EXPLANATORY NOTES

2.02.01 - Introduction

Hera S.p.A. is a joint-stock company established in Italy, listed on the Milan Stock Exchange and with registered office in Bologna, Viale Berti Pichat 2/4. Hera Spa and its subsidiaries (the Hera Group) operate mainly in Italy in the waste management (waste management and treatment), water (aqueduct, sewerage and purification) and energy (distribution and sale of electricity, gas and energy services) sectors; it also offers services for public lighting and telecommunications.

The consolidated financial statement at 31 December 2024 was prepared in compliance with Regulation (EC) No. 1606/2002 of 19 July 2002, observing the International Accounting Financial Reporting Standards (IFRSs) issued by the International Accounting Standard Board (IASB) and endorsed by the European Commission, as well as the provisions enacted in implementing Article 9 of Italian Legislative Decree no. 38/2005. IFRSs also include the International Accounting Standards (IAS) currently in force, the interpretative documents issued by the International Financial Reporting Standards Interpretation Committee (IFRSIC) and the previous Standing Interpretation Committee (SIC).

The directors considered the applicability of the assumed going concern in drafting the consolidated financial statement and decided that such assumption is appropriate in that no financial, managerial or other indicators were found that could signal critical issues regarding the Group's ability to meet its obligations in the foreseeable future and in particular during the next 12 months.

Sufficient obligatory information to present a true and fair view of the Group's capital-financial conditions as well as its economic performance has been provided. Information on the Group's activities and on significant events that occurred after year end is provided in the Directors' report, in paragraph 1.03 "Main significant events".

The general principle adopted in preparing these consolidated financial statements is the cost principle, except for the assets and liabilities (including the derivative instruments), which were measured at fair value. In drawing up the consolidated financial statements, management was required to use estimates; the major areas characterised by valuations and assumptions of particular significance together with those having notable effects on the situations accounted for here are provided in the paragraph "Significant estimates and valuations" at the end of this section.

These consolidated financial statements at 31 December 20254 were drawn up by the Board of Directors and approved by the same at the meeting held on 26 March 2025. These financial statements were audited by KPMG Spa.

Financial statement content and format

These consolidated financial statements comprise:

- financial statement formats
  - the income statement includes individual items analysed by type. We believe that this type of presentation, which is also used by major industry operators and is in line with international practice, best represents company results;
  - the statement of comprehensive income is presented in a separate document and distinguishing items that may and may not be reclassified subsequently to profit and loss;
  - the statement of financial position presents current and non-current assets and current and non-current liabilities separately, with a description in the explanatory notes for each asset and liability item of the amounts expected to be collected or settled within or beyond 12 months after the consolidated financial statements date;
  - the consolidated cash flow statement presents cash flows from operating, investing and financing activities. Cash flows from operating activities are reported using the indirect method, whereby operating income is adjusted for the effects of non-cash transactions, any deferrals or accruals of previous or future operating cash collections or payments, and revenue items associated with cash flows from investing or financing activities;
  - the statement of changes in net equity reports the items of the comprehensive income statement, as well as the operations that took place with our shareholders;
- explanatory notes.

The primary formats are in line with those used for the consolidated financial statements at 31 December 2023, except for the following changes that management adopted to ensure better representation and comparability.
With regard to the income statement, the following was done:

- separated the "Share of profits (losses) pertaining to joint ventures and associated companies" from typical components of financial operations that included it until 31 December 2023. Accordingly, the relevant values have been presented in a dedicated line in the financial statements located between Financial operations and Earnings before taxes;
- presented revenues arising from long-term contracts with respect to construction services for goods under concession from the line named "Other operating revenues" to the line "Revenues".

With regard to the format of the statement of financial position, the following was done:

- Disaggregated the financial statement line on "Shareholdings" by two new lines, "Shareholdings valued using the equity method" and "Other shareholdings", respectively;
- introduced the line "Current assets from contracts with customers" that includes contract work in progress, previously classified under "Inventories".
- introduced the line "Current liabilities from contracts with customers" that includes advances on goods and services, previously classified under "Trade payables," deferred expenses for services rendered to customers and advances for contract work in progress, both previously classified under "Other current liabilities".

In addition, the Group renamed the following lines of the financial statement formats from the published formats at 31 December 2023:

- renamed "Other operating revenue" in "Other income";
- renamed "Tangible assets" in "Property, plants and equipment";
- renamed "Deferred fiscal assets and liabilities" in "Deferred tax assets and liabilities";
- renamed "Post-employment and other benefits" in "Employee benefits";
- renamed "Provisions for risks and charges" in "Provisions".

Last year's formats have been restated in order to facilitate a comparison between the values of the two fiscal years. In this regard, it should be noted that the changes in the values of 31 December 2023 are not considered to be relevant to the size of the Group's financial and equity position.

In addition, it should be noted that during 2024 the amounts received as advances at the end of the previous fiscal period, related to the gas settlement process, were reclassified from "Current financial liabilities" to "Trade payables". On the basis of the analyses carried out, the effects of this reclassification were not considered to be significant, in accordance with the provisions of paragraph 5 of IAS 8. Accordingly, this component was recorded in the consolidated financial statements at 31 December 2024, under "Trade payables", without changing the comparative disclosure, in application of paragraphs 41 and 42 of IAS 8.

In the financial statements any non-recurring costs and revenues are indicated separately. Moreover, with reference to Consob resolution 15519 of 27 July 2006 on financial statements, specific supplementary formats of income statement, statement of financial position and cash flow statement have been included, highlighting the most significant balances with related parties, in order to avoid altering the overall clarity of the financial statements, the latter of which have likewise been changed from 31 December 2023 as described above.

The financial statement formats and the information included in the explanatory notes are expressed in millions of euro with one decimal point, unless otherwise indicated.

Scope of consolidation

The consolidated financial statements as at 31 December 2024 include the financial statements of the Parent Company Hera Spa and those of its subsidiaries. Control is obtained when the Parent Company has the power to determine the financial and operational policies of a company, by way of currently valid rights, in such a way as to obtain benefits from the company's activity. Joint operations, in the form of corporate vehicles, are recognised in proportion to the Group's interest. Equity investments in joint ventures in which the Hera Group exercises joint control with other companies as well as the companies over which the Group exercises significant control are consolidated with the equity method.
Small-scale subsidiaries and associated companies are excluded from overall consolidation and valued at fair value. These companies are reported in note 26, item "Other shareholdings".

Changes in the scope of consolidation

The table below shows changes in the scope of consolidation introduced during the 2024 financial year as compared to the consolidated financial statements at 31 December 2023:

ACQUISITION OF CONTROL	EXITED THE SCOPE
TRS Ecology Srl	Atlas Utilities Ead*
Tri-veneta Scarl	
"Soelia" business unit	
"Safety" business unit	

* On 10 June 2024, the liquidation process of the Atlas Utilities Ead company was completed and the company was removed from the Bulgarian commercial register.

For an overview of the control acquisition operations carried out during the period, see section 1.03 "Main events occurred" of the Directors' report and the "Business combinations (supplementary information)" in section 2.2.10 "Other Information" for accounting implications and the valuation details of assets and liabilities acquired.

On 24 September 2024, Acantho Spa acquired from Safety 21 Spa a business unit comprising the set of activities, receivable and payable contracts for conducting the business of reselling connectivity and dull fibre, as well as ancillary services, to a specific list of customers within the geographical area of the municipality of Padua and some neighbouring municipalities. The operation became effective on 1 October 2024.

Changes in equity investments

On 15 April 2024, the parent company Hera Spa acquired a minority stake of 3% in Uniflotte Srl, thereby becoming the sole shareholder.

The difference between the adjustment of this minority shareholding and the fair value of the equivalent amount paid was reported directly in net equity and attributed to the parent company's shareholders.

Other corporate operations

On 24 May 2024, Herambiente Servizi Industriali Srl purchased from the company Estra Clima Srl a business unit comprising the set of organized assets for carrying out the activities of electricity generation through photovoltaic plants. The operation became effective on 1 June 2024. This operation was recorded as an investment in property, plants and equipment, not a business combination.

With effect from 1 October 2024, Hera Comm Marche Srl, a wholly owned subsidiary, was merged by incorporation into its parent company Hera Comm Spa.

On 16 December 2024, the transfer agreement of 25% of the equity of EstEnergy Spa from Ascopiave Spa to Hera Comm Spa was signed. The transfer of the shares is expected to occur between 1 June and 31 July 2025 and will be subject to the condition precedent of actual collection by Ascopiave Spa of the stipulated amounts. Once the condition precedent is met, the legal percentage of ownership by the Hera Group will be 100% of its share capital.

Accounting policies and consolidation principles

The financial statements used for the preparation of the consolidated statement of financial position and income statement schedules were those which the companies included within the scope of consolidation reclassified and adjusted (on the basis of specific instructions issued by the Parent Company) for the purposes of consistency with the accounting standards and principles of the Group. In processing the values referred to the companies valued at net equity, adjustments to their respective financial statements were considered in order to adapt them to accounting standards and Group policies.

When drawing up the consolidated statement of financial position and income statement, the assets and liabilities as well as the income and expenses of the companies included in the scope of consolidation are included on a line-by-line basis. However, the receivables and payables, income and expenses, gains and losses resulting from operations

carried out between companies included in the scope of consolidation have been eliminated. The book value of the equity investments is cancelled by the corresponding portion of investees' equity.
On first-time consolidation, the positive difference between the book value of the equity investments and the fair value of the assets and liabilities acquired, was allocated to the asset and liability items and on a residual basis to goodwill. The negative difference was immediately recorded in the income statement, as illustrated in the following section "Business combinations".
The total of capital and reserves of subsidiaries pertaining to non-controlling interests is recorded within equity in the line item "Non-controlling interests". The portion of the consolidated result relating to non-controlling interests is recorded in the account "Minority shareholders".

The valuation of the financial statement items has been carried out on the basis of the general criterion of accrual, with a view of the business as a going concern. For the purposes of the accounting entries, priority is given to the economic substance of the transactions rather than their legal form.

In preparing these consolidated financial statements, the accounting policies and principles were the same as those adopted in the previous period, considering the new accounting standards reported in the dedicated section "Changes to accounting standards" of paragraph 2.02.10 "Other information". As far as the income statement is concerned, the costs and revenues stated include those recorded at year-end, which have a balancing entry in the statement of financial position. In this regard, income is included only if realised by the closing date of the fiscal period, while account has been taken of the risks and losses even if known after said date.

The transactions with minority shareholders are recognised as equity transactions. Therefore, for purchases of additional shares after control is attained, the difference between the cost of acquisition and the book value of the shares purchased from non-controlling interests is recognized in Group net equity.

The functional and presentation currency adopted by the Group is the euro. The assets and liabilities of foreign companies denominated in currencies other than the euro which are included in the scope of consolidation are translated using the exchange rates applicable at the balance sheet date. Income and expenses are translated at the average exchange rate for the period. Conversion differences are included in an equity item until the shareholding is sold. The main exchange rates used to convert the value of the investees outside the euro zone are as follows:

	2024	31 DEC 24	2023	31 DEC 23
	Average	Specific	Average	Specific
Bulgarian Lev	1.9558	1.9558	1.9558	1.9558
Polish Zloty	4.3058	4.2750	4.5420	4.3395

The standards and criteria adopted are outlined here below.

Property, plants and equipment – These are recognised at purchase cost or production cost, including accessory expenses, or at the value based on expert appraisals, if relating to purchased companies, net of the related accumulated depreciation and any impairment. The production cost includes the portion of direct and indirect costs reasonably attributable to the asset (e.g. personnel costs, transport, customs duty, costs for the preparation of the installation location, final test and inspection costs, notary fees, land registry expenses). The cost includes any professional fees and, for certain assets, capitalised financial charges up to the moment the asset enters into service. The cost includes any costs for dismantling, restoration and reclamation of the site on which the asset is located. Ordinary maintenance costs are charged in full to the income statement. Improvement, upgrading and transformation costs that increase the value of the assets are recorded as assets.

Property, plants and equipment are stated gross of grants for plants and equipment, which are recorded in the income statement over the period required to match them with their related costs; in the statement of financial position, they are stated by recording the grant as deferred revenue.

Amortisation begins to be applied when the assets enter the production cycle. They are classified as in progress when the process of economic use has not yet begun. Property, plants and equipment are systematically depreciated in each accounting period using the amortisation rates considered representative of the remaining useful lives of the assets. The amortisation rates for property, plants and equipment are outlined here below:

CATEGORY	RATES
Buildings	1.8% - 2.8%
Distribution plants	1.4% - 5.9%
Production plants	2.5% - 25.0%
Other plants	3.9% - 7.5%
Equipment	5.0% - 20.0%
Electronic machines	16.7% - 20.0%
Vehicles	10.0% - 20.0%

Land is not depreciated, with the exception of land in which landfills are located, which is depreciated based on the quantity of waste disposed of with respect to the total conferrable capacity.

Property investments - Property investments have been recorded at cost. As such, these assets are reported at cost minus depreciation and any impairment.

Rights of use - The right of use of a good or service is initially valued by the Group at cost.
Service components that may be included in the contract are excluded from projections of future lease payments and accounted for separately under operating expenses on a straight-line basis.
After the initial recognition, the value of the right of use is reduced by accrued depreciation and impairment and is adjusted for any restatements of the lease liability.

Intangible assets and goodwill - Identifiable and controllable intangible assets are stated at cost and, if they have a definite useful life, they are amortised systematically over the period of the estimated useful life. The amortisation begins when the asset is available for use or in any case begins to generate economic benefit for the Group. Work in progress includes costs relating to intangible assets for which the process of economic use has not yet commenced. If the intangible assets have an indefinite useful life, they are not amortised but rather subjected to an annual impairment test, even in the absence of indicators signalling losses in value.

Concessions mainly comprise the rights associated with networks, plants and other facilities related to gas and integrated water cycle services managed by the Group and are instrumental to the management of these services. These concessions were listed as intangible assets even before the IFRIC 12 - Agreements for concession services - interpretation was first applied.
Amortisation of the concessions is calculated on the basis of the provisions of the respective conventions, and namely: i) according to a constant rate for the shorter of the following two periods: the useful life of the assets granted in concession and the duration of that same concession, provided that, when this concession expires, the outgoing operator is not granted any compensation value (Residual industrial value, or RIV); ii) on the basis of the useful life of the individual assets, if an indemnity value (IV) is paid to the outgoing operator upon expiry of the concessions.

Public services under concession include the rights over networks, plants and other facilities related to gas, integrated water cycle, and electricity (with the sole exception of the assets related to the territory of Modena, which are classified among the assets owned by virtue of the associated acquisition) and public lighting services (for the latter, except for what highlighted in the following note describing the accounting principles applied to the "Receivables and financing" item) linked to services managed by the Group. These arrangements are accounted for by applying the intangible asset model provided for the IFRIC 12 interpretation, since it was considered that the underlying concession arrangements do not guarantee the existence of an unconditional right in favour of the concessionaire to receive cash or other financial assets. Construction and improvement services carried out on behalf of the grantor are accounted for as assets from contracts with customers. Considering that most works are contracted out externally and that on construction activities carried out internally the job margin cannot be identified individually from the benefits included in the remuneration for the service, these infrastructures are reported on the basis of costs actually incurred.

This category also includes enlargements and updates made to the infrastructure which are the property of the Holding Companies (so-called Asset Companies, pursuant to Art. 113 of Legislative Decree no. 267/00) managed by the Group by virtue of business unit leasing contracts. These contracts, in addition to establishing the fees due, also include clauses governing the restitution of assets, normally maintained, upon payment of a balance corresponding to the net book value or the residual industrial value (also taking into account the recovery funds) of these assets.

The depreciation of these rights is carried out based on the useful life of the individual assets, also in view of the relevant legislation which, in the event of a change in service provider, calls for compensation to be paid to the outgoing operator in the amount of the Residual industrial value (RIV) for assets constructed under their ownership, or at Net book value (NBV) for assets manufactured under a business unit leasing contract.

The intangible assets acquired following a business combination are recorded separately from goodwill if their fair value can be reliably determined and are depreciated over the useful life estimated during the purchase.

Intangible assets are stated gross of grants for plants and equipment, which are reported in the income statement over the period necessary to match them with their related costs; in the statement of financial position, they are stated by recording the grant as deferred revenue.

The amortisation rates of intangible assets are outlined here below:

CATEGORY	RATES
IT applications	20.0%
Patents and trademarks	10.0%
Buildings under concession	1.8% - 3.5%
Distribution plants under concession	1.8% - 10.0%
Other plants under concession	2.5% - 12.5%
Equipment under concession	12.5%

Cost of acquiring new contracts - Incremental costs, represented by commissions paid to agents for the acquisition of new contracts, are recognized as intangible assets and are amortised according to the average useful life of the acquired customers (churn rate). For this purpose, only the types of commissions related to new customers not present in the Group's customer base are recognized.

Business combinations - Any positive difference between the cost of the operation and the fair value at the date the assets and liabilities are acquired is attributed to goodwill. If the process of allocating the purchase price shows a negative difference, such difference is immediately charged to the income statement at the date of acquisition. For the purpose of determining the goodwill or the negative differential, the fair value assessment of put options granted to minority shareholders on their own shares is also considered within the cost of the operation.

Any consideration subject to conditions, including those related to future results (earn-out), as set forth in the business combination contract is measured at fair value on the acquisition date and considered in the value of the consideration paid for the business combination, for the purposes of calculating the goodwill.

Non-controlling interests on the acquisition date are measured at fair value or according to the pro rata amount of the net assets of the acquired company. The valuation method selected is stated for each transaction.

Losses in value (impairment) - In order to assess any losses in value, the Group takes into consideration the book value of property, plants and equipment, rights of use and intangible assets, comparing it with the recoverable amount of these assets to define the value of any write-downs. The recoverable value is calculated as a right of use. Where it is not possible to estimate the recoverable value of an asset individually, the Group estimates the recoverable value of the unit generating the cash flows to which said assets belong. Future cash flows are discounted to present value at a rate (net of taxation) that reflects the current market value and takes into account the risks associated with the specific business activities.

Shareholdings accounted for using the equity method - Shareholdings entered in this item refer to long-term investments in associated companies and joint ventures. The excess price over the Group's share of the fair value of an associated company's identifiable assets, liabilities and contingent liabilities at the date of acquisition is recognised as goodwill.

Other shareholdings - This category includes shareholdings that are not included in the scope of consolidation, including shareholdings in negligible size subsidiaries, associates and joint ventures. For these investments, upon initial recognition, it is irrevocably determined whether subsequent changes in fair value are recognised in other comprehensive income; otherwise, changes in fair value are periodically recognised in profit or loss. The risk arising from any losses exceeding the carrying value of the shareholding is recognised in a special provision to the extent that the holder is obliged to fulfil legal or implicit obligations vis-à-vis the investee company or in any event cover its losses.

Financial assets - The Group classifies financial assets through the business model adopted for managing them and on the basis of the features of contractual cashflows. In relation to the previous conditions, financial assets are subsequently valued as follows:

- amortised cost;
- fair value of the other comprehensive income components;
- fair value of the profit (loss) for the fiscal period.

Management determines their classification when they are first recorded.

Receivables and loans - This category includes assets not represented by derivative instruments and not listed on an active market, from which fixed or determinable payments are expected. Since the business model generally adopted by the Group provides for the holding of these financial instruments solely for the purpose of collecting the contractual cash flows, these assets are valued at depreciated cost on the basis of the effective interest rate method. The value of the assets is reduced on the basis of the expected losses, using information that is available without unreasonable charges or efforts, including historical, current and prospective data.
Losses determined by an impairment test are recognized in the income statement, as are any subsequent reversals of impairment losses.
These assets are classified as current assets, except for the portions accruing after 12 months, which are included amongst the non-current assets.
This category includes, as provided by the interpretation IFRIC 12, the financial assets associated to those public service under concession for which the Group has the unconditional contractual right to receive liquidity from the issuer for the construction services rendered. The Group uses the financial asset model for the contracts of public lighting service provision, in view of their characteristics, in which increasingly frequently the issuer guarantees the area provider a specific amount, or at any rate an amount which can be reliably determined, not depending on the use of the infrastructure by the end customer. Under that model, the financial asset reported in the balance sheet in relation to the issuer for an amount equal to the fair value of the construction services rendered.

Financial assets at fair value recorded in other comprehensive income components - This category includes assets, other than derivatives, held by the Group for the purpose of receiving contractual cash flows (represented by equity and interest payments) or for monetisation through sale.
These assets are valued at fair value, the latter determined by referring to the market prices at the balance sheet date or using financial measurement techniques and models. Classification as a current or non-current asset depends on management's plans and on the real tradability of the security. Those expected to be sold during the next 12 months are recorded as current assets.

Assets valued at fair value recorded as profit (loss) for the fiscal period - This category includes the financial assets acquired for short-term trading purposes, in addition to the derivatives, which are described in the specific paragraph below.
The fair value of these instruments is determined by referring to the market value on the date the registration period ends. Classification under current and non-current reflects management 's expectations regarding their trading: current assets include those whose trading is expected within 12 months or those identified as held for trading.

Cash and cash equivalents - The item regarding cash holdings and cash equivalents includes cash and bank accounts and deposits repayable on demand and other short-term financial investments with high liquidity that are readily convertible into cash and are subject to an insignificant risk regarding their change in value.

Trade receivables - These refer to financial assets arising from the provision of goods and services and are valued at amortised cost, adjusted for any impairment. These assets are derecognised in the event of sale which transfers all risks and benefits associated with their management to third parties.

Other current assets - These are stated at par value and possibly adjusted for any losses in value corresponding to the amortised cost.

Environmental bonds - The Group complies with the various regulations issued in relation to the environment that require compliance with restrictions established through the use of certificates or bonds. Therefore, the Group is obliged to meet a need in terms of grey certificates (emission trading) and white certificates (energy efficiency instruments). The development of markets in which these bonds/certificates are traded has also made it possible to initiate a trading activity. These bonds are valued according to the intended use.
The bonds held to meet the company's requirement are recorded as assets at cost. If the bonds in the portfolio prove to be insufficient to meet the need, a liability is recorded to guarantee adequate coverage when the certificates are delivered to the operator. Bonds held for trading are recognised as assets and are measured at fair value through profit or loss.

Current assets from contracts with customers – This item includes the recording of commissioned work in progress on behalf of customers. Where the outcome of a construction contract can be estimated reliably, contract work in progress is measured on the basis of revenues accrued with reasonable certainty, according to the percentage of completion accounting method, so as to apportion revenues and costs to the relevant financial years in proportion to the stage of completion of the work in question. Contract revenues, in addition to the contractual payments, include the variations, the price review and the recognition of the incentives to the extent it is probable that they represent effective revenues which can be determined reliably.

When the outcome of a contract cannot be reliably estimated, the revenues referable to the related contract are recorded solely within the limits of the contract costs incurred which will probably be recovered. The contract costs are recorded as expenses during the accounting period in which they are incurred. When the total contract costs are likely to be greater than the contractual revenues, the expected loss is immediately stated at cost.

Inventories - Inventories are recorded at cost, including directly attributable costs, or net estimated realizable value, whichever is the lower. The cost configurations used for the valuation of stocks are the average cost measured on a continuous basis (used for raw materials and consumables) and the specific cost of other inventories.
Inventories of work in progress are valued at weighted average manufacturing cost for the period, which comprises the raw materials, the consumables and the direct and indirect production costs excluding general expenses.

Share capital - Share capital is recorded at par value, reduced, if necessary, by costs directly attributable to transactions involving the issuing or repurchase of equity instruments.

Treasury shares - Treasury shares are recognised as a reduction in shareholders' equity, and any differences generated by future purchase or sale transactions are recorded directly as changes in equity.

Earnings per share - The earnings per share are represented by the net profit for the year attributable to the shareholders holding ordinary shares, taking into account the weighted average of the ordinary shares outstanding during the period. The diluted earnings per share are obtained by means of the adjustment of the weighted average of the shares outstanding, taking into account all the potential ordinary shares with dilution effect.

Financial liabilities - This item is initially stated at cost, corresponding to the fair value of the liability net of the transaction costs which are directly attributable to the issue of said liability. Following their initial recognition, financial liabilities, with the exception of derivatives, are valued on the basis of amortised cost, using the original effective interest rate method. If the estimates of payments are revised, the adjustment of the liability is stated as income or expense in the income statement, except for lease liabilities.

Lease liabilities - As at the effective date of the contract, lease liabilities are calculated as the present value of payments due, discounted using the marginal lending rate.
This rate refers to the average rate at which the Group borrows, broken down by contractual maturity. It is determined annually in the budget on the basis of the final figures for previous financial year and is applied to contracts signed from 1 January of each subsequent financial year. It is updated during the period in the event of significant changes to the Group's average borrowing rate. For contracts with a life of more than four years, the Group uses the medium/long-term borrowing rate, while for contracts with a life of four years or less, the equivalent short-term rate is adopted.

Employee benefits - Liabilities related to defined-benefit plans (such as the employee severance accrued before 1 January 2007) are reported net of any plan assets on the basis of actuarial assumptions and on an accrual basis, in keeping with the service necessary to obtain benefits. The liability is valued by independent actuaries. Actuarial gains and losses are reported as other comprehensive income/losses. Following Law 296 of 27 December 2006, for companies with more than 50 employees, the severance payment amounts accruing after 1 January 2017 qualify as a defined-benefit plan.

Provisions - The reserves are allocated, on the basis of the best estimate of the costs required to meet the obligation, on the balance sheet date, and are discounted to present value when the effect is significant and the necessary information is available. In such event, the reserves are determined by discounting to present value the future cash flows at a pre-tax discount rate that reflects the current market valuation and takes into account the risk associated with the business activities.
When the discounting to present value is carried out, the increase in the reserve due to the passing of time is recorded amongst the financial charges. If the liability relates to property, plants and equipment (e.g. restoration of sites), the contra-entry to the provision made is an increase of the asset to which the liability refers; on the other hand, the financial charges are expensed out through the depreciation process of the item of property, plants and equipment to which the charge refers.

Trade payables - These refer to payables derived from commercial supply transactions and are recorded at amortised cost.

Current liabilities from contracts with customers - This includes amounts relating to payments made by customers before the transfer of goods or services stipulated by the contract takes place. Recording takes place when payment is made or when payment is due. This liability is reported as revenue only when the contractual obligation has been fulfilled.

Other current liabilities - These concern sundry transactions and are stated at nominal value, corresponding to the amortised cost.

Derivative instruments - The Group holds derivative instruments for the purpose of hedging its exposure to the risk of interest rate and exchange rate fluctuations and the risk of changes in methane gas and electricity prices. In relation to said activities, the Group must handle the risks associated with the misalignment between the index-linking formulas relating to the purchase of gas and electricity and the index-linking formulas linked to the sale of said commodities. The instruments the Group uses for handling price risk, both with regards to the price of the goods and the related euro/dollar exchange rate, are aimed at pre-establishing the effects on the sales margins irrespective of the changes in the aforementioned market conditions.
In relation to commodity derivatives, operations are managed through OTCs - over the counter financial instruments (index swaps), currency derivatives (forward purchases in dollars), derivative instruments traded on the regulated platforms, as well as through brokerage contracts that provide for the physical delivery of the underlying to be regulated in the future (so-called physical contracts). In particular, the accounting method used for physical contracts varies according to their purpose: contracts related to procurement activities are subject to the own-use exemption and the related economic effects are recognised on an accrual basis only at the time of actual delivery, while contracts signed with reference to price or volume risk management activities are considered derivative financial instruments and measured at fair value from the time they are signed. Given the nature of physical contracts, in order to give a more consistent representation of the actual transactions carried out, at the time they become operational, regardless of their purpose, the settlement is recorded in the income statement either in the item "Revenues" or in the item "Raw and other materials" depending on whether the sale or procurement of commodities was involved.

From an operational point of view, a commercial portfolio has been identified, which includes physical and financial contracts signed for the management of procurement, and a trading portfolio, which includes physical and financial contracts signed for speculation, based on pure position taking logics whenever there is a market opportunity, always within the risk limits defined by the Board of Directors of the parent company.

The fair-value changes pertaining transactions that, in observance of the risk management policies, meet the requirements for hedge accounting treatment are recorded as part of the other components of comprehensive income, while those that despite being entered into for hedging purposes, do not meet the requirements are recognised in profit or loss in the period in which they occur. Operations identified from their outset as speculative are recognised in profit or loss in the reporting period. Fair value is established with adequate valuation models for each type of instrument, according to the reference market value as more fully described below.

For accounting purposes, the hedging transactions are classified as fair value hedges if they cover the risk of fluctuations in the market value of the underlying asset or liability; or as cash flow hedges if they cover the risk of changes in cash flows deriving both from an existing asset or liability, or from a future transaction, including transactions on commodities.

As far as derivative instruments classified as fair value hedges are concerned, which observe the conditions for the accounting treatment as hedging transactions, the gains and losses deriving from the determination of their market value are recognized through profit or loss. The gains and losses deriving from the adjustment to fair value of the element underlying the hedge are likewise recognised through profit or loss.

For instruments classified as cash flow hedges and that qualify as such, the fair value changes are recorded, only as far as the effective amount is concerned, in a specific equity reserve called "Cash flow hedge reserve" through the statement of comprehensive income.
This reserve is recorded to income as soon as the underlying hedged instrument is realised. The change in fair value referring to the ineffective portion is immediately recorded in the income statement of the period.
If the underlying transaction should no longer be considered highly probable, or the hedging relationship can no longer be demonstrated, the corresponding portion of the "Reserve of derivatives valued at fair value" is immediately reversed to income.
If, on the other hand, the derivative instrument is sold and therefore the hedging of the risk for which the transaction was created no longer qualifies as effective, the amount of "Reserve of derivatives valued at fair value" relating to it is kept until the economic effects of the underlying contract arise.

Whenever applicable, the Group adopts the fair value option.

Assets and liabilities held for sale - Assets and liabilities are classified under this category the moment the sale operation is considered highly likely and the assets and liabilities are immediately available for sale in their current condition.

Revenue and cost recognition - Revenues and income are recognized net of returned items, discounts and rebates, and net of taxes directly related to the sales of products and services rendered. These are broken down into revenues deriving from operating activities and financial income which accrues between the sale date and the payment date. Specifically:

- revenues from energy, gas and water sales are recognised and recorded at the moment of the provision of the service and include the services provided but not yet invoiced (estimated on the basis of historical analyses determined according to previous consumption levels);
- revenues from the distribution are recognised on the basis of the tariffs paid by the Aeegsi and are subject to equalization at year end to reflect in accordance with the competence criterion the compensation recognised by the Authority in relation to the investments made;
- revenues are booked at the time (or as) the obligation is fulfilled, transferring the promised good or service to the customer. The transfer occurs when (or as) the customer gains control over the good or service. The revenue recorded corresponds to the price attributed to the obligation to be recorded. Revenue is recorded only if the consideration for the goods or services transferred to the customer is likely to be received. When an obligation is fulfilled over time, assets resulting from contracts with customers are recognised, representing a contractual provision provided by transferring goods or services to the customer before the price is paid or payment is due. Accordingly, assets resulting from contracts with customers represent the right to the contracted price in exchange for goods or services that have already been transferred to a customer. In the case of an unconditional right to receive the contractual payment, subject only to the passage of time before payment is actually due, then a trade receivable is recognised.
- costs are accounted for in accordance with the accrual principle.

Grants - Capital grants are recognized in the income statement over the period necessary for correlating them to the related costs. They are represented in the statement of financial position by recording the grant as deferred revenue. Operating grants, including those received from users for connection purposes, are considered to be revenues for services rendered during the fiscal period and are therefore recorded on an accrual basis.

Lease payments - Lease payments relating to lease contracts for low-value assets and leases with a contract duration of 12 months or less (short-term leases) are recorded in the income statement as charges for the period. The Group has set a threshold of 10 thousand euro for deeming the individual underlying asset to be of modest value.

Financial income and expense - Financial income and expense are recognised on an accrual basis. Dividends from "Other shareholdings" are recorded in the income statement, at the time the right to receive payment is established, the economic benefits arising from the dividends are likely to be received by the Group and their value can be assessed reliably.

Taxes - Taxes are the sum of current, deferred and possible substitute taxes. Current taxes are calculated on the taxable income for the financial period. "Current tax liabilities" are calculated on the basis of the tax rates applicable on the balance sheet date.

In determining tax rates for the period, the Group took into due consideration the effects of the IAS tax reform introduced by Law 244 of 24 December 2007 and in particular the reinforced derivation principle established by Article 83 of the TUIR. This regulation calls for entities that use IFRSs to apply, including in a departure from the provisions of the TUIR, the criteria for the determination, recognition and classification in the financial statements provided for by said accounting standards.

Deferred taxes are calculated having regard to timing differences in taxation, and are recorded under the item "Deferred tax liabilities". "Deferred tax assets" are recognised to the extent that the existence of a taxable income at least equal to the amount of the differences to be offset is considered probable when the timing differences will reverse. Deferred taxes are determined on the basis of the tax rates foreseen to be in force during the financial year in which the tax asset will be conferred or the tax liability will be extinguished, on the basis of tax rates established by provisions in force or substantively in force at the date of the financial statements. These changes are recognised in profit or loss or in equity, depending on how the difference in question was originally recorded.
Finally, substitute taxes may be recorded when legal provisions exist that allow the Group to take advantage of special tax regimes. These are, by nature, non-recurring taxes, which may be attributed to the Group's desire to opt or not for the related tax regime.
In the event that the substitute tax is paid pursuant to a tax regulation that allows the balance sheet value of an asset to be aligned, in whole or in part, with its corresponding tax value, the Group proceeds to recognise the total value of future tax benefits (tax assets) and, at the same time, the entire substitute tax in the financial year in which management makes the decision to take advantage of this opportunity.

Conversion of foreign currency balances criteria - Foreign currency transactions are initially recorded using the exchange rate in force as of the transaction date. Foreign currency assets and liabilities, with the exception of fixed assets, are recorded using the exchange rate in force as at the period end date and the related exchange gains and losses are recognized through profit or loss. Any net gain that might arise is set aside in a specific restricted reserve until the date of realization.

Operations with related parties - Operations with related parties take place on an arms'-length basis, in observance of efficiency and cost-effectiveness criteria. Some specific transactions are remunerated on the basis of rates established by Arera resolutions.

Risk management

Credit risk

The credit risk faced by the Group originates from the broad structure of the client portfolios in the main business areas in which it operates; for the same reason, this risk is spread out over a large number of clients. In order to manage the credit risk, the Group established procedures for selecting, monitoring and evaluating its customer portfolio. The Italian market is the benchmark market.

The Group's credit management model makes it possible to analytically determine the different risks associated with the collectability of trade receivables as soon as they arise and progressively according to their increasing seniority. This approach allows the company to reduce the concentration and exposure to credit risk posed by both business and household customers. With regard to receivables from small-sized customers, write-downs are carried out on the basis of future-oriented analysis regarding the amount of probable future income, taking into consideration the seniority of the receivables, the type of recovery action undertaken and the status of the creditor. From time to time, analyses are conducted on the individual credit positions yet to be resolved, identifying any criticality, and if the amounts outstanding are uncollectible, in whole or in part, the related receivables are written down.

Liquidity risk

Liquidity risk concerns the inability to meet the financial obligations taken on due to a lack of internal resources or an inability to find external resources at costs that are sustainable for the Group. Liquidity risk is mitigated by adopting policies and procedures that optimise the efficiency of management of financial resources and maintaine an adequate balance of the financial structure. For the most part, this is accomplished through the centralised management of cash inflows and outflows (centralised treasury service); in the prospective assessment of the liquidity conditions; in obtaining adequate lines of credit; and preserving an adequate amount of liquidity.

The financial planning of requirements and management focused on the availability of medium- to long-term financing lines allow effective management of liquidity risk.

Interest rate risk and currency risk on financing operations

The cost of financing is affected by interest rate fluctuations. In the same way, the fair value of financial liabilities is also subject to interest rate and exchange rate fluctuations on currency positions that are no longer in place at the end of the financial period.

The Group regularly assesses its exposure to such risks and manages them by means of derivative financial instruments, in accordance with its risk management policies. To mitigate interest rate volatility risk and simultaneously ensure a correct balance between fixed rate debt and variable rate debt, the Group has stipulated interest rate derivatives in relation to a portion of its financial liabilities. At the same time, to mitigate exchange rate volatility risk, the Group plans to sign foreign exchange derivatives to fully hedge loans in foreign currencies.

Under these guidelines, derivative financial instruments may only be used to manage its exposure to interest and exchange rate fluctuations related to cash flows and balance sheet assets and liabilities. These policies do not enable speculative activities to be carried out.

Market risk and currency risk on commercial operations

Concerning the wholesale business carried on by Hera Trading Srl, the Group manages risks related to the misalignment between indexation formulas related to the purchase of gas and electric energy and the indexation formulas related to the sales of the same commodities (including contracts entered into at fixed prices) as well as exchange rate risks in case the trading contracts for the commodities are denominated in currencies other than the euro (U.S. dollar).

In relation to these risks, the Group has set up a number of instruments, including different types of commodity derivatives (which may also include physical delivery) aimed at pre-establishing the effects on sales margins irrespective of changes in market conditions. The organisational model adopted and the supporting management systems make it possible to identify the nature of the operation (hedging vs. trading) and produce the information required for a formal identification of the purpose of these instruments. Specifically, from an operational standpoint, the Group identified a commercial portfolio, including contracts signed to manage the Group's procurement activities, and a trading portfolio, including instruments whose purpose cannot be strictly related to the underlying procurement activities.

For an exhaustive discussion of how the Group analyses, measures, monitors and manages exposure to these risks, please refer to paragraph 1.02.03 "Risk areas: identification and management of risk factors" in the Directors' report.

Significant estimates and valuations

Preparation of the consolidated financial statements and related notes requires the use of estimates and valuations by the directors, with effects on the balance sheet figures, based on historical data and on the forecasts of specific events that are reasonably likely to occur on the basis of currently available information. These estimates, by definition, are an approximation of the final figures. Hence the main areas characterised by valuations and assumptions that could give rise to variations in the values of assets and liabilities by the next reporting period are reported below.

Recognition of revenues
Revenues for the sale of electricity, gas and water are recognised and accounted for at supply only if the consideration is expected to be collected. They include the allocation for services rendered between the date of the last reading and the end of the financial year, but still not billed. This allocation is based on estimated of the customer's daily consumption, based on the historic profile, adjusted to reflect the weather conditions or other factors which might affect consumption under evaluation.

Provisions for bad debts
These provisions were made using the same procedures as in previous years. For more detail on how receivables are valued, please refer to the Risk Management section above.

Provisions to funds
These provisions were made by adopting the same procedures as in previous years, with reference to reports by the legal advisors and consultants that are following the cases, and on the basis of developments in the relevant legal proceedings as well as of the updates of the hypotheses concerning future expenses for post-mortem costs of the landfills, following the revision of the estimated costs identified by external consultants.

Amortisation
Amortisation is calculated on the basis of the useful life of an asset. The useful life is determined by Management at the time the asset is recognized in the balance sheet; valuations of the duration of useful life are based on historical experience, market conditions and the expectation of future events that could affect the useful life itself, including technological changes. Therefore, the actual useful life might differ from the estimated useful life.

Impairment test
The Group carries out an analysis of the recoverable value of goodwill as well as of its investment (not majority investment) in companies holding assets for generating thermoelectric energy, through impairment tests, at least once a year. This test is based on the calculation of its value in use, which requires the use of estimates as specified in notes 25 and 27 of the explanatory notes to the financial statements.

Deferred tax assets
Accounting for deferred tax assets takes place on the basis of expectations of taxable income in future fiscal periods. The evaluation of the taxable income expected for the purposes of accounting for deferred tax assets depends on factors that may vary over time and significantly affect the recoverability of deferred tax assets.

Fair value assessment and evaluation process
The fair value of financial instruments, both on interest rates and foreign exchange rates, derives from market prices. In the absence of prices quoted in active markets, the method of discounting back future cash flows is used, taking the parameters observed on the market as reference. The fair value of contracts on commodities are determined using directly observable market inputs, where available. The methodology for calculating the fair value of these instruments includes the assessment of the non-performance risk, where relevant. All derivative contracts entered into by the Group are with leading institutional counterparties.

Fair Value Hierarchy
The financial instruments measured at fair value are classified through a three-level hierarchy based on the way the fair value was determined, i.e., with reference to the factors used in determining the value:

- **level 1,** financial instruments the fair value of which is determined on the basis of quoted prices in active markets;
- **level 2,** financial instruments the fair value of which is determined using valuation techniques that employ parameters that are directly or indirectly observable on the market. Instruments valued on the basis of the market forward curve and short-term differential contracts are classified in this category;

- **level 3,** financial instruments the fair value of which is determined using valuation techniques that employ parameters that cannot be observed on the market, using internal estimates exclusively.

2.02.02 - Operational and financial performance

The financial results for the period by comparison with the previous period are outlined below.

	NOTES	2024	2023
Revenues	1	12,889.7	15,331.1
Other income	2	154.7	234.0
Raw and other materials	3	(7,056.4)	(9,672.2)
Service costs	4	(3,724.9)	(3,655.9)
Personnel costs	5	(667.5)	(641.1)
Other operating expenses	6	(97.3)	(90.3)
Capitalised costs	7	89.3	82.1
Ebitda		**1,587.6**	**1,587.7**
Amortisation, provisions and depreciation	8	(757.7)	(753.7)
Operating profit		**829.9**	**834.0**
Financial income	9	202.5	157.1
Financial expenses	10	(308.5)	(345.0)
Financial operations		**(106.0)**	**(187.9)**
Share of profits (losses) pertaining to joint ventures and associated companies	**11**	**12.3**	**10.3**
Earnings before taxes		**736.2**	**656.4**

A breakdown of the most significant operating items by business sector is provided in the section "Reporting by operating sector" included in paragraph 2.02.10 "Other Information".

Operating revenues and costs decreased during the period, mainly due to the fall in energy commodity prices compared to the amounts reached during the previous periods, partially offset by higher volumes in the electricity sales business. The Group's Ebitda is an alternative performance measure whose definition can be found in Section 1.04 "Overview of operating and financial trends and definition of alternative performance measures". The gross operating result, positive and amounting to 1,587.6 million euro, is in line with the result of the previous period. Note in particular the positive performance of the network managed businesses thanks to the tariff adjustments provided for by Arera resolutions, which offset the lower performance of some market services, mainly due to decreased incentives for energy efficiency in buildings and poorer results in commodity brokerage markets. However, an increase in the performance of the natural gas sales on traditional markets and of electricity sales to end customers was recorded. Finally, there was an increase in the waste management business, mainly related to waste disposal, due to an ongoing development process of the offer and optimisation of operational management.

"Amortisation, provisions and depreciation" increased as a result of investments entering into amortisation during the period, only partially offset by lower allocations to the provision for bad debts.

The significant change in financial operations is related to the following. On the one hand, financial income for the period benefited significantly from the effects of the discounting of tax credits arising from the discounts on bills for energy efficiency work on buildings, which the Group opted to retain for the purpose of offsetting its tax and social security liabilities, and financial expenses were positively impacted by the lower impact of the valuation of works carried out in the financial year 2024 compared to 2023. On the other hand, the fair valuation of the put options and earn-outs recognised to minority shareholders (in particular referring to the company EstEnergy Spa) resulted in a significant positive effect on financial management if compared to the same situation in the previous period. Finally, the benefits were fully recognised in the financial year 2024 from the repayment, in the previous year, of short- to medium-term loans and short-term credit lines taken out in FY2022 to meet cash requirements, particularly related to the storage of natural gas, in a rising benchmark interest rate scenario. These effects were only partially offset by the outcome of the impairment test of equity-accounted shareholdings, which resulted in the recognition of a significant write-down compared to the previous financial period.

1 Revenues

	2024	2023	CHANGE
Revenues from sales and services	13,058.4	15,410.6	(2,352.2)
Changes in work in progress and semi-finished products	(168.7)	(79.5)	(89.2)
Total	**12,889.7**	**15,331.1**	**(2,441.4)**

"Revenues from sales and services", the decrease compared to the previous fiscal period mainly stems from the energy businesses, and is due to the following effects:

- average energy commodity prices that were lower than in previous years, despite a reversal of the trend in the latter part of the year due to geopolitical and macroeconomic tensions;
- lower sales volumes to end customers of methane gas due to both higher average temperatures in the comparison period and lower consumption by the customer base;
- increased volumes traded on wholesale markets;
- good performance of the electricity sales business due to both customer acquisitions in the free market and the launch of the gradual protection electricity service for vulnerable customers served by the Group at 1 July 2024 following the award of seven nationwide lots.

In addition, the value of energy revenues for the year was positively impacted on the one hand by the reinstatement of system charges (which, however, did not affect the Group's performance), which had been reduced or even cancelled from the last three months of 2021 to the first three months of 2023 in order to cope with the increases in energy commodity prices; and on the other hand, it was negatively impacted by the decrease in revenues for energy efficiency services, due to the significant reduction in subsidies for building renovations, especially apartment buildings. With regard to the other activities managed by the Group, an increase in revenues was recorded for network services (in particular, the water cycle), which benefited from the tariff increases with new yield benchmarks as resolved by Arera for all regulated businesses, as well as an increase in revenues for the waste management business due to the development of services offered, the volumes treated thanks to the full operation of some plants, and higher waste treatment prices.

As stated in Section 2.02.01 'Introduction', in order to better represent the Group's economic and financial dynamics, certain reclassifications have been introduced into the financial statements as compared to what was reported at 31 December 2023. In particular, it should be noted that the item 'Revenues from sales and services' includes for both periods the reclassification of the value of 'Long-term contracts', which last year were reported under 'Other operating revenues', now renamed "Other income". This item, amounting to 441.5 million euro at 31 December 2024 (433.8 million euro at 31 December 2023), includes revenues generated from the construction or improvement of infrastructures held in concession as per the application of the accounting model for intangible assets for public services held under concession.

Due to the particular types of business the Group oversees, "Revenues from sales and services" include significant accruals for supplies made to end customers and not yet invoiced as of the balance sheet date. Below are the values of invoices to be issued pertaining to the period, with reference to the three commodities most impacted by the estimated year-end accruals.

	2024	2023	VAR.
Gas sales	465.7	405.2	60.5
Electricity sales	397.9	305.5	92.4
Water	269.1	174.7	94.4
Total	**1,132.7**	**885.4**	**247.3**

A breakdown of revenues from sales and services by geographical area is shown below.

	2024	2023	CHANGE
Italy	10,966.4	11,933.7	(967.3)
European Union	572.8	1,924.1	(1,351.3)
Outside European Union	1,519.2	1,552.8	(33.6)
Total	**13,058.4**	**15,410.6**	**(2,352.2)**

The revenues generated outside Italy mainly refer to wholesale sales of natural gas and electricity, which amounted to 1,997 million euro at 31 December 2024 (3,383.3 million euro at 31 December 2023).

"Changes in work in progress and semi-finished products", includes the economic effect for the year of changes in contract work, determined on the basis of the percentage of work in progress. It is mainly attributable to energy efficiency works carried out for end customers, typically condominiums. The change with respect to the previous period mainly reflects the reduction in incentivised activities on services for energy savings in residential buildings, typically apartment blocks, following the termination of the 110% superbonus subsidy and, more generally, regulatory restrictions on incentives for energy efficiency measures in households.

Revenues from related parties are presented in section 2.03.01, "Income statement as per Consob resolution 15519/ 2006".

2 Other income

	2024	2023	CHANGE
White certificates	40.3	47.1	(6.8)
Operating grants	16.5	86.2	(69.7)
Grants related to plants	14.5	13.3	1.2
Gains from asset disposals	3.8	1.8	2.0
Other income	79.6	85.6	(6.0)
Total	**154.7**	**234.0**	**(79.3)**

"White certificates" represent the revenues calculated on the basis of energy efficiency objectives as established by the GSE and regulated in relation to the Cassa per i Servizi Energetici e Ambientali, amounting to 40.3 million euro (47.1 million at 31 December 2023). The change as compared with the previous period, given substantially the same subsidies granted and the obligation assigned to Group distribution companies for 2024, is mainly due to fewer operations carried out in the current period in connection with the redemption mechanism of virtual securities used in previous periods.

"Operating grants" mainly involve subsidies received for the operation of plants producing electricity from renewable sources. The significant decrease from the previous period is due to:

- the conclusion of the mechanisms envisaged by the governmental decrees that have been issued beginning in the financial year 2022 to deal with the high energy price emergency, which resulted in the recognition of gas and electricity subsidies in the form of tax credits in the financial year 2023, amounting to 43.3 million euro;
- the recording during the previous financial period of grants amounting to 35.7 million euro compensating the costs incurred for the management of the flood emergency that hit Emilia-Romagna and some neighbouring regions in May 2023.

"Grants related to plants" represent the proceeds for the period associated with the amortisation rate of the investments subject to grants.

"Other income" also includes recovery of expenses for 18.4 million euro (13.6 million euro at 31 December 2023) and insurance reimbursements of 9.9 million euro (13.3 million euro at 31 December 2023).

Please note that the published income statement for the year 2023 included the item "Long-term contracts" in the line "Other operating revenues" (now renamed "Other income"). As already stated in note 1 "Revenues", to which reference is made for further details, this item was reported at 31 December 2024, and also for the period of comparison, under revenues from sales and services.

3 Raw and other materials

	2024	2023	CHANGE
Raw materials	6,682.4	9,416.0	(2,733.6)
Environmental certificates	67.2	117.7	(50.5)
Plastic materials	65.5	57.1	8.4
Charges and revenues from derivatives	(30.8)	(188.7)	157.9
Maintenance and other materials	272.1	270.1	2.0
Total	**7,056.4**	**9,672.2**	**(2,615.8)**

"Raw materials", net of changes in stocks and the write-downs introduced, mainly include supplies of natural gas, electricity and water earmarked for sale. On a residual basis, they also include the procurement of methane gas and electricity to power the Group's production plants, as well as the purchase of fuels and lubricants for fleet management. The decrease seen during the period, similarly to what was described in note 1, "Revenues", was due to the reduction in energy commodity procurement prices and lower volumes of gas sold to end customers, which were partially offset by the increase in volumes of electricity sold to end customers and intermediated volumes.

"Environmental certificates" include the purchase cost of white certificates, which are supplied in accordance with the obligations assigned to the distribution companies. This item also includes the environmental certificates in stock, made up of grey certificates as well as certificates of origin for electricity purchased from renewable sources in relation to contracts signed with end customers and the valorisation of commitments for purchasing greenhouse gas emission allowance trading contracts. The decrease compared to the previous year essentially relates to the lower number of grey certificate transactions in the trading portfolio.

"Plastic materials", net of changes in stocks, include the cost of purchasing plastic raw materials destined for subsequent processing and transformation as part of Aliplast's activities. The change in costs, at essentially the same volumes, was due to the price increase that occurred during the financial year 2024, resulting from increased competition in the bidding mechanism for the purchase of scrap.

"Charges and revenues from derivatives" include the effects of derivatives on commodities, as described in note 29, "Derivative instruments". See this note for an analysis of the nature and performance of this item.

"Maintenance and other materials", net of changes in stocks, mainly include consumables used in the management of the Group's operating activities and, marginally, products purchased to be resold to end customers.

4 Service costs

	2024	2023	CHANGE
Transport and storage	1,982.1	1,221.2	760.9
Waste transportation, disposal and collection	580.1	560.4	19.7
Work and maintenance expenses	548.3	1,252.0	(703.7)
Technical services	116.6	161.9	(45.3)
IT and data processing services	94.9	83.3	11.6
Fees paid to local authorities	72.5	64.3	8.2
Professional services	64.5	56.6	7.9
Other service costs	265.9	256.2	9.7
Total	**3,724.9**	**3,655.9**	**69.0**

"Transport and storage" include the costs of transporting and storing gas as well as the costs of gas and electricity distribution, including system charges. The latter, in particular, represent cost components charged to end customers and therefore not substantially affecting the Group's results. The change compared to the previous year is mainly attributable to:

- higher system charges related to the gas and electricity businesses, following the ending of the effects of regulatory provisions that in previous periods, in response to the energy crisis, had resulted in their reduction or cancellation;
- higher electricity distribution costs mainly due to the increase in volumes sold and customers served;
- lower natural gas storage and transportation costs due to the lower volumes managed directly by the Group on Remi substations, and the lower tariffs for the 2024 financial year charged by the national carrier.

"Waste transportation, disposal and collection", mainly include the operating costs of urban sanitation and waste treatment activities. The change from the previous period was mainly due to:

- the activation of additional services and projects aimed at achieving greater volumes of sorted waste collection, which also led to an increase in revenue for the year;
- higher waste transport and treatment costs due both to a rise in the volumes treated and an increase in the unit costs of service.

Please note that the value as at 31 December 2023 includes costs incurred during the previous year for waste transport, storage and treatment activities following the May 2023 flooding emergency that affected part of the areas in which the Group manages public utilities, an event that resulted in the need to manage a considerable amount of non-ordinary waste.

"Charges for works and maintenance" refer to the costs for the construction or improvement of infrastructures under concession pursuant to the application of the accounting model for intangible assets for public services held under concession, costs for maintaining the plants managed by the Group and costs incurred for carrying out energy efficiency measures. The change from the previous year is mainly due to fewer energy efficiency activities carried out on buildings due to regulatory changes that effectively eliminated the possibility of invoice discounting or credit transfer.

"Technical services" mainly include costs incurred in carrying out the administrational activities related to increasing the energy efficiency of apartment buildings and installing photovoltaic systems for the Group's end customers. In this case as well, the decrease is due to fewer energy efficiency activities carried out on buildings.

"IT and data processing services" include costs for maintaining and managing the Group's IT and telecommunications infrastructure, as well as corporate applications and cybersecurity systems.

The item "Fees paid to local authorities" includes the charges incurred for the use of public owned networks, fees paid to companies that own these assets for the rent of gas, water and electricity cycle assets. It also includes, marginally, the fees paid for the use of telecommunications and district heating networks. Change from the previous year is mainly due to the increase in fees due for certain licenses related to the water cycle business.

"Professional services" include charges for commercial, legal, notary, administrative and tax services. This item includes fees paid for the audit of financial statements and the issuance of certifications. The change compared to the previous year was due to the increase in costs for managing documents for receivables, arising from the application of the discount included in invoices for improving the energy efficiency of apartment buildings, in particular in connection with the conclusion of the administrative paperwork for the 110% superbonus works carried out during the financial year 2023.

"Other service costs" include all other costs for services not specified in the above categories. This item also includes commissions to agents totalling 35.6 million euro (39.2 million euro at 31 December 2023) and bank commissions in the amount of 16 million euro (22.3 million euro at 31 December 2023). Note that the item "Other service costs" also includes instalments relating to short-term leases and low-value leases.

5 Personnel costs

	2024	2023	CHANGE
Salaries and wages	472.7	455.0	17.7
Social security costs	154.2	147.7	6.5
Other costs	40.6	38.4	2.2
Total	**667.5**	**641.1**	**26.4**

The average and specific number of employees for the period in question, analysed by category, is as follows:

	AVERAGE			SPECIFIC		
	2024	2023	CHANGE	2024	2023	CHANGE
Managers	157	159	(2)	156	158	(2)
Middle managers	596	591	5	613	593	20
Clerks	5,743	5,616	127	5,785	5,604	181
Blue-collar workers	3,673	3,644	29	3,687	3,610	77
Total	**10,168**	**10,009**	**159**	**10,241**	**9,965**	**276**

The average cost of labour per capita for 2024, increased from 2023, is as follows:

THOUSAND EURO	2024	2023	CHANGE
Average cost of labour per capita	65.6	64.0	1.6

The increase in personnel costs compared to the previous year is mainly connected to:

- the increase in the average number of employees, particularly as a result of new acquisitions during the fiscal year 2024;
- changes in salaries provided for by the national collective labour agreements.

6 Other operating costs

	2024	2023	CHANGE
Taxes, fees and non-income taxation	25.2	25.0	0.2
Losses on the sale and disposal of assets	18.7	16.6	2.1
Fees paid to institutional Authorities	16.1	15.5	0.6
Other expenses	37.3	33.2	4.1
Total	**97.3**	**90.3**	**7.0**

"Taxes, fees and non-income taxation" mainly relate to taxes on buildings and plants, stamp duties and registration fees, public area occupation fee, waste tax and fees related to the landfills managed and excise duties.

"Losses on the sale and disposal of assets" were mainly due to the disposals carried out during the year of plants and equipment related to network-managed businesses, in particular methane gas and electricity distribution and waste treatment.

"Fees paid to Institutional Authorities" paid to the regions, land reclamation consortia, sector agencies and mountain-area communities, mainly regarding the withdrawal and use of water, as well as maintenance and management costs for hydraulic works. The item also includes fees for the safeguarding of hydrogeological protection areas in mountain municipalities (as provided for by Regional government decree. 933/2012) and fees paid for the operation of Atersir.

"Other expenses" comprise other residual items including membership fees, indemnities, sanctions and fines. The increase in the period is mainly due to regulatory fines introduced in 2024 by Arera in relation to the natural gas distribution business.

7 Capitalised costs

	2024	2023	CHANGE
Increase of self-constructed assets	89.3	82.1	7.2

This item includes mainly the labour costs and other charges (such as storage materials and costs for use of equipment) directly attributable to the Group's self-constructed assets.

8 Amortisation, provisions and depreciation

	2024	2023	CHANGE
Amortisation, depreciation and write-down	563.4	526.2	37.2
Net provisions	194.3	227.5	(33.2)
Total	**757.7**	**753.7**	**4.0**

Details of the item Amortisation, depreciation and write down are as follows:

	NOTES	2024	2023	CHANGE
Amortisation and depreciation	21, 22, 23	562.4	519.3	43.1
Write-downs	21, 22, 23	1.0	6.9	(5.9)
Total		**563.4**	**526.2**	**37.2**

Amortisation and depreciation refer to property, plants and equipment, rights of use and intangible assets.
Write-downs mainly refer to projects for which the Group's management assessed that the conditions for recovering the costs incurred no longer exist.

Details of the item Net provisions are as follows:

	NOTES	2024	2023	CHANGE
Provisions to the bad debts fund	33	122.9	158.0	(35.1)
Provisions to funds	31	73.9	85.7	(11.8)
De-provisioning	31, 33	(2.5)	(16.2)	13.7
Total		**194.3**	**227.5**	**(33.2)**

Provisions include value adjustments to the bad debts fund and provisions to funds.

De-provisioning includes the re-verification of funds in view of the fact that the underlying risks no longer exist.

9 Financial income

	2024	2023	CHANGE
Discounting of energy efficiency receivables	51.5	7.8	43.7
Income from fair value valuation of financial assets and liabilities	50.6	46.9	3.7
Customers	29.5	47.8	(18.3)
Income from derivatives	26.6	5.1	21.5
Bank interests	23.7	27.4	(3.7)
Other financial income	20.6	22.1	(1.5)
Total	**202.5**	**157.1**	**45.4**

"Discounting of energy efficiency receivables" represents the valuation at amortised cost of tax credits deriving from the application of the discount included in invoices for apartment building redevelopment work intended to be compensated within the Group by using its tax capacity, mainly related to the 110% superbonus allowance. The significant change from the previous year reflects the higher volume of receivables on the tax drawers at the end of the year, as compared to 2023.

The item "Income from valuation at fair value of financial assets and liabilities" includes the following:

	NOTES	2024	2023	CHANGE
Put options and contingent consideration	19	50.6	31.3	19.3
Bonds	29	-	15.6	(15.6)
Total		**50.6**	**46.9**	**3.7**

Put options and contingent consideration represent the positive effects of updating the estimates of liabilities recognised in previous periods in connection with one-time acquisition transactions. Its value at 31 December 2024 refers for 47.8 million euro to the updated valuation of the liability for the put option held by Ascopiave Spa on the minority interest in EstEnergy Spa, taking into account the agreement between the parties to use the remaining 25% share;

"Customers" mainly include interest on arrears in the gas and electricity sales, in particular in safeguard regime. The latter market, in particular, showed a decline in volumes and turnover during the financial year 2024. In the financial year 2023, this item also included interest charged to customers for so-called "trailed" energy efficiency work in connection with the 110% superbonus, which was significantly lower in the financial year 2024 due to the reduction in activities related to energy efficiency in apartment buildings.

"Income from derivatives" includes the effects of both valuation and realization of interest and foreign exchange derivatives, as detailed in note 29 "Derivative Instruments".

"Bank interest" includes income from the short-term use of available liquidity on the Group's bank accounts. The decrease in interest income compared to the previous year is mainly due to the decrease in average interest-bearing deposits, partially offset by an increase in the average rate applied to deposits.

The item "Other financial income" includes the following:

	NOTES	2024	2023	CHANGE
Dividends		7.9	6.4	1.5
Discounting of non-current financial receivables	18	6.8	6.3	0.5
Other		5.9	9.4	(3.5)
Total		**20.6**	**22.1**	**(1.5)**

- Dividends represent the portions of profit paid by companies classified as "Other shareholdings", specifically referring to the equity investments in Ascopiave Spa, Veneta Sanitaria Spa and Calenia Energia Spa;
- Discounting of non-current financial receivables mainly includes the effect of valuation at the amortised cost the receivables for construction and improvements of assets recorded as part of applying the financial activity model for public services under concession;
- Other includes in particular write-backs of value for the portion of previously written-down financial receivables from the associate Tamarete Energia Srl that were collected during the year in the amount of 2.4 million euro and the aggregation gain from the acquisition of the Soelia business unit in the amount of 0.7 million euro, as reported in section 2.02.10 "Other Information".

10 Financial expenses

	2024	2023	CHANGE
Expenses from bonds and loans	119.9	133.9	(14.0)
Factoring charges and disposals of tax credits	58.2	58.8	(0.6)
Valuation at amortised cost of financial liabilities	30.3	33.5	(3.2)
Write-down of shareholdings	27.0	5.9	21.1
Discounting of provisions	26.4	7.9	18.5
Expenses from valuation at fair value of financial assets and liabilities	16.9	56.5	(39.6)
Discounting of options and consideration on shareholdings	11.6	17.6	(6.0)
Expenses from derivatives	8.1	23.8	(15.7)
Other financial expenses	10.1	7.1	3.0
Total	**308.5**	**345.0**	**(36.5)**

"Expenses from bonds and loans" include interest for the period relating to bond instruments issued by the parent company Hera Spa and interest relating to loans provided by the banking system and other financing institutions. The change compared to the previous year is due to lower financial needs, as already in financial year 2023, the good performance of net working capital and the greater stability in the energy markets allowed for the early repayment of short- and medium-term financial liabilities that had been taken out in financial year 2022, in a context of rising rates, in order to meet the cash needs caused by the extremely volatile macroeconomic environment.

"Factoring charges and disposals of tax credits" includes the following:

	NOTES	2024	2023	CHANGE
Disposals of trade receivables and other operating receivables		44.5	44.8	(0.3)
Disposals of tax credits	37	13.7	14.0	(0.3)
Total		**58.2**	**58.8**	**(0.6)**

- Disposals of trade receivables and other operating receivables are substantially in line with the previous year and mainly include charges arising from the revolving transfer of energy and water cycle customers;
- Disposals of tax credits includes expenses caused by the transfer of receivables recognised as a result of the application of the discount included in invoices to customers for energy efficiency measures. This effect on the Group's results for the period is offset by the termination of the evaluation position entered when the receivables were first recognised, as reported in the commentary to "Expenses from valuation at fair value of financial assets and liabilities".

"Valuation at amortised cost of financial liabilities" include imputed charges necessary to bring the face cost of debt in line with that calculated using the effective interest rate method. The item also includes figurative charges of 3.2 million euro, in line with the previous year, relating to the put option held by Ascopiave Spa on the minority shareholding in Hera Comm, accounted for as a loan (with a nominal value of 54 million euro), as reported in note 19, "Financial liabilities". The increase seen during the year is mainly due to the reimbursement in the previous financial year of a loan for the issuance of a Sustainability-linked bond (issued in April 2023) and to the redemption of a loan (in the form of a green bond) at maturity in the current year.

"Write-down of shareholdings" include the valuations made during impairment tests on shareholdings and refer for 22.1 million euro to the investment in Set Spa, a vehicle through which the Group holds production quotas for a power generation plant (for more details see note 27 "Impairment test on equity investments") and for 4.9 million euro to the equity investment in Aimag Spa, a multi-utility company operating in water, waste, energy and public lighting services.

"Discounting of provisions" is broken down as follows:

	NOTES	2024	2023	CHANGE
Post-closure landfills	31	18.6	0.3	18.3
Restoration of third-party assets	31	5.2	4.4	0.8
Employee benefits	30	2.4	3.0	(0.6)
Plant dismantling	31	0.2	0.2	-
Total		**26.4**	**7.9**	**18.5**

See the explanatory notes to the respective balance sheet items for an analysis of the change in expenses for discounting of provisions from the comparison period, where significant.

The item "Expenses from valuation at fair value of financial assets and liabilities" includes the following:

	NOTES	2024	2023	CHANGE
Bonds	29	21.2	-	21.2
Put options and contingent consideration	19	0.7	0.1	0.6
Energy efficiency credits	37	(5.0)	56.4	(61.4)
Total		**16.9**	**56.5**	**(39.6)**

- Bonds represent valuation adjustments, in application of the fair value hedge, of a bond loan in foreign currency that was repaid during the financial year 2024 and for which the relation was effective until the maturity date;
- Put options and contingent consideration represent the negative effects of updating the estimates of liabilities recognized in previous years in connection with one-time commercial acquisition operations;
- Energy efficiency credits involved the valuation at market value of receivables related to the application of the discount included in invoices to end customers for energy efficiency measures. The accounting policy adopted by the Group foresees that in the event of a subsequent disposal, the final charge correlated to the transaction is recognised under the item "Factoring charges and disposals of tax credits", and at the same time closing the valuation position opened previously, generating a substantially offsetting effect, while in the event of compensation within the Group, the valuation is made at amortised cost, recording a corresponding financial income by way of the cash savings generated. In addition, during the year 2024, the invoice discount receivables subject to valuation were limited compared to the comparison year due to the regulations issued by the Government, which limited the aforementioned mechanism to entirely residual cases, while the reversal of valuation positions opened in the previous year was recognised, following the disposal of tax credits that had been carried out.

"Discounting of options and consideration on equity investments" mainly includes notional discounting charges related to the fair value valuation of put options granted to minority shareholders, as reported in note 19 "Financial liabilities".

"Expenses from derivatives" includes the effects of both valuation and realization of interest and foreign exchange derivatives, as detailed in note 29 "Derivative Instruments."

The item "Other financial expenses", residual in nature, includes the following:

	NOTES	2024	2023	CHANGE
Short-term bank overdrafts		3.5	1.7	1.8
Leases	22	2.9	2.8	0.1
Other expenses		3.7	2.6	1.1
Total		**10.1**	**7.1**	**3.0**

Other expenses mainly include interest for financial intermediation and interest related to payment deferrals.

11 Share of profits (losses) pertaining to joint ventures and associated companies

	2024	2023	CHANGE
Joint venture share of net earnings	2.4	2.8	(0.4)
Associated companies share of net earnings	9.9	7.5	2.4
Total	**12.3**	**10.3**	**2.0**

The share of profits and losses of joint ventures and associated companies includes the effects generated by the valuation of the companies included in the scope of consolidation carried out using the equity method. For details, please refer to note 26 "Shareholdings valued using the equity method and other shareholdings".

As reported in paragraph 2.02.01 "Introduction", to which reference should be made for further details, in the 2024 financial year, this item was presented in the statement of financial operations and income before taxes, thereby separating it from financial operations in which it was included in the published income statement for the 2023 financial year.

2.02.03 - Taxation

	2024	2023	CHANGE
Earnings before taxes	**736.2**	**656.4**	**79.8**
Taxes	(200.3)	(173.2)	(27.1)
Net profit for the period	**535.9**	**483.2**	**52.7**
Tax rate	27.2%	26.4%	

The tax rate increase is mainly due to:

- the effect of the write-off of the receivable connected with the request for reimbursement for windfall contribution paid by EstEnergy Spa in the year 2022;
- the effect of non-taxable write-downs;
- the abolition from 1 January 2024 of the Ace deduction.

It should be noted that the tax rate of the previous year benefited from the non-recurring incentives in the form of tax credit, which ended in the first half of 2023 and was introduced for the purchase of electricity and gas during the energy crisis affecting the previous financial years; these represented untaxed income components amounting to 43.3 million euro at 31 December 2023.

The tax rate, lower than the nominal IRES and IRAP rates, was positively impacted by:

- the positive effects on the result of the fair value valuation of put options and earn outs in relation to minority shareholders that are not relevant for tax purposes;
- the benefits arising from the exemptions of higher values related to non-recurring operations.

12 Taxes

This item is made up as follows:

	2024				2023				CHANGE
	CURRENT	PRE-PAID	DEFERRED	TOTAL	CURRENT	PRE-PAID	DEFERRED	TOTAL	
IRES	167.3	(28.5)	(3.8)	**135.0**	178.9	(63.9)	10.6	**125.6**	9.4
IRAP	45.4	(3.5)	0.6	**42.5**	47.2	(4.1)	0.7	**43.8**	(1.3)
Substitute tax	13.2	-	-	**13.2**	3.8	-	-	**3.8**	9.4
Nonrecurring subsidies	9.6	-	-	**9.6**	-	-	-	**-**	9.6
Total	**235.5**	**(32.0)**	**(3.2)**	**200.3**	**229.9**	**(68.0)**	**11.3**	**173.2**	**27.1**

A higher current tax burden was seen in 2024 compared to the previous year, consistent with the increase in earnings before taxes, net of certain non-recurring items not relevant for tax purposes.

Pre-paid taxes include the effect of temporary changes in income components not deductible from tax income for the year, related mainly to the provision for bad debts and the allocation to provisions. It also includes the benefit on IRES and IRAP taxes deriving from the exemptions of higher values arising from:

- the acquisition of controlling shareholdings in A.C.R. di Reggiani Albertino Spa and F.lli Franchini Srl pursuant to paragraphs 10-bis and 10-ter of Article 15 of the Legislative Decree 185/2008. The effect on deferred tax assets amounted to a total of 16.3 million euro against the payment of substitute taxes of 9.4 million euro;
- the partial demerger of Herambiente Servizi Industriali Srl into A.C.R. di Reggiani Albertino Spa pursuant to paragraph 10-ter of Article 15 of the Legislative Decree 185/2008. The effect on pre-paid taxes amounted to 4.1 million euro against the payment of a substitute tax of 2.3 million euro;
- the merger by incorporation of Asco TLC Spa into Acantho Spa, pursuant to paragraph 10-ter of Article 15 of the Legislative Decree 185/2008. The effect on prepaid taxes amounted to a total of 2.6 million euro against the payment of substitute taxes for 1.4 million euro.

Note that during the previous year this item included tax benefits resulting from the exemption of higher values arising from the acquisition of the company Con Energia Spa totalling 6.5 million euro against the payment of substitute taxes coming to 3.7 million euro.

With reference to non-recurring subsidies, the item includes the amount already paid in previous years by EstEnergy Spa in relation to the non-recurring solidarity levy contribution instituted, for the year 2022, by Legislative Decree no. 21/2022, entered as a receivable because the Group considered that there was no real likelihood of having to pay it and for which a claim for reimbursement was subsequently filed. With the ruling of judgment no. 111 of 27 June 2024, the Constitutional Court, however, ruled that the levy was constitutionally unlawful with exclusive reference to the inclusion of excise duties in the taxable base relevant for determining the levy, while it rejected all the other claims of constitutionality, thus confirming the legitimacy of the levy. Therefore, having obtained the advice of its legal counsel, the Group considered that the receivable recognised for the contribution was no longer recoverable and entered the expense under taxes for the period.

As early as 31 December 2023, the Group adopted the temporary exception provided for by IAS 12 to the recording of prepaid and deferred taxes related to the application of the Pillar 2 provisions, which were introduced into Italian law with effect from 1 January 2024 by Legislative Decree No. 209 of 28 December 2023. . . Based on this decree, Hera Spa qualifies as an Ultimate Parent Entity (UPE) since it fully consolidates the assets, liabilities, revenues, costs and cash flows of the Group companies in which it holds an interest (directly and indirectly).
Based on the results of the calculation of the Transitional CbCR Safe harbour (TSH) test relating to the 2024 tax period carried out by UPE, the Group (understood as all the companies consolidated for accounting purposes by the UPE) benefits from the TSH in all jurisdictions and is therefore not required to pay a supplementary tax in Italy on the income of foreign subsidiaries with an effective tax rate of less than 15%.

For further analysis of trends in the tax rate, see paragraph 1.04.01 "Operating results and investments" in the Directors' Report, where both the pre-tax result and the tax burden, wherever necessary, have been adjusted on a managerial basis, in order to define a fully comparable adjusted tax rate.

The statutory tax rate determined on the basis of the configuration of taxable income for the purposes of IRES is equal to 24%. The reconciliation with the effective rate is shown below.

	2024		2023	
	NOMINAL EFFECT	PERCENTAGE EFFECT	NOMINAL EFFECT	PERCENTAGE EFFECT
Earnings before taxes	736.2		656.4	
IRES				
Standard rate	(176.7)	(24.0)%	(157.5)	(24.0)%
IRAP deduction	1.2	0.2%	1.1	0.2%
Shareholdings	(5.9)	(0.8)%	(0.8)	(0.1)%
Ace and super ace	-		4.3	0.7%
Maxi and hyper amortisation	6.0	0.8%	7.1	1.1%
IRES previous years	-		(1.5)	(0.2)%
Other changes (increases and/or decreases)	20.7	2.8%	16.1	2.5%
IRAP and other current taxes				
IRAP	(42.5)	(5.8)%	(43.8)	(6.7)%
Exemption	6.5	0.9%	1.8	0.3%
Windfall contributions	(9.6)	(1.3)%	-	
Taxes	**(200.3)**	**(27.2)%**	**(173.2)**	**(26.4)%**

This reconciliation is performed only in connection with the IRES, given that, as a result of the rules governing the IRAP, reconciliation between the statutory tax rate derived from financial statement information and the effective tax rate, is not very meaningful.

The item "Shareholdings" includes the effect of non-taxable write-downs of companies valued at equity.

The item "Maxi and hyper depreciation" decreased in absolute terms due to the end of the period of tax benefits for the portion of investments in new instrumental goods made by the Group in past years. Note that beginning in the financial year 2020, this benefit was replaced by a tax credit recognition mechanism.

The item "Other changes (increases and/or decreases)" increased compared to the previous year, mainly due to the effect of components of the pre-tax result not relevant for tax purposes relating to the fair value valuation of put options and earn outs for minority shareholders (49.9 million euro at 31 December 2024 as compared to 31.2 million at 31 December 2023) and to the effect of the release of deferred taxes recognised on the difference between the nominal value and the present value of the put option liability. It should be also noted that at 31 December 2023 the item benefited from the non-recurring incentives in the form of tax credit to a number of the Group's companies introduced for the purchase of electricity and natural gas cancelled by the Government starting in the second half of the financial year 2023.

The item "IRAP" decreased in absolute value mainly due to the benefits of the tax exemptions obtained in 2024, amounting to 3.1 million euro compared to 1 million euro at 31 December 2023. The decrease in the impact on the tax rate is also affected by the significant improvement in financial operations, which are not tax-relevant, yet result in an increase in the pre-tax profit (the basis for calculating the indicator).

The item "Exemption" includes the net benefit only on IRES taxes resulting from the exemption for the higher values mentioned above, amounting to 6.5 million euro (the IRAP benefit is classified under "IRAP" above).

For the item "Non-recurring contributions" please refer to the comments above.

Finally, it should be noted that at 1 January 2024, the tax reform approved by the Italian government abolished Ace as a tax relief instrument for companies that reinvest profits in their operating process.

13 Current tax assets and liabilities

	31 DEC 24	31 DEC 23	CHANGE
Income tax receivables	30.5	10.3	20.2
IRES refund receivables	0.8	1.1	(0.3)
Total current tax assets	**31.3**	**11.4**	**19.9**
Income tax payables	48.2	110.2	(62.0)
Total current tax liabilities	**48.2**	**110.2**	**(62.0)**

"Income tax receivables" refer to the excess of advances paid for direct IRES and IRAP taxes with respect to the current tax burden for the year.

"Income tax payables", mainly include provisions for IRES and IRAP taxes on income produced during the year, net of advances paid and any prior balances not yet compensated.

Note that the particularly significant amount of "Income tax payables" at 31 December 2024 reflect, for certain Group's companies, a positive change in pre-tax profit with respect to 2022, which, due to the mechanism under which direct taxes are paid through deposits on a historical basis, resulted in a debit for net exposure at 31 December 2023.

14 Deferred tax assets and liabilities

	31 DEC 24	31 DEC 23	CHANGE
Pre-paid tax assets	468.9	448.2	20.7
Offsetting of deferred taxes	(126.4)	(146.1)	19.7
Substitute tax credit	0.4	0.2	0.2
Total net deferred tax assets	**342.9**	**302.3**	**40.6**
Deferred tax liabilities	271.2	303.0	(31.8)
Offsetting of deferred taxes	(126.4)	(146.1)	19.7
Total net deferred tax liabilities	**144.8**	**156.9**	**(12.1)**

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets with the corresponding current tax liabilities.

Deferred tax assets and liabilities relating to 2024 refer specifically to the following temporary difference between the value attributed to assets and liabilities according to accounting standards and their corresponding values for tax purposes.

DEFERRED TAX ASSETS			2024			2023
	TEMPORARY CHANGES	TAX EFFECT (IRES+IRAP)	CHANGES IN EQUITY	TEMPORARY CHANGES	TAX EFFECT (IRES+IRAP)	CHANGES IN EQUITY
Pre-paid taxes with effect on the income statement and the statement of comprehensive income						
Amortisation	738.1	191.5		698.2	181.1	
Provisions for bad debts	389.4	93.0		321.6	76.2	
Provisions	274.7	76.7		244.5	67.8	
Shareholdings	179.8	50.3		148.4	41.9	
Cash flow hedge	18.2	5.1		60.6	17.4	
Other	201.5	52.3		258.6	63.8	
Total tax effect	**1,801.7**	**468.9**	**1.0**	**1,731.9**	**448.2**	**(9.3)**
Credited (or debited) amount to the statement of comprehensive income		(12.3)			(40.3)	
Credited (or debited) amount to the income statement		32.0			68.0	

DEFERRED TAX LIABILITIES			2024			2023
	TEMPORARY CHANGES	TAX EFFECT (IRES+IRAP)	CHANGES IN EQUITY	TEMPORARY CHANGES	TAX EFFECT (IRES+IRAP)	CHANGES IN EQUITY
Deferred taxes with effect on the income statement and statement of comprehensive income						
Amortisation	875.4	187.2		836.8	177.4	
Cash flow hedge	18.3	5.3		133.4	38.1	
Discounted financial liabilities	7.5	1.8		60.1	14.4	
Provisions	26.7	7.8		32.5	8.8	
Other	278.4	69.1		258.0	64.3	
Total tax effect	**1,206.3**	**271.2**	**4.4**	**1,320.8**	**303.0**	**10.3**
Credited (or debited) amount to the statement of comprehensive income		33.0			123.9	
Credited (or debited) amount to the income statement		3.2			(11.3)	

"Changes in equity" do not affect the income statement and statement of comprehensive income for the year, as they include the balances of deferred tax assets and liabilities arising from business combinations carried out in 2024 (for which, see paragraph 2.02.10 "Other Information") and reclassifications arising between deferred tax assets and liabilities.

"Deferred tax assets" arise from temporary differences between the value attributed to assets and liabilities according to statutory criteria and the corresponding values for tax purposes. The increase for the period is due to the following effects:

- adjustment and reversal of non-deductible components for determining the current tax burden of the previous year, relating to energy efficiency activities in apartment buildings, resulting in a decrease in tax assets amounting to 23.3 million euro;
- net allocations to the provision for bad debts of the Parent company and the main sales companies, resulting in an increase in tax assets amounting to 16.8 million euro overall;
- the change in the fair value of derivatives, mainly commodities, classified as cash flow hedge, resulting in an asset decrease with a balancing entry in the statement of comprehensive income in the amount of 12.3 million euro;
- higher accounting amortisation not deductible in the current financial year, which led to an increase in assets totalling 10.4 million euro;
- net allocations to provisions, resulting in an increase in tax assets coming to 8.9 million euro.

As regards the assets recorded in 2021 for the realignment of goodwill defined by specific legal provisions, for which tax regulations provide for annual utilisation on a straight-line basis over a period of 50 years from the date of recognition, the Group's management confirms its assessment of full recoverability, considering the temporal extension of predictability for regulated distribution businesses, the particularly limited impact of the taxable income required to recover these pre-paid taxes on the overall taxable income generated by the distribution assets with a residual useful life of several decades, as well as the tax consolidation regime under which the Group operates, which makes it possible to offset any tax losses across all businesses.

"Deferred tax liabilities" arise from timing differences between reported profit and taxable profit. The item also includes the significant tax effects of recognising or adjusting assets and liabilities in the consolidated financial statements.
The significant increase compared to 31 December 2023 is mainly due to the changes in the fair value of derivatives, mainly commodities, classified as cash flow hedge, resulting in a decrease in liabilities coming to 32.8 million euro with a balancing entry in the statement of comprehensive income.

Reporting on tax litigation

IRES, IRAP, VAT and withholdings

Company Tax	Description of litigation	Status of litigation	Disputed amount*	Amounts paid (including provisionally)**	Provisions booked in the financial
Ascotrade Spa **IRES, IRAP and VAT**	Notice of assessment for the years between 2013 and 2020 concerning the deductibility of a number of components of the purchase cost of raw material and the irregular VAT deduction.	For the years 2013 and 2014, the Second Degree Tax Court rejected the appeal brought by the Revenue Office and ordered it to pay the costs. The proceedings for the year 2015 saw first instance rulings in favour of the company. The Revenue Office appealed with the Second Degree Tax Court, which confirmed once again the first degree ruling against the first degree ruling, with the Revenue Office losing. For the years 2016 to 2018, the First Degree Tax Court annulled the assessments, but the Revenue Office appealed the ruling. For the year 2019, the company notified an appeal for which the Collection Agency ordered the payment of the deposit. A date for the associated hearing is pending. On 31 December 2024, the Venice Revenue Office served an assessment notice for the year 2020 against which the company will file an appeal.	13.6	0.3	-
Herambiente Spa **IRAP**	Notices of assessment for the years from 2009 to 2013, focused on eligibility for the IRAP "tax wedge" relief in favour of the company.	In relation to the tax years for which notices were received, proceedings are pending before the Court of Cassation following the appeals lodged by the losing party (the rulings are both favourable and unfavourable to the company).	4.1	4.1	-
Herambiente Spa **Witholdings on dividends**	Notices of assessment towards non-application of withholding tax on dividends paid to Ambiente Arancione U.A. and European Waste Holding Ltd in the years 2016, 2017, 2018 and 2019.	With regard to the 2016 and 2017 proceedings, in the course of 2024 first degree rulings were filed, both in favour of the company. The terms for the Revenue Office to file an appeal against the above-mentioned rulings are pending. During 2024, the company received assessment notices for the years 2018 and 2019, against which the appeals were lodged with the appropriate Tax Court .	7.0	-	-
Marche Multiservizi Spa **IRES and IRAP**	Notices of assessment for the years between 2009 and 2016 to objection to the deduction of provision to landfill post management allowance.	For the years 2009 to 2011, following appeals filed by the losing party against unfavourable rulings, the second instance Tax Court issued rulings in favour of the Office, against which the company appealed in cassation. For the years 2012, 2013, 2014 and 2015, the First Instance Court of Justice ruled in favour or partially in favour of the company, resulting in an appeal by the Office to the Second Instance Court of Justice. For the year 2016, the company contested the assessment. On 26 November 2024, the Ancona Tax Court of First Instance issued its ruling rejecting the company's appeal.	2.5	1.4	0.4
Inrete Distribuzione Spa **IRES and IRAP**	IRES and IRAP notices of assessment for the years 2016, 2017 and 2018 concerning the undue deduction of discounting charges, the erroneous determination of the maxi-amortisation and hyper-amortisation relief (the latter contested for 2017 and 2018) concerning the ancillary charges for the installation of smart meters, or the undue deduction of employee-related costs for IRAP purposes (2016 only).	With regard to the IRAP claim, the company settled the dispute with the Revenue Office and paid the tax due (of a modest amount). With regard to the two IRES assessments, against which an appeal was lodged, in 2022 the Tax Court ruled in the first degree in favour of the company. Consequently, the Revenue Office filed an appeal. The proceedings are currently pending in the second degree. With regard to the 2017 assessment notice, in the course of 2024 first degree ruling was filed in favour of the company. The terms for the Revenue Office to file an appeal against the above-mentioned ruling are pending. Pending the hearing, the company has provisionally paid 1/3 of the tax and interest due. Reimbursement by the Revenue Office following the above-mentioned favourable ruling is pending. During 2024, the company received the assessment notice for the 2018 tax year, against which the appeals were lodged with the appropriate Tax Court. Pending the hearing, the company has provisionally paid 1/3 of the tax and interest due.	2.8	0.5	-
Hera Luce Srl **IRES and IRAP**	Notice of assessment for the year 2013 concerning the deductibility of routine maintenance costs.	An appeal was lodged with the Second Degree Tax Court against the first degree ruling, which cancelled the penalties but confirmed the higher taxes claimed. The Company settled the case by resorting to the definition of tax disputes pursuant to Article 1, paragraphs 197 ff of Law no. 197 of 29/12/2022 (Budget Law 2023). . . . Notification of the termination of the dispute is pending.	0.6	0.3	-

* "redetermined amount" means the original amount of the claim with no interests, unless it was redetermined as a result of judicial conciliation, assessment with adhesion, partial annulment in judicial proceedings or on self-defence.
** the amounts paid include interest, where due.

Other taxes

Company Tax	Description of litigation	Status of litigation	Disputed amount*	Amounts paid (including provisionally)**	Provisions booked in the financial
Herambiente Spa **Eco-tax**	Dispute documents related to the Sommacampagna landfill for the periods 2014-2017.	For the 2014 tax period, a hearing was held and the publication of the ruling was suspended. For the 2015 period, the ruling of the second instance Tax Court was favourable to the company. The terms for the Veneto Region to file an appeal in Cassation against the above-mentioned ruling are pending. For the 2016 and 2017 tax years, the first-degree ruling was filed and is partially favourable to the company. Following the appeal by the Veneto Region, the proceedings are pending before the second instance Tax Court.	7.0	-	1.5
Herambiente Spa **ICI/IMU**	Notices of assessment for the years 2008 to 2023 following the re-classification in the real estate registry of the Ferrara waste-to-energy plant.	The proceedings were concluded for the 2008-2013 notices with a favourable ruling for the company. The 2014 and 2015 tax periods are pending at first instance awaiting the outcome of the estate registry disputes. The years 2016-2023 were fully settled through conciliation with the municipality.	2.8	1.3	1.9
Hera Servizi Energia Spa **Construction bonus tax credits**	Cancellation of invoice discount communication Art. 121 of Legislative Decree 34/2020	In the course of 2024, the Revenue Offices of Trieste and Venice cancelled a number of invoice discount notices relating to paperwork concerning apartment buildings. The company filed the relevant appeals.	5.1		-
Herambiente Spa **ICI/IMU**	Notices of assessment for the years between 2011 and 2023 concerning the classification in the real estate registry of land, facilities and buildable areas located in Ravenna.	For the years 2011-2020, partially favourable and partially unfavourable rulings were given. For the purpose of payment of the amount due, the outcome of the real estate registry disputes is awaited. For the remaining issues related to the years 2016-2023 the company settled the claims through conciliation with the municipality. With reference to the 2021-2023 assessments, the company paid what was contained in the notices of assessment	2.4	1.3	1.4
AcegasApsAmga Spa **Excise on self-consumption**	Technical-administrative audit of the Padua and Trieste waste-to-energy plants carried out by the Customs Agency for the years 2012 to 2015 in relation to the installation of measuring instruments for detecting electricity produced and used for self-consumption and associated payment of the excise.	With reference to the Padua waste-to-energy plant, the Court of Cassation upheld the appeal and sent the case back to the Second Instance Tax Court. At present, a date for the hearing is pending. With reference to the Trieste waste-to-energy plant, following the sentence of the Tax Court that had granted the entitlement to the reduced excise tax, the Revenue Office appealed to the Court of Cassation. A date for the hearing is pending.	2.1	1.1	-
Hera Spa **COSAP/TOSAP**	Notices of assessment for the tax periods from 2013 to 2017, notified by the Municipality of Riccione for the permanent occupation of public land with waste bins.	Tosap proceedings for the years 2013 to 2016 are pending before the Court of Cassation following the filing of appeals against the second instance rulings partially unfavourable to the company. While the COSAP proceedings for the year 2017 is pending before the Court of Appeal of Bologna. The first-degree ruling is partially favourable to the Company.	1.2	1.2	
	COSAP notice of objection for the tax periods from 2018 and 2019, notified by the Municipality of Riccione for the permanent occupation of public land with waste bins.	With reference to both tax periods, the first instance rulings were partially unfavourable for the company. An appeal was filed against these rulings before the Court of Appeal of Bologna.	0.5	0.5	1.0
	TOSAP notices of assessment for the tax years 2014-2018, notified by the Municipality of Coriano for the permanent occupation of public land with waste bins.	The 2014 and 2015 proceedings are currently pending at the Emilia-Romagna Second Degree Tax Court. Both first instance rulings were unfavourable to the company. Concerning the notices for 2016, 2017 and 2018, the first instance rulings were both unfavourable and therefore the Company has filed an appeal. The case is pending before the Tax Court of Emilia-Romagna.	0.9	0.7	

* "redetermined amount" means the original amount of the claim with no interests, unless it was redetermined as a result of judicial conciliation, assessment with adhesion, partial annulment in judicial proceedings or on self-defence.
** the amounts paid include interest, where due.

As regards the disputes in question, having consulted its lawyers, the Group has decided to allocate the provisions indicated. In cases in which no provision has been allocated, the alleged violations have been deemed groundless.

2.02.04 - Equity and financial structure

	31 DEC 24	31 DEC 23	CHANGE
Net equity	3,986.9	3,751.6	235.3
Net financial debt	3,963.7	3,827.7	136.0
Net financial debt / net equity	**0.99**	**1.02**	

Compared to 31 December 2023, net equity increased, mainly due to the combination of the following:

- net income for the year amounting to 535.9 million euro, up from 483.2 million at 31 December 2023;
- dividend payments amounting to 239.3 million euro;
- a negative change in the other comprehensive income components totalling 54.6 million euro, driven mainly by changes in cash flow hedge reserves related to gas and electricity commodity transaction hedges;
- a negative change resulting from operations carried out on treasury shares totalling 6.5 million euro.

Net financial debt is an alternative performance indicator, as reported in Section 1.04 "Overview of operating and financial trends and definition of alternative performance indicators". The reference value at 31 December 2024 is slightly increased compared to the previous period. During the financial year 2024, the Group maintained solid performance in terms of cash generation from operations before the changes in net working capital. On the other hand, as reported in the cash flow statement schedule in paragraph 2.01.04, net working capital recorded a significant cash absorption for the current year, mainly due to the effect of trade receivables, which, in the year of comparison, had benefited from the drop in commodity prices (also with reference to the methane gas storage business), producing a physiological re-absorption of the outstanding exposure that had arisen at 31 December 2022. Compared to the previous year, cash generated by operating activities was also negatively impacted by the payment of taxes totalling 193.3 million euro (96.6 million euro at 31 December 2023) as a result of the payment mechanisms for rising Group profit.
The significant operating cash flow generation, although lower than at 31 December 2023, made it possible to self-finance investment activity, including business combinations. Lastly, it should be noted that during the year, the Group underwrote long-term loans in the amount of 471.1 million euro and incurred the repayment of two maturing bonds with a total notional amount of 438.1 million euro, as well as paid dividends in the total amount of 248.8 million euro. For more details, see Section 1.04.02 "Financial structure and adjusted net debt" under note 19 "Financial Liabilities" and the explanatory notes commenting on the cash flows in the income statement.

Net equity

15 Group net equity

	31 DEC 24	31 DEC 23	CHANGE
Share capital (nominal value)	1,489.5	1,489.5	-
Treasury share reserve	(48.0)	(45.8)	(2.2)
Share capital increase costs	(0.7)	(0.7)	-
Share capital	**1,440.8**	**1,443.0**	**(2.2)**
Legal reserve	146.1	133.9	12.2
Other reserves	1,699.2	1,471.4	227.8
Components of comprehensive income (OCI)	(40.2)	4.5	(44.7)
Reserve for treasury share operations	(60.3)	(56.0)	(4.3)
Reserves	**1,744.8**	**1,553.8**	**191.0**
Profit (loss) for the period	**494.5**	**441.4**	**53.1**
Total	**3,680.1**	**3,438.2**	**241.9**

The share capital at 31 December 2024 amounted to 1,489,538,745 ordinary shares with a nominal value of 1 euro each and is fully paid-up. The number of treasury shares held by the Group at 31 December 2024 was 48,042,438 (45,830,208 at 31 December 2023).

The item Legal reserve of the parent company Hera Spa increased as a result of the allocation of the legally required portion of the previous year's profit, as resolved by the Shareholders' Meeting upon approval of the financial statements at 31 December 2023.

Other reserves consist of the profits generated in previous years and reserves established on capital contributions or equity investments.

The Reserve for treasury share operations reflects the operations on treasury shares carried out at 31 December 2023, but also the use of 414,145 shares for the acquisition of the minority stake in Uniflotte Srl, for an equivalent of 1.3 million euro, and the use of 1,146,625 shares for the acquisition of the Soelia business, for an equivalent of 3.9 million euro.

16 Non-controlling interests

	31 DEC 24	31 DEC 23	CHANGE
Share capital and reserves	270.5	266.8	3.7
Other comprehensive income (OCI)	(5.1)	4.8	(9.9)
Profit (loss) for the period	41.4	41.8	(0.4)
Total	**306.8**	**313.4**	**(6.6)**

This item mainly comprises the minority equity interests of the Herambiente Group, the Marche Multiservizi Spa Group and Acantho Spa. The change, with a profit for the period of 41.4 million euro and dividends paid to minority shareholders for 37.4 million euro, was driven mainly by changes in cash flow hedge reserves related to gas and electricity commodity transaction hedges.

As regards the acquisition of non-total controlling interests achieved through business combinations, various contractual agreements entered into by the Group provided for granting irrevocable put options to minority shareholders, to be exercised within specific timeframes. The existence of these rights owned by minority shareholders has led to the need to classify the options on the shares/quotas of the acquired companies held by minority shareholders as financial liabilities in the consolidated financial statements, thus considering the related shareholdings as fully owned. For further details on the calculation of the fair value of the put option debt, see note 19 "Financial liabilities".

Reconciliation statement

The following is a reconciliation statement between the Parent Company's separate financial statements and the consolidated financial statement for the years 2024 and 2023.

	2024 NET EARNINGS	NET EQUITY 31-DEC-24
Balances as per parent company's financial statements	267.3	2,641.1
Excess of shareholders' equity (including the result of the period) over the carrying amounts of investments in consolidated companies	188.8	849.9
Consolidation adjustments		
net equity valuation of companies recognised in the separate financial statements at cost	1.9	45.7
difference between purchase price and corresponding net book equity	37.2	157.1
elimination of intra-group transaction effects	(0.7)	(13.7)
Total	**494.5**	**3,680.1**
Allocation of third-party holdings	41.4	306.8
Balances as per consolidated financial statement	**535.9**	**3,986.9**

	2023 NET EARNINGS	NET EQUITY 31-DEC-23
Balances as per parent company's financial statements	244.8	2,584.8
Excess of shareholders' equity (including the result of the period) over the carrying amounts of investments in consolidated companies	197.2	728.0
Consolidation adjustments		
net equity valuation of companies recognised in the separate financial statements at cost	(0.6)	43.9
difference between purchase price and corresponding net book equity	2.1	94.5
elimination of intra-group transaction effects	(2.1)	(13.0)
Total	**441.4**	**3,438.2**
Allocation of third-party holdings	41.8	313.4
Balances as per consolidated financial statement	**483.2**	**3,751.6**

17 Earnings per share

	2024	2023
Profit (loss) for the period attributable to holders of ordinary shares of the Parent company (A)	494.5	441.4
Weighted average number of shares outstanding for the purposes of calculation of earnings (loss) per share		
basic (B)	1,441,374,819	1,446,069,736
diluted (C)	1,441,374,819	1,446,069,736
Earnings (loss) per share (in euro)		
basic (A/B)	**0.343**	**0.305**
diluted (A/C)	**0.343**	**0.305**

Basic earnings per share are calculated on the operating result attributable to holders of ordinary shares of the Parent company. Diluted earnings per share are equal to the basic as there are no classes of shares other than ordinary shares and there are no instruments that can be converted into shares.

At the writing of these consolidated financial statement, the share capital of the parent company Hera Spa consisted of 1,489,538,745 ordinary shares, unchanged from 31 December 2023, which were used in determining basic and diluted earnings per share.

Net financial debt

What follows is the financial debt prepared in accordance with Guideline no. 39, issued on 4 March 2021 by ESMA, as implemented by CONSOB in its communication 5/2021 of 29 April 2021. The Group also monitors its financial performance through the Net financial debt indicator, which adds non-current financial receivables to the regulatory statement.

		NOTES	31 DEC 24	31 DEC 23
A	Cash	18	1,315.6	1,332.8
B	Cash equivalents	18	-	-
C	Other current financial assets	18	23.1	90.9
D	**Liquidity (A+B+C)**		**1,338.7**	**1,423.7**
E	Current financial debt	19	(777.0)	(411.9)
F	Current portion of non-current financial debt	19, 22	(474.1)	(524.1)
G	**Current financial indebtedness (E+F)**		**(1,251.1)**	**(936.0)**
H	**Net current financial indebtedness (G+D)**		**87.6**	**487.7**
I	Non-current financial debt	19, 22, 29	(808.0)	(1,087.0)
J	Debt instruments	19	(3,401.3)	(3,391.2)
K	Non-current trade and other payables		-	-
L	**Non-current financial indebtedness (I+J+K)**		**(4,209.3)**	**(4,478.2)**
M	**Total financial indebtedness (H+L) ESMA guidelines 32 - 382 - 1138**		**(4,121.7)**	**(3,990.5)**
	Non-current financial receivables	18	158.0	162.8
	Net financial debt		**(3,963.7)**	**(3,827.7)**

To better understand the events associated with the financial exposure that occurred during the course of 2023, see the financial statements and the comments shown in the Directors' report in paragraph 1.04.02 "Financial structure and adjusted net debt".

For the statement of financial debt with related parties, see paragraph 2.03.04.

The following is an analysis of the balance sheet items included in the determination of net financial debt, with the exception of financial assets and liabilities related to interest rate derivative financial instruments, which are detailed in note 29 "Derivative instruments", and lease liabilities, which are shown in note 22 "Rights of use and lease liabilities".

18 Financial assets, cash holdings and cash equivalents

	31 DEC 24	31 DEC 23	CHANGE
Receivables for construction services	102.2	100.3	1.9
Loan receivables	15.6	19.6	(4.0)
Portfolio securities	2.0	2.0	-
Other financial receivables	38.2	40.9	(2.7)
Total non-current financial assets	**158.0**	**162.8**	**(4.8)**
Loan receivables	4.7	6.3	(1.6)
Portfolio securities	-	1.6	(1.6)
Other financial receivables	18.4	83.0	(64.6)
Total current financial assets	**23.1**	**90.9**	**(67.8)**
Cash holdings and cash equivalents	**1,315.6**	**1,332.8**	**(17.2)**
Total financial assets, cash holdings and cash equivalents	**1,496.7**	**1,586.5**	**(89.8)**

"Receivables for construction services" from municipalities for the construction of public lighting systems identified in keeping with the financial asset model provided by the IFRIC 12 interpretation, as shown in greater detail in the section describing the evaluation criteria for the item "Loans and receivables" in section 2.02.01 "Introduction".

"Loan receivables", comprises loans, regulated at market rate, made to the following companies:

			31 DEC 24			31 DEC 23
	NON-CURRENT PORTION	CURRENT PORTION	TOTAL	NON-CURRENT PORTION	CURRENT PORTION	TOTAL
Aloe Spa	3.8	0.8	4.6	4.6	0.8	5.4
Set Spa	5.4	3.5	8.9	8.9	5.2	14.1
Other minor companies	6.4	0.4	6.8	6.1	0.3	6.4
Total	**15.6**	**4.7**	**20.3**	**19.6**	**6.3**	**25.9**

Loans to companies that are vehicles through which the Group owns production quotas for electricity generation plants (Set Spa and Tamarete Energia Srl) were tested for impairment, the result of which did not lead to changes in the carrying values during the 2024 financial year, as explained in note 27 "Impairment tests on equity investments". As regards receivables from the associated companies Tamarete Energia Srl, which was already fully written down at 31 December 2023, the Group received collections during the year the reimbursement of the instalments due for the year 2024, recording the consequent revaluation under financial income for 2.4 million euro.

"Portfolio securities", in its non-current and current portions, mainly include bonds and funds guaranteeing post-mortem management of the landfill held by subsidiary Asa Scpa for an amount whose book value was essentially aligned with the fair value at year-end. These securities are measured at fair value through other comprehensive income components.

"Other financial receivables" include the following:

			31 DEC 24			31 DEC 23
	NON-CURRENT PORTION	CURRENT PORTION	TOTAL	NON-CURRENT PORTION	CURRENT PORTION	TOTAL
Consorzio Collinare	13.5	-	13.5	13.3	-	13.3
Acosea Impianti	12.7	-	12.7	12.7	-	12.7
Municipality of Padua	9.0	1.6	10.6	10.6	1.5	12.1
Cato and Veneto Region	-	5.4	5.4	-	6.1	6.1
Former CMV municipalities	2.6	-	2.6	3.9	-	3.9
Market data exchange	-	-	-	-	10.8	10.8
Other financial receivables	0.4	11.4	11.8	0.4	64.6	65.0
Total	**38.2**	**18.4**	**56.6**	**40.9**	**83.0**	**123.9**

- The item Collinare Consortium represents the compensation owed to the outgoing provider when the gas distribution services contract comes to an end in a number of municipalities of the Friuli-Venezia Giulia region;
- Acosea Impianti refers to a security deposit left with the parent company Hera Spa;
- Municipality of Padua is mainly related to the construction of photovoltaic systems. The repayment of this credit, which is regulated at a market rate, is scheduled in annual instalments with a time frame extending to 2030;
- Cato and Veneto Region reflects government grants that will be collected after the balance sheet date;
- Former CMV municipalities concerns the compensation due to the outgoing operator at the end of the concession of the management of gas distribution service in the municipalities of Goro and Castello d'Argile; The change from the previous financial year is due to ending of the entrustment in the municipality of Vigarano, with the related collection of the Group's share of the compensation amounting to 1.3 million euro;
- Other financial receivables mainly include financial advances for participation in future tenders to award the methane gas distribution service. At 31 December 2023 they included the operations for assigning energy efficiency tax credits concluded at the end of the financial year, formally validated and accepted by the bank counterparties, the collection of which took place in January 2024, amounting to 43.6 million euro.

"Cash and cash equivalents" consist solely of bank and postal deposits amounting to 1,315.6 million euro (1,332.8 million euro at 31 December 2023). To better understand the change in the amount of cash and cash equivalents, see the cash flow statement.

19 Financial liabilities

	31 DEC 24	31 DEC 23	CHANGE
Bonds and loans	4,113.3	4,072.2	41.1
Minority shareholder' put option	39.6	327.8	(288.2)
Payables to acquire controlling shareholdings and potential consideration	1.4	20.1	(18.7)
Other financial liabilities	0.3	1.6	(1.3)
Total non-current financial liabilities	**4,154.6**	**4,421.7**	**(267.1)**
Bonds and loans	450.0	479.2	(29.2)
Minority shareholder' put option	251.2	-	251.2
Overdrafts and interest liabilities	151.9	92.6	59.3
Payables to acquire controlling shareholdings and potential consideration	20.8	13.8	7.0
Other financial liabilities	352.8	305.2	47.6
Total current financial liabilities	**1,226.7**	**890.8**	**335.9**
Total financial liabilities	**5,381.3**	**5,312.5**	**68.8**

The changes to "Bonds and loans" for the non-current part, in addition to the reclassification to the current part of the portions of loans maturing in the next financial year, are mainly due to the effect of a 460 million euro loan granted by the European Investment Bank, at a fixed rate and repayment by 2040, signed in order to accelerate the ecological transition and contribute to the battle against climate change in the areas served by the Group. In particular, the funding will improve the resilience of the integrated water cycle, promote energy efficiency, decarbonisation and the circular economy, and enhance waste treatment and collection, in over 60 projects aligned with the European taxonomy.

The item also includes the value of the put option, amounting to 55.8 million euro, related to Ascopiave Spa's 3% minority shareholding in Hera Comm Spa which, as a result of the contractual provisions, is classified as a loan and valued according to the amortised cost method. This debt, with a nominal value of 54 million euro, increased due to the financial evaluation component and decreased due to dividends paid out:

	OPENING VALUE	FINANCIAL EXPENSES	FLOWS PAID OUT	CLOSING VALUE
2023 financial year	54.8	3.2	(2.7)	55.3
2024 financial year	55.3	3.2	(2.7)	55.8

The current portion of "Bonds and loans" includes the amounts of medium- and long-term debt due within the next financial year, in addition to a bond loan with a residual nominal value of 15 million euro maturing in May 2025. Compared to 31 December 2023, the following repayments occurred:

- a bond loan (in the form of a green bond) with a residual notional amount of 288.3 million euro;
- a bond loan in Japanese yen with a notional residual value of 20 billion yen or 149.8 million euro (converted at the original exchange rate being hedged).

The main conditions of the bonds outstanding at 31 December 2024 are as follows:

BONDS	DURATION (YEARS)	MATURITY	NOMINAL VALUE (MN)	COUPON	ANNUAL RATE
Sustainability linked bond	12.5	25 Apr 2034	500 €	Fixed, annual	1.00%
Sustainability linked bond	10	20 Apr 2033	600 €	Fixed, annual	4.25%
Bond	12	22 May 2025	15 €	Fixed, annual	3.5%
Green Bond	7	25-Mag-2029	500 €	Fixed, annual	2.5%
Bond	10	14 Oct 2026	325.44 €	Fixed, annual	0.875%
Bond	10	03 Dec 2030	500 €	Fixed, annual	0.25%
Bond*	15/20	14 May 2027/2032	102.5 €	Fixed, annual	5.25%
Green Bond	8	05 Jul 2027	357.2 €	Fixed, annual	0.875%
Bond	15	29 Jan 2028	599.02 €	Fixed, annual	5.20%

* Unlisted instrument

At 31 December 2024, the outstanding bonds, totalling a face value of 3,499.1 million euro(3,937.2 million euro 31 December 2023) and recorded at discounted cost of 3,414.4 million euro (3,804.5 million euro at 31 December 2023), have a fair value of 3,382.2 million (3,737.7 million euro at 31 December 2023) determined by market quotations where available.
There are covenants on some loans that require compliance with the corporate rating limit, which must be rated, even only by a single rating agency, no lower than investment grade (BBB-). As of the balance sheet date this covenant has been complied with.

"Minority shareholders' put option", which includes the fair value measurement of the sale options that are granted, with specific contractual arrangements, to minority shareholders on their own shares. The most significant amount refers to the put option on the non-controlling shares in EstEnergy Spa, equal to 25% of the share capital, held by Ascopiave Spa.
The Group's policy is not to represent the holdings of minority shareholders in the component of results for the period, and therefore the value of debts for the options (to be paid at the date of exercising the option according to the contractual mechanism agreed between the parties) is increased by the dividends expected to be paid by the subsidiary companies along the hypothetical life of the options themselves. The fair value recognised as a liability in the balance sheet is therefore not only the present value of the expected price of the put option at the date of its exercised, but also contains the discounted estimate of future dividends distributed as part of the variable consideration due to the counterparty. Given the structure of the operation, during the period in which the option is exercised, the profit generated by the subsidiary companies will be distributed according to their respective nominal shareholdings. This mechanism means that the portion of the fair value of the put option that will be settled through the distribution of future dividends is actually self-liquidating, since the necessary financial resources (i.e. dividends of non-controlling shareholdings) will be directly generated by the subsidiary companies, without thus determining during that period a real additional financial need for the Group.

The following are the changes for the period, compared with the previous period:

	OPENING VALUE	ACQUISITIONS	FINANCIAL EXPENSES	CHANGES IN ASSUMPTIONS	FLOWS PAID OUT	CLOSING VALUE
31 Dec 23						
Equity value	421.2	7.6	14.4	(11.9)	(149.5)	281.9
Future dividends	80.0	3.1	2.8	(19.3)	(20.7)	45.9
Total	**501.2**	**10.7**	**17.2**	**(31.1)**	**(170.2)**	**327.8**
31 Dec 24						
Equity value	281.9	8.6	9.9	(37.8)	-	262.6
Future dividends	45.9	2.3	1.6	(12.1)	(9.5)	28.2
Total	**327.8**	**10.9**	**11.5**	**(49.9)**	**(9.5)**	**290.8**

Regarding the changes occurring during the year:

- acquisitions refer to the one-off transaction concerning Trs Ecology Srl;
- financial expenses include the notional effects of discounting the liability recognised at the previous balance sheet date;
- changes in assumptions represent the effects of updating the variables underlying the determination of the fair value of the options themselves. More specifically, the fair value of these options is calculated by referring to the future exercise scenario deemed most probable by Group management, taking into account the partial exercises carried out, consistently with the updated planning assumptions, adopting criteria according to the conditions agreed between the parties and discounting the corresponding future cash flows, using the average cost of the Group's long-term debt at the date of the transaction as the discount rate. In 2024, the revision of the estimates resulted in the recognition of income amounting to 50.4 million euro and expenses totalling 0.5 million euro. The income for the period mainly refers to options on minority interests in EstEnergy Spa amounting to 47.8 million euro (26.9 million euro at 31 December 2023). To this regard, please note that on 16 December 2024, the transfer agreement of 25% of the remaining equity of Ascopiave Spa was signed, subject to the condition precedent to payment that will occur in the course of 2025, as reported in section 1.03 "Main significant events".
- the flows paid out include the amounts paid to minority shareholders for the payment of their dividends, of which 9 million euro pertains to the minority shareholders of EstEnergy Spa. It should be noted that the comparison period mainly included the partial exercise by Ascopiave Spa of its put option for 15% of EstEnergy Spa's shares for a countervalue of 137.5 million euro, as well as the total exercise by Herambiente Servizi Industriali Srl of its call option correlated with a corresponding put option held by minority shareholders, equal to 30% of the shares of Recycla Spa for an countervalue of 10.3 million euro.

"Overdrafts and interest liabilities" mainly include payables for the signing of short-term loans, in the form of hot money, for 75 million euro (10 million euro at 31 December 2023) and interest expense for the period not yet paid at 31 December 2024, for 71.7 million euro (71.9 million euro at 31 December 2023).

"Payables to acquire controlling shareholdings and potential consideration" include the amounts still to be paid to transferor shareholders as part of the business combination transactions concluded in the period or in previous periods, as well as the estimate of the potential payments foreseen by the agreements signed at the time of the acquisition, as of the balance sheet date. As at 31 December 2024, for the current part this item mainly refers to deferred consideration relating to the acquisition of the Aliplast Group's minority shares, in the amount of 17.4 million euro. Change from the previous year is mainly due to the fulfilment, during the financial year 2024, of the contractual conditions for the payment of the earn-out concerning the acquisition of the company Pistoia Ambiente Srl, occurred in the financial year 2019 and subsequently merged by incorporation into Herambiente Spa.

"Other financial payables" mainly refer to:

	31 DEC 24			31 DEC 23		
	NON-CURRENT PORTION	CURRENT PORTION	TOTAL	NON-CURRENT PORTION	CURRENT PORTION	TOTAL
Factoring	-	332.8	332.8	-	117.7	117.7
Fund for energy and waste management services (CSEA)	-	5.7	5.7	-	21.3	21.3
Municipal Pension Fund of Trieste	-	1.2	1.2	1.2	0.3	1.5
Market data exchange	-	0.4	0.4	-	-	-
Settlement	-	-	-	-	154.1	154.1
Other minor items	0.3	12.7	13.0	0.4	11.8	12.2
Total	**0.3**	**352.8**	**353.1**	**1.6**	**305.2**	**306.8**

- Factoring mainly includes collections yet to be transferred to financial institutions at the end of the year, in relation to receivables subject to non-recourse assignments for which the Group has maintained collection activities on behalf of factor companies;
- Fund for energy and waste management services (CSEA) mainly includes revenues to be retroceded since they have already been advanced by CSEA mainly in relation to the reports made by the Group for the activities carried out in the gas and electricity sales markets subject to tenders, as detailed in note 38 "Other current liabilities" which can be consulted for more details;
- Settlement, the amounts received as advances at the end of the previous period were entered under "Trade payables", as more fully explained in section 2.02.01 "Introduction";
- Other minor items mainly include payables to the associated company ASM SET Srl for centralised treasury management in the amount of 3.7 million euro (receivable at 31 December 2023) and payables to the Tax authorities in relation to the collection of the RAI fee charged to customers in their electricity bills by the Group's sales companies, amounting to (6.4 million euro at 31 December 2023).

The following table shows financial liabilities broken down by nature at 31 December 2024, with an indication of their maturity:

TYPE	RESIDUAL AMOUNT 31 DEC 24	PORTION DUE WITHIN THE PERIOD	PORTION DUE WITHIN 2ND YEAR	PORTION DUE WITHIN 5TH YEAR	PORTION DUE BEYOND< 5TH YEAR
Bonds	3,414.4	14.9	318.7	1,457.8	1,623.0
Loans	1,148.9	435.1	112.1	163.5	438.2
Opzioni di vendita soci di minoranza	290.8	251.2	-	39.6	-
Payables to acquire controlling shareholdings and potential consideration	22.2	20.8	0.4	1.0	-
Other financial liabilities	353.1	352.8	0.1	0.1	0.1
Overdrafts and interest liabilities	151.9	151.9	-	-	-
Total	**5,381.3**	**1,226.7**	**431.3**	**1,662.0**	**2,061.3**

The table below shows the worst-case scenario, in which assets (cash, financial and trade receivables) are not taken into account, unlike financial liabilities for bonds, financing and overdrafts, shown in the capital and interest portion, trade payables and interest rate derivatives. Financial lines were assumed to be revoked on demand, while loans were assumed to be repaid at the earliest date provided for in the contractual terms.

WORST CASE SCENARIO			31 DEC 24			31 DEC 23
MN€	FROM 1 TO 3 MONTHS	MORE THAN 3 MONTHS TO 1 YEAR	FROM 1 TO 2 YEARS	FROM 1 TO 3 MONTHS	MORE THAN 3 MONTHS TO 1 YEAR	FROM 1 TO 2 YEARS
Bonds	31.1	102.3	412.2	33.2	536.2	102.3
Financial payables and other liabilities	163.7	458.7	70.1	98.0	81.9	444.9
Payables to suppliers	2,723.9	-	-	2,637.2	-	-
Total	**2,918.8**	**561.0**	**482.3**	**2,768.4**	**618.1**	**547.2**

Current cash and lines of credit, in addition to the resources generated by the operating and financing activities, are deemed sufficient to meet future financial needs. The following is a summary of the credit lines available at 31 December 2024, compared with the previous year:

	31 DEC 24	31 DEC 23
Committed	1,005.0	1,565.0
Uncommitted	720.0	752.0
Total	**1,725.0**	**2,317.0**

The credit lines are distributed among the leading Italian and international banks and allow for adequate diversification of counterparty risk and competitive conditions. During the financial year 2024, in particular, the credit line contracted in the previous period with the European Investment Bank was used, by means of a 460 million euro loan, as reported in the note on "Bonds and Loans".

Sureties and guarantees

	31 DEC 24	31 DEC 23
Bank sureties and guarantees	3,054.4	2,951.4
Insurance sureties and guarantees	827.5	987.5
Total	**3,881.9**	**3,938.9**

For "Bank sureties and guarantees", the value at 31 December 2024, compared with the previous period, comprises the following:

	31 DEC 24	31 DEC 23
Bank sureties	1,023.2	1,075.8
Letters of patronage	2,031.2	1,875.6
Total	**3,054.4**	**2,951.4**

Specifically:

- bank sureties are related to sureties made to public institutions (the Ministry of the Environment and Energy Security, the regions, provinces and municipalities) and private entities to guarantee the suitable management of plants for treating and disposing of waste, for the suitable provision of waste disposal and intermediation services, for reclamation work and for the proper fulfilment of contractual commitments on wholesale energy commodity markets;
- letters of patronage are issued mainly to guarantee the timely payment of raw material supplies and energy commodity transport and distribution services.

"Insurance sureties and guarantees" refers to sureties issued to public entities (provinces, municipalities and the Ministry of the Environment and Energy Security) and third parties to guarantee the suitable management of public utility and waste disposal services, the proper execution of the work to lay company pipelines across land owned by private individuals, reclamation work, managing waste treatment and disposal systems.

Note, lastly, that at 31 December 2024, the Hera Group provided the guarantees for certain bank loans, in the amount of 11.1 million euro.

20 Cash flows related to financing activities

Changes in financial liabilities

The following is a breakdown of information on changes in financial liabilities during the 2024 financial year, differentiating between cash flows and non-cash flows.

TYPE	31 DEC 24	31 DEC 23	CHANGE (A)	NON-CASH FLOWS				CASH FLOWS (F)=(A)-[(B)+(C)+(D)+(E)]
				ACQUISITIONS DIVESTITURES (B)	ECONOMIC VALUATION COMPONENTS (C)	CHANGES IN FAIR VALUE (D)	OTHER CHANGES (E)	
Non-current financial liabilities	4,154.6	4,421.7	(267.1)	11.2	38.8	(49.9)	(730.4)	463.2
Current financial liabilities	1,226.7	890.8	335.9	0.6	3.1	21.2	563.9	(252.9)
Cash flows related to financial liabilities	**5,381.3**	**5,312.5**	**68.8**	**11.8**	**41.9**	**(28.7)**	**(166.5)**	**210.3**
of which								
New issue of long-term bonds								471.1
Repayments of non-current financial liabilities								(7.9)
Repayments and other net changes in financial liabilities								(252.9)
Lease liabilities	**79.1**	**81.3**	**(2.2)**	**1.7**	**-**	**-**	**16.7**	**(20.6)**
Financial liabilities generated by financing activities	**5,460.4**	**5,393.8**	**66.6**	**13.5**	**41.9**	**(28.7)**	**(149.8)**	**189.7**

"Acquisitions and divestitures" include the effects arising from the control acquisition transactions carried out in the 2024 financial year, as explained in the section "Business combination (supplementary information)" in Section 2.02.10 "Other information".

"Economic valuation components" include:

- charges from the amortised cost valuation of bonds and loans in the amount of 30.3 million euro, as reported in note 10 "Financial expenses";
- discounting charges related to the put options of non-controlling shareholdings and earn-outs contracted as part of the acquisition of control over companies and business units, amounting to 11.6 million euros, as reported in note 10 "Financial expenses".

"Changes in fair value" mainly include:

- the adjustment to fair value of the carrying amount of the put option recorded against the minority shareholder of EstEnergy Spa, which resulted in the recognition of income in the amount of 47.8 million euro, as reported in note 19 "Financial liabilities";
- the adjustment made to the carrying value of a foreign currency bond (redeemed at maturity during the financial year 2024) due to the fair value hedge relation that resulted in the recognition of expenses amounting to 21.2 million euro, as reported in note 29 "Derivative Instruments".

"Other changes" include effects mainly due to:

- the stating of gas settlement amounts for 154.1 million euro under "Trade payables", as more fully explained in section 2.02.01 "Introduction";
- payment of dividends to minority shareholders with whom the Group contracted put options at the time of acquiring control, amounting to 9.5 million euro. In the cash flow statement, the related cash flow is represented in dividends paid out, although it is accounted for as a change in the financial liability already recorded (this mechanism is explained in note 19 "Financial liabilities");
- the recognition of liabilities related to leases entered into during the year and the remeasurement of outstanding lease liabilities generated by an update of the underlying assumptions about renewal, purchase, or early termination options, as reported in note 22, "Rights of Use and Lease Liabilities".

Acquisition of interests in consolidated companies

This amount mainly refers to the outlay related to the purchase of non-controlling shares in Uniflotte Srl, while the amount for the previous year refers to the acquisition of shares in Tri-Generazione Scarl.

Increase in minority share capital

This amount mainly refers to the share capital increase subscribed and paid up by the minority shareholders of Horowatt Srl, while the amount of the previous year refers to the share capital increase subscribed by the minority shareholders A.C.R. di Reggiani Albertino Spa

Dividends paid out to Hera shareholders and non-controlling interests

The value refers to dividends paid out during the year 2024 to:

- parent company's shareholders in the amount of 201.9 million euro;
- minority shareholders in the amount of 46.9 million euro, of which 9.5 million euro were paid to minority shareholders to whom the Group had recognized payables for put options in previous years, as mentioned above.

Finally, it should be noted that non-monetary flows due to exchange rate differences were absent in 2024.

2.02.05 - Investment activities

Assets increased compared to the previous year mainly as a result of new investments made for works on plants, networks and infrastructures, as well as investments made for regulatory adjustments, which mainly concerned the gas distribution and the purification and sewage area. Also note the recognition of customer lists amounting to 11.4 million euro and goodwill amounting to 24.3 million euro in connection with business combinations carried out during the year.

The following notes comment on the composition of and main changes within each asset category; note that additional information concerning investments made during the period can be found in paragraph 1.06 "Analysis by strategic business area" of the Directors' Report.

The value of all tangible items of property, plants and equipment and intangible assets, including goodwill, was subjected to impairment testing, the results of which can be found in note 25 "Impairment tests on assets".

21 Property, plants and equipment

	31 DEC 24	31 DEC 23	CHANGE
Land and buildings	663.3	635.7	27.6
Plants and machinery	1,126.9	1,067.9	59.0
Other movable assets	114.6	107.7	6.9
Assets under construction	254.2	246.1	8.1
Total operating assets	**2,159.0**	**2,057.4**	**101.6**
Investment property	1.7	1.9	(0.2)
Total	**2,160.7**	**2,059.3**	**101.4**

Property, plants and equipment (called "Tangible assets" in the statement of financial position published 31 December 2023) are disclosed net of the associated amortisation provision and their composition and changes are as follows:

	NET OPENING BALANCE	INVESTMENTS	DISINVESTMENTS	AMORTISATION, DEPRECIATION AND WRITE-DOWN	CHANGES IN THE SCOPE OF CONSOLIDATION	OTHER CHANGES	NET CLOSING VALUE	OF WHICH GROSS CLOSING VALUE	OF WHICH AMORTISATION PROVISION
31 DEC 23									
Land and buildings	620.4	21.0	(0.5)	(23.7)	8.4	10.1	635.7	955.0	(319.3)
Plants and machinery	1,089.5	57.1	(7.8)	(123.4)	5.5	47.0	1,067.9	3,152.4	(2,084.5)
Other movable assets	89.5	22.0	(0.4)	(24.2)	7.7	13.1	107.7	480.1	(372.4)
Assets under construction	183.0	142.6	(0.8)	(0.9)	0.4	(78.2)	246.1	246.1	-
Total	**1,982.4**	**242.7**	**(9.5)**	**(172.2)**	**22.0**	**(8.0)**	**2,057.4**	**4,833.6**	**(2,776.2)**
31 DEC 24									
Land and buildings	635.7	15.2	(4.0)	(22.6)	1.7	37.3	663.3	1,014.2	(350.9)
Plants and machinery	1.067.9	79.3	(6.4)	(130.5)	0.1	116.5	1,126.9	3,300.7	(2,173.8)
Other movable assets	107.7	23.7	(0.4)	(25.8)	0.7	8.7	114.6	508.5	(393.9)
Assets under construction	246.1	163.9	(0.2)	-	0.5	(156.1)	254.2	254.2	-
Total	**2,057.4**	**282.1**	**(11.0)**	**(178.9)**	**3.0**	**6.4**	**2,159.0**	**5,077.6**	**(2,918.6)**

"Land and buildings" consist of 123.9 million euro in land and 539.4 million euro in buildings. These are mainly company-owned properties on which the majority of the sites and production plants are located.

"Plants and machinery" is made up mainly of distribution networks and plants relating to business not falling within the scope of the concession system such as district heating, electricity in the Modena area, waste disposal and waste treatment as well as plastic production plants. The main investments during the year concern waste treatment, for a total of 37.7 million euro, distribution of electricity for 15.4 million euro and investments in energy services for 15.6 million euro, mainly provided by the company Hera Servizi Energia Spa. Disinvestments concern demolitions and divestitures of obsolete or damaged plants.
"Other movable assets" mainly include, regarding business areas that have not yet gone out to tender for service concessions, waste collection equipment and bins amounting to 68.7 million euro and motor vehicles amounting to 45.9 million euro.

"Assets under construction" mainly consist of investments in progress for waste treatment plants amounting to 121.6 million euro, for developing the district heating network amounting to 28.4 million euro and for the electricity distribution network amounting to 24.4 million euro.

"Other changes" covers the in-progress reclassification of assets under construction to the specific categories for assets brought into operation during the financial year, as well as possible reclassifications from rights of use and from/to intangible assets, especially for goods used in activities under concession.

For the column "Change in the scope of consolidation," please refer to the section "Business combinations (supplementary information)" contained in paragraph 2.02.10 "Other information".

For additional details on guarantees granted in favour of third parties and in relation to property, plants and equipment held by the Group, see note 19 "Financial liabilities".

22 Rights of use and lease liabilities

The following tables show the breakdown of rights of use (reported net of the associated amortisation provision) and lease liabilities at the transition date and the related movements. Contracts taken over as part of business combinations are separately reported in movements and classified as "Changes in the scope of consolidation".

	31 DEC 24	31 DEC 23	CHANGE
Rights of use land and buildings	52.1	59.1	(7.0)
Rights of use plants and machinery	5.4	6.4	(1.0)
Rights of use other movable assets	26.7	25.1	1.6
Total	**84.2**	**90.6**	**(6.4)**

	NET OPENING BALANCE	NEW CONTRACTS AND CONTRACTUAL CHANGES	AMORTISATION, DEPRECIATION AND WRITE-DOWN	CHANGES IN THE SCOPE OF CONSOLIDATION	OTHER CHANGES	NET CLOSING VALUE	OF WHICH GROSS CLOSING VALUE	OF WHICH AMORTISATION PROVISION
31 DEC 23								
Rights of use land and buildings	50.7	10.1	(8.6)	6.9	-	59.1	104.1	(45.0)
Rights of use plants and machinery	7.1	0.8	(1.3)	-	(0.2)	6.4	12.5	(6.1)
Rights of use other movable assets	26.4	9.6	(10.6)	0.1	(0.4)	25.1	48.5	(23.4)
Total	**84.2**	**20.5**	**(20.5)**	**7.0**	**(0.6)**	**90.6**	**165.1**	**(74.5)**
31 DEC 24								
Rights of use land and buildings	59.1	5.4	(8.7)	-	(3.7)	52.1	102.8	(50.7)
Rights of use plants and machinery	6.4	0.4	(1.3)	0.4	(0.5)	5.4	12.4	(7.0)
Rights of use other movable assets	25.1	11.0	(10.4)	1.6	(0.6)	26.7	46.6	(19.9)
Total	**90.6**	**16.8**	**(20.4)**	**2.0**	**(4.8)**	**84.2**	**161.8**	**(77.6)**

"Rights of use land and buildings" consists of 45 million euro in rights of use of buildings and 7.1 million euro in rights of use of land. The rights of use for buildings refers mainly to contracts concerning the real estate structures used for headquarters, offices and customer service helpdesks.

"Rights of use plants and machinery" refer to contracts regarding purification and composting plants.

"Rights of use other movable assets" refer mainly to contracts underwritten for the use of IT infrastructures (especially data centres), operational vehicles and cars.

The column "New contracts and contractual changes" shows the leases signed during the year, as well as the change in the assumptions regarding the duration, renewal or termination options of the existing contracts.

The column "Other changes" includes the residual value of leased assets redeemed during the period and reclassified under property, plants and equipment due to their nature.

Financial liabilities show the following composition and change, compared with the previous year:

	NET OPENING BALANCE	NEW CONTRACTS AND CONTRACTUAL CHANGES	DECREASES	FINANCIAL EXPENSES	CHANGES IN THE SCOPE OF CONSOLIDATION	OTHER CHANGES	NET CLOSING VALUE
31 DEC 23							
Lease liabilities	**76.4**	**20.3**	**(25.2)**	**2.8**	**7.0**	**-**	**81.3**
of which							
non-current liabilities	55.1						56.8
current liabilities	21.3						24.5
31 DEC 24							
Lease liabilities	**81.3**	**16.7**	**(23.5)**	**2.9**	**1.7**	**-**	**79.1**
of which							
non-current liabilities	56.8						54.7
current liabilities	24.5						24.4

The column "New contracts and contractual changes" includes the new contracts signed in the period and the re-assessment of the debt of some of the existing contracts, generated by the update of the assumptions underlying the contracts themselves concerning options of renewal, purchase or early termination.

"Decreases" are generated by the reimbursement of contractual fees scheduled during the course of the financial period and exemption options exercised.

In accordance with its procurement policies, the Group subscribed contracts in line with market standards for all types of underlying assets. In the case of offices, customer service desks, cars and IT infrastructure, the contracts do not contain any binding clauses or special fees in the event of annulment, as these assets are perfectly interchangeable and are offered by a large number of counterparties. The liability reported in the financial statements therefore represents the most likely total sum of disbursements that the Group will have to make in future periods. For the same reasons, moreover, the renewal clauses, when they exist, are not currently expected to be exercised, possibly assessing their cost-effectiveness in the future or the option of signing new contracts with different counterparties.

The table below shows the lease liabilities broken down by category according to their expiration date range:

TYPE	TOTAL	PORTION DUE WITHIN THE PERIOD	PORTION DUE WITHIN 2ND YEAR	PORTION DUE WITHIN 5TH YEAR	PORTION DUE BEYOND< 5TH YEAR
2023 financial year	81.3	24.5	14.2	25.3	17.3
2024 financial year	79.1	24.4	15.3	23.5	15.9

23 Intangible assets

	31 DEC 24	31 DEC 23	CHANGE
IT applications	103.8	105.3	(1.5)
Concessions and other rights	88.5	100.7	(12.2)
Public services under concession	3,480.0	3,315.7	164.3
Customer lists	571.9	605.6	(33.7)
Other intangible assets	134.7	119.4	15.3
Intangible assets ongoing, public services under concession	443.4	380.3	63.1
Intangible assets ongoing	123.5	92.6	30.9
Total	**4,945.8**	**4,719.6**	**226.2**

Intangible assets are stated net of their accumulated amortisation and are broken down below with details of the changes during the year:

	NET OPENING BALANCE	INVESTMENTS	DISINVESTMENTS	AMORTISATION, DEPRECIATION AND WRITE-DOWN	CHANGES IN THE SCOPE OF CONSOLIDATION	OTHER CHANGES	NET CLOSING VALUE	OF WHICH GROSS CLOSING VALUE	OF WHICH AMORTISATION PROVISION
31 DEC 23									
IT applications	82.5	8.6	-	(45.8)	0.1	59.9	105.3	637.1	(531.8)
Concessions and other rights	110.8	0.6	-	(14.1)	1.5	1.9	100.7	487.2	(386.5)
Public services under concession	3,184.5	209.4	(7.3)	(183.8)	-	112.9	3,315.7	5,902.5	(2,586.8)
Customer lists	581.1	-	-	(42.6)	67.1	-	605.6	808.9	(203.3)
Other intangible assets	92.9	79.5	-	(46.7)	1.8	(8.1)	119.4	328.7	(209.3)
Intangible assets ongoing, public services under concession	273.9	212.2	(0.2)	-	-	(105.6)	380.3	380.3	-
Intangible assets ongoing	91.7	62.8	-	(0.4)	-	(61.5)	92.6	92.6	-
Total	**4,417.4**	**573.1**	**(7.5)**	**(333.4)**	**70.5**	**(0.5)**	**4,719.6**	**8,637.3**	**(3,917.7)**
31 DEC 24									
IT applications	105.3	11.6	-	(48.5)	0.2	35.2	103.8	683.8	(580.0)
Concessions and other rights	100.7	0.1	-	(13.8)	1.3	0.2	88.5	486.4	(397.9)
Public services under concession	3,315.7	182.7	(8.7)	(203.1)	12.8	180.6	3,480.0	6,251.9	(2,771.9)
Customer lists	605.6	-	-	(45.1)	11.4	-	571.9	820.3	(248.4)
Other intangible assets	119.4	66.6	(1.1)	(53.0)	-	2.8	134.7	396.6	(261.9)
Intangible assets ongoing, public services under concession	380.3	245.6	-	-	-	(182.5)	443.4	443.4	-
Intangible assets ongoing	92.6	71.5	(1.9)	(0.6)	-	(38.1)	123.5	123.5	-
Total	**4,719.6**	**578.1**	**(11.7)**	**(364.1)**	**25.7**	**(1.8)**	**4,945.8**	**9,205.9**	**(4,260.1)**

"IT applications" refers to costs incurred in purchasing licenses and implementing corporate information systems.

"Concessions and other rights" mainly include:

- concessions, for 25.9 million euro, primarily involving the rights relating to the activities of gas distribution and integrated water cycle, classified as intangible assets even before the IFRIC 12 interpretation "Service concession arrangements" was first applied;
- the authorisation to operate the Serravalle Pistoiese landfill, for 45.1 million euro, an asset recorded as part of a business combination operation carried out in previous periods and amortised on the basis of the number of tons consigned.

The item "Public services under concession" includes assets relating to gas distribution, electricity distribution (Imola area), the integrated water cycle and public lighting activities (except for the latter, as specified in note 18 "Current financial assets, cash holdings and cash equivalents") provided through contracts awarded by the respective public bodies. These concession relationships and associated assets involved in carrying out the activities for which the Group holds the use rights, are accounted for by applying the intangible asset model as set forth by IFRIC 12 interpretation. Investments for the year related mainly to the water networks, in the amount of 94 million euro, and gas distribution networks, in the amount of 59.3 million euro.

"Intangible assets ongoing and public services under concession" includes investments related to concessions that are still to be completed at the end of the period and mainly refers to the water networks, in the amount of 291.3 million euro, and gas distribution networks, in the amount of 96.7 million euro and urban sanitation in the amount of 26.8 million euro.

"Intangible assets in progress" essentially comprises IT projects not yet completed.

"Customer lists" are recorded as a result of business combination transactions and the consequent valuation of the assets acquired. The amortisation period of these customer lists is correlated to the churn rate identified for each individual transaction.

The item "Other intangible assets" refers mainly to the incremental costs incurred for obtaining new sale contracts represented exclusively by commissions. Investments were significant for the financial year 2024 as well, as a result of the sales development strategy implemented, amounting to 65.5 million euro (against 78.3 million euro in 2023).

"Other changes" includes reclassifications of assets under construction to their specific categories for assets that began to be used during the year and reclassifications to tangible assets, especially when goods used in activities under contract are involved.

"Change in scope of consolidation" reflects the control acquisitions made during the year, for details of which please refer to the section "Business combinations (supplementary information)" contained in Section 2.02.10 "Other information".

24 Goodwill

	31 DEC 24	31 DEC 23	CHANGE
Goodwill	933.0	908.7	24.3

The value of goodwill at 31 December 2024 mainly reflects the following operations of acquisition of control during previous financial periods:

- Ascopiave commercial activities, totalling 431.2 million euro (2019);
- the integration resulted in the creation of Hera Spa, totalling 81.3 million euro (2002);
- merger of Agea Spa, amounting to 41.7 million euro (2004):
- Gruppo Meta, as a result of the merger of Meta Spa into Hera Spa, totalling 117.7 million euro (2005);
- merger of Sat Spa into Hera Spa, amounting to 54.9 million euro (2008);
- A.C.R. Spa, amounting to 27.1 million euro (2023);
- Gruppo Aliplast, amounting to 25 million euro (2017);
- Gruppo Marche Multiservizi, amounting to 20.8 million euro (2006);
- Asco TLC Spa through merger by incorporation into Acantho Spa, amounting to 18.1 million euro (2023);
- F.lli Franchini Srl, amounting to 15.4 million euro (2023).

During the 2024 financial year, a business combination took place resulting in an increase in goodwill for 24.3 million euro, referring to the acquisition of TRS Ecology Srl. For further details on business combination operations, see the section "Business combinations (supplementary information)" of paragraph 2.02.10 "Other information".

Below is the value of goodwill broken down by operating segment:

	31 DEC 24	31 DEC 23	CHANGE
Gas	493.5	493.5	-
Waste management	284.9	260.6	24.3
Electricity	91.2	91.2	-
Water cycle	42.7	42.7	-
Other services	20.7	20.7	-
Total	**933.0**	**908.7**	**24.3**

It should be noted that in 2024 the Electricity segment was reclassified into the Public lighting segment, which was previously included in the Other services segment, consequently the sector was also reclassified at 31 December 2023. For further details please refer to section 1.06 “Analysis by strategic business areas” of the Directors' report.

25 Impairment tests on assets

Cash-generating and goodwill units

Assets, rights of use and goodwill have been subjected to impairment tests by determining the value in use, which is the current value of operating cash flows (duly discounted according to the DCF - discounted cash flow method) resulting from the 2024 - 2028 business plan approved by the Board of Directors of Hera Spa at its 22 January 2025 meeting.

Goodwill allocated to individual cash-generating units (CGUs) is subject to impairment testing at least annually. Specific assets or groups of assets with a defined useful life, understood as the smallest aggregation of assets generating independent cash flows, are subject to impairment testing only if there is an indication that they may be impaired. In particular, for goodwill, the test was conducted on the groups of CGUs that benefit from the synergies arising from the acquisition operation to which the goodwill refers, taking into account any subsequent changes in the composition of the CGUs themselves. These groups of CGU are no larger than the operating segments reported in the corresponding section of paragraph 2.02.10 “Other information”.

In carrying out the impairment tests, it was sufficient to determine the value in use of the CGUs, or groups of CGU, subjected to the impairment test, as it was not necessary to determine the fair value of the assets being assessed.

With reference to the calculation of operating cash flows, the Group has implemented a structured process for preparing and reviewing the business plan, which involves formulating the Plan on an annual basis according to an external context scenario that takes into account the market trends and rules for regulated businesses, with the support of all the business units and following a bottom-up logic. Specifically, assumptions were implemented in developing the 2024 - 2028 business plan consistent with those used in previous plans and, on the basis of the final reported values, forecasts were developed that refer to the most authoritative and updated external sources available wherever necessary.

Revenues for regulated business areas were developed on the basis of the evolution of the rates deriving from national regulations and/or agreements with the area authority. In particular, revenues from energy distribution were projected according to the principles of ARERA resolutions 737/22 (RTDG) for gas and 616/23 (TIT), 163/23 (TIROSS) and 497/23 (version of ROSS-base regulation) for electricity distribution. Account was also taken of the respective rates of return on capital (WACC) definitively approved by ARERA, up to the year 2025, as set forth in the integrated reference text (TIWACC 2022-2027, Resolution 614/21 as amended). For subsequent years, the WACCs were updated in accordance with the methodology indicated by the same resolution and according to the forecasts of the financial and fiscal parameters included in the approved business plan.
Revenues from energy sales under the protected system concerning last resort services were estimated on the basis of the respective reference regulatory texts, i.e. the TIV (resolutions 208/22 and 491/20, as amended and supplemented) for electricity and the TIVG (approved by resolution Arg/Gas/64/09, as amended and supplemented) for gas. Revenues from the awarded Gradual protection services for electricity customers were estimated on the basis of resolution 362/23, while the elimination of protected gas services was formulated in line with resolution 100/2023.
For the integrated water cycle, revenues were forecast in the event of constancy in the volumes distributed, based on the tariffs deriving from the agreements signed with Atersir, as well as from the application of the new Water tariff method (MTI-4) updated by ARERA resolution 639/23, taking into account, among other factors, the parameters underlying the coverage of financial and tax expenses. For urban sanitation, revenues were estimated on the basis of the service contracts signed for the recently renewed concessions (territories of Bologna, Modena, Ravenna/Cesena), as well as the rules deriving from ARERA resolutions on the waste tariff method (Mtr-2) and the hypotheses of new concessions for the territory of Rimini (2026) and Municipality of Ferrara (2028).

Price trends for electric energy and gas bought and sold in the open market were worked out on the basis of business considerations consistent with the planned energy scenario, considering the forecasts provided by a panel of institutional observers.

The development of plants for waste treatment and recycling is consistent with the forecasts of the provincial plans for the provinces in which the Hera Group operates. The investment schedule and the subsequent start of new plants is the result of the best estimate of the managers in charge.

The inertial evolution of the Group's costs in the plan timeframe was developed by formulating hypotheses based on the information available. In relation to employees and labour costs, instead, the indications included in the various types of employment contracts were considered. The first year of the plan represents the base reference for identifying economic, financial and management objectives that converge in the annual budget, the guiding operational element for achieving the Group's growth objectives.

The cash flows generated were therefore determined using the data for the 2025 - 2028 period as a base. In particular, the net profit margin was used, from which taxes were deducted, depreciation and provision were added and the maintenance investments planned for each year of the plan were deducted.

Following the last year of the plan, normalized cash flows (normalised free cash flows) were considered equal to the value of the net operating profit for the last year of the plan, in the event that the value of depreciation and provisions remains equal to the investments. In the event that the plan does not take into account the prediction of future events that significantly influence estimated cash flows as a result of its medium-term timeframe, adjustments were applied in order to also incorporate the effects of such events. The cashflows are calculated by applying the growth rate (g) to the normalised free cash flows with the medium/long-term timeframe to take into account the expected inflation (in the mount of 2%) for the 2029-2044 period (20 years total). For regulated services, these flows are brought into line with the expected continuation of market share following the completion of the expected calls for tenders.

These flows are supplemented by the current value of perpetuity, calculated considering the cash flow resulting from the application of the perpetuity criterion for the last year (2044), assuming a growth factor equal only to the expected inflation of 2%, for both free market services and regulated services, in relation to which market shares are expected to be maintained at the end of the concession for 100% of the tenders in the territories being served.

To discount unleveredcash flows, the rate used was the weighted average cost of capital (WACC), which represents the yield expected by the funders and shareholders of the company for the use of equity capital, adjusted for the risk of the specific country in which the asset being valued. The value of the specific country risk to be included in the discount rate is defined on the basis of information provided by external providers. Since the Group has a diversified business portfolio, with balance between regulated and free-market activities that lower its exposure to cyclical trends in the economy, a methodological approach has been used, which involves observing the twelve months of the last financial year with reference to the main variables underlying the WACC calculation.

More specifically, the rates used for the purposes of the final assessments are as follows:

	2024	2023
WACC Gas - Electricity - Water cycle - Other services	5.04%	5.38%
WACC Waste management	5.68%	6.24%

The results of the test were positive for all cash generating units, with a usage value appearing that was higher than the book value.

Bearing this in mind, two sensitivity scenarios were imagined:

- an initial analysis focused on the margins of the individual businesses, assuming a 5% decrease, with an ensuing reduction in the cashflows produced in the years covered by the plan and the following years;
- a second analysis involved discounting all cash flows using WACC increased by 25 bps.

In both cases, the values obtained were much higher than those recorded in the balance sheets, and this analysis therefore additionally confirmed the carrying values.

Assessments concerning climate change scenarios and consequent sensitivity

The electrification of energy consumption is one of the most significant risks/opportunities related to climate change. Achieving climate change mitigation, as defined through emission reduction targets at the European level and translated on a national basis with related implementation plans, requires initiatives to change both the technologies adopted to meet energy needs and measures to make them more efficient.

The Hera Group has therefore begun conducting specific analyses aimed at identifying the possible impacts of the scenario of transition on the evolution of end customers' energy consumption, with reference to the business areas it has selected within a timeframe that extends up to 2050.
The analyses took into account exogenous drivers, such as national and European policies on the topic and consumer preferences, drivers of change, and related enabling technologies. The results have allowed the company to gauge the impact that the transitional scenario could have on the evolution of gas and electricity consumption as a function of key determinants such as energy efficiency, technology mix, mobility, and self-consumption. These analyses confirmed, in particular, the widespread expectation that the future will witness a growth in electricity consumption and a simultaneous reduction in gas consumption.
With reference to the businesses operated by the Group, the assessments conducted necessarily took into account the differing nature of the regulated distribution business and the free-market sales business.

Regarding the gas distribution business, it should first be mentioned that ordinary and extraordinary maintenance activities, for which tariff remuneration is provided, are correlated to the physicality of the assets and not to the volumes of gas distributed. Indeed, renovation work is mainly carried out to resolve critical issues through event-driven interventions, resulting, for example, from a network or plant leakage or breakdown, or through scheduled operations to comply with the dictates of technical and regulatory standards.
The transitional risk related to climate change thus appears to depend on purely regulatory decisions and future systemic developments in the gas distribution network. One prospect considered likely by the Group is that the drivers generating gas network development needs might change from the need to meet consumption demands to the need to meet input requirements for biomethane and green gas in general that can enable the running of energy production systems using renewable sources.
In this respect, ARERA has also shown interest in exploring issues related to possible transition costs that may emerge when there is a decline in consumption and thus a decline in the use of this energy vector. The 2022-2025 Strategic Framework reveals an awareness of the need to reflect on which market and regulatory tools might be the most suitable to facilitate the carrying out of investments that are of real benefit to the system, in compliance with efficiency and economic sustainability criteria.
At present, however, the Regulatory authority has not issued any measures, deeming that it is proceeding in full accordance with the current regulatory criteria. Therefore, on the basis of these considerations, the Group does not judge that any elements can be identified in the current framework to assume that the system will be severely disrupted without mechanisms in place to protect the financial equilibrium of companies providing gas distribution services.

Electricity distribution, on the other hand, is set to have an ever-increasing impact on the energy grid due to the electrification of consumption. This may in effect represent a development opportunity for the Group, especially if the current concessions were to be put up for tender.

Relative to sales activity, a model scenario extending beyond the horizon of the plan was formulated that, taking into account transitional risks, projects customer consumption by service and type of use through to 2050. In particular, by considering the various effects of energy efficiency and transition dynamics, average volumes by customer cluster were calculated and growth/decrease rates over time were applied to these calculated volumes. To provide an estimate of overall marginality, intermediate steps were taken, estimating the evolution of the customer base in terms of supply points, to which an average volume per segment was attributed, adjusted over time to consider the impact of energy transition. Assuming that the margins hypothesized in the business plan for each service/segment remain constant over time, a significant growth in electricity margins was estimated for the period 2029-2050, associated with a lesser reduction in gas margins.
In order to conduct a sensitivity analysis in relation to the impairment test, projections for natural gas sales were incorporated into the valuation models, both adjusting the annual cash flows up to 2050 (based on the assumptions made previously) by an average of 5 million euro and normalizing the cash flow used to calculate the terminal value by an analogous amount. In this hypothetical scenario as well, the results confirm the full recoverability of the asset values recorded in the balance sheet.

2.02.06 - Shareholdings

During the fiscal year 2024, there were no significant transactions involving the purchase or sale of shareholdings in joint ventures, associated companies and other vehicles. The changes in value from the previous year are therefore mainly attributable to the valuated processes of investee companies.

26 Shareholdings valued using the equity method and Other shareholdings

	31 DEC 24	31 DEC 23	CHANGE
Shareholdings valued using the equity method	127.3	147.0	(19.7)
Other shareholdings	47.3	48.6	(1.3)
Total	**174.6**	**195.6**	**(21.0)**

The changes in joint ventures and associated companies as compared to 31 December 2023 take into account the pro-quota losses and profits reported by the respective companies (including the other components of the comprehensive income statement) as well as the possible reduction of the value for any dividends that were distributed and for depreciations due to the impairment test.

Changes in consolidated shareholdings using the equity method are as follows:

	OPENING VALUE	INVESTMENTS AND DISINVESTMENTS	PROFIT FOR THE YEAR	DIVIDENDS PAID OUT	CHANGES IN THE SCOPE OF CONSOLIDATION	WRITE-DOWNS AND OTHER CHANGES	CLOSING VALUE
31 Dec 23							
Joint ventures							
Enomondo Srl	18.8	-	2.2	(2.2)	-	(0.2)	18.6
Set Spa	27.9	-	0.6	-	-	(5.9)	22.6
Total joint ventures	**46.7**	**-**	**2.8**	**(2.2)**	**-**	**(6.1)**	**41.2**
Associated companies							
Aimag Spa	51.2	-	1.4	(1.7)	-	-	50.9
Sgr Servizi Spa	25.5	-	3.3	(2.1)	-	0.1	26.8
ASM SET Srl	18.9	-	1.5	(1.3)	-	-	19.1
SEA - Servizi Ecologici Ambientali Srl	9.1	-	1.3	(1.4)	-	-	9.0
Total associated companies	**104.7**	**-**	**7.5**	**(6.5)**	**-**	**0.1**	**105.8**
Total	**151.4**	**-**	**10.3**	**(8.7)**	**-**	**(6.0)**	**147.0**
31 Dec 24							
Joint ventures							
Enomondo Srl	18.6	-	2.6	(1.4)	-	(0.1)	19.7
Set Spa	22.6	-	(0.2)	-	-	(22.1)	0.3
Total joint ventures	**41.2**	**-**	**2.4**	**(1.4)**	**-**	**(22.2)**	**20.0**
Associated companies							
Aimag Spa	50.9	-	1.5	-	-	(4.9)	47.5
Sgr Servizi Spa	26.8	-	5.8	(2.2)	-	(0.1)	30.3
ASM SET Srl	19.1	-	1.3	(1.3)	-	0.1	19.2
SEA - Servizi Ecologici Ambientali Srl	9.0	-	1.3	-	-	-	10.3
Total associated companies	**105.8**	**-**	**9.9**	**(3.5)**	**-**	**(4.9)**	**107.3**
Total	**147.0**	**-**	**12.3**	**(4.9)**	**-**	**(27.1)**	**127.3**

The result for the year, essentially in line with the previous year, was positively influenced by the higher profit achieved by Sgr Servizi Spa, which operates in the business of gas and electricity commodity sales to end customers, partially offset by the downturn in the results of the company Set Spa..

"Write-downs and other changes" mainly include the results of the impairment test conducted on the joint venture Set Spa and on the associated company Aimag Spa. For more details on the assumptions and results of the impairment tests to which the carrying values of the investments in affiliates that represent vehicles through which the Group holds shares in the production of electricity generation plants (Set Spa and Tamarete Energia Srl) were subjected, see the information in note 27 "Impairment tests on shareholdings" below.

Investments in companies not included in the scope of consolidation underwent the following changes:

	FAIR VALUE HIERARCHY	OPENING VALUE	INVESTMENTS AND DISINVESTMENTS	FAIR VALUE VALUATIONS	OTHER CHANGES	CLOSING VALUE
31 Dec 23						
Ascopiave Spa	1	27.6	-	(1.7)	-	25.9
Calenia Energia Spa	3	1.7	-	12.7	-	14.4
Veneta Sanitaria Finanza di Progetto Spa	3	3.6	-	-	-	3.6
Other minor companies	3	6.0	-	-	(1.3)	4.7
Total		**38.9**	**-**	**11.0**	**(1.3)**	**48.6**
31 Dec 24						
Ascopiave Spa	1	25.9	-	5.7	-	31.6
Calenia Energia Spa	3	14.4	-	(9.6)	-	4.8
Veneta Sanitaria Finanza di Progetto Spa	3	3.6	-	-	-	3.6
Sinergas Spa	3	-	-	-	2.3	2.3
Other minor companies	3	4.7	0.3	-	-	5.0
Total		**48.6**	**0.3**	**(3.9)**	**2.3**	**47.3**

In the case of shareholdings with a level 1 fair value hierarchy, the value adjustment, recorded in the components of the comprehensive income statement, makes it possible to align the book value of the shares with the market prices at the end of the year. In the case of investments with a level 3 hierarchy, the results obtained from the application of valuation techniques based on internal estimates, in the absence of observable market parameters, led to the recognition among the components of the comprehensive income statement of a negative adjustment to the carrying value of the investment in Calenia Energia Spa.

Below are presented the main aggregate values of the joint ventures Enomondo Srl and Set Spa, as well as companies with significant influence (Aimag Spa, ASM SET Srl, SEA Srl, Sgr Servizi Spa and Tamarete Energia Srl):

ASSETS	JOINT VENTURES	ASSOCIATED COMPANIES	TOTAL
Non-current assets			
Property, plants and equipment	125.0	305.5	430.5
Rights of use	-	0.8	0.8
Intangible assets	0.3	58.3	58.6
Goodwill	-	98.0	98.0
Other shareholdings	-	6.8	6.8
Financial assets	0.1	13.5	13.6
Deferred tax assets	1.9	1.1	3.0
Total non-current assets	**127.3**	**484.0**	**611.3**
Current assets			
Inventories	3.4	3.5	6.9
Trade receivables	62.1	212.0	274.1
Financial assets	-	3.8	3.8
Current tax assets	5.9	0.2	6.1
Assets from contracts with current customers	-	0.1	0.1

Other current assets	8.1	100.8	108.9
Derivative instruments	0.1	-	0.1
Cash and cash equivalents	13.0	24.2	37.2
Total current assets	**92.6**	**344.6**	**437.2**
Total assets	**219.9**	**828.6**	**1,048.5**

NET EQUITY AND LIABILITIES	COMPANY JOINT VENTURES	COMPANY ASSOCIATED COMPANIES	TOTAL
Share capital and reserves			
Share capital	14.1	87.9	102.0
Reserves	93.1	232.0	325.1
Profit (loss) for the period	4.8	33.5	38.3
Group net equity	**112.0**	**353.4**	**465.4**
Non-controlling interests		15.6	15.6
Total net equity	**112.0**	**369.0**	**481.0**
Non-current liabilities			
Non-current financial liabilities	23.8	204.9	228.7
Non-current lease liabilities	-	0.6	0.6
Employee benefits	0.3	6.1	6.4
Provisions	0.3	44.4	44.7
Deferred tax liabilities	0.3	0.5	0.8
Derivative financial instruments	0.1	-	0.1
Total non-current liabilities	**24.8**	**256.5**	**281.3**
Current liabilities			
Current financial liabilities	6.7	0.1	6.8
Current lease liabilities	-	0.2	0.2
Trade payables	69.2	162.9	232.1
Current tax liabilities	0.2	-	0.2
Other current liabilities	7.0	39.9	46.9
Total current liabilities	**83.1**	**203.1**	**286.2**
Total liabilities	**107.9**	**459.6**	**567.5**
Total net equity and total liabilities	**219.9**	**828.6**	**1,048.5**

INCOME STATEMENT	COMPANY JOINT VENTURES	COMPANY ASSOCIATED COMPANIES	TOTAL
Revenues	132.1	673.1	805.2
Other operating revenues	5.1	0.7	5.8
Raw and other materials	(84.8)	(395.1)	(479.9)
Service costs	(25.6)	(123.3)	(148.9)
Personnel costs	(2.7)	(34.5)	(37.2)
Amortisation, provisions and depreciation	(15.0)	(55.2)	(70.2)
Other operating expenses	(0.7)	(8.4)	(9.1)
Operating profit	**8.4**	**57.3**	**65.7**
Financial income	0.5	11.2	11.7
Financial expenses	(2.7)	(17.8)	(20.5)
Total financial operations	**(2.2)**	**(6.6)**	**(8.8)**
Other non-operating revenues (expenses)	(0.1)	-	(0.1)
Earnings before taxes	**6.1**	**50.7**	**56.8**
Taxes for the period	(1.3)	(16.2)	(17.5)
Net profit for the period	**4.8**	**34.5**	**39.3**

27 Impairment tests shareholdings

As regards the market for electric generation, in the presence of impairment indicators and in keeping with previous financial periods, an in-depth analysis was performed to determine the recoverable amount of the Group's investments, and related financial assets, operating in the sector. In particular, the analysis was conducted by discounting the value of the cash flows expected to be generated over the remaining useful lives of the plants of Set Sp and Tamarete Energia Srl.

The 2024 financial year was characterised by a rising trend in the price of gas and electricity on the benchmark markets, albeit at lower levels than in the past, maintaining a negative baseload Clean spark spread (CSS). The trend in the short to medium term shows no signs of improvement in the CSS baseload, due to the growing penetration of RES and the entry of new high-efficiency Combined Cycle Gas Turbine (CCGT) capacity incentivised by Capacity Market auctions with competitive pressure on existing CCGTs characterised by lower efficiency. Various causes have determined the performance of the electricity market in recent years and can be traced back to cyclical factors, as regards both supply and demand. The main factors affecting current price dynamics are to be found in:

- an increasing amount of renewable generation within the production mix, due to the steady increase in wind and photovoltaic plants;
- moderate growth in GDP and the drive for consumption efficiency (guided by the objectives of European and national climate policies) that contributed to slight growth in energy demand;
- European and national policies favouring the reduction of CO2 emissions.

Based on the scenarios developed, it is believed that the market will maintain a negative Clean spark spread baseload in the short term, due in particular to a combination of multiple factors, including:

- the entry of new and highly efficient capacity (CCGT) subsidised by the Capacity Market mechanism that is gradually replacing coal plants, aimed at phasing them out by 2030;
- the end-of-life of CCGT plants having lower efficiency, which, for several years now, has been creating favourable market conditions for interventions to improve efficiency and flexibility and which will be given an adequate return on investment with the margins that can be extracted from the day-ahead and dispatching markets. These investments not only increase the adequacy of the system in the medium to long term, but are also necessary to guarantee an adequate amount of margins;
- consequently, low margins on the day-ahead market;
- increasing role of renewable energy sources, supported by the challenging European decarbonisation targets and by the need to reduce geopolitical risk in energy sources.

That said, future cash flows determined on the basis of the medium/long-term energy scenario the Group considered to be the most likely, formulated on the basis of independent expert assumptions consistent with growth expectations for energy demand, installed power, the demand for combined cycle and the system's expected reserve margin. This scenario alters the one used in the previous exercise, affecting future Clean spark spread values. The estimated cash flows were discounted using a WACC of 5.73% (as against a 5.93% WACC used in 2023), calculated in the same manner as illustrated for the cash generating units in note 25 "Impairment tests on assets".

The outcome of the test resulted in a write-down of the investment in Set Spa amounting to 22.1 million euro and confirmed a highly critical scenario for Tamarete Energia Srl, as the conditions for the recovery of the amounts invested did not emerge.

Two sensitivity scenarios were also hypothesised:

- an initial sensitivity analysis was developed assuming a CSS reduced by 1 euro/MWh, with a consequent reduction in the cash flows produced over the life of the plants;
- a second analysis hypothesized discounting all cash flows using a WACC increased by 25 bps.

The first scenario would result in a further write-down in Set Spa amounting to 1.1 million euro (including financial receivables), while in the second scenario the value of the investment would be essentially equivalent to its current book value.
At the end of the valuation process, the carrying amount of financial assets, shareholdings and receivables attributable to Set Spa respectively came to 0.3 million euro and 8.9 million euro, while the financial assets attributable to Tamarete Energia Srl were written down in full.

28 Cash flows related to investment activities

Investments in subsidiary companies and business units net of cash holdings
For further details on the acquisition transactions carried out during 2024, see paragraph 2.02.10, "Other Information". The table below shows in details the main cash disbursements and cash holdings acquired, when present, associated with investments in companies and business units made during the period.

31 DEC 24	TRS ECOLOGY SRL	TRIVENETA SCARL	"SOELIA" BUSINESS UNIT	OTHER MINOR COMPANIES	TOTAL INVESTMENTS
Cash outlays leading to the acquisition of control	23.6	1.0	8.7	0.1	33.4
Cash holdings acquired	(0.1)	(0.2)			(0.3)
Investments in subsidiary companies and business units net of cash holdings	**23.5**	**0.8**	**8.7**	**0.1**	**33.1**
Cash outlays in non-controlled equity investments			-		-
Investments in subsidiary companies, business units and other shareholdings	**23.5**	**0.8**	**8.7**	**0.5**	**33.5**

Increase/decrease in other investment activities
The following is a breakdown of information on changes in the other investment activities during the 2024 financial year, differentiating between cash flows and non-cash flows.

TYPE	31 DEC 24	31 DEC 23	CHANGE (A)	NON-CASH FLOWS				CASH FLOWS (F)=[(B)+(C)+(D)+(E)]-(A)
				ACQUISITIONS DIVESTITURES (B)	ECONOMIC VALUATION COMPONENTS (C)	CHANGES IN FAIR VALUE (D)	OTHER CHANGES (E)	
Current and non-current financial assets	181.1	253.7	(72.6)	-	9.2	-	(0.6)	81.2

"Economic valuation components" include income from discounting non-current financial receivables amounting to 6.8 million euro, as reported in note 9 "Financial income" as well as the economic effects of the write-up of financial receivables related to loans granted to equity-accounted companies and other minor shareholdings, as discussed in note 9 "Financial Income".

The cash flow for the period includes, in particular, the collection in January 2024 of 43.6 million euro from the transfer of tax credits for energy efficiency completed at the end of the financial year 2023.

2.02.07 - Derivatives and related instruments

The derivative instruments used by the Group are divided into two types based on the underlying assets hedged: interest and exchange rates with reference to financing transactions, and commodities with reference to the commercial purchase and sale of gas and electricity. All commodity derivatives are classified as current assets and liabilities by virtue of the high level of liquidity and the operational time span that characterize these instruments.

29 Derivative instruments

As at 31 December 2024, the Group had no exposure to interest rate and exchange rate derivatives as the effects of derivatives intended as cash flow hedges and fair value hedges came to an end during the year, following the repayment of the underlying loans.
The net exposure of commodity derivatives, which was negative at 31 December 2024, was particularly affected by lower notional amounts, compared to the previous year, and lower average prices of contracts valued at the end of 2024.

	31 DEC 24			31 DEC 23			CHANGE
	FAIR VALUE ASSETS	FAIR VALUE LIABILITIES	NET EFFECT	FAIR VALUE ASSETS	FAIR VALUE LIABILITIES	NET EFFECT	NET EFFECT
Interest/exchange rate derivatives							
Loans	-	-	-	0.3	-	0.3	(0.3)
Foreign currency loans	-	-	-	0.9	21.6	(20.7)	20.7
Total interest/exchange rate derivatives	**-**	**-**	**-**	**1.2**	**21.6**	**(20.4)**	**20.4**
Commodity derivatives							
Commercial portfolio	161.1	160.9	0.2	409.5	336.9	72.6	(72.3)
Trading portfolio	21.3	46.5	(25.2)	67.6	99.1	(31.5)	6.3
Total commodity derivatives	**182.4**	**207.4**	**(25.0)**	**477.1**	**436.0**	**41.1**	**(66.1)**
Total derivatives	**182.4**	**207.4**	**(25.0)**	**478.3**	**457.6**	**20.7**	**(45.7)**
of which non-current	-	-		0.3	-		
of which current	182.4	207.4		478.0	457.6		

The operational management of commodities is carried out through a process that identifies objectives, strategies and responsibilities for each existing operation. Contracts, both financial and physical in nature, are classified into the commercial or trading portfolios according to the purpose of the contracts.
The Group's internal organisational model makes it possible to identify the nature of the operation (commercial or trading) already at the inception of the contract and produce the information required for a formal identification of the purpose of derivatives.
The centralised management of hedging transactions allows every possible synergy to be introduced for covering electricity and gas requirements and is supplemented with exchange rate transactions, as well as being realised through the exclusive use of swap contracts or other authorised derivatives.
All other derivatives or similar instruments that are not intended to hedge the Group's requirements are classified in the trading portfolio.

Rate derivatives

The effects for the period of interest and exchange rate derivative financial instruments, compared with the previous period, are displayed below:

		31 DEC 24			31 DEC 23		
TYPE	FAIR VALUE HIERARCHY	NOTIONAL	FAIR VALUE ASSETS	FAIR VALUE LIABILITIES	NOTIONAL	FAIR VALUE ASSETS	FAIR VALUE LIABILITIES
Cash flow hedge	2	-	-	-	5.9 mn	0.3	-
Fair value hedge	2	-	-	-	149.8 mn	0.9	21.6
Total fair value			**-**	**-**		**1.2**	**21.6**

		31 DEC 24			31 DEC 23		
TYPE	FAIR VALUE HIERARCHY	INCOME	EXPENSES	NET EFFECT	INCOME	EXPENSES	NET EFFECT
Cash flow hedge	2	0.3	-	0.3	0.2	-	0.2
Fair value hedge	2	26.3	(8.1)	18.2	4.9	(23.8)	(18.9)
Total income (expenses)		**26.6**	**(8.1)**	**18.5**	**5.1**	**(23.8)**	**(18.7)**

The change in the fair value of derivatives classified as cash flow hedges is due to the conclusion of contracts outstanding at 31 December 2023 resulting in the zeroing of the notional amount of the derivative. The effect on the statement of comprehensive income for 2024 is an expense amounting to 0.3 million euro.

Derivatives designated as hedges of interest rate and exchange rate risks and of the fair value of foreign currency financial liabilities (fair value hedges), in the form of interest rate swaps (IRS) and cross currency swaps (CCS), are related to a bond denominated in Japanese yen, expiring in August 2024, with a remaining notional amount of 20 billion yen equal to 149.8 million euro (converted at the original exchange rate being hedged).

The table below provides a breakdown of financial income and expense associated with derivatives designated as fair value hedges and related underlying liabilities, as adjusted for the income and losses attributable to the hedged risk:

FAIR VALUE HEDGES			31 DEC 24			31 DEC 23
	INCOME	EXPENSES	NET EFFECT	INCOME	EXPENSES	NET EFFECT
Assessment of derivatives	21.6	(0.6)	21.0	-	(14.6)	(14.6)
Accrued interests	-	(0.4)	(0.4)	0.5	(0.7)	(0.2)
Realised cash flows	4.7	(7.1)	(2.4)	4.4	(8.5)	(4.1)
Economic effect of derivatives fair value hedges	**26.3**	**(8.1)**	**18.2**	**4.9**	**(23.8)**	**(18.9)**

UNDERLYING AMOUNTS HEDGED			31 DEC 24			31 DEC 23
	INCOME	EXPENSES	NET EFFECT	INCOME	EXPENSES	NET EFFECT
Assessment of financial liabilities	-	(21.2)	(21.2)	15.6	-	15.6

Commodity derivatives

Commercial portfolio

The commercial portfolio includes commodity derivative instruments, both financial and physical, entered into to hedge mismatches between purchase and sale formulas, which are classed into the following categories:

Operations management

TYPE				31 DEC 24			31 DEC 23
	FAIR VALUE HIERARCHY	NOTIONAL	FAIR VALUE ASSETS	FAIR VALUE LIABILITIES	NOTIONAL	FAIR VALUE ASSETS	FAIR VALUE LIABILITIES
Gas formulas	3	14,977,245 MWh	136.5		13,984,372 MWh	210.0	
Electricity formulas	2	1,646,775 MWh	24.2		2,690,293 MWh	199.2	
Other commodities	3		-		7,649 Ton	0.3	
Exchange	2	24,328,000 USD	0.4		935,000 USD	0.0	
Gas formulas	3	15,545,353 MWh		143.6	13,108,766 MWh		189.2
Electricity formulas	2	1,450,939 MWh		17.1	3,186,649 MWh		147.4
Other commodities	3	7,284 Ton		0.2	-		-
Exchange	2			-	19,620,000 USD		0.3
Total fair value			**161.1**	**160.9**		**409.5**	**336.9**

The main objectives of these contracts are to replicate the cash flows of the formulas on sale in the market and to cover the spread between benchmark markets (TTF and PSV). In order to assess the impact that fluctuations in the market price of the underlying asset have on the financial derivatives attributable to the commercial portfolio, the PaR (Profit at Risk) tool is used, that is the change in the value of the portfolio of derivative financial instruments within pre-established probability hypotheses as a result of a shift in market indexes.

The decrease in fair value compared to the previous year was mainly affected by:

- the effect of lower notional amounts and lower average prices of electricity formula contracts effective at the end of the period;
- the effect of the negative net fair value of gas formula contracts, particularly with TTF index, signed during the year at lower average prices than in previous years.

Overall effect of these instruments on the statement of comprehensive income is broken down as follows:

COMMODITY DERIVATIVES COMMERCIAL PORTFOLIO		31 DEC 24			31 DEC 23	
	POSITIVE COMPONENTS	NEGATIVE COMPONENTS	NET EFFECT .	POSITIVE COMPONENTS	NEGATIVE COMPONENTS	NET EFFECT .
Changes to expected cash flows	(1.2)	-	(1.2)	47.2	-	47.2
Reserve transferred to the income statement	1,055.7	(1,126.9)	(71.2)	2,036.1	(2,372.2)	(336.1)
Derivatives effect on statement of comprehensive income cash flow hedge	**1,054.5**	**(1,126.9)**	**(72.4)**	**2,083.3**	**(2,372.2)**	**(288.9)**

The components recognised in the statement of comprehensive income are transferred back to the income statement at the maturity dates of the corresponding hedged items.

The effect on the income statement of the realised of derivative or similar contracts, whether physical or financial, may be broken down as follows:

PHYSICAL CONTRACTS TREATED AS DERIVATIVES			FINANCIAL DERIVATIVE CONTRACTS		OVERALL EFFECT
Sales revenues	1,088.1		Income	38.8	1,126.9
Purchasing costs	(1,059.7)		Expenses	4.0	(1,055.7)
Effect of realising derivative cash flow hedges	**28.4**			**42.8**	**71.2**

Sensitivity analysis - Commercial portfolio

Assuming an instant increase of 30 euro/MWh of the TTF, with no change in the national standard price curve, the potential increase in the fair value of derivative financial instruments held at 31 December 2024 would amount to approximately 3.4 million euro. On the contrary, an instant fall in the same amount would bring about a potential decrease in the fair value of the instruments of approximately 3.4 million euro.

Assuming an instant +30 euro/MWh change in the national standard price curve, with no change in the TTF price, the potential increase in the fair value of derivative financial instruments of the commercial portfolio held at 31 December 2024 would amount to approximately 2.2 million euro. On the contrary, an instant change of -30 euro/MWh would bring about a potential decrease in the fair value of the instruments of approximately 2.2 million euro.

In the organizational model described above, these changes in fair value would affect derivative instruments accounted for as hedges thus the opposite variation of net equity would be recorded in the income statement.

Trading portfolio

The trading portfolio includes derivatives or similar instruments that are not intended to hedge the Group's requirements and are entered into for speculative purposes. These instruments may be broken down into the following types:

Operations management

TYPE			31 DEC 24			31 DEC 23	
	FAIR VALUE HIERARCHY	NOTIONAL	FAIR VALUE ASSETS	FAIR VALUE LIABILITIES	NOTIONAL	FAIR VALUE ASSETS	FAIR VALUE LIABILITIES
Electricity formulas	2	1,738,529 MWh	21.3		3,311,730 MWh	67.6	
Electricity formulas	2	2,492,178 MWh		46.5	4,507,848 MWh		99.1
Total fair value			**21.3**	**46.5**		**67.6**	**99.1**

TYPE		31 DEC 24			31 DEC 23	
	INCOME	EXPENSES	NET EFFECT	INCOME	EXPENSES	NET EFFECT
Assessment of derivatives	120.2	(113.9)	6.3	170.1	(189.4)	(19.3)
Realised cash flows	69.0	(50.1)	18.9	36.0	(59.1)	(23.1)
Economic effect of derivatives	**189.2**	**(164.0)**	**25.2**	**206.1**	**(248.5)**	**(42.4)**

In order to assess the impact that fluctuations in market prices of the underlying asset have on the derivatives attributable to the trading portfolio, the VaR (Value at Risk) instrument is used, that is the negative change in the value of the portfolio of derivative instruments within pre-established probability hypotheses as a result of an unfavourable shift in market indexes.

The decrease in fair value from last year was affected by both lower notional amounts and lower average contract prices at the end of the period.

The effect on the income statement of exchanges realised on derivative or similar contracts, whether physical or financial, can be broken down as follows:

CONTRACTS TREATED AS DERIVATIVES		FINANCIAL DERIVATIVE CONTRACTS		OVERALL EFFECT
Sales revenues	47.9	Income	21.1	69.0
Purchasing costs	(10.7)	Expenses	(39.4)	(50.1)
Effect of realising derivatives	**37.2**		**(18.3)**	**18.9**

Sensitivity analysis - Trading portfolio
Assuming an instant +30 euro/MWh change in the national standard price curve, with equal TTF price, the potential increase in the fair value of derivative financial instruments of the trading portfolio held at 31 December 2024 would amount to approximately 3.7 million euro. On the contrary, an instant change of -30 euro/MWh would bring about a potential decrease in the fair value of the instruments of approximately 3.7 million euro.

2.02.08 - Provisions and contingent liabilities

30 Employee benefits

The item includes provisions for employee leaving indemnities and other contractual benefits, net of advances paid out and payments made to the social security institutions pursuant to current regulations. The calculation is made using actuarial techniques and discounting future liabilities to the balance sheet date. These liabilities comprise the employee's matured receivables at the presumed date of leaving the company.

	OPENING VALUE	SERVICE COST	FINANCIAL EXPENSES	ACTUARIAL PROFIT (LOSSES)	USES	OTHER MOVEMENTS	CHANGES IN THE SCOPE OF CONSOLIDATION	CLOSING VALUE
31 Dec 23								
Post-employment	79.4	1.0	2.5	1.5	(9.7)	-	1.1	75.8
Other benefits	12.6	-	0.5	0.5	(1.3)	-	-	12.3
Total	**92.0**	**1.0**	**3.0**	**2.0**	**(11.0)**	**-**	**1.1**	**88.1**
31 Dec 24								
Post-employment	75.8	1.1	2.0	0.3	(9.0)	-	0.1	70.3
Other benefits	12.3	-	0.4	(2.1)	(1.0)	-	-	9.6
Total	**88.1**	**1.1**	**2.4**	**(1.8)**	**(10.0)**	**-**	**0.1**	**79.9**

"Other benefits" comprise the following:

- gas discount, an annual allowance provided to Federgasacqua employees, hired prior to January 1980, which may be transferred to their heirs;
- Premungas, a supplementary pension fund for employee members of Federgasacqua hired prior to January 1980. This fund, closed with effect from January 1997, undergoes changes on a quarterly basis solely to settle payments made to eligible retirees;
- tariff reduction, set up to cover the charges deriving from the acknowledgement to retired staff of the electricity business unit of tariff concessions for electricity consumption.

The item "Service Cost" regards companies with a small number of employees for whom the employee severance indemnity fund continues to represent a defined benefit plan.

"Financial expenses" are calculated by applying a specific discount rate for each company, determined on the basis of the average financial life of the bond.

"Actuarial profit (losses)" reflect the re-measurement of the liabilities for employee benefits arising from changes in actuarial assumptions. These effects are recorded directly in the other items of the comprehensive income statement.

"Changes in the scope of consolidation" includes the post-employment provision acquired following the business combinations carried out during the period.

The table below outlines the main assumptions used in the actuarial estimate of employee benefits, subdivided by geographical area:

	CENTRAL AREA	NORTH-EAST AREA
Technical yearly discount rate	2.78%	2.78%
Overall increase of salary yearly rate	2.50%	2.50%
Yearly frequency of exit from work for reasons other than death	2.12%	3.16%
Yearly average frequency of use of severance pay provision	2.19%	1.86%

In interpreting said assumptions, account is taken of the following:

- with regard to the inflation rate, the inflation assumption was inferred by adopting the Extended National Consumer Price index of 2% for the year 2025 and for the following years;
- for probabilities of death, ISTAT 2023 tables were consulted;
- in the actuarial valuations, account was taken of the new effective dates for pensions under Law Decree of 6 December 2011, no. 201 of 6 December 2011 as amended by Law no. 214 of 22 December 2011, as well as the regulation for adjusting requirements for accessing the pension system in view of increased life expectancies in accordance with Article 12 of Legislative Decree no. 78 of 31 May 2010 as amended by Law no. 122 of 30 July 2010;
- for the likelihood of leaving employment for reasons other than death, an average yearly exit rate of 2.12% was hypothesized for the central area and 3.16% for the north-east area, since the analysis differentiated by professional level and sex did not result in statistically significant results;
- to take into account the phenomenon of early leaving, the incidence and amount of average anticipated severance pay were hypothesized. The frequency of advance payments as well as the average percentage of severance pay requested as an advance were drawn from corporate data. The rate of severance pay requested as an advance was hypothesized at 70% of severance pay or the maximum amount set by current regulations.

Actuarial projections were made on the basis of the Euro Composite AA yield curve at 31 December 2024.

Sensitivity Analysis - Obligations of defined-benefit plans

Assuming a 50 bps increase in the internal rate of return compared to the discount rate actually applied to value the liabilities at December 31st 2024, all other actuarial assumptions being equal, the potential decrease of the present value of the existing defined-benefit obligations (DBO) would amount to about 1.4 million euro. Likewise assuming a reduction of this rate of 50 bps, there would be an increase in the present value of the liabilities of about 1.5 million euro.

Assuming a 50 bps increase in the in the rate of inflation compared to that actually applied to value the liabilities at 31 December 2024, all other actuarial assumptions being equal, the potential increase of the present value of the existing defined-benefit obligations (DBO) would amount to about 0.9 million euros. Likewise, assuming a reduction of this rate of 50 bps, there would be a decrease in the present value of the liabilities of approximately 0.9 million euro.

Changes in the remaining actuarial assumptions would not produce significant effects on the present value of the liabilities of the defined-benefit plans reported in the financial statement.

31 Provisions

31 Dec 23	OPENING VALUE	PROVISIONS	FINANCIAL EXPENSES	USES	OTHER MOVEMENTS	CHANGES IN THE SCOPE OF CONSOLIDATION	CLOSING VALUE
Provision for third-party asset restoration	217.9	6.4	4.4	-	0.1	-	228.8
Provision for closure and post-closure landfill expenses	186.3	6.6	0.3	(12.0)	3.9	-	185.1
Provision for personnel lawsuits and disputes	10.9	8.1	-	(3.0)	(1.0)	-	15.0
Provisions for waste disposal	9.7	8.3	-	(9.4)	(0.1)	-	8.5
Provision for plants dismantling	6.1	0.1	0.1	-	-	-	6.3
Other provisions	134.7	59.0	-	(3.3)	(16.5)	0.2	174.1
Total	**565.6**	**88.5**	**4.8**	**(27.7)**	**(13.6)**	**0.2**	**617.8**

31 Dec 24							
Provision for third-party asset restoration	228.8	6.4	5.2	-	(0.1)	-	240.3
Provision for closure and post-closure landfill expenses	185.1	10.5	18.6	(13.4)	9.4	-	210.2
Provision for personnel lawsuits and disputes	15.0	2.8	-	(2.7)	(0.3)	-	14.8
Provisions for waste disposal	8.5	8.5	-	(8.2)	(0.2)	1.0	9.6
Provision for plants dismantling	6.3	-	0.2	-	0.2	-	6.7
Other provisions	174.1	48.1	-	(10.6)	(3.0)	2.9	211.5
Total	**617.8**	**76.3**	**24.0**	**(34.9)**	**6.0**	**3.9**	**693.1**

The "Provision for third-party asset restoration" includes provisions made in relation to law and contractual requirements for the Group companies as lessees of the distribution networks of the entity that owns the assets. The allocations are made on the basis of amortisation rates held to be representative of the remaining useful life of the assets in question in order to compensate the owner companies for the wear and tear of the assets used for business activities. In the event that the concession system is not yet undergoing an extension, pending the setting of calls for tenders for the area, this provision reflects the present value of the disbursements that will be determined in future periods (generally at the expiry of the agreements signed with the area authorities, in the case of the water service, and at the end of the transitional period provided for by current legislation, in the case of gas distribution). The increases in the provision comprise the sum total of the provisions for the year, including those discounted to present value, and the financial charges for the period associated with the cash flows discounted to present value. Note that since most of the concessions are undergoing an extension, the discounting process and the resulting financial charges only refer to concessions that are still fully in force.

The "Provision for landfill closure and post-closure expenses" represents the amount set aside to cover the costs which will have to be incurred for the management of the closure and post-closure period pertaining to the landfills currently managed. Future outlays, calculated for each landfill by means of a specific appraisal, have been discounted to present value. The increases in the provision comprise the financial component derived from the discounting process and provisions due to changes in the assumptions about future outlays, following the change in expert estimates on closed landfills.
Financial expenses increased significantly compared to the previous year, mainly due to updates in the parameters used to reflect current market conditions. In this regard, it should be noted that at 31 December 2023, the revision of the discount rate had led to a decrease in the present value, resulting in a significant reduction in expenses that almost entirely offset the financial effect arising from the passage of time.
Uses are made up of actual disbursements that occurred during the year, while "Other movements" mainly includes estimated closure and post-closure costs in relation to newly constructed landfills and the changes in the estimated closure and post-closure costs of active landfills, which required the recording of an adjustment having the same amount as the value of plants (landfill assets), totalling 9.4 million euro for 2024.

"Provision for personnel lawsuits and disputes" reflects the outcomes of lawsuits and disputes brought by employees.

"Provision for waste disposal" reports the estimated costs of the disposal of waste already stored at the Group's plants. The provisions reflect the estimated costs of the collections for 2024 not yet treated at the end of the financial period, while the uses represent the costs incurred over the period for treating residual waste that was stored at 31 December 2023.

"Provision for plants dismantling" includes the amounts allocated for the future dismantling of the plants for cases in which it is mandatory.

"Other provisions" comprise provisions made against sundry risks. Below, there is a description of the main items:

LIABILITIES MN€	TYPE	31 DEC 24	31 DEC 23
Risks arising from the activity of energy efficiency upgrading of buildings carried out on behalf of end customers, particularly apartment buildings	Likely	18.3	23.8
Non-recognition of expenses reported in regulated energy markets	Likely	15.8	-
Guarantee on financial exposure granted by AcegasApsAmga Spa in case of abandonment of the operations run for the most part by the foreign subsidiary AresGas (Bulgaria).	Contingent	11.3	11.3
Risk of non-reimbursement by the Customs Agency, relating to surcharges on electricity reimbursed to end users	Likely	10.3	9.0
Risk of litigation with the Guarantor Authority	Likely	10.0	-

Non-recognition of the higher cost of the electricity used in the water service in 2022, for having exceeded the maximum allowable limit under the tariff system	Likely	9.3	9.3
Non-recognition of the cogeneration plants' green certificates amount, calculated according to the difference between auxiliary services resulting from total self-consumption and services estimated on the basis of the benchmark percentage	Likely	8.9	14.0
Expenses for future work on the plants impacted by the 2023 flood covered by insurance reimbursements already received	Likely	8.9	-

The liabilities classified as contingent were recognised as part of the business combination in the year in which it occurred.

Allocations relative to "Other provisions" amount to 48.1 million euro, decreasing from the previous year mainly due to:

- significant reduction in energy efficiency work in buildings and associated risks, arising especially with contractors;
- decrease in provisions for the decommissioning of treatment plants, which had already been largely allocated at 31 December 2023;
- valuation at 31 December 2024 of the risk arising from Arera Resolution no. 388 in relation to customers in the non-dispatchable safeguarded market, to be considered plausible for reporting procedures;
- risk assessment at 31 December 2024 in relation to a likely complaint by the Privacy Authority.

The "Change in the scope of consolidation" include the provisions of the companies and business units over which control was acquired during the financial year 2024, as reported in note 2.02.10 "Other information".

For detailed information on the provisions entered for tax litigations, see note 12 "Taxes".

2.02.09 - Operating working capital

	NOTES	31 DEC 24	31 DEC 23	CHANGE
Inventories	32	168.1	198.5	(30.4)
Trade receivables	33	3,172.5	3,586.8	(414.3)
Trade payables	34	(2,723.9)	(2,619.3)	(104.6)
Current tax assets	13	31.3	11.4	19.9
Current tax liabilities	13	(48.2)	(110.2)	62.0
Current assets from contracts with customers	35	263.9	433.1	(169.2)
Current liabilities from contracts with customers	36	(203.2)	(397.4)	194.2
Other current assets	37	1,104.5	509.3	595.2
Other current liabilities	38	(1,512.8)	(1,487.3)	(25.5)
Operating working capital		**252.2**	**124.9**	**127.3**

Operating working capital consists of the same components as net working capital, as defined by the alternative performance indicators in Section 1.04 "Overview of operating and financial trends and definition of alternative performance measures", with the exception of current portions of assets and liabilities for commodity derivatives.
The change from the year of comparison is especially influenced by fewer energy efficiency work carried out on apartment buildings, which led to a significant decrease in trade payables, not matched by an equal decrease in trade and tax receivables, particularly due to the specific recovery methods through four-part compensation of invoice discount receivables generated by 110% superbonus works. Related to the above is also the decrease in the value added tax payable, which in December 2023 was affected by the significant number of invoices for work falling under the 110% superbonus, an occurrence that did not happen in the current year. In addition, it should be noted that the payment in 2024 of the balance of income taxes recognised as debit at 31 December 2023 had a significant effect, seeing as in 2023 this value was for some relevant companies particularly significant as it reflected lower previous payments due to the lower earnings generated.
These effects were partially offset by the reclassification of the amounts received as advances related to the gas settlement process from "Current financial liabilities" to "Trade payables", amounting to 154.1 million euro at December 2023. For further details, reference should be made to paragraph 2.02.01 "Introduction".

32 Inventories

	31 DEC 24	31 DEC 23	CHANGE
Gas stocks	85.8	114.6	(28.8)
Raw materials and stocks	69.2	70.2	(1.0)
Materials earmarked for sale and finished products	13.1	13.7	(0.6)
Total	**168.1**	**198.5**	**(30.4)**

"Gas stocks", stated net of the relative depreciation provision, represent the stocks of natural gas held for sale. The change compared to the end of the previous year is mainly due to:

- the decrease in wholesale prices recorded in 2024, which led to a lower average book cost;
- lower volumes in stock at the end of the period, due to the lower storage capacity purchased for the 2024-2025 autumn-winter season.

As illustrated in the Directors' report, in section 1.04 "Overview of operating and financial performance and definition of alternative performance measures", in determining the average cost of inventories, all purchases of natural gas made during the storage injection period are taken into consideration, without distinction as to their end purpose, unlike what is done managerially, in order to monitor this business more precisely. The decrease in prices and the criterion of a mass valuation of contracts led to a book value of the stock that is higher than what can be identified as its net sales value, in light of the forward sales contracts already signed by the Group at the date referred to by the financial statements. For these reasons, the value of these stocks was adjusted to their presumed realisable value net of selling costs, recognising an end-of-period adjustment of 17.8 million euro (27.4 million euro at 31 December 2023).

"Raw materials and stocks", already presented net of an associated obsolescence provision, mainly includes:

	31 DEC 24	31 DEC 23	CHANGE
Spare materials and equipment	61.8	61.3	0.5
Plastic materials	7.2	8.8	(1.6)
Other fuels	0.2	0.1	0.1
Total	**69.2**	**70.2**	**(1.0)**

"Materials earmarked for sale and finished products", already stated net of the relevant provision for depreciation, mainly consists of:

	31 DEC 24	31 DEC 23	CHANGE
Plastic products	9.9	8.4	1.5
Material for photovoltaic systems	3.0	4.9	(1.9)
Other products/materials	0.2	0.4	(0.2)
Total	**13.1**	**13.7**	**(0.6)**

As stated in section 2.02.01 "Introduction", over the course of the current financial period certain reclassifications have been introduced into the financial statements and therefore some figures were re-stated as compared to what was reported at 31 December 2023. In particular, it should be noted that in the previous year, "Inventories" included the results of contract work in progress amounting to 433.1 million euro, which were reported at 31 December 2024, for both comparison periods, under the newly introduced item "Current assets from contracts with customers2.

33 Trade receivables

	31 DEC 24	31 DEC 23	CHANGE
Receivables from customers	2,133.9	3,066.5	(932.6)
Receivables from customers for bills and invoices not yet issued	1,748.7	1,147.0	601.7
Provisions for bad debts	(710.1)	(626.7)	(83.4)
Total	**3,172.5**	**3,586.8**	**(414.3)**

Trade receivables comprise estimated consumption, for the portion pertaining to the period, relating to bills and invoices which will be issued after 31 December 2024, as well as receivables for revenues coming due during the period, referring to the water sector which will be billed in the following period, in accordance with the billing methods for final customers established by the relevant Authority.

The change in the stock of receivables managed compared to the previous year is due to various phenomena that had opposing effects. The main phenomena are listed here below:

- decrease in invoices issued involving energy efficiency services provided to apartment buildings. During the last three-month period of 2023, in particular, the Group proceeded to invoice the progress of the construction works, almost entirely completed, for activities qualifying for the 110% super-bonus. These trade receivables, measured at fair value at the time they were initially stated, were recognised as tax credits once the submission of the necessary documentation to the Revenue office was completed in early 2024, since the mechanism that included discounts directly in invoices was used in the contractual relationship with customers;
- increase in receivables from customers for invoices to be issued relating, in particular, to trading transactions on wholesale markets carried out at year-end that are expected to be settled in the first few months of 2025, which show a similar trend as for the item "trade payables".

The value of trade receivables reported in the financial statements at 31 December 2024 represents the Group's maximum exposure to credit risk. Changes in the associated provision for bad debts is as follows:

	OPENING BALANCE	PROVISIONS	CHANGES IN THE SCOPE OF CONSOLIDATION	USES AND OTHER MOVEMENTS	CLOSING BALANCE
2023 financial year	552.0	158.0	1.7	(85.0)	626.7
2024 financial year	626.7	122.9	-	(39.5)	710.1

The recording of the provision is made on the basis of analytical valuations in relation to specific receivables, supplemented by measurements made based on future-oriented analyses of the receivables regarding the general body of customers (in relation to the age of the receivables, the type of recovery action undertaken and the status of the debtor), as described in the section "Risk management" in paragraph 2.02.01 "Introduction". The change from the previous year was mainly due to lower allocations in the traditional energy markets, both due to lower volumes sold in the gas market and to the drop in reference commodity prices, as well as to allocations set aside in the previous year that were particularly significant in relation to receivables in the waste management business, not present in the current year. These effects are only partially offset by the increase in provisions for energy customers acquired in areas not previously served, which show lower levels of reliability and payment regularity compared to those of the Group's historical customers.
The lower uses and other movements for the period are mainly due lower volumes of disposals of non-performing receivables made during the year, as compared to 31 December 2023. Such disposals involved the complete derecognition of their value through the use of the earmarked provision.

The following table shows receivables from all customer clusters on the basis of bills issued, organized by degree of past-due:

	31 DEC 24	% INC.	31 DEC 23	% INC.	CHANGE
Not yet due	592.6	28%	1,227.4	40%	(634.8)
Due 0-30 days	173.8	8%	429.3	14%	(255.5)
Due 31-180 days	183.7	9%	398.1	13%	(214.4)
Due 181-360 days	199.8	9%	230.4	8%	(30.6)
Due beyond 360 days	984.0	46%	781.3	25%	202.7
Total	**2,133.9**		**3,066.5**		**(932.6)**

34 Trade payables

	31 DEC 24	31 DEC 23	CHANGE
Payables to suppliers	673.0	917.3	(244.3)
Payables to suppliers for invoices not yet received	2,050.9	1,702.0	348.9
Total	**2,723.9**	**2,619.3**	**104.6**

Changes in trade payables compared to the previous year mainly involve the following factors:

- increase in receivables relating, in particular, to trading transactions on wholesale markets carried out at year-end that are expected to be settled in the first few months of 2025, which show a similar trend as for the item "Trade payables";
- the stating at 31 December 2023 of gas settlement amounts for 154.1 million euro under "Trade payables", as more fully explained in section 2.02.01 "Introduction";
- the decrease in the volume of energy efficiency upgrading of buildings carried out on behalf of end customers, particularly apartment buildings, which led to a subsequent decrease in payables to suppliers and professionals carrying out the works.

As stated in section 2.02.01 "Introduction", over the course of the current financial period certain reclassifications have been introduced into the financial statements and therefore some figures were re-stated as compared to what was reported at 31 December 2023. In particular, it should be noted that in the previous year, "Trade payables" included pre-payments for goods and services amounting to 17.9 million euro, which were reported at 31 December 2024, for both comparison periods, under the newly introduced item "Current liabilities from contracts with customers".

35 Current assets from contracts with customers

	31 DEC 24	31 DEC 23	CHANGE
Energy services and energy upgrading buildings	179.6	364.1	(184.5)
Public lighting	40.0	21.1	18.9
Treatment and disposal	22.2	23.7	(1.5)
Water services	21.6	22.5	(0.9)
Other minor items	0.5	1.7	(1.2)
Total	**263.9**	**433.1**	**(169.2)**

Current assets from contracts with customers include multi-year work contracts for installation work. The change from the previous year is mainly due to the decrease of energy efficiency activities carried out on buildings, apartment building in particular, due to regulatory changes that effectively eliminated the possibility of providing invoice discounts to customers. Note, on the other hand, the increase in works related to public lighting, attributable to contracts awarded in the course of 2024.

As stated in section 2.02.01 "Introduction", over the course of the current financial period certain reclassifications have been introduced into the financial statements and therefore some figures were re-stated as compared to what was reported at 31 December 2023. In particular, it should be noted that in the previous year, "Inventories" included the assets arising from contract work in progress amounting to 433.1 million euro.

36 Current liabilities from contracts with customers

	31 DEC 24	31 DEC 23	CHANGE
Advances for works in progress	184.0	365.1	(181.1)
Deferred liabilities	14.0	14.4	(0.4)
Other advance payments	5.2	17.9	(12.7)
Total	**203.2**	**397.4**	**(194.2)**

"Advances for works" mainly includes advances received from municipalities and apartment buildings for works in progress relating to public lighting and energy efficiency upgrades of buildings, respectively, which will be completed in the following years. The significant decrease is due on the one hand the reduction of energy efficiency works carried out by the Group during the year and on the other the completion of most of the ongoing work at 31 December 2023.

The item "Deferred liabilities" comprises portions of revenues due in the following financial period.

As stated in section 2.02.01 "Introduction", over the course of the current financial period certain reclassifications have been introduced into the financial statements and therefore some figures were re-stated as compared to what was reported at 31 December 2023. In particular, it should be noted that in the previous financial period:

- advances for work and deferred liabilities were reported in the amount of 365.1 million euro and 14.4 million euro, respectively, in the "Other current liabilities" line of the balance sheet;
- other advance payments were reported in the item "Trade payables" for 17.9 million euro.

37 Other current assets

	31 DEC 24	31 DEC 23	CHANGE
Tax credits, benefits and other fiscal credits	741.6	100.6	641.0
Fund for energy and waste management services for equalisation and continuity income	82.0	85.3	(3.3)
VAT, excise and additional taxes	48.4	75.7	(27.3)
Advances to suppliers	48.0	35.7	12.3
Prepaid costs	42.0	34.7	7.3
Assets for energy efficiency certificates and emission trading	41.2	64.3	(23.1)
Security deposits	39.6	39.8	(0.2)
Other receivables	61.7	73.2	(11.5)
Total	**1,104.5**	**509.3**	**595.2**

"Tax credits, benefits and other fiscal credits" mainly include:

- tax credits arising from the application of the invoice discount to end customers, stated at their market value, in relation to subsidised energy efficiency works carried out on apartment buildings for the most part, amounting to 731.1 million euro (88.3 million euro at 31 December 2023). The significant increase from the previous year is due to the choice of keeping these credits in the Group's tax drawers and using them as offsets, while in 2023 they were mainly sold to the banking system;
- credits for investments in capital goods, including those related to Industry 4.0, totalling 7.6 million euro (9 million euro at 31 December 2023), which will be used to offset taxes and contributions in subsequent periods on the basis of the annual limits provided for.

"Fund for energy and waste management services for equalisation and continuity income" comprises 23.7 million euro of continuity income (30.3 million euro at 31 December 2023) and 58.3 million euro of equalisation credit (55 million euro at 31 December 2023).
Continuity income decreased by 6.6 million euro compared to the previous year especially as a result of the decrease in receivables for system charges and social bonuses for gas and electricity, which significantly increased in previous years, partly already reduced at 31 December 2023, thanks to the subsidies to users introduced by the Government to cope with the "high bills".

"VAT, excise and additional taxes" includes payables for VAT in the amount of 10.4 million euro (10.6 million euros at 31 December 2023), and excise and additional taxes in the amount of 38 million euro (65.1 million euro at 31 December 2023). With regard to excise duties and additional taxes, the procedures governing the financial relations with the tax authorities should be taken into account: as a matter of fact, advance payments made during the year are calculated on the basis of the quantities of gas and electricity billed in the previous year, while the actual debt is generated on the volumes sold in the period. These methods can generate credit or debit positions with differences that may be significant even between one period and another.
The drop in receivables for excise duties and additional taxes is caused by the payment method in accordance with current regulations, which envisages the advance payment for gas excise duties and additional taxes, based on the volumes invoiced in the previous year. In particular, gas volumes for the year 2024 were slightly down compared to the previous year, thus resulting in a low excise tax credit at 31 December 2024; on the contrary, electricity volumes were up, thus resulting in a debit balance as outlined in note 38 "Other current liabilities".

"Advances to suppliers", the change compared to the previous year is mainly due to new contracts with suppliers who are entitled to receive advance payments on the value of the contract, in compliance with the relevant regulations. This item also includes, on a residual basis, advances to brokers for commissions.

"Assets for energy efficiency bonds and emissions trading" include the following:

	31 DEC 24	31 DEC 23	CHANGE
White certificates	27.9	51.5	(23.6)
Grey certificates	13.3	7.6	5.7
Green certificates	-	5.1	(5.1)
Total	**41.2**	**64.3**	**(23.1)**

- The portfolio of white certificates includes the valuation of the certificates calculated on the basis of the energy efficiency targets set by the GSE for gas and electricity distribution companies, net of the disposals that took place in the period, amounting to 26.4 million euro (49.7 million euro at 31 December 2023), and, on a residual basis, the certificates originating from the energy efficiency works carried out by the Group, amounting to 1.5 million euro (1.8 million euro at 31 December 2023). The decrease, with substantially the same valuation, compared to the previous year, of both the contribution and objectives assigned to the Group for the year 2024 is due to the net working capital optimisation operations carried out during the period;
- The portfolio of grey certificates reflects the valuation of both securities held by the Group for 13.1 million euro (6.3 million euro at 31 December 2023) and the exposure for forward contracts to buy and sell greenhouse gas emission allowances for 0.2 million euro (1.3 million euro at 31 December 2023). The change from the previous year was affected by higher securities held at the end of the period, while the valuation price decreased;
- At 31 December 2023, the green certificate portfolio included securities recognised on an accrual basis prior to 2016 in relation to the electricity production of the waste-to-energy plant in Ferrara. These securities are the subject of a complaint by the GSE concerning the methodology for calculating the self-consumption of auxiliary services. During 2024, as a result of the unfavourable ruling by the State Council, the Group wrote off its receivables using the provision set aside in previous years.

"Prepaid costs" mainly comprise future accruals in respect of:

	31 DEC 24	31 DEC 23	CHANGE
Outsourced services and processing	16.7	14.5	2.2
Bank charges, sureties and commissions	5.2	5.4	(0.2)
Rents payables and concession fees for network services	3.1	3.0	0.1
Other minor items	17.0	11.8	5.2
Total	**42.0**	**34.7**	**7.3**

"Security deposits" mainly includes deposits provided as security for participation in foreign platforms that deal in commodity contracts, auctions on the electricity market, and to ensure operations on wholesale markets for electricity and natural gas, totalling 30.3 million euro (29.2 million euro at 31 December 2023).

The item "Other receivables" includes:

	31 DEC 24	31 DEC 23	CHANGE
Nonrecurring subsidies	13.0	22.6	(9.6)
Incentives from renewable sources	7.5	0.7	6.8
Receivables from asset companies	6.2	6.2	-
Other minor items	35.0	43.7	(8.7)
Total	**61.7**	**73.2**	**(11.5)**

- At 31 December 2023, nonrecurring subsidies include the amount the parent company Hera Spa paid, yet not due, during the year 2022 in respect of the "Nonrecurring windfall contribution", introduced for the year 2022 by Article 37 of Legislative Decree no. 21/2022. These amounts were paid to the Revenue Office at the established deadlines, however, the subsequent 2023 Budget Law, in paragraphs 120 and 121 of Article 1, changed the subjective scope and the taxable base of the contribution for the year 2022, and as a consequence the Group no longer owes this contribution and therefore requested a refund. Following the tacit refusal by the Office and the resulting appeal by Hera Spa, in a March 2025 ruling, the Bologna Court of First Instance ordered the tax authorities to provide full reimbursement of the sums claimed. The amount paid remains, therefore, entered under other current assets pending its repayment.
  For a better understanding of the movements during the year, see Chapter 2.02.03 "Taxation";
- incentives from renewable sources consist of receivables from the GSE arising from the incentive mechanism for electricity generation, which replaced the certificate system as of 2016. Incentives for the period increased

compared to the 2023 financial year, as the price of incentives (Grin) was reduced, which is inversely proportional to the previous year's national electricity price (Pun);

- receivables from asset companies include receivables from companies that own the networks and related assets used by the Group to provide utility services.

38 Other current liabilities

	31 DEC 24	31 DEC 23	CHANGE
Payables for advances to the fund for energy and waste management services	510.4	422.8	87.6
Plant investment grants	300.6	262.5	38.1
Security deposits from customers	160.0	199.9	(39.9)
Fund for energy and waste management service components and equalisation	137.3	119.0	18.3
VAT, excise and additional taxes	38.4	118.4	(80.0)
Personnel and employee withholding	97.2	89.8	7.4
Payables to social security institutions	83.5	78.9	4.6
Liabilities for energy efficiency certificates and emission trading	34.4	49.5	(15.1)
Anticipated revenues	13.5	15.3	(1.8)
Other payables	137.5	131.2	6.3
Total	**1,512.8**	**1,487.3**	**25.5**

"Payables for advances to the fund for energy and waste management services" comprises non-interest-bearing advances granted by the fund for energy and waste management services based on legal regulations and Arera resolutions issued over the years, for the following main events:

- 258.5 million euro (236.7 million euro at 31 December 2023) for advances in compliance with the integration mechanism set forth by law for overdue and unpaid receivables from customers managed under the safeguarded system. The latest reports concern the year 2022;
- 204.9 million euro (153.3 million euro at 31 December 2023) in compliance with the reintegration mechanisms provided for by law against the charges for arrears in last resort services in the natural gas sector (FUI, FTD and FDD), incurred up to the 2022-2023 thermal year;
- 19.8 million euro (5 million euro at 31 December 2023) in compliance with the mechanism of integration envisaged for overdue and uncollected receivables due from customers managed in the graduated protection service for small businesses connected to low voltage lines without a contract under free market conditions;
- 12.6 million euro (14 million euro at 31 December 2023) in compliance with the procedures for accessing the reimbursement mechanism for general system charges not collected from end customers and already paid to distribution companies for 2016-2023. The scope of application is limited to the sale of electricity on the free market, the safeguarded market (disconnectable) and the gradual protection service (disconnectable);
- 11 million euro in compliance with the resolution that introduced a revenue equalisation, reported by the Group in January 2023, aimed at offsetting part of the unforeseeable costs incurred in supplying the default last resort and FUI markets, especially due to the entry of a larger number of customers than expected.

"Plant investment grants" decreases in proportion to the amount of amortisation calculated on the fixed assets in question and increases as a result of the collections of public grants. The item includes:

	31 DEC 24	31 DEC 23	CHANGE
New water system investment fund	104.9	102.6	2.3
Purification and sewerage systems	54.5	40.7	13.8
NRRP subsidies	41.6	2.0	39.6
Purification plant in Servola (Trieste)	28.3	30.7	(2.4)
Construction of rolling basins e underwater pipes in the area of Rimini	19.2	18.4	0.8
Other minor items	52.1	68.1	(16.0)
Total	**300.6**	**262.5**	**38.1**

NRRP contributions, specifically, comprise the funding lines of the National recovery and resilience plan activated for new investments. Below are the main the main interventions for which subsidies were received during the financial year 2024:

- reduction of water losses in the ATOs of the Emilia-Romagna region where Hera Spa manages the integrated water service for 15.4 million euro;
- water leakage search and interventions for the renewal of networks in the ATO of the Pesaro-Urbino province for 5.9 million euro;
- upgrading of purification plants in the municipalities of Bologna and Ravenna and work on the sewerage network in the province of Forlì amounting to 4.4 million euro;
- expansion of the geothermal source in the municipality of Ferrara and extension of the district heating network in the municipality of Forlì for 3 million euro;
- Sustainable water management' project in the ATO Bacchiglione in the Veneto region for 2.5 million euro.

"Security deposits from customers" reflect the amounts requested from customers mainly for gas, water and electricity provision contracts, under certain conditions. The significant decrease compared to the previous year is mainly attributable to the lower average commodity prices during the financial year 2024, which resulted in a lower amount being individually requested.

"Fund for energy and waste management service components and equalisation", reflects the payables towards the Cassa per i Servizi Energetici e Ambientali for certain system components of the gas, electricity and water services, amounting to 134.9 million euro (111.3 million euro at 31 December 2023) and for equalisation of the electricity sales service amounting to 2.4 million euro (7.7 million euro at 31 December 2023). The increase compared to the previous year in payables for system components reflects the continuing effects, already highlighted at 31 December 2023, resulting from the cancellation of the decrees introduced in previous periods to face ''high bills'', as well as the increase in volumes distributed in the gas business and the increase in the debt position for specific components relative to the markets of last resort served by the Group.

"VAT, excise and additional taxes" includes payables for VAT in the amount of 16.8 million euro (71.7 million euro at 31 December 2023), and excise and additional taxes in the amount of 21.6 million euro (46.7 million euro at 31 December 2023). As outlined in note 37, "Other current assets", this increase must be understood taking into account the factors that regulate financial relations with the Inland Revenue Office, which can generate credit/debit positions with differences that can be significant even between one financial period and another.
As far as value added tax is concerned, the significant decrease compared to the previous year is due, on the one hand, to the payment at year-end of the advance payment, calculated on a historical basis, in the amount of 37.6 million euro and, on the other hand, to the Group's significant debt exposure as at 31 December 2023. This exposure stemmed from the significant invoicing carried out in the last three months of last year upon completion of the work covered by the 110% superbonus, a situation that did not arise in the current year.
With regard to excise and additional taxes, the advance payment in 2022 was made, as required by the regulations in force, on the basis of the volumes invoiced in the previous year. The advance payment, instead, was made on the basis of the volumes invoiced in 2024. This resulted, as also outlined in note 37 "Other current assets", in a credit position for the natural gas sales business and a debit position for the electricity sales business.

"Personnel and employee withholding" includes for the most part the vacation time accrued and not used, as well as the productivity bonuses accounted for by department at 31 December 2024, plus withholding taxes to be paid to the State treasury as tax substitute for employees.

"Payables to social security institutions" mainly relates to contributions owed to these institutions for the December salaries, performance bonuses and additional monthly payments under national collective agreements.

"Liabilities for energy efficiency certificates and emission trading", includes the following:

	31 DEC 24	31 DEC 23	CHANGE
White certificates	15.1	27.1	(12.0)
Guarantee of origin certificates	13.4	12.7	0.7
Grey certificates	5.9	9.7	(3.8)
Total	**34.4**	**49.5**	**(15.1)**

- white certificates include the valuation of the exposure in relation to the redelivery obligations towards the respective Authorities for energy efficiency certificates not yet in the portfolio. The change with respect to 31 December 2023, in a context that showed market prices essentially in line with the previous periods, is mainly due to the lower number of certificates still to be annulled and referring to the years for which the Group has not yet completely fulfilled its assigned obligation;

- guarantee of origin (GO) certificates, essentially in line with the previous financial period, relate to the obligation to certify electricity generated from renewable energy sources against sales made to customers whose contracts require this type of procurement;
- grey certificates reflect the valuation of both the obligation to redeliver certificates calculated on the basis of current regulations, amounting to 5.5 million euro (8.7 million euro at 31 December 2023) and the forward sales contracts for greenhouse gas emission quotas, amounting to 0.4 million euro (1 million euro at 31 December 2023). The change compared to the previous year was due to lower redelivery obligations for the 2024 financial year, lower volumes of forward contracts and a decrease in market prices.

"Anticipated revenues" mainly include portions of tax credits for investments in new capital goods accruing in future financial years, amounting to 8.8 million euro (10.7 million euro at 31 December 2023).

The item "other payables" mainly comprises the following:

	31 DEC 24	31 DEC 23	CHANGE
Arrears payments for electricity, gas and other sectors	17.1	27.4	(10.3)
Environmental damage contributions	16.9	14.1	2.8
Flood contributions	16.5	10.0	6.5
Insurance deductibles	8.1	8.7	(0.6)
Other minor items	78.9	71.0	7.9
Total	**137.5**	**131.2**	**6.3**

Specifically:

- arrears payments in the electricity, gas and other sectors mainly represent the amounts, charged to end users who were in arrears for the last three monthly payments, prior to their transition to the Hera Group and refer specifically to the markets of last resort. These amounts must be retroceded to previous suppliers. The indemnity is applied only to certain specific categories of users, identified by ARERA resolution no. 593/2017/R and its subsequent amendments and additions. The decrease compared to the previous year reflects the acquisition of a new lot in the safeguard market in the year 2023, which led to a significant increase in exposure at 31 December 2023, while the changes in the scope of the last resort markets for natural gas that occurred in the current year have no significant impact on the value at 31 December 2024;
- environmental damage contributions represent the payments to be made to municipalities, on the basis of specific agreements, as compensation for activities that impact on the environment for waste delivered to plants in their municipal territories. The amount of these contributions is related to the amount of waste disposed of annually, which was less in 2024 that the amount disposed of in the comparison period;
- flood contributions represent an advance received from the Extraordinary Commissary Body set up by the Government to finance works deemed necessary following the damage caused by the May 2023 flood in Emilia-Romagna. These contributions, however, can only be considered to be the Group's full entitlement, net of the insurance reimbursements received, at the end of the application process currently underway. In this still highly uncertain environment, the Group believes that the advance may have to be repaid in the course of the financial year 2025, and therefore the requirements of sufficient certainty for recognising the public contribution are not met;
- insurance deductibles include amounts that the Group must repay directly to damaged third parties or insurance companies.

As stated in section 2.02.01 "Introduction", certain reclassifications have been introduced into the financial statements and therefore some figures were re-stated as compared to what was reported at 31 December 2023. In particular, it should be noted that in the previous year, 'Other current liabilities' included advance payments for work in progress and deferred income related to portions of revenues from customers to be deferred in subsequent years in the amount of 365.1 million euro and 14.4 million euro, respectively. As at 31 December 2024, for both periods of comparison, these were reported under the newly introduced item "Current liabilities from contracts with customers".

39 Cash flows of operating activities

Changes in net working capital

The following is a breakdown of information on changes in financial liabilities during the 2024 financial year, differentiating between cash flows and non-cash flows.

TYPE	31 DEC 24	31 DEC 23	CHANGE (A)	NON-CASH FLOWS				CASH FLOWS (F)=[(B)+(C)+(D)+(E)]-(A)
				ACQUISITIONS DIVESTITURES (B)	ECONOMIC VALUATION COMPONENTS (C)	CHANGES IN FAIR VALUE (D)	OTHER CHANGES (E)	
Inventories	168.1	198.5	(30.4)	0.1	9.0			39.5
Trade receivables	3,172.5	3,586.8	(414.3)	(1.0)	(123.0)	(10.2)	(1,081.0)	(800.9)
Trade payables	(2,723.9)	(2,619.3)	(104.6)	(0.1)			(153.5)	(49.0)
Other current assets/liabilities, including contracts with customers	(347.6)	(942.3)	594.7	(1.9)	57.0	23.7	954.1	438.2
Changes in working capital	**269.1**	**223.7**	**45.4**	**(2.9)**	**(57.0)**	**13.5**	**(280.4)**	**(372.2)**

"Acquisitions and divestitures" include the effects arising from acquisitions of control during 2024, as illustrated in paragraph 2.02.10 "Other information".

"Economic valuation components" mainly includes:

- the net provision for bad debts for a negative 122.4 million euro;
- income related to the discounting process for receivables pertaining to tax discounts included directly in invoices, amounting to a positive 51.5 million euro, as reported in note 9 "Financial income";
- the portions pertaining to the period of plan related grants, the total amount of which was collected in previous years, totalling a positive amount of 14.5 million euro, as stated in note 2 "Other income".
- the adjustment of the write-down of natural gas stocks amounting to a positive amount of 9.6 million euro.

"Changes in fair value" include:

- the valuation of environmental certificates and greenhouse gas emission obligations assigned to the Group, as well as the valuation of forward contracts for the purchase and sale of greenhouse gas emission allowances, for a total positive 8.5 million euro, as illustrated in notes 37 "Other current assets" and 38 "Other current liabilities".
- the fair value assessment of receivables related to the application of the discount included in invoices linked to energy efficiency measures for end customers amounting to a positive 5 million euro, as reported in note 10 "Financial expenses";

"Other changes" mainly comprises offsets within net working capital of transactions involving the gross recognition of assets and liabilities. The item is affected by the recording at 31 December 2023 of gas settlement amounts under "Financial liabilities", in the amount of 154.1 million euro, as more fully explained in section 2.02.01 "Introduction" as well as by the use of tax credits recorded under other current assets for offsetting purposes, so as to represent actual cash outflows for income taxes paid during the period.

Dividends collected

During 2024, dividends for 4.9 million euro (8.7 million at 31 December 20243) were collected from consolidated companies according to the equity method and 7.9 million euro (6.4 million euro at 31 December 2023) from shareholdings held in other companies. For further details, please see note 9 "Financial income" and 26 "Shareholdings valued using the equity method and Other shareholdings".

Net interest paid

The following is a reconciliation of the balance sheet values of financial income and expenses and the related net cash flows for the year.

TYPE	2024 (A)	NON-CASH COMPONENTS		OTHER CHANGES (D)	CASH COMPONENTS (E)=(A)-[(B)+(C)+(D)]
		ECONOMIC VALUATION COMPONENTS (B)	CHANGES IN FAIR VALUE (C)		
Financial income	202.5	60.7	72.2	12.8	56.8
Financial expenses	(308.5)	(96.0)	(17.8)	(2.1)	(192.6)
Total	**(106.0)**	**(35.3)**	**54.4**	**10.7**	**(135.8)**

"Economic valuation components" includes income and expenses arising from both the assessment at amortised cost and the discounting of receivables and liabilities characterised by monetary outlays to be carried out in future financial periods, as well as write-downs of shareholdings in companies valued using the equity method, as illustrated in note 9 "Financial income" and note 10 "Financial expenses".
"Changes in fair value" includes measurements at current market value of financial assets and liabilities, mainly relating to:

- put options and contingent consideration, for a total net effect amounting to a positive 49.9 million euro;
- an adjustment made to the book value of a bond issued in foreign currency as a result of the fair value hedge, which led to the recognition of expenses amounting to 21.2 million euro;
- hedging derivatives on rates and exchanges that resulted in the recognition of net income from valuation amounting to a positive 20.6 million euro;
- receivables related to the application of the discount included in invoices linked to subsidised energy efficiency interventions carried out on behalf of end customers amounting to a positive 5 million euro.

"Other changes" mainly include dividends paid by other minor holdings, whose cashflow for the period is stated in a specific item in the cash flow statement, amounting to 7.9 million euro.

It should also be noted that the cash flow related to financial interest paid includes the amount paid in the period for lease charges, which amounted to 2.9 million euro.

Taxes paid

The breakdown of flows by tax type is as follows:

	31 DEC 24	31 DEC 23
Income taxes	180.0	92.9
Substitute tax	13.3	3.7
Taxes paid	**193.3**	**96.6**

Income taxes mainly include the amount paid by the Group in relation to IRES and IRAP balances of the year prior to the closing date and advance payments due for income generated in the current year.

The substitute tax recorded at 31 December 2024 is the amount paid in connection with the exemption of the higher values resulting from the non-recurring operations detailed in note 12 'Taxes', to which reference should be made. At 31 December 2023, the substitute tax included the amount paid linked to the settlement of the acquisition of Con Energia Spa.

2.02.10 - Other information

Business combinations (supplementary information)

Business combinations have been accounted for on the basis of evaluations conducted by management in respect of analyses of the fair value of assets and liabilities and contingent liabilities, in line with information concerning facts and events available at the date of acquisition. The evaluation process of all operations ended on 31 December 2024.
The table below shows the assets and liabilities acquired as part of business combinations carried out during the year, recognised at their fair value.

	TRS ECOLOGY SRL	"SOELIA" BUSINESS UNIT	TRIVENETA LUCE SCARL	OTHER MINOR COMPANIES	TOTAL BUSINESS COMBINATIONS
Non-current assets					
Property, plants and equipment	3.0	-			3.0
Rights of use	2.0				2.0
Intangible assets	11.5	12.8	1.3	0.1	25.7
Other shareholdings		2.3			2.3
Deferred tax assets	0.9				0.9
Current assets					
Inventories	0.1				0.1
Trade receivables	-	(1.0)			(1.0)
Other current assets	0.5		0.2		0.7
Cash	0.1		0.2		0.3
Non-current liabilities					
Financial liabilities	(0.2)				(0.2)
Lease liabilities	(0.9)				(0.9)
Employee benefits	(0.1)				(0.1)
Provisions	(1.0)	(2.9)			(3.9)
Deferred tax liabilities	(3.8)		(0.4)		(4.2)
Current liabilities					
Lease liabilities	(0.8)				(0.8)
Trade payables	(0.1)				(0.1)
Other current liabilities	(1.0)	(1.4)			(2.4)
Total net assets acquired	**10.2**	**9.8**	**1.3**	**0.1**	**21.4**
Equivalent fair value	23.6	9.1	1.3	0.1	34.1
Fair value of interest held					-
Non-controlling interests					-
Put option of the minority shareholding	10.9				10.9
Total value of the combination	**34.5**	**9.1**	**1.3**	**0.1**	**45.0**
(Goodwill) / Profit	**(24.3)**	**0.7**	**-**	**-**	**(23.6)**

The evaluation process resulted in the following adjustments to the carrying amounts recorded in the financial statement of the acquired entity, as well as the following considerations in relation to the amount transferred:

	TRS ECOLOGY SRL	"SOELIA" BUSINESS UNIT	TRIVENETA LUCE SCARL	OTHER MINOR COMPANIES	TOTAL BUSINESS COMBINATIONS
Book value of net assets acquired	**2.5**	**11.2**	**0.4**	**-**	**14.1**
Adjustments for fair value valuation					
Intangible assets	11.3	(0.4)	1.3	0.1	12.3
Shareholdings		1.8			1.8

Provisions		(2.8)			(2.8)
Deferred tax assets (liabilities)	(3.6)		(0.4)		(4.0)
Fair value of net assets acquired	**10.2**	**9.8**	**1.3**	**0.1**	**21.4**
Cash outlay	23.6	8.7	1.0	0.1	33.4
Non-controlling interests					-
Deferred/contingent consideration		0.4	0.3		0.7
Equivalent fair value	**23.6**	**9.1**	**1.3**	**0.1**	**34.1**

The managements' evaluation of the fair value of the identifiable assets acquired and liabilities incurred, which also considered the recoverable value of the assets, led to the following amendments being identified:

- TRS Ecology Srl – customer list of 11.3 million euro was recorded, established on the basis of both the characteristics of the reference context and using the incremental cash flow method (Meem). The amortisation period, set at 12 years, was determined on the basis of the churn rate established by analysing the historical series of the turnover of the clients;
- Soelia business unit:
  - in relation to the distribution of methane gas in the municipality of Argenta, an adjustment to the book value of the assets acquired was recognised for 0.4 million euro. The valuation was based on the specific market conditions at the valuation date and on the current income capacity of the unit in order to express a recoverable value based on expected future cash flows from net invested capital (RAB), using the discounted cash flow method.
    In addition, contingent liabilities for 2.8 million euro were recognised in connection with both regulatory and technical risks related to certain assets of the plant equipment acquired;
  - a book value adjustment of 1.8 million euro was recognised in connection with the investment in Sinergas Spa (2.85% of the share capital). The valuation was carried out, as is standard practice in the case of companies selling energy commodities, using the market multiples method based on comparable transactions, thus determining the reference unit value of customers.
- Triveneta Luce Scarl - an intangible right amounting to 1.3 million euro was recorded in relation to the signing of a framework agreement for the management and energy efficiency upgrade of lighting systems, following the awarding by the acquired company of certain lots provided for in Consip tenders. The amortisation period of 9 years has been determined on the basis of the duration of the concession contracts that may be signed with the various administrations as part of the framework contract, starting from the initial date of the service provision.

The effects reported above resulted, where applicable, in the recognition of deferred tax liabilities determined on the basis of the applicable nominal tax rate.

Concerning the acquisition of TRS Ecology Srl, a reciprocal call and put option of the minority shareholding was negotiated with the counterparty. The existence of such rights held by the minority shareholders led to the need to classify the options in the consolidated financial statements under financial liabilities, as illustrated in note 19 "Financial liabilities". In accordance with its own accounting policies, the Group did not include the minority shares in the consolidated financial statements, considering the shareholding to be fully owned. The valuation of the option identified at the time of acquisition, therefore, totalled 10.9 million euro.

With reference to the acquisition of the Soelia Unit and Triveneta Luce Scarl, deferred consideration payables of 0.4 million euro and 0.3 million euro, respectively, were recognised at 31 December 2024.

Lastly, it should be noted that the acquisition of TRS Ecology Srl entailed the recognition of goodwill in the amount of 24.3 million euro, attributable to the purpose of the acquisition, which allowed the Group to gain access to a new customer segment by expanding into neighbouring geographic areas, thus enabling it to expand and optimise its current network of waste management facilities, also through the exploitation of significant synergies between the various platforms with the disposal plants managed by the Group. The acquisition operation of the Soelia unit, on the other hand, involved the recording of aggregation income in the amount of 0.7 million euro.

Please see note 28 "Cashflows from investing activities" for an analysis of the cash flows associated with the combination operations described above.

Changes to the accounting standards

Accounting standards, amendments and interpretations applicable from 1 January 2024

With reference to the areas pertaining to the Group, beginning 1 January 2024 the following accounting standards and amendments to accounting standards issued by the International Accounting Standards Board (IASB) and transposed by the European Union through an EU Regulation are mandatory:

Amendments to IAS 1 - Presentation of financial statements: reporting liabilities as current or non-current. Document issued by IASB on 23 January 2020 and updated on 15 July 2020, applicable from 1 January 2024 with early application allowed. The amendments clarify the requirements to be considered in determining whether payables and other liabilities with uncertain settlement date should be classified as current or non-current in the statement of financial position (including payables that can be settled by conversion into equity instruments).

Amendments to IFRS 16 - Lease liabilities in a sale and leaseback transaction. Document issued by IASB on 22 September 2022, applicable from 1 January 2024 with early application allowed. The amendments provide that in the valuation of lease liabilities in a sale and leaseback transaction, the seller-lessee shall determine the lease payments in such a way as not to recognise any amount of gain or loss related to the right of use retained by the lessee.

Amendments to IAS 1 - Presentation of financial statements: non-current liabilities subject to covenant. Document issued by IASB on 31 October 2022, applicable from 1 January 2024 with early application allowed. The amendments aim to improve the information disclosed by an entity when the right to defer settlement of a liability of at least 12 months is subject to compliance with certain parameters.

Amendments to IAS 7 - Statement of cashflows and IFRS 7 - Financial instruments: Financing arrangements with suppliers and disclosures in the explanatory notes. Document issued by IASB on 25 May 2023, applicable from 1 January 2024 with early application permitted. The amendments require an entity to provide additional disclosures on reverse factoring arrangements that enable users of financial statements to evaluate how financing arrangements with suppliers may affect the entity's liabilities and cash flows and to understand the effect of those arrangements on the entity's exposure to liquidity risk.

These amendments clarify, correct or remove redundant statements or formulations in the text of the relevant standards.

With reference to the application of these amendments and new interpretations, there were no observable effects on the Group's financial statements.

Accounting standards, amendments and interpretations endorsed by the European Union which are not yet applicable and have not been adopted early by the Group.

With reference to the areas that are significant for the Group, the following accounting standard amendments will be mandatory from the following financial year onwards, having also already been endorsed by the EU:

Amendments to IAS 21 - Effects of changes in foreign exchange rates: Lack of convertibility. Document issued by the IASB on 15 August 2023, applicable from 1 January 2025 with early application allowed. The amendments require an entity to apply a methodology consistently over time to determine whether one currency can be converted into another and, when this is not possible, to define the method of determining the exchange rate to be used and the disclosures to be made in the explanatory notes.

These amendments clarify, correct or remove redundant statements or formulations in the text of the relevant standards.

The directors are currently assessing possible effects deriving from the introduction of these amendments into the Group's consolidated financial statement.

Accounting standards, amendments and interpretations that have not yet been endorsed by the European Union.

The following standards, amendments and updates of IFRSs (already approved by IASB) and interpretations that are relevant for the Group are currently being endorsed by the relevant bodies of the European Union:

IFRS 18 - Presentation and disclosure in financial statements. The standard was issued by the IASB on 9 April 2024, applicable from 1 January 2027 with early application allowed. The new standard, which will replace IAS 1 'Presentation of Financial Statements', improves the disclosure of corporate performance in terms of comparability, transparency and usefulness of published information, and introduces substantial changes in the structure of financial statements with particular reference to the income statement and, to a more limited extent, the cash flow statement. Specifically:

- some classifications of revenues and expenses are amended, introducing the distinction between the operating section, investment section and financial section, as well as confirming the already existing categories of taxes and discontinued operations;
- two new sub-totals (operating profit and profit before financial operations and income taxes) are introduced;
- the use of the operating income is required as the starting point for the presentation of the cash flow statement prepared under the indirect method;
- provision is made for the elimination of certain alternative classification options of currently permissible items in the cash flow statement, such as interest and dividends earned and paid.

Entities are also required to identify and disclose non-IFRS performance indicators used by management to comment on economic and financial trends, substantiating and reconciling them with the items set out by the international accounting standards.
Finally, the standard introduces new criteria for the aggregation and disaggregation of information within the explanatory notes.

Amendments to IFRS 9 and IFRS 7 - Changes to financial instruments classification and measurement. The standard was issued by the IASB on 30 May 2024, applicable from 1 January 2026 with early application allowed. The amendments include specifically:

- the clearing of a financial liability through electronic payment systems. It specifies that the settlement date of a liability through electronic payments is the date on which the liability is extinguished. Under certain specific criteria, derecognition may still be possible even before the provision of liquidity on the settlement date;
- the classification of certain financial assets, including those with features related to environmental, social and corporate governance (ESG) factors, which may now meet the IFRS 9 Solely payments for principle and interest criterion (SPPI), provided that their cash flows are not materially different from those of an identical financial asset without such a feature;
- financial statement disclosures in relation to investments in shareholdings irrevocably measured at fair value through the statement of comprehensive income, for which separate disclosure is required for income and expenses for the period arising from the possible disposal of assets from income and expenses arising from the valuation at the end of the period;

On 18 July 2024 the IASB published the document "Improvements to the International Financial Reporting Standards - Volume 11". These improvements include amendments to existing international accounting standards, including:

- **IFRS 1 -** First adoption of International financial reporting standards. the improvement resolves a potential source of error due to the inconsistency of IFRS 1 with the requirements for hedge accounting under IFRS 9 "Financial Instruments";
- **IFRS 7 -** Financial Instruments: financial statement disclosure. The IASB introduced three amendments:
  – gains or losses accounted for at the time of derecognition. the improvement resolves a potential source of confusion in relation to the recognition of gains or losses on derecognition because IFRS 7 contained a reference to a paragraph deleted from the accounting standard when IFRS 13 "Fair Value Measurement" was issued;
  – disclosure concerning differences between fair value and transaction price. The improvement corrects an inconsistency between IFRS 7 and its implementation guidelines;
  – introduction and disclosure on credit risk. The improvement resolves a potential source of confusion by clarifying that the implementation guidelines do not necessarily explain all the requirements set out in IFRS 7, and also simplifies some explanations.
- **IFRS 9 -** Financial Instruments. The IASB introduced two amendments:
  – derecognition by the lessor of a lease liability. the improvement resolves a potential lack of clarity in the application of the requirements included in IFRS 9 in relation to the lessee's accounting for the extinguishment of a lease liability;
  – transaction price. The improvement resolves a source of potential confusion arising from the reference in Appendix A of IFRS 9 concerning the definition of "transaction price" in IFRS 15 "Revenues from Contracts with Customers", as the term "transaction price" is used in various places in IFRS 9 with a meaning that is not necessarily consistent with the definition found in IFRS 15;
- **IFRS 10 -** Consolidated Financial Statements. The improvement resolves a source of potential confusion caused by an inconsistency in IFRS 10 regarding the investor's identification of a "de facto" agent;

- **IAS 7 -** Cash flow statement. The improvement resolves a potential source of error in the application of paragraph 37 of IAS 7 resulting from the use of the term "cost method", which is no longer defined within the International Financial Reporting Standards.

Amendments to IFRS 9 and IFRS 7– Contracts for the purchase of electricity from renewable sources. Document issued by the IASB on 18 December 2024, applicable from 1 January 2026 with early application allowed. The changes relate to the need to support entities in reporting the financial effects of contracts for renewable electricity purchase (often structured as Power Purchase Agreements). On the basis of these contracts, the amount of electricity generated and purchased may vary depending on non-controllable factors such as weather conditions. The amendments include specifically:

- clarification of the application of the "own use" requirements to this type of contract;
- criteria for enabling such contracts to be accounted for as hedging instruments;
- disclosure requirements to enable the users of financial statements to understand the effect these contracts have on an entity's financial performance and cash flows.

With reference to the new standards and the new amendments described above, the directors are currently evaluating what possible effects introducing them might have on the Group's consolidated financial statements.

Classification of financial assets and liabilities pursuant to IFRS 7

The table below illustrates the composition of the Group's assets by evaluation class. The fair value of other investments and derivative financial instruments is discussed in notes 26 and 29, respectively.

31 DEC 24	HIERARCHY FAIR VALUE	FAIR VALUE TO INCOME STATEMENT	FAIR VALUE TO STATEMENT OF COMPREHENSIVE INCOME	AMORTISED COST	TOTAL
Non-current financial assets	2		2.0	156.0	158.0
Non-current assets		**-**	**2.0**	**156.0**	**158.0**
Trade receivables	3		-	3,172.5	3,172.5
Current financial assets			-	23.1	23.1
Other assets	2	14.8	-	1,384.9	1,399.7
Current assets		**14.8**	**-**	**4,580.5**	**4,595.3**

31 DEC 23	HIERARCHY FAIR VALUE	FAIR VALUE TO INCOME STATEMENT	FAIR VALUE TO STATEMENT OF COMPREHENSIVE INCOME	AMORTISED COST	TOTAL
Non-current financial assets	2		2.0	160.8	162.8
Non-current assets		**-**	**2.0**	**149.8**	**151.8**
Trade receivables	3		1.2	3,585.6	3,586.8
Current financial assets				90.9	90.9
Other assets	2	9.4	12.2	932.2	953.8
Current assets		**9.4**	**13.4**	**4,608.7**	**4,631.5**

With respect to "Non-current financial assets" reference should be made to note 18.
With respect to "Current assets" reference should be made to notes 13, 18, 33, 35 and 37.

The table below illustrates the composition of the Group's liabilities, using the current and non-current distinction. Details of the fair value of derivatives are provided instead in note 29.

31 DEC 24	HIERARCHY FAIR VALUE	FAIR VALUE TO INCOME STATEMENT	HEDGED ELEMENTS (FAIR VALUE HEDGE)	AMORTISED COST .	TOTAL
Non-current financial liabilities	2/3	40.9	-	4,113.7	4,154.6
Non-current lease liabilities				54.7	54.7
Non-current liabilities		**40.9**	**-**	**4,168.4**	**4,209.3**
Trade payables				2,723.9	2,723.9
Current financial liabilities	3	254.0		972.7	1,226.7
Current lease liabilities				24.4	24.4
Other liabilities	2	19.3		1,744.9	1,764.2
Current liabilities		**273.3**	**-**	**5,465.9**	**5,739.2**

31 DEC 23	HIERARCHY FAIR VALUE	FAIR VALUE TO INCOME STATEMENT	HEDGED ELEMENTS (FAIR VALUE HEDGE)	AMORTISED COST .	TOTAL
Non-current financial liabilities	2/3	330.5	128.6	3,962.6	4,421.7
Non-current lease liabilities				56.8	56.8
Non-current liabilities		**330.5**	**128.6**	**4,019.4**	**4,478.5**
Trade payables				2,619.3	2,619.3
Current financial liabilities	3	13.7		877.1	890.8
Current lease liabilities				24.5	24.5
Other liabilities	2	22.5		1,972.4	1,994.9
Current liabilities		**36.2**	**-**	**5,493.3**	**5,529.5**

With regard to "Non-current financial liabilities", the fair value hierarchy for hedged items is Level 2, while for items measured at fair value through profit or loss it is Level 3.
With respect to "Non-current liabilities" reference is made to notes 19 and 22.
With respect to "Non-current liabilities" reference is made to Notes 13, 19, 22, 34, 36 and 38.

Reporting by operating sector

Reporting by operating sectors is based on the approach management uses to monitor the performance of the Group by homogeneous business areas. The net costs and assets for business support functions, in keeping with the internal control model, are entirely associated to operational businesses.
Note that, starting in 2024, in order to more consistently represent results with respect to market dynamics, management has presented the results of the public lighting business within the electricity area, as against the previous classification in the other services area, and has also restated the income statements for the periods under comparison.
At 31 December 2024, the Hera Group was organized into the following operating sectors:

- **Gas:** includes services in distributing and selling methane gas as well as district heating and energy services;
- **Electricity:** includes generating, distributing and selling electricity;
- **Water Cycle:** includes aqueduct, purification and sewage services;
- **Waste management:** includes waste collection, treatment, recycling and disposal services;
- **Other services:** includes telecommunications and other minor services.

The following are assets and liabilities by operating sector for the 2024 and 2023 financial years:

31 DEC 24	GAS	ELECTRICITY	WATER CYCLE	WASTE MANAGEMENT	OTHER SERVICES	TOTAL
Current year						
Assets (tangible and intangible)	2,106.5	846.8	2,620.4	1,515.9	101.0	7,190.6
Goodwill	493.5	91.2	42.7	284.9	20.7	933.0
Shareholdings	66.3	11.1	52.3	44.8	0.1	174.6
Not attributed fixed assets						198.1
Net fixed assets	**2,666.3**	**949.1**	**2,715.4**	**1,845.6**	**121.8**	**8,496.3**
Attributed net working capital	152.2	73.7	(0.6)	68.7	(24.8)	269.2
Non attributed net working capital						(41.9)
Net working capital	**152.2**	**73.7**	**(0.6)**	**68.7**	**(24.8)**	**227.3**
Other provisions	(229.1)	(68.5)	(169.3)	(302.4)	(3.8)	(773.1)
Net invested capital	**2,589.4**	**954.3**	**2,545.5**	**1,611.9**	**93.2**	**7,950.5**

31 DEC 23	GAS	ELECTRICITY	WATER CYCLE	WASTE MANAGEMENT	OTHER SERVICES	TOTAL
Previous year						
Assets (tangible and intangible)	2,043.2	792.1	2,466.6	1,464.7	103.0	6,869.6
Goodwill	493.5	91.2	42.7	260.6	20.7	908.7
Shareholdings	96.6	42.4	16.0	40.5	-	195.5
Not attributed fixed assets						145.3
Net fixed assets	**2,633.3**	**884.3**	**2,525.3**	**1,765.8**	**165.1**	**8,119.1**
Attributed net working capital	460.9	(172.5)	(56.4)	14.7	(23.0)	223.7
Non attributed net working capital						(57.7)
Net working capital	**460.9**	**(177.8)**	**(56.4)**	**14.7**	**(17.7)**	**166.0**
Other provisions	(216.7)	(43.0)	(153.3)	(289.1)	(3.8)	(705.9)
Net invested capital	**2,877.5**	**665.3**	**2,315.6**	**1,491.4**	**141.8**	**7,579.2**

The following are the main result indicators by operating sector for the 2024 and 2023 financial years:

2024	GAS	ELECTRICITY	WATER CYCLE	WASTE MANAG-EMENT	OTHER SERVICES	STRUCTURE	TOTAL
Current year							
Direct revenues	5,571.8	4,709.9	1,084.4	1,605.9	47.4	25.0	13,044.4
Infra-cycle revenues	224.2	223.6	7.4	117.9	52.6	106.9	732.7
Total direct revenues	**5,796.0**	**4,933.4**	**1,091.8**	**1,723.8**	**100.1**	**131.9**	**13,777.1**
Indirect revenues	13.0	5.8	71.1	42.4	(0.3)	(131.9)	-
Total revenues	**5,809.0**	**4,939.3**	**1,162.8**	**1,766.2**	**99.8**	**-**	**13,777.1**
Ebitda	**571.4**	**322.0**	**297.1**	**367.0**	**30.1**	**-**	**1,587.6**
Direct amortisations and provisions	183,.1	151.2	123.0	187.3	17.5	95.5	757.7
Indirect amortisations and provisions	11.8	12.6	37.4	33.6	0.2	(95.5)	-
Total amortisations and provisions	**194.9**	**163.9**	**160.4**	**220.8**	**17.7**	**-**	**757.7**
Operating results	**376.5**	**158.2**	**136.7**	**146.2**	**12.4**	**-**	**829.9**

2023	GAS	ELECTRICITY	WATER CYCLE	WASTE MANAG-EMENT	OTHER SERVICES	STRUCTURE	TOTAL
Previous year							
Direct revenues	8,421.2	4,483.3	999.2	1,555.3	139.5	(33.5)	15,565.1
Infra-cycle revenues	120.0	234.4	5.4	137.3	51.9	165.0	714.2
Total direct revenues	**8,541.3**	**4,717.7**	**1,004.6**	**1,692.6**	**191.5**	**131.6**	**16,279.3**
Indirect revenues	15.8	6.2	63.3	45.3	0.9	(131.6)	-
Total revenues	**8,557.1**	**4,724.0**	**1,067.9**	**1,737.9**	**192.4**	**-**	**16,279.3**
Ebitda	**609.9**	**309.2**	**271.4**	**353.4**	**43.8**	**-**	**1,587.7**
Direct amortisations and provisions	211.3	119.1	109.4	200.2	24.2	89.4	753.7
Indirect amortisations and provisions	10.0	4.8	41.4	32.6	0.6	(89.4)	-
Total amortisations and provisions	**221.3**	**123.9**	**150.8**	**232.9**	**24.8**	**-**	**753.7**
Operating results	**388.6**	**185.3**	**120.6**	**120.6**	**19.0**	**-**	**834.0**

As extensively described in the Directors' Report, Ebitda for the gas operating segment was adjusted at 31 December 2023 for managerial purposes to comment on its performance for the period. The value containing the adjustment on gas inventory valuation is shown in chapter 1.06, "Analysis by business area", which provides a reference for understanding business dynamics.

2.03 - FINANCIAL STATEMENT FORMATS AS PER CONSOB RESOLUTION 15519/2006

In accordance with the relevant Group policies, the economic, equity and financial reports in effect at 31 December 2024 and the associated period of comparison with related parties are as follows.

Procedure for the operations with related parties is available on the website of the Hera Group at the following link:

https://www.gruppohera.it/gruppo/governance/sistema-di-governance/politiche-e-procedure

With regard to the disclosure of the most significant operations provided for in Consob resolution no. 17221 of 12 March 2010 and subsequent amendments and integrations, note that beginning 1 January 2024, the new contract for the wholesale supply to Hera Spa of drinking water for civil use by Romagna Acque - Società delle fonti Spa came into force. The four-year contract has an estimated annual value of 48.5 million euro.

2.03.01 - "Income statement as per Consob resolution 15519/ 2006".

	notes	2024	of which related parties						2023	of which related parties					
			A	B	C	D	Total	%		A	B	C	D	Total	%
Revenues	1	12,889.7	-	70.4	324.9	18.3	413.6	3.2%	15,331.1	-	78.0	319.5	15.0	412.5	2.8%
Other income	2	154.7	-	0.1	5.6	-	5.7	3.7%	234.0	-	0.3	8.2	-	8.5	1.3%
Raw and other materials	3	(7,056.4)	-	(46.9)	-	(50.7)	(97.6)	1.4%	(9,672.2)	-	(54.5)	-	(46.0)	(100.5)	1.0%
Service costs	4	(3,724.9)	-	(12.5)	(29.9)	(39.2)	(81.6)	2.2%	(3,655.9)	-	(13.9)	(25.2)	(35.0)	(74.1)	2.0%
Personnel costs	5	(667.5)	-	-	-	-	-		(641.1)	-	-	-	-	-	
Other operating expenses	6	(97.3)	-	-	(2.3)	(0.8)	(3.1)	3.2%	(90.3)	-	(0.1)	(2.4)	(0.9)	(3.4)	3.8%
Capitalised costs	7	89.3	-	-	-	-	-		82.1	-	-	-	-	-	
Amortisation, provisions and depreciation	8	(757.7)	-	-	-	-	-		(753.7)	-	-	-	-	-	
Operating profit		**829.9**	**-**	**10.5**	**297.1**	**(72.5)**	**235.1**		**834.0**	**-**	**9.8**	**300.1**	**(66.9)**	**243.0**	
Financial income	9	202.5	-	3.6	0.3	1.8	5.7	2.8%	157.1	-	7.8	0.5	0.4	8.7	5.5%
Financial expenses	10	(308.5)	-	(27.2)	(0.2)	-	(27.4)	8.9%	(345.0)	-	(5.9)	(0.2)	-	(6.1)	1.8%
Financial operations		**(106.0)**	**-**	**(23.6)**	**0.1**	**1.8**	**(21.7)**		**(187.9)**	**-**	**1.9**	**0.3**	**0.4**	**2.6**	
Share of profits (losses) pertaining to joint ventures and associated companies	11	12.3	-	12.3	-	-	12.3	100.0%	10.3	-	10.3	-	-	10.3	100.0%
Earnings before taxes		**736.2**	**-**	**(0.8)**	**297.2**	**(70.7)**	**225.7**		**656.4**	**-**	**22.0**	**300.4**	**(66.5)**	**255.9**	
Taxes	12	(200.3)	-	-	-	-	-		(173.2)	-	-	-	-	-	
Net profit for the period		**535.9**	**-**	**(0.8)**	**297.2**	**(70.7)**	**225.7**		**483.2**	**-**	**22.0**	**300.4**	**(66.5)**	**255.9**	
Attributable to:															
Parent company shareholders		494.5							441.4						
Minority shareholders		41.4							41.8						
Earnings per share															
basic	17	0.343							0.305						
diluted	17	0.343							0.305						

2.03.02 - Statement of financial position as per Consob resolution 15519/ 2006

	notes	31 Dec 24	of which related parties						31 Dec 23	of which related parties					
			A	B	C	D	Total	%		A	B	C	D	Total	%
ASSETS															
Non-current assets															
Property, plants and equipment	21, 25	2,160.7	-	-	-	-	-		2,059.3	-	-	-	-	-	
Rights of use	22, 25	84.2	-	-	-	-	-		90.6	-	-	-	-	-	
Intangible assets	23, 25	4,945.8	-	-	-	-	-		4,719.6	-	-	-	-	-	
Goodwill	24, 25	933.0	-	-	-	-	-		908.7	-	-	-	-	-	
Shareholdings valued using the equity method	26, 27	127.3	-	127.3	-	-	127.3	100.0%	147.0	-	147.0	-	-	147.0	100.0%
Other shareholdings	26	47.3	-	3.9	-	5.1	9.0	19.0%	48.6	-	3.7	-	14.7	18.4	37.9%
Non-current financial assets	18	158.0	-	7.8	9.0	20.5	37.3	23.6%	162.8	-	11.0	10.6	21.2	42.8	26.3%
Deferred tax assets	14	342.9	-	-	-	-	-		302.3	-	-	-	-	-	
Derivative financial instruments	29	-	-	-	-	-	-		0.3	-	-	-	-	-	
Total non-current assets		**8,799.2**	**-**	**139.0**	**9.0**	**25.6**	**173.6**		**8,439.2**	**-**	**161.7**	**10.6**	**35.9**	**208.2**	
Current assets															
Inventories	32	168.1	-	-	-	-	-		198.5	-	-	-	-	-	
Trade receivables	33	3,172.5	-	18.4	78.0	18.3	114.7	3.6%	3,586.8	-	10.3	81.8	18.9	111.0	3.1%
Current financial assets	18	23.1	-	3.5	3.6	1.3	8.4	36.4%	90.9	-	7.0	3.7	1.3	12.0	13.2%
Current tax assets	13	31.3	-	-	-	-	-		11.4	-	-	-	-	-	
Assets from contracts with current customers	35	263.9	-	-	-	-	-		433.1	-	-	-	-	-	
Other current assets	37	1,104.5	-	2.4	(6.1)	3.9	0.2	0.0%	509.3	-	3.1	(3.9)	4.0	3.2	0.6%
Derivative financial instruments	29	182.4	-	-	-	-	-		478.0	-	-	-	-	-	
Cash and cash equivalents	18	1,315.6	-	-	-	-	-		1,332.8	-	-	-	-	-	
Total current assets		**6,261.4**	**-**	**24.3**	**75.5**	**23.5**	**123.3**		**6,640.8**	**-**	**20.4**	**81.6**	**24.2**	**126.2**	
TOTAL ASSETS		**15,060.6**	**-**	**163.3**	**84.5**	**49.1**	**296.9**		**15,080.0**	**-**	**182.1**	**92.2**	**60.1**	**334.4**	

	notes	31 Dec 24	of which related parties						31 Dec 23	of which related parties					
			A	B	C	D	Total	%		A	B	C	D	Total	%
NET EQUITY AND LIABILITIES															
Share capital and reserves															
Share capital	15	1,440.8	-	-	-	-	-		1,443.0	-	-	-	-	-	
Reserves	15	1,744.8	-	-	-	-	-		1,553.8	-	-	-	-	-	
Profit (loss) for the period	15	494.5	-	-	-	-	-		441.4	-	-	-	-	-	
Group net equity		**3,680.1**	**-**	**-**	**-**	**-**	**-**		**3,438.2**	**-**	**-**	**-**	**-**	**-**	
Non-controlling interests	16	306.8	-	-	-	-	-		313.4	-	-	-	-	-	
Total net equity		**3,986.9**	**-**	**-**	**-**	**-**	**-**		**3,751.6**	**-**	**-**	**-**	**-**	**-**	
Non-current liabilities															
Non-current financial liabilities	19	4,154.6	-	-	-	-	-		4,421.7	-	-	1.2	-	1.2	0.0%
Non-current lease liabilities	22	54.7	-	-	3.9	0.2	4.1	7.5%	56.8	-	-	2.7	0.2	2.9	5.1%
Employee benefits	30	79.9	-	-	-	-	-		88.1	-	-	-	-	-	
Provisions	31	693.1	-	-	-	-	-		617.8	-	1.0	-	-	1.0	0.2%
Deferred tax liabilities	14	144.8	-	-	-	-	-		156.9	-	-	-	-	-	
Total non-current liabilities		**5,127.1**	**-**	**-**	**3.9**	**0.2**	**4.1**		**5,341.3**	**-**	**1.0**	**3.9**	**0.2**	**5.1**	
Current liabilities															
Current financial liabilities	19	1,226.7	-	3.8	1.9	-	5.7	0.5%	890.8	-	0.1	0.8	-	0.9	0.1%
Current lease liabilities	22	24.4	-	0.0	1.3	0.1	1.4	5.9%	24.5	-	0.0	1.3	0.1	1.4	5.9%
Trade payables	34	2,723.9	-	15.6	24.4	23.9	63.9	2.3%	2,619.3	-	4.7	18.6	23.4	46.7	2.1%
Current tax liabilities	13	48.2	-	-	-	-	-		110.2	-	-	-	-	-	
Current liabilities from contracts with current customers	36	203.2	-	4.8	0.1	-	4.9	2.4%	397.4	-	8.2	-	-	8.2	2.1%
Other current liabilities	38	1,512.8	-	0.6	7.7	0.4	8.7	0.6%	1,487.3	-	0.3	6.3	0.6	7.2	0.4%
Derivative financial instruments	29	207.4	-	-	-	-	-		457.6	-	-	-	-	-	
Total current liabilities		**5,946.6**	**-**	**24.8**	**35.4**	**24.4**	**84.6**		**5,987.1**	**-**	**13.3**	**27.0**	**24.1**	**64.4**	
TOTAL LIABILITIES		**11,073.7**	**-**	**24.8**	**39.3**	**24.6**	**88.7**		**11,328.4**	**-**	**14.3**	**30.9**	**24.3**	**69.5**	
TOTAL NET EQUITY AND LIABILITIES		**15,060.6**	**-**	**24.8**	**39.3**	**24.6**	**88.7**		**15,080.0**	**-**	**14.3**	**30.9**	**24.3**	**69.5**	

2.03.03 – Cash flow statement as per Consob resolution 15519/2006

	31 DEC 24	OF WHICH RELATED PARTIES
Earnings before taxes	**736.2**	
Adjustments to reconcile net profit to cash flow from operating activities		
Amortisation and impairment of assets	563.4	
Allocation to provisions	194.3	
Effects from valuation using the equity method	(12.3)	
Financial (income) expenses	106.0	
(Capital gains) losses and other non-monetary elements	(1.2)	
Change in provisions	(34.9)	
Change in employee benefit provisions	(10.0)	
Total cash flow before changes in net working capital	**1,541.5**	
(Increase) decrease in inventories	39.5	
(Increase) decrease in trade receivables	(800.9)	(3.7)
Increase (decrease) in trade payables	(49.0)	17.2
Increase/decrease in other current assets/liabilities, including contracts with customers	438.2	4.5
Changes in working capital	**(372.2)**	
Dividends collected	12.8	6.4
Interest income and other financial income collected	56.8	4.5
Bank interests net charges on derivatives and other financial charges paid	(192.6)	(0.3)
Taxes paid	(193.3)	
Cash flow from (for) operating activities (a)	**853.0**	
Investments in property, plants and equipment	(282.1)	
Investments in intangible assets	(578.2)	
Investments in subsidiary companies and business units net of cash holdings	(33.1)	
Sale price of tangible and intangible assets	8.0	
(Increase) decrease in other investment activities	81.2	11.2
Cash flow from (for) investing activities (b)	**(804.6)**	
New issue of long-term bonds	471.1	
Repayments of non-current financial liabilities	(7.9)	
Repayments and other net changes in financial liabilities	(252.9)	3.5
Repayments of lease liabilities	(20.6)	(0.1)
Acquisition of interests in consolidated companies	(1.3)	
Increase in minority share capital	1.3	
Dividends paid out to Hera shareholders and non-controlling interests	(248.8)	(79.5)
(Investments) divestments in treasury shares	(6.5)	
Cash flow from (for) financing activities (c)	**(65.6)**	
Increase (decrease) in cash holdings (a+b+c)	**(17.2)**	
Cash and cash equivalents at the beginning of the period	1,332.8	
Cash and cash equivalents at the end of the period	1,315.6	

2.03.04 - Net financial debt pursuant to Consob notice DEM/6064293 of 2006

		31 DEC 24									
			A	B	C	D		A	B	C	D
A	Cash	1,315.6	-	-	-	-	1,332.8	-	-	-	-
B	Cash equivalents	-	-	-	-	-	-	-	-	-	-
C	Other current financial assets	23.1	-	3.5	3.6	1.3	90.9	-	7.0	3.7	1.3
D	**Liquidity (A+B+C)**	**1,338.7**					**1,423.7**				
	of which related parties		**-**	**3.5**	**3.6**	**1.3**		**-**	**7.0**	**3.7**	**1.3**
E	Current financial debt	(777.0)	-	(3.8)	(1.9)	-	(411.9)	-	(0.1)	(0.7)	-
F	Current portion of non-current financial debt	(474.1)	-	-	(1.3)	(0.1)	(524.1)	-	-	(1.4)	(0.1)
G	**Current financial indebtedness (E+F)**	**(1,251.1)**					**(936.0)**				
	of which related parties		**-**	**(3.8)**	**(3.2)**	**(0.1)**		**-**	**(0.1)**	**(2.1)**	**(0.1)**
H	**Net current financial indebtedness (G+D)**	**87.6**					**487.7**				
	of which related parties		**-**	**(0.3)**	**0.4**	**1.2**		**-**	**6.9**	**1.6**	**1.2**
I	Non-current financial debt	(808.0)	-	-	(3.8)	(0.2)	(1,087.0)	-	-	(3.9)	(0.2)
J	Debt instruments	(3,401.3)	-	-	-	-	(3,391.2)	-	-	-	-
K	Non-current trade and other payables	-	-	-	-	-	-	-	-	-	-
L	**Non-current financial indebtedness (I+J+K)**	**(4,209.3)**					**(4,478.2)**				
	of which related parties		**-**	**-**	**(3.8)**	**(0.2)**		**-**	**-**	**(3.9)**	**(0.2)**
M	**Total financial indebtedness (H+L) ESMA guidelines 32 - 382 - 1138**	**(4,121.7)**					**(3,990.5)**				
	of which related parties		**-**	**(0.3)**	**(3.4)**	**1.0**		**-**	**6.9**	**(2.3)**	**1.0**
	Non-current financial receivables	**158.0**					**162.8**				
	of which related parties		**-**	**7.9**	**9.0**	**20.5**		**-**	**11.0**	**10.6**	**21.2**
	Net financial debt	**(3,963.7)**					**(3,827.7)**				
	of which related parties		**-**	**7.6**	**5.6**	**21.5**		**-**	**17.9**	**8.3**	**22.2**

2.03.05 - List of related parties

The values reported in the table at 31 December 2024 refer to the related parties listed below:

Group A - Non-consolidated subsidiaries

-

Group B- Affiliated and jointly controlled companies

Adria Link Srl
Aimag Spa
ASM SET Srl
Aurora Srl
Enomondo Srl
H.E.P.T. Co. Ltd
Natura Srl in liquidation
Oikothen Scarl in liquidation
SEA - Servizi Ecologici Ambientali Srl
Set Spa
Sgr Servizi Spa
Tamarete Energia Srl
Tre Monti Srl

Group C - Related parties with significant influence

Municipality of Bologna
Municipality of Casalecchio di Reno
Municipality of Cesena
Municipality of Ferrara
Municipality of Imola
Municipality of Modena
Municipality of Padua
Municipality of Ravenna
Municipality of Rimini
Municipality of Trieste
Con.Ami
Ferrara Tua Spa
Ravenna Holding Spa
Rimini Holding Spa

Group D - Other related parties

Acosea Impianti Srl
Acquedotto del Dragone Impianti Spa
Aloe Spa
Amir Spa - Asset
Aspes Spa
Calenia Energia Spa
Fiorano Gestioni Patrimoniali Srl
Formigine Patrimonio Srl
Maranello Patrimonio Srl
Romagna Acque Spa
Sassuolo Gestioni Patrimoniali Srl
Serramazzoni Patrimonio Srl
Società Italiana Servizi Spa - Sis Spa asset
Te.Am Società Territorio Ambiente Srl
Team Srl - Assets
Unica Reti Spa - Asset

Statutory auditors, administrators, strategic managers, family members and entities related to strategic managers

2.03.06 - Explanatory notes to relations with related parties

Service management

In most of the areas it serves competence and in almost all of shareholding municipalities for the provinces of Modena, Bologna, Ferrara, Forlì-Cesena, Ravenna, Rimini, Padua, Udine, Trieste, Gorizia and Pesaro, the Hera Group holds the concession for the local public services of economic interest (distribution of natural gas through local gas pipelines, integrated water service and environmental services, including sweeping, waste collection, transport, recovery and disposal). The electricity distribution service is carried out in the areas of Modena and Imola, and in the municipalities of Trieste and Gorizia. Other public utilities (including urban district heating, energy services and public lighting) are carried out in a free-market regime or through specific agreements with the local authorities concerned. Through specific relations with the local authorities and/or local agencies, the Hera Group is also responsible for waste treatment and disposal services, not included in urban hygiene activities.

Water sector

The water services is managed by the Hera Group in the areas served in the Emilia-Romagna, Veneto, Friuli-Venezia Giulia and Marche regions. It is carried out on the basis of conventions with the relevant local agencies, with a variable duration, which is usually twenty years.

The Hera Group's mandate for managing integrated water services refers to activities of water collection and drinking water treatment and distribution for civil and industrial use as well as sewerage and water purification service. The agreements signed with the local area authorities also require the operator to carry out the planning and construction of new networks and plants aimed at providing the service. The conventions regulate the economic aspects of the contractual agreement, as well as the modes of managing the service, and the performance and quality standards.

Responsibility for regulating the water service is delegated to the national Authority ARERA, both in terms of tariffs and quality of service. The current regulatory 2024-2029 period (Arera Resolution 639/2023/R/idr) is the fourth tariff period.

In order to ensure greater stability and development for the water cycle, the duration of the fourth regulatory period has been extended to six years, thus covering the 2024-2029 period, with the introduction of some new elements such as the promotion of energy and environmental sustainability actions, additional technical quality objectives, and the enlargement of the regulatory scope to include stormwater management. Each operator is granted a guaranteed revenue (VRG) independently of the trends of the volumes distributed and it is established on the basis of operating costs (efficient and exogenous) and capital costs in relation to the investments made, as well as for the Rimini area, the outcome of the tender procedure that led to the new concession contract signed for the period 2022-2039.

For the purpose of carrying out the service, the operator uses networks, facilities and other equipment owned by the company itself, municipalities and asset companies. These assets, part of the inaccessible water stores, or granted or leased to the provider, must be returned to the municipalities, asset companies or local area authorities at the end of the concession to be made available to the incoming provider. Any work carried out by the Hera Group for the water service must be returned to the above-mentioned entities following payment or the residual value of the assets in question.

Hera's relations with users are regulated by provisioning regulations as well as Service Charters drafted on the basis of templates approved by local area authorities in compliance with provisions set out by Arera regarding the quality of the service and the resource.

Waste management sector

The municipal waste service managed by the Hera Group in the area it serves is provided on the basis of agreements with local authorities and comprises the exclusive management of the collection, transportation, sweeping and cleaning of streets, preparations for waste recovery and disposal and other minor services. The agreements entered into with the relevant local authorities regulate the economic aspects of the contractual agreement, as well as the modes of organising and managing the service, and the performance and quality standards. Starting from 2020, responsibility for the regulation of the municipal waste service was given to ARERA, which defined an initial regulatory two-year period 2020-2021 concerning integrated waste management only (ARERA Resolution 443/2019) and a subsequent update for the period 2022-2025 starting from which the fees for access to treatment plants qualified as minimum plants by the regional authority was also regulated (ARERA Resolution 363/2021). Therefore, the annual fee for the management of this service was determined with reference to the aforementioned national regulation, taking into account, to supplement the results, the competitive procedures concluded for the recently assigned areas (areas of Ravenna and Cesena, Bologna, Modena and Saccolongo, Abano Terme, Ponte San Nicolò, Albignasego and Casalserugo).

Following the recent rulings of the State Council on administrative disputes concerning "minimum plants", the beginning of national regulation for this type of plants was postponed from 2022 to 2024 (ARERA Resolution 7/2024); plants that have been defined as minimum plants are plants for the disposal and treatment of unsorted waste.

The municipal waste management service is billed by the Hera Group to the individual municipalities in the case of the Tari regime or to the individual users in the case of the application of the punctual correspondent tariff.

In order to operate municipal waste treatment plants, the Hera Group is required to obtain provincial authorisations.

In compliance with the principle of continuity of public services, under the terms of the existing agreements, the operator is obliged to continue the service also in the territories where the expiry date of the entrustment has already passed and until new entrustments take effect.

Energy sector

The duration of licenses for the distribution of natural gas via local gas pipelines, initially set for periods ranging between ten and thirty years by the original agreements stipulated with the municipalities, was revised by Italian decree 164/2000 (so-called Letta Decree, transposing Directive 98/30/EC) and by subsequent reforms of the energy market. Inrete Distributione Energia Spa, a Hera Group company that took over natural gas and electricity distribution from Hera SpA, is taking advantage of longer residual terms established for operators that have promoted partial privatizations and mergers. The duration of distribution concessions is unchanged with respect to that foreseen in the company's stock exchange listing. The agreements associated with the distribution licenses regarding the distribution of natural gas or other similar gases for heating, domestic, handicraft and industry uses, and for other general uses. Rates for the distribution of gas are fixed under current regulations and by periodical resolutions issued by the agency in charge of this sector (ARERA).
The area in which the Group provides gas distribution services is divided into rate zones in which a uniform distribution rate is applied to different categories of customers. The tariff regulations in force at the time these annual financial statements were approved are ARERA resolution 631/2023/R/gas of 28 December 2023 (update of tariffs for gas distribution and metering services, for 2024), which replaced the previous resolution 736/2022/R/gas of 29 December 2022 and which served to approve the 2024 mandatory tariffs for natural gas distribution, metering and sales services referred to in Article 42 of the Rtdg.

The tariff rates valid as from 1 January 2021 are shown in Table 1 of the A attachment to the aforementioned resolution. The tariffs for the 2024 financial year are part of the so-called 2020-2025 tariff period. As of 1 January 2020, in fact, the Regulation of gas distribution and metering service tariffs for the period 2020-2025 (Rtdg 2020-2025), approved by resolution 570/2019/R/gas and updated by resolution 737/2022/R/gas, came into force.

Pursuant to Article 43 of the RTDG 2020-2025, the mandatory natural gas distribution and metering tariffs are broken down into different rate areas:

- northwest area, which includes the regions of Valle d'Aosta, Piedmont and Liguria;
- northeast area, including the regions of Lombardy, Trentino-Alto Adige, Veneto, Friuli-Venezia Giulia, and Emilia-Romagna;
- central area, comprising the regions of Tuscany, Umbria and Marche;
- central-south-eastern area, including the regions of Abruzzo, Molise, Apulia and Basilicata;
- central-southwestern area, including the Lazio and Campania regions;
- southern area, including the regions of Calabria and Sicily;
- Sardinia area, including the region of Sardinia.

The value of the tariff components GS, RE, RS and UG1 referred to in paragraph 42.3, sections c), d), e), f) of the Rtdg 2020-2025 is subject to quarterly updating.

For the year 2024, beginning 1 January 2024, the values contained in Tables 9, 10 and 11 of Resolution 633/2023/R/com, as subsequently amended by Resolution 45/2024/R/com, were applied; beginning 1 April 2024, for the Gs, Rs, Ug1 and Re components, the values of the first three months of 2024 were confirmed (Tables 9 and 11 of Resolution 633/2023/R/com, as subsequently amended by Resolution 45/2024/R/com), while for the Ug3 component Table 8 of Resolution 113/2024/R/com was applied with effect from 1 July, for the Gs, Rs, Ug1and Re components, the value for the first three months of 2024 was again confirmed (Tables 9 and 11 of Resolution 633/2023/R/com, as amended by Resolution 45/2024/R/com), while for the Ug3 component the value for the second three months of 2024 was also confirmed (Table 8 of Resolution 113/2024/R/com); beginning 1 October, for the Gs, Rs and Ug1 components, Table 1 annexed to Resolution 384/2024/R/com was applied, while for the Re component the value for the first three months of 2024 set out in Table 11 of Resolution 633/2023/R/com, as amended by Resolution 45/2024/R/com, was confirmed, and for the Ug3 component the value for the second three months of 2024 was confirmed (Table 8 of Resolution 113/2024/R/com).

With regard to electricity, the contracts (lasting thirty years and renewable pursuant to the current regulations) govern power distribution activities comprising, inter alia, the management of distribution networks and the operation of associated plants, ordinary and extraordinary maintenance, the planning and identification of development projects, and metering. The contract may be suspended or terminated, on the judgement of the national Authority, if defaults and violations occur on the part of the concessionary company that seriously affect the performance of the distribution and metering of electricity. The distribution company is obliged to apply to its customers (so called distribution users) the rates set by current regulations and resolutions adopted by the sector Authority. The tariff regulations in effect at the time the annual consolidated financial statements were approved, refers to the Authority's resolution 616/2023/R/Eel of 17 December 2023 (Rate regulations for electricity distribution and metering, for the regulatory period 2024-2027), which replaced the previous Authority resolution 654/2015/R/Eel del 23 December 2015 and subsequent amendments and additions (Rate regulations for electricity transmission, distribution and metering services for the regulatory period 2016-2023) in force until 31 December 2023.
With this resolution, the Authority issued the provisions on the tariff regulation of electricity distribution and measurement services for the 2024-2027 regulatory period, as well as the corresponding Integrated Texts for Distribution (Tit) Measurement (Time) and Connection Service (Tic).

The tariffs for distribution and metering services cover the costs of transporting and metering of electricity along distribution networks. The tariffs are applied to all customers and have a trinomial structure expressed in euro cents per sampling point per year (fixed component), euro cents per KW per year (power component) and euro cents per kWh consumed (energy component).

The tariffs for distribution and metering services are updated periodically by the ARERA Authority through appropriate measures.

For the year 2024, the update of the tariffs for the use of electricity distribution and metering services was determined by Resolution 630/2023/R/Eel of 28 December 2023 (update, for the year 2024, of the tariffs for the use of infrastructure for electricity distribution and metering services for domestic and non-domestic customers and of the economic conditions for the provision of connection service).

2.04 - SHAREHOLDINGS

2.04.01 - List of consolidated companies

Subsidiaries

REGISTERED NAME	REGISTERED OFFICE	SHARE CAPITAL (EURO) (*)	CONSOLIDATED PERCENTAGE		TOTAL INTEREST
			DIRECT	INDIRECT	
A.C.R. di Reggiani Albertino Spa	Mirandola (MO)	390,000		60.00%	60.00%
Acantho Spa	Imola (BO)	27,094,468	70.16%		70.16%
AcegasApsAmga Spa	Trieste	284,677,324	100.00%		100.00%
Aliplast Spa	Istrana (TV)	5,000,000		75.00%	75.00%
Aliplast France Recyclage Sas	La Wantzenau (France)	1,025,000		75.00%	75.00%
Aliplast Iberia Slu	Calle Castilla-Leon (Spain)	815,000		75.00%	75.00%
Aliplast Polska Spzoo	Zgierz (Poland)	1,200,000 PLN		75.00%	75.00%
Aresenergy Eood	Varna (Bulgaria)	50,000 Lev		100.00%	100.00%
AresGas Ead	Sofia (Bulgaria)	22,572,241 Lev		100.00%	100.00%
Ares Trading Eood	Varna (Bulgaria)	50,000 Lev		100.00%	100.00%
Asa Scpa	Castelmaggiore (BO)	1,820,000		38.25%	38.25%
Atlas Utilities Ead	Varna (Bulgaria)	50,000 Lev		100.00%	100.00%
Biorg Srl	Bologna	1,000,000		75.00%	75.00%
Black Sea Gas Company Eood	Varna (Bulgaria)	5,000 Lev		100.00%	100.00%
EstEnergy Spa	Trieste	299,925,761		100.00%	100.00%
Etra Energia Srl	Cittadella (PD)	100,000		51.00%	51.00%
F.lli Franchini Srl	Rimini	1,100,000		100.00%	100.00%
Feronia Srl	Bologna	100,000		75.00%	75.00%
Frullo Energia Ambiente Srl	Bologna	17,139,100		38.25%	38.25%
Green Factory Srl	Pesaro	500,000		46.70%	46.70%
Herambiente Spa	Bologna	271,648,000	75.00%		75.00%
Herambiente Servizi Industriali Srl	Bologna	5,000,000		75.00%	75.00%
Hera Comm Spa	Imola (BO)	53,595,899	100.00%		100.00%
Hera Luce Srl	Cesena	1,000,000		100.00%	100.00%
Hera Servizi Energia Spa	Udine	13,216,899		84.50%	84.50%
Heratech Srl	Bologna	2,000,000	100.00%		100.00%
Hera Trading Srl	Trieste	22,600,000	100.00%		100.00%
HestAmbiente Srl	Trieste	1,010,000		82.50%	82.50%
Horowatt Srl	Cesena	550,000	50.00%		50.00%
Inrete Distribuzione Energia Spa	Bologna	10,091,815	100.00%		100.00%
Macero Maceratese Srl	Macerata (MC)	1,032,912		46.70%	46.70%
Marche Multiservizi Spa	Pesaro	16,388,535	46.70%		46.70%
Marche Multiservizi Falconara Srl	Falconara Marittima (AN)	100,000		46.70%	46.70%
Primagas Ad	Varna (Bulgaria)	1,149,860 Lev		97.34%	97.34%
Recycla Spa	Maniago (PN)	90,000		75.00%	75.00%
Tiepolo Srl	Bologna	1,305,000	100.00%		100.00%
Tri-Generazione Scarl	Padua	100,000		71.83%	71.83%
Triveneta Luce Scarl	Vicenza	400,000		100.00%	100.00%
TRS Ecology Srl	Caorso (PC)	1,000,000		75.00%	75.00%
Uniflotte Srl	Bologna	2,254,177	100.00%		100.00%

Vallortigara Servizi Ambientali Spa	Torrebelvicino (VI)	330,000		75.00%	75.00%
Wolmann Spa	Bologna	400,000		100.00%	100.00%

(*) unless otherwise specified
(**) company liquidated on 10 June 2024

Jointly controlled entities

REGISTERED NAME	REGISTERED OFFICE	SHARE CAPITAL (EURO)	PERCENTAGE HELD		TOTAL INTEREST
			DIRECT	INDIRECT	
Enomondo Srl	Faenza (RA)	14,000,000		37.50%	37.50%
Set Spa	Milan	120,000	39.00%		39.00%

Associated companies

REGISTERED NAME	REGISTERED OFFICE	SHARE CAPITAL (EURO) (*)	PERCENTAGE HELD		TOTAL INTEREST
			DIRECT	INDIRECT	
Aimag Spa*	Mirandola (MO)	78,027,681	25.00%		25.00%
ASM Servizi Energetici e Tecnologici (ASM SET) Srl	Rovigo	200,000		49.00%	49.00%
SEA - Servizi Ecologici Ambientali Srl	Camerata Picena (AN)	100,000		31.00%	31.00%
Sgr Servizi Spa	Rimini	5,982,262		29.61%	29.61%
Tamarete Energia Srl	Ortona (CH)	3,600,000	40.00%		40.00%

*The share capital of these companies consists of 67,577,681 euro of ordinary shares and 10,450,000 euro of related shares.

2.04.02 - Key figures in the financial statements of subsidiaries and associated companies

Summary of key figures of the financial statements of subsidiaries pursuant to Article 2429, last paragraph, of the Civil Code

THOUSAND €	A.C.R. SPA	ACANTHO SPA	ACEGASAPSAMGA SPA*	ALIPLAST SPA	ALIPLAST FRANCE RECYCLAGE SAS
ASSETS					
Fixed assets	33,399	114,289	1,140,094	93,247	3,154
Circulating assets	96,944	32,834	238,830	82,161	2,493
Total assets	**130,343**	**147,123**	**1,378,924**	**175,408**	**5,647**
LIABILITIES					
Share capital	390	27,094	284,677	5,000	1,025
Reserves	44,173	29,754	275,761	36,259	1,315
Net profit / (loss)	19,818	9,516	33,524	209	216
Provisions	85	50	38,074	455	-
Severance pay provision	463	1,118	9,760	597	-
Payables	65,415	79,591	737,128	132,888	3,091
Total liabilities	**130,343**	**147,123**	**1,378,924**	**175,408**	**5,647**
INCOME STATEMENT					
Production value	190,722	92,579	441,495	151,368	5,989
Production costs	(155,381)	(79,023)	(393,773)	(148,814)	(5,782)
Financial income / (expenses)	(585)	12	(4,165)	(2,139)	(39)
Extraordinary income / (expenses)	(6,868)	(1,772)	-	-	118
Taxes for the year	(8,070)	(2,280)	(10,033)	(206)	(70)
Net profit / (loss)	**19,818**	**9,516**	**33,524**	**209**	**216**

*The company applies the international accounting standards, therefore the values stated comply with them.

THOUSAND €	ALIPLAST IBERIA SLU	ALIPLAST POLSKA SPZOO	ARES TRADING EOOD	ARESENERGY EOOD	ARESGAS EAD
ASSETS					
Fixed assets	729	297	-	6	83,020
Circulating assets	1,135	1,569	852	824	5,115
Total assets	**1,864**	**1,866**	**852**	**830**	**88,135**
LIABILITIES					
Share capital	815	281	26	26	11,541
Reserves	262	1,111	637	(92)	19,541
Net profit / (loss)	85	143	164	36	1,887
Provisions	-	-	-	-	264
Severance pay provision	-	-	-	-	41
Payables	702	331	25	860	54,861
Total liabilities	**1,864**	**1,866**	**852**	**830**	**88,135**
INCOME STATEMENT					
Production value	2,334	4,031	2,596	2,330	36,844
Production costs	(2,256)	(3,843)	(2,413)	(2,278)	(33,372)
Financial income / (expenses)	-	(3)	(1)	(16)	(1,403)
Extraordinary income / (expenses)	35	-	-	-	-
Taxes for the year	(28)	(42)	(18)	-	(182)
Net profit / (loss)	**85**	**143**	**164**	**36**	**1,887**

THOUSAND €	ASA SCPA	BIORG SRL	BLACK SEA GAS COMPANY EOOD	ESTENERGY SPA*	ETRA ENERGIA SRL*
ASSETS					
Fixed assets	2,411	30,403	1,119	500,314	123
Circulating assets	19,468	4,852	4,245	470,663	5,934
Total assets	**21,879**	**35,255**	**5,364**	**970,977**	**6,057**
LIABILITIES					
Share capital	1,820	1,000	3	299,926	100
Reserves	622	8,000	4,815	184,045	1,578
Net profit / (loss)	-	(1,738)	(281)	63,182	1,247
Provisions	16,766	146	-	6,317	-
Severance pay provision	105	30	91	2,005	60
Payables	2,566	27,817	736	415,502	3,072
Total liabilities	**21,879**	**35,255**	**5,364**	**970,977**	**6,057**
INCOME STATEMENT					
Production value	6,343	7,144	3,445	1,241,691	11,970
Production costs	(6,799)	(8,535)	(3,722)	(1,154,357)	(10,311)
Financial income / (expenses)	458	(764)	(6)	13,188	91
Extraordinary income / (expenses)	-	-	-	-	-
Taxes for the year	(2)	417	2	(37,340)	(503)
Net profit / (loss)	**-**	**(1,738)**	**(281)**	**63,182**	**1,247**

*The company applies the international accounting standards, therefore the values stated comply with them.

THOUSAND €	F.LLI FRANCHINI SRL	FERONIA SRL	FRULLO ENERGIA AMBIENTE SRL*	GREEN FACTORY SRL	HERA COMM SPA*
ASSETS					
Fixed assets	343	19,468	47,207	4,098	242,722
Circulating assets	39,843	6,575	27,355	1,106	2,586,179
Total assets	**40,186**	**26,043**	**74,562**	**5,204**	**2,828,901**
LIABILITIES					
Share capital	1,100	100	17,139	500	53,596
Reserves	2,884	2,047	23,835	(63)	293,157
Net profit / (loss)	1,391	383	17,307	(16)	239,773
Provisions	100	4,646	1,867	-	46,285
Severance pay provision	395	-	1,354	-	3,918
Payables	34,316	18,867	13,060	4,783	2,192,172
Total liabilities	**40,186**	**26,043**	**74,562**	**5,204**	**2,828,901**
INCOME STATEMENT					
Production value	19,935	4,670	45,538	-	5,863,132
Production costs	(17,948)	(4,073)	(22,015)	(16)	(5,578,710)
Financial income / (expenses)	(55)	(199)	420	-	15,593
Extraordinary income / (expenses)	-	-	-	-	29,287
Taxes for the year	**(541)**	**(15)**	**(6,636)**	**-**	**(89,529)**
Net profit / (loss)	1,391	383	17,307	(16)	239,773

*The company applies the international accounting standards, therefore the values stated comply with them.

THOUSAND €	HERA LUCE SRL*	HERA SERVIZI ENERGIA SPA*	HERA TRADING SRL*	HERAMBIENTE SERVIZI INDUSTRIALI SRL*	HERAMBIENTE SPA*
ASSETS					
Fixed assets	127,504	106,818	179	274,026	995,124
Circulating assets	69,100	502,537	1,664,144	56,920	533,823
Total assets	**196,604**	**609,355**	**1,664,323**	**330,946**	**1,528,947**
LIABILITIES					
Share capital	1,000	13,217	22,600	5,000	271,599
Reserves	70,255	71,121	106,257	36,300	80,394
Net profit / (loss)	4,547	3,392	2,162	10,617	47,345
Provisions	1,114	18,472	-	4,894	169,440
Severance pay provision	633	1,540	662	2,448	5,597
Payables	119,055	501,613	1,532,642	271,687	954,572
Total liabilities	**196,604**	**609,355**	**1,664,323**	**330,946**	**1,528,947**
INCOME STATEMENT					
Production value	94,174	199,297	6,721,634	159,326	549,700
Production costs	(91,512)	(175,142)	(6,723,114)	(157,976)	(496,947)
Financial income / (expenses)	3,578	(19,436)	4,973	2,671	1,596
Extraordinary income / (expenses)	-	-		-	
Taxes for the year	(1,693)	(1,327)	(1,331)	6,596	(7,004)
Net profit / (loss)	**4,547**	**3,392**	**2,162**	**10,617**	**47,345**

*The company applies the international accounting standards, therefore the values stated comply with them.

THOUSAND €	HERATECH SRL*	HESTAMBIENTE SRL*	HOROWATT SRL	INRETE DISTRIBUZIONE ENERGIA SPA*	MACERO MACERATESE SRL
ASSETS					
Fixed assets	54	112,178	177	1,458,666	5,507
Circulating assets	77,283	21,343	555	204,278	7,591
Total assets	**77,337**	**133,521**	**732**	**1,662,944**	**13,098**
LIABILITIES					
Share capital	1,981	1,010	550	9,901	1,033
Reserves	1,369	24,329	-	581,307	6,627
Net profit / (loss)	963	23,768	(6)	44,210	667
Provisions	110	5,856	-	153,578	223
Severance pay provision	3,544	438	-	6,713	473
Payables	69,370	78,120	188	867,235	4,075
Total liabilities	**77,337**	**133,521**	**732**	**1,662,944**	**13,098**
INCOME STATEMENT					
Production value	164,391	93,461	9	420,690	15,367
Production costs	(162,645)	(59,081)	(15)	(338,705)	(14,448)
Financial income / (expenses)	(341)	(1,583)	-	(21,510)	(26)
Extraordinary income / (expenses)	-	-	-	671	-
Taxes for the year	(442)	(9,029)	-	(16,936)	(226)
Net profit / (loss)	**963**	**23,768**	**(6)**	**44,210**	**667**

*The company applies the international accounting standards, therefore the values stated comply with them.

THOUSAND €	MARCHE MULTISERVIZI SPA	MARCHE MULTISERVIZI FALCONARA SRL	PRIMAGAS AD	RECYCLA SPA	TIEPOLO SRL
ASSETS					
Fixed assets	280,361	2,590	2,684	16,220	4,764
Circulating assets	82,284	2,325	452	7,563	2,208
Total assets	**362,645**	**4,915**	**3,136**	**23,783**	**6,972**
LIABILITIES					
Share capital	16,389	100	588	90	1,305
Reserves	115,976	828	1,149	6,465	(21)
Net profit / (loss)	8,201	358	270	3,383	(70)
Provisions	41,102	509	35	901	-
Severance pay provision	4,368	626	-	1,269	-
Payables	176,609	2,494	1,094	11,675	5,758
Total liabilities	**362,645**	**4,915**	**3,136**	**23,783**	**6,972**
INCOME STATEMENT					
Production value	147,772	8,963	2,880	25,298	
Production costs	(132,584)	(8,406)	(2,560)	(20,569)	(77)
Financial income / (expenses)	(2,019)	(17)	(21)	(114)	(15)
Extraordinary income / (expenses)	-	-	-	-	-
Taxes for the year	(4,968)	(182)	(29)	(1,232)	22
Net profit / (loss)	**8,201**	**358**	**270**	**3,383**	**(70)**

THOUSAND €	TRI-GENERAZIONE SCARL	TRIVENETA LUCE SCARL	TRS ECOLOGY SRL	UNIFLOTTE SRL*	VALLORTIGARA SERVIZI AMBIENTALI SPA
ASSETS					
Fixed assets	-	3	6,597	147,364	18,135
Circulating assets	665	358	10,411	31,835	13,328
Total assets	**665**	**361**	**17,008**	**179,199**	**31,463**
LIABILITIES					
Share capital	100	400	1,000	2,254	330
Reserves	289	(29)	3,775	32,696	13,592
Net profit / (loss)	-	(16)	505	2,248	2,309
Provisions	-		1,224	628	505
Severance pay provision	-	-	65	1,042	892
Payables	276	6	10,439	140,331	13,835
Total liabilities	**665**	**361**	**17,008**	**179,199**	**31,463**
INCOME STATEMENT					
Production value	824	-	16,784	107,063	31,599
Production costs	(834)	(16)	(16,021)	(100,577)	(28,318)
Financial income / (expenses)	10	-	(5)	(3,482)	(97)
Extraordinary income / (expenses)	-	-		-	
Taxes for the year	-	-	(253)	(756)	(875)
Net profit / (loss)	**-**	**(16)**	**505**	**2,248**	**2,309**

*The company applies the international accounting standards, therefore the values stated comply with them.

THOUSAND €	WOLMANN SPA
ASSETS	
Fixed assets	41
Circulating assets	9.186
Total assets	**9,227**
LIABILITIES	
Share capital	400
Reserves	1,055
Net profit / (loss)	(972)
Provisions	285
Severance pay provision	186
Payables	8,273
Total liabilities	**9,227**
INCOME STATEMENT	
Production value	6,332
Production costs	(7,466)
Financial income / (expenses)	196
Extraordinary income / (expenses)	(195)
Taxes for the year	161
Net profit / (loss)	**(972)**

Summary of key figures of the financial statements of joint ventures pursuant to Article 2429, last paragraph, of the Civil Code.

THOUSAND €	ENOMONDO SRL	SET SPA
ASSETS		
Fixed assets	35,920	92,528
Circulating assets	24,754	68,511
Total assets	**60,674**	**161,039**
LIABILITIES		
Share capital	14,000	120
Reserves	23,556	72,818
Net profit / (loss)	3,748	(407)
Provisions	731	
Severance pay provision	12	324
Payables	18,627	88,184
Total liabilities	**60,674**	**161,039**
INCOME STATEMENT		
Production value	31,351	105,895
Production costs	(26,004)	(104,298)
Financial income / (expenses)	(150)	(2,076)
Extraordinary income / (expenses)	-	(94)
Taxes for the year	(1,449)	166
Net profit / (loss)	**3,748**	**(407)**

Summary of key figures of the financial statements of associated companies pursuant to Article. 2429, last paragraph, of the Civil code.

THOUSAND €	AIMAG SPA	ASM SET SRL	SEA - SERVIZI ECOLOGICI AMBIENTALI SRL	SGR SERVIZI SPA	TAMARETE ENERGIA SRL
ASSETS					
Fixed assets	329,003	153	12,968	1,303	42,219
Circulating assets	83,906	16,418	17,979	122,334	11,727
Total assets	**412,909**	**16,571**	**30,947**	**123,637**	**53,946**
LIABILITIES					
Share capital	78,028	200	100	5,982	3,600
Reserves	88,440	662	14,660	49,775	2,471
Net profit / (loss)	4,174	2,653	4,122	19,178	581
Provisions	31,467	7	1,097	217	4,460
Severance pay provision	2,038	326	599	1,675	
Payables	208,762	12,723	10,369	46,810	42,834
Total liabilities	**412,909**	**16,571**	**30,947**	**123,637**	**53,946**
INCOME STATEMENT					
Production value	123,236	36,841	19,127	213,282	19,681
Production costs	(111,000)	(33,314)	(13,558)	(188,879)	(17,242)
Financial income / (expenses)	(5,001)	178	521	2,836	(1,682)
Extraordinary income / (expenses)	(1,072)	-			
Taxes for the year	(1,989)	(1,052)	(1,968)	(8,061)	(176)
Net profit / (loss)	**4,174**	**2,653**	**4,122**	**19,178**	**581**

2.05 - INFORMATION REQUIRED BY LAW 124 OF 4 AUGUST 2017 ART. 1 PARAGRAPHS 125-129 AND FOLLOWING AMENDMENTS

Law 124/2017, Art. 1, paragraphs 125-129 and following amendments established that companies must disclose in the explanatory notes to the financial statements the "subsidies, grants, benefits, contributions or aid, in cash or in kind, without consideration, remuneration or compensation" received from the Public Administration, above the threshold of 10,000 euro and on a cash basis.

The following table shows the cases present within the Group:

Operating grants

ISSUING ENTITY	DESCRIPTION	AMOUNT RECEIVED (EURO)
National Emergency Fund	Contributions for the May 2023 flood - regulation of the Special commissioner for reconstruction in the territory of the Emilia-Romagna, Tuscany and Marche Regions	5,622,844
Emilia Romagna Region	Actions to ensure the continuity of the drinking water service	3,349,924
Atersir	Support for the circular economy and the reduction of urban waste production	1,143,459
Municipality of Ferrara	Fund for mobility management initiatives	224,803
Arpae Emilia-Romagna	Systematic surveillance system for Sars-CoV-2 in wastewater	109,168
National Agency for Active Labour Policies	New skills fund	104,685
European Commission - Capofila Sintef AS	Project on the impacts of H2 blending in non-metallic network materials	74,530
Ministry of Infrastructures and Transport	Price compensation fund provided in the year	34,885
Fondirigenti - Interprofessional fund for permanent training	Personnel training - talent acquisition strategies project	12,500
Municipality of Morciano di Romagna	Covid grant 2020	10,972

Plant investment grants

ISSUING ENTITY	DESCRIPTION	AMOUNT RECEIVED (EURO)
Ministry of Infrastructures and Transport - AAto1	NRRP - Leakage reduction and water networks renovation	5,851,800
Ministry of Infrastructures and Transport	NRRP - leakage reduction in ATO 5	4,056,210
Ministry of Infrastructures and Transport	NRRP - leakage reduction in ATO 8	3,000,825
Ministry of Infrastructures and Transport	NRRP - leakage reduction in ATO 7	2,778,150
Ministry of Infrastructures and Transport	NRRP- sustainable water management	2,500,000
Municipality of Rimini	Construction of the sewerage infrastructure of the first section of the southern Rimini backbone	2,481,970
Ministry of the Environment and Energy Security	NRRP – upgrading of geothermal source in the municipality of Ferrara	2,287,638
Atersir	NRRP - upgrading of the purifier of the first section Ravenna	2,215,160
Ministry of Infrastructures and Transport	NRRP - leakage reduction in ATO 9	2,049,600
Ministry of Infrastructures and Transport	NRRP - leakage reduction in ATO 4	1,873,500
Ministry of the Environment and Energy Security	NRRP - smart grid in the municipality of Trieste	1,840,440
Ministry of the Environment and Energy Security	NRRP – project to increase the distribution of energy from renewable sources	1,649,766
Ministry of Infrastructures and Transport	NRRP - leakage reduction in ATO 6	1,609,650
Atersir	NRRP - renovation of drains 7-33 in Alfero (Forlì-Cesena province)	1,370,449
Marche Region - Ato1	Sewer work for Cagli flood 2022	1,353,956
Cafc Spa	NRRP- smart water management	1,221,810

Ausir	Work on water network	971,720
Ministry of the Environment and Energy Security	NRRP - carbon fibre plant	856,536
Atersir	NRRP - upgrading of the purifier plant Idar (BO)	809,127
Ministry of the Environment and Energy Security	NRRP – extension of the district heating interconnection in the municipality of Forlì	784,603
Ministry of the Environment and Energy Security	NRRP - rigid plastic plant in the municipality of Modena	770,221
Ato 1	NRRP - new sewerage network - Petriano Vallefoglia (Pu)	510,000
Ministry of the Environment and Energy Security	NRRP - Biodryers Codevigo-Ca' Nordio-Abano (PD)	485,810
Municipality of Ravenna	Construction of the sewerage network at the dock of the Municipality of Ravenna	471,296
Ministry of Infrastructures and Transport	Price compensation fund AP03	450,889
Municipality of Padua	Network upgrading SII - Tram SIR3 Municipality of Padua	414,095
Ato 1	NRRP - completion of collection pipelines in the municipality of San Costanzo (PU)	405,000
Ministry of the Environment and Energy Security - Ato1	Work on sewerage system	346,416
Ministry of the Environment and Energy Security	NRRP – project to strengthen the medium voltage distribution network	261,051
Municipality of Bentivoglio - Hospice Mt Cantorese Foundation	Water and sewer network upgrading works Municipality of Bentivoglio	240,000
Ministry of the Environment and Energy Security	NRRP - Iot Waste (IntercOnnecT Waste)	100,000
Ministry of the Environment and Energy Security	NRRP - construction of a collection centre in Trieste	100,000
Ministry of the Environment and Energy Security	NRRP - smart dumpsters in Trieste center	99,984
National Emergency Fund	Grants for May 2023 Emilia-Romagna flood emergency	81,556
Ministry of the Environment and Energy Security	NRRP - smart dumpsters in Trieste - Altopiano	78,289
Marche Region - Ato1	Work on sewerage system	41,674
Ministry of the Environment and Energy Security	NRRP - installation of compacting bins in Trieste	32,718
WEEE Coordination Centre	Interventions for the implementation of the WEEE system	30,000
Municipality of Castello d'Argile	Water and sewer network upgrading works	18,182

2.06 - OVERVIEW ART. 149 DUODECIES OF CONSOB ISSUERS REGULATION

THOUSAND €	INDEPENDENT AUDITORS	2024
Services provided to certify the financial statements	Deloitte & Touche	598
	KPMG	446
Provision of other services for the issue of an attestation by the independent auditor company	Deloitte & Touche	180
	KPMG	183
Other services rendered	Deloitte & Touche	23
	KPMG	60
Total		**1,490**

2.07 - DECLARATION ON THE CONSOLIDATED FINANCIAL STATEMENT PURSUANT TO ART. 154-BIS OF LEGISLATIVE DECREE 58/98

1 – The undersigned Orazio Iacono, who holds the office of CEO, and Massimo Vai, acting as Manager responsible for preparing Hera Spa's corporate accounting documents, certify, taking into account the provisions of Article 154-bis, paragraphs 3 and 4, of Legislative Decree 58 of 24 February 1998:

- the appropriateness with regard to the characteristics of the company and
- the effective application

of the administrative and accounting procedures used in preparing the consolidated financial statements for the financial year 2024.

2 - They additionally certify that:

2.1 - the consolidated financial statements:

a. have been prepared in accordance with the applicable international accounting standards recognised in the European Community pursuant to Regulation (EC) 1606/2002 of the European Parliament and of the Council of 19 July 2002;
b. correspond to the results of the accounting books and records;
c. give a true and fair view of the financial position, results of operations and cash flows of the issuer and the group of consolidated companies.

2.2 – The report on operations includes a reliable analysis of trends and results of operations, as well as the situation of the issuer and the group of consolidated companies, along with a description of the main risks and uncertainties to which they are exposed.

The Chief Executive Officer

Orazio Iacono

The Manager responsible for preparing the corporate accounting documents

Massimo Vai

Bologna, 26 March 2025

2.08 - REPORT BY THE INDEPENDENT AUDITOR

(The accompanying translated consolidated financial statements of the Hera Group constitute a non-official version which is not compliant with the provisions of Commission Delegated Regulation (EU) 2019/815. This independent auditors' report has been translated into English solely for the convenience of international readers. Accordingly, only the original Italian version is authoritative.)

Hera Group

Consolidated financial statements as at and for the year ended 31 December 2024

(with independent auditors' report thereon)

KPMG S.p.A.

7 April 2025

KPMG S.p.A.
Revisione e organizzazione contabile
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(The accompanying translated consolidated financial statements of the Hera Group constitute a non-official version which is not compliant with the provisions of Commission Delegated Regulation (EU) 2019/815. This independent auditors' report has been translated into English solely for the convenience of international readers. Accordingly, only the original Italian version is authoritative.)

Independent auditors' report pursuant to article 14 of Legislative decree no. 39 of 27 January 2010 and article 10 of Regulation (EU) no. 537 of 16 April 2014

To the shareholders of
Hera S.p.A.

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of the Hera Group (the "group"), which comprise the statement of financial position as at 31 December 2024, the income statement and statements of comprehensive income, cash flows and changes in net equity for the year then ended and notes thereto, which include material information on the accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Hera Group as at 31 December 2024 and of its financial performance and cash flows for the year then ended in accordance with the IFRS Accounting Standards issued by the International Accounting Standards Board and endorsed by the European Union, as well as the Italian regulations implementing article 9 of Legislative decree no. 38/05.

Basis for opinion

We conducted our audit in accordance with the International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the "*Auditors' responsibilities for the audit of the consolidated financial statements*" section of our report. We are independent of Hera S.p.A. (the "parent") in accordance with the ethics and independence rules and standards applicable in Italy to audits of financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Recognition of revenue from the supply of electricity and gas not yet invoiced

Notes to the consolidated financial statements: notes 2.02.01 "Accounting policies and consolidation principles", 2.02.01 "Significant estimates and valuation" and 1 "Revenue"

Key audit matter	Audit procedures addressing the key audit matter
Revenue from the supply of electricity and gas to end users is recognised at the time the electricity or gas is delivered and includes, in addition to amounts invoiced on the basis of periodic meter readings or on the volumes notified by distributors and transporters, an estimate of the electricity and gas delivered during the year but not yet invoiced at year end that is calculated also taking account of any network losses. Revenue accrued between the date of the last meter reading and the year end is based on calculations of consumption of individual customers, primarily based on their historical information, adjusted to reflect the climate factors or other matters that may affect the estimated consumption. These estimates are very complex given the nature of underlying assumptions. Therefore, we believe that the recognition of revenue from the supply of electricity and gas not yet invoiced is a key audit matter.	Our audit procedures included: • understanding the process for the recognition of revenue from the supply of electricity and gas not yet invoiced at year end; • assessing the design, implementation and operating effectiveness of controls, including IT controls, deemed material for the purposes of our audit, including by involving our IT specialists; • checking the accuracy of the data used to estimate revenue accrued and not invoiced at year end; • comparing the accruals for invoices to be issued for revenue from the supply of electricity and gas recognised in the prior year's consolidated financial statements with the subsequent actual figures; • assessing the appropriateness of the disclosures provided in the notes about the revenue from the supply of electricity and gas not yet invoiced at year end.

Other matters - Comparative figures

The group's 2023 consolidated financial statements were audited by other auditors, who expressed their unqualified opinion thereon on 5 April 2024.

Responsibilities of the parent's directors and board of statutory auditors ("Collegio Sindacale") for the consolidated financial statements

The directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with the IFRS Accounting Standards issued by the International Accounting Standards Board and endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05 and, within the terms established by the Italian law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The directors are responsible for assessing the group's ability to continue as a going concern and for the appropriate use of the going concern basis in the preparation of the consolidated financial statements and for the adequacy of the related disclosures. The use of this basis of accounting is appropriate unless the directors believe that the conditions for liquidating the parent or ceasing operations exist, or have no realistic alternative but to do so.

The *Collegio Sindacale* is responsible for overseeing, within the terms established by the Italian law, the group's financial reporting process.

Auditors' responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA Italia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISA Italia, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;
- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the group to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance, identified at the appropriate level required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the ethics and independence rules and standards applicable in Italy and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the measures taken to eliminate those threats or the safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year and are, therefore, the key audit matters. We describe these matters in our auditors' report.

Other information required by article 10 of Regulation (EU) no. 537/14

On 28 April 2022, the parent's shareholders appointed us to perform the statutory audit of its separate and consolidated financial statements as at and for the years ending from 31 December 2024 to 31 December 2032.

We declare that we did not provide the prohibited non-audit services referred to in article 5.1 of Regulation (EU) no. 537/14 and that we remained independent of the parent in conducting the statutory audit.

We confirm that the opinion on the consolidated financial statements expressed herein is consistent with the additional report to the *Collegio Sindacale*, in its capacity as audit committee, prepared in accordance with article 11 of the Regulation mentioned above.

Report on other legal and regulatory requirements

Opinion on the compliance with the provisions of Commission Delegated Regulation (EU) 2019/815

The parent's directors are responsible for the application of the provisions of Commission Delegated Regulation (EU) 2019/815 with regard to regulatory technical standards on the specification of a single electronic reporting format (ESEF) to the consolidated financial statements at 31 December 2024 to be included in the annual financial report.

We have performed the procedures required by Standard on Auditing (SA Italia) 700B in order to express an opinion on the compliance of the consolidated financial statements with Commission Delegated Regulation (EU) 2019/815.

In our opinion, the consolidated financial statements at 31 December 2024 have been prepared in XHTML format and have been marked up, in all material respects, in compliance with the provisions of Commission Delegated Regulation (EU) 2019/815.

Opinion and statement pursuant to article 14.2.e)/e-bis)/e-ter) of Legislative decree no. 39/10 and article 123-bis.4 of Legislative decree no. 58/98

The parent's directors are responsible for the preparation of the group's directors' report and report on corporate governance and ownership structure at 31 December 2024 and for the consistency of such reports with the related consolidated financial statements and their compliance with the applicable law.

We have performed the procedures required by Standard on Auditing (SA Italia) 720B in order to:

- express an opinion on the consistency of the directors' report and certain specific information presented in the report on corporate governance and ownership structure required by article 123-bis.4 of Legislative decree no. 58/98 with the consolidated financial statements;
- express an opinion on the consistency of the directors' report, excluding the section that includes the consolidated sustainability statement, and certain specific information presented in the report on corporate governance and ownership structure required by article 123-bis.4 of Legislative decree no. 58/98 with the applicable law;

- issue a statement of any material misstatements in the directors' report and certain specific information presented in the report on corporate governance and ownership structure required by article 123-bis.4 of Legislative decree no. 58/98.

In our opinion, the directors' report and the specific information presented in the report on corporate governance and ownership structure required by article 123-bis.4 of Legislative decree no. 58/98 are consistent with the group's consolidated financial statements at 31 December 2024.

Moreover, in our opinion, excluding the section which includes the consolidated sustainability statement, the directors' report and the specific information presented in the report on corporate governance and ownership structure required by article 123-bis.4 of Legislative decree no. 58/98 have been prepared in compliance with the applicable law.

With reference to the above statement required by article 14.2.e-ter) of Legislative decree no. 39/10, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have nothing to report.

Our opinion on compliance with the applicable law does not extend to the section of the directors' report which includes the consolidated sustainability statement. Our conclusion on the compliance of this section with the legislation governing its preparation and with the disclosure requirements of article 8 of Regulation (EU) 2020/852 is included in the assurance report prepared in accordance with article 14-bis of Legislative decree no. 39/10.

Bologna, 7 April 2025

KPMG S.p.A.

(signed on the original)

Renato Naschi
Director of Audit