

1.04.01 - Operating results and investments

GROWTH IN OPERATING RESULTS AND INVESTMENTS

In 2024, the Hera Group continued along its path of growth involving both operations and the investments made. As regards the former, adjusted Ebitda amounted to 1,587.6 million euro, up 6.2%; adjusted Ebit was up 12.0%, and adjusted net profit increased by 28.5%. As regards investments, growth amounted to 4.2% compared to 2023, reflecting the Group's ongoing focus on increasing, enhancing and strengthening the resilience of the assets under management. From a financial point of view, a solid capital structure was also confirmed: the Net debt / adjusted Ebitda ratio settled at 2.5x, while adjusted ROI reached 10.4% and adjusted ROE stood at 12.2%.

The 2024 results must be considered against an external scenario that showed less volatility in energy commodity prices, allowing the Hera Group to operate once again in a more stable market context, even if not yet similar to the levels seen prior to the crisis.

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

In particular, note that in 2024 the Hera Group continued to expand its scope of operations, especially in the waste management area, through the acquisition of 70% of TRS Ecology Srl, a company that manages a multi-purpose platform for special waste treatment in Caorso (PC). This is a substantial company focused on industrial waste treatment and recovery with a total of approximately 2,700 customers. Detailed information on this matter is provided in paragraph 1.06.04.

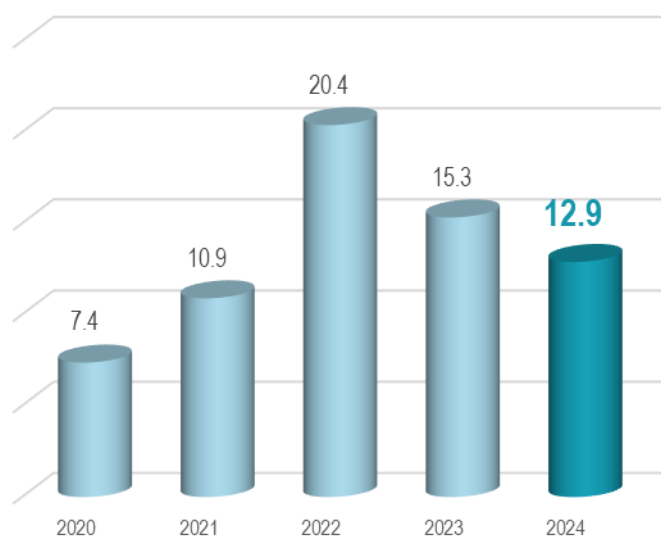
Note that Hera Comm Spa was awarded seven lots in the national tender called by the Single Purchaser for the Gradual protection service for non-vulnerable household customers, leading over 1 million new electricity customers to be included in the Group's portfolio as of 1 July 2024. Detailed information on this matter is provided in paragraph 1.06.02.

The following table shows operating results at 31 December 2024 and 2023:

INCOME STATEMENT (MNE)	DEC 24	% INC.	DEC 23 REDETERMINED	% INC.	ABS.CHANGE	% CHANGE
Revenues	12,889.7	0.0%	15,331.1	0.0%	(2,441.4)	(15.9)%
Other income	154.7	1.2%	234.0	1.5%	(79.3)	(33.9)%
Raw and other materials	(7,056.4)	(54.7)%	(9,765.2)	(63.7)%	(2,708.8)	(27.7)%
Service costs	(3,724.9)	(28.9)%	(3,655.9)	(23.8)%	69.0	1.9%
Other operating expenses	(97.3)	(0.8)%	(90.3)	(0.6)%	7.0	7.8%
Personnel costs	(667.5)	(5.2)%	(641.1)	(4.2)%	26.4	4.1%
Capitalised costs	89.3	0.7%	82.1	0.5%	7.2	8.8%
Ebitda*	1,587.6	12.3%	1,494.7	9.7%	92.9	6.2%
Amortization, depreciation and provisions	(757.7)	(5.9)%	(753.7)	(4.9)%	4.0	0.5%
Ebit*	829.9	6.4%	741.0	4.8%	88.9	12.0%
Financial operations	(153.8)	(1.2)%	(214.8)	(1.4)%	(61.0)	(28.4)%
Share of profits (losses) pertaining to joint ventures and associated companies	12.3	0.1%	10.3	0.1%	(2.0)	19.4%
Result before taxes*	688.4	+5.3%	536.5	3.5%	151.9	28.3%
Taxes	(200.3)	(1.6)%	(146.4)	(1.0)%	53.9	36.8%
Net result*	488.1	3.8%	390.1	2.5%	98.0	25.1%
Attributable to:						
Adjusted Parent company shareholders*	446.7	3.5%	348.3	2.3%	98.4	28.2%
Non-controlling interests	41.4	0.3%	41.8	0.3%	(0.4)	(1.0)%
Result from special items	47.8	0.4%	26.9	0.2%	20.9	100.0%
Net profit for the period *	535.9	4.2%	417.0	2.7%	118.9	28.5%
Attributable to:						
Parent company shareholders*	494.5	3.8%	375.2	2.4%	119.3	31.8%
Non-controlling interests	41.4	0.3%	41.8	0.3%	(0.4)	(1.0)%

* adjusted results, as described in paragraph 1.04

Revenues (bn€)



12.9

BILLION EURO

REVENUES

(-15.9%)

Revenues were down by 2,441.4 million euro in December 2024 compared to the equivalent period in 2023. The energy sectors showed a 1,819 million euro decrease, mainly due to lower energy commodity prices, and lower

volumes of gas sold to end customers due to both higher average temperatures and lower consumption by the customer base as a result of increasingly widespread energy-saving measures, in line with climate-changing emissions reduction targets. This drop was partially offset by the higher volumes of gas traded and the higher volumes of electricity sold, thanks to the significant commercial development achieved by the Group, and by higher revenues from system charges.

In addition, a reduction occurred in incentivised activities in Energy saving services, concerning residential buildings, mainly as a consequence of the effective termination of the 110% super-bonus, and a slight decrease in value-added services for customers. These factors accounted for roughly 884 million euro of the reduction in revenues.

Lastly, revenues in network services increased by a total of 174 million euro, due to higher tariff revenues resulting from the Authority's resolutions, which defined new performance benchmarks for all regulated businesses, whose effects are described in paragraph 1.06, Analysis by business area. Higher revenues were also seen for new connections, services to customers, and contracts on assets under concession. The above-mentioned increases were only partially offset by lower revenues in the district heating business, due to the application of the transitional tariff method that provides for tariff regulation based on the avoided cost criterion.

For further details, see the analyses of the individual business areas in paragraph 1.06.

Other income in December 2024 was down by 79.3 million euro compared to the same period in 2023. This decrease was mainly due to the presence in 2023 of grants to reimburse costs incurred for the management of the flood emergency that affected Emilia-Romagna and neighbouring regions in May 2023, and to the end of the gas and electricity grants provided by the Government to face the high energy price emergency.

**COSTS FOR RAW
MATERIALS
LINKED TO THE
TREND IN
REVENUES**

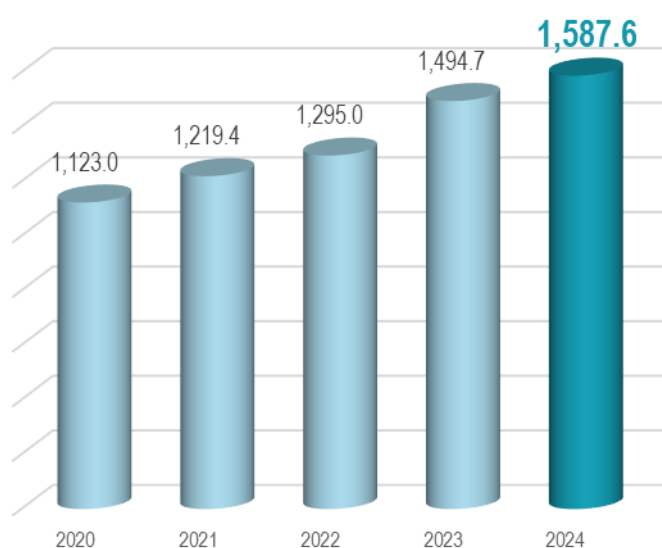
Costs for raw and other materials dropped by 2,708.8 million euro compared to December 2023. This decrease was mainly related to the performance of energy revenues, linked to the decrease in the price of energy raw materials, due to more stable markets, and the aforementioned lower volumes of gas sold to end customers. These factors were partially offset by the increase in electricity volumes sold, as described above under revenues.

Other operating costs increased by 76 million euro (higher service costs amounting to 69 million euro and higher operating expenses coming to 7 million euro). Approximately 791 million euro of higher costs overall were seen in the energy sector, mainly related to system charges for the gas and electricity businesses, due to the conclusion of the exceptional regulatory interventions introduced in previous years to face the energy crisis. Energy services for energy efficiency improvements saw lower costs for works amounting to approximately 789 million euro, mainly as a consequence of the end of the incentives mentioned under revenues. Higher costs coming to roughly 18 million euro were recorded for the development of sorted waste collection projects, supplementary services in the municipal waste collection service, higher transport costs related to the larger volumes of waste treated, and the recent corporate acquisition in the industrial market. Lastly, higher overall costs were related to contracts on assets under concession amounting to approximately 13 million euro and higher other costs related to price increases for all major services.

**+4,1% INCREASE
IN PERSONNEL
COSTS**

Personnel costs increased by 4.1% compared to December 2023 and amounted to 26.4 million euro. This increase was linked to the salary increases provided for by the national collective labour agreement and the higher average presence, partially due to the recent corporate acquisition in the industry market mentioned above.

Capitalised costs totalled 89.3 million euro in December 2024, up compared to the previous year due to higher capitalised works on Group-owned assets.

EBITDA* (mn€)**1,587.6**

MILLION EURO

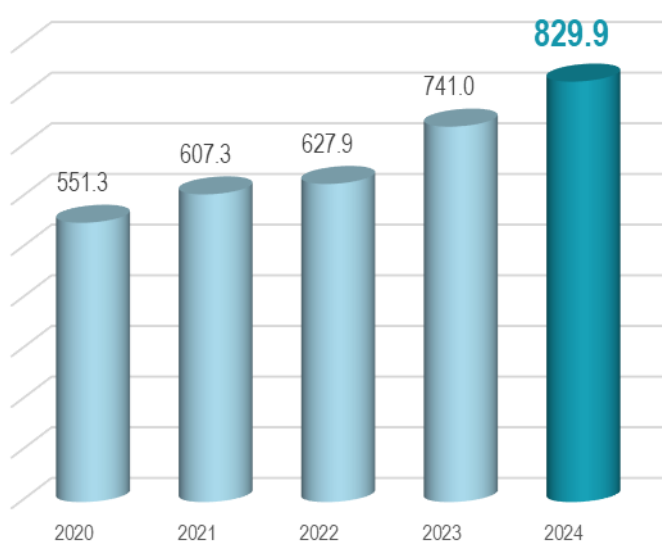
EBITDA*

(+6.2%)

Adjusted Ebitda increased by 92.9 million euro compared to December 2023, up 6.2%. This trend is due to the overall contribution coming from the energy areas, amounting to 50.2 million euro, the positive contribution of the water cycle, coming to 25.7 million euro, the good performance of the waste management area, up by 13.6 million euro, and other services, amounting to 3.4 million euro.

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

Amortisation, depreciation and provisions at 31 December 2024 increased by 4.0 million euro year-on-year, up 0.5%. Higher amortisation and depreciation were recorded mainly due to new operating investments, particularly in the regulated sectors and in waste treatment, as well as an increase in activities to acquire new customers in the energy markets. Provisions for risks also increased overall, particularly in the sales company Hera Comm and in networks, partially offset by the lower specific provisions in 2023 related to the residential housing bonus and waste treatment. Allocations to the provision for bad debts decreased, mainly due to the trend in energy commodity prices and the unpaid ratio.

Ebit* (mn€)**829.9**

MILLION EURO

EBIT*

(+12.0%)

Adjusted Ebit amounted to 829.9 million euro, up 12.0% compared to 2023, showing a higher level of growth than Ebitda*, since amortisation, depreciation and provisions, as described above, increased to a lesser degree than the rise in Ebitda*.

The result of financial operations stood at 153.8 million euro, improving by 61.0 million euro compared to the previous year. Income generated by discounting the value of tax credits related to 2023 incentivised works, in addition to lower

**FINANCIAL
OPERATIONS
IMPROVE**

valuation charges on incentivised works pertaining to 2024, contributed to reducing financial operations by approximately 92.4 million euro. A significant reduction amounting to 12.5 million euro in charges related to debt for financing was also confirmed, thanks to the optimisation of the financial structure. The positive effects mentioned hereto were partially offset by 27 million euro in write-downs on equity investments (of which 22.1 million euro concerning SET Spa and 4.9 million euro concerning Aimag Spa), along with higher IAS charges from discounting and lower income from indemnities for arrears.

RESULT OF EQUITY METHOD VALUATION

The share of profits (losses) pertaining to joint ventures and associated companies include the effects of the valuation using the equity method for the companies included in the scope of consolidation. At December 2024, this amounted to 12.3 million euro, up 2 million euro compared to the previous year. For further details, see section 2.02 "Operating and Financial Performance" of the Explanatory notes.

The adjusted pre-tax result showed a 28.3% increase compared to December 2023, since the growth deriving from Ebit was accompanied by the trend in financial operations mentioned above.

TAX RATE AT 29.1%

Taxes for 2024 amounted to 200.3 million euro, up from 146.4 million euro in 2023, an amount that takes into account managerial adjustments. The significant increase in the tax burden, in absolute terms, is due to the higher results produced by the Group. In percentage terms, the tax rate for the year is expected to stand at 29.1%, up from 27.3% in the period under comparison. This change is linked to the elimination or dilution of the effects of certain benefits which the Group was able to take advantage of in the past (first and foremost, the Ace tax incentives), a number of write-downs made during the year that were not valid for tax purposes, and the elimination of the credit related to the request for reimbursement for the 2022 extra-profits tax. Lastly, note that the tax rate for the year under comparison was positively impacted by the extraordinary concessions, recognised in the form of tax credits, for the purchase of electricity and gas during the energy crisis of the previous years, considered as untaxed components of income.

+25.1% NET RESULT *

The adjusted net result increased by 25.1%, or 98.0 million euro; the increase coming from the pre-tax result was reduced by higher taxes.

In 2024, the result from special items amounted to a total of 47.8 million euro, as against 26.9 million euro in 2023. Detailed descriptions of these items can be found at the beginning of paragraph 1.04 "Overview of operating and financial trends and definition of alternative performance measures".

+28.5% NET PROFIT *

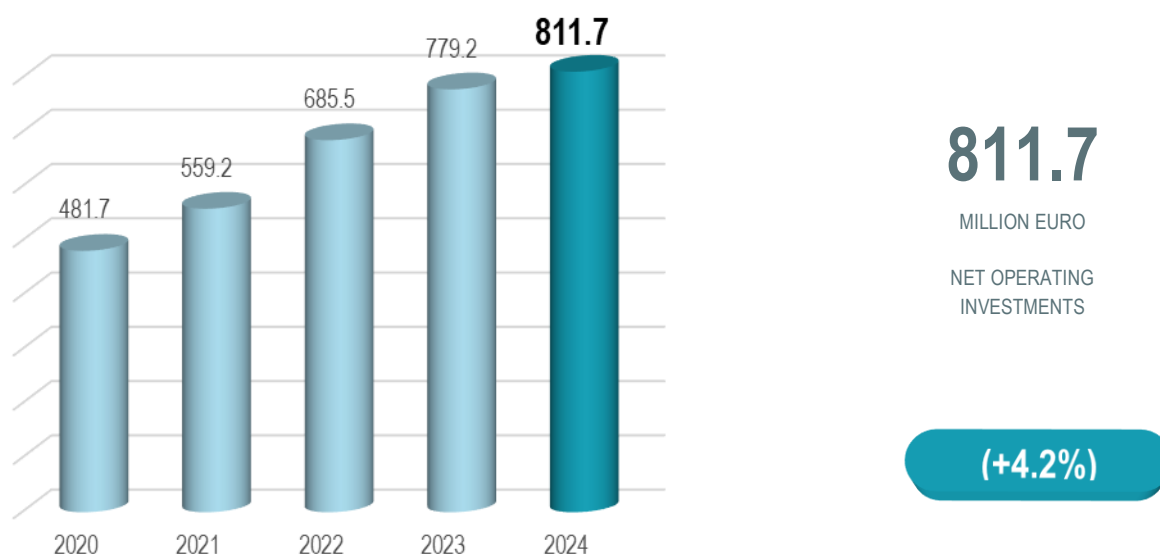
As a result of all the events described above, adjusted net profit increased by 118.9 million euro compared to the figure seen in December 2023.

NET INVESTMENTS RISE TO 812.1 MILLION EURO

At the end of 2024, the Group's net investments amounted to 812.1 million euro, up 32.9 million euro compared to the previous year. This increase was mainly caused by higher operating investments, which recovered from the previous year's slowdown in carrying out works due to the flooding events that occurred in May 2023. Capital grants amounted to 48.6 million euro, of which 6.8 million euro were related to FoNI investments, as foreseen by the tariff method for the integrated water service, and increased by a total of 12.1 million euro over the previous year.

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

TOTAL INVESTMENTS (MNE)	DEC 24	DEC 23	ABS. CHANGE	% CHANGE
Gas area	180.5	191.8	(11.3)	(5.9)%
Electricity area	127.2	128.4	(1.2)	(0.9)%
Integrated water cycle area	261.1	228.2	32.9	+14.4%
Waste management area	162.3	150.8	11.5	+7.6%
Other services area	11.0	9.8	1.2	+12.2%
Headquarters	118.1	106.7	11.4	+10.7%
Total gross operating investments	860.3	815.8	44.5	+5.5%
Capital grants	48.6	36.5	12.1	+33.2%
of which FoNi (New Investments Fund)	6.8	19.5	(12.7)	(65.1)%
Total net operating investments	811.7	779.2	32.5	+4.2%
Financial investments	0.4	-	0.4	+100.0%
Total net investments	812.1	779.2	32.9	+4.2%

Total net operating investments (mn€)

Including capital grants, the Group's operating investments amounted to 860.3 million euro, up 44.5 million euro over the previous year, and were mainly related to works on plants, networks and infrastructures. In addition, regulatory upgrading was carried out, especially in the gas distribution sector for the large-scale metre replacement, and in the purification and sewage sector.

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

At Group headquarters, investments concerned interventions on corporate buildings, IT systems and the vehicle fleet, as well as laboratories and remote control structures.

Overall, structural investments amounted to 118.1 million euro, up 11.4 million euro compared to the previous year, mainly due to investments in Group information systems and work carried out on Group premises.