

Iren Group's financial position, financial performance and cash flows

Income statement

IREN GROUP INCOME STATEMENT

thousands of euro

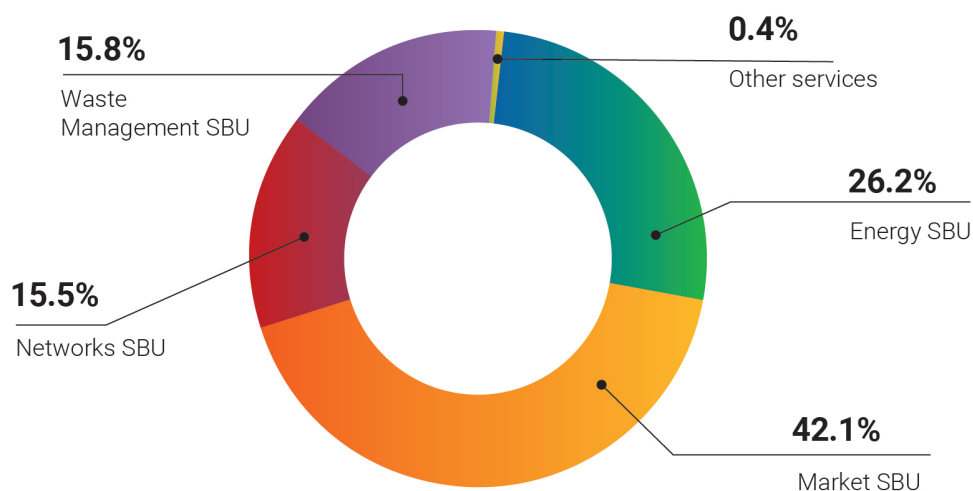
	FY 2024	FY 2023 Restated	Change %
Revenue			
Revenue from goods and services	5,903,454	6,301,581	(6.3)
Other income	139,671	188,800	(26.0)
Total revenue	6,043,125	6,490,381	(6.9)
Operating expenses			
Raw materials, consumables, supplies and goods	(2,224,054)	(2,763,473)	(19.5)
Services and use of third-party assets	(1,860,883)	(1,876,663)	(0.8)
Other operating expenses	(102,657)	(113,865)	(9.8)
Capitalised costs for internal work	60,193	56,907	5.8
Personnel expense	(641,605)	(596,391)	7.6
Total operating expenses	(4,769,006)	(5,293,485)	(9.9)
GROSS OPERATING PROFIT (EBITDA)	1,274,119	1,196,896	6.5
Depreciation, amortisation, provisions and impairment losses			
Amortisation and Depreciation	(655,475)	(600,929)	9.1
Impairment losses on loans and receivables	(74,482)	(71,471)	4.2
Other provisions and impairment losses	(24,462)	(60,108)	(59.3)
Total depreciation, amortisation, provisions and impairment losses	(754,419)	(732,508)	3.0
OPERATING PROFIT (EBIT)	519,700	464,388	11.9
Financial management			
Financial income	45,701	37,148	23.0
Financial expense	(136,333)	(135,781)	0.4
Net financial expense	(90,632)	(98,633)	(8.1)
Gains (losses) on equity investments	(1,260)	6,263	(*)
Share of profit or loss of equity-accounted investees, net of tax effects	7,471	6,836	9.3
Pre-tax profit	435,279	378,854	14.9
Income taxes	(131,697)	(97,025)	35.7
Profit from continuing operations	303,582	281,829	7.7
Profit (loss) from discontinued operations	-	-	-
Profit for the year	303,582	281,829	7.7
attributable to:			
- the owners of the parent	268,471	254,752	5.4
- non-controlling interests	35,111	27,077	29.7

(*) Change of more than 100%

The comparative data for 2023 have been restated to take into account, at the acquisition date, as required by IFRS 3, the effects deriving from the completion of the allocation of the acquisition price at the definitive fair value of the assets and liabilities of Acquaenna acquired in 2024 (Purchase Price Allocation). For further information, please refer to the Chapter IV "Business Combinations" in the Notes to the Consolidated Financial Statements.

Revenue

For the year ended 31 December 2024, the Group booked revenue of 6,043.1 million euro, down -6.9% compared to 6,490.4 million euro in financial year 2023. The main factors for the drop in sales were energy revenue, which was affected for more than 300 million euro by the reduction in commodity prices and for about 338 million euro by the reduction in energy efficiency activities such as building energy upgrades, due to the gradual completion of works related to the 110% Superbonus. On the other hand, major tariff revisions in both Networks and Waste Management and changes in the consolidation scope made a positive contribution to revenue for the year, which impacted revenue by about 51 million euro and were mainly attributable to the consolidation of Siena Ambiente (from January 2024) and Acquaenna.



Gross Operating Profit (EBITDA)

Gross operating profit (EBITDA) amounted to 1,274.1 million euro, up +6.5% compared to 1,196.9 million euro in 2023. The year was characterised by a less favourable energy scenario than in 2023, by major tariff revisions affecting the Networks BU (with the positive update of regulatory parameters) and the Waste Management BU in particular for waste collection activities, by the full recovery of the sales margins of the Market BU and by the start, albeit not yet fully operational, of the operational phase of some plants of the Waste Management sector and the progressive completion of works linked to the 110% superbonus.

As far as the energy scenario is concerned, the main factor characterising the year was the drop in the price of electricity (-15% on 2023) and, consequently, in electricity and heat generation profit margins; this had a major negative impact on EBITDA (-141 million euro), which was partially absorbed (+78 million euro) by the higher quantities produced, particularly by hydroelectric production (+35% on 2023), which benefited from an improvement in the hydraulicity of the year and photovoltaic due to the contribution of new plants (+35.1% on 2023).

Sales of energy commodities was particularly positive (+59 million euro), with particular reference to the sale of electricity, which benefited from a significant recovery in profit margins.

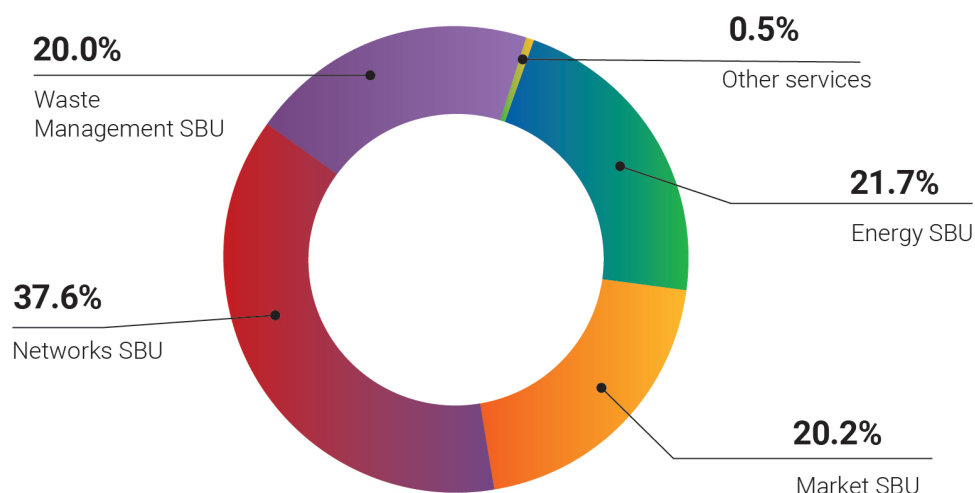
A positive contribution to the gross operating profit was generated by organic growth related to tariff increases as a result of investments made in the Networks BU in recent years (+17 million euro) and tariff revisions in 2024 (+77 million euro).

Within the Waste Management BU, waste treatment and disposal activities decreased due to lower plant operations related to maintenance and breakdowns (-27 million euro), while waste collection activities improved profit margins, benefiting from the positive effects of tariff regulation (+25 million euro).

The Energy Efficiency sector declined (-38 million euro) due to the gradual completion of works related to the 110% superbonus on condominiums and the delayed start due to regulatory uncertainty of construction sites for non-profit organisations.

Finally, consolidation scope changes related to the consolidation of Siena Ambiente (as of January 2024) and AcquaEnna (as of June 2023), amounting to approximately 18 million euro, contributed to the improvement in gross operating profit.

The change in the gross operating profit with reference to the individual business units is broken down as follows: marked improvement in the Market business unit (+29.9%), Networks +27.7%, Waste Management +4.2%, Energy -26%.



Operating profit (EBIT)

Operating profit (EBIT) amounted to 519.7 million euro, up +11.9% compared to 464.4 million euro in the previous year. The year saw higher amortisation and depreciation of approximately 55 million euro related to the entry into operation of new investments and the expansion of the consolidation scope, lower provisions for risks of about 44 million euro mainly due to the one-off non-recurring provisions in 2023 as a result of the provisions of the "Sostegni ter" Decree Law and higher impairment losses on loans and receivables of approximately 3 million euro. Impairment losses of about 12.5 million euro were also recorded, mainly due to the effects of the fires that occurred in the second half of 2024 at the Cadelbosco sorting and treatment plant for plastic from sorted waste collection, the Terranuova Bracciolini treatment plant and the Gavassa OFMSW treatment plant.

Financial management

Net financial expense came to of 90.6 million euro, down (-8.1%) compared to 2023, when it stood at 98.6 million.

The change is almost entirely attributable to financial income, which recorded an increase of 8.6 million euro compared to the comparative year, resulting mainly from the higher interest income, relating to the investment of liquidity and mitigated by the lower income from the discounting of funds.

At the overall level, financial expense were substantially in line with the previous year's figure (136.3 million euro in 2024 versus 135.8 million euro in 2023), mainly due to the combined effect of higher interest expense from borrowing and lower expenses from the assignment of Superbonus tax credits.

Losses on equity investments

Losses on equity investments amounted to 1.3 million euro in 2024: the figure algebraically includes the impairment loss on non-controlling interests (-4.3 million euro), the price adjustment of the subsidiary Società dell'Acqua Potabile, acquired in previous years (-0.3 million euro), and the effect of the restatement to fair value, at the date control was acquired, of the prior interests in Siena Ambiente (+3.3 million euro).

In the comparative year, gains on equity investments of 6.3 million euro mainly referred to the revaluation of the investments in Acquaenna (+3.2 million euro) and AMTER (+1.8 million euro) before consolidation, in addition to the price adjustment of Iren Green Generation Tech (+1.0 million euro).

Share of profit or loss of equity-accounted investees, net of tax effects

This item, which amounts to +7.5 million euro (+6.8 million in 2023), includes the share of the pro-rata profit or loss of the Group's associates and joint ventures, the most significant of which regard Aguas de San Pedro, ASA and Asti Servizi Pubblici. The loss of the EGEA Holding group had a negative impact of 1.5 million.

Pre-tax profit

As a result of the above trends, consolidated pre-tax profit amounted to 435.3 million euro, compared to 378.9 million euro of the previous year.

Income taxes

Income taxes for 2024 amounted to 131.7 million euro, up from 97.0 million in the comparative year, due to the improved pre-tax profit. The effective tax rate is 30.3%.

It is noted that the tax rate of the comparative year (25.6%) benefited from the positive effects of the non-taxability of the tax credits recognised to counteract companies' energy costs, a measure no longer present for the 2024 financial year, and the taxation of positive differentials resulting from business combinations.

Profit for the year

As a result of the above, a profit for the year of 303.6 million euro was recorded, up (+7.7%) compared to the figure for 2023, when it stood at 281.8 million.

The profit is attributable to the owners of the Parent for 268.5 million euro and to non-controlling interests for 35.1 million euro.

Statement of Financial Position

RECLASSIFIED STATEMENT OF FINANCIAL POSITION OF IREN GROUP

	thousands of euro		
	31.12.2024	31.12.2023 Restated	Change %
Non-current assets	8,414,310	8,071,931	4.2
Other non-current assets (liabilities)	(619,491)	(418,064)	48.2
Net Working Capital	(11,778)	68,430	(*)
Deferred tax assets (liabilities)	272,676	269,560	1.2
Provisions for risks and employee benefits	(630,067)	(814,902)	(22.7)
Assets held for sale (liabilities associated with assets held for sale)	790	1,144	(30.9)
Net invested capital	7,426,440	7,178,099	3.5
Equity	3,343,697	3,244,294	3.1
Non-current financial assets	(124,355)	(128,937)	(3.6)
Non-current financial debt	4,460,915	4,048,104	10.2
Non-current net financial debt	4,336,560	3,919,167	10.7
Current financial assets	(867,975)	(639,279)	35.8
Current financial debt	614,158	653,917	(6.1)
Current net financial (position) debt	(253,817)	14,638	(*)
Net financial debt	4,082,743	3,933,805	3.8
Own funds and net financial debt	7,426,440	7,178,099	3.5

(*) Change of more than 100%

The comparative figures at 31 December 2023 have been restated to take into account, at the acquisition date, as required by IFRS 3, the effects of completing the allocation of the acquisition price to the final fair value of the assets and liabilities acquired (Purchase Price Allocation) of Acquaenna and WFL in 2024. For further information, please refer to the Chapter IV "Business Combinations" in the Notes to the Consolidated Financial Statements.

For a reconciliation of the reclassified statement of financial position with that of the financial statements, please refer to the specific annex to the Notes to the Consolidated Financial Statements.

The main changes in the statement of financial position are commented on below.

Non-current assets at 31 December 2024 amounted to 8,414.3 million euro, up compared to 31 December 2023, when they were 8,071.9 million euro. The increase (+342.4 million euro) is mainly due to the effect of the following:

- technical investments in property, plant and equipment and intangible assets (+830.2 million euro), amortisation and depreciation (-655.5 million euro) and impairment losses, resulting from damage to plants in the Waste Management sector, affected by fires (-12.5 million euro);
- the change in assets resulting from M&A transactions in the year: the consolidation of the previously associated Siena Ambiente (an urban waste selection and recovery plant, two composting plants, a waste-to-energy plant and a landfill, as well as shares in investees, concessions and goodwill, for a total of 95.9 million euro), net of the elimination of the related investment (-20.8 million euro) and the development of photovoltaic parks (Agrovoltaica) for 5.6 million;
- the acquisition of the 50% investment in EGEA Holding through a capital contribution (86.5 million, including ancillary charges);
- the change in right-of-use assets in application of IFRS 16 – Leases for 17.6 million, largely relating to rental and lease contracts for vehicles and buildings instrumental to operating activities.

For more information on the segment details of investments in the year, reference should be made to the section "Segment Reporting" below.

The change in "Other non-current assets (liabilities)" (-201.4 million euro) concerns for -126.7 million the non-current portion of the contribution for future interventions to restore the group of assets and equipment relating to the management of the Integrated Water Service of the Province of Reggio Emilia, determined at the start of the new concession as consideration to be transferred to the grantor, through the creation of new assets of equal value, and previously classified in "Provisions for the restoration of third-party assets".

The remaining part of the change in the item is mainly linked to the deferred income components relating to contributions received for investments (also connected to PNRR funds for network efficiency and the circular economy) and to the reduction of the long-term portion of tax credits relating to the Superbonus 110 incentives.

Provisions for risks and employee benefits amounted to 630.1 million euro, a decrease compared to the figure at the end of 2023, when they stood at 814.9 million. The main changes refer, in addition to the reclassification of the "Provision for the restoration of third-party assets" described above, to the purchases of CO2 emission rights relating to the obligation of the previous financial year and to the allocation for securities still to be purchased for the current year.

Net working capital stood at -11.8 million euro, against +68.4 million euro as at 31 December 2023. The decrease (-80.2 million euro) is mainly attributable to the transfers of Superbonus tax credits, mitigated by the trend of the commercial components, as well as by the increase in the gas inventory.

Equity amounted to 3,343.7 million euro, compared with 3,244.3 million at 31 December 2023 (+99.4 million euro). The change is due to the profit for the year (+303.6 million euro), the dividends paid (-178.7 million euro), the trend of the hedging reserve linked to derivative instruments for hedging interest rates and commodities (-45.7 million euro), the change in the consolidation scope and the consequent effect of the change in interest in companies already controlled (+16.0 million euro), payments by third parties to subsidiaries (+3.4 million euro) and other changes (+0.8 million euro).

Net Financial Debt stood at 4,082.7 million euro at 31 December 2024 (+3.8% compared to 31 December 2023, when it stood at 3,933.8 million euro). For more details please see the analysis of the statement of cash flows presented below.

STATEMENT OF CASH FLOWS OF IREN GROUP

Change in net financial debt

The following table shows the changes in the Group's net financial debt during the year.

	thousands of euro		
	FY 2024	FY 2023 Restated	Change %
Opening net financial debt	(3,933,805)	(3,346,754)	17.5
Profit for the year	303,582	281,829	7.7
Non-monetary adjustments	1,200,971	1,192,149	0.7
Payment of employee benefits	(9,876)	(9,526)	3.7
Utilisations of provisions for risks and other charges	(298,068)	(183,755)	62.2
Change in other non-current assets and liabilities	66,478	23,822	(*)
Taxes paid	(174,775)	(72,371)	(*)
Other changes in equity	93	48	93.8
Cash flows from changes in NWC	50,953	(536,888)	(*)
Change in market exposure for commodity derivatives	(56,183)	(15,013)	(*)
Cash flows from operating activities	1,083,175	680,295	59.2
Investments in property, plant and equipment and intangible assets	(830,217)	(866,605)	(4.2)
Investments in financial assets	(87,911)	(3,309)	(*)
Investments and change in assets held for sale	7,044	18,317	(61.5)
Acquisition of subsidiaries	(24,002)	(81,356)	(70.5)
Dividends collected	2,039	4,545	(55.1)
Total cash flows used in investing activities	(933,047)	(928,408)	0.5
Free cash flow	150,128	(248,113)	(*)
Cash flows from own capital	(178,684)	(184,148)	(3.0)
Other changes	(120,382)	(154,790)	(22.2)
Change in Net financial debt	(148,938)	(587,051)	(74.6)
Closing Net financial debt	(4,082,743)	(3,933,805)	3.8

(*) Change of more than 100%

The comparative data for the 2023 financial year have been restated to take into account, at the acquisition date, as required by IFRS 3, the effects deriving from the completion of the allocation of the acquisition price at the definitive fair value of the assets and liabilities acquired (Purchase Price Allocation) of Acquaenna in 2024. For further information, please refer to the Chapter IV "Business Combinations" in the Notes to the Consolidated Financial Statements.

The change in Net Financial Debt compared to 31 December 2023 of +148.9 million euro is due to the following factors:

- *operating cash flow* of +1,083.2 million euro, compared to +680.3 million euro in 2023, in which operating profitability had been partially absorbed by the change in Net Working Capital. The flow includes, among its determinants, disbursements related to energy bonds for the fulfilment of obligations allocated in a special fund;
- *cash flow used in investing activities* of -933.0 million euro (substantially in line with the 2023 figure), which includes in particular the technical investments of the year (830.2 million euro) and, under the items "Investments in financial assets" and "Acquisition of subsidiaries" (for a total of 111.9 million euro), the acquisition of the investment in EGEA Holding, including ancillary charges (86.5 million euro), the net financial debt deriving from the full consolidation of Siena Ambiente (19.1 million euro), the consideration for the acquisition of Agrovoltica (Energy BU, for 4.8 million euro) and other minor investments (1.5 million euro);
The amount of 2023 (84.7 million euro) was largely related to the acquisitions of Acquaenna and Romeo 2 (Networks BU), WFL and Limes 20 (Energy BU);
- *cash flows from own capital* equal to -178.7 million euro (-184.1 million euro in 2023), referring to the payment of dividends for the year;
- the item *other changes*, equal to -120.4 million euro (-154.8 million euro in the comparative year), mainly related to the effect of net financial expense, fair value variation on hedging derivatives on borrowings and the recognition of IFRS 16 leases for the year.

Finally, the statement of cash flows prepared according to the model expressed as a change in cash and cash equivalents is presented at the beginning of the section "Consolidated Financial Statements at 31 December 2024".