



press release

Bologna, 29 July 2020

Hera BoD approves 1H 2020 results

Although feeling the impact of the Coronavirus emergency, the half-year report shows operating-financial indicators rising, thanks to increased efficiency achieved in the Group's various business areas and the recently enlarged scope of operations

Financial highlights

- **Revenues at 3,402.3 million euro (+0.9%)**
- **Ebitda at 559.7 million (+2.5%)**
- **Net profit at 174.9 million (+0.6%)**
- **Net financial position improves to 3,083.6 million**

Operating highlights

- **Good contribution coming from both internal growth and the recently enlarged scope of operations, which more than offset the negative effects of the nationwide emergency**
- **Further activities introduced to support all stakeholders**
- **Solid customer base in energy sectors, with customers increasing sharply to 3.3 million thanks to the recent Ascopiave partnership**

Today, the Hera Group's Board of Directors, chaired by Tomaso Tommasi di Vignano, unanimously approved the consolidated operating results for the first half of 2020. The positive trend shown by our multi-utility was confirmed, with main operating-financial indicators improving, in spite of a few inevitable negative impacts caused by the health emergency that broke out across the country.

In general, the good results reached confirm once again the Group's valid business model, which balances regulated and free-market activities, along with internal and external growth, creating value for the areas served. Relying on its own financial solidity, Hera continued to proactively introduce, in the second quarter as well, a range of measures aimed at guaranteeing service continuity even while the emergency was still fully underway. Furthermore, support and protection were ensured for all main stakeholders, first and foremost employees, suppliers and customers, through means including favourable conditions for bill payments.

Among the major changes in the Group's scope of operations compared to the first half of 2019, note the acquisition in July of the waste treatment plants belonging to Pistoia Ambiente in Tuscany and, in December, the closing of the partnership between Hera and Ascopiave. This latter transaction led, through EstEnergy, to the birth of the largest energy operator in North-Eastern Italy while at the same time redistributing the respective activities in gas distribution. In recent weeks, lastly, Hera stock was included in the FTSE4Good Index Series, a set of ethical indices conceived by FTSE Russell to bring together the best companies who, around the world, are actively committed to sustainable development. This important recognition came just over one year after Hera was listed on the FTSE MIB.

Revenues rise to over 3.4 billion euro

In the first half of 2020, revenues amounted to 3,402.3 million euro, up 30.7 million (+0.9%) over the 3,371.6 million seen in the same period of 2019. This growth was mainly due to the changes in the scope of operations, which offset the fall in revenues for trading, production and sales of electricity and gas, heat



management and district heating. Revenues also fell in the waste management sector, owing to lower revenues in electricity generation and lower volumes of waste treated.

Ebitda increases to 559.7 million euro

Ebitda settled at 559.7 million euro, up 13.8 million (+2.5%) compared to the 545.9 million seen at 30 June 2019. In the first half of the year, the health emergency impacted all business areas, bringing about an overall decrease in margins coming to roughly 30 million euro, entirely due to non-recurring effects and in line with the projections communicated in late March, when the year-end report was approved. In spite of this, the changes in the scope of operations, especially the entry of the companies belonging to the EstEnergy Group following the partnership with Ascopiave, along with the numerous measures introduced to enhance efficiency, allowed Hera to offset the negative effects and keep growing, above all in the energy areas.

Operating result grows to 295.7 million euro

The operating result rose to 295.7 million euro, up 6.8 million (+2.4%) over the 288.9 million seen in the same period of 2019. Financial operations came to 56.2 million euro at 30 June 2020, changing by 11.3 million mainly due to the higher notional charges created by the put option concerning the shares held by Ascopiave and lower profits coming from joint ventures, largely owing to the consolidation of EstEnergy. This result was offset by an equal amount coming from improved debt management, with a reduction in the average medium and medium-long term interest rate. Pre-tax profits settled at 239.5 million euro, down slightly compared to the 244.0 million euro seen in the first half of 2019.

Net profit rises to 174.9 million euro

Profits at 30 June 2020 came to 174.9 million, up slightly (+0.6%) compared to the 173.9 million seen at 30 June 2019, while profits pertaining to Group shareholders amounted to 166.2 million euro, in line with the same period in the previous year. These results benefitted from a tax rate coming to 27%, a clear improvement with respect to the 28.7% recorded in the first half of 2019, thanks in particular to the Group's efforts in sustaining significant investments supporting a technological, digital and environmental transformation, in addition to the positive effects of the measures introduced by the government in the Relaunch Decree.

Over 240 million invested, improvement in financial position

In the first six months of 2020, the Group's overall investments amounted to 240.6 million euro, up 16.2% compared to the 207.0 million recorded at 30 June 2019. Operating investments mainly concerned interventions on plants, networks and infrastructures, in addition to investments involved in an intensive meter substitution and in the purification and sewerage area. Total investments also included financial investments coming to 45.5 million.

The Group's net financial position, which reached 3,083.6 million euro at 30 June 2020, showed a 190 million (5.8%) decrease compared to the 3,274.2 million seen at 31 December 2019. This was due to a positive cash generation that entirely financed investments and M&A transactions, and that would also have been able to cover the annual dividend payment, which was postponed by a few weeks simply as a precautionary measure and regularly paid on 8 July. The Group's financial solidity was confirmed by the ROE and ROI profitability indices, which respectively came to 10% and 9%, and by the Net debt/Ebitda ratio, which settled at 2.81x in the first half of 2020, improving compared to the 3.02x recorded at the end of 2019. The Net debt/Ebitda ratio, not considering changes in the scope of operations and thus excluding the value of the put option for EstEnergy, improved to 2.35x, compared to the 2.55x seen for the same period one year earlier.



Gas area

Ebitda for the gas area – which includes services in natural gas distribution and sales, district heating and heat management – amounted to 200.8 million euro in the first half of 2020, improving compared to the 195.6 million seen at 30 June 2019 (+2.7%). This was mainly due to the entry of the new companies belonging to the EstEnergy Group and AmgasBlu, as well as the four portions of last resort services and two portions of default services awarded. The increase offset the lower volumes of gas sold and the lower margins in district heating and heat management, caused by the mild temperatures seen in the first half of 2020 and the negative effects coming from the Coronavirus emergency. Furthermore, distribution activities recorded the first effects of the revised tariffs introduced by Arera, effective as of 1 January 2020, which brought about a significant reduction in recognised operating costs and a fall in Wacc.

The recent partnership with Ascopiave was also decisive in increasing the customer base, which rose by roughly 560 thousand (+38%), bringing gas customers to over 2 million.

The gas area accounted for 35.9% of Group Ebitda.

Water cycle area

Ebitda for the integrated water cycle area – which includes aqueduct, purification and sewerage services – went from 122.8 million euro in the first half of 2019 to 122.7 million at 30 June 2020. Due to the negative effects of the Coronavirus emergency, new connections, customers requests and subcontracted works fell, but were largely offset by the efficiency enhancement measures introduced by the Group.

The integrated water cycle area accounted for 21.9% of Group Ebitda.

Waste management area

Ebitda for the waste management area – which includes waste collection, treatment and disposal services – settled at 122.4 million euro in the first half of 2020, dropping slightly (-3.1%) compared to the 126.3 recorded at 30 June 2019, mainly due to the end of incentives for the Ferrara WTE plant and the negative impact of the Coronavirus emergency, which led most businesses to be closed, causing a fall in the production of waste, above all urban waste. These negative effects were partially offset by the positive trend in prices for special waste, whose volumes remained essentially unchanged in spite of the lockdown, even though they showed a different mix. In this particular context, the Hera Group indeed proved able to react swiftly, making its professional services available to the communities found in the areas served and to its own customers, to overcome the emergency together. All waste treatment plants remained operational and at the service of business customers who continued to produce essential goods, and continuing work was also done on initiatives concerning a circular economy, such as the beginning of the authorisation procedures required to create a second plant producing biomethane from the organic portion of waste, in the Ravenna area.

Sorted waste settled at 64.4%, increasing slightly compared to the 63.4% seen in the first half of 2019.

The waste management area accounted for 21.9% of Group Ebitda.

Electricity area

Ebitda for the electricity area – which includes services in electricity generation, distribution and sales – rose to 97.0 million euro in the first half of 2020, compared to the 86.3 million seen at 30 June 2019, with a 12.3% increase. Despite the negative effects of the health emergency, as with the gas area, this growth was mainly due to the changes in the scope of operations following the Ascopiave partnership, but the positive margins in electricity generation also partially contributed, especially as regards dispatching services.

Customers increased by 160.4 thousand (+14%) over 30 June 2019, now reaching slightly over 1.3 million. This growth in the customer base was seen on the free market, due to the entry within the consolidated scope of operations of the companies belonging to the EstEnergy Group and AmgasBlu, and to reinforced



marketing initiatives, which thus proved able to more than offset the drop seen in safeguarded and protected customers.

The electricity area accounted for 17.3% of Group Ebitda.

Statement by Executive Chairman Tomaso Tommasi di Vignano

“We are satisfied with our ability to protect these half-year results from the negative impact of the Coronavirus emergency. Continuing efforts will be made in pursuing growth during the second half of the year as well, in line with the targets set out in our Business plan, hoping that the external context also moves in the direction of a complete recovery. Our solid growth levers (internal growth and M&As) have allowed us to continue creating value for our shareholders, by paying more than 160 million euro in overall dividends in early July, entirely covered by the cash generation achieved over the period”.

Statement by CEO Stefano Venier

“Thanks to the numerous initiatives introduced and our growth strategy, we have succeeded in containing the negative financial impact of the Coronavirus emergency within the limit foreseen, at the same time confirming our profitability and financial solidity, as witnessed by the positive figures in the income statement and the decreased net financial position. In addition to meeting our commitments with shareholders and providing continuity in all main services, producing positive effects for our network of service suppliers as well, this solidity allowed us to sustain our stakeholders experiencing difficulty, including customers and suppliers, confirming our close relations with local communities”.

The manager responsible for drafting the company's accounting statements, Luca Moroni, declares, pursuant to article 154-bis paragraph 2 of the TUF, that the information contained in the present press release corresponds to the documentation available and to the account books and entries.

The half-year financial report and related materials will be available to the public pursuant to the terms established by law at Company Headquarters, on the website www.gruppohera.it and on the authorised storage platform 1Info (www.1info.it).

Unaudited extracts from the Abbreviated Consolidated Half-Year Financial Statements at 30 June 2020 are attached.

<https://eng.gruppohera.it/group/>

JENS KLINT HANSEN

Head of Investor Relations

Ph.: + 39 051 287 737

email: jens.hansen@gruppohera.it

Profit & Loss (m€)	30/06/2020	Inc. %	30/06/2019	Inc. %	Ch.	Ch. %
Sales	3,402.3		3,371.6		+30.7	+0,9%
Other operating revenues	222.6	6.5%	249.0	7.4%	(26.4)	(10.6%)
Raw material	(1,605.1)	(47.2%)	(1,699.2)	(50.4%)	(94.1)	(5.5%)
Services costs	(1,151.0)	(33.8%)	(1,075.1)	(31.9%)	+75.9	+7.1%
Other operating expenses	(32.5)	(1.0%)	(29.8)	(0.9%)	+2.7	+9.1%
Personnel costs	(290.9)	(8.5%)	(286.6)	(8.5%)	+4.3	+1.5%
Capitalisations	14.3	0.4%	16.0	0.5%	(1.7)	(10.6%)
Ebitda	559.7	16.5%	545.9	16.2%	+13.8	+2.5%
Depreciation and provisions	(264.0)	(7.8%)	(257.0)	(7.6%)	+7.0	+2.7%
Ebit	295.7	8.7%	288.9	8.6%	+6.8	+2.4%
Financial inc./(exp.)	(56.2)	(1.7%)	(44.9)	(1.3%)	+11.3	+25.1%
Pre tax profit	239.5	7.0%	244.0	7.2%	(4.5)	(1.8%)
Tax	(64.6)	(1.9%)	(70.1)	(2.1%)	(5.5)	(7.9%)
Net profit	174.9	5.1%	173.9	5.2%	+1.0	+0.6%
Attributable to:						
Shareholders of the Parent Company	166.2	4.9%	166.2	4.9%	+0.0	+0.0%
Minority shareholders	8.7	0.3%	7.7	0.2%	+1.0	+13.1%

Balance Sheet (m€)	30/06/2020	Inc.%	31/12/2019	Inc.%	Ch.	Ch. %
Net fixed assets	6,893.2	113.3%	6,846.3	108.9%	+46.9	+0.7%
Working capital	(172.3)	(2.8%)	87.0	1.4%	(259.3)	(298.0%)
(Provisions)	(638.7)	(10.5%)	(649.1)	(10.3%)	+10.4	(1.6%)
Net invested capital	6,082.2	100.0%	6,284.2	100.0%	(202.0)	(3.2%)
Net equity	2,998.6	49.3%	3,010.0	47.9%	(11.4)	(0.4%)
Long term net financial debt	3,370.1	55.4%	3,383.4	53.8%	(13.3)	(0.4%)
Short term net financial debt	(286.5)	(4.7%)	(109.2)	(1.7%)	(177.3)	+162.4%
Net financial debts	3,083.6	50.7%	3,274.2	52.1%	(190.6)	(5.8%)
Net invested capital	6,082.2	100.0%	6,284.2	100.0%	(202.0)	(3.2%)

