

press release

Bologna, 10 May 2023

Hera Group Board of Directors approves 1Q 2023 results

The consolidated quarterly report at 31 March shows growth in the main operating-financial indicators, once again proving the financial solidity and strength of the Group's multi-business model. Hera continues to combine corporate growth with sustainable development, confirming its commitment to creating value for all stakeholders and the local communities.

Financial highlights

- Revenues at 5,628.9 million euro (+6.0%)
- Ebitda* at 410.2 million euro (+9.4%)
- Net profit attributable to shareholders* at 128.2 million euro (+0.7%)
- Net debt at 3,777.6 million euro, down 11% compared to 31 December 2022, with net debt/Ebitda* at 2.84x

Business highlights

- Good contribution to growth coming from all main businesses, the energy and environment sectors in particular
- Further development of initiatives for the ecological transition and the circular economy through state-of-the-art plants and increasingly green services
- Ongoing growth in the energy customer base, reaching almost 3.6 million

Today, the Board of Directors of the Hera Group, chaired by Cristian Fabbri, unanimously approved the consolidated results for the first quarter of 2023.

For the Hera Group, the first quarter closed with improved operating results and investments compared to one year earlier, even though the scenario still shows a considerable amount of uncertainty, with effects on the commodity prices and a slowdown in production and international trade. Both internal and external growth drivers in Hera's multi-business portfolio enabled it to achieve an excellent operating and financial performance while pursuing the creation of value for all stakeholders.

The consolidated quarterly report at 31 March thus highlights growth in the main indicators, once again demonstrating the Group's financial solidity and the strength of its business model. The 20.5% increase in capital expenditures compared to one year earlier provides further proof of the Group's ongoing focus on growth, increasing value and reinforcing the resilience of assets under management.

* In order to ensure that the results presented reflect the actual performance of the gas business more closely, and are thus more easily comparable, the figures with an asterisk include an operational adjustment based on a valuation of stocked gas at prices pertaining to the period of injection. See the paragraph entitled "Special items and operational adjustments / balance sheet reconciliation", which contains a comparison between the operating statement and the IFRS balance sheets.

Cristian Fabbri, Hera Group Executive Chairman:

“The first quarter of 2023 closed with increased operating results, supported by the positive performance of the free-market energy and waste management businesses. We have thus confirmed our ability to gain new market shares, to provide services that are favoured by customers, and effectively leverage upon our competitive advantages in all our activities. The significant positive cash flow over the first quarter allowed us to reduce our debt and significantly improve the net debt/Ebitda ratio, which now stands at 2.84x.”

Orazio Iacono, Hera Group CEO:

“The positive operating cash flow of Q1 was able to fully cover a significant increase both in capital expenditures and investments which mainly concerned strengthening the infrastructures and plants managed, to the benefit of the quality of services provided to the customers as well as the resilience of our infrastructures and plants. We also strengthened and optimised our debt structure, thanks to the recent issue of a sustainability-linked bond worth 600 million euro and the simultaneous subscription of a 450 million euro sustainable revolving credit line. These are two additional milestones in sustainable finance and will lead us to allocate more than 1 billion euro in financing to green transition projects, to achieve the goals on the 2030 Agenda with concrete initiatives and respond to the challenges of a sustainable transition rooted in the social and industrial fabric. This operation, particularly appreciated by the market, guarantees additional financial flexibility.”

Revenues amounting to over 5.6 billion

In the first quarter of 2023, revenues amounted to 5,628.9 million euro, up 6% from the 5,312.0 million euro seen in the same period of 2022. The energy segments above all contributed to this result – mainly due to the higher volumes of electricity sold as a result of reinforced commercial initiatives and the safeguarded lots awarded last autumn – and the waste management area, partially due to acquisitions in the remediation and industrial waste treatment market. Furthermore, higher turnover was recorded in energy services, as was a rise in value-added services for customers. These increases were partially offset by lower gas sales due to the particularly mild weather.

Ebitda* rises to 410.2 million

Ebitda at 31 March 2023 rose to 410.2 million euro, +9.4% compared to 375.1 million euro in the first three months of 2022. This positive growth was mainly due to the overall contribution coming from the energy areas and the good performance of the waste management area.

Increased net operating result* and stable pre-tax result*

Ebit* at 31 March 2023 increased to 236.1 million euro, up 6.7% from 221.2 million euro in the first quarter of 2022. This performance was positive even after higher depreciation and amortisation due to the significant increase in investments and provisions for bad debts resulting from the increase in turnover, including last resort markets. The pre-tax result* amounted to 191.7 million euro, consistent with the figure seen at 31 March 2022, considering the increased weight of financial operations, mainly due to the medium- and long-term credit lines stipulated in 2022. The financial structure has now been additionally reinforced, to insure the Group against potential liquidity risks arising from market tensions and to guarantee the Group’s operations and significant activities in investments.

Net profit* rises to 140.3 million euro

Thanks to a tax rate coming to 26.8%, down from the previous year, net profit* rose to 140.3 million euro (+1.2%), as against 138.6 million euro in the first quarter of 2022. Net profit attributable to Group shareholders* settled at 128.2 million euro, up +0.7% from 127.3 million euro at 31 March 2022.

Sharp increase in operating investments and Group solidity reinforced

The Group's capital expenditures, including capital grants, amounted to 155.7 million euro, up sharply (+20.5%) compared to 129.2 million euro at 31 March 2022, and mainly involved work on plants, networks and infrastructures. Regulatory upgrading, instead, mainly concerned gas distribution, with a large-scale meter replacement, and the purification and sewerage area.

Net debt totalled 3,777.6 million euro, down 472.2 million euro from the amount seen at 31 December 2022. As proof of the Group's financial solidity, the net debt/Ebitda* ratio dropped to 2.84x, in line with Hera's long-standing prudential policy.

Gas

Ebitda* for the gas area, which includes natural gas distribution and sales, district heating and energy services, stood at 193.8 million euro, as against 202.5 million euro at 31 March 2022. This decrease was due to lower sales, mainly owing to milder weather compared to the same period one year earlier, partially offset by the contribution of energy services and higher volumes sold by the subsidiary Hera Comm on default, last resort and public administration (Consip) services.

In the first quarter of 2023, investments in the gas area amounted to 49.3 million euro, up 20 million euro compared to the previous year. In particular, gas distribution saw higher investments for plants and networks in the new municipalities awarded with the ATEM Udine2 tender, while in gas sales the higher investments were aimed at acquiring new customers.

The number of gas customers reached almost 2.1 million, a slight increase (0.2%) compared to the previous year.

The gas area accounted for 47.2% of Group Ebitda.

Electricity

Ebitda for the electricity area, which includes electricity generation, distribution and sales, rose to 64.5 million euro, compared to 30.4 million euro for the same period in 2022.

The first quarter of 2023 showed significant growth in terms of both margins and volumes sold to end customers, thanks to commercial development, mainly in the free market, innovative offers (relating to electric mobility, photovoltaics, heating and air conditioning) and value-added services. Contributions also came from higher volumes sold to public administrations (Consip) and the initial effects of the lots awarded last autumn in the safeguarded service for 2023 and 2024, one more lot than in the previous two years.

In the first quarter of 2023, investments made in the electricity area amounted to 21.7 million euro, up 6.2 million euro over the previous year. In electricity distribution, investments mainly regarded extraordinary maintenance and upgrading on plants and distribution networks in the Modena, Imola, Trieste and Gorizia

areas, as well as the ongoing large-scale meter replacement and work on improving network resilience. In the energy sales segment, investments in activities related to acquiring new customers increased.

The number of electricity customers increased by 7.4% compared to the same period in 2022, reaching approximately 1.5 million. This growth occurred mainly on the free market, as a result of reinforced commercial activities.

The electricity area accounted for 15.7% of Group Ebitda.

Water cycle

At 31 March 2023, Ebitda for the integrated water cycle area, which includes aqueduct, purification and sewerage services, amounted to 55.6 million euro, essentially in line (+0.2%) with the 55.5 million euro seen in the same period in 2022.

In the first quarter of 2023, investments made in the water cycle area, including capital grants, rose to more than 47 million euro (29.8 million euro in the aqueduct, 12.4 million euro in sewerage and 5 million euro in purification), mainly involving extensions, reclamation and enhancements on networks and plants, as well as regulatory upgrading mainly in the purification and sewerage areas.

The integrated water cycle area accounted for 13.5% of Group Ebitda.

Waste

Ebitda for the waste management area, which includes waste collection, treatment and recovery services, rose to 87.6 million euro (+11%), as against 78.9 million euro at 31 March 2022, due to increased margins from energy management, partially thanks to production in plants that returned to full operations during the first quarter, and recent acquisitions in the industrial waste treatment sector. These positive effects more than offset the higher purchase prices of consumables and an increase in treatment and transport costs.

Thanks to its excellent set of roughly one hundred state-of-the-art plants, capable of treating any type of waste, which continues to represent a strategic and distinctive asset on the market, the Group was able to seize further opportunities for growth, confirming its ability to react with great resilience to the market context. It thus expanded its market shares in industrial waste treatment (+27%, volumes treated), also benefiting from an enlarged scope of operations thanks to M&A transactions. In particular, note the recent partnership with the Modena-based company A.C.R. di Reggiani Albertino S.p.A.®, which enabled Hera to consolidate its leadership in the waste management area and has led to the birth of Italy's largest operator in the environmental remediation and industrial waste global service sector, with widespread coverage throughout the country.

Moreover, in the first three months of 2023, all main initiatives in the circular economy continued, from material recovery to renewable energy production. Also note the beginning of operations at the new biomethane production plant in Spilamberto (Modena), in a partnership with the Cremonini Group company Inalca. Following the NRRP grants awarded to construct platforms for material recovery, including in niche segments such as rigid plastics recycling and carbon fibre recovery, the Group was awarded further funding for upgrading and digitalising collection centres and "smart" facilities in the areas served, which will make it possible to optimise waste management services by making them increasingly innovative and efficient.

Sorted municipal waste reached 70.7%, up 4.5 percentage points compared to the previous year, thanks to the development of projects in the areas served by the Group.



In the first quarter of 2023, investments in the waste management area amounted to roughly 20 million euro, mainly involving maintenance and upgrading on waste treatment plants.

The waste management area accounted for 21.4% of Group Ebitda.

The manager responsible for preparing the company's financial reports, Massimo Vai, declares, pursuant to Article 154-bis, paragraph 2 of the Consolidated Law on Finance, that the information contained in this press release corresponds to the documented results, books and accounting records.

The quarterly management report and related documents will be made available to the public within the legal deadlines at the registered office, on the website www.gruppohera.it, and on the authorised storage mechanism 1Info (www.1info.it).

Unaudited extracts of the quarterly financial statement at 31 March 2023 are attached.

<https://eng.gruppohera.it>

JENS KLINT HANSEN

Head of Investor Relations

Ph.: + 39 051 287 737

e-mail: jens.hansen@gruppohera.it

Income statement (mn€)	Mar 23	% inc.	Mar 22	% inc.	Abs. change	% change
Revenues	5,628.9	0.0%	5,312.0	0.0%	+316.9	+6.0%
Other operating revenues	121.2	2.2%	100.7	1.9%	+20.5	+20.4%
Raw and other materials	(4,484.1)	(79.7%)	(4,306.7)	(81.1%)	+177.4	+4.1%
Service costs	(684.7)	(12.2%)	(573.3)	(10.8%)	+111.4	+19.4%
Other operating expenses	(19.2)	(0.3%)	(17.2)	(0.3%)	+2.0	+11.6%
Personnel costs	(165.4)	(2.9%)	(154.5)	(2.9%)	+10.9	+7.1%
Capitalised costs	13.5	0.2%	14.1	0.3%	(0.6)	(4.3%)
Ebitda*	410.2	7.3%	375.1	7.1%	+35.1	+9.4%
Amortization, depreciation and provisions	(174.1)	(3.1%)	(153.9)	(2.9%)	+20.2	+13.1%
Ebit*	236.1	4.2%	221.2	4.2%	+14.9	+6.7%
Financial operations	(44.4)	(0.8%)	(29.5)	(0.6%)	+14.9	+50.5%
Pre-tax result*	191.7	3.4%	191.7	3.6%	+0.0	+0.0%
Taxes	(51.4)	(0.9%)	(53.1)	(1.0%)	(1.7)	(3.2%)
Net result*	140.3	2.5%	138.6	2.6%	+1.7	+1.2%
Attributable to:						
Shareholders of the Parent Company*	128.2	2.3%	127.3	2.4%	+0.9	+0.7%
Minority shareholders	12.1	0.2%	11.3	0.2%	+0.8	+7.1%

Invested capital and sources of financing (mn€)	Mar 23	% inc.	Dec 22 (redetermined)	% inc.	Abs. change	% change
Net non-current assets*	7,712.4	102.7%	7,522.3	94.5%	+190.1	+2.5%
Net working capital*	457.9	6.1%	1,096.0	13.8%	(638.1)	(58.2%)
(Provisions)	(659.1)	(8.8%)	(657.6)	(8.3%)	(1.5)	(0.2%)
Net invested capital*	7,511.2	100.0%	7,960.7	100.0%	(449.5)	(5.6%)
Equity*	3,733.6	49.7%	3,710.9	46.6%	+22.7	+0.6%
Long-term borrowings	5,019.5	66.8%	5,598.5	70.3%	(579.0)	(10.3%)
Net current financial debt	(1,241.9)	(16.5%)	(1,348.7)	(16.9%)	+106.8	+7.9%
Net debt	3,777.6	50.3%	4,249.8	53.4%	(472.2)	(11.1%)
Total sources of financing*	7,511.2	100.0%	7,960.7	100.0%	(449.5)	(5.6%)

* Adjusted results

Special items and operational adjustments / balance sheet reconciliation

mn€	Mar 23			Mar 22 (redetermined)		
	Published statement	Operational adjustments	Operations statement	Published statement	Operational adjustments	Operations statement
Revenues	5,628.9		5,628.9	5,312.0		5,312.0
Other operating revenues	121.2		121.2	100.7		100.7
Raw and other materials	(4,391.1)	(93.0)	(4,484.1)	(4,307.8)	+1.1	(4,306.7)
Service costs	(684.7)		(684.7)	(573.3)		(573.3)
Personnel costs	(165.4)		(165.4)	(154.5)		(154.5)
Other operating expenses	(19.2)		(19.2)	(17.2)		(17.2)
Capitalised costs	13.5		13.5	14.1		14.1
Ebitda	503.2	(93.0)	410.2*	374.0	+1.1	375.1*
Amortization, depreciation and provisions	(174.1)		(174.1)	(153.9)		(153.9)
Ebit	329.1	(93.0)	236.1*	220.1	+1.1	221.2*
Financial operations	(44.4)		(44.4)	(29.5)		(29.5)
Pre-tax result	284.7	(93.0)	191.7*	190.6	+1.1	191.7*
Taxes	(78.2)	+26.8	(51.4)	(52.8)	(0.3)	(53.1)
Net result	206.5	(66.2)	140.3*	137.8	+0.8	138.6*
Net profit	206.5	(66.2)	140.3*	137.8	+0.8	138.6*
Attributable to:						
Parent company shareholders	194.4	(66.2)	128.2*	126.5	+0.8	127.3*
non-controlling interests	12.1		12.1	11.3		11.3

* Adjusted results

mn€	Mar 23			Dec 22 (redetermined)		
	Published values	Operational adjustments	Operational values	Published values	Operational adjustments	Operational values
Net non-current assets	7,712.4		7,712.4	7,549.1	(26.8)	7,522.3*
Net working capital	457.9		457.9	1,003.0	+93.0	1,096.0*
(Provisions)	(659.1)		(659.1)	(657.6)		(657.6)
Net invested capital	7,511.2		7,511.2	7,894.5	+66.2	7,960.7*
Adjusted equity	(3,733.6)		(3,733.6)	(3,644.7)	(66.2)	(3,710.9)*
Net debt	(3,777.6)		(3,777.6)	(4,249.8)		(4,249.8)
Total sources of financing	(7,511.2)		(7,511.2)	(7,894.5)	(66.2)	(7,960.7)*

* Adjusted results

IFRS financial statements

Income statement

mn/euro	31/03/2023	31/03/2022
Revenues	5,628.9	5,312.0
Other operating revenues	121.2	100.7
Raw and other materials	(4,391.1)	(4,307.8)
Service costs	(684.7)	(573.3)
Personnel costs	(165.4)	(154.5)
Other operating costs	(19.2)	(17.2)
Capitalized costs	13.5	14.1
Amortisation, depreciation and provisions	(174.1)	(153.9)
Operating revenues	329.1	220.1
Share of profits (losses) pertaining to joint ventures and associated companies	2.7	2.9
Financial income	26.3	10.6
Financial expense	(73.4)	(43.0)
Financial management	(44.4)	(29.5)
Earnings before taxes	284.7	190.6
Taxes	(78.2)	(52.8)
Overall revenues for the period	206.5	137.8
To attribute to:		
Parent company shareholders	194.4	126.5
minority shareholders	12.1	11.3
Earnings per share		
basic	0.134	0.087
diluted	0.134	0.087

Statement of financial position

mn/euro	31/03/2023	31/12/2022
ASSETS		
Non-current assets		
Property, plant and equipment	1,986.6	1,984.4
Rights of use	80.5	84.2
Intangible assets	4,501.7	4,417.4
Goodwill	868.2	848.1
Equity investments	208.8	190.3
Non-current financial assets	151.4	151.8
Deferred tax assets	257.4	240.4
Derivative financial instruments	0.6	1.0
Total non-current assets	8,055.2	7,917.6
Current assets		
Inventories	871.5	995.1
Trade receivables	3,249.1	3,875.0
Current financial assets	35.3	77.7
Current tax assets	45.6	46.0
Other current assets	687.1	642.5
Derivative financial instruments	828.8	1,622.2
Cash and cash equivalents	2,107.1	1,942.4
Total current assets	7,824.5	9,200.9
TOTAL ASSETS	15,879.7	17,118.5

mn€	31/03/2023	31/12/2022
NET EQUITY AND LIABILITIES		
Share capital and reserves		
Share capital	1,447.7	1,450.3
Reserves	1,814.5	1,692.9
Profit (loss) for the period	194.4	255.2
Group net equity	3,456.6	3,398.4
Non-controlling interests	277.0	246.3
Total net equity	3,733.6	3,644.7
Non-current liabilities		
Non-current financial liabilities	5,108.6	5,689.9
Non-current lease liabilities	51.6	55.1
Post-employment and other benefits	89.3	92.0
Provisions for risks and charges	569.8	565.6
Deferred tax liabilities	190.8	215.7
Derivative instruments	11.3	6.3
Total non-current liabilities	6,021.4	6,624.6
Current liabilities		
Current financial liabilities	879.9	650.1
Current lease liabilities	20.6	21.3
Trade payables	2,631.5	3,093.1
Current tax liabilities	88.7	17.1
Other current liabilities	1,831.8	1,720.0
Derivative instruments	672.2	1,347.6
Total current liabilities	6,124.7	6,849.2
TOTAL LIABILITIES	12,146.7	13,473.8
TOTAL NET EQUITY AND LIABILITIES	15,879.7	17,118.5