

press release

Bologna, 11 November 2020

Hera BoD approves 3Q 2020 results

The Group closed the first nine months of the year with improvement in the main economic indicators compared to the same period in 2019, offsetting the impact of the Coronavirus emergency. These positive results, in line with the growth foreseen by the Business plan to 2023, were reached through the enlarged scope of operations and the investments made in resilience and sustainability

Financial highlights

- Revenues at 4,905.9 million euro (-3.1%)
- Ebitda at 806.2 million (+2.6%)
- Net profit at 244.7 million (+1.1%)
- Net debt stable at 3,284.5 million

Operating highlights

- Resilience guaranteed by a mix of internal and external growth
- Good contributions come mainly from the gas and electricity areas
- A solid base, with over 3.3 million customers in energy sectors, showing strong growth thanks to the Ascopiave partnership

Today, the Hera Group's Board of Directors, chaired by Tomaso Tommasi di Vignano, unanimously approved the consolidated third-quarter report at 30 September 2020. This report shows improvement in the Group's main economic indicators compared to the same period in the previous year, confirming its positive trends and solid fundamentals, and allowing it to overcome the inevitable impact of the health emergency affecting our country.

More specifically, the most significant results for the first three quarters of 2020 – in line with the growth expected by the Business plan to 2023 – include a rise in Ebitda coming to over 20 million euro and a better Net debt/Ebitda ratio, as well as ongoing creation of value for stakeholders, beginning with shareholders who were paid, as foreseen, dividends coming to over 150 million euro.

As usual, M&A transactions, along with internal growth sustained by higher efficiency and investments, were the driving force behind the Group's results. The most important factor was the recent partnership with Ascopiave, consolidated at the beginning of the year. Through EstEnergy, this partnership gave way to the largest energy operator in North-Eastern Italy and led to over 3.3 million customers overall in the energy sectors.

These results furthermore point towards a high ESG profile, with strong attention going to the environment, social and governance, which is expected to remain stable over the next three years after top management was confirmed by the Shareholders Meeting held on 29 April. This attention appeared all the more clearly during the emergency that struck our country: in recent months, indeed, Hera has always guaranteed full service continuity and introduced many forms of protection for employees, suppliers and customers, including easier terms for paying bills. Sustainability, in any case, has been an integral part of the Group's strategy since its establishment, and contributes – alongside all operating-financial indicators – to its growth, creating value for local communities and all areas served. At the same time, the Group's solidity and its valid multi-business strategy, based on a range of diversified levers, balanced between internal and external growth, have enabled it to guarantee a high degree of resilience, even in difficult contexts such as the current one. The effects on the Coronavirus pandemic on the Group's businesses, its financial situation and

its operating performance have thus been contained, as already appeared in the first-quarter report at 31 March 2020 and the half-year report at 30 June 2020.

Revenues at 4,905.9 million euro

In the first three quarters of 2020, revenues came to 4,905.9 million euro. This result was mainly due to lower revenues from electricity and gas trading, generation and sales, the lower price of commodities, lower volumes sold and the heat management and district heating services. Various factors helped mitigate this impact, including changes in the scope of operations and an increase in regulated energy revenues.

Ebitda increases to 806.2 million euro

Ebitda went from 785.8 million euro in the first nine months of 2019 to 806.2 million euro at 30 September 2020, up 2.6%, despite the negative impact of milder winter temperatures and the Coronavirus emergency. This growth – seen over the entire duration of the first nine months of 2020 – was achieved above all thanks to the performance of the energy areas (gas and electricity), owing to the Ascopiave partnership. Positive results were also recorded in the water cycle area, which saw efficiency-enhancing initiatives aimed at resilience and sustainability, and in other services, including public lighting and telecommunications.

Operating results rise to 414.7 million euro

Operating results increased to 414.7 million euro, up 2.3% compared to the 405.5 million seen at 30 September 2019. Financial operations settled at 79.5 million in the first nine months of 2020, with a 12.4 million change compared to the same period in the previous year due on the one hand to lower financial charges and on the other to higher non-monetary charges, prevalently linked to the Ascopiave transaction. Pre-tax profit remained essentially unchanged at 335.2 million euro.

Net profits increase to 244.7 million (+1.1%)

Net profits at 30 September 2020 rose to 244.7 million euro (+1.1%) compared to the 242.0 million recorded one year earlier, with profits pertaining to Group shareholders increasing to 233.1 million euro, compared to the 230.8 million seen at 30 September 2019 (+1.0%). These results benefitted from a tax rate coming to 27%, with further improvement compared to the 28.5% recorded during the previous year, thanks in particular to the Group's commitment to making significant investments in technological, digital and environmental transformation, along with the benefits introduced by the government's Relaunch Decree.

Operating investments come to 333.6 million euro; net financial position stable

During the first nine months of 2020, Hera made operating investments amounting to 333.6 million euro, basically in line with the previous year and respecting the green-oriented projects contained in the Business plan. Investments mainly went to plants, networks and infrastructures, as well as regulatory upgrading in the sewerage and purification areas and a large-scale installation of new-generation gas meters. In addition to financing these investments and paying dividends, the positive cash generation also sustained financial investments, mainly involving the strategic Ascopiave transaction, and purchasing treasury shares based on market opportunities. The Group's solid financial position is reflected by its net debt, which remained unchanged with respect to the 3,274.2 million seen at 31 December 2019, settling after the first nine months of 2020 at 3,284.5 million euro, including the amount of Ascopiave's put option concerning EstEnergy. The Net debt/Ebitda ratio came to 2.97x, improving compared to the 3.02x seen in late 2019.

Gas

Ebitda for the gas area – which includes services in natural gas distribution and sales, district heating and heat management – came to 249.9 million euro at 30 September 2020, with a 4.2% rise over the 239.8 million recorded at the same date one year earlier. This growth, in terms of both revenues and volumes sold, was mainly obtained thanks to the partnership with the Ascopiave Group, with the acquisition of the companies belonging to the EstEnergy Group and AmgasBlu, and the four portions of the last resort service and the two portions of the default service awarded. This result is all the more positive considering that it

includes the rationalisation of the gas networks foreseen by the Ascopiave partnership. Lastly, the Ascopiave transaction significantly impacted the rise in gas customers, who came to over 2 million at the end of the first three quarters of 2020, increasing by over 550 thousand compared to the same period in the previous year (+37.8%).

The gas area accounted for 31.0% of Group Ebitda.

Water cycle

At 30 September 2020, the integrated water cycle area – which includes services in the aqueduct, purification and sewerage – recorded an Ebitda coming to 201.1 million euro, up 0.6% over the 200.0 million euro seen at the same date in 2019. This result was due to the initiatives in raising efficiency carried out by the Group: thanks to investments in resilience and sustainability – recognised from a regulatory point of view in the new tariff method defined by Arera – the Group offset the effects of the Coronavirus emergency, such as lower new connections.

The integrated water cycle area accounted for 24.9% of Group Ebitda.

Waste

Ebitda for the waste management area – which includes services in waste collection, treatment, recovery and disposal – settled at 183.3 million euro at 30 September 2020, compared to the 192.0 million recorded at the same date one year earlier. The halt in production during the lockdown caused a decrease in the Group's activities, like all other international operators in this sector. However, Hera succeeded in significantly compensating for the fall in demand thanks to the wide and diversified set of plants it can rely on. The Group – which is the nation's leader in the waste management sector – thus managed to keep the fall in special waste to 1.8%, while volumes of municipal waste dropped by 6.1%. Results for the waste management area, furthermore, benefitted from the positive trend in prices. Numerous initiatives were introduced for regenerating resources and moving towards a circular economy, through avant-garde technologies and innovative plants. The most recent initiatives include Hera Business Solution, a multi-service offer geared towards sustainability and dedicated to large companies with ready-to-go integrated energy and environmental solutions, and the agreement signed in late October between the Group subsidiary Aliplast and NextChem, a company part of the Maire Tecnimont Group, aimed at transforming plastic waste into polymer products with high added value. The Group's attention towards the environment and reusing resources was also confirmed by the increase seen in sorted waste, which was up 1.3 percentage points, going from 63.4% in the first nine months of 2019 to 64.7% in the same period of 2020.

The waste management area accounted for 22.7% of Group Ebitda.

Electricity area

Ebitda for the electricity area – which includes services in electricity generation, distribution and sales – amounted to 144.8 million euro at 30 September 2020, showing a 12.1% growth over the 129.1 million euro seen in the first nine months of 2019. This result is due to the Ascopiave transaction and the margins coming from electricity generation in the dispatching service market, which offset the lower volumes and margins deriving from the Coronavirus emergency. Free-market customers also increased due to reinforced marketing initiatives. At 30 September 2020, electricity customers amounted to more than 1.3 million overall, up roughly 150 thousand (+12.6%) over the same period of the previous year.

The electricity area accounted for 18.0% of Group Ebitda.

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

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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 third-quarter financial report and related materials are available to the public at Company Headquarters and on the website www.gruppohera.it.

Unaudited extracts from the Intermediate Report on Management at 30 September 2020 are attached.

Profit & Loss (m€)	30/09/2020	Inc. %	30/09/2019	Inc. %	Ch.	Ch. %
Sales	4,905.9		5,063.2		(157.3)	(3.1%)
Other operating revenues	355.7	7.3%	366.7	7.2%	(11.0)	(3.0%)
Raw material	(2,314.9)	(47.2%)	(2,504.9)	(49.5%)	(190.0)	(7.6%)
Services costs	(1,696.9)	(34.6%)	(1,698.4)	(33.5%)	(1.5)	(0.1%)
Other operating expenses	(41.8)	(0.9%)	(45.6)	(0.9%)	(3.8)	(8.3%)
Personnel costs	(424.0)	(8.6%)	(418.7)	(8.3%)	+5.3	+1.3%
Capitalisations	22.2	0.5%	23.5	0.5%	(1.3)	(5.5%)
Ebitda	806.2	16.4%	785.8	15.5%	+20.4	+2.6%
Depreciation and provisions	(391.5)	(8.0%)	(380.3)	(7.5%)	+11.2	+2.9%
Ebit	414.7	8.5%	405.5	8.0%	+9.2	+2.3%
Financial inc./(exp.)	(79.5)	(1.6%)	(67.1)	(1.3%)	+12.4	+18.5%
Pre tax profit	335.2	6.8%	338.4	6.7%	(3.2)	(0.9%)
Tax	(90.5)	(1.8%)	(96.4)	(1.9%)	(5.9)	(6.1%)
Net profit	244.7	5.0%	242.0	4.8%	+2.7	+1.1%
Attributable to:						
Shareholders of the Parent Company	233.1	4.8%	230.8	4.6%	+2.3	+1.0%
Minority shareholders	11.6	0.2%	11.2	0.2%	+0.4	+3.6%
Balance Sheet (m€)	30/09/2020	Inc. %	31/12/2019	Inc. %	Ch.	Ch. %
Net fixed assets	6,927.1	109.1%	6,846.3	108.9%	+80.8	+1.2%
Working capital	67.4	1.1%	87.0	1.4%	(19.6)	(22.5%)
(Provisions)	(643.5)	(10.1%)	(649.1)	(10.3%)	+5.6	(0.9%)
Net invested capital	6,351.0	100.0%	6,284.2	100.0%	+66.8	+1.1%
Net equity	3,066.5	48.3%	3,010.0	47.9%	+56.5	+1.9%
Long term net financial debt	3,376.3	53.2%	3,383.4	53.8%	(7.1)	(0.2%)
Short term net financial debt	(91.8)	(1.5%)	(109.2)	(1.7%)	17.4	(15.9%)
Net financial debts	3,284.5	51.7%	3,274.2	52.1%	10.3	+0.3%
Net invested capital	6,351.0	100.0%	6,284.2	100.0%	+66.8	+1.1%