

press release

Bologna, 9 November 2022

## Hera Board of Directors approves 3Q 2022 results

*Despite the complex macro scenario, the Group's quarterly report at 30 September 2022 shows an increase in Ebitda compared to 2021. Hera's multi-business model, balanced between internal growth and M&As, and its financial solidity have made it possible to seize strategic market opportunities, while maintaining a low risk profile, and to confirm the generation of value for all stakeholders, including actions intended to support customers experiencing difficulty.*

### Financial highlights

- Ebitda\* at 875 million euro (+2.4%)
- Net result\* at 248 million euro (-5.6%)
- Net financial debt at 4,489 million euro, with net debt/Ebitda\* at 3.62x
- Investments increase sharply to 463 million euro (+22.8%)

### Operating highlights

- Contribution to growth coming from core businesses
- Expansion in initiatives for the ecological transition and the circular economy
- Commercial margins maintained in the energy area
- Significant operating investments in networks, plus a significant effort in gas storage, as well as the completion of a number of M&As
- Solid energy customer base, approximately 3.5 million

Today, the Hera Group's Board of Directors, chaired by Tomaso Tommasi di Vignano, unanimously approved the consolidated quarterly report at 30 September 2022.

Although the results achieved in the first nine months of the year are part of a complicated scenario, characterised by ongoing volatility on the energy market, which became even more pronounced over the last three months, as well as the complex current economic and geopolitical conditions and the gradual increase in inflation in the country, these figures highlight the Group's ability to offset adversity, continuing to pursue the goals set out in its business plan, with increasing sustainable investments aimed at generating positive effects for the communities and local areas served. Moreover, the Hera Group's resilient business model, the management policies it implements and its financial solidity have continued to enable it to seize the strategic opportunities offered by the market, to guarantee a high quality and continuity in its services while at the same time supporting and confirming the commitments made to all its stakeholders.

Among the initiatives in support of stakeholders, note the flexibility shown towards the Group's suppliers, who were able to revise their supply conditions based on inflation, and the significant gas storage initiative intended to support the customer base and the Italian gas system as a whole. As regards customers, thanks to the special attention to disadvantaged users, more favourable instalment terms than those provided for by law, an extension of the social bonus to include district heating, compliance with and maintenance of fixed-price contractual conditions, to date the performance in receipts for bills has been confirmed as essentially regular. Moreover, continuing along the path of continuous growth that aims to provide its customers with efficient, innovative and competitive solutions in terms of both costs and sustainability with respect to the circular economy,

\* In order to make the reading of the results more closely reflect the actual performance of the gas area and to ensure that these results are more easily comparable, the figures with an asterisk include a operational adjustment that considers a valuation of the gas injected into storage at the prices dating to the injection period, thus excluding supplies intended for delivery to end customers with costs defined in 2021 (much lower than costs in 2022). See the section entitled "Special items and operational adjustments / IFRS balance sheet reconciliation", which provides a reconciliation between the operations statement and the IFRS financial statements.

the Hera Group continued to expand its scope of operations. In the energy area, the company Con Energia was acquired through subsidiary Hera Comm, while in the waste management area, Marche Multiservizi acquired the company Macero Maceratese, which specialises in waste recovery and treatment in the province of Macerata. In recent weeks, an important transaction was also finalised, which will take effect as of 2023. This is a long-term partnership that foresees the acquisition of 60% of the company A.C.R. di Reggiani Albertino S.p.A.®, one of Italy's largest companies operating in the sector of remediation, industrial waste treatment, industrial plant decommissioning and civil works related to oil & gas, based in Mirandola (Modena). The new company will also bring together a number of remediation and global service activities already managed by the Hera Group through the company HASI. This transaction further consolidates the Hera Group's leadership in the waste management sector and will create Italy's leading operator in the remediation and global service business, with a widespread presence throughout the peninsula.

### **Revenues rise to roughly 14.3 billion euro**

In the first nine months of 2022, revenues amounted to 14,320.1 million euro, up sharply (+122.9%) from the 6,424.3 million euro seen in the same period of the previous year. In particular, the energy segments showed significant growth mainly due to the increase in the price of energy commodities, which reached very high figures, especially in the third quarter of the year. In addition, growth in energy services was related to energy efficiency-oriented interventions in homes (insulation bonus and 110% super-bonus) and an increase in activities involving value-added services for customers. New acquisitions in the industrial market, energy production and higher market prices were mainly responsible for the higher revenues in the waste management sector.

### **Ebitda\* increases to 874.8 million euro**

Ebitda\* for the first nine months of the year amounted to 874.8 million euro, up 2.4% from the 854.4 million euro seen at 30 September 2021. The performance of the waste management area was particularly good, with Ebitda up 27.8 million euro, as was that of the water cycle area, up 7.3 million euro, fully offsetting the lower contributions coming from the energy area and the other services area. Despite the increasingly unfavourable market situation, overall operations in the third quarter for all energy sales activities in the Group's portfolio (considering not only gas and electricity, but also energy services) led to results that were essentially in line with the same period of 2021.

### **Financial operations essentially stable and pre-tax profit\* at 347.5 million euro**

The result from financial operations for the first nine months of 2022 came to 89.5 million euro, basically stable compared to the 85.4 million seen during the first nine months of 2021. This change is mainly due to the increase in net financial debt generated by the trend in energy commodity prices compared to 2021. Despite the slight negative impact of financial operations and higher depreciation and amortisation, provisions and impairment losses, pre-tax profit\* amounted to 347.5 million euro, basically in line with the 356.5 million euro recorded in the first nine months of 2021.

### **Net result\* and at 248.4 million euro**

With a tax rate of 28.5%, up from the same period in 2021 (26.2%) mainly due to the recognition of the non-recurring contribution against high utility bills (amounting to 2.3 million euro) and the recognition of lower benefits related to the tax credit on investments linked to the technological, digital and environmental transformation, the net result\* and net profit\* for the first nine months of 2022 amounted to 248.4 million euro. Net profit was largely stable compared to the 263 million seen at 30 September 2021.

### **Strong growth in investments and net financial debt sensitive to the higher value of stored gas**

In the first nine months of 2022, the Hera Group's operating investments, including capital grants, amounted to 463.3 million euro, up 22.8% compared to the 377.2 million euro seen in the same period of the previous year, with a major focus on resilience- and circularity-oriented projects, as set out in the business plan. The most significant interventions concerned plants, networks, and infrastructures, as well as regulatory upgrading focusing

on gas distribution and the integrated water cycle, respectively involving a large-scale replacement of new-generation meters and specific interventions in the purification and sewerage areas.

A significant amount of financial resources (about 820 million euro, more than 10 times the amount seen in 2021) was invested in gas storage, consistent with the effort requested by the government from operators in the sector to contribute to a secure supply in the following months. This is a strategic and temporary investment (the storage facilities will be emptied progressively, lasting through the first half of 2023), which gives the Group security and flexibility in supplying gas to its customers over the upcoming months, reducing risks and guaranteeing flexibility and margins in supply management.

Net financial debt increased to 4,489.2 million euro, compared to the 3,261.3 million euro seen at 31 December 2021. This growth is attributable to the increase in net working capital, which rose as a result of both the significant gas storage initiatives completed and higher energy commodity prices in 2022 compared to the previous year.

The increase in the Group's debt is reflected in the net debt to Ebitda\* ratio, which rose to 3.62x. Not including the deployment of resources for the gas inventory, which is expected to come back into line within the next six months, this ratio stands at 2.9x.

### **Gas**

Ebitda\* for the gas area - which includes natural gas distribution and sales, district heating, and energy services - rose to 377 million euro, a strong improvement (+23.8%) compared to the 304.5 million euro seen in the same period last year.

This growth, both in terms of margins and volumes sold to end customers, was mainly due to the opportunities created in the energy services sector by energy efficiency incentives (110% super-bonus and insulation bonus), by the corporate acquisitions of Con Energia and Eco Gas, and by the tenders awarded involving the last resort and Consip markets. More specifically, for the period 1 October 2021 - 30 September 2023, Hera Comm was awarded 6 lots of the last resort gas service in 12 regions of Italy, all 9 lots of the default gas distribution service in 19 regions and 2 lots of the Consip GAS14 tender for supplying natural gas to public administrations in 2022, both in Lombardy.

A slight increase occurred in the gas customer base (+0.7% compared to the same period of the previous year), which overall came to almost 2.1 million

The gas area accounted for 43.1% of Group Ebitda.

### **Electricity**

Ebitda for the electricity area - which includes generation, distribution and sales of electricity as well as value-added services - amounted to 22.1 million euro, compared to the 103.5 million euro seen in the same period of 2021. The main reasons for this trend consist in different conditions on energy markets compared to the previous year, linked in particular to the exceptional context of rising raw material prices, which affected procurement activities and impacted margins. One must note, however, the solid commercial development, confirmed by an increase in the customer base and a greater adherence to innovative offers (relating to electric mobility, photovoltaics, heating and air conditioning) as well as value-added services. Furthermore, through a tender Hera Comm was awarded 4 lots of the Consip EE19 tender for supplying electricity to public administrations in 2022 in the province of Rome and 3 other regions, 3 lots of the graduated protected service for supplying electricity to SMEs for the period from 1 July 2021 to 30 June 2024 in 9 regions, and 1 lot of the safeguarded service for the years 2021 and 2022 in 3 regions.

The customer base in the electricity area came to over 1.4 million (+2.6%), mainly due to increased commercial actions in the free market.

The electricity area accounted for 2.5% of Group Ebitda.

### **Water cycle**

Ebitda for the integrated water cycle area - which includes aqueduct, purification and sewerage services - amounted to 205.8 million euro at 30 September 2022, up (+3.7%) compared to the 198.5 million euro seen in the same period of the previous year. This change was mainly due to ARERA's recognition of Hera's commitment to high standards of technical quality. These positive results more than offset the higher procurement costs for

energy components and higher operating costs in networks and plants, partially due to the increase in the price lists of suppliers of materials and services.

Also note that, with regard to concessions, Atersir definitively awarded the tender for the integrated water service in the Province of Rimini to Hera for the period from 2022 to 2039. The Hera Group, already the outgoing operator in 24 municipalities in this province, will be responsible for this service over the next 18 years, during which it will focus on innovation and sustainability.

In the first nine months of 2022, investments in the integrated water cycle area amounted to 135.1 million euro, up by 14.9 million euro compared to the previous year, and mainly involved extensions, reclamation and upgrading on networks and plants, as well as regulatory upgrading mainly in the purification and sewerage areas (90.7 million euro in the aqueduct, 34.4 million euro in sewerage and 24.3 million euro in purification).

The integrated water cycle area accounted for 23.5% of Group Ebitda.

### **Waste management**

Ebitda for the environment area - which includes waste collection, treatment, recovery and disposal services - rose to 246.2 million euro at 30 September 2022, +12.7% compared to the 218.4 million euro seen for the first nine months of 2021. Waste treatment activities contributed to this result above all, with Ebitda coming to 197.3 million euro, up by 29.8 million euro, while for collection and sweeping services, to which the Group has always paid great attention in terms of service quality and development, Ebitda amounted to 48.9 million euro. These margins are in line with expectations and occurred within a context characterised by the beginning of new concessions in the Ravenna-Cesena, Modena and Bologna areas and the ensuing increase in service costs in these same areas.

Despite the complexity of the current external context, the Group continues to guarantee a considerable level of growth by consolidating its leadership in the waste management sector, particularly in the industrial market and in recovery, favoured by its excellent set of plants (roughly one hundred certified, state-of-the-art plants capable of treating all types of waste), by M&A operations and by sound management and commercial policies.

The increase in Ebitda was mainly due to higher margins in energy management, coming to roughly 23 million euro, the expansion of the industrial waste market with new acquisitions, amounting to approximately 2 million euro, and the increase in price of treated waste, partially offset by an increase in purchasing prices for consumables and treatment and transport costs. Investments in the waste management area, which mainly involved maintenance and enhancement of waste treatment plants, amounted to 96.8 million euro, up 44.0 million euro over the previous year. Of these, 21.4 million euro were invested in waste-to-energy plants, including revamping on the Trieste plant and non-recurring maintenance on the Bologna and Rimini plants, while roughly 15 million euro were allocated to the composting/digesting chain, in particular for the beginning of construction on a new plant for biomethane production through the company Biorg, created out of a partnership with Inalca, part of the Cremonini Group.

Environmental resource protection was also confirmed as a priority objective in 2022, including the maximisation of their reuse, as is further demonstrated by the increase in sorted waste collection, which in the first nine months of 2022 reached 66.8%, up 2% compared to 30 September 2021.

The environment area accounted for 28.1% of Group Ebitda.

*The manager responsible for drafting the company's accounting statements, Massimo Vai, 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 financial statements and related materials will be available to the public pursuant to the terms established by law at the Company Headquarters and on the website [www.gruppohera.it](http://www.gruppohera.it).*

*Unaudited extracts from the Intermediate Consolidated Financial Statements at 30 September 2022 are attached.*

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

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Income statement (mn€)	Sept 22	% inc.	Sept 21 (redetermined)	% inc.	Abs. change	% change
Revenues	14,320.1	0.0%	6,424.3	0.0%	7,895.8	122.9%
Other operating revenues	345.3	2.4%	243,6	3.8%	101.7	41.8%
Raw and other materials	(11,642.5)	(81.3)%	(3,498.2)	(54.5)%	8,144.3	232.8%
Service costs	(1,693.9)	(11.8)%	(1,858.6)	(28.9)%	(164.7)	(8.9)%
Other operating expenses	(56.6)	(0.4)%	(54.4)	(0.8)%	2.2	4.0%
Personnel costs	(449.8)	(3.1)%	(442.0)	(6.9)%	7.8	1.8%
Capitalised costs	52.2	0.4%	39.7	0.6%	12.5	31.5%
<b>Ebitda*</b>	<b>874.8</b>	<b>6.1%</b>	<b>854.4</b>	<b>13.3%</b>	<b>20.4</b>	<b>2.4%</b>
Amortization, depreciation and provisions	(437.8)	(3.1)%	(412.5)	(6.4)%	25.3	6.1%
<b>Ebit*</b>	<b>437.0</b>	<b>3.1%</b>	<b>441.9</b>	<b>6.9%</b>	<b>(4.9)</b>	<b>(1.1)%</b>
Financial operations	(89.5)	(0.6)%	(85.4)	(1.3)%	4.1	4.8%
<b>Pre-tax result*</b>	<b>347.5</b>	<b>2.4%</b>	<b>356.5</b>	<b>5.5%</b>	<b>(9.0)</b>	<b>(2.5)%</b>
Taxes	(99.1)	(0.7)%	(93.4)	(1.5)%	5.7	6.1%
<b>Net result*</b>	<b>248.4</b>	<b>1.7%</b>	<b>263.1</b>	<b>4.1%</b>	<b>(14.7)</b>	<b>(5.6)%</b>
Result from special items	-	0.0%	56.2	0.9%	(56.2)	100.0%
<b>Net profit for the period*</b>	<b>248.4</b>	<b>1.7%</b>	<b>319.3</b>	<b>5.0%</b>	<b>(70.9)</b>	<b>(22.2)%</b>

Invested capital and sources of financing (mn€)	Sept 22	% inc.	dic-21 (redetermined)	% inc.	Abs. change	% change
Net non-current assets*	7,485.3	+96.3%	7,308.3	+109.4%	177.0	+2.4%
Net working capital*	910.6	+11.7%	2.4	+0.0%	908.2	+37,841.7%
(Provisions)	(622.3)	(8.0)%	(633.4)	(9.5)%	11.1	+1.8%
<b>Net invested capital*</b>	<b>7,773.6</b>	<b>+100.0%</b>	<b>6,677.3</b>	<b>+100.0%</b>	<b>1,096.3</b>	<b>+16.4%</b>
Equity*	(3,284.4)	+42.3%	(3,416.0)	+51.2%	131.6	+3.9%
Long-term borrowings	(4,680.1)	+60.2%	(3,633.1)	+54.4%	(1,047.0)	(28.8)%
Net current financial debt	190.9	(2.5)%	371.8	(5.6)%	(180.9)	(48.7)%
Net debt	(4,489.2)	+57.7%	(3,261.3)	+48.8%	(1,227.9)	(37.7)%
<b>Total sources of financing*</b>	<b>(7,773.6)</b>	<b>(100.0)%</b>	<b>(6,677.3)</b>	<b>+100.0%</b>	<b>(1,096.3)</b>	<b>(16.4)%</b>

\* Adjusted results

## Special items and operational adjustments / balance sheet reconciliation

mn€	Sept 22			Sept 21 (redetermined)			
	Published statement	Operational adjustments	Operations statement	Published statement	Operational adjustments	Special items	Operations statement
Revenues	14,320.1		14,320.1	6,424.3			6,424.3
Other operating revenues	345.3		345.3	243.6			243.6
Raw and other materials	(11,794.6)	152.1	(11,642.5)	(3,469.3)	(28.9)		(3,498.2)
Service costs	(1,693.9)		(1,693.9)	(1,858.6)			(1,858.6)
Personnel costs	(449.8)		(449.8)	(442.0)			(442.0)
Other operating expenses	(56.6)		(56.6)	(54.4)			(54.4)
Capitalised costs	52.2		52.2	39.7			39.7
<b>Ebitda</b>	<b>722.7</b>	<b>152.1</b>	<b>874.8*</b>	<b>883.3</b>	<b>(28.9)</b>		<b>854.4*</b>
Amortization, depreciation and provisions	(437.8)		(437.8)	(412.5)			(412.5)
<b>Ebit</b>	<b>284.9</b>	<b>152.1</b>	<b>437.0*</b>	<b>470.8</b>	<b>(28.9)</b>		<b>441.9*</b>
Financial operations	(89.5)		(89.5)	(113.9)		28.5	(85.4)
<b>Pre-tax result</b>	<b>195.4</b>	<b>152.1</b>	<b>347.5*</b>	<b>356.9</b>	<b>(28.9)</b>	<b>28.5</b>	<b>356.5*</b>
Taxes	(55.7)	(43.4)	(99.1)	(16.3)	7.6	(84.7)	(93.4)
<b>Net result</b>	<b>139.7</b>	<b>108.7</b>	<b>248.4*</b>	<b>340.6</b>	<b>(21.3)</b>	<b>(56.2)</b>	<b>263.1*</b>
Result from special items						56.2	56.2
<b>Net profit</b>	<b>139.7</b>	<b>108.7</b>	<b>248.4*</b>	<b>340.6</b>	<b>(21.3)</b>		<b>319.3*</b>
<b>Attributable to:</b>							
Parent company shareholders, adjusted	105.4	108.7	214.1*	308.4	(21.3)		287.1*
non-controlling interests	34.3		34.3	32.2			32.2

\* Adjusted results

mn€	Sept 22			Dec 21 (redetermined)		
	Published values	Operational adjustments	Operational values	Published values	Operational adjustments	Operational values
Net non-current assets	7,528.4	(43.1)	7,485.3*	7,308.0	0.3	7,308.3*
Net working capital	759.6	151.0	910.6*	3.5	(1.1)	2.4*
(Provisions)	(622.3)		(622.3)	(633.4)		(633.4)
<b>Net invested capital</b>	<b>7,665.7</b>		<b>7,773.6*</b>	<b>6,678.1</b>		<b>6,677.3*</b>
Adjusted equity	(3,176.5)	(107.9)	(3,284.4)*	(3,416.8)	0.8	(3,416.0)*
Net debt	(4,489.2)		(4,489.2)	(3,261.3)		(3,261.3)
<b>Total sources of financing</b>	<b>(7,665.7)</b>		<b>(7,773.6)</b>	<b>(6,678.1)</b>		<b>(6,677.3)</b>

\* Adjusted results

## IFRS financial statements

### Income statement

mn/euro	30-Sept-22 (9 months)	30-Sept-21 (9 months)
Revenues	14,320.1	6,424.3
Other operating revenues	345.3	243.6
Raw and other materials	(11,794.6)	(3,469.3)
Service costs	(1,693.9)	(1,858.6)
Personnel costs	(449.8)	(442.0)
Other operating costs	(56.6)	(54.4)
Capitalized costs	52.2	39.7
Amortisation, depreciation and provisions	(437.8)	(412.5)
<b>Operating revenues</b>	<b>284.9</b>	<b>470.8</b>
Share of profits (losses) pertaining to joint ventures and associated companies	7.5	8.9
Financial income	47.6	56.1
Financial expense	(144.6)	(178.9)
<b>Financial management</b>	<b>(89.5)</b>	<b>(113.9)</b>
<b>Earnings before taxes</b>	<b>195.4</b>	<b>356.9</b>
Taxes	(55.7)	(16.3)
<b>Overall revenues for the period</b>	<b>139.7</b>	<b>340.6</b>
<b>To attribute to:</b>		
Parent company shareholders	105.4	308.4
minority shareholders	34.3	32.2
<b>Earnings per share</b>		
basic	0.096	0.211
diluted	0.096	0.211

## Statement of financial position

mn/euro	30-Sept-22	31-Dec-21
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	1,938.8	1,941.0
Rights of use	82.2	101.6
Intangible assets	4,334.1	4,126.7
Goodwill	848.8	842.9
Equity investments	182.7	198.5
Non-current financial assets	132.9	142.7
Deferred tax assets	373.7	229.4
Derivative financial instruments	0.5	6.9
<b>Total non-current assets</b>	<b>7,893.7</b>	<b>7,589.7</b>
<b>Current assets</b>		
Inventories	1,143.2	368.0
Trade receivables	2,975.6	2,918.0
Current financial assets	81.3	29.3
Current tax assets	92.3	21.2
Other current assets	427.3	422.3
Derivative financial instruments	3,684.0	1,797.4
Cash and cash equivalents	1,224.5	885.6
<b>Total current assets</b>	<b>9,628.2</b>	<b>6,441.8</b>
<b>TOTAL ASSETS</b>	<b>17,521.9</b>	<b>14,031.5</b>