

press release

Bologna, 12 May 2021

Hera BoD approves 1Q 2021 results

The consolidated quarterly report at 31 March shows further improvement in all main operating and financial indicators, with financial solidity confirmed as a strong point, as has also been recently highlighted by the upgraded rating given by S&P's, now BBB+ with a stable outlook. Hera continues, furthermore, to create value for the areas served, promoting sustainability and innovation as strategic drivers for growth

Financial highlights

- Revenues at 2,271.8 million euro (+10.5%)
- Ebitda at 362.0 million euro (+3.7%)
- Net profit for Shareholders at 132.2 million euro (+6.3%)
- Net financial debt shows strong improvement, now at 3,077.6 million euro, and net debt/Ebitda ratio falls to 2.71x

Operating highlights

- Good contribution to growth coming from the Group's main businesses, the energy sectors and waste management in particular
- Solid energy customer base, now reaching almost 3.4 million
- Further development in initiatives for the circular economy, with aspects including state of the art plants and increasingly green services for companies and citizens

Today, the Hera Group's Board of Directors, chaired by Tomaso Tommasi di Vignano, unanimously approved the consolidated results for the first quarter of 2021, with all main operating and financial indicators improving, compared to the same period in the previous year, thanks to the Group's solid, efficient and sustainable multi-business strategy and a good operating, financial and fiscal management. The energy sectors and the waste management area made a particularly important contribution. Also note the additional improvement in financial solidity, with a strong reduction in net financial debt.

The results achieved confirm, once again, the validity of the Group's business model, which balances regulated and free market activities, and combines an increasingly efficient management of services with a search for new external development opportunities. At the same time, sustainability and innovation are promoted as strategic growth drivers, in line with European policies and the objectives of the UN Agenda, creating value for shareholders and for the communities served.

At 31 March 2021, the number of energy customers reached almost 3.4 million, thanks to factors including marketing initiatives and reinforced value-added services, from "green" offers to the sale and installation of LED devices, smart boilers and thermostats, as well as energy diagnoses, contracts for energy services, systems and targeted upgrading projects. The acquisition in September 2020 of the company Wölmann, which operates in the photovoltaic panel installation sector, is also part of this context and represents the main change in scope of operations compared to the first quarter of the previous year.

Revenues reach approximately 2.3 billion (+10.5%)

In the first quarter of 2021, revenues amounted to 2,271.8 million, up 10.5% compared to the 2,055.8 million seen in the same period of 2020. This result was sustained in particular by the energy sectors, with higher revenues from trading, higher volumes of gas sold and an increase in the price of electricity, in addition to

the heat management business and activities involving value-added services for customers. Revenues from district heating and regulated network services also increased, as did those from the waste management area, thanks to energy production and a higher amount of waste treated.

Ebitda rises to 362.0 million (+3.7%)

Ebitda rose from 349.2 million in the first quarter of 2020 to 362.0 million at 31 March 2021, showing a 12.8 million (+3.7%) increase. This growth is due in particular to the performance achieved in the energy areas, which grew by 12.3 million overall, mainly due to higher sales margins and trading. Positive contributions also came from the waste management area and other services, while the water cycle saw a slight fall.

Operating result and pre-tax profit increase

Ebit rose, amounting to 223.1 million at 31 March 2021, up from 211.7 million in the same period of 2020 (+5.4%). Financial operations were largely unchanged, at 28.8 million, with an increase in charges for tax credit sales as part of ecobonus-related activities, offset by higher income for late payment indemnities on credits in the "last resort" markets. Pre-tax profit rose to 194.3 million (+6.2%).

Net profit for shareholders grows to 132.2 million (+6.3%)

Thanks to an improved tax rate, coming to 27.8% compared to 28.8% in the first quarter of 2020, driven by the Group's commitment to making investments in technological, digital and environmental transformation with an eye to Utility 4.0, net profit at 31 March 2021 reached 140.3 million, up 7.7% compared to the 130.3 million seen in the same period of 2020. Profit pertaining to Group shareholders also rose to 132.2 million, up 6.3% compared to the 124.4 million seen in the same period of 2020.

Operating investments rise and net financial debt improves significantly

Net operating investments were up significantly, from 91.5 million at 31 March 2020 to 112.6 million (+23.1%) in the first quarter of 2021, and were mainly related to work on plants, networks and infrastructures, with investments in gas distribution concerning the large-scale meter replacement, and in the purification and sewerage area.

Thanks in particular to the positive contribution coming from operational management during the quarter, a strong improvement was also seen in net financial debt, which stood at 3,077.6 million, compared to 3,227.0 million at 31 December 2020, down by approximately 150 million. Thanks to the double leverage provided by increased Ebitda and decreased net financial debt, the net debt/Ebitda ratio further improved to 2.71x, both compared to the same quarter last year (2.93x) and to the figure seen at the end of 2020 (2.87x).

This data once again confirms the Group's financial solidity, which also appears in the opinions released by major rating agencies, in particular the recent upgrade by Standard & Poor's to BBB+ with a stable outlook.

Gas

Ebitda for the gas area – which includes natural gas distribution and sales services, district heating and heat management – amounted to 178.5 million in the first quarter of 2021, a sharp increase compared to the 160.9 million seen at 31 March 2020 (+11.0%). This result is linked in particular to a sharp rise in volumes sold (+38.1%), thanks to a good performance on traditional markets and new portions awarded in tenders: 8 portions of the last resort gas service in 16 regions of Italy, 5 portions of the default gas distribution service in 12 regions and 9 portions of the Consip GAS13 tender in 12 regions. Furthermore, the district heating area and the heat management business also contributed to this result, due to the increased activities linked to insulation incentives and energy efficiency works. Gas customers reached almost 2.1 million.

The gas area accounted for 49.3% of Group Ebitda.

Water

Ebitda for the integrated water cycle area – which includes aqueduct, purification and sewerage services – went from 57.2 million in the first three months of 2020 to 55.0 million in the first quarter of 2021, a slight

decrease mainly due to higher operating costs and network and plant management. These results were partially offset by higher revenues for new connections and by the bonuses for high service standards recognised by the Authority, based on investments made with a view to increasing efficiency and measures aimed at promoting and enhancing sustainability and resilience.

The integrated water cycle area accounted for 15.2% of Group Ebitda.

Waste

Ebitda for the waste management area – which includes waste collection, treatment and disposal services – rose to 70.8 million at 31 March 2021 (+0.9%), compared to 70.2 million in the first quarter of 2020. This growth was mainly driven by the increased volumes treated and higher margins in plastics recovery, as well as higher revenues from electricity generation.

Hera confirmed its position as Italy's leader in the waste management sector, for reasons including its set of 90 advanced facilities for waste treatment, recycling and regeneration, matching European best practices within a national context characterised by a persistent lack of plants. Within a scenario showing recovery in the prices of virgin raw materials and a growing demand for recycled products, Hera also continues to develop initiatives for an increasingly circular economy, thanks to Aliplast's outstanding capacities in plastic recycling and an increasing production of renewable energy, an area in which the Sant'Agata Bolognese (Bologna) plant for biomethane production from organic waste is a leading example. Consolidated skills in the waste management area are also an important competitive lever that the Group makes available to its customers, first and foremost companies with the Hera Business Solution, a "turnkey" multi-service offer for sustainable and integrated management of waste, water and energy.

Results for sorted waste collection were also up, rising to 66.3% at 31 March 2021, compared to 65.4% during the first quarter of 2020, thanks to the many projects implemented in all geographical areas served.

The waste management area accounted for 19.6% of Group Ebitda.

Electricity

Ebitda for the electricity area – which includes electricity generation, distribution and sales services – went from 52.5 million at 31 March 2020 to 47.2 million in the first quarter of 2021, mainly due to the fall in generation due to the changed market conditions in the dispatching service compared with the same period in the previous year, in addition to lower margins in the safeguarded market due to the different scope of the portions managed. These effects were partly offset by the contributions from trading and commercial expansion on traditional markets, supported by innovative offers, value-added services and increased investments to further improve customer experience and customer segmentation based on different needs.

Thanks to these activities, the customer base also continued to grow in the electricity area, now reaching over 1.3 million, despite the fall in the number of safeguarded and protected customers.

The electricity area accounted for 13.0% of Group Ebitda.

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 report on operations in the first quarter 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 operations at 31 March 2021 are attached.

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

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Profit & Loss (m€)	31/03/2021	Inc. %	31/03/2020	Inc. %	Ch.	Ch. %
Sales	2,271.8		2,055.8		+216.0	+10.5%
Other operating revenues	100.7	4.4%	109.0	5.3%	(8.3)	(7.6%)
Raw material	(1,209.7)	(53.2%)	(1,035.4)	(50.4%)	+174.3	+16.8%
Services costs	(646.9)	(28.5%)	(627.2)	(30.5%)	+19.7	+3.1%
Other operating expenses	(17.1)	(0.8%)	(12.5)	(0.6%)	+4.6	+36.8%
Personnel costs	(150.1)	(6.6%)	(147.3)	(7.2%)	+2.8	+1.9%
Capitalisations	13.3	0.6%	6.8	0.3%	+6.5	+94.9%
Ebitda	362.0	15.9%	349.2	17.0%	+12.8	+3.7%
Depreciation and provisions	(138.9)	(6.1%)	(137.5)	(6.7%)	+1.4	+1.0%
Ebit	223.1	9.8%	211.7	10.3%	+11.4	+5.4%
Financial inc./ (exp.)	(28.8)	(1.3%)	(28.7)	(1.4%)	+0.1	+0.3%
Pre tax profit	194.3	8.6%	183.0	8.9%	+11.3	+6.2%
Taxes	(54.0)	(2.4%)	(52.7)	(2.6%)	+1.3	+2.5%
Net profit	140.3	6.2%	130.3	6.3%	+10.0	+7.7%
Attributable to:						
Shareholders of the Parent Company	132.2	5.8%	124.4	6.0%	+7.8	+6.3%
Minority shareholders	8.1	0.4%	5.9	0.3%	+2.2	+37.2%

Balance Sheet (m€)	31/03/2021	Inc. %	31/12/2020	Inc. %	Ch.	Ch. %
Net fixed assets	6,993.3	109.6%	6,983.6	109.4%	+9.7	+0.1%
Working capital (Provisions)	44.6 (657.5)	0.7% (10.3%)	53.6 (654.9)	0.8% (10.2%)	(9.0) (2.6)	(16.8%) +0.4%
Net invested capital	6,380.4	100.0%	6,382.3	100.0%	(1.9)	(0.0%)
Net equity	3,302.8	51.8%	3,155.3	49.4%	+147.5	+4.7%
Long term net financial debt	3,576.5	56.0%	3,617.1	56.7%	(40.6)	(1.1%)
Short term net financial debt	(498.9)	(7.8%)	(390.1)	(6.1%)	(108.8)	+27.9%
Net financial debts	3,077.6	48.2%	3,227.0	50.6%	(149.4)	(4.6%)
Net invested capital	6,380.4	100.0%	6,382.3	100.0%	(1.9)	(0.0%)