

press release

Bologna, 10 November 2021

Hera BoD approves 3Q 2021 results

The Group consolidates the first nine months of the year with operating-financial indicators showing growth compared to the same period in 2020, and results exceeding the expectations set out in the Business Plan. Financial solidity, the pursuit of sustainable development and creating value for the local areas and communities served confirmed as strong points

Financial highlights

- Revenues at **6,424.3 million euro (+31%)**
- Ebitda at **883.3 million euro (+9.6%)**
- Net profit for shareholders at **308.4 million euro (+32.3%)**
- Net financial debt at **3,303.8 million**, with Net debt/Ebitda at **2.75x**

Operating highlights

- **Strategy based on a mix of internal and external growth**
- **Significant contribution coming from the gas area, energy services and the waste management sector**
- **Over 3.4 million energy customers reached**

Today, the Hera Group's Board of Directors, chaired by Tomaso Tommasi di Vignano, unanimously approved the consolidated quarterly report at 30 September 2021. The report shows improvement in the main economic indicators compared to the same period of the previous year, confirming the Group's long track record of positive performances, its financial solidity and its commitment to sustainable development, respecting European strategies and the UN 2030 Agenda.

The most significant results include an increase coming to over 77 million euro in Ebitda, mainly owing to free market activities – especially gas sales, energy services and waste treatment – whose pro-cyclical nature enabled the Group to take full advantage of the opportunities arising from the country's economic recovery and revival initiatives, while at the same time creating value for the local areas and communities served. A sharp increase was also seen in net profits for shareholders, which in this quarter includes the effects of the tax realignment of certain goodwill items.

In July, a dividend amounting to 161 million euro was paid to shareholders, corresponding to 11 cents per share, up 10% compared to the previous year.

From a broader point of view, the results for the first three quarters of the year show growth not only with respect to 2020, but also compared to the results for 2019, prior to the impact of the global pandemic. The current results are higher than the expectations contained in the Business Plan to 2024: in less than two years, Hera has achieved more than half of the growth forecast for the five-year period covered by this Plan.

The Group's strategy therefore continues to prove successful, promoting both organic growth and mergers and acquisitions, and protecting results achieved from the turbulence seen in the external context.

The more noteworthy changes in the scope of consolidation include three M&A transactions in the industrial waste treatment area, with the acquisition of 70% of the Friuli-based company Recycla, 31% of the company Sea, located in the Marche, and 80% of the Vallortigara Group, which operates in the Veneto region. The energy areas, instead, saw the acquisitions of Wölmann, a company operating in photovoltaic panel installation, the sales company Ecogas, in Abruzzo, and 11% of Ascotrade from the Belluno company Gsp, thus arriving at 100% control. At the same time, continued growth was seen in the Group's energy customer base, now over 3.4 million, thanks to increases in both liberalised markets and those subject to public tenders.

Lastly, as regards regulated services, the Hera Group has won the tenders called to date in the areas served, in the waste management, gas distribution and integrated water service areas. Note in particular the recent confirmation of gas distribution in the Udine 2 ATEM and, last week, in the water cycle, serving 24 municipalities in the province of Rimini, including the city of Rimini.

Revenues rise to over 6.4 billion euro

In the first nine months of 2021, revenues amounted to 6,424.3 million euro, up 31.0% from 4,905.9 million-euro one year earlier, with growth seen in all areas. More specifically, the energy areas felt the effects of higher revenues from trading, higher volumes of gas sold and an increase in the price of energy commodities, in addition to the energy services business, due to the activities related to the insulation incentive and energy efficiency works. Revenues from network services (both regulated and on behalf of third parties) and the waste management area also increased, due to energy production, more waste treated and an increase in plastics sold.

Ebitda increases to 883.3 million euro

Ebitda increased by 77.1 million, or 9.6%, over the 806.2 million seen in the first nine months of 2020, rising to 883.3 million at 30 September 2021. This increase is linked to the performance of the energy areas, mainly thanks to gas sales and energy trading, as well as energy service activities. Another decisive factor consisted in the positive results recorded in the waste management sector, particularly in the waste treatment area.

Operating result grows to 470.8 million euro

Operating profit rose to 470.8 million euro, compared to 414.7 million at 30 September 2020, showing a 13.5% increase (despite higher expenses for depreciation and amortisation). Financial operations at the end of 3Q 2021 amounted to 85.4 million euro, mainly due to lower income from late payment indemnities on last resort markets and higher charges for the sale of tax credits as part of ecobonus-related activities. These aspects were partially offset by the efficiencies achieved following the repurchase of part of the medium- to long-term debt, lower updating expenses and higher profits from subsidiaries and joint ventures. Pre-tax profits increased from 335.2 to 385.4 million euro (+15%).

Net profit for shareholders rises to 308.4 million euro

Net profit rose to 340.6 million euro, up significantly by 39.2% from 244.7 million euro in the same period during the previous year, thanks to a tax rate that settled at 26.2%, improving compared to the 27% recorded at 30 September 2020, due to the Group's commitment to supporting substantial investments in technological, digital and environmental transformation towards Utility 4.0. The increase is also linked to the amount consisting in special items, which contributed with 56.2 million euro, as result of the tax realignment of certain goodwill items recorded in the financial statements, offset by the expenses arising from the partial repurchase, last spring, of a 700 million euro bond maturing in 2028. Net profit post minorities also increased sharply, rising to 308.4 million euro from 233.1 million euro at 30 September 2020 (+32.3%).

Operating investments at 377.2 million euro and stable net financial debt

In the first nine months of 2021, Hera made operating investments coming to 377.2 million euro, an increase of over 13% compared to the 333.6 million euro seen in the same period of the previous year, with an important focus on the projects, including green initiatives foreseen in the Business Plan. These investments were mainly allocated to plants, networks and infrastructures, as well as regulatory upgrading in purification and sewage and a large-scale installation of new-generation gas meters. In addition to financing these investments and paying increased dividends, the positive cash flow generation also made it possible to cover the repurchase of maturing bonds and a large portion of the M&A transactions, keeping net financial debt essentially stable at 3,303.8 million euro in the first nine months of 2021, in line with the 3,227.0 million euro seen at 31 December 2020. Hera's financial strength – which is also clear from the assessments made by the main rating agencies: BBB+ with stable outlook from Standard & Poor's, Baa2 from Moody's - is also confirmed by the Net

debt/Ebitda ratio, which stood at 2.75x, an improvement compared to the 2.87x seen at the end of 2020 and 2.97x at 30 September 2020.

These aspects go hand in hand with the pursuit of sustainable development, as confirmed by Hera's recent inclusion in the MIB ESG Index, Italy's first blue-chip index dedicated to Environmental, Social, and Governance (ESG) best practices. In October, furthermore, Hera successfully launched its first sustainability-linked bond, worth 500 million euro, gathering great interest from international investors, who subscribed with roughly four times the amount offered. This bond is part of a sustainability strategy aimed at reducing emissions and recycling plastics.

At the same time, after the end of the quarter, the Group carried out a liability management transaction to repurchase nominal 350 million euro in financing maturing in the next few years, with effects that will be recorded at year-end.

Gas

Ebitda for the gas area – which includes natural gas distribution and sales, district heating and heat management services – rose to 333.4 million euro as at 30 September 2021, up 33.4% compared to 249.9 million euro in the same period last year. This growth, in terms of both revenues and volumes sold, was achieved thanks to the positive contribution coming from sales on traditional markets and on those subject to tenders, where Hera Comm has further consolidated its presence (with 8 lots of the last resort gas service awarded in 16 regions, 5 lots of the default gas service in 12 regions, effective as of October 2020, and 9 lots of the Consip GAS13 tender in 12 regions). These increased earnings are linked to significant rise in the energy services business, due to incentives deriving from tax bonuses and energy efficiency works, confirming the significant growth trend in this sector already recorded in the previous quarters of the year.

A slight increase (+1%) was seen in the number of customers, which totalled 2 million.

Furthermore, note that, from October 2021 until September 2023, Hera Comm has been awarded all lots of the default gas service tender and 6 out of 9 lots of the last resort gas service.

The gas accounted for 37.7% of Group Ebitda.

Water

At 30 September 2021, the integrated water cycle area – which includes aqueduct, purification and sewerage services – recorded an Ebitda coming to 198.5 million, essentially unchanged from the 201.1 million euro seen in the first three quarters of 2020. This result is due to higher operating costs on networks and plants as a result of resuming activities after the lockdown, partially offset by a rise in revenues for new connections and higher other revenues. This also includes the benefits recognised by ARERA under the application of the new tariff method, linked to the significant investments made by the Group to implement measures aimed at resilience and sustainability in its plants, enabling it to continue guaranteeing citizens quality, efficiency and continuity of supply. Lastly, thanks to a bid geared towards sustainability and creating value, Hera was awarded the tender for integrated water cycle services for 18 years in 24 municipalities in the province of Rimini, including the capital city, with a contract worth approximately 1.7 billion euro.

The integrated water cycle area accounted for 22.5% of Group Ebitda.

Waste

Ebitda for the waste management area – which includes waste collection, treatment, recovery and disposal services – rose to 218.4 million euro (+19.1%) as at 30 September 2021, compared to 183.3 million euro in the same period one year earlier. This growth was achieved thanks to the ability shown by the Hera Group – the nation's leading operator in the sector – to make the most of the opportunities offered by this pro-cyclical business, i.e. one that is able to take advantage of the current economic recovery and the general recovery of markets after the lockdown. In fact, Hera has further augmented its outstanding set of plants with a series of transactions in the field of industrial waste treatment and environmental reclamation and restoration. The increase in earnings was caused by higher revenues linked to the increase in volumes of waste treated and electricity generation, and by the strong growth of the activities carried out by the subsidiary Aliplast, a leader in producing high-quality recycled polymers, against a significant increase in demand and in the selling price of recycled materials. In general, in the early months of 2021 as well, the Group continued to pursue all main



initiatives related to the circular economy through front-line technologies and innovative structures. These include the production of renewable energy by developing the biomethane chain, including a collaboration with other companies found in the areas served. Hera has indeed signed a partnership with the company Inalca, part of the Cremonini Group, to establish a NewCo for transforming organic waste and agricultural waste into 100% renewable methane and compost. Lastly, Hera Business Solution, a turnkey multi-service offer for large companies, with integrated energy and environmental solutions all guided by sustainability, saw a further increase in its activities.

The Group's focus on protecting and reusing environmental resources was also confirmed by the increase in sorted waste collection, which stood at 64.8% in the first nine months of 2021, up slightly compared to the same period of 2020.

The waste management area accounted for 24.7% of Group Ebitda.

Electricity

At 30 September 2021, Ebitda for the electricity area – which includes services in electricity generation, distribution and sales – amounted to 103.5 million euro, compared to 144.8 million euro in the first three quarters of the previous year. This result was mainly due to lower income from the dispatching market. Furthermore, a smaller scope of operations was seen in safeguarded markets, following the last tender awarded, in late 2020. These trends were partially contained by contributions to commercial growth in traditional markets and in new managed services, with innovative offers, value-added services and increasing investments to improve customer experience and customer segmentation. Furthermore, last June Hera Comm was awarded, through a tender, the gradual protection service for supplying electricity to SMEs in 9 Italian regions, for the period extending from 1 July 2021 to 30 June 2024.

At 30 September 2021, electricity customers totalled 1.4 million, up 5.4% compared to the first three quarters of the previous year.

The electricity area accounted for 11.7% 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 Quarterly Financial Statement and related materials are available to the public at Company Headquarters and on the website www.gruppohera.it.

Unaudited extracts from the Intermediate Financial Report at 30 September 2021 are attached

https://eng.gruppohera.it/group_eng/

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Profit & Loss (m€)	30/09/2021	Inc. %	30/09/2020	Inc. %	Ch.	Ch. %
Sales	6,242.3		4,905.9		+1,518.4	+31.0%
Other operating revenues	243.6	3.8%	355.7	7.3%	(112.1)	(31.5%)
Raw material	(3,469.3)	(54.0%)	(2,314.9)	(47.2%)	+1,154.4	+49.9%
Services costs	(1,858.6)	(28.9%)	(1,696.9)	(34.6%)	+161.7	+9.5%
Other operating expenses	(54.4)	(0.8%)	(41.8)	(0.9%)	+12.6	+30.2%
Personnel costs	(442.0)	(6.9%)	(424.0)	(8.6%)	+18.0	+4.2%
Capitalisations	39.7	0.6%	22.2	0.5%	+17.5	+79.0%
Ebitda	883.3	13.7%	806.2	16.4%	+77.1	+9.6%
Depreciation and provisions	(412.5)	(6.4%)	(391.5)	(8.0%)	+21.0	+5.4%
Ebit	470.8	7.3%	414.7	8.5%	+56.1	+13.5%
Financial inc./(exp.)	(85.4)	(1.3%)	(79.5)	(1.6%)	+5.9	+7.4%
Pre tax profit	385.4	6.0%	335.2	6.8%	+50.2	+15.0%
Taxes	(101.0)	(1.6%)	(90.5)	(1.8%)	+10.5	+11.6%
Net profit	284.4	4.4%	244.7	5.0%	+39.7	+16.2%
Special items	56.2	0.9%	-	0.0%	+56.2	+100.0%
Net profit	340.6	5.3%	244.7	5.0%	+95.9	+39.2%
Attributable to:						
Shareholders of the Parent Company	308.4	4.8%	233.1	4.8%	+75.3	+32.3%
Minority shareholders	32.2	0.5%	11.6	0.2%	+20.6	+177.9%

Balance Sheet (m€)	30/09/2021	Inc. %	31/12/2020	Inc. %	Ch.	Ch. %
Net fixed assets	7,146.6	104.4%	6,983.6	109.4%	+163.0	+2.3%
Working capital	360.0	5.3%	53.6	0.8%	+306.4	+571.6%
(Provisions)	(658.5)	(9.7%)	(654.9)	(10.2%)	(3.6)	+0.5%
Net invested capital	6,848.1	100.0%	6,382.3	100.0%	+465.8	+7.3%
Net equity	3,544.3	51.8%	3,155.3	49.4%	+389.0	+12.3%
Long term net financial debt	3,490.0	51.0%	3,617.1	56.7%	(127.1)	(3.5%)
Short term net financial debt	(186.2)	(2.8%)	(390.1)	(6.1%)	+203.9	(52.3%)
Net financial debts	3,303.8	48.2%	3,227.0	50.6%	+76.8	+2.4%
Net invested capital	6,848.1	100.0%	6,382.3	100.0%	+465.8	+7.3%