

press release
Bologna, 23 March 2022

Hera Group approves results at 31/12/2021

The year ended positively, with all operating and financial indicators up compared to 2020. Financial solidity, the pursuit of sustainable development and the value creation for local communities served all confirming the strong track record, enabling Hera to stand by its stakeholders and provide support. Proposed dividend revised upwards, now set at 12 cents per share

Financial highlights

- Revenues at 10,555.3 million euro (+49.1%)
- Ebitda at 1,223.9 million euro (+9.0%)
- Net profits for Shareholders at 333.5 million euro (+10.2%)
- Net debt at 3,261.3 million euro, net debt/Ebitda improves to 2.66x
- Proposed dividend increases to 12 cents per share (+9%)

Operating highlights

- Positive results from both internal and external growth
- Significant contributions from the gas area, energy services and the waste management sector
- Approximately 3.5 million customers in the energy sectors
- Improvement in all sustainability indicators, with shared value Ebitda rising sharply to 570.6 million euro (+25.4%)

Today, the Hera Group's Board of Directors, chaired by Tomaso Tommasi di Vignano, unanimously approved the consolidated economic results at 31 December 2021 and the Report on remuneration policies and compensation paid, along with the Sustainability report.

20 years of uninterrupted growth, thanks to good operational, financial and fiscal management

The Hera Group closed the year 2021 with positive results, despite the complex scenario seen in Italy due to the ongoing Coronavirus emergency and, in the second half of the year, high volatility in the energy market.

Thanks to its solid and efficient multi-business model and its good operational, financial and fiscal management, Hera managed to keep its results growing while pursuing sustainable development. It also succeeded in supporting its stakeholders, first and foremost its customers, with concrete actions such as bill instalment plans to enable them to meet their payments.

More generally, the Hera Group prolonged the path of uninterrupted growth that has characterised it since it was founded in 2002, continuing to leverage its own strategy: a balanced mix of internal and external growth, with significant economies of scale and an extraction of synergies that exceed expectations.

All this was accompanied by a wide range of initiatives for the energy transition, the circular economy and technological evolution, consistent with the path set out in the Business Plan to 2025, which aims to stand beside local areas in recovery, while respecting European strategies and the goals of the UN's 2030 Agenda.

Revenues exceed 10.5 billion, up 49.1%

The Hera Group's 2021 revenues rose to 10,555.3 million euro, up 49.1% from the 7,079.0 million euro seen in 2020, with growth in all areas. The energy sectors in particular showed higher revenues from sales and

trading activities, higher volumes of gas sold and an increase in energy commodity prices, in addition to growth in energy services and value-added services for customers. Revenues in the waste management sector also increased, due to higher volumes of plastic materials sold and acquisitions in the industrial market. Lastly, note the contribution coming from network services (both regulated and for third parties) and other services such as public lighting and telecommunications.

Ebitda increases to 1,223.9 million euro (+9.0%)

Group Ebitda rose to 1,223.9 million euro, up 9% from the 1,123.0 million euro recorded in 2020. This increase is linked to the performance of the energy areas, which also include energy services related to energy efficiency in residential buildings (insulation bonus and 110% super-bonus). The positive results recorded in the waste management area were also decisive, particularly in the area of waste treatment, partially due to an increase in the number of plants managed following recent acquisitions.

Operating results grow to 611.7 million euro (+11.0%)

Net operating results were also up, reaching 611.7 million euro, up 11.0% from 551.3 million in 2020, despite higher provisions and amortisation for new investments made in the operating segments, and those resulting from changes in the scope of consolidation; this result is equivalent to 50% of Ebitda. Financial operations amounted to 119.8 million euro, up by 3.1 million euro compared to 31 December 2020, due to higher expenses from the sale of tax credits as part of the ecobonus activities, partly offset by the efficiencies achieved following the repurchase of part of the Group's medium/long-term debt, lower discounting charges and higher profits from associates and joint ventures. Pre-tax profit increased from 434.6 million to 491.9 million (+13.2%).

Net profit pertaining to shareholders rises to 333.5 million (+10.2%)

Net profit as at 31 December 2021 rose to 372.7 million, up 15.5% from 322.8 million one year earlier. Special items coming to 12.6 million contributed to this result. The tax rate for the 2021 financial year was 26.8%, compared to 25.7% in the previous year. The 2021 tax rate was mainly determined by the benefits received in terms of large and very large depreciation, relating to the significant investments made by the Group in technological, digital and environmental transformation. Strong growth was also seen in profits pertaining to Group shareholders, which rose to 333.5 million, compared to 302.7 million in 2020 (+10.2%).

Net investments increase to 570.3 million; net debt/Ebitda ratio improves to 2.66x

In 2021, net investments amounted to 570.3 million, up 7.9% from 528.5 million in 2020. This includes 11 million in financial investments, mainly for an equity investment in SEA, a company based in Marche region, down from the previous year's financial investments that included an equity investment in Ascopiave. Including capital grants, operating investments rose to 588.7 million, up 16.3% on the 506.4 million seen during the previous year, with a significant focus on asset resilience. More specifically, investments were allocated mainly to plants, networks and infrastructures, as well as to regulatory upgrading in the water and sewage sector and a large-scale installation of new-generation gas meters.

In addition to financing these investments and paying dividends, the positive cash flow generation also made it possible to finance the M&A transactions carried out in 2021 and cover most of the liability management transactions, including the repurchase of loans with an approximate nominal value of 400 million maturing in the next few years. All this, while keeping net financial debt essentially stable, at 3,261.3 million on 31 December 2021, in line with 3,227.0 million at 31 December 2020. Hera's financial solidity – which is also reflected by the ratings assigned by the main rating agencies: BBB+ with a stable outlook by Standard & Poor's and Baa2 by Moody's – was also confirmed by the net debt/Ebitda ratio 2.66x, an improvement compared to the 2.87x seen at the end of 2020.



Group focus on sustainability confirmed, with shared value Ebitda increasing to 570.6 million

These positive economic results go hand in hand with Hera's increasing focus on sustainability. In 2021, shared value Ebitda, which refers to business activities that also meet the drivers for sustainable growth, rose to 570.6 million, a significant increase compared to 2020 (+25.4%) and corresponding to 46.6% of total Ebitda. This result is in line with the projections contained in the Business Plan, which expects this value to reach 55% of total Ebitda by 2025 and rise to 70% in 2030, along a linear path that generates concrete benefits for the areas and communities served, flanking the company's own development.

The Hera Group's best practices in ESG dimensions are also proven by its inclusion in the MIB ESG Index, Italy's first blue-chip index dedicated to Environmental, Social, and Governance (ESG) best practices, and by its confirmation as part of the Dow Jones Sustainability Index, World and Europe, one of the most authoritative stock exchange indices in the world for evaluating social responsibility, where it is ranked as the best in the Multi-Utility & Water sector. As part of its strategy to reduce emissions and recycle plastics, in 2021 the Group also successfully launched its first sustainability-linked bond with a nominal value of 500 million euro, attracting great interest from international investors, who subscribed with around four times the amount on offer.

Proposed dividend rises to 12 cents per share

Confirming the focus on generating value for shareholders, and in line with what was announced last January when the 2025 Business Plan was presented, in view of the positive results achieved, the Board of Directors has decided to propose to the Shareholders Meeting to be held on 28 April the payment of a dividend coming to 12 cents per share, higher than the amount expected by the previous Business Plan.

The ex-dividend date has been set at 20 June 2022, with payment as of 22 June 2022. The dividend will be paid to shares recorded on 21 June 2022.

Report on Remuneration policies and compensation paid approved

The Board of Directors also approved the Report on Remuneration policies and compensation paid, in line with international best practices.

Gas

Ebitda for the gas area – which includes services in natural gas distribution and sales, district heating and heat management – grew significantly compared to the previous year, in terms of both earnings and volumes sold, rising to 487.6 million euro (+30.2%), compared to 374.4 million in 2020.

This growth, which concerned both revenues and volumes sold, was achieved thanks to the positive contribution coming from the volumes sold in traditional markets, as a result of the recovery in consumption and production activities, which suffered a sharp slowdown in 2020 due to the pandemic, and in those segments subject to tenders, where Hera Comm further consolidated its presence. In last resort markets in particular, Hera Comm was awarded, for the period from 1 October 2021 to 30 September 2023, 6 out of 9 lots of the last resort gas service and all lots of the default gas service, as well as 9 lots of the Consip GAS13 tender, through which Public Administrations in 12 regions purchased gas in 2021.

The increase in earnings is also linked to significant growth in the energy services business, due to incentives deriving from tax bonuses for energy efficiency works, confirming the trend of considerable growth in this sector recorded in previous quarters.

The number of customers remained essentially stable, at 2.1 million.

In 2021, gross investments totalled 141.3 million (+4.4% compared to 2020), mainly due to the installation of gas smart meters, including the innovative NexMeter patented by Hera, activities related to the acquisition of new customers, as well as non-recurring maintenance on networks and plants.

As regards regulated services, in September 2021 the Hera Group, through its subsidiary AcegasApsAmga, was definitively awarded the tender for gas distribution in the Udine 2 ATEM for the next 12 years, with a value of approximately 115 million euro.

The gas area accounted for 39.8% of Group Ebitda.

Electricity

The electricity area – which covers electricity generation, distribution and sales services – recorded an Ebitda coming to 144.7 million, down sharply from the 188.2 million seen one year earlier (-23.1%), mainly due to the reduction in the scope of operations in the safeguarded market and the lower calls for the dispatching market. Growth in free market activities, new value-added services, optimisation of plant production and distribution services compensated for the lower income coming from brokerage activities.

Electricity customers came to over 1.4 million (+5.0%), with growth mainly in the free market, thanks to the strengthening of commercial actions and the award of the gradual protection service.

In the electricity area, gross investments amounted to 55.3 million euro, up 15.9% on the previous year. The interventions carried out mainly concern non-recurring maintenance on distribution plants and networks in the Modena, Imola, Trieste and Gorizia areas, some new constructions, such as the Modena Est primary substation, as well as the replacement of meters. Requests for new connections also increased compared to the previous year.

The electricity area accounted for 11.8% of Group Ebitda.

Water cycle

Ebitda for the integrated water cycle area – which includes services in the aqueduct, purification and sewerage – came to 262.4 million euro, essentially in line with the 265.8 million seen in the previous year.

This result is due to higher operating costs on networks and plants, as a result of the resumption of activities after the lockdown, and revised technical quality criteria, partially offset by higher revenues from connections and growth in other revenues. The latter include the benefits recognised by Arera with the application of the new tariff method, linked to the significant investments made by the Group to implement measures increasing the resilience and sustainability of its plants, and thus continue to guarantee citizens quality, efficiency and continuity in supply.

Including capital grants, investments amounted to 194.6 million euro (+17.1%), mainly going to extensions, reclamation and upgrades of networks and plants, as well as regulatory adjustments, especially in the purification and sewage sector. Among other things, work continued on the Rimini seawater protection plan, one of the most important and avant-garde works in Italy in the field of sewerage and purification, in addition to redeveloping the sewerage network in other areas. Requests for new water and sewage connections increased compared to the previous year, also driven by the economic recovery, particularly in the construction sector.

At the end of 2021, Atersir definitively awarded the Hera Group the tender for managing the integrated water service in 24 municipalities in the province of Rimini, in Emilia-Romagna region, including the capital city, with a contract worth approximately 1.7 billion euro. Thanks to the award of the tender, one of the first in Italy, the new water distribution service in the Rimini area will be based on sustainability and innovation, and the Hera Group, also the outgoing manager for the 24 municipalities, will be responsible for the service for the next 18 years.

The integrated water cycle area accounted for 21.4% of Group Ebitda.

Waste management

Ebitda for the waste management area – which includes waste collection, treatment and disposal services – rose to 291.7 million euro, +13.1% compared to the 258.0 million seen in 2020.

This growth was achieved thanks to the ability shown by the Hera Group, the leading national operator in the waste management sector, to make the most of the current economic recovery. In addition to the contribution coming from an additional plant expansion, thanks to a series of M&A transactions in the industrial waste treatment sector, the increase in margins in the waste management area was due to higher revenues from growth in the volumes of waste treated and electricity generation, as well as strong development in the activities

of the subsidiary Aliplast, a leader in the production of high quality recycled polymers, faced with a significant increase in demand and in the selling price of recycled materials. Initiatives in the field of the circular economy include those relating to Hera Business Solution, a “turnkey” multi-service proposal for large companies with integrated energy and environmental solutions aimed at sustainability, and the production of renewable energy with the development of the biomethane chain, also involving a collaboration with other local companies. Just last year, Hera signed a partnership with Inalca (Cremonini Group) to set up the NewCo Biorg for the transformation of organic waste and agro-food waste into 100% renewable methane and compost, which will be launched by the end of 2022.

The Group’s focus on protecting and reusing environmental resources is also confirmed by the rate of sorted waste collection, which in 2021 stood at 65.3%, slightly up compared to the same period in 2020 if recalculated using uniform criteria.

Investments coming to 98.2 million euro, up sharply compared to the previous year (+43.8%), mainly went to maintenance and expansion in the set of plants, including the start-up project with the NewCo Biorg in the Modena area, revamping work on the waste-to-energy plant in Trieste, and the F3 plant in Ravenna. Increased investments were also made in the collection point and equipment sector, which includes work on underground collection points.

Lastly, in November 2021, Atersir definitively awarded the Hera Group the 15-year contract for municipal waste management services in Modena and Bologna, with a total of 1.5 million inhabitants and a value of over 2.5 billion.

The waste management area accounted for 23.8% of Group Ebitda.

Statement by Executive Chairman Tomaso Tommasi di Vignano

In 2021, our commitment to pursuing the creation of value for the company and our stakeholders, with sustainable development, once again enabled us to achieve positive results and implement actions to support the environment in which we operate, starting with our customers. We will continue to do so in spite of the current scenario, which remains complex, and we look to the future by focusing on two factors that have always distinguished our twenty-year history: concreteness and solidity. Our decision to increase the dividend to 12 cents per share, in line with what we announced when we presented our new Business Plan, is a step in this direction and will benefit our shareholders, who will be able to count on higher income to face the current difficult situation. Risk prevention and management, moreover, is one of the strategic guidelines underpinning our Plan; it translates into the medium- to long-term approach required to anticipate actions and thus offset the risks to which utilities are exposed, deal with complexities and continue to guarantee service quality and continuity.

Statement by CEO Stefano Venier

The positive results achieved in 2021 show a further reinforcement of the company’s financial solidity, confirmed among other things by the net debt/Ebitda ratio, now at 2.66x, an improvement compared to the previous year. The positive cash flow allowed us to make greater investments, with positive repercussions for the areas in which we operate, in terms of both service quality and the induced economic activity created. Our greater solidity allows us to face the current complex scenario with confidence, continuing to guarantee investments and support for our stakeholders, with sustainability fully integrated into our business strategies. This is confirmed by the increase of over 25% in shared value Ebitda, which rose to 570.6 million in 2021 and accounted for 46.6% of total Ebitda, with the aim of reaching 70% in 2030.

Impact of the conflict in Ukraine and of increases in energy commodity prices

Russia’s invasion of Ukraine on 24 February triggered a series of economic and financial consequences, with an impact above all on the energy markets in which the Hera Group also operates. The already very high price of commodities, concerning both gas and electricity, has shown an extremely large degree of upward volatility.



Within this scenario, two systemic risks in particular are becoming increasingly important: a further increase in inflation, due to energy commodities, with an effect on consumer products (agri-foods and industrial production) and a consequent impact on growth in GDP and energy demand; an unavailability of gas supplies from Russia – which account for 35%-40% of national consumption – would, depending on its duration, have an impact on industrial activities in the upcoming months, and also on domestic thermal consumption, if protracted beyond the summer.

In line with its risk management strategy, the Hera Group is monitoring the evolution of this situation on a day-to-day basis, defining possible risk scenarios for its activities and identifying, where possible, mitigation actions.

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 financial statement and related materials will be available to the public pursuant to the terms established by law at the Company Headquarters, on the website www.gruppohera.it and on the authorised storage platform 1Info (www.1info.it), as of 6 April 2022.

Unaudited extracts from the Financial Statements at 31 December 2021 are attached.

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

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Profit & Loss (m€)	31/12/2021	Inc. %	31/12/2020	Inc. %	Ch.	Ch. %
Sales	10,555.3		7,079.0		+3,476.3	+49.1%
Other operating revenues	400.1	3.8%	467.8	6.6%	(67.7)	(14.5%)
Raw material	(6,668.5)	(63.2%)	(3,410.6)	(48.2%)	+3,257.9	+95.5%
Services costs	(2,464.6)	(23.3%)	(2,424.9)	(34.3%)	+39.7	+1.6%
Other operating expenses	(66.5)	(0.6%)	(58.9)	(0.8%)	+7.6	+12.9%
Personnel costs	(592.8)	(5.6%)	(572.7)	(8.1%)	+20.1	+3.5%
Capitalisations	60.8	0.6%	43.3	0.6%	+17.5	+40.5%
Ebitda	1,223.9	11.6%	1,123.0	15.9%	+100.9	+9.0%
Depreciation and provisions	(612.1)	(5.8%)	(571.7)	(8.1%)	+40.4	+7.1%
Ebit	611.7	5.8%	551.3	7.8%	+60.4	+11.0%
Financial inc./(exp.)	(119.8)	(1.1%)	(116.7)	(1.6%)	+3.1	+2.7%
Pre tax profit	491.9	4.7%	434.6	6.1%	+57.3	+13.2%
Taxes	(131.8)	(1.2%)	(111.8)	(1.6%)	+20.0	+17.9%
Net profit	360.1	3.4%	322.8	4.6%	+37.3	+11.6%
Special items	12.6	0.1%	-	0.0%	+12.6	+100.0%
Net profit	372.7	3.5%	322.8	4.6%	+49.9	+15.5%
Attributable to:						
Shareholders of the Parent Company	333.5	3.2%	302.7	4.3%	+30.8	+10.2%
Minority shareholders	39.1	0.4%	20.1	0.3%	+19.0	+94.6%
Balance Sheet (m€)	31/12/2021	Inc.%	31/12/2020	Inc.%	Ch.	Ch. %
Net fixed assets	7,308.0	109.4%	6,983.6	109.4%	+324.4	+4.6%
Working capital	3.5	0.1%	53.6	0.8%	(50.1)	(93.5%)
(Provisions)	(633.4)	(9.5%)	(654.9)	(10.2%)	+21.5	(3.3%)
Net invested capital	6,678.1	100.0%	6,382.3	100.0%	+295.8	+4.6%
Net equity	3,416.8	51.2%	3,155.3	49.4%	+261.5	+8.3%
Long term net financial debt	3,633.1	54.4%	3,617.1	56.7%	+16.0	+0.4%
Short term net financial debt	(371.8)	(5.6%)	(390.1)	(6.1%)	+18.3	(4.7%)
Net financial debts	3,261.3	48.8%	3,227.0	50.6%	+34.3	+1.1%
Net invested capital	6,678.1	100.0%	6,382.3	100.0%	+295.8	+4.6%