

press release

Bologna, 27 July 2022

Hera BoD approves 1H 2022 results

The half-year report shows increasing revenues and Ebitda, thanks to the contribution coming from the Group's main business areas. The management policies implemented and the solidity and resilience of Hera's business model have once again proven effective, allowing the Group to achieve results in line with the projections of the Business Plan to 2025, even in the current difficult economic situation, and to continue creating value for all stakeholders.

Financial highlights

- Revenues at 8,896.0 million euro (+112.8%)
- Ebitda* at 631.2 million euro (+3.3%)
- Net profit* at 201.7 million euro (-12.7%)
- Net financial debt at 3,682.4 million euro, with Net debt/Ebitda* at 2.96x, confirming the Group's financial solidity

Operating highlights

- Contribution to growth comes from main businesses
- Further development of initiatives for the ecological transition and the circular economy
- Solid energy customer base, amounting to roughly 3.5 million

Today, the Board of Directors of the Hera Group, chaired by Tomaso Tommasi di Vignano, unanimously approved the consolidated operating results for the first half of 2022.

Despite the complicated scenario, marked by ongoing volatility on energy markets and international geopolitical conflicts, the Hera Group's management policies and its solid and resilient business model have once again proven effective. The Group has thus achieved results that guarantee both quality and continuity of services and the constant creation of value for all stakeholders.

Hera's now consolidated multi-business strategy, balanced between internal growth and M&As, as well as between regulated and free market activities, indeed allowed the Group, even in scenarios characterised by increasingly frequent systemic crises, to positively face the challenges of 2022.

The results achieved in the first half of the year are even more appreciable considering that they also fully offset the negative impact of ARERA's resolution 614/2021, containing a reduction of return on capital invested in regulated activities (WACC).

As regards changes in the scope of consolidation, the energy areas benefited from the acquisitions, through the subsidiary Hera Comm, of 90% of the Abruzzo company Eco Gas and 100% of the company Con Energia. Also note that Hera Comm was awarded the gradual protection service for electricity supply to SMEs in 9 Italian regions. In the waste management area, compared to June 2021, note the integration of 80% of the Vallortigara Group, which provides services to industries, public administrations and citizens and manages a multi-purpose platform for special waste treatment in the Veneto region.

* In order to ensure that the results presented reflect the actual performance of the gas business more clearly, and are thus more easily comparable, the figures with an asterisk include an operational adjustment based on a valuation of stocked gas at prices pertaining to the period of injection, thus excluding procurement intended for delivery to end customers with costs defined in 2021 (much lower than the costs seen in the second quarter of 2022). See the paragraph entitled "Special items and operational adjustments / balance sheet reconciliation" in the first-half financial report, which contains a comparison between the operating and the consolidated statements.

Furthermore, note the acquisition on 30 June 2022, through the subsidiary Marche Multiservizi, of 70% of Macero Maceratese, which operates in the waste management sector. With this additional transaction, the Hera Group has strengthened its nationwide leadership in the waste management sector, and industrial waste management and treatment in particular.

Revenues reach roughly 8.9 billion euro

In the first half of 2022, revenues amounted to 8,896.0 million euro, with a sharp increase (+112.8%) compared to 4,179.7 million euro seen at 30 June 2021, thanks to the contribution coming from all major business areas. The energy areas in particular showed significant growth, mainly related to the increase in commodity prices. Furthermore, growth in energy services was related to energy efficiency in residential buildings (insulation bonus and 110% super-bonus) and increasing activities involving value-added services for customers.

As regards the waste management area, instead, higher revenues mainly came from energy production, the expansion of business customer base and changes in market prices.

Ebitda* increases to 631.2 million euro

Ebitda* for the first half of 2022 rose to 631.2 million euro (+3.3%), against 610.9 million euro at 30 June 2021, up 20.3 million euro, mainly due to contributions coming from the energy, waste management and water areas.

Financial operations improved, pre-tax profit and net profit substantially stable

The result of financial operations for the first six months of 2022 came to 50.9 million euro, with a 4.2 million euro improvement compared to 30 June 2021, mainly due to lower financial expenses on long-term debt (the result of debt optimisation operations) and lower expenses from discounting provisions. Compared to the equivalent figures for the previous year, pre-tax profit* thus amounted to 284.0 million euro, up slightly (+0.9%) over the 281.5 million euro seen one year earlier, while net profit* pre-minorities, equal to 201.7 million euro, remained in line with that as at 30 June 2021 (206.4 million euro).

Net results* at 201.7 million

Net profit* at 30 June 2022 amounted to 201.7 million euro, down from 231.1 million in the first half of 2021, which included non-recurring items amounting to 24.7 million, caused by a tax realignment and the partial repurchase of some bonds.

Investments rise; net financial debt affected by the higher value of gas storage

In the first half of 2022, the Group's operating investments, including capital grants, amounted to 287.1 million euro, up sharply (+16.3%) compared to the 246.9 million euro seen during the same period of the previous year, and were mainly related to works on plants, networks and infrastructures. Alongside the latter, regulatory adjustments mainly concerned gas distribution, with a large-scale replacement of meters, and the purification and sewerage area.

Net financial debt went from 3,261.3 million euro at 31 December 2021 to 3,682.4 million euro at 30 June 2022, showing an increase coming to roughly 421.1 million euro. This was mainly due to a change in net working capital*, due to the higher value of stored gas, already contracted to better serve the needs of the upcoming thermal season and guarantee quality and continuity of service to customers. The net debt/Ebitda* ratio increased slightly, reaching 2.96x.

Gas

Ebitda* for the gas area – which includes natural gas distribution and sales, district heating and energy services – amounted to 299.3 million euro in the first half of 2022, a strong improvement (+26.2%) over the 237.1 million euro seen at 30 June 2021.

This increase was mainly driven by higher sales and trading, thanks to an expansion of the area served resulting from last resort markets and the recent corporate acquisitions of Eco Gas and Con Energia, as well as the positive margins recorded on traditional markets. Also note the growth in incentivised activities involving energy efficiency and district heating services, and the increased earnings in the gas business in Bulgaria.

A slight increase occurred in the gas customer base (+1.6% compared to the same period of the previous year), which came close to 2.1 million overall. This growth took place both on last resort markets and on traditional markets, thanks to the expansion of the area served owing to the Consip tenders and the aforementioned acquisitions in the energy sector.

The gas area accounted for 47.4% of Group Ebitda.

Electricity

Ebitda for the electricity area – which includes electricity generation, distribution and sales services – amounted to 40.1 million euro, down compared to the same period in 2021 due to different conditions on energy markets, related to the exceptional context of rising raw material prices, which caused a lesser use of the dispatching services market and made procurement activities more costly, particularly in customer consumption profiling.

Note the positive result obtained from sales initiatives involving free market customers, supported by innovative offers, value-added services and improved customer experience. Alongside this, Hera Comm was awarded, for the period from 1 July 2021 to 30 June 2024, the gradual protection service for electricity supply to SMEs in nine Italian regions. An increasing request for value-added services was also seen, with 49% growth in customers compared to the previous year, demonstrating the growing loyalty of the Group's customer base.

The customer base in the electricity area also continued to expand, now exceeding 1.4 million (+5.6%), mainly as a result of activities on the free market, both due to the gradual protection service awarded and the strengthening of the commercial actions introduced.

The electricity area accounted for 6.4% of Group Ebitda.

Water cycle

Ebitda for the integrated water cycle area – which includes aqueduct, purification and sewerage services – amounted to 125.3 million euro at 30 June 2022, up (+2.5%) compared to the 122.3 million euro seen in the first half of 2021. This increase is mainly due to the contribution coming from higher supplying revenues and the excellent performance achieved by the Group in terms of technical quality in managing the integrated water service. Note, in fact, that during 2022 the regulatory authority ARERA published the results relating to the incentive mechanism falling within the technical quality regulations established by resolution 917/2017, referring to the years 2018-2019, and the Hera Group was at the top of the nationwide ranking.

In the first half of 2022, investments made in the water cycle area, including capital grants, rose to 96.2 million (59.3 million in the aqueduct, 20.8 million in sewerage and 16.0 million in purification), up 7.7% compared to the same period of 2021.

The integrated water cycle area accounted for 19.9% of Group Ebitda.

Waste management

In the first half of 2022, Ebitda for the waste management area rose to 150.7 million euro overall, up from the 142.6 million seen at 30 June 2021. More specifically, Ebitda for waste treatment services amounted to 117.9 million, up 12.7 million, while Ebitda for collection and sweeping services amounted to 32.8 million, down 4.6 million, mainly due to the beginning of new concessions.

The increased Ebitda for treatment services was primarily due to a rise in earnings from energy management and expansion in the industrial waste market. Note the increase in waste commercialised, due mainly to an increase in market waste, thanks to the consolidation of existing business relations, the larger customer portfolio and recent corporate acquisitions. The increase in sales prices for market activities was also able to

fully neutralise the effect of inflation on costs. Thanks to its sound management policies and its set of plants, which continues to represent a strategic and distinctive asset, also for its ability to promote the circular economy, the Hera Group thus continues to seize opportunities for growth, confirming its ability to react with great resilience to the current market context, despite the geopolitical situation and the economic stagnation seen during the first half of the year. In Italy, in fact, the progressive and persistent increase in energy costs and the difficulties in obtaining raw materials, which began at the end of 2021, led to a slowdown in production in many manufacturing sectors during the first six months of 2022, with repercussions for waste production as well. Despite this, the Group was able to consolidate its leadership in the markets in which it operates (especially the industrial and recovery markets), with Aliplast's continued commercial expansion in plastic recycling and regeneration. In the first six months of 2022, all the main circular economy initiatives launched in previous years continued, from material recovery to the production of renewable energy (such as the ongoing construction of a new plant in Spilamberto for biomethane production).

Protecting environmental resources remains a priority objective in 2022, as does maximising their reuse, as is shown by the special attention dedicated to increasing sorted waste collection, which in the first half of 2022 stood at 66.4%, up 1.3% compared to June 2021.

The waste management area accounted for 23.9% of Group Ebitda.

Statement by Executive Chairman Tomaso Tommasi di Vignano

The results we achieved in the first half of the year are consistent with both the growing results presented in the first quarter and the main targets included in the Business plan. Our prudent and risk-averse management policies have shown great resilience, even when faced by the current extreme scenarios, guaranteeing that our long track record of growth continues. This situation has enabled us to remain fully compliant with our commitments to investors, as demonstrated last month with the payment of a dividend in line with expectations and up 9% year-on-year. Armed with a resilient business model and a well-proven financial solidity, we are prepared to face the current context, committed to meeting our commitments towards all our stakeholders in the future as well.

Statement by CEO Orazio Iacono

Despite the unstable national and international energy context and extreme market volatility, the Hera Group performed better in the first half of 2022 than in the same period of the previous year, achieving overall positive results in all business areas. In addition, the Group's financial solidity enabled us to confirm the important programme of planned investments, which were up by over 16% in the first half of the year compared to 2021 and were aimed at innovating and improving the performance of networks and plants, with a view to ensuring the highest service quality and efficiency at all times. Alongside this, we continue to pursue sustainable and inclusive growth, benefitting communities and local areas.

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).

Unaudited extracts from the Consolidated Half-Year Financial Statements at 30 June 2022 are attached.

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

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Income statement (mn€)	June 22	% inc.	June 21 (redetermined)	% inc.	Abs. change	% change
Revenues	8,896.0	0.0%	4,179.7	0.0%	+4,716.3	+112.8%
Other operating revenues	219.4	2.5%	140.2	3.4%	+79.2	+56.5%
Raw and other materials	(7,062.2)	(79.4%)	(2,135.5)	(51.1%)	+4,926.7	+230.7%
Service costs	(1,105.2)	(12.4%)	(1,260.1)	(30.1%)	(154.9)	(12.3%)
Other operating expenses	(39.3)	(0.4%)	(37.9)	(0.9%)	+1.4	+3.7%
Personnel costs	(308.7)	(3.5%)	(301.8)	(7.2%)	+6.9	+2.3%
Capitalised costs	31.2	0.4%	26.3	0.6%	+4.9	+18.7%
Ebitda*	631.2	7.1%	610.9	14.6%	+20.3	+3.3%
Amortization, depreciation and provisions	(296.3)	(3.3%)	(274.3)	(6.6%)	+22.0	+8.0%
Ebit*	334.9	3.8%	336.6	8.1%	(1.7)	(0.5%)
Financial operations	(50.9)	(0.6%)	(55.1)	(1.3%)	(4.2)	(7.6%)
Pre-tax result*	284.0	3.2%	281.5	6.7%	+2.5	+0.9%
Taxes	(82.3)	(0.9%)	(75.1)	(1.8%)	+7.2	+9.6%
Net result*	201.7	2.3%	206.4	4.9%	(4.7)	(2.3%)
Result from special items	-	0.0%	24.7	0.6%	(24.7)	+100.0%
Net profit for the period*	201.7	2.3%	231.1	5.5%	(29.4)	(12.7%)

Invested capital and sources of financing (mn€)	June 22	% inc.	Dec 21 (redetermined)	% inc.	Abs. change	% change
Net non-current assets*	7,385.5	104.7%	7,308.3	109.4%	+77.2	+1.1%
Net working capital*	297.4	4.2%	2.4	0.1%	+295.0	+12,291.7%
(Provisions)	(626.6)	(8.9%)	(633.4)	(9.5%)	+6.8	+1.1%
Net invested capital*	7,056.3	100.0%	6,677.3	100.0%	+379.0	+5.7%
Equity*	3,373.9	47.8%	3,416.0	51.2%	(42.1)	(1.2%)
Long-term borrowings	4,085.1	57.9%	3,633.1	54.4%	+452.0	+12.4%
Net current financial debt	(402.7)	(5.7%)	(371.8)	(5.6%)	(30.9)	(8.3%)
Net debt	3,682.4	52.2%	3,261.3	48.8%	+421.1	+12.9%
Total sources of financing*	7,056.3	100.0%	6,677.3	100.0%	+379.0	+5.7%

* Adjusted results

Special items and operational adjustments / balance sheet reconciliation

mn€	June 22			June 21 (redetermined)			
	Published statement	Operational adjustments	Operations statement	Published statement	Operational adjustments	Special items	Operations statement
Revenues	8,896.0		8,896.0	4,179.7			4,179.7
Other operating revenues	219.4		219.4	140.2			140.2
Raw and other materials	(7,150.5)	88.3	(7,062.2)	(2,128.5)	(7.0)		(2,135.5)
Service costs	(1,105.2)		(1,105.2)	(1,260.1)			(1,260.1)
Personnel costs	(308.7)		(308.7)	(301.8)			(301.8)
Other operating expenses	(39.3)		(39.3)	(37.9)			(37.9)
Capitalised costs	31.2		31.2	26.3			26.3
Ebitda	542.9	88.3	631.2*	617.9	(7.0)	-	610.9*
Amortization, depreciation and provisions	(296.3)		(296.3)	(274.3)			(274.3)
Ebit	246.6	88.3	334.9*	343.6	(7.0)	-	336.6*
Financial operations	(50.9)		(50.9)	(83.6)		28.5	(55.1)
Pre-tax result	195.7	88.3	284.0*	260.0	(7.0)	28.5	281.5*
Taxes	(56.7)	(25.6)	(82.3)	(23.8)	1.9	(53.2)	(75.1)
Net result	139.0	62.7	201.7*	236.2	(5.1)	(24.7)	206.4*
Result from special items	-		-			24.7	24.7
Net profit	139.0	62.7	201.7*	236.2	(5.1)	-	231.1*
Attributable to:							
Parent company shareholders, adjusted	120.6	62.7	183.3*	216.1	(5.1)		211.0*
non-controlling interests	18.4		18.4	20.1			20.1

* Adjusted results

mn€	June 22			Dec 21 (redetermined)		
	Published values	Operational adjustments	Operational values	Published values	Operational adjustments	Operational values
Net non-current assets	7,410.8	(25.3)	7,385.5*	7,308.0	0.3	7,308.3*
Net working capital	210.2	87.2	297.4*	3.5	(1.1)	2.4*
(Provisions)	(626.6)		(626.6)	(633.4)		(633.4)
Net invested capital	6,996.4		7,056.3*	6,678.1		6,677.3*
Adjusted equity	3,312.0	61.9	3,373.9*	3,416.8	0.8	3,416.0*
Net debt	3,682.4		3,682.4	3,261.3		3,261.3
Total sources of financing	6,996.4		7,056.3	6,678.1		6,677.3

* Adjusted results

IFRS financial statements

Income statement

mn€	1H 2022	1H 2021
Revenues	8,896.0	4,179.7
Other operating revenues	219.4	140.2
Raw and other materials	(7,150.5)	(2,128.5)
Service costs	(1,105.2)	(1,260.1)
Personnel costs	(308.7)	(301.8)
Other operating costs	(39.3)	(37.9)
Capitalized costs	31.2	26.3
Amortisation, depreciation and provisions	(296.3)	(274.3)
Operating revenues	246.6	343.6
Share of profits (losses) pertaining to joint ventures and associated companies	6.1	5.4
Financial income	41.1	47.9
Financial expenses	(98.1)	(136.9)
Financial operations	(50.9)	(83.6)
Earnings before taxes	195.7	260.0
Taxes	(56.7)	(23.8)
Overall revenues for the period	139.0	236.2
To attribute to:		
Parent company shareholders	120.6	216.1
minority shareholders	18.4	20.1
Earnings per share		
Basic	0.083	0.148
Diluted	0.083	0.148

Statement of financial position

mn€	30-Jun-22	31-Dec-21
ASSETS		
Non-current assets		
Property, plant and equipment	1,905.2	1,941.0
Rights of use	84.4	101.6
Intangible assets	4,292.3	4,126.7
Goodwill	842.9	842.9
Shareholdings	199.8	198.5
Non-current financial assets	135.0	142.7
Deferred tax assets	279.0	229.4
Derivative instruments	0.3	6.9
Total non-current assets	7,738.9	7,589.7
Current assets		
Inventories	765.9	368.0
Trade receivables	2,485.3	2,918.0
Current financial assets	32.2	29.3
Current tax assets	30.8	21.2
Other current assets	497.1	422.3
Derivative instruments	2,939.0	1,797.4
Cash and cash equivalents	872.6	885.6
Total current assets	7,622.9	6,441.8
TOTAL ASSETS	15,361.8	14,031.5

mn€	30-Jun-22	31-Dec-21
NET EQUITY AND LIABILITIES		
Share capital and reserves		
Share capital	1,454.9	1,459.6
Reserves	1,527.1	1,407.1
Profit (loss) for the period	120.6	333.5
Group net equity	3,102.6	3,200.2
Non-controlling interests	209.4	216.6
Total net equity	3,312.0	3,416.8
Non-current liabilities		
Non-current financial liabilities	4,155.1	3,716.0
Non-current lease liabilities	54.9	53.2
Post-employment and other benefits	89.5	105.4
Provisions for risks and charges	537.1	528.0
Deferred tax liabilities	192.8	132.1
Derivative instruments	10.4	13.5
Total non-current liabilities	5,039.8	4,548.2
Current liabilities		
Current financial liabilities	479.8	499.7
Current lease liabilities	22.3	43.4
Trade payables	2,045.9	2,356.6
Current tax liabilities	53.4	27.9
Other current liabilities	1,545.0	1,435.6
Derivative instruments	2,863.6	1,703.3
Total current liabilities	7,010.0	6,066.5
TOTAL LIABILITIES	12,049.8	10,614.7
TOTAL NET EQUITY AND LIABILITIES	15,361.8	14,031.5