

press release

Bologna, 26 July 2023

Hera Group: significant growth in 1H 2023 results

The consolidated half-year report at 30 June shows growth in all main operating-financial indicators, confirming Hera's financial solidity and once again demonstrating the effectiveness of the choices made by management. The Group continues to pursue the goals set out in its Business Plan, combining corporate growth and sustainable development, with value created for all stakeholders, first and foremost the local communities served.

Financial highlights

- Ebitda* at 718.3 million euro (+13.8%)
- Net profit attributable to shareholders* at 187.7 million euro (+2.4%)
- Overall investments rise to 403.4 million euro (+22.4%)
- Net debt at 4,145.7 million euro, down by 104.1 million euro compared to the 31/12/22 figure, with net debt/Ebitda* ratio at 3x

Business highlights

- Significant contribution to growth from the energy sectors, the waste management area and the water business
- Ongoing growth in the energy customer base, which rose to over 3.7 million, up 7.9% in 12 months
- Further development of initiatives for the energy transition and the circular economy, thanks to state-of-the-art plants and increasingly green services

Today, the Board of Directors of the Hera Group, chaired by Cristian Fabbri, unanimously approved the consolidated results for the first half of 2023.

The first half of the year ended with operating results and investments up compared to the previous year, although in the first months of 2023 some of the served areas were affected by extreme weather phenomena and the uncertain global context continues to generate volatility in commodity prices, a generalised rise in inflation and an increase in the interest rates.

The consolidated half-year report at 30 June, indeed, shows positive operating and financial performances, demonstrating once again the Group's financial solidity and strength of its business model, balanced between internal and external growth and between regulated and free market activities.

In addition to creating value for all stakeholders, the increase in operating investments compared to the first half of 2022 provides evidence of Hera's ongoing focus on improving and strengthening the resilience of the assets it manages, with positive impacts on the quality and continuity of services in the areas in which it operates.

* In order to ensure that the results presented reflect the actual performance of the gas business more closely, 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. See the paragraph entitled "Special items and operational adjustments / balance sheet reconciliation", which contains a comparison between the operating statement and the IFRS balance sheets.

Cristian Fabbri, Executive Chairman of the Hera Group:

“The first half of 2023 closed with substantial growth in results, with Ebitda reaching 718.3 million euro, up 13.8%, mainly due to the overall contribution coming from the energy area, which also saw an increase in services for decarbonisation, while growth in the waste management area confirms our commitment to the circular economy. The results for this half-year see us moving rapidly towards achieving the goals set out in our Business Plan and are the fruit of our consolidated multi-business strategy, which has always been geared towards combining corporate growth with the sustainable development of the local ecosystem. This is additionally confirmed by the 22% rise in investments, both for developing the Group’s industrial assets and for M&As that focus on growth towards the ecological transition, innovation and resilience. Our business model is capable of continuously innovating while maintaining strong local roots, and has allowed us to once again respect the commitments made to our shareholders, to whom a dividend up by 4.2% was paid last month, consistent with what was announced during the presentation of the Business Plan to 2026.”

Orazio Iacono, CEO of the Hera Group:

“The consolidated half-year financial report at 30 June shows significant growth in Ebitda, with a contribution coming from all business areas, in particular the energy sector with 239 million euro (+30%) and the waste management area with 162.9 million euro (+8%), and increased investments and M&A transactions, amounting to over 400 million euro. All of this was made possible by a significant cash generation and a solid financial position. The financial structure was further reinforced during the first half of the year by sustainable sources of financing on favourable terms, including the issue of a sustainability-linked bond, a new revolving credit line and a recent EIB loan. These initiatives allowed us to maintain our net debt/Ebitda ratio at roughly 3x, in line with the previous half-year and the targets defined.”

Revenues at 8.3 billion

In the first half of 2023, revenues amounted to 8,297.5 million euro, as against 8,896.0 million euro at 30 June 2022, mainly due to the drop in energy commodity prices and lower volumes of gas sold, as a result of the mild weather in the first half of the year. Revenues related to the higher volumes of electricity sold, instead, were up, thanks to commercial development actions, Consip tenders and the lots awarded in the protected and gradual protection services, as well as higher revenues from energy services, in which opportunities related to energy efficiency incentives in residential buildings and increased activities in value-added services for customers remained. A positive contribution also came from revenues in the waste management sector, due to increased treatment activities and acquisitions in the industry market.

Ebitda* rises to 718.3 million euro

Ebitda* for the first half of 2023 rose to 718.3 million euro (+13.8%), compared to 631.2 million euro at 30 June 2022. This increase is mainly due to the overall contribution coming from the energy areas, amounting to 68.1 million euro, and the positive performance of the waste management area, up by 12.2 million euro.

Also note the resilience shown by Ebitda for regulated network services, with particular reference to gas distribution and the integrated water cycle, thanks to the increase in recognised revenues and operating efficiencies that offset the higher costs related to inflation.

Net operating result* grows

The net operating result* at 30 June 2023 rose to 374.7 million euro, up 11.9% compared to the 334.9 million euro seen one year earlier. This performance remained positive even after higher depreciation and amortisation, due to the significant increase in investments, and conservative provisions for bad debts, due to the increased turnover in last resort markets. Financial charges increased, mainly due to the medium- and

long-term credit lines stipulated in 2022 and the significant change in the interest rate scenario, which saw a significant increase in the cost of money.

Net profit attributable to shareholders* up to 187.7 million euro

Net profit* rose to 208.0 million euro (+3.1%), compared to 201.7 million euro in the first half of 2022, with a tax rate coming to 26.8%. Net profit attributable to Group shareholders* totalled 187.7 million euro, up (+2.4%) from 183.3 million euro at 30 June 2022.

Strong growth in operating investments and Group solidity reinforced

In the first half of 2023, the Hera Group made investments and corporate acquisitions totalling 403.4 million euro (+22.4% compared to the same period in 2022). Operating investments, including capital grants, amounted to 318.4 million euro, up by 31.3 million euro compared to the previous year (+10.9%), and were mainly related to the development of plants, networks and infrastructures. In addition, regulatory upgrading mainly concerned gas distribution, with a large-scale meter replacement, and the purification and sewerage area.

The total amount of net financial debt came to 4,145.7 million euro, down 104.1 million euro compared to the figure seen at 31 December 2022, even after the payment of dividends. As proof of the Group's financial solidity, the net debt/Ebitda* ratio stands at 3x, in line with its long-standing prudential policy.

The Group's financial structure has now been further reinforced and optimised, partly as a result of the liability management operations completed in the first half of the year, to enable Hera to handle any potential new tensions in the energy markets and guarantee continuity in operations and a significant amount of investments.

Gas

Ebitda* for the gas area, which includes natural gas distribution and sales, district heating and energy services, amounted to 293.1 million euro in the first half of 2023, compared to 299.3 million euro at 30 June 2022. The factors responsible for this result mainly lie in the particularly mild winter and consumption habits that became more attentive to energy saving. This decrease was partly offset by a rise in volumes sold on the last resort market. The contribution coming from energy services, aimed at reducing customers' consumption, in particular from activities supported by energy efficiency incentives such as the 110% super-bonus, still showed growth.

In the first half of 2023, investments made in the gas area amounted to 89.3 million euro, up by 23.9 million euro compared to the previous year. In particular, higher investments were made in gas distribution for plants and networks in the new municipalities awarded with the ATEM Udine2 tender, while in gas sales they were aimed at acquiring new customers. In district heating and energy services, investments (mainly for new plants and network extensions) also increased overall.

The number of gas customers reached almost 2.1 million, with a slight increase (0.5%) compared to the previous year.

The gas area accounted for 40.8% of Group Ebitda.

Electricity

Ebitda for the electricity area, which includes electricity generation, distribution and sales, rose to 114.4 million euro, as against 40.1 million euro in the same period of 2022, showing significant growth (+185.3%) both in terms of margins and volumes sold to end customers, mainly due to commercial development in the free market. In addition to this, Group subsidiary Hera Comm was awarded, through tenders, 10 lots nationwide: 4 in the Consip EE20 tender for supplying public administrations in 2023, 3 in the gradual protection service to SMEs for the period from 1 July 2021 to 30 June 2024 in nine regions of Italy, 2 in the safeguarded service for

the two-year period 2023-2024 in four regions of Italy, and 1 in the gradual protection service to micro-businesses for the period from 1 April 2023 to 31 March 2027.

Margins for services aimed at promoting the decarbonisation of customers' consumption, involving installations of photovoltaic systems, electric mobility and air conditioning systems, also continued to increase. The acquisition of 60% of the company F.lli Franchini, finalised in late June, was aimed at further increasing decarbonisation services for the industrial customer segment, as was the start-up of a partnership with the Orogel Group for developing an agro-voltaic plant serving the Cesena production plant.

In the first half of 2023, investments made in the electricity area amounted to 48.3 million euro, up by 16.3 million euro compared to the previous year. As regards distribution, investments mainly concerned non-recurring maintenance and upgrading on plants and networks in the Modena, Imola, Trieste and Gorizia areas. The large-scale meter replacement continued, as did works to improve the resilience of the infrastructure. In the sales area, investments in activities related to acquiring new customers increased.

The customer base indeed recorded significant growth compared to the same period of 2022, reaching over 1.6 million (+16.7%).

The electricity area accounted for 15.9% of Group Ebitda.

Water cycle

Ebitda for the integrated water cycle area, which includes aqueduct, purification and sewerage services, stood at 128.6 million euro at 30 June 2023, slightly up (+2.6%) from the 125.3 million euro seen in the first half of 2022.

In the first half of 2023, net investments in the water cycle area amounted to 81.2 million euro (58.8 million in the aqueduct, 23.7 million in sewerage and 10.5 million in purification), which went towards extensions, reclamations and upgrading on networks and plants, as well as for regulatory activities, mainly in the purification and sewerage areas.

The main interventions include, in the aqueduct area, ongoing reclamation activities on networks and connections related to Arera's Resolution 917/2017 on the regulation of the technical quality of the service, with specific modernisation and upgrading interventions intended to counter the risks of water shortages caused by increasingly frequent droughts.

The integrated water cycle area accounted for 17.9% of Group Ebitda.

Waste

In the first half of 2023, Ebitda for the waste management area increased to 162.9 million euro (+8.1%), up from the 150.7 million euro recorded at 30 June 2022. Ebitda for waste treatment services amounted to 134.6 million, while Ebitda for environmental services including collection and sweeping amounted to 28.2 million euro, mainly due to the beginning of new concessions.

In particular, margins coming from energy management increased, due to both a greater contribution from the Modena and Trieste waste-to-energy plants and the hedges made on energy sales, and a positive performance shown by commercial activities. The consolidation of existing commercial relationships, and the development of the customer portfolio, also benefited from the M&A transactions concluded in the last 12 months. Note in particular the recent expansion of the scope of operations in the environmental remediation and industrial waste global service sectors, thanks to a partnership with the Modena company A.C.R. di Reggiani Albertino S.p.A.®.

In a context characterised by decreasing inflation, declining industrial production and increased competitive pressure in the markets served, the Group proved able to consolidate its leadership, especially in the industrial market and in reclamation, and achieve a significant amount of growth in this sector. All of this is thanks to Hera's valid management policies and its set of plants, which continues to constitute a distinctive strategic asset, also considering that it works towards the ecological transition of the communities served.



The protection of environmental resources was a priority objective in the first half of 2023 as well, as was the maximisation of their reuse. This is proven by the special attention dedicated to increasing sorted waste collection, which in the first half of 2023 rose to 70.4%, up 4% compared to June 2022.

Investments made in the waste management area amounted to 48.5 million euro and were mainly related to maintenance and upgrading of waste treatment and storage plants, optimising collection centres and equipment, as well as investments for the transaction with ACR.

The waste management area accounted for 22.7% 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 this press release corresponds to the documentation available and to the account books and entries.

The half-year 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 Half-Year Financial Statements at 30 June 2022 are attached.

<https://eng.gruppohera.it>

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Income statement (mn€)	Jun 23	% inc.	Jun 22	% inc.	Abs. change	% change
Revenues	8,297.5	0.0%	8,896.0	0.0%	(598.5)	(6.7%)
Other operating revenues	299.3	3.6%	219.4	2.5%	+79.9	+36.4%
Raw and other materials	(5,961.0)	(71.8%)	(7,062.2)	(79.4%)	(1,101.2)	(15.6%)
Service costs	(1,576.2)	(19.0%)	(1,105.2)	(12.4%)	+471.0	+42.6%
Other operating expenses	(41.5)	(0.5%)	(39.3)	(0.4%)	+2.2	+5.6%
Personnel costs	(330.4)	(4.0%)	(308.7)	(3.5%)	+21.7	+7.0%
Capitalised costs	30.6	0.4%	31.2	0.4%	(0.6)	(1.9%)
Ebitda*	718.3	8.7%	631.2	7.1%	+87.1	+13.8%
Amortization, depreciation and provisions	(343.6)	(4.1%)	(296.3)	(3.3%)	+47.3	+16.0%
Ebit*	374.7	4.5%	334.9	3.8%	+39.8	+11.9%
Financial operations	(90.5)	(1.1%)	(50.9)	(0.6%)	+39.6	+77.7%
Pre-tax result*	284.2	3.4%	284.0	3.2%	+0.2	+0.1%
Taxes	(76.2)	(0.9%)	(82.3)	(0.9%)	(6.1)	(7.4%)
Net result*	208.0	2.5%	201.7	2.3%	+6.3	+3.1%
Attributable to:						
Shareholders of the Parent Company*	187.7	2.3%	183.3	2.1%	+4.4	+2.4%
Minority shareholders	20.3	0.2%	18.4	0.2%	+1.9	+10.3%

* Adjusted results

Invested capital and sources of financing (mn€)	Jun 23	% inc.	Dec 22	% inc.	Abs. change	% change
Net non-current assets*	7,791.2	100.7%	7,522.3	94.5%	+268.9	+3.6%
Net working capital*	612.2	7.9%	1,096.0	13.8%	(483.8)	(44.1%)
(Provisions)	(668.1)	(8.6%)	(657.6)	(8.3%)	(10.5)	+1.6%
Net invested capital*	7,735.3	100.0%	7,960.7	100.0%	(225.4)	(2.8%)
Equity*	3,589.6	46.4%	3,710.9	46.6%	(121.3)	(3.3%)
Long-term borrowings	5,067.5	65.5%	5,598.5	70.3%	(531.0)	(9.5%)
Net current financial debt	(921.8)	(11.9%)	(1,348.7)	(16.9%)	+426.9	(31.7%)
Net debt	4,145.7	53.6%	4,249.8	53.4%	(104.1)	(2.4%)
Total sources of financing*	7,735.3	100.0%	7,960.7	100.0%	(225.4)	(2.8%)

* Adjusted results

Special items and operational adjustments / balance sheet reconciliation

mn€	Jun 23			Jun 22		
	Published statement	Operational adjustments	Operations statement	Published statement	Operational adjustments	Operations statement
Revenues	8,297.5		8,297.5	8,896.0		8,896.0
Other operating revenues	299.3		299.3	219.4		219.4
Raw and other materials	(5,868.0)	(93.0)	(5,961.0)	(7,150.5)	+88.3	(7,062.2)
Service costs	(1,576.2)		(1,576.2)	(1,105.2)		(1,105.2)
Personnel costs	(330.4)		(330.4)	(308.7)		(308.7)
Other operating expenses	(41.5)		(41.5)	(39.3)		(39.3)
Capitalised costs	30.6		30.6	31.2		31.2
Ebitda	811.3	(93.0)	718.3*	542.9	+88.3	631.2*
Amortization, depreciation and provisions	(343.6)		(343.6)	(296.3)		(296.3)
Ebit	467.7	(93.0)	374.7*	246.6	+88.3	334.9*
Financial operations	(90.5)		(90.5)	(50.9)		(50.9)
Pre-tax result	377.2	(93.0)	284.2*	195.7	+88.3	284.0*
Taxes	(103.0)	+26.8	(76.2)	(56.7)	(25.6)	(82.3)
Net result	274.2	(66.2)	208.0*	139.0	+62.7	201.7*
Net profit	274.2	(66.2)	208.0*	139.0	+62.7	201.7*
Attributable to:						
Parent company shareholders	253.9	(66.2)	187.7*	120.6	+62.7	183.3*
non-controlling interests	20.3		20.3	18.4		18.4

* Adjusted results

mn€	Jun 23			Dec 22		
	Published values	Operational adjustments	Operational values	Published values	Operational adjustments	Operational values
Net non-current assets	7,791.2		7,791.2*	7,549.1	(26.8)	7,522.3*
Net working capital	612.2		612.2*	1,003.0	+93.0	1,096.0*
(Provisions)	(668.1)		(668.1)	(657.6)		(657.6)
Net invested capital	7,735.3		7,735.3*	7,894.5	+66.2	7,960.7*
Equity	(3,589.6)		(3,589.6)*	(3,644.7)	(66.2)	(3,710.9)*
Net debt	(4,145.7)		(4,145.7)	(4,249.8)		(4,249.8)
Total sources of financing	(7,735.3)		(7,735.3)*	(7,894.5)	(66.2)	(7,960.7)*

* Adjusted results

IFRS financial statements

Income statement

mn/euro	30/06/2023	30/06/2022
Revenues	8,297.5	8,896.0
Other operating revenues	299.3	219.4
Raw and other materials	(5,868.0)	(7,150.5)
Service costs	(1,576.2)	(1,105.2)
Personnel costs	(330.4)	(308.7)
Other operating costs	(41.5)	(39.3)
Capitalized costs	30.6	31.2
Amortisation, depreciation and provisions	(343.6)	(296.3)
Operating revenues	467.7	246.6
Share of profits (losses) pertaining to joint ventures and associated companies	5.9	6.1
Financial income	68.9	41.1
Financial expense	(165.3)	(98.1)
Financial management	(90.5)	(50.9)
Earnings before taxes	377.2	195.7
Taxes	(103.0)	(56.7)
Overall revenues for the period	274.2	139.0
To attribute to:		
Parent company shareholders	253.9	120.6
minority shareholders	20.3	18.4
Earnings per share		
basic	0.175	0.083
diluted	0.175	0.083

Statement of financial position

mn/euro	30/06/2023	31/12/2022
ASSETS		
Non-current assets		
Property, plant and equipment	1,989.8	1,984.4
Rights of use	78.6	84.2
Intangible assets	4,560.9	4,417.4
Goodwill	870.5	848.1
Equity investments	212.6	190.3
Non-current financial assets	146.6	151.8
Deferred tax assets	274.8	240.4
Derivative financial instruments	2.0	1.0
Total non-current assets	8,135.8	7,917.6
Current assets		
Inventories	1,107.9	995.1
Trade receivables	2,345.9	3,875.0
Current financial assets	65.8	77.7
Current tax assets	45.6	46.0
Other current assets	645.3	642.5
Derivative financial instruments	664.6	1,622.2
Cash and cash equivalents	1,254.8	1,942.4
Total current assets	6,129.9	9,200.9
TOTAL ASSETS	14,265.7	17,118.5

mn€	30/06/2023	31/12/2022
NET EQUITY AND LIABILITIES		
Share capital and reserves		
Share capital	1,446.6	1,450.3
Reserves	1,622.3	1,692.9
Profit (loss) for the period	253.9	255.2
Group net equity	3,322.8	3,398.4
Non-controlling interests	266.8	246.3
Total net equity	3,589.6	3,644.7
Non-current liabilities		
Non-current financial liabilities	5,142.3	5,689.9
Non-current lease liabilities	50.0	55.1
Post-employment and other benefits	85.7	92.0
Provisions for risks and charges	582.4	565.6
Deferred tax liabilities	196.1	215.7
Derivative instruments	23.9	6.3
Total non-current liabilities	6,080.4	6,624.6
Current liabilities		
Current financial liabilities	378.6	650.1
Current lease liabilities	20.1	21.3
Trade payables	1,795.5	3,093.1
Current tax liabilities	104.5	17.1
Other current liabilities	1,787.9	1,720.0
Derivative instruments	509.1	1,347.6
Total current liabilities	4,595.7	6,849.2
TOTAL LIABILITIES	10,676.1	13,473.8
TOTAL NET EQUITY AND LIABILITIES	14,265.7	17,118.5