

press release

Bologna, 8 November 2023

Hera Group BoD approves 3Q 2023 results

The first nine months of the year ended with strong growth in all economic and financial indicators, confirming the Group's solidity and the effectiveness of its multi-business strategy. Respecting the goals set out in the business plan, the Group once again combined corporate growth and the creation of value for all stakeholders, as is proven by net investments and corporate acquisitions, up by more than 18% overall.

Financial highlights

- Ebitda* at 1,006.8 million euro (+15.1%)
- Net profit attributable to shareholders* at 235.5 million euro (+10.0%)
- Net investments and corporate acquisitions at 593 million euro (+18.7%)
- Net financial debt and net debt/Ebitda* ratio show considerable improvement, coming to 4,148.9 million euro and 2.91x respectively
- ROI also improves, rising to 9%

Operating highlights

- Significant contribution to growth coming from the energy sectors and the waste management area
- Ongoing growth in the energy customer base, now at 3.8 million, up 8.9% over 12 months
- Further initiatives for the green transition and increased investments in innovation, reinforcing the resilience of the assets managed

Today, the Board of Directors of the Hera Group, chaired by Cristian Fabbri, unanimously approved the consolidated results at 30 September 2023.

The first nine months of the year saw rising investments and record results compared to previous years, showing remarkable resilience when faced with extreme weather events in the area served and a global context that remains uncertain and continues to show widespread increases in inflation and in the cost of money.

In particular, the significant investments reflect the Group's commitment to boosting the resilience of the assets managed and its ongoing focus on projects designed to accelerate the green transition, fully respecting its corporate purpose. The good operating and financial performances once again confirm the decisions made by management, based on a low-risk policy and a solid multi-business industrial strategy, balanced between internal growth and external development, and between regulated and free-market activities. Double-digit growth was achieved, along with a 9% return on invested capital.

* 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 / IFRS balance sheet reconciliation", which contains a comparison between the operating statement and the IFRS balance sheets.

Continuing along its path of uninterrupted growth, with the aim of providing its customers with innovative, competitive and increasingly complete solutions, the Group continued to expand the business areas in which it operates. In the waste management sector, Hera opened a second biomethane production plant in the Modena area and signed a partnership with ACR di Reggiani Albertino, a large company operating nationwide in the remediation, industrial waste treatment, industrial plant decommissioning and oil&gas civil engineering sectors. In IT-TLC, acting with Ascopiave the Group acquired 92% of Asco TLC, later merged by incorporation into the subsidiary Acantho. Finally, in the energy sector, it acquired the Ferrara-based company Tiepolo to construct a photovoltaic solar park in Bondeno, as well as 60% of the Rimini-based company F.lli Franchini, which installs thermal-hydraulic, electrical and photovoltaic systems for business clients. Lastly, Horowatt was established, the NewCo between the Hera Group and Orogel, to construct within 2024 a sustainable, state-of-the-art agrivoltaic plant at this agricultural cooperative's Cesena facility.

Cristian Fabbri, Executive Chairman of the Hera Group:

“This period’s results show a relevant creation of value for all stakeholders. In the first nine months we reached over 1 billion of Ebitda, which shows a double-digit growth of 15%. We furthermore increased capex and investments by 19% and achieved a 9% return on invested capital, while continuing to reduce financial debt. All of our businesses contributed to this growth, more than 80% underpinned by Energy supply business due to a 9% increase in customer base, which reached 3.8 million, and further expansion of decarbonisation services. Another significant factor was the contribution coming from last resort markets, which we consolidated in September by winning 17 of the 18 available gas lots. Internal growth and the 5 corporate transactions carried out during these nine months were driven by innovation, resilience, decarbonisation and the circular economy. All of this contributed to an increase in shared-value Ebitda, now over 54% of total Ebitda, which continues to generate incremental benefits for all areas served. We are rapidly following the path for development set out in the business plan, by keeping our business portfolio balanced and seizing opportunities for creating value that allow us to accelerate its implementation.”

Orazio Iacono, CEO of the Hera Group:

“The effectiveness of our management decisions and our solid multi-business industrial strategy enabled us to achieve positive economic and financial results and, in particular, to further strengthen our leadership in the waste management sector, posting a raising Ebitda and on the back of larger volumes of waste treatments. In a partnership with ACR, which recently joined the Group, we won important concessions in the private oil&gas sector and are participating in tenders to access PNRR funds to reclaim public sites. Thanks to our positive cashflow and strong financial position, we achieved a net debt/Ebitda ratio coming to 2.91x, similar to the one seen before the sharp rise in energy prices. This financial soundness gives us all the flexibility we need to take advantage of new opportunities for development in our target markets. Finally, we are particularly proud of the recognition we received from Arera for the technical quality of our services, particularly in the water business, where we achieved the best performance nationwide.”

Revenues at approximately 11 billion

At 30 September 2023, revenues amounted to 10,955.0 million euro, slightly down from 14,320.1 million euro at the same date in 2022, mainly due to the decrease of energy commodity prices and lower volumes of gas sold on account of the mild weather in the first half of the year. An increase was seen, instead, in revenues thanks to the higher volumes of electricity sold, commercial development actions, Consip tenders, the safeguarded tenders awarded in electricity, “gradual protection service” lots awarded, higher revenues from “energy efficiency services” linked to incentives in residential buildings and increased activities in value-added

services for customers, as well as revenues from the waste treatment business and, above all, to the M&A activity.

Ebitda* up sharply to 1,006.8 million

Ebitda* for the first nine months of 2023 rose to 1,006.8 million euro (+15.1%), as against 874.8 million euro at 30 September 2022. Of this increase, the contribution coming from the energy areas amounted to 111.8 million euro and the good performance of the waste management area accounted for 11.8 million euro, while 3.5 million euro came from the integrated water cycle and 4.8 million euro from the other services area.

Net operating result* rises to 504.6 million euro

The net operating result* for the nine months ended 30 September 2023 rose to 504.6 million euro, up 15.5% from 437.0 million euro in the first nine months of 2022, at same growth path signed by Ebitda.

Net profit post minorities* up by 10%

In September 2023, net profit* rose to 267.1 million euro (+7.5%), up from 248.4 million euro in the same period of 2022, and the tax rate improved to 26.8%. Net profit post minorities* rose to 235.5 million euro, up 10% from 214.1 million euro at 30 September 2022.

Strong increase in capital expenditure and M&A

In the first nine months of 2023, the Hera Group made net investments including M&A coming to 593.0 million euro (+18.7% compared to the same period in 2022). Operating investments, including capital grants, amounted to 514.0 million euro, up 50.7 million euro year-on-year (+10.9%), and mainly for the development of plants, networks and infrastructures including the large-scale meter replacement in gas distribution and on the purification and sewerage infrastructures.

Return on invested capital also improved, with ROI rising from 7.7% to 9%, confirming the Group's ability to create value.

The total amount of net financial debt came to 4,148.9 million euro, down 100.9 million euro compared to the amount seen at 31 December 2022, even after the payment of dividends, due to the cashflow coming from operations, the benefit in net working capital caused by the reduction in the value of gas storage compared to the record values seen in 2022, and the different energy price scenario. The Group's financial solidity is also proven by the improvement in the net debt/Ebitda* ratio, which now stands at 2.91x, once again below the 3x reference level and in line with Hera's traditionally prudential policy.

Reduced debt and increased returns

The total value of the Group's net financial debt amounted to 4,148.9 million euro, down 100.9 million euro compared to the figure seen at 31 December 2022, fully covering the payment of dividends in June, the significant increase in investments compared to 2022 and the corporate acquisitions completed in 2023. This reduction is mainly due to the significant cashflow from operations in the first nine months of 2023 and the benefits on net working capital ensuing from the reduced value of gas storage and changes in the energy price scenario compared to the previous year. As a result, the net debt/Ebitda* ratio decreased to 2.91x, returning well below the 3x reference level, in line with Hera's traditionally prudential policy.

Financial operations, while showing an increase compared to 2022 due to the impact of financial lines that are currently no longer active and the Group's greater need for financial flexibility within an energy price scenario that has not yet fully stabilised, benefitted from a 96.5% fixed-rate medium/long-term debt structure. Thanks to the liability management operations carried out in the first half of 2023, the financial structure was optimised in terms of cost and absolutely capable of insuring the Group against potential risks related to volatility in energy commodity markets, while guaranteeing at the same time continuity in operations and the significant

investment activity planned. The use of variable-rate loans, linked to revolving bank lines, is activated exclusively for short-term needs and to manage volatility, is a particularly positive element within a context of rising interest rates compared to the previous year.

Return on invested capital and on equity also improved, with ROI rising from 7.7% at 30 September 2022 to 9% and ROE increasing from 9% to 10.6%.

Gas

Ebitda for the gas area, which includes natural gas distribution and sales, district heating and energy services, amounted to 334.1 million euro at 30 September 2023 compared to 377.0 million euro in the same period of 2022, mainly due to a drop in volumes owing to the particularly mild weather in the first part of the year and the focus on energy saving shown by both residents and businesses. This drop was partially offset by increased volumes on last resort markets, the contribution coming from energy services and incentives for energy efficiency activities.

In the month of September, the Group was awarded, through subsidiary Hera Comm and for the next two years, 17 of the 18 lots available in last resort gas markets, including 8 out of 9 areas for the last resort service and all 9 lots of the default service, which will take effect as of the fourth quarter of 2023.

In the first nine months of 2023, investments in the gas area amounted to 138.1 million euro, up 33.5 million euro compared to the previous year. In particular, the largest investments were made in gas distribution, after the beginning of management of the Udine2 ATEM, following the tender, and in gas sales, involving the acquisition of new customers. Overall investments in district heating and energy services also rose.

The number of gas customers reached almost 2.1 million, up (+2%) compared to the previous year, thanks to growth in both traditional and last resort markets.

The gas area accounted for 33.2% of Group Ebitda.

Electricity

Ebitda for the electricity area, which covers electricity generation, distribution and sales, rose to 176.8 million euro, compared to 22.1 million euro in the same period of 2022, a year marked by fluctuating commodity prices. Significant growth was thus seen, in terms of both margins and volumes sold to end customers, especially thanks to commercial development in the free market, innovative offers and value-added services, and the higher margins on the safeguarded service and on 4 lots of the gradual protection services. Furthermore, 4 lots were recently confirmed in the Consip EE21 tender, for supplying electricity to PAs for 12 months beginning in 2024.

Margins from services aimed at promoting the decarbonisation of customer consumption, for example by installing photovoltaic systems and promoting electric mobility solutions, also continued to grow. This context includes the recent acquisition of 60% of the company F.Ili Franchini, to further increase decarbonisation services in the industrial customer segment, and the beginning of a partnership with the Orogel group to construct an innovative agrivoltaic system serving the Cesena production plant.

At 30 September 2023, investments made in the electricity area amounted to 81.3 million euro, up by 28.3 million euro compared to the previous year. In distribution, investments mainly involved non-recurring maintenance and upgrading of plants and networks in the Modena, Imola, Trieste and Gorizia areas, as well as the ongoing large-scale meter replacement and work to improve the resilience of the infrastructure. In the sales area, investments in commercial activities related to the acquisition of new customers increased.

The customer base, in fact, saw significant growth compared to the same period in 2022, reaching almost 1.7 million (+18.9%).

The electricity area accounted for 17.6% of Group Ebitda.

Water

Ebitda for the integrated water cycle area, which includes aqueduct, purification and sewerage services, amounted to 209.3 million euro at 30 September 2023, up slightly (+1.7%) compared to 205.8 million euro in the first nine months of 2022.

Gross investments made in the integrated water cycle area amounted to 142.0 million euro (89.0 million in waterworks, 34.6 million in sewerage and 18.4 million in purification). These funds went to extensions, reclamation and upgrading on networks and plants, as well as for regulatory adjustments mainly in the purification and sewerage areas. The main investments include, in the aqueduct, the ongoing reclamation on networks and connections, as well as specific renewal and upgrading works intended to counter the risk of water shortages linked to increasingly frequent droughts.

Finally, Arera confirmed that the technical quality standards in the integrated water cycle managed by the Hera Group are among the highest nationwide, which led to the recognition of significant bonuses, in line with the Group's track record.

The integrated water cycle area accounted for 20.8% of Group Ebitda.

Waste

At 30 September 2023, Ebitda for the waste management area rose to 258.0 million euro (+4.8%), up from 246.2 million euro in the same period of 2022. Ebitda for waste treatment services amounted to 212.5 million (up 15.2 million), while Ebitda from collection and street-sweeping services, due to the impact of the newly awarded concessions in Modena and Bologna, came to 45.5 million (down by 3.4 million).

These figures include a 15% increase in waste commercialised, due to increases in both municipal and market waste, the excellent performance of energy management, due to the higher contribution coming from the Modena and Trieste waste-to-energy plants, the changed scope of operations due to recent acquisitions, and the positive performance seen in commercial activities, which as a whole offset the increase in costs due to inflation.

Throughout 2023, continuity was seen for the main initiatives set out in the business plan in terms of circular economy, from material recovery to renewable energy production. One example is the new plant for biomethane production located in Spilamberto, in the Modena area, born out of a partnership with Inalca, of the Cremonini Group. When fully operational, the capacity of the Spilamberto plant will lead to a 48% increase in the biomethane produced by Hera compared to 2022, and will contribute to achieving the Group's goal of increasing biomethane production to 30 million cubic metres per year.

Thanks to the Group's solid management policies, within a scenario marked by a slight slowdown in inflation, a drop in industrial production and increased competitive pressure in the markets in which it is present, Hera has continued to consolidate its leadership in the waste management sector. This has occurred especially in the industrial and recovery markets, by equipping its plants with the best available technologies and guaranteeing a considerable amount of growth in this sector. With roughly one hundred state-of-the-art facilities capable of treating any type of waste, the Group's set of plants continues to represent a strategic and distinctive asset in a country that still shows major infrastructural deficiencies in this sector.

Protecting environmental resources was confirmed as a priority objective for the Group in 2023, as was the maximisation of their reuse. This is proven by the special attention dedicated to increasing sorted waste collection, which rose to 71.4% at 30 September 2023, up 4.6% compared to the first nine months of 2022, thanks to the introduction of numerous projects in the areas served by the Group.

Investments made in the waste management area amounted to 83.4 million euro, and mainly involved maintenance and upgrading on waste treatment plants, optimising collection centres and equipment, as well as investments for the transaction with ACR.

The waste management area accounted for 25.6% 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 quarterly 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 Quarterly Financial Statements at 30 September 2022 are attached.

<https://eng.gruppohera.it>

JENS KLINT HANSEN

Head of Investor Relations

Ph.: + 39 051 287 737

e-mail: jens.hansen@gruppohera.it

Income statement (mn€)	Sep 23	% inc.	Sep 22	% inc.	Abs. change	% change
Revenues	10,955.0	0.0%	14,320.1	0.0%	(3,365.1)	(23.5%)
Other operating revenues	441.4	4.0%	345.3	2.4%	+96.1	+27.8%
Raw and other materials	(7,480.9)	(68.3%)	(11,642.5)	(81.3%)	(4,161.6)	(35.7%)
Service costs	(2,421.9)	(22.1%)	(1,693.9)	(11.8%)	+728.0	+43.0%
Other operating expenses	(58.2)	(0.5%)	(56.6)	(0.4%)	+1.6	+2.8%
Personnel costs	(477.6)	(4.4%)	(449.8)	(3.1%)	+27.8	+6.2%
Capitalised costs	49.0	0.4%	52.2	0.4%	(3.2)	(6.1%)
Ebitda*	1,006.8	9.2%	874.8	6.1%	+132.0	+15.1%
Amortization, depreciation and provisions	(502.2)	(4.6%)	(437.8)	(3.1%)	+64.4	+14.7%
Ebit*	504.6	4.6%	437.0	3.1%	+67.6	+15.5%
Financial operations	(139.7)	(1.3%)	(89.5)	(0.6%)	+50.2	+56.1%
Pre-tax result*	364.9	3.3%	347.5	2.4%	+17.4	+5.0%
Taxes	(97.8)	(0.9%)	(99.1)	(0.7%)	(1.3)	(1.3%)
Net result*	267.1	2.4%	248.4	1.7%	+18.7	+7.5%
Attributable to:						
Shareholders of the Parent Company*	235.5	2.2%	214.1	1.5%	+21.4	+10.0%
Minority shareholders	31.6	0.3%	34.3	0.2%	(2.7)	(7.9%)

* Adjusted results

Invested capital and sources of financing (mn€)	Sep 23	% inc.	Dec 22	% inc.	Abs. change	% change
Net non-current assets*	7,887.8	102.1%	7,522.3	94.5%	+365.5	+4.9%
Net working capital*	517.1	6.7%	1,096.0	13.8%	(578.9)	(52.8%)
(Provisions)	(677.8)	(8.8%)	(657.6)	(8.3%)	(20.2)	(3.1%)
Net invested capital*	7,727.1	100.0%	7,960.7	100.0%	(233.6)	(2.9%)
Equity*	(3,578.2)	46.3%	(3,710.9)	46.6%	+132.7	+3.6%
Long-term borrowings	(4,492.1)	58.1%	(5,598.5)	70.3%	+1,106.4	+19.8%
Net current financial debt	343.2	(4.4%)	1,348.7	(16.9%)	(1,005.5)	(74.6%)
Net debt	(4,148.9)	53.7%	(4,249.8)	53.4%	+100.9	+2.4%
Total sources of financing*	(7,727.1)	100.0%	(7,960.7)	100.0%	+233.9	+2.9%

* Adjusted results

Special items and operational adjustments / balance sheet reconciliation

mn€	Sep 23			Sep 22		
	Published statement	Operational adjustments	Operations statement	Published statement	Operational adjustments	Operations statement
Revenues	10,955.0		10,955.0	14,320.1		14,320.1
Other operating revenues	441.4		441.4	345.3		345.3
Raw and other materials	(7,387.9)	(93.0)	(7,480.9)	(11,794.6)	+152.1	(11,642.5)
Service costs	(2,421.9)		(2,421.9)	(1,693.9)		(1,693.9)
Personnel costs	(447.6)		(477.6)	(449.8)		(449.8)
Other operating expenses	(58.2)		(58.2)	(56.6)		(56.6)
Capitalised costs	49.0		49.0	52.2		52.2
Ebitda	1,099.8	(93.0)	1,006.8*	722.7	+152.1	874.8*
Amortization, depreciation and provisions	(502.2)		(502.2)	(437.8)		(437.8)
Ebit	597.6	(93.0)	504.6*	284.9	+152.1	437.0*
Financial operations	(139.7)		(139.7)	(89.5)		(89.5)
Pre-tax result	457.9	(93.0)	364.9*	195.4	+152.1	347.5*
Taxes	(124.6)	+26.8	(97.8)	(55.7)	(43.4)	(99.1)
Net result	333.3	(66.2)	267.1*	139.7	+108.7	248.4*
Net profit	333.3	(66.2)	267.1*	139.7	+108.7	248.4*
Attributable to:						
Parent company shareholders	301.7	(66.2)	235.5*	105.4	+108.7	214.1*
non-controlling interests	31.6		31.6	34.3		34.3

* Adjusted results

mn€	Sep 23			Dec 22		
	Published values	Operational adjustments	Operational values	Published values	Operational adjustments	Operational values
Net non-current assets	7,887.8		7,887.8*	7,549.1	(26.8)	7,522.3*
Net working capital	517.1		517.1*	1,003.0	+93.0	1,096.0*
(Provisions)	(677.8)		(677.8)	(657.6)		(657.6)
Net invested capital	7,727.1		7,727.1*	7,894.5	+66.2	7,960.7*
Equity	(3,578.2)		(3,578.2)*	(3,644.7)	(66.2)	(3,710.9)*
Net debt	(4,148.9)		(4,148.9)	(4,249.8)		(4,249.8)
Total sources of financing	(7,727.1)		(7,727.1)*	(7,894.5)	(66.2)	(7,960.7)*

* Adjusted results

IFRS financial statements

Income statement

mn/euro	30/09/2023	30/09/2022
Revenues	10,955.0	14,320.1
Other operating revenues	441.4	345.3
Raw and other materials	(7,387.9)	(11,794.6)
Service costs	(2,421.9)	(1,693.9)
Personnel costs	(447.6)	(449.8)
Other operating costs	(58.2)	(56.6)
Capitalized costs	49.0	52.2
Amortisation, depreciation and provisions	(502.2)	(437.8)
Operating revenues	597.6	284.9
Share of profits (losses) pertaining to joint ventures and associated companies	8.1	7.5
Financial income	109.9	47.6
Financial expense	(257.7)	(144.6)
Financial management	(139.7)	(89.5)
Earnings before taxes	457.9	195.4
Taxes	(124.6)	(55.7)
Overall revenues for the period	333.3	139.7
To attribute to:		
Parent company shareholders	301.7	105.4
minority shareholders	31.6	34.3
Earnings per share		
basic	0.209	0.096
diluted	0.209	0.096

Statement of financial position

mn/euro	30/09/2023	31/12/2022
ASSETS		
Non-current assets		
Property, plant and equipment	2,004.2	1,984.4
Rights of use	77.8	84.2
Intangible assets	4,618.9	4,417.4
Goodwill	871.7	848.1
Equity investments	212.9	190.3
Non-current financial assets	146.9	151.8
Deferred tax assets	275.0	240.4
Derivative financial instruments	0.5	1.0
Total non-current assets	8,207.9	7,917.6
Current assets		
Inventories	1,153.7	995.1
Trade receivables	2,379.3	3,875.0
Current financial assets	117.6	77.7
Current tax assets	57.4	46.0
Other current assets	547.9	642.5
Derivative financial instruments	456.7	1,622.2
Cash and cash equivalents	1,118.9	1,942.4
Total current assets	5,831.5	9,200.9
TOTAL ASSETS	14,039.4	17,118.5

mn€	30/09/2023	31/12/2022
NET EQUITY AND LIABILITIES		
Share capital and reserves		
Share capital	1,444.2	1,450.3
Reserves	1,557.8	1,692.9
Profit (loss) for the period	301.7	255.2
Group net equity	3,303.7	3,398.4
Non-controlling interests	274.5	246.3
Total net equity	3,578.2	3,644.7
Non-current liabilities		
Non-current financial liabilities	4,590.1	5,689.9
Non-current lease liabilities	49.4	55.1
Post-employment and other benefits	84.4	92.0
Provisions for risks and charges	593.4	565.6
Deferred tax liabilities	172.7	215.7
Derivative instruments	-	6.3
Total non-current liabilities	5,490.0	6,624.6
Current liabilities		
Current financial liabilities	849.1	650.1
Current lease liabilities	20.3	21.3
Trade payables	1,847.8	3,093.1
Current tax liabilities	117.8	17.1
Other current liabilities	1,733.8	1,720.0
Derivative instruments	402.4	1,347.6
Total current liabilities	4,971.2	6,849.2
TOTAL LIABILITIES	10,461.2	13,473.8
TOTAL NET EQUITY AND LIABILITIES	14,039.4	17,118.5