



press release

Bologna, 24 March 2021

Hera Group approves results at 31/12/2020

The year ended positively, despite the nationwide impact coming from the Coronavirus emergency, during which Hera stood by its stakeholders and provided support. Thanks to its solid, efficient and sustainable multi-business strategy, Hera thus continued to grow and create value for shareholders and local communities. Owing to a good cash generation, the proposed dividend was revised upwards, now set at 11 cents per share

Financial highlights

- Revenues at 7,079.0 million euro (+2.4%)
- Ebitda at 1,123.0 million euro (+3.5%)
- Net profits for Shareholders at 302.7 million euro (+0.6%)
- Net debt improves to 3,227.0 million euro, with net debt/Ebitda ratio falling to 2.87x
- Proposed dividend increases to 11 cents per share (+10%)

Operating highlights

- Positive results come from both internal and external growth
- Good contribution towards growth from energy areas in particular, including the Ascopiave partnership
- Improvement in all sustainability indicators, with shared value Ebitda increasing to 420.0 million euro (+7.2%)

Today, the Hera Group's Board of Directors, chaired by Tomaso Tommasi di Vignano, unanimously approved the consolidated economic results at 31 December 2020 and the Report on remuneration policies and compensation paid, along with the Sustainability report.

18 years of uninterrupted growth, thanks to good operating, financial and fiscal management

The Hera Group closed the 2020 financial year positively, as well as in all quarters, even during a particularly difficult year on account of the Coronavirus emergency.

Thanks to its solid and efficient multi-business model, and good operating, financial and fiscal management, Hera succeeded in maintaining growth in its results while at the same time supporting its stakeholders. Even during the lockdown, indeed, Hera guaranteed continuity, safety, quality and efficiency in all services and also provided help not only for its own employees but also its customers, suppliers and local communities. This consisted first in allowing customers to pay with delays or by instalments and offering reverse factoring to small and medium businesses, and later participating in specific solidarity initiatives across the areas served.

These initiatives were appreciated by customers, as appears in the recent customer satisfaction poll which, despite the difficult external context, confirmed a high customer satisfaction rate (73/100), with approval of the management and services provided during the emergency coming to 85/100.

More generally speaking, the Hera Group succeeded in continuing along the path of uninterrupted growth seen since its establishment in 2002, once again leveraging its own strategy: a balanced mix of internal and external growth, with significant economies of scale and higher synergies than expected. All of this while continuously striving to create value for its stakeholders, respecting the directions set out by the new Business Plan to 2024, which aims at accompanying all areas served in a recovery that respects European strategies and the goals on the UN's 2030 Agenda.

Revenues at over 7 billion, up 2.4%

The Hera Group's 2020 revenues rose to 7,079 million euro, up 166.2 million (+2.4% compared to the 6,912.8 million seen in 2019), thanks above all to the energy sector and in particular the change in scope of operations

caused by the exceptional Ascopiave transaction which, through EstEnergy, led to the creation of the foremost energy operator in North-Eastern Italy. Growth in the heat management business also contributed to this result, with interventions linked to incentives for work on facades and energy efficiency.

Ebitda increases, reaching 1,123.0 million (+3.5%)

Group Ebitda rose to 1,123.0 million euro (+3.5%), up 37.9 million compared to the 1,085.1 million euro seen in 2019, with contributions mainly coming from external growth, in addition to internal growth. The businesses that played the greatest role in this increase were electricity and gas, thanks in particular to the Ascopiave transaction, but the water cycle and the other services in which Hera operates also made a positive contribution. The extraordinary efforts deployed by Hera to face the health emergency allowed the impact on Ebitda to be contained within the limits foreseen last year at the beginning of the pandemic, thanks in particular to all the support measures introduced.

Operating results grow to 551.3 million (+1.6%)

Net operating results also increased, coming to 551.3 million euro, up 8.8 million (+1.6% compared to the 542.5 million seen in 2019), despite the higher amortisation mainly linked to changes in the scope of operations. Pre-tax profits reflected the higher imputed costs involved in the Ascopiave put option, in addition to lower profits from joint ventures, which felt the effects of the health emergency. These factors were partially offset by efficiencies in the financial structure and other income.

Net profits pertaining to Shareholders increase to 302.7 million euro (+0.6%)

For reasons including clear improvement in the tax rate, which came to 25.7% as against the 28.3% seen in the previous year, owing to the Group's commitment towards investments for technological, digital and environmental transformation in the direction of Utility 4.0, net results for the period rose to 322.8 million (+1.8%), showing a 5.7 million growth compared to the 317.1 million seen in 2019. Net profits pertaining to Shareholders were also up, settling at the end of 2020 at 302.7 million euro (+0.6%) compared to the 2019 figure of 300.8 million (excluding 2019 non recurring results from "special items").

Net investments grow to 528.5 million, net debt/Ebitda ratio further improves to 2.87x

In 2020, net investments – including the 46.9 million euro involved in acquiring financial shareholdings mainly concerning Ascopiave – came to 528.5 million, up 3.8% compared to the 509.2 million seen in 2019. Operating investments totalling 506.4 million euro, including capital grants, were mainly allocated to interventions on plants, networks and infrastructures, in order to guarantee quality, efficiency, safety, resilience and innovation, in addition to regulatory upgrading that concerned gas distribution above all, with a large-scale metre substitution, and the purification and sewerage sector. These investments allowed the value of regulated infrastructures (RAB) to remain almost unchanged, despite the assets in gas networks transferred as part of the Ascopiave transaction. At the same time, investments contributed to growth and recovery in the areas served, since they were carried out by the Group's suppliers, most of which are small-medium local businesses, which were thus able to continue working without interruption thanks to the support offered by Hera.

The Group's net debt settled at 3,227.0 million, improving compared to the 3,274.2 million seen in 2019, with a 47.2 million euro reduction of financial debt. In particular, operations generated positive and growing cash flows, which allowed investments, M&A transactions, the dividends paid and the treasury shares acquired to be entirely financed. Thanks to the double lever of an increased Ebitda and a lower net debt, the net debt/Ebitda ratio settled at 2.87x, showing clear improvement with respect to the 3.02x seen in 2019.

The Group's financial solidity is reflected by the opinions released by major rating agencies: Moody's assigned Hera a Baa2 rating with a stable outlook, while Standard & Poor's gave it a BBB/A-2 rating with a positive outlook.

The Group's attention towards sustainability confirmed, with shared value Ebitda rising to 420.0 million

These positive operating results were matched by Hera's increasing attention towards sustainability. The Hera Group was the first to introduce, in 2016, shared value reporting, concerning all business activities that, in addition

to creating operating earnings, respond to the drivers for sustainable growth set out in the UN's 2030 Agenda and, more generally, by various national and international policies. In 2020, shared value Ebitda rose to 420.0 million euro (+7.2% compared to 2019), coming to 37.4% of overall Ebitda. This result confirms the path set out in the Business Plan, which expects this indicator to reach 648 million by 2024, almost 50% of total Ebitda.

Shared value has acted for some time as a benchmark for Hera's progress towards sustainability and its business model over the years – all the more so in these difficult months – and has now proven to be winning and resilient, the most concrete guarantee for a future with further development, for Hera and for the areas served, with the goal of accompanying them during recovery.

The Hera Group's best practices in ESG areas, moreover, have been confirmed by its inclusion in the FTSE4Good index series and, even more so, in the Dow Jones Sustainability Index, World and Europe – one of the most authoritative stock market indices evaluating social responsibility – as "Industry leader" out of the roughly 3,500 companies with the highest capitalisation in the world. The Group's attention towards sustainability and transparency has furthermore been confirmed by its decision to work towards the "Well below 2°C" goal in the "Science Based Targets initiative". This involves pursuing carbon neutrality and applying the recommendations provided by the "Task Force on Climate-related Financial Disclosures" (TCFD) in its reporting as of the 2020 financial year, to provide stakeholders with all information required to assess opportunities and risks linked to the climate.

Proposed dividend up to 11 cents per share

The Board of Directors, considering the positive results reached, has decided to put an 11 cents per share dividend to the Shareholders Meeting to be held on 28 April, up 10% compared to the last dividend paid and outperforming Business Plan target for the current year. This will furthermore benefit the shareholder remuneration policy described in the Business Plan, since this new starting point will be applied, thus arriving at a dividend coming to 13 cents per share by 2024, with constant increases introduced year after year. The rise in financial expenditure for the dividends foreseen over the period covered by the Plan will be fully covered by the cash already generated in 2020. The ex-dividend date has been set at 5 July 2021, with payment as of 7 July 2020. The dividend will be paid to shares recorded on 6 July 2021.

Report on remuneration policy and compensation paid approved

The Board of Directors furthermore approved the Report on remuneration policy 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 – increased significantly compared to the previous year, in terms of both earnings and volumes sold, rising to 374.4 million euro (+9.6%), 32.8 million more than the 341.6 million seen in 2019.

This result was reached in spite of the impact of the health emergency, the milder winter temperatures, the spin-off of part of the gas distribution network following the Ascopiave transaction and the latest revision of tariffs by the Authority, all of which decreased Ebitda by roughly 50 million. Contributions to growth in Ebitda came mainly from the Ascopiave partnership, with the acquisition of companies belonging to the EstEnergy Group and AmgasBlu, and from the 8 portions of the last resort gas service in 16 regions of Italy and 5 portions of the default gas distribution service in 12 regions awarded for the period from 1 October 2020 to 30 September 2021. This growth was also sustained by the heat management business, with facade incentives.

The number of gas customers reached almost 2.1 million, up by roughly 27 thousand over 2019 (+1.3%).

In 2020, gross investments coming to 135.3 million were made, mainly going to interventions in the large-scale meter substitution and activities linked to acquiring new customers. The gas area's contribution to Group Ebitda rose to 33.3%.

Water

Ebitda for the water area – which includes services in the aqueduct, purification and sewerage – came to 265.8 million euro, with a slight increase over the 265.3 million seen one year earlier. This result is due to the efficiency enhancing initiatives introduced by the Group, which fully offset the lower new connections, customer requests and subcontracted works owing to the health emergency.

A slight increase in customers was also seen, amounting to 3 thousand, which now reach almost 1.5 million overall. Including capital grants, investments amounted to 166.2 million euro, mainly involving extensions, reclamations and network and plant upgrading, as well as regulatory adjustments, especially in the area of purification and sewage. Among other projects, work continued on the Rimini seawater protection plan, one of the most important, cutting-edge works in Italy in the field of sewerage and purification, in addition to upgrading the sewerage network in other areas. Requests for new water and sewerage connections increased compared to the previous year. The water area accounted for 23.7% of Group Ebitda.

Waste

Ebitda for the waste area – in which Hera Group is Italy's foremost operator, and which includes waste collection, treatment and disposal services – settled at 258.0 million euro, compared to the 264.2 million euro seen in 2019, mainly due to a reduction in the earnings for regulated activities of municipal waste collection and sweeping. This result felt the effects of the health emergency, owing to the reduction in waste production seen during the lockdown, as well as the drop in demand for recycled plastic material and in prices for recycled products, and lower revenues from electricity generation in waste-to-energy plants. Nevertheless, in this context, Hera was able to react promptly thanks to its cutting-edge set of plants, with approximately ninety plants able to treat all types of waste, from the point of view of a circular economy as well, which proved to be a fundamental strategic lever in the Italian scenario, considering the country's structural shortage of plants. This is confirmed by the positive results achieved by the waste management sector in the last quarter of 2020, which, along with the increase seen in waste treatment prices, made it possible to offset the Covid '19 impact on Ebitda. Total investments coming to 68.3 million euro were mainly allocated to maintenance and upgrades on plants.

This set of assets was further reinforced thanks to recent acquisitions – such as the one concerning Pistoia Ambiente – and agreements with outstanding partners. The latter include an agreement between Aliplast and NextChem, a company belonging to the Maire Tecnimont Group, aimed at creating an innovative structure for producing high-quality recycled polymers, which will make it possible to recycle rigid plastics and thus introduce greater sustainability in industrial sectors, such as the IT sector, which until now have used only virgin plastics. Again, a partnership was signed between Herambiente and Eni Rewind for creating, in Ravenna, an avant-garde environmental platform to manage industrial waste, minimizing disposal in favour of material and energy recovery.

In 2020 as well, protecting environmental resources was confirmed as a priority objective for Hera, along with maximising their reuse, as is demonstrated by the additional increase in sorted municipal waste collection, which went from 64.6% in 2019 to 65.3% in 2020. The waste area accounted for 23% of Group Ebitda.

Electricity

The electricity area – which covers electricity generation, distribution and sales services – recorded an Ebitda coming to 188.2 million, up 9.7 million (+5.5%) compared to 178.5 million seen during the previous year. This result is mainly linked to the Ascopiave partnership, thanks to the acquisition of EstEnergy and AmgasBlu, and to higher margins from electricity generation in the dispatching service market, all of which considerably contained the negative effect of the health emergency.

Increases were also seen in requests for new connections and in investments, which amounted to 47.7 million euro, 4.3 million more than in the previous year, mainly involving non-recurring maintenance on plants and distribution networks in the Modena, Imola, Trieste and Gorizia areas. Electricity customers rose to 1.3 million (+3.5%), up 44.8 thousand compared to 2019, with growth mainly seen on the free market, thanks to reinforced sales initiatives; safeguarded customers, instead, remained virtually the same as in the previous year. The electricity area accounted for 16.8% of Group Ebitda.



Statement by Executive Chairman Tomaso Tommasi di Vignano

The Hera Group's 2020 financial statements prove, once again, our solidity and the effectiveness of our strategies, but also our close relations with local areas and stakeholders. These results indeed reflect our uninterrupted activities, in spite of the pandemic, supporting the economic fabric in which we operate. Quarter after quarter, we succeeded in meeting the challenges posed by the emergency, reacting quickly to reorganise our work and find solutions to protect our assets on the one hand, and customers on the other. In a complex context, we defined new projects and signed agreements with outstanding partners, and in the second half of 2020, gaining speed in particular towards the end of the year, we benefitted from the overall recovery seen in economic activities in the areas we serve. These positive results were reflected in all main indicators and are all the more significant in light of the difficulties caused by the health emergency: we thus confirmed our track record of 18 years of growth and further improved our financial solidity, with positive consequences for our public and private shareholders, to whom we have decided to pay, already this year, an increased dividend coming to 11 cents per share. The good cash generation seen in 2020, furthermore, will allow us to fully cover our policy of increased dividends through to 2024.

Statement by CEO Stefano Venier

The growth achieved by the Hera Group was strongly supported by its partnership with Ascopiave, which enabled the Group to expand further in the Triveneto region. Despite the complex context, we were able to immediately extract a significant part of the expected synergies, thus giving a crucial contribution to the increase in our cash flows in 2020. The year was also dedicated to further progress in fully integrating sustainability into our business strategies: we are committed to promoting further development in this direction, with projects for circularity, carbon neutrality and technological innovation, respecting European policies and the goals on the UN's 2030 Agenda. This also includes a few collaborations recently launched, such as the one with Snam for developing hydrogen. Green gases, in fact, are a particularly interesting frontier for us precisely because we operate in more than one business: by providing our wide range of expertise and our broad infrastructures, we can create innovative examples of carbon neutral circularity between supply chains.

28 April 2021 Shareholders Meeting

In light of the ongoing need for prudence in avoiding situations of risk caused by the spread of the Covid-19 epidemic, and therefore respecting fundamental principles of health protection, those entitled to take part in the Shareholders Meeting will be able to intervene without access to the physical premises and only through the Designated Representative. The notice calling the meeting and the documents pertaining to the Shareholders Meeting to be held on 28 April will be communicated to Shareholders and made available to the public in the regular forms provided for by law and the Articles of Association.

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), within 6 April 2021.

Unaudited extracts from the Financial Statements at 31 December 2020 are attached.

Profit & Loss (m€)	31/12/2020	Inc. %	31/12/2019	Inc. %	Ch.	Ch. %
Sales	7,079.0		6,912.8		+166.2	+2.4%
Other operating revenues	467.8	6.6%	530.8	7.7%	(63.0)	(11.9%)
Raw material	(3,410.6)	(48.2%)	(3,458.2)	(50.0%)	(47.6)	(1.4%)
Services costs	(2,424.9)	(34.3%)	(2,318.2)	(33.5%)	+106.7	+4.6%
Other operating expenses	(58.9)	(0.8%)	(59.3)	(0.9%)	(0.4)	(0.7%)
Personnel costs	(572.7)	(8.1%)	(560.4)	(8.1%)	+12.3	+2.2%
Capitalisations	43.3	0.6%	37.6	0.5%	+5.7	+15.1%
Ebitda	1,123.0	15.9%	1,085.1	15.7%	+37.9	+3.5%
Depreciation and provisions	(571.7)	(8.1%)	(542.6)	(7.8%)	+29.1	+5.4%
Ebit	551.3	7.8%	542.5	7.8%	+8.8	+1.6%
Financial inc./(exp.)	(116.7)	(1.6%)	(100.0)	(1.4%)	+16.7	+16.7%
Pre tax profit	434.6	6.1%	442.5	6.4%	(7.9)	(1.8%)
Taxes	(111.8)	(1.6%)	(125.4)	(1.8%)	(13.6)	(10.8%)
Net profit	322.8	4.6%	317.1	4.6%	+5.7	+1.8%
Results from special items	-	0.0%	84.9	1.2%	(84.9)	+100.0%
Net profit for the period	322.8	4.6%	402.0	5.8%	(79.2)	(19.7%)
Attributable to:						
Shareholders of the Parent Company	302.7	4.3%	385.7*	5.6%	(83.0)	(21.5%)
Minority shareholders	20.1	0.3%	16.3	0.2%	+3.8	+23.3%

* Adjusted 2019 net profit, attributable to Parent company shareholders, amounted to € 300.8 M€

Balance Sheet (m€)	31/12/2020	Inc. %	31/12/2019	Inc. %	Ch.	Ch. %
Net fixed assets	6,983.6	109.4%	6,846.3	108.9%	+137.3	+2.0%
Working capital	53.6	0.8%	87.0	1.4%	(33.4)	(38.4%)
(Provisions)	(654.9)	(10.2%)	(649.1)	(10.3%)	(5.8)	+0.9%
Net invested capital	6,382.3	100.0%	6,284.2	100.0%	+98.1	+1.6%
Net equity	3,155.3	49.4%	3,010.0	47.9%	+145.3	+4.8%
Long term net financial debt	3,617.1	56.7%	3,383.4	53.8%	+233.7	+6.9%
Short term net financial debt	(390.1)	(6.1%)	(109.2)	(1.7%)	(280.9)	+257.2%
Net financial debts	3,227.0	50.6%	3,274.2	52.1%	(47.2)	(1.4%)
Net invested capital	6,382.3	100.0%	6,284.2	100.0%	+98.1	+1.6%