

press release

Bologna, 11 May 2022

Hera Board of Directors approves Q1 2022 results

The consolidated quarterly report at 31 March shows growth in revenues and Ebitda, proving the solidity and resilience of the Hera Group's business model even in this difficult economic context. The Group confirms its commitment to sustainable development, with a strategic approach aimed at creating value for all stakeholders, starting from the local areas and communities it serves.

Financial highlights

- Revenues at 5,312 million euro (+133.8%)
- Ebitda at 374.0 million euro (+3.3%)
- Net profits at 137.8 million euro (-1.8%)
- Net debt at 3,455.2 million euro, with net debt/Ebitda ratio at 2.8x

Operating highlights

- Good contribution to growth comes from the main businesses, in particular the energy sectors and the waste management area
- Further development of initiatives for the ecological transition and the circular economy, thanks to state-of-the-art plants and increasingly green services
- Solid energy customer base, with approximately 3.5 million customers

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

Despite the fact that the results for the first quarter of 2022 were achieved against the backdrop of an extraordinarily difficult international scenario, marked by energy market volatility and geopolitical conflicts, Hera's management policies – based on its solid and resilient business model – proved to be effective and enabled it to show further growth in results. Following up on the indications contained in the Business Plan to 2025, the Group thus continues to create value for stakeholders while ensuring, at the same time, quality and continuity in services.

The results achieved are all the more remarkable considering that they fully offset the negative impact of Arera's Resolution 614/2021 concerning a reduction in returns on capital invested in regulated activities (WACC).

As regards changes in the scope of operations, compared to March 2021 two companies were integrated in the waste management area, which contribute to increasing the commercial presence in central-northern Italy: Recycla, a 70% owned company from Friuli that manages three platforms for industrial waste, and the Vallortigara Group, 80% owned, which provides services to industries, public administrations and citizens and manages a multifunctional platform for special waste treatment. The energy areas now benefit from 100% ownership of Atlas Utilities, through its Bulgarian subsidiary Ares Gas, and of the Abruzzo-based company Eco Gas, 90% owned by Hera Comm.

Also note that Hera Comm was awarded the graduated protection service for electricity supply to SMEs in 9 regions of Italy.

As regards regulated services, in November 2021 Atersir definitively awarded the Hera Group the tender for the concession of the integrated water service for 24 municipalities in the province of Rimini, including the capital, with a contract worth approximately 1.7 billion euro. The Hera Group, which was also the outgoing manager, will therefore be responsible for this service from 2022 to 2039. A few weeks later, lastly, Atersir

definitively awarded the Hera Group, for a period of time covering 15 years, the tenders for the municipal waste collection services in the Modena and Bologna areas, with a total scope of 1.5 million inhabitants and a value coming to over 2.5 billion.

Revenues at roughly 5.3 billion euro (+133.8%)

In the first quarter of 2022, revenues amounted to 5,312.0 million euro, up sharply from 2,271.8 million euro seen in the same period one year earlier. The energy sectors in particular contributed to this result, showing significant growth due to increased trading and the rise in commodity prices, as well as higher volumes of gas sold as a result of new lots won in tenders and lower winter temperatures. In addition, growth in energy services was related to energy efficiency in residential buildings (insulation bonus and 110% tax super-bonus) and increased activities for value-added services for customers. Revenues from the waste management sector were also up, mainly due to energy production, higher prices in the recovery market and new acquisitions in the industrial market. Lastly, revenues from network services increased, both regulated and for third parties, as did revenues from the public lighting service.

Ebitda rises to 374.0 million euro (+3.3%)

Ebitda went from 362.0 million euro in the first three months of 2021 to 374.0 million euro at 31 March 2022, up 12.0 million euro (+3.3%). The main contributions to this result came from the energy area, up by a total of 6.1 million euro, and the waste management area, up 8.1 million euro, offsetting the slight drop in the other services area. In particular, the activities managed concerning the ecological transition and circular economy were decisive, including energy efficiency services developed for condominiums, a reinforcement of value-added services in the energy sector (from “green” supply to sales and installation of LED devices, smart boilers and thermostats, and energy diagnostics) and the regeneration of resources, through Group subsidiary Aliplast.

Operating result and pre-tax profit down slightly

Operating results amounted to 220.1 million euro at 31 March 2022, down 1.3% from the 223.1 million euro seen in the first quarter of 2021, mainly due to higher amortisation and depreciation due to changes in the scope of consolidation and higher provisions for bad debts mainly attributable to both last resort and traditional markets as well as the graduated protection service. Financial operations at 31 March 2022 were mainly unchanged, at 29.5 million, compared to 28.8 million euro seen in the first quarter of 2021. This change was caused by lower income from late payment indemnities, partially offset by lower financial charges on long-term debt resulting from debt optimisations. Pre-tax profit amounted to 190.6 million euro, slightly down from 194.3 million euro at 31 March 2021 (-1.9%).

Net profit at 137.8 million euro

Thanks to a tax rate coming to 27.7%, quite similar to the 27.8% rate of the previous year, net profit stood at 137.8 million euro, as against 140.3 million euro in the first quarter of 2021. Profit pertaining to the Group’s shareholders amounted to 126.5 million euro, down from 132.2 million euro at 31 March 2021, due to an increase in the portion attributable to minority shareholders.

Strong growth in operating investments and Group solidity reinforced

The Group’s operating investments, including capital grants, amounted to 129.2 million euro, up 11.1% compared to the previous year, and mainly involved work on plants, networks and infrastructures. In addition, regulatory upgrading was carried out, mainly in the gas distribution sector with a large-scale meter replacement, and in the purification and sewerage sector.

Net financial debt went from 3,261.3 million euro at 31 December 2021 to 3,455.2 million euro at 31 March 2022, mainly due to a change in net working capital, which increased as a result of the energy scenario and

the impact of interventions on “rising bills” also in terms of payment by instalments. The net debt/Ebitda ratio remained substantially stable, at 2.8x, confirming the company's financial solidity.

Gas

As regards the gas area – which includes distribution and sales of natural gas, district heating and energy services – Ebitda rose to 201.4 million, showing an increase of 22.9 million, or 12.9%, compared to 31 March 2021. This was mainly due to the increased sales and incentivised energy efficiency activities and district heating.

The first quarter of 2022 therefore showed significant growth compared to the same period of 2021, both in terms of margins and volumes sold, thanks to the results achieved in energy efficiency incentives and the 17 lots awarded nationwide to Hera Comm through tenders, including: 6 lots of the last resort gas service in 12 regions of Italy, 9 lots of the default gas distribution service in 19 regions and 2 lots of the Consip GAS14 tender for the supply of natural gas to Public Administrations in Lombardy region.

The number of gas customers came to almost 2.1 million, up 1.7% compared to the previous year.

The gas area accounted for 53.9% of Group Ebitda.

Electricity

Ebitda for the electricity area – which includes electricity generation, distribution and sales services – amounted to 30.4 million euro, down compared to the same period of 2021 owing to the different conditions of energy markets in relation to procurement (higher raw material prices) and a lower contribution from generation (less use of the market by dispatching services as a result of normalised conditions in the areas served by the generation plants). At Group level, margins from sales and trading did not witness significant changes overall traceable to the extraordinary situation of energy commodity prices, thanks to the effectiveness of hedging policies and the management of these risks. Also note the positive result coming from commercial growth in free market customers, supported by innovative offers, value-added services and improved customer experience. In addition, Hera Comm Spa was awarded through a tender, for the period from 1 July 2021 to 30 June 2024, the graduated protection service for the supply of electricity to SMEs in nine Italian regions, corresponding to three allocation lots in the national tender called by the Single Buyer.

The customer base also continued to grow in the electricity area, reaching almost 1.4 million (+5.3%). This growth occurred on the free market, both as a result of the reinforced commercial actions implemented, accounting for roughly 30 thousand customers, and the graduated protection service awarded, with approximately 37.3 thousand customers. The safeguarded market was also up compared to the same period of the previous year.

Alongside the above-mentioned trend, an increase was seen in the number of customers subscribing to value-added services, with approximately 22.5 thousand customers, up 46% compared to the previous year, demonstrating the growing loyalty of the Group's customer base.

The electricity area accounted for 8.1% of Group Ebitda.

Water cycle

In the first quarter of 2022, the integrated water cycle area – which includes aqueduct, purification and sewerage services – rose from 55 million euro in the first quarter of 2021 to 55.5 million euro in the first quarter of 2022 (+0.8%), thanks in particular to the contribution coming from higher revenues for new connections.

In the first quarter of 2022, investments made in the water cycle area, including capital grants, rose to over 43 million euro (28.3 million euro in the aqueduct, 8.5 million euro in sewerage and 6.6 million euro in purification), mainly involving extensions, reclamation and upgrades on networks and plants, as well as regulatory compliance, especially in the purification and sewerage sectors.

The integrated water cycle area accounted for 14.8% of Group Ebitda.

Waste management

Ebitda for the waste management area – which includes waste collection, treatment and recovery services – increased by 8.1 million euro compared to the same period in 2021, rising to 78.9 million euro at 31 March 2022 (+11.4%), as against 70.8 million euro in the first quarter of 2021. Thanks to its set of plants, which continues to be a distinctive strategic asset on the market, the Group was able to seize opportunities for growth, confirming its ability to react with great resilience to the current market context. In particular, waste treatment contributed to this growth, reaching Ebitda coming to 61 million euro, up 20.8% compared to the 50.5 million euro seen one year earlier. In Italy, the progressive increase in the cost of energy and the difficulties in finding raw materials that began in late 2021 led to a slowdown in production in many manufacturing sectors during the early months of 2022, with repercussions in waste production. Nevertheless, the Group was able to expand its market share in industrial waste treatment, also benefiting from the larger scope of operations ensuing from the M&A transactions mentioned above.

Aliplast's commercial growth in the recovery market continued, due to price increases in all sectors resulting from the high value of virgin polymer and strong market demand, and its consolidated leadership in other markets in which the Group is active.

The Hera Group operates in the complete waste cycle, with over 90 plants for municipal and special waste treatment and plastic materials regeneration. The main plants include: 9 waste-to-energy plants, 12 composting/digestion plants and 15 sorting plants. The close attention paid to plants has always been a distinctive element of the Group's propensity for excellence: indeed, operations are ongoing to provide plants with the best available technologies and to complete the revamping of two waste-to-energy plants, one in Trieste and one in Ravenna. Thanks to the in-depth operational skills possessed by the Group and the other companies in the tender-winning RTIs, the areas served will be equipped with collection models having innovative services and equipment, with a strong focus on sustainability, waste reduction and an increase in recycled materials.

The waste management area accounted for 21.1% of Group Ebitda.

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 Quarterly Financial Statement and related materials are available to the public at Company Headquarters and on the website www.gruppohera.it.

Unaudited extracts from the Intermediate Financial Report at 31 March 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

Profit & Loss (m€)	31/03/2022	Inc. %	31/03/2021	Inc. %	Ch.	Ch. %
Sales	5,312.0		2,271.8		+3,040.2	+133.8%
Other operating revenues	100.7	1.9%	100.7	4.4%	+0.0	+0.0%
Raw material	(4,307.8)	(81.1%)	(1,209.7)	(53.2%)	+3,098.1	+256.1%
Services costs	(573.3)	(10.8%)	(646.9)	(28.5%)	(73.6)	(11.4%)
Other operating expenses	(17.2)	(0.3%)	(17.1)	(0.8%)	+0.1	+0.6%
Personnel costs	(154.5)	(2.9%)	(150.1)	(6.6%)	+4.4	+2.9%
Capitalisations	14.1	0.3%	13.3	0.6%	+0.8	+6.0%
Ebitda	374.0	7.0%	362.0	15.9%	+12.0	+3.3%
Depreciation and provisions	(153.9)	(2.9%)	(138.9)	(6.1%)	+15.0	+10.8%
Ebit	220.1	4.1%	223.1	9.8%	(3.0)	(1.3%)
Financial inc./(exp.)	(29.5)	(0.6%)	(28.8)	(1.3%)	+0.7	+2.4%
Pre tax profit	190.6	3.6%	194.3	8.6%	(3.7)	(1.9%)
Taxes	(52.8)	(1.0%)	(54.0)	(2.4%)	(1.2)	(2.2%)
Net profit	137.8	2.6%	140.3	6.2%	(2.5)	(1.8%)
Attributable to:						
Shareholders of the Parent Company	126.5	2.4%	132.2	5.8%	(5.7)	(4.3%)
Minority shareholders	11.3	0.2%	8.1	0.4%	+3.2	+39.3%
Balance Sheet (m€)	31/03/2022	Inc. %	31/12/2021	Inc. %	Ch.	Ch. %
Net fixed assets	7,294.8	103.4%	7,308.0	109.4%	(13.2)	(0.2%)
Working capital	398.9	5.6%	3.5	0.1%	+395.4	+11,297.1%
(Provisions)	(637.2)	(9.0%)	(633.4)	(9.5%)	(3.8)	+0.6%
Net invested capital	7,056.5	100.0%	6,678.1	100.0%	+378.4	+5.7%
Net equity	3,601.3	51.0%	3,416.8	51.2%	+184.5	+5.4%
Long term net financial debt	3,644.6	51.7%	3,633.1	54.4%	+11.5	+0.3%
Short term net financial debt	(189.4)	(2.7%)	(371.8)	(5.6%)	+182.4	(49.1%)
Net financial debts	3,455.2	49.0%	3,261.3	48.8%	+193.9	+5.9%
Net invested capital	7,056.5	100.0%	6,678.1	100.0%	+378.4	+5.7%