



press release

Bologna, 28 July 2021

Hera BoD approves results for 1H 2021

The half-year report shows significant growth in operating and financial indicators, thanks to the contribution coming from the Group's main businesses. The pursuit of sustainable development and financial solidity are confirmed as strong points, as further verified by the recent S&P ESG Evaluation and the net debt/Ebitda ratio, which further improved to 2.5x

Financial highlights

- Revenues at 4,179.7 million euro (+22.8%)
- Ebitda at 617.9 million euro (+10.4%)
- Net profit for Shareholders at 216.1 million euro (+30.0%)
- Strong improvement in net financial debt, now at 2,956.7 million euro, with a further decrease in the net debt/Ebitda ratio, now at 2.5x

Operating highlights

- Good contribution to growth comes from the Group's main businesses, in particular the energy and waste areas
- Progression of results underpinned both by organic growth and M&A
- Solid customer base in energy sectors, coming to almost 3.4 million customers

Today, the Hera Group's Board of Directors, chaired by Tomaso Tommasi di Vignano, unanimously approved the consolidated operating results for the first half of 2021, which confirm the positive trend shown by the Group, with strong growth in the main operating and financial indicators, and financial solidity confirmed by the further improvement in the net debt/Ebitda ratio, now at 2.5x.

Hera thus continues along its uninterrupted path of development, promoting growth led by sustainability and innovation and relying on a strategy that balances internal growth and M&As and combines regulated and free market activities.

Among the main changes in the scope of consolidation, external growth occurred through a few transactions in the waste management sector, in particular the acquisition of 70% of Recycla, a Friuli-based company that manages three platforms for solid and liquid industrial waste and is headquartered in Maniago (PN), consolidated in the first half of 2021. In addition, 31% of SEA, a company operating in the Marche region with a solid facility for industrial waste, was acquired, and a further transaction will be closed in the same area within the summer. Furthermore, another acquisition will contribute to the results in second half: yesterday it was finalised the acquisition of the 90% of share capital of Ecogas, operating in Abruzzo, which will bring roughly 22,000 new customers and will lead the Group to consolidate its role as the third largest operator in that area, with roughly 90,000 customers.

Revenues increase sharply, coming to roughly 4.2 billion euro

In the first half of 2021, revenues amounted to 4,179.7 million, rising considerably by 777.4 million (+22.8%) compared to the 3,402.3 million seen in the same period of 2020, thanks to the contribution coming from all business areas. In particular, the waste management sector contributed to growth with an increase in waste treated and plastics sold, as did the energy areas. In this area, higher revenues came from trading, higher



volumes of gas sold, the increased price of electricity and generation, as well as growth in the heat management business and value-added services.

Ebitda rises to 617.9 million euro

Ebitda amounted to 617.9 million, up by 58.2 million (+10.4%) over the 559.7 million seen at 30 June 2020. This growth was mainly driven by the energy area, due to higher sales and trading margins, and the waste management sector.

Operating results and pre-tax profits increase

Operating income rose to 343.6 million (+16.2%), compared to 295.7 million in the same period of 2020, partially due to improved financial operations, coming to 55.1 million. This result includes higher charges resulting from the sale of tax credits as part of ecobonus-related activities. Pre-tax profit rose to 288.5 million (+20.5%), up compared to the 239.5 million in the first half of 2020, for reasons including non-recurring items related to a tax exemptions, as described in further detail below.

Net profits for Shareholders up, reaching 216.1 million euro

Thanks to a tax rate coming to 26.7%, an improvement compared to the 27% seen in the first half of 2020, achieved thanks to the Group's commitment investment in technological, digital and environmental transformation following Utility 4.0 trends, net profits at 30 June 2021 rose to 236.2 million (+35.1%), compared to 174.9 million in the first half of 2020. This increase is also linked to the value of special items, which contributed with 24.7 million, also due to the effects of the tax realignment concerning some goodwill recognised in the financial statements for 46.3 million. Also due to this factor, profit attributable to Group Shareholders increased sharply, coming to 216.1 million (+30.0%), as against the 166.2 million seen in the same period one year earlier.

Strong increase in investments and improvement in net financial debt

Net operating investments went from 195.1 million at 30 June 2020 to 237.4 million in the first half of 2021, up 21.7%, and were mainly related to works on plants, networks and infrastructures, in addition to investments for the large-scale meter replacement and the purification and sewage sector.

Thanks to the positive contribution coming from operations, which allowed both higher investments and M&A transactions to be fully financed, net financial debt further improved, settling at 2,956.7 million at 30 June 2021, compared to 3,227.0 million at 31 December 2020. The Group's financial solidity was also confirmed by the net debt/Ebitda ratio, which in the first half of 2021 dropped to 2.5x, a further improvement compared to 2.87x at the end of 2020 and 2.81x at 30 June 2020. Hera's financial strength – also reflected in the ratings given by the main rating agencies, including Standard & Poor's recent upgrade to BBB+ with a stable outlook – goes hand in hand with the sustainable development strategy it has pursued since its establishment, along with its ability to manage risks and opportunities, as shown last week by S&P Global Rating's ESG Evaluation.

Gas

Ebitda for the gas area – which includes services in natural gas distribution and sales, district heating and heat management – amounted to 244.1 million in the first half of 2021, a strong improvement (+21.6%) compared to the 200.8 million seen at 30 June 2020. This result was achieved mainly thanks to growth in both traditional and last resort markets. In particular, the Hera Group is increasingly consolidating its presence, with 8 portions awarded in the last resort gas service in 16 regions, 5 portions in the gas distribution default service in 12 regions and 9 portions of the Consip GAS13 tender in 12 regions. An increase in the energy services management business also contributed to growth, due to the greater activities linked to the insulation bonus and energy efficiency works for condominiums, district heating volumes and increased activities in Bulgaria.



There was a slight increase in the customer base (+0.8% compared to the same period during the previous year), which totalled more than 2 million, to which the customers acquired from the Abruzzo company Ecogas will be added in the second half of the year.

The gas area accounted for 39.5% of Group Ebitda.

Water

Ebitda for the integrated water cycle area – which includes aqueduct, purification and sewerage services – remained stable at 122.3 million at 30 June 2021, compared to 122.7 million in the first half of 2020. This result reflects higher operating costs on networks and plants, especially on electricity costs and on sludge disposal, compared to the previous year, partially offset by increased revenues from new connections and services for third parties.

The integrated water cycle area accounted for 19.8% of Group Ebitda.

Waste

In the first half of 2021, Ebitda for the waste management area – which includes waste collection, treatment, recycling and disposal services – grew to 142.6 million, with a strong 16.5% increase compared to the 122.4 million seen at 30 June 2020, thanks in particular to growth in volumes treated, an increase in sales of recycled plastic products and higher revenues from electricity generation and biomethane production. The earliest positive impacts of the new acquisitions also appeared, especially from Recycla, which contributed 3.5 million to the results as of 1st January.

Against a backdrop of recovery in the sector, the Group thus further confirmed and consolidated its leadership, partially due to partnerships in the industrial waste and environmental remediation and restoration sectors, which helped further expand its plant facilities, which now number around ninety, capable of handling all types of waste. Hera also continues to develop initiatives for an increasingly circular economy, from material recovery activities, thanks to the company Aliplast, which operates in plastic recycling and whose volumes are growing rapidly, to the production of renewable energy and biomethane, and Hera Business Solution, a “turnkey” multi-service proposal for large companies offering sustainable and integrated management of waste, water and energy.

Further growth was seen in sorted waste collection, which stood at 65.8% at 30 June 2021, compared to 64.4% in the first half of 2020, thanks to the numerous projects introduced.

The waste management area accounted for 23.1% of Group Ebitda.

Electricity

In the first half of 2021, Ebitda for the electricity area – which includes electricity generation, distribution and sales services – settled at 90.0 million, compared to the 97.0 million seen at 30 June 2020. Lower earnings in the safeguarded segment of the last resort market, due to a different scope of portions managed, and lower electricity generation activities were partially offset by the positive result of trading activities and strong commercial development, supported by innovative offers, value-added services and increasing investments to improve customer experience and customer segmentation based on different needs.

Customers increased slightly (+1.4%), reaching over 1.3 million.

The electricity area accounted for 14.6% of Group Ebitda.

Statement by Executive Chairman Tomaso Tommasi di Vignano

Our half-year results reflect the good performance of the Group and encourage us to look towards the future with confidence, in line with our long-standing path of growth and our focus on creating value for our shareholders and the local areas in which we operate. In particular, respecting the strategic guidelines contained in our Business Plan to 2024, we are carrying out a series of transactions aimed at external growth,



which will allow us to consolidate our leadership in Italy in waste treatment and further expand our plant platform, with cutting-edge facilities and circular economy solutions for companies. In this way, we will be able to continue to extend the scope of our activity, extracting synergies and guaranteeing increasing benefits for our customers, thanks to a more pervasive presence in the areas served. The acquisitions in the waste management area alone, once completed, will create an additional contribution to the Hera Group's Ebitda coming to approximately 20 million euro, above and beyond the value of the synergies expected from these integrations.

Statement by CEO Stefano Venier

The results achieved in the first half of the year show a further reinforcement of our financial solidity, based on an excellent operating performance and effective management of working capital. This balanced and solid path allows us to effectively govern the changes underway, guaranteeing further expansion in investments and continuing to implement the development strategy outlined in our Business Plan, capable of combining growth and solutions supporting the transition, as further confirmed quite recently by S&P Global Rating's ESG Evaluation.

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 Half-Year Financial Statement and related materials will be available to the public pursuant to the terms established by law at Company Headquarters, on the website www.gruppohera.it and on the authorised storage platform 1Info (www.1info.it).

Unaudited extracts from the Abbreviated Consolidated Half-Year Financial Statements at 30 June 2021 are attached.

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

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Profit & Loss (m€)	30/06/2021	Inc. %	30/06/2020	Inc. %	Ch.	Ch. %
Sales	4,179.7		3,402.3		+777.4	+22.8%
Other operating revenues	140.2	3.4%	222.6	6.5%	(82.4)	(37.0%)
Raw material	(2,128.5)	(50.9%)	(1,605.1)	(47.2%)	+523.4	+32.6%
Services costs	(1,260.1)	(30.1%)	(1,151.0)	(33.8%)	+109.1	+9.5%
Other operating expenses	(37.9)	(0.9%)	(32.5)	(1.0%)	+5.4	+16.6%
Personnel costs	(301.8)	(7.2%)	(290.9)	(8.5%)	+10.9	+3.7%
Capitalisations	26.3	0.6%	14.3	0.4%	+12.0	+84.0%
Ebitda	617.9	14.8%	559.7	16.5%	+58.2	+10.4%
Depreciation and provisions	(274.3)	(6.6%)	(264.0)	(7.8%)	+10.3	+3.9%
Ebit	343.6	8.2%	295.7	8.7%	+47.9	+16.2%
Financial inc./(exp.)	(55.1)	(1.3%)	(56.2)	(1.7%)	(1.1)	(2.0%)
Pre tax profit	288.5	6.9%	239.5	7.0%	+49.0	+20.5%
Taxes	(77.0)	(1.8%)	(64.6)	(1.9%)	+12.4	+19.2%
Net profit	211.5	5.1%	174.9	5.1%	+36.6	+20.9%
Special items	24.7	0.6%	-	0.0%	+24.7	+100.0%
Net profit	236.2	5.7%	174.9	5.1%	+61.3	+35.1%
Attributable to:						
Shareholders of the Parent Company	216.1	5.2%	166.2	4.9%	+49.9	+30.0%
Minority shareholders	20.1	0.5%	8.7	0.3%	+11.4	+131.1%

Balance Sheet (m€)	30/06/2021	Inc.%	31/12/2020	Inc.%	Ch.	Ch. %
Net fixed assets	7,097.6	113.4%	6,983.6	109.4%	+114.0	+1.6%
Working capital	(176.8)	(2.8%)	53.6	0.8%	(230.4)	(429.9%)
(Provisions)	(663.4)	(10.6%)	(654.9)	(10.2%)	(8.5)	+1.3%
Net invested capital	6,257.4	100.0%	6,382.3	100.0%	(124.9)	(2.0%)
Net equity	3,300.7	52.7%	3,155.3	49.4%	+145.4	+4.6%
Long term net financial debt	3,460.6	55.3%	3,617.1	56.7%	(156.5)	(4.3%)
Short term net financial debt	(503.9)	(8.0%)	(390.1)	(6.1%)	(113.8)	+29.2%
Net financial debts	2,956.7	47.3%	3,227.0	50.6%	(270.3)	(8.4%)
Net invested capital	6,257.4	100.0%	6,382.3	100.0%	(124.9)	(2.0%)