

**press release**

Bologna, 13 May 2020

## **Hera BoD approves Q1 2020 results**

*The consolidated quarterly report at 31 March shows growth in results, thanks to the contribution coming from the Group's main business areas. Value continues to be created in the areas served, while Hera has proactively introduced numerous measures supporting stakeholders while facing the Covid-19 emergency currently affecting the country*

### **Financial highlights**

- **Revenues at 2,055.8 million euro (+5.9%)**
- **Ebitda at 349.2 million euro (+5.6%)**
- **Net profit at 130.3 million euro (+0.5%)**
- **Net financial position at 3,229.1 million euro**

### **Operating highlights**

- **Good contribution to growth coming from main businesses, the energy and waste management sectors in particular**
- **Solid customers base in energy sectors, with a strong rise to 3.3 million customers, thanks to the recent partnership with Ascopiave**
- **A wide range of activities introduced to protect and sustain all stakeholders, first and foremost customers, with favourable conditions granted for paying bills**

Today, the Hera Group's new Board of Directors, which came into office on 29 April 2020 and is chaired by Tomaso Tommasi di Vignano, unanimously approved the Group's consolidated operating results for the first quarter. Improvement was seen over the same period in 2019, thanks to the contribution coming from internal growth and M&As, which proved able to more than offset the effects of the mild winter temperatures and the health emergency that has struck the country.

The financial solidity that has always marked this multi-utility saw further improvement during the quarter, and allowed many measures to be proactively introduced, quite early, when the emergency had not yet affected the areas served. These measures are aimed at ensuring not only continuity in the Group's services, but also support and protection for all stakeholders, above all employees, suppliers and customers, for example in the favourable conditions granted for paying bills.

In general, the results reached confirm the validity of the Group's business model, which balances regulated and free market activities and, in line with the indications provided in the Business plan, promotes growth, sustainability and innovation, which have proven to be effective competitive levers in creating value for the areas served and all stakeholders.

The main changes in the Group's scope of operations compared to the first quarter of 2019 include the acquisition last May of Cosea Ambiente, the company that manages the urban and assimilated waste service owned by 20 municipalities in the Tuscan-Emilian Apennine area, including a ten-year grant for managing the Cosea Consorzio landfill in Gaggio Montano; the acquisition in July of Pistoia Ambiente's waste treatment plants in Tuscany; and, lastly, in December the finalisation of the partnership between Hera and Ascopiave, which acting through EstEnergy created the largest energy operator in North-Eastern Italy and at the same time led to a reorganisation of the two Groups' gas distribution activities.

### **Revenues reach over 2 billion euro**

In the first quarter of 2020, revenues amounted to 2,055.8 million euro, up compared to the 1,940.4 million seen in the same period of 2019. This result was largely sustained by changes in the scope of operations, which more than offset lower revenues for electricity and gas trading, production and sales, heat management and district heating, as well as commissions in the water service. Revenues in the waste management sector increased.

### **Ebitda rises to 349.2 million euro**

Ebitda went from 330.8 million euro in the first three months of 2019 to 349.2 million at 31 March 2020, showing an 18.4 million (+5.6%) increase. This growth in Ebitda is due in particular to the performance seen in the energy areas, which were up by 17.2 million euro overall, mainly owing to the entry of the companies belonging to the EstEnergy Group, as well as the waste management area, while the water cycle area showed a slight drop.

### **Operating result increases and pre-tax profit remains stable**

The net operating result also increased to 211.7 million euro at 31 March 2020, up compared to the 205.0 million seen at the same date in 2019 (+3.3%). A 7.6 million euro change occurred in financial operations at 31 March 2020, coming to 28.7 million euro, mainly due to the imputed costs involved in the put option concerning the amount held by Ascopiave and lower profits from joint ventures, mainly due to the consolidation of EstEnergy. Pre-tax profits came to 183.0 million euro, essentially in line with the 183.9 million seen in the first three months of 2019.

### **Net profit rises to 130.3 million (+0.5%)**

Net profit at 31 March 2020 increased to 130.3 million euro, up 0.5% over the 129.7 million seen one year earlier. Profits pertaining to Group Shareholders, instead, came to 124.4 million euro, with a slight increase compared to the 124.2 million recorded for the first quarter of 2019. These results bear the effects of a 28.8% tax rate, an improvement compared to the 29.5% seen one year earlier, thanks in particular to the Group's commitment to making investments in technological and digital transformation, along the lines of Utility 4.0.

### **Over 118 million in investments; net financial position improves**

Overall investments in the first three months of 2020 amounted to 118.6 million euro, as against 92.7 million in the same period of the previous year, and mainly went towards interventions on plants, networks and infrastructures, in addition to investments concerning an intensive meter substitution and the purification and sewerage areas. Total investments also include financial investments coming to 27.2 million.

Thanks to a positive cash flow generation, net financial debt, coming to 3,229.1 million euro, showed a roughly 45 million euro drop compared to December 2019. The Net debt/Ebitda ratio settled at 2.93x, confirming the Group's financial solidity (2.44x excluding the EstEnergy put option). The average time to maturity of overall debt is more than 6 years.

### **Gas area**

In the first quarter of 2019, Ebitda for the gas area – which includes services in natural gas distribution and sales, district heating and heat management – settled at 160.9 million euro, up compared to the 151.0 million seen at 31 March 2019 (+6.5%). This was due to the entry of the companies belonging to the EstEnergy Group and AmgasBlu, which offset the lower volumes of gas sold and lower margins for district heating and heat management, due to the mild temperatures seen in the first quarter of 2020. With a rise coming to over 560 thousand customers, mainly involved in the partnership with Ascopiave, gas customers reached 2



million. Distribution activities felt the first effects of the revised tariffs introduced by Arera, effective as of 1 January 2020.

The gas area accounted for 46.1% of Group Ebitda.

### **Water cycle area**

Ebitda for the integrated water cycle area – which includes aqueduct, purification and sewerage services – went from 58.9 million euro in the first quarter of 2019 to 57.2 million in the same period of 2020 (-2.9%), mainly owing to lower revenues from new connections, customer requests and dispensing, as well as the effects of the reduction in the costs recognised for tariffs defined by the Authority in late 2019.

As for the previous period, the results benefitted from bonuses awarded by the Authority for high service standards.

The integrated water cycle area accounted for 16.4% of Group Ebitda.

### **Waste management area**

Ebitda for the waste management area – which includes waste collection, treatment and disposal services – rose from 67.3 million euro in the first quarter of 2019 to 70.2 million at 31 March 2020 (+4.3%). This growth was created above all by higher revenues for waste treatment, higher quantities managed and the addition of new facilities to the scope of operations, such as the waste treatment plant inaugurated at Cordenons (PN), the Gaggio Montano (BO) landfill linked to the acquisition of Cosea Ambiente, and the Pistoia Ambiente plants in Tuscany. In a national context marked by an ongoing lack of plants, these new structures, operational as of the second and third quarters of 2019, further increased the set of plants managed by Herambiente, already the nation's leader in the waste management sector, dedicated to waste recycling, reuse and regeneration, including the company Aliplast (TV), engaged in plastic recycling, and the innovative plant producing biomethane and compost from organic waste located in Sant'Agata Bolognese (BO).

Good results were also seen in sorted waste, which increased to 65.4%, compared to the 64.1% seen in the first quarter of 2019, thanks to the many projects implemented across the areas served.

The waste management are accounted for 20.1% of Group Ebitda.

### **Electricity area**

Ebitda for the electricity area – which includes services in electricity production, distribution and sales – went from 45.2 million euro in the first quarter of 2019 to 52.5 million at 31 March 2020 (+16.2%). The entry of the companies belonging to the EstEnergy Group and AmgasBlu, the synergies extracted from acquisitions, marketing activities aimed at expansion and a positive trend in generation led to this growth in results and a significant increase in the customer base. Electricity customers, indeed, now amount to 1.3 million, up 17.4% compared to 31 March 2019, with almost 200 new customers, despite the drop in safeguarded and protected customers.

The electricity area accounted for 15.0% 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 Q1 report and related materials are available to the public at Company Headquarters and on the website [www.gruppohera.it](http://www.gruppohera.it).*

*Unaudited extracts from the Quarterly Report at 31 March 2020 are attached.*

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

**JENS KLINT HANSEN**  
**Head of Investor Relations**



Ph.: + 39 051 287 737

email: [jens.hansen@gruppohera.it](mailto:jens.hansen@gruppohera.it)

<b>Profit &amp; Loss (m€)</b>	<b>31/03/2020</b>	<i>Inc. %</i>	<b>31/03/2019</b>	<i>Inc. %</i>	<b>Ch.</b>	<b>Ch. %</b>
Sales	2,055.8		1,940.4		+115.4	+5.9%
Other operating revenues	109.0	5.3%	121.0	6.2%	(12.0)	(9.9%)
Raw material	(1,035.4)	(50.4%)	(1,024.6)	(52.8%)	+10.8	+1.1%
Services costs	(627.2)	(30.5%)	(556.7)	(28.7%)	+70.5	+12.7%
Other operating expenses	(12.5)	(0.6%)	(13.1)	(0.7%)	(0.6)	(4.6%)
Personnel costs	(147.3)	(7.2%)	(142.9)	(7.4%)	+4.4	+3.1%
Capitalisations	6.8	0.3%	6.7	0.3%	+0.1	+1.5%
<b>Ebitda</b>	<b>349.2</b>	<b>17.0%</b>	<b>330.8</b>	<b>17.0%</b>	<b>+18.4</b>	<b>+5.6%</b>
Depreciation and provisions	(137.5)	(6.7%)	(125.8)	(6.5%)	+11.7	+9.3%
<b>Ebit</b>	<b>211.7</b>	<b>10.3%</b>	<b>205.0</b>	<b>10.6%</b>	<b>+6.7</b>	<b>+3.3%</b>
Financial inc./ (exp.)	(28.7)	(1.4%)	(21.1)	(1.1%)	+7.6	+36.1%
<b>Pre tax profit</b>	<b>183.0</b>	<b>8.9%</b>	<b>183.9</b>	<b>9.5%</b>	<b>(0.9)</b>	<b>(0.5%)</b>
Tax	(52.7)	(2.6%)	(54.3)	(2.8%)	(1.6)	(2.9%)
<b>Net profit</b>	<b>130.3</b>	<b>6.3%</b>	<b>129.7</b>	<b>6.7%</b>	<b>+0.6</b>	<b>+0.5%</b>
Attributable to:						
<b>Shareholders of the Parent Company</b>	<b>124.4</b>	<b>6.0%</b>	<b>124.2</b>	<b>6.4%</b>	<b>+0.2</b>	<b>+0.2%</b>
Minority shareholders	5.9	0.3%	5.5	0.3%	+0.4	+7.3%
<b>Balance Sheet (m€)</b>	<b>31/03/2020</b>	<i>Inc. %</i>	<b>31/12/2019</b>	<i>Inc. %</i>	<b>Ch.</b>	<b>Ch. %</b>
Net fixed assets	6,876.5	108.7%	6,846.3	108.9%	+30.2	+0.4%
Working capital	96.8	1.5%	87.0	1.4%	+9.8	+11.3%
(Provisions)	(650.0)	(10.3%)	(649.1)	(10.3%)	(0.9)	+0.1%
<b>Net invested capital</b>	<b>6,323.3</b>	<b>100.0%</b>	<b>6,284.2</b>	<b>100.0%</b>	<b>+39.1</b>	<b>+0.6%</b>
Net equity	3,094.2	48.9%	3,010.0	47.9%	+84.2	+2.8%
<i>Long term net financial debt</i>	3,379.7	53.4%	3,383.4	53.8%	(3.7)	(0.1%)
<i>Short term net financial debt</i>	(150.6)	(2.4%)	(109.2)	(1.7%)	(41.4)	+37.9%
Net financial debts	3,229.1	51.1%	3,274.2	52.1%	(45.1)	(1.4%)
<b>Net invested capital</b>	<b>6,323.3</b>	<b>100.0%</b>	<b>6,284.2</b>	<b>100.0%</b>	<b>+39.1</b>	<b>+0.6%</b>