press release
Bologna, 25 March 2020

Hera Group approves results at 31/12/2019

The Group, included one year ago in the FTSE MIB, closed the year with improvement in all main results, continuing along its path of uninterrupted growth and creating value for shareholders and local areas. Proposed dividends at 10 cents per share, in line with the content of the Business plan.

Financial highlights

- **Turnover at 7,443.6 million euro (+12.3%)**
- **Ebitda at 1,085.1 million euro (+5.2%)**
- **Net profits at 402.0 million euro (+35.5%)**
- **Net profits for Shareholders at 385.7 million euro (+36.8%)**
- **Adjusted net debt at 2,690.8 million euro, while Net debt/Ebitda improves to 2.48x excluding the transaction with Ascopiave**
- **Proposed dividends at 10 Euro cents per share**

Operating highlights

- **Good contribution to growth coming from business areas, especially the gas, water and waste management sectors**
- **Positive results thanks to both internal and external growth**
- **Sharp rise in energy customers, which reach roughly 3.3 million thanks to the partnership with Ascopiave**
- **Sorted waste increases to an average of 64.6% across the areas served**
- **Improvement in all sustainability indicators, with shared value Ebitda growing to 422.5 million euro (+13%)**

Today, the Hera Group's Board of Directors, chaired by Tomaso Tommasi di Vignano, unanimously approved the consolidated economic results at 31 December 2019 and the Report on remuneration policies and compensation paid, along with the Sustainability report.

17 years of uninterrupted growth, with improvement in all main operating-financial and sustainability indicators

The Hera Group closed the 2019 financial year with improved results and Ebitda higher than the figure included in the forecast published in January, a significant achievement made despite the effects of a further partial reduction in incentives for waste-to-energy plants and lower income from safeguarded customers. The partnership with Ascopiave, completed last December and responsible for the creation of the largest energy operator in North-Eastern Italy, will be consolidated in the results for 2020.

The Group's path of development, 17 years after its birth, balances regulated and free-market activities and combines internal and external growth, reaching significant economies of scale and increasing synergies, thanks to a multi-business approach that over time has proven to be a winning strategy for Hera, now Italy's leading multi-utility by capitalisation.

The improvement seen in operating-financial results was accompanied by an increased creation of shared value, which for some time now has measured the progress made by the company toward sustainability.

LINK UTILI

L'area IR del sito Hera

Il Piano industriale Hera

Hera overview

MULTIMEDIA

Foto Tomaso Tommasi di Vignano

Foto Stefano Venier

Foto sede Hera

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Turnover above 7.4 billion, up 12.3%

The Hera Group's 2019 turnover rose to 7,443.6 million euro, with an 817.2 million increase (+12.3% compared to the 6,626.4 seen in 2018), thanks in particular to trading and higher volumes of gas and electricity sold, as well as higher revenues for waste treatment.

Ebitda grows to 1,085.1 million (+5.2%)

Group Ebitda increased to 1,085.1 million euro (+5.2%), up 54 million compared to the 1,031.1 million seen in 2018. This growth was sustained by the Group's various business activities, with the energy areas rising by 20.1 million overall, mainly thanks to a good performance in the gas area and positive contributions also coming from the water and waste management areas.

Operating results and pre-tax profits increase

Operating results also rose, reaching 542.5 million euro, with a 32.4 million increase (+6.4% compared to the 510.1 seen in 2018), despite higher operating amortisation for capital expenditures made in developing infrastructures. Pre-tax profits went from 418.5 million euro in 2018 to 442.5 million (+5.7%), up 24 million euro, and financial management increased by 8.3 million.

Net profits pertaining to Shareholders increase to 385.7 million euro (+36.8%)

Group net profits grew to 402.0 million euro (+35.5%), showing a 105.4 million increase over the 296.6 seen one year earlier. Without considering the non-recurring effects of the transaction with Ascopiave, net profits pre-minorities would amount to 317.1, up 6.9%. The adjusted tax rate, based on pre-tax results net of special items, came to 28.3%, improving compared to the 29.1% recorded at 31 December 2018, thanks in particular to the Group's commitment towards sustaining capital expenditures for technological, digital and environmental transformation, along the lines of Utility 4.0. Profits pertaining to Shareholders came to 385.7 million euro (+36.8%), with a sharp increase over the 281.9 million seen in 2018.

Capital expenditures rise to 533.8 million euro, with Net debt/Ebitda ratio showing further improvement at 2.48

Including capital grants, overall 2019 capital expenditures came to 533.8 million euro, up 15.4% compared to the 462.6 million seen one year earlier. Capital expenditures mainly went towards interventions on plants, networks and infrastructures, in order to guarantee efficiency, safety, resilience and innovation, in addition to regulatory upgrading that primarily concerned gas distribution, with an intensive meter substitution, and the purification and sewerage areas. Net capital expenditures amounted to 509.2 million.

Adjusted net debt, excluding the transaction with Ascopiave, settled at 2,690.8 million euro, rising compared to the previous year (2,585.6 million in 2018), mainly as a result of adopting the new accounting standard IFRS 16. An increase in operating cash flow generation allowed higher capital expenditure and higher dividends, in addition to the M&A transactions seen over the year, to be almost entirely covered. Further improvement was seen in the Net debt/Ebitda ratio, which fell to 2.48x (compared to 2.51 in 2018), not including the financial impact of the Ascopiave transaction; including the latter, this indicator came to 3.02x. The Group's financial solidity is reflected by the opinions expressed by major rating agencies: Baa2 with a Stable outlook from Moody's and BBB with a Positive outlook from Standard & Poor's.

Further improvement in the Group's sustainability, shared value Ebitda rises to 39%

These positive operating results were matched by the Group's ever-increasing attention towards sustainability. The Hera Group was among the first to introduce, in 2016, shared value reporting, covering all business activities that in addition to generating Ebitda for the company respect the drivers of sustainable development defined by the UN's 2030 Agenda and, more generally speaking, various national and international policies. The Hera Group's 2019 shared value Ebitda amounted to 422.5 million euro, accounting for 39% of overall Ebitda (+13% compared to the 375.2 million seen one year earlier). This result is perfectly in line with the path set out by the Business plan, in which this indicator is projected to reach 42% by 2023, and testifies to the Group's strong commitment towards the issues involved in sustainability.

Proposed dividends at 10 cents per share

The Board of Directors, in light of the positive results achieved, has decided to put a dividend of 10 cents per share to the Shareholders Meeting called for 29 April 2020, in line with the previously published content of the Business plan. In agreement with Borsa Italiana, the ex-dividend date has been set at 6 July 2020, with payment as of 8 July 2020. The dividend will be paid to shares recorded on 7 July 2020.

Notice of call for the Shareholders Meeting

The Shareholders Meeting has been called for 29 April 2020. Considering the current epidemiological emergency caused by COVID-19 and its developments, which cannot be foreseen at the moment, the Company reserves the right, if and when so allowed or required by any possible future legislation and regulations, and within the limits defined therein, to:

- postpone the date of the Shareholders Meeting and, consequently, the deadlines for exercising the shareholders' rights indicated in the notice;
- indicate the specific forms in which Shareholders may participate in the meeting;
- in any case, adopt all measures and introduce all initiatives deemed necessary or even only appropriate in order to allow the meeting to be held in safe conditions, in accordance with the aforementioned legislation.

In this event, the notice of call, as potentially modified, will be communicated to Shareholders and made available to the public in the forms ordinarily foreseen by the law and the Articles of Association, unless otherwise indicated by future developments in legislation.

Approval for the Report on remuneration policies and compensation paid

The Board of Directors furthermore approved the Report on remuneration policies and compensation paid, in line with international best practices.

Gas area

Ebitda for the gas area – which includes services in natural gas distribution and sales, district heating and heat management – grew significantly compared to the previous year, in terms of both margins and volumes sold, rising to 341.6 million euro (+7.9%), 25.1 million higher than the 316.5 million seen in 2018. This result was reached mainly thanks to a larger amount of trading and higher sales margins recorded for both final customers and in default market and last-resort supply (FUI) services. For the latter two services, a lower number of customers was awarded for the period from 1 October 2019 to 30 September 2020 compared to the previous year, but with more advantageous margins. The overall number of gas customers increased by almost 600 thousand (+40.8%), reaching a total of 2 million users, mainly due to the transaction with Ascopiave, which brought marketing companies acquired through EstEnergy and Amgas Blu into the Group's consolidated scope. Net operating capex coming to 138.3 million euro were made in 2019, with a sharp increase over the 115.4 million seen in 2018. This involved both distribution, to guarantee and improve the high quality standards of networks and plants, both with an intensive meter substitution and further work in cathodic protection in the areas served by AcegasApsAmga, and sales, concerning activities involved in acquiring new customers.
The contribution of the gas area to Group Ebitda rose to 31.5%.

Water cycle area

In 2019, the integrated water cycle area – which includes aqueduct, purification and sewerage services – recorded Ebitda amounting to 265.3 million euro, with a 15.6 million euro (+6.2%) increase over the 249.7 seen one year earlier. This growth was mainly due to higher revenues from new connections and distribution, which reflected the tariffs introduced by the Authority for 2016-2019, and the premiums awarded for contract quality.

Net operating capex amounted to 151.5 million euro (showing strong growth over the 127.6 recorded in 2018). Including capital grants, capex totalled 175.8 million and were mainly dedicated to extensions, network and plant upgrading and reclamations, including interconnections in the water system, for example in the Modena area, and interventions aimed at creating district-based networks. Work continued on the Rimini seawater protection plan, one of the most important interventions, at the forefront nationwide as regards sewerage and purification, in addition to upgrading the sewerage network in many areas, including those served by the company AcegasApsAmga.
The water cycle area accounted for 24.5% of Group Ebitda.

Waste management area

Ebitda for the waste management area – which includes waste collection, treatment and disposal services – also grew, coming to 264.2 million euro (+4.8%), up 12.2 million over the 252.0 million seen in 2018. The Group further consolidated its position as a national leader in the waste management sector, thanks to outstanding performances in the area of sorted waste, which went from 62.5% in 2018 to 64.6% at the end of 2019, and to roughly ninety advanced plants handling all types of waste (and supporting a circular economy), which represent a fundamental strategic lever, above all considering the country's lack of plants.
This increase in Ebitda was mainly sustained by higher prices for special and industrial waste treatment, the contribution coming from Aliplast and new facilities, such as the waste treatment plant completed in Cordenons (PN) and the innovative biomethane production plant in Sant'Agata Bolognese (BO), both now fully operational. The results also benefitted from the acquisitions of Cosea Ambiente, including the Gaggio Montano (BO) landfill, and Pistoia Ambiente, further reinforcing the basic capacity on which the Group's set of waste recycling, reuse and regeneration plants can rely. As regards efficiency enhancement, note furthermore the merger of Waste Recycling into Herambiente Servizi Industriali, which is now Italy's largest industrial waste management company, and Aliplast, which continues to show growth thanks to market development and merger synergies. These positive results were able to more than offset the lower incentives seen for electricity production.
Operating capex amounting to 81.5 million euro, up over the previous year, went mainly to plant maintenance and upgrading.
The waste management area accounted for 24.3% of Group Ebitda.

Electricity area

The electricity area – which includes services in electricity production, distribution and sales – recorded an Ebitda coming to 178.5 million, essentially in line with the 183.5 million seen the previous year. This result was mainly due to lower margins in the safeguarded market, which were offset by higher margins in electricity production in the distribution service market, for reasons including the plants in Campania, operational once again, higher volumes sold and lower costs for acquiring energy customers.
Electricity customers rose to 1.3 million (+17.2%), up 184.2 thousand, thanks to the entry of EstEnergy and Amgas Blu within the Group's consolidated scope, in addition to growth on the free market – which contributed with roughly 82 thousand new customers and 60 thousand new contracts for added value services – thanks to reinforced marketing initiatives, in particular in regions of Central Italy. This growth more than offset the fall in safeguarded customers.
Operating capex amounting to 43.4 million euro, almost twice as much as the previous year, went mainly to non-recurring maintenance of plants and networks in the Modena, Imola, Trieste and Gorizia areas. An increase was also seen in requests for new connections.
The electricity area accounted for 16.4% of Group Ebitda.

Statement by Executive Chairman Tomaso Tommasi di Vignano

These results demonstrate the merits of Hera's multi-utility formula which, in a year made difficult by factors including a significant negative impact in the safeguarded customer segment, was able to deploy a wide range of development projects that guaranteed, quarter after quarter, positive growth in all activities. Our expectations were thus outperformed and, at the same time, our track record with 17 years of uninterrupted growth was confirmed, further improving our financial solidity in a year in which unprecedented efforts were seen in capital expenditures. In 2019, furthermore, two fundamental targets included in the business plan to 2022 were reached in advance: the finalised transaction with Ascopiave led the Hera Group to amply meet its objective of 3 million energy customers and, with our enlarged set of waste treatment plants, we were fully able to grasp the positive market trends seen as of 2019.

Statement by CEO Stefano Venier

The growth achieved with these results confirms the creation of value, as can be deduced by the rates of return on capital, maintained well above its average cost. The progress made by this value shows that it is increasingly shared, respecting 11 out of the 17 fundamental goals defined by the UN. The Group's risk profile, now more important than ever, continues to be extremely conservative, and has allowed the Group to continue expanding through a transaction, involving Ascopiave, that brought us among the highest-ranking companies in Italy for energy sales, only behind the two ex-incumbent energy groups. These are solid grounds, therefore, on which to rely in difficult moment, such as the one currently witnessed due to COVID-19, with respect to which we were able to activate, in a short period of time, all measures necessary to guarantee that our activities are not interrupted and health protection is provided for our employees and for all our stakeholders, along with proactive assistance for all our customers, whether households or companies.

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 8 April 2020.

Unaudited extracts from the Financial Statements at 31 December 2019 are attached.

Profit & Loss *(m€)*	**31/12/19**	*Inc.%*	**31/12/18**	Inc.%	***Ch.***	***Ch. %***
Sales	6,912.8		6,134.4		+778.4	+12.7%
Other operating revenues	530.8	*7.7%*	492.0	*8.0%*	+38.8	+7.9%
Raw material	(3,458.2)	*(50.0%)*	(2,984.1)	*(48.6%)*	+474.1	+15.9%
Services costs	(2,318.2)	*(33.5%)*	(2,040.5)	*(33.3%)*	+277.7	+13.6%
Other operating expenses	(59.3)	*(0.9%)*	(62.5)	*(1.0%)*	(3.2)	(5.1%)
Personnel costs	(560.4)	*(8.1%)*	(551.4)	*(9.0%)*	+9.0	+1.6%
Capitalisations	37.6	*0.5%*	43.3	*0.7%*	(5.7)	(13.2%)
Ebitda	**1,085.1**	***15.7%***	**1,031.1**	***16.8%***	**+54.0**	**+5.2%**
Depreciation and provisions	(542.6)	*(7.8%)*	(521.0)	*(8.5%)*	+21.6	+4.1%
Ebit	**542.5**	***7.8%***	**510.1**	***8.3%***	**+32.4**	**+6.4%**
Financial inc./(exp.)	(100.0)	*(1.4%)*	(91.7)	*(1.5%)*	+8.3	+9.1%
Pre tax profit	**442.5**	***6.4%***	**418.5**	***6.8%***	**+24.0**	**+5.7%**
Tax	(125.4)	*(1.8%)*	(121.9)	*(2.0%)*	+3.5	+2.9%
Net profit	**317.1**	***4.6%***	**296.6**	***4.8%***	**+20.5**	**+6.9%**
Special items	84.9	*1.2%*	0.0	*0.0%*	+84.9	+100.0%
Net profit	**402.0**	***5.8%***	**296.6**	***4.8%***	**+105.4**	**+35.5%**
Attributable to:						
Shareholders of the Parent Company	**385.7**	***5.6%***	**281.9**	***4.6%***	**+103.8**	**+36.8%**
Minority shareholders	16.3	*0.2%*	14.7	*0.2%*	+1.6	+10.9%

Balance Sheet *(m€)*	**31/12/19**	***Inc.%***	**31/12/18**	***Inc.%***	***Ch.***	***Ch. %***
Net fixed assets	6,846.3	*108.9%*	5,905.1	*108.7%*	+941.2	+15.9%
Working capital	87.0	*1.4%*	115.4	*2.1%*	(28.4)	(24.6%)
(Provisions)	(649.1)	*(10.3%)*	(588.2)	*(10.8%)*	(60.9)	+10.4%
Net invested capital	**6,284.2**	***100.0%***	**5,432.3**	***100.0%***	**+851.9**	**+15.7%**
Net equity	3,010.0	*47.9%*	2,846.7	*52.4%*	+163.3	+5.7%
Long term net financial debt	3,383.4	*53.8%*	2,558.8	*47.1%*	+824.6	+32.2%
Short term net financial debt	(109.2)	*(1.7%)*	26.8	*0.5%*	(136.0)	(507.5%)
Net financial debts	3,274.2	*52.1%*	2,585.6	*47.6%*	+688.6	+26.6%
Net invested capital	**6,284.2**	**100.0%**	**5,432.3**	**100.0%**	**+851.9**	**+15.7%**