

press release

Bologna, 13 November 2024

Hera Group BoD approves 3Q 2024 results

The first nine months of the year closed with growth in the main financial indicators and in capital expenditures, in line with the first two quarters and the Business Plan targets. In particular, the increase in net profit attributable to Shareholders, coming to over 20%, confirms not only the Group's solidity and the effectiveness of its multi-business industrial strategy, but above all its ability to combine internal growth with a positive return on invested capital and the creation of value for all stakeholders.

Financial highlights

- Revenues at 8,187.4 million euro (-25.3%)
- Ebitda* at 1,037.6 million euro (+3.1%)
- Net profit for Shareholders* at 282.9 million euro (+20.1%)
- Gross operating capex at 561.1 million euro (+9.2%)
- Net financial debt at 4.175,0 million euro and Net debt/Ebitda ratio at 2.74x
- Increased return on invested capital, with ROI rising to 9.5%

Business highlights

- Growth in operating results sustained by increased volumes in energy sales and volumes treated in the waste management area, which confirmed its resilience within a less expansive macroeconomic context
- Positive contribution to operating growth also coming from all regulated activities, following the Authority's revisions of tariff systems and ongoing cost-efficiency projects
- Continuous growth in the customer base: over 7.5 million citizens with at least one service provided by the Group
- Innovative initiatives maintained to accompany the ecological transition in the local areas served and strengthen the resilience of assets, in line with the strategy to achieve Net Zero by 2050

Today, the Hera Group's Board of Directors, chaired by Executive Chairman Cristian Fabbri, unanimously approved the consolidated quarterly report at 30 September 2024.

The first nine months of 2024 showed a decrease in turnover, caused by lower energy prices, and a confirmation of growth in operating results and capex, even compared to the significant growth achieved in 2023, sustained by non-recurring components as well. More specifically, the 9.2% increase in operating capex demonstrates the Group's ongoing focus on developing, enhancing and strengthening the resilience of the assets under management, whose reliability was confirmed once again during the extreme weather and climate phenomena recently recorded in Emilia-Romagna region. Moreover, Hera's commitment to projects capable of accelerating the path towards the green transition of the communities served remained constant, fully in line with its five-year Business Plan to 2027.

* In order to ensure that the results presented reflect the actual performance of the gas business more closely, and are thus more easily comparable, the figures with an asterisk include a managerial adjustment based on a valuation of stocked gas at prices pertaining to the period of injection. See the paragraph entitled "Special items and managerial adjustments / IFRS balance sheet reconciliation", which contains a comparison between the managerial statement and the IFRS balance sheets.



Excellent results were achieved in business operations, with growth in both free market and regulated activities, which sustained the increase in Ebitda and operating income and ensured solid value creation for all stakeholders.

Cristian Fabbri, Executive Chairman of the Hera Group:

“Fully in line with the first half of 2024, the results for the nine months of the year point towards significant growth in all main indicators of our income statement and steady progress in the value created for all stakeholders. In particular, the rise in net profit attributable to Shareholders, which increased by more than 20%, and the increase in return on invested capital, now at 9.5%, confirm that we are fully implementing our Business Plan. The positive financial results were accompanied by an ongoing focus on sustainable growth in the areas in which we operate, and this commitment was confirmed by shared-value Ebitda, which came to roughly 54% of overall Ebitda. These results leverage the Group’s ability to grow in both its free market and regulated activities, continuing along the path of ‘structural’ sustainable development in favour of the communities served. With the beginning of the Gradual Protection Service “STG” provided to customers, and our continuous commercial development, we now supply at least one service to over 7.5 million citizens.”

Orazio Iacono, CEO of the Hera Group:

“The report as at 30 September shows an increase coming to over 20% in net profit attributable to Shareholders, which rose to approximately 283 million euro. The Group achieved particularly solid growth, with an important contribution coming from regulated businesses, which benefited from changes in the regulatory framework, and from the waste management business, which showed a continuously increasing Ebitda, especially in the free market, consolidating its leadership in this sector despite a complex macroeconomic context. The operational performance, already positive, was accompanied by a significant contribution from financial management, which are progressively benefitting in 2024 from the liability management and debt rationalisation initiated in the second half of 2023. Moreover, partially thanks to the contribution coming from the EIB financing line, the Group continued to accelerate along its path of green transition, decarbonisation, circular economy and protection of water resources in the territories served. Gross operating investments were up by approximately 10%, and have been rising for many years precisely to work towards a major infrastructure development, with the aim of improving the quality of services and the resilience of all assets. The net debt to Ebitda ratio, which remained steadily at around 2.74x, provides the Group with significant financial solidity and flexibility, allowing it to successfully grasp opportunities for external growth, in line with the targets of the Business Plan.”

Revenues at over 8 billion euro

At 30 September 2024, revenues amounted to 8,187.4 million euro, down from 10,955.0 million euro in the same period of 2023 (-25.3%), mainly due to the drop in energy commodity prices and a reduction in incentivised activities on energy-saving services. The decrease in turnover due to lower volumes of gas was more than offset by the higher volumes of electricity sold, thanks to significant commercial development, and by higher tariff revenues in network services for regulated businesses, based on the Authority’s new return benchmarks.

Ebitda* rises to 1,037.6 million euro

Ebitda* for the first nine months of 2024 increased to 1,037.6 million euro (+3.1%), as against 1,006.8 million euro at 30 September 2023. This growth was entirely organic and structural, driven by the water cycle and the good performances of the waste management and electricity areas, which allowed the Group to fully offset the loss of margins linked to the super-ecobonus, included in the gas area, and confirming once again the solidity of its multi-business portfolio.

Ebit* increases to 522.5 million euro

Ebit* for the first nine months of 2024 rose to 522.5 million euro, up 3.5% from 504.6 million euro in the same period of 2023. This increase was supported by a normalisation of provisions, due to a standardisation in the prices of commodities in energy markets; this partly offset the increase in amortisation related to the trend in investments over the last few years, mainly linked to the development of plants in the waste management sector and in water and energy distribution networks.

Financial operations: excellent results in the first 9 months

Financial operations for the first nine months of 2024 amounted to 89 million euro, improving by 50.7 million compared to the same period of the previous year, mainly due to the rationalisation of the financial structure.

Net profit pertaining to Shareholders* up by over 20%

At 30 September 2024, net profit* amounted to 312.1 million euro (+16.8%), compared to 267.1 million in the same period of 2023, with a tax rate coming to 28%, up slightly mainly due to lower tax benefits. Net profit attributable to Shareholders* rose to 282.9 million euro, up 20.1% compared to the 235.5 million euro seen at 30 September 2023.

Strong growth in operating investments and the Group's financial solidity confirmed

In the first nine months of 2024, operating investments, including capital grants, amounted to 561.1 million euro, up 47.1 million euro compared to the previous year (+9.2%) and mainly related to development work on plants, networks and infrastructures, as well as regulatory upgrading, particularly in energy and water networks.

The Group's financial solidity was fully confirmed, with a net debt/Ebitda* ratio of 2.74x. This figure remained constant throughout the year, leaving ample financial flexibility for potential new opportunities in the future.

The total amount of net financial debt in the first nine months of 2024 came to 4,175 million euro, in line with the 4,148.9 million euro seen at 30 September 2023.

Financial returns improved both on invested capital, which stood at almost 8 billion euro, and on equity: ROI rose to 9.5% (from 9% at 30 September 2023) and ROE to 11.7% (from 10.6% in the first nine months of the previous year).

Gas

Ebitda for the gas area, which includes natural gas distribution and sales, district heating and energy services, stood at 308.7 million euro at 30 September 2024, compared to 334.1 million euro in the same period of 2023. This result, an improvement over the first half of the year, was sustained by growth in margins in commercial activities, also due to the lower impact of modulation costs, and by regulated distribution revenues, thanks to the recovery of higher inflation and WACC, which partially succeeded in offsetting non-recurring business opportunities of the previous year, above all energy efficiency enhancement activities that benefited from tax incentives (110% eco-bonus).

In the first nine months of 2024, gross investments made in the gas area amounted to 126.2 million euro, as against to 138.1 million euro during the previous year, mainly due to the absence of the non-recurring investments made in 2023.

The number of gas customers stood at 2 million.

The gas area accounted for 29.7% of Group Ebitda.

Electricity

Ebitda for the electricity area, which includes electricity generation, distribution and sales services as well as public lighting, rose to 200.7 million euro (+7.2%) at 30 September 2024, as against 187.3 million euro in the same period of 2023. Growth was sustained by higher commercial margins, thanks to development and a reduction in modulation costs. Distribution also increased, due to the application of the ROSS regulatory criterion, inflation recovery and the increased regulatory WACC.

In the electricity area, gross investments amounted to 85.9 million euro, up 3.9% compared to the same period of the previous year. In the electricity distribution segment, investments were mainly related to upgrading on plants and networks, aimed at increasing their hosting capacity, as well as the ongoing large-scale meter replacement and interventions aimed at improving network resilience. In the public lighting segment, investments in activities related to the acquisition of new customers increased. The investments also include the Smart Grid project, financed by the NRRP, to upgrade Trieste's electricity grid and create new plants to supply Trieste's port terminals and meet the city's evolving need for electricity.

Also note that, as of 1 July 2024, with the end of the greater protection system, the Group acquired approximately 1 million customers after being awarded 7 lots (the maximum allowed out of the total 26) in the tender for the Gradual Protection Service for household customers in 37 provinces, strengthening its presence in several Italian regions and further consolidating its position as the third largest energy operator nationwide. Partially thanks to the positive contribution coming from activities to strengthen its commercial action on the free market, the number of customers increased by 56.2% compared to the same period in 2023, reaching roughly 2.7 million.

As regards public lighting, in the first nine months of 2024 the Hera Group acquired 25.6 thousand lighting points in 15 new municipalities, mainly in Tuscany, Umbria, Emilia-Romagna, Liguria and Lombardy. The percentage of lighting points managed using LED bulbs also increased, confirming the Group's constant focus on increasingly efficient and sustainable management of public lighting.

The electricity area accounted for 19.3% of Group Ebitda.

Water cycle

Ebitda for the integrated water cycle area, which includes aqueduct, purification and sewerage services, rose to 234.5 million euro at 30 September 2024, up 12.1% from 209.3 million euro in the first nine months of 2023. This result is mainly attributable to inflation recovery and the increase in regulatory WACC.

Gross investments in the water cycle area amounted to 174.9 million euro (107.9 million euro in the aqueduct, 39.8 million euro in sewerage and 27.2 million euro in purification), mainly for extensions, reclamation, and upgrading on networks and plants, as well as regulatory adjustments mainly in the purification and sewerage areas. The main interventions include: in the aqueduct, ongoing reclamation activities on networks and connections and specific renewal and upgrading operations, including interventions on the aqueduct in the Padua and Trieste areas, which had access to NRRP funding; in sewerage, upgrading on the sewerage network in other areas served, works to adapt discharges, the construction of a first rainwater basin in the municipality of Cattolica and the sewerage works involved in the extension of the Forlì and Modena bypasses; in purification, upgrading and expansion of the Ravenna and Lugo purification plants and the construction of the new plant using power-to-gas technology at the IDAR purification plant in Bologna, partly financed by the NRRP. In the Marche region, the first construction sites became operative to digitise and make the water network in the province of Pesaro more efficient, also with access to NRRP funds (19.5 million euro out of a total investment of 27 million euro).

The integrated water cycle area accounted for 22.6% of Group Ebitda.

Waste management

At 30 September 2024, Ebitda for the waste management area increased to 271.6 million euro (+5.3%), compared to 258 million euro in the same period of 2023. Ebitda for waste treatment services reached 223.2



million euro, while Ebitda for environmental services including collection and street sweeping rose to roughly 48.3 million euro, mainly due to the gradual implementation of new concessions.

Compared to the same period of the previous year, an increase occurred in waste commercialised due to an increase in market waste, due to the consolidation of existing business relations and the development of the customer portfolio, in both the industry and utility sectors. Municipal waste, instead, normalised with respect to the previous year, which included the extraordinary deliveries following the 2023 flood.

In the first nine months of the year, in this business area, the Group continued along its path of growth thanks to the diversification of its offer, the breadth of its customer portfolio and its ability to respond with innovative and integrated services, despite a complex macroeconomic context with repercussions in the markets covered as well. More specifically, Herambiente, which thanks to a unique set of plants is Italy's leading operator in this sector, consolidated its leadership in the industry market with a synergic merger of TRS Ecology. This transaction will strengthen the growth prospects of a well-established local company, with work set to begin on renovating the Caorso platform, aimed at additional environmental protection and growth in material recovery. By supporting large companies in reducing and recycling waste, regenerating resources and achieving their ESG targets, therefore, Hera confirmed its role as a strategic partner for the environmental transition of the industrial sector as well.

Environmental sustainability is a priority objective for the Hera Group, as is maximising the regeneration of resources. This is proven by the special attention devoted to developing sorted waste collection, which, thanks to the strong commitment deployed by Hera in all areas served, increased by over two percentage points compared to the figures seen in 2023, rising to 73.9%.

Investments in the waste management area amounted to 93.8 million euro and mainly concerned maintenance and upgrading of waste treatment plants, including the work done on line 4 of the Padua plant, which is proceeding smoothly, and the optimisation of collection areas and equipment. In particular, in the sorting and recovery plants sector, an increase was due to the work done by Group subsidiaries HEA, a company in a partnership with Eni Rewind, and Vallortigara, involved in the expansion of the Torrebelticino plant in Veneto region, in addition to the construction underway in Modena on a plant for recycling rigid plastics, also partially financed by the NRRP.

The waste management area accounted for 26.2% of Group Ebitda.

The manager responsible for drafting the company's accounting statements, Massimo Vai, 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 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).

Unaudited extracts from the Interim Financial Statements at 30 September 2024 are attached.

Income statement (mn€)	Sep 24	% inc.	Sep 23	% inc.	Abs. change	% change
Revenues	8,187.4		10,955.0		(2,767.6)	(25.3%)
Other operating revenues	389.7	4.8%	441.4	4.0%	(51.7)	(11.7%)
Raw and other materials	(4,357.9)	(53.2%)	(7,480.9)	(68.3%)	(3,123.0)	(41.7%)
Service costs	(2,681.6)	(32.8%)	(2,421.9)	(22.1%)	+259.7	+10.7%
Other operating expenses	(63.6)	(0.8%)	(58.2)	(0.5%)	+5.4	+9.3%
Personnel costs	(494.1)	(6.0%)	(477.6)	(4.4%)	+16.5	+3.5%
Capitalised costs	57.7	0.7%	49.0	0.4%	+8.7	+17.8%
Ebitda*	1,037.6	12.7%	1,006.8	9.2%	+30.8	+3.1%
Amortization, depreciation and provisions	(515.1)	(6.3%)	(502.2)	(4.6%)	+12.9	+2.6%
Ebit*	522.5	6.4%	504.6	4.6%	+17.9	+3.5%
Financial operations	(89.0)	(1.1%)	(139.7)	(1.3%)	(50.7)	(36.3%)
Pre-tax result*	433.5	5.3%	364.9	3.3%	+68.6	+18.8%
Taxes	(121.4)	(1.5%)	(97.8)	(0.9%)	+23.6	+24.1%
Net result*	312.1	3.8%	267.1	2.4%	+45.0	+16.8%
Attributable to:						
Shareholders of the Parent Company*	282.9	3.5%	235.5	2.2%	+47.4	+20.1%
Minority shareholders	29.2	0.4%	31.6	0.3%	(2.4)	(7.6%)

* Adjusted results

Invested capital and sources of financing (mn€)	Sep 24	% inc.	Dec 23	% inc.	Abs. change	% change
Net non-current assets	8,346.5	104.8%	8,119.2	107.1%	+227.3	+2.8%
Net working capital	341.7	4.3%	166.0	2.2%	+175.7	+105.8%
(Provisions)	(726.0)	(9.1%)	(705.9)	(9.3%)	(20.1)	(2.8%)
Net invested capital	7,962.2	100.0%	7,579.3	100.0%	+382.9	+5.1%
Equity	3,787.2	47.6%	3,751.6	49.5%	+35.6	+0.9%
Long-term borrowings	4,382.7	55.0%	4,315.4	56.9%	+67.3	+1.6%
Net current financial debt	(207.7)	(2.6%)	(487.7)	(6.4%)	+280.0	+57.4%
Net debt	4,175.0	52.4%	3,827.7	50.5%	+347.3	+9.1%
Total sources of financing	7,962.2	100.0%	7,579.3	100.0%	+382.9	+5.1%

Special items and operational adjustments / balance sheet reconciliation

mn€	Sep 24		Sep 23			
	Published statement	Operational adjustments	Operations statement	Published statement	Operational adjustments	Operations statement
Revenues	8,187.4		8,187.4	10,955.0		10,955.0
Other operating revenues	389.7		389.7	441.4		441.4
Raw and other materials	(4,357.9)		(4,357.9)	(7,387.9)	(93.0)	(7,480.9)
Service costs	(2,681.6)		(2,681.6)	(2,421.9)		(2,421.9)
Personnel costs	(494.1)		(494.1)	(477.6)		(477.6)
Other operating expenses	(63.6)		(63.6)	(58.2)		(58.2)
Capitalised costs	57.7		57.7	49.0		49.0
Ebitda	1,037.6	-	1,037.6*	1,099.8	(93.0)	1,006.8*
Amortization, depreciation and provisions	(515.1)		(515.1)	(502.2)		(502.2)
Ebit	522.5	-	522.5*	597.6	(93.0)	504.6*
Financial operations	(89.0)		(89.0)	(139.7)		(139.7)
Pre-tax result	433.5	-	433.5*	457.9	(93.0)	364.9*
Taxes	(121.4)		(121.4)	(124.6)	+26.8	(97.8)
Net result	312.1	-	312.1*	333.3	(66.2)	267.1*
Attributable to:						
Parent company shareholders	282.9		282.9*	301.7	(66.2)	235.5*
non-controlling interests	29.2		29.2	31.6		31.6

* Adjusted results

IFRS financial statements

Income statement

mn/euro	30/09/2024	30/09/2023
Revenues	8,187.4	10,955.0
Other operating revenues	389.7	441.4
Raw and other materials	(4,357.9)	(7,387.9)
Service costs	(2,681.6)	(2,421.9)
Personnel costs	(494.1)	(477.6)
Other operating costs	(63.6)	(58.2)
Capitalized costs	57.7	49.0
Amortisation, depreciation and provisions	(515.1)	(502.2)
Operating revenues	522.5	597.6
Share of profits (losses) pertaining to joint ventures and associated companies	9.9	8.1
Financial income	115.5	109.9
Financial expense	(214.4)	(257.7)
Financial management	(89.0)	(139.7)
Earnings before taxes	433.5	457.9
Taxes	(121.4)	(124.6)
Overall revenues for the period	312.1	333.3
To attribute to:		
Parent company shareholders	282.9	301.7
minority shareholders	29.2	31.6
Earnings per share		
basic	0.196	0.209
diluted	0.196	0.209

Statement of financial position

mn/euro	30/09/2024	31/12/2023
ASSETS		
Non-current assets		
Property, plant and equipment	2,100.2	2,059.3
Rights of use	81.6	90.6
Intangible assets	4,873.1	4,719.6
Goodwill	922.0	908.7
Equity investments	208.8	195.6
Non-current financial assets	155.5	162.8
Deferred tax assets	320.3	302.3
Derivative financial instruments	0.1	0.3
Total non-current assets	8,661.6	8,439.2
Current assets		
Inventories	608.8	631.6
Trade receivables	2,081.8	3,586.8
Current financial assets	66.0	90.9
Current tax assets	85.4	11.4
Other current assets	1,187.0	509.3
Derivative financial instruments	166.1	478.0
Cash and cash equivalents	858.2	1,332.8
Total current assets	5,053.3	6,640.8
TOTAL ASSETS	13,714.9	15,080.0

mn€	30/09/2024	31/12/2023
NET EQUITY AND LIABILITIES		
Share capital and reserves		
Share capital	1,440.5	1,443.0
Reserves	1,759.7	1,553.8
Profit (loss) for the period	282.9	441.4
Group net equity	3,483.1	3,438.2
Non-controlling interests	304.1	313.4
Total net equity	3,787.2	3,751.6
Non-current liabilities		
Non-current financial liabilities	4,484.5	4,421.7
Non-current lease liabilities	53.7	56.8
Post-employment and other benefits	78.6	88.1
Provisions for risks and charges	647.4	617.8
Deferred tax liabilities	159.6	156.9
Total non-current liabilities	5,423.8	5,341.3
Current liabilities		
Current financial liabilities	693.7	890.8
Current lease liabilities	22.8	24.5
Trade payables	1,833.3	2,637.2
Current tax liabilities	121.7	110.2
Other current liabilities	1,658.8	1,866.8
Derivative instruments	173.6	457.6
Total current liabilities	4,503.9	5,987.1
TOTAL LIABILITIES	9,927.7	11,328.4
TOTAL NET EQUITY AND LIABILITIES	13,714.9	15,080.0