

press release
Bologna, 14 May 2024

Hera Group BoD approves results for 1Q 2024

The consolidated quarterly report at 31 March shows improvement in the main operating and financial indicators. The Group's financial solidity and commitment to sustainability and the ecological transition were confirmed, along with the creation of value for all stakeholders and significant investments in the areas served to improve our assets resilience and to guarantee service quality and continuity

Financial highlights

- Revenues at 3,285.8 million euro
- Ebitda* at 417.1 million euro (+1.7%)
- Net profit for shareholders* at 143.1 million euro (+11.6%)
- Gross operating investments at 156.8 million euro
- Net financial debt at 3,986.6 million euro, with Net debt / Ebitda* at 2.66x

Business highlights

- Significant contribution to growth from the water, electricity and waste management sectors
- Growth of energy customer base continues, now at 3.9 million
- New avant-garde projects for the ecological transition and investments to optimise the assets managed

Today, the Board of Directors of the Hera Group, chaired by Executive Chairman Cristian Fabbri, unanimously approved the consolidated financial results for the first quarter of 2024 and appointed the Group's new Vice Chairman.

The first quarter of 2024 ended with increased operating results and investments compared to the same period in 2023 (year in which Hera recorded the highest growth in its history), in a market environment that was more stable than the previous year due to lower volatility in commodity prices, while still not returning to the levels seen prior to the crisis. This good performance is the result of the Group's consolidated multi-business strategy, balanced between regulated and free-market activities.

The consolidated quarterly report at 31 March confirms once again the Group's financial solidity and, at the same time, its focus on resilient and sustainable growth for the benefit of all stakeholders.

Cristian Fabbri, Executive Chairman of the Hera Group:

"The first quarter of 2024 closed with the main operating and financial indicators showing growth, thanks to our consolidated multi-business strategy, balanced between regulated and liberalised activities: these results confirm the targets for creating value included in our Business Plan. In fact, the good operating performance led Ebitda to reach 417.1 million euro, up from last year's exceptional results. The gradual normalisation of the energy scenario also allowed us to achieve a double-digit growth in net profit and return on our invested capital, which stands at 9.5%. In the electricity sector, the 19% increase in the customer base confirms our Group's commercial strength and expertise, capable as we are of growing and boosting customer loyalty with value-added services for decarbonisation and energy efficiency, and conquering new market shares, reaching a total of 3.9 million energy customers."

* 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 for 2023 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.

Orazio Iacono, CEO of the Hera Group:

“The 1Q 2024 solid results highlight further growth along with the Hera Group’s confirmed focus on resilience, sustainability and innovation. Operating investments, amounting to around 160 million euro, went to upgrading and making the managed infrastructures even more efficient, to ensure service quality and continuity and improve the resilience of our assets. The activities carried out in 2023 to optimise the financial structure led to a decrease in the cost of medium- and long-term debt, generating a significant saving in financial expenses compared to the same period one year earlier. This results in an increase of about 12% in net profit attributable to shareholders, which rose to over 143 million euro. The Group’s financial solidity was also fully confirmed, with the Net debt / Ebitda ratio standing at 2.66x, improving from previous year and essentially aligned with the figure recorded on 31 December 2023.”*

Revenues at approximately 3.3 billion

In the first quarter of 2024, revenues amounted to 3,285.8 million euro, down significantly from 5,628.9 million euro in the same period of 2023, mainly due to lower energy commodity prices and lesser trading activities, as well as reduced opportunities related to energy efficiency incentives in residential buildings. This drop was partially offset by the higher volumes of electricity sold, as a result of significant commercial development.

Ebitda* rises to 417.1 million euro

At 31 March 2024, Ebitda* rose to 417.1 million euro (+1.7%), as against 410.2 million euro for the first three months of 2023, demonstrating the resilience of the Group’s results within the normalisation of commodity prices. This growth is mainly due to the contribution coming from the water area, amounting to 9.8 million euro, the good performance of the electricity and waste areas, up 3.5 million euro and 2 million euro respectively, as well as the other services area, up 1.4 million euro, all of which offset the 9.8 million euro drop in the gas area due to the loss of the contribution coming from the super-ecobonus.

Ebit* and pre-tax result* increase

Ebit* at 31 March 2024 increased to 245.9 million euro, up 4.2% from 236.1 million euro in the first quarter of 2023. This performance was also supported by lower provisions for bad debts, due to the normalisation of commodity prices and lower gas volumes. The pre-tax result* also increased to 212.9 million euro (+11.1%), as against 191.7 million euro at 31 March 2023, thanks in particular to the positive trend in financial operations.

Net profit attributable to shareholders* up to 143.1 million euro

After taxes, which came to 28%, mainly due to lower tax benefits in the first quarter of 2024 compared to the same period in 2023, net profit* rose to 153.3 million euro (+9.3%), compared to 140.3 million euro at 31 March 2023. Net profit attributable to Group Shareholders* also rose, coming to 143.1 million euro, up (+11.6%) from the 128.2 million euro seen at 31 March 2023. These results supported the creation of value for all stakeholders, in line with the content of the Business Plan.

Gross operating investments rise, maintaining the Group’s solidity

The Group’s operating investments, including capital grants, confirmed its strategic plans and were in line with the previous year, amounting to 156.8 million euro, as against 155.7 million euro at 31 March 2023, and mainly went to works on plants, networks and infrastructures. Regulatory upgrading was also carried out, mainly concerning gas distribution, with a large-scale meter replacement, and the purification and sewerage area. The total amount of net financial debt came to 3,986.6 million euro, a slight increase (+4.2%) compared to the figure seen at 31 December 2023, while the net debt/Ebitda* ratio stood at 2.66x, confirming the company’s financial solidity.

Tommaso Rotella becomes Vice Chairman of Hera

The Board of Directors assigned the position of (non-executive) Vice Chairman to Mr. Tommaso Rotella, who was appointed as a board director during the Shareholders Meeting held on April 30.

Mr Rotella was also appointed Vice Chairman of Hera S.p.A.'s Executive Committee and Chairman of both the Remuneration Committee and the Risk and Control Committee (also acting as the Committee for Transactions with Related Parties).

Born in Modena and 52 years old, he gained a degree in law from the University of Modena. As a lawyer, he specialises in proceedings concerning the criminal and administrative defence of companies, as well as tax consultancy. He holds positions as chairman of the supervisory body in several companies, participates in conferences and is author of publications on these topics.

Rotella will remain in office as Vice President until the Shareholders' Meeting held to approve the 2025 financial statements.

The Board of Directors also confirmed the appointment of Enrico Di Stasi as a member of the Risk and Control Committee and of the Committee for Related Party Transactions, after Di Stasi was appointed as director by the Shareholders Meeting held on 30 April 2024. The Board of Directors also assessed the independence of Directors Rotella and Di Stasi. Based on the declarations made by them and the information available to the company, director Rotella was found to be independent and director Di Stasi not independent. Vice Chairman Rotella and director Di Stasi also declared that they do not hold Hera shares.

Gas

Ebitda* for the gas area, which includes natural gas distribution and sales, district heating and energy services, stood at 184.0 million euro, compared to 193.8 million euro at 31 March 2023, mainly due to the changes in government incentives for energy efficiency activities (super-bonus), lower intermediation activities and a reduction in volumes due to climatic conditions and changes in consumption habits. This change was partially offset by growth in both sales margins in traditional markets, due to the normalisation of shaping costs, and in regulated distribution revenues, thanks to the recovery of higher inflation and the updated regulatory WACC. Moreover, the Group's good performance in last resort markets and in supplies to public administrations continued, through subsidiary Hera Comm, thanks to the award of 8 out of 9 lots of the last resort service, all 9 lots of the default service and 3 out of 12 lots of the Consip GAS15bis tender for public administrations.

In the first quarter of 2024, investments made in the gas area amounted to 37.4 million euro. More specifically, in gas distribution they involved non-recurring maintenance work on networks and plants and the replacement of measuring units for remote management, while in gas sales investments were aimed at acquiring new customers.

The number of gas customers stood at 2.1 million, in line with the previous year.

The gas area accounted for 44.1% of Group Ebitda.

Electricity

Ebitda for the electricity area, which includes the generation, distribution and sale of electricity as well as public lighting services, rose by 5.2%, reaching 71.2 million euro, compared to 67.7 million euro seen in the same period of 2023 (these values have been recalculated by including the public lighting segment, previously classified among other services).

The first quarter of 2024 showed significant growth in terms of both volumes sold to end customers, thanks to commercial development mainly in the free market, and margins due to the lower cost of modulation resulting from the drop in raw material prices. Distribution also increased, due to the recovery of inflation and the increase in regulated WACC. Other factors included opportunities in safeguards service and public administrations supplies, thanks to the awarding, through the subsidiary Hera Comm, of 4 lots in the Consip

EE21 tender for the public administrations, 2 lots of the safeguards service, 3 lots of the gradual safeguarded service for SMEs, and 1 lot for micro-businesses.

In the first quarter of 2024, investments made in this area amounted to 27.9 million euro, up 5.7 million euro year-on-year. In electricity distribution, the interventions carried out mainly concerned extraordinary maintenance and upgrading of plants and distribution networks in the Modena, Imola, Trieste and Gorizia areas, as well as the ongoing large-scale meter replacement and interventions to improve the resilience of the network. In energy sales, investments involving activities related to the acquisition of new customers increased. The number of electricity customers increased by 18.8% compared to the same period of 2023, reaching approximately 1.8 million. This growth occurred mainly in the free market, as a result of both the reinforced commercial actions and the positive contribution coming from Consip tenders and the gradual protection service.

As regards public lighting, in the first quarter of 2024 the Hera Group acquired approximately 58.4 thousand lighting points in 20 new municipalities, mainly in Tuscany, Triveneto, Umbria, Emilia-Romagna and Lombardy. The percentage of lighting points managed using LED lamps also increased, confirming the Group's constant focus on an increasingly efficient and sustainable management of this sector.

The electricity area accounted for 17.1% of Group Ebitda.

Water

At 31 March 2024, Ebitda for the integrated water cycle area, which includes aqueduct, purification and sewerage services, rose to 65.4 million euro, up (+17.6%) from 55.6 million euro in the same period of 2023. This growth was mainly due to the recognition of inflation and the updated regulatory WACC. In the first quarter of 2024, investments made in the water cycle area, including capital grants, amounted to 48.3 million euro (30.9 million euro in the aqueduct, 11.8 million euro in sewerage and 5.6 million euro in purification) and mainly involved extensions, reclamation and upgrading on networks and plants, as well as regulatory adjustments, mainly in the purification and sewerage areas.

The main interventions included: in the aqueduct, ongoing reclamation activities on networks and connections, as well as specific modernisation and upgrading operations; in the sewerage sector, ongoing implementation of the Rimini seawater protection plan (PSBO); in the purification sector, the beginning of construction for the new 'power to gas' plant at the IDAR purification plant in Bologna, partially financed by NRRP funds.

Lastly, note that, in line with the results of previous years, ARERA has recently reconfirmed the high-quality standards adopted by Hera in managing the integrated water service: more specifically, the Hera Group was awarded first and third place in the overall ranking of Italian utilities (2020-21 two-year period). This result recognises the Group's contribution to the development and efficiency of the sector, thanks to significant investments and state-of-the-art plants, to guarantee service continuity, safety and quality, in line with its sustainability and circular economy strategies.

The integrated water cycle area accounted for 15.7% of Group Ebitda.

Waste

Ebitda for the waste management area, which includes waste collection, treatment and recovery services, rose to 89.6 million euro (+2.3%), as against 87.6 million euro at 31 March 2023, mainly due to higher volumes treated and lower operating costs, especially for chemicals. Ebitda for waste treatment services rose to 73.7 million euro (up 1.2 million euro), while Ebitda for waste collection and sweeping services amounted to 15.9 million euro (up 0.8 million euro).

Compared to the same period in 2023, there was an increase in waste commercialised mainly due to a rise in market waste. This growth offset the lower performance of energy management, mainly due to lower market prices and lower volumes in the Rimini and Modena waste-to-energy plants due to maintenance.

In the first quarter of 2024 as well, the main initiatives concerning the circular economy set out in the business plan continued, from material recovery to the production of renewable energy. Examples of this are the biodigester in Spilamberto (Modena area) that will go on stream this year and the new plant that subsidiary Aliplast started to build in Modena for the production of high-quality recycled polymers, with the aim of making sectors such as consumer electronics and the automotive industry increasingly sustainable. Thanks to the development of new state-of-the-art infrastructures such as this one, the Group aims to further consolidate its position in the segment of second raw material production, a sector in which Hera subsidiary Aliplast, already a national market leader in high-quality recycling of PET and LDPE polymers, aims to play a key role also in recycling rigid plastics.

Within a macroeconomic scenario characterised by a slight growth in GDP, a downturn in industrial production and increased competitive pressure in the markets covered, the Group, thanks to its sound management policies, continued to strengthen its leadership in the waste management sector, especially in the industrial and recovery market, equipping its plants with the best available technologies and guaranteeing a significant level of growth along the supply chain. With more than one hundred state-of-the-art facilities capable of treating any type of waste, Hera's set of plants is a strategic and distinctive asset nationwide, in a country which still shows significant infrastructural deficiencies in this area.

Protecting environmental resources was confirmed as a priority goal for the Group in the early months of 2024, as was the maximisation of their reuse. This is further proven by the special attention dedicated to developing sorted waste collection, which rose to 74.1% at 31 March 2024, up 3.4% compared to the same period in 2023, thanks to the strong commitment shown in all areas served.

In the first quarter of 2024, investments made in the waste management area rose to 21.6 million euro, mainly going to maintenance and upgrading of waste treatment plants.

The waste management area accounted for 21.5% 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 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 Consolidated Financial Statements at 31 March 2024 are attached.

<https://eng.gruppohera.it>

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Income statement (mn€)	Mar 24	% inc.	Mar 23	% inc.	Abs. change	% change
Revenues	3,285.8	0.0%	5,628.9	0.0%	(2,343.1)	(41.6%)
Other operating revenues	113.2	3.4%	121.2	2.2%	(8.0)	(6.6%)
Raw and other materials	(1,841.1)	(56.0%)	(4,484.1)	(79.7%)	(2,643.0)	(58.9%)
Service costs	(965.9)	(29.4%)	(684.7)	(12.2%)	+281.2	+41.1%
Other operating expenses	(18.0)	(0.5%)	(19.2)	(0.3%)	(1.2)	(6.3%)
Personnel costs	(169.1)	(5.1%)	(165.4)	(2.9%)	+3.7	+2.2%
Capitalised costs	12.2	0.4%	13.5	0.2%	(1.3)	(9.7%)
Ebitda*	417.1	12.7%	410.2	7.3%	+6.9	+1.7%
Amortization, depreciation and provisions	(171.2)	(5.2%)	(174.1)	(3.1%)	(2.9)	(1.7%)
Ebit*	245.9	7.5%	236.1	4.2%	+9.8	+4.2%
Financial operations	(33.0)	(1.0%)	(44.4)	(0.8%)	(11.4)	(25.7%)
Pre-tax result*	212.9	6.5%	191.7	3.4%	+21.2	+11.1%
Taxes	(59.6)	(1.8%)	(51.4)	(0.9%)	+8.2	+16.0%
Net result*	153.3	4.7%	140.3	2.5%	+13.0	+9.3%
Attributable to:						
Shareholders of the Parent Company*	143.1	4.4%	128.2	2.3%	+14.9	+11.6%
Minority shareholders	10.2	0.3%	12.1	0.2%	(1.9)	(15.7%)

* Adjusted results

Invested capital and sources of financing (mn€)	Mar 24	% inc.	Dec 23	% inc.	Abs. change	% change
Net non-current assets	8,150.8	103.6%	8,119.2	107.1%	+31.6	+0.4%
Net working capital	429.0	5.5%	166.0	2.2%	+263.0	+158.4%
(Provisions)	(709.1)	(9.0%)	(705.9)	(9.3%)	(3.2)	(0.5%)
Net invested capital	7,870.7	100.0%	7,579.3	100.0%	+291.4	+3.8%
Equity	3,884.1	49.3%	3,751.6	49.5%	+132.5	+3.5%
Long-term borrowings	4,320.7	54.9%	4,315.4	56.9%	+5.3	+0.1%
Net current financial debt	(334.1)	(4.2%)	(487.7)	(6.4%)	+153.6	+31.5%
Net debt	3,986.6	50.7%	3,827.7	50.5%	+158.9	+4.2%
Total sources of financing	7,870.7	100.0%	7,579.3	100.0%	+291.4	+3.8%

Special items and operational adjustments / balance sheet reconciliation

mn€	Mar 24			Mar 23		
	Published statement	Operational adjustments	Operations statement	Published statement	Operational adjustments	Operations statement
Revenues	3,285.8		3,285.8	5,628.9		5,628.9
Other operating revenues	113.2		113.2	121.2		121.2
Raw and other materials	(1,841.1)		(1,841.1)	(4,391.1)	(93.0)	(4,484.1)
Service costs	(965.9)		(965.9)	(684.7)		(684.7)
Personnel costs	(169.1)		(169.1)	(165.4)		(165.4)
Other operating expenses	(18.0)		(18.0)	(19.2)		(19.2)
Capitalised costs	12.2		12.2	13.5		13.5
Ebitda	417.1	-	417.1	503.2	(93.0)	410.2*
Amortization, depreciation and provisions	(171.2)		(171.2)	(174.1)		(174.1)
Ebit	245.9	-	245.9	329.1	(93.0)	236.1*
Financial operations	(33.0)		(33.0)	(44.4)		(44.4)
Pre-tax result	212.9	-	212.9	284.7	(93.0)	191.7*
Taxes	(59.6)		(59.6)	(78.2)	+26.8	(51.4)*
Net result	153.3	-	153.3	206.5	(66.2)	140.3*
Attributable to:						
Parent company shareholders	143.1		143.1	194.4	(66.2)	128.2*
non-controlling interests	10.2		10.2	12.1		12.1

* Adjusted results

IFRS financial statements

Income statement

mn/euro	31/03/2024	31/03/2023
Revenues	3,285.8	5,628.9
Other operating revenues	113.2	121.2
Raw and other materials	(1,841.1)	(4,391.1)
Service costs	(965.9)	(684.7)
Personnel costs	(169.1)	(165.4)
Other operating costs	(18.0)	(19.2)
Capitalized costs	12.2	13.5
Amortisation, depreciation and provisions	(171.2)	(174.1)
Operating revenues	245.9	329.1
Share of profits (losses) pertaining to joint ventures and associated companies	2.9	2.7
Financial income	37.8	26.3
Financial expense	(73.7)	(73.4)
Financial management	(33.0)	(44.4)
Earnings before taxes	212.9	284.7
Taxes	(59.6)	(78.2)
Overall revenues for the period	153.3	206.5
To attribute to:		
Parent company shareholders	143.1	194.4
minority shareholders	10.2	12.1
Earnings per share		
basic	0.099	0.134
diluted	0.099	0.134

Statement of financial position

mn/euro	31/03/2024	31/12/2023
ASSETS		
Non-current assets		
Property, plant and equipment	2,058.8	2,059.3
Rights of use	87.2	90.6
Intangible assets	4,750.2	4,719.6
Goodwill	908.7	908.7
Equity investments	198.7	195.6
Non-current financial assets	162.1	162.8
Deferred tax assets	299.5	302.3
Derivative financial instruments	0.3	0.3
Total non-current assets	8,465.5	8,439.2
Current assets		
Inventories	619.9	631.6
Trade receivables	3,337.0	3,586.8
Current financial assets	62.7	90.9
Current tax assets	13.2	11.4
Other current assets	710.9	509.3
Derivative financial instruments	335.7	478.0
Cash and cash equivalents	1,227.6	1,332.8
Total current assets	6,307.0	6,640.8
TOTAL ASSETS	14,772.5	15,080.0

mn€	31/03/2024	31/12/2023
NET EQUITY AND LIABILITIES		
Share capital and reserves		
Share capital	1,440.2	1,443.0
Reserves	1,977.8	1,553.8
Profit (loss) for the period	143.1	441.4
Group net equity	3,561.1	3,438.2
Non-controlling interests	323.0	313.4
Total net equity	3,884.1	3,751.6
Non-current liabilities		
Non-current financial liabilities	4,428.4	4,421.7
Non-current lease liabilities	54.7	56.8
Post-employment and other benefits	86.0	88.1
Provisions for risks and charges	623.1	617.8
Deferred tax liabilities	152.4	156.9
Derivative instruments	-	-
Total non-current liabilities	5,344.6	5,341.3
Current liabilities		
Current financial liabilities	905.1	890.8
Current lease liabilities	23.3	24.5
Trade payables	2,295.3	2,637.2
Current tax liabilities	164.8	110.2
Other current liabilities	1,812.9	1,866.8
Derivative instruments	342.4	457.6
Total current liabilities	5,543.8	5,987.1
TOTAL LIABILITIES	10,888.4	11,328.4
TOTAL NET EQUITY AND LIABILITIES	14,772.5	15,080.0