

press release

Bologna, 8 November 2018

Hera BoD approves 3Q 2018 results

Consolidated 3Q results at 30 September confirm the growth in operating and financial indicators already seen in the first half of the year, with positive contributions coming from the different Group's business areas, gas and waste management in particular

Financial highlights

- Revenues at € 4,348.4 million (+8.0%)
- Ebitda at € 748.6 million (+3.3%)
- Net profits for Shareholders at € 208.7 million (+14.1%)
- Net debt at € 2,642.0 million

Operating highlights

- Good contribution to growth coming from all businesses and gas in particular
- Good results achieved through internal growth
- Solid customer base in Energy (approximately 2.5 million), rising by approximately 100,000 over the first three quarters of 2017
- Sorted waste increases to an average of 61.4% across all areas served

Today, the Hera Group's Board of Directors unanimously approved the consolidated financial results at 30 September 2018, which confirm the positive trend in operating results seen in previous quarters and show further improvement in financial and fiscal management.

These results once again reward the Group's balanced and agile way of operating, following a business model that has always combined the strategic levers of internal and external growth. In addition to remarkable internal growth, partially deriving from higher efficiencies, developments in market shares and an increase in volumes sold in the energy sector both contributed to the accounts for the first three quarters of 2018.

Revenues rise to € 4,348.4 million

In the first nine months of 2018, revenues amounted to € 4,348.4 million, up 8% over the € 4,027.8 million seen at 30 September 2017, with a contribution coming from all business areas. In particular, trends in gas and electricity trading and sales benefitted from an increase in volumes.

Ebitda increases to € 748.6 million

The Group's consolidated Ebitda at 30 September 2018 grew from € 724.7 to € 748.6 million (+3.3%). This result is due to the good performance seen in all main activities, and the gas sector in particular, whose contribution included rising earnings derived from sales and trading. Positive results were also seen in the integrated water cycle and waste management areas.

Ebit and pre-tax profits grow, owing in part to financial management

Ebit grew to € 376.5 million, up compared to the € 357.9 seen at 30 September 2017 (+5.2%), while pre-tax profits rose to € 311.0 million, as against the € 283.5 seen at the same date in 2017 (+9.7%). This was due to financial management, which in the first nine months of 2018 improved by € 8.9 million compared to 30 September 2017, settling at € 65.5 million, with a performance partly made possible by efficiency in rates and higher financial income for commercial activities.

Net profits for Shareholders increase to € 208.7 million (+14.1%)

Profits pertaining to Group Shareholders rose to € 208.7 million, compared to the € 182.9 million recorded at 30 September 2017 (+14.1%), for reasons including a tax rate coming to 30.1%, an improvement over the 32% seen in the same period of the previous year. The considerable investments made by the Group in Utility 4.0 projects allowed fiscal optimisation opportunities to be grasped, thanks to incentives for large and very large amortisations.

Approximately € 300 million in investments, and an essentially stable financial position

The Group's operating investments at 30 September 2018, including capital grants, amounted to € 296.6 million, up 7.0% over the same period in 2017 and in line with the content of the Business plan. Operating investments mainly concerned work done on plants, networks and infrastructures, in addition to regulatory upgrading, above all concerning gas distribution with a large-scale metre substitution, and the purification and sewerage activities.

Net debt came to € 2,642.0 million at 30 September 2018, essentially stable compared to the € 2,610.0 million recorded after the first nine months of 2017, considering the dividends paid.

Gas

Ebitda for the gas business, which includes services in natural gas distribution and sales, district heating and heat management, reached € 222.2 million at 30 September 2018, up 10.3% over the same period one year earlier thanks to commercial development, higher intermediated volumes and higher revenues for distribution services. The number of gas customers came to 1.413 million in the first nine months of 2018, rising by 1.6% over the same period in 2017. This growth was caused by an expansion in market share and by the companies Blu Ranton and Verducci Servizi becoming part of the Group's consolidated scope.

The gas business accounted for 29.7% of Group Ebitda.

Water cycle

Ebitda for the integrated water cycle, which includes aqueduct, purification and sewerage services, increased by 4.4%, going from € 178.3 million in September 2017 to € 186.2 million at 30 September 2018, thanks to higher revenues from dispensing, higher recognised costs and the efficiencies reached.

The integrated water cycle accounted for 24.9% of Group Ebitda.

Waste management

The results for the waste management, which includes services in waste collection, treatment, recovery and disposal, also showed increasing figures, with Ebitda going from € 181.4 million at 30 September 2017 to € 188.2 million at the same date in 2018 (+3.7%). This trend was largely caused by changes in the prices set for waste treatment, along with increased results from Aliplast. Further growth was also seen in sorted waste, which went from 56.6% during the same period in 2017 to 61.4% at 30 September 2018, thanks to the numerous services offered. In the month of September, moreover, the Sant'Agata Bolognese biomethane production plant was launched, fully respecting the timing set out in the Business plan.

The waste management area accounted for 25.1% of Group Ebitda.



Electricity

Ebitda for the electricity business, which includes services in electricity generation, distribution and sales, went from € 147.4 million in the first nine months of 2017 to € 133.2 million at 30 September 2018. Sales and trading results benefitted from a higher amount of intermediated volumes (+15.5%) and the enlarged customer base (+7.8%, reaching 1.039 million), thanks to increased market shares and a wider scope of operations. This result partially offset the effect coming from a few suspended generation plants, which became fully functional once again in the third quarter.

The electricity business accounted for 17.8% 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 third-quarter management report and related materials are available to the public at Company Headquarters and on the website www.gruppohera.it.

Unaudited extracts from the Intermediate Management Report at 30 September 2017 are attached.

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Profit & Loss (m€)	30/09/2018	Inc%	30/09/2017	Inc.%	Ch.	Ch. %
Sales	4,348.4		4,027.8		+320.6	+8.0%
Other operating revenues	321.1	7.4%	327.3	8.1%	-6.2	-1.9%
Raw material	(1,966.6)	-45.2%	(1,776.4)	-44.1%	+190.2	+10.7%
Services costs	(1,529.2)	-35.2%	(1,428.6)	-35.5%	+100.6	+7.0%
Other operating expenses	(42.9)	-1.0%	(45.3)	-1.1%	-2.4	-5.3%
Personnel costs	(410.1)	-9.4%	(409.1)	-10.2%	+1.0	+0.2%
Capitalisations	28.0	0.6%	29.1	0.7%	-1.1	-3.8%
Ebitda	748.6	17.2%	724.7	18.0%	+23.9	+3.3%
Depreciation and provisions	(372.2)	-8.6%	(366.8)	-9.1%	+5.4	+1.5%
Ebit	376.5	8.7%	357.9	8.9%	+18.6	+5.2%
Financial inc./(exp.)	(65.5)	-1.5%	(74.4)	-1.8%	-8.9	-12.0%
Pre tax profit	311.0	7.2%	283.5	7.0%	+27.5	+9.7%
Tax	(95.1)	-2.2%	(90.7)	-2.3%	+4.4	+4.9%
Net profit before special items	215.9	5.0%	192.8	4.8%	+23.1	+12.0%
Special items	4.8	0.1%	-	0.0%	+4.8	+100.0%
Net profit	220.7	5.1%	192.8	4.8%	+27.9	+14.5%
Attributable to:						
Shareholders of the Parent Company	208.7	4.8%	182.9	4.5%	+25.8	+14.1%
Minority shareholders	11.9	0.3%	9.9	0.2%	+2.1	+20.9%
Balance Sheet (m€)	30/09/2018	Inc.%	31/12/2017	Inc.%	Ch.	Ch. %
Net fixed assets	5,837.0	107.2%	5,780.6	110.5%	+56.4	+1.0%
Working capital	186.4	3.4%	23.2	0.4%	+163.2	+703.4%
(Provisions)	(578.5)	(10.6%)	(574.8)	(10.9%)	(3.7)	+0.6%
Net invested capital	5,444.9	100.0%	5,229.0	100.0%	+215.9	+4.1%
Net equity	2,802.9	51.5%	2,706.0	51.7%	+96.9	+3.6%
Long term net financial debt	2,841.9	52.2%	2,735.4	52.4%	+106.5	+3.9%
Short term net financial debt	(199.9)	(3.7%)	(212.4)	(4.1%)	+12.5	(5.9%)
Net financial debts	2,642.0	48.5%	2,523.0	48.3%	+119.0	+4.7%
Net invested capital	5,444.9	100.0%	5,229.0	100.0%	+215.9	+4.1%