

press release  
Bologna, 27 March 2019

## Hera Group approves results at 31/12/2018

*The multi-utility, included as of Monday 18 March in the FTSE MIB, closed the year with all main results improving beyond expectations, reaching the milestone of a one billion-euro Ebitda and crowning a history of 16 years of uninterrupted growth. Proposed dividends also rise to 10 cents per share, in line with the content of the business plan*

### Financial highlights

- Turnover at 6,626.4 million euro (+8.0%)
- Ebitda at 1,031.1 million euro (+4.7%)
- Net profits at 296.6 million euro (+11.2%)
- Net debt at 2,585.6 million euro
- Net debt/Ebitda ratio improves to 2.51x
- Proposed dividends increase to 10 cents per share

### Operating highlights

- Good contribution to growth coming from all businesses, in particular the integrated water cycle and the gas area
- Management marked by good results achieved in internal growth
- Solid customer base in energy sectors (over 2.5 million), up by roughly 150,000
- Sorted waste increases to a 62.5% average over all areas served
- Improvement seen in all sustainability indicators, with shared value Ebitda growing to 375.2 million euro (+14%)

Today, the Hera Group's Board of Directors, chaired by Tomaso Tommasi di Vignano, unanimously approved the consolidated economic results at 31 December 2018, along with the Sustainability Report.

### **16 years of uninterrupted growth and winning strategies, with all main operating-financial and sustainability indicators improving**

The Hera Group closed the 2018 financial year with improved results, exceeding expectations. All business areas contributed to this growth, which was largely sustained by regulated activities. The results achieved confirm the Hera Group's position of leadership among multi-utilities and the solidity of its business model, preparing it to grasp additional opportunities for expansion in the fragmentary markets in which it operates.

The Group's sixteen-year track record of uninterrupted development combining internal and external growth has allowed it to reach significant economies of scale and ever-increasing synergies thanks to its multi-business industrial approach, balanced between regulated and free-market activities, which has proved to be a winning strategy. Since its birth in 2002, the Hera Group has quintupled its Ebitda, with net profits increasing eightfold: it now ranks among the Nation's leaders in all business areas (first in waste management, second in the integrated water cycle, third in gas distribution and in energy sales to end customers).

These results are accompanied by a strong commitment towards social and environmental sustainability and towards creating shared value, both of which are competitive levers in all respects and bring the company's development into line with the targets defined in the UN's 2030 Agenda and the most advanced European goals.



### **Turnover exceeds 6.6 billion, increasing by 8.0%**

The Hera Group's 2018 turnover rose to 6,626.4 million euro, up 489.5 million (+8.0% over the 6,136.9 seen in 2017), thanks above all to higher revenues in gas and electricity sales owing to volumes sold, in addition to higher revenues in the waste management area and water services.

### **Ebitda grows to 1,031.1 million (+4.7%)**

Group Ebitda exceeded one billion euro for the first time, reaching 1,031.1 million (+4.7%), up 46.5 million over the 984.6 million recorded in 2017 and above the forecast released on 10 January 2019 (indicating an estimated 1,020 million 2018 Ebitda). This result was due to the good performances seen in the Group's various business areas, first and foremost the integrated water cycle and the gas area.

### **Operating results and pre-tax profits increase, financial management improves**

Net operating results also rose, coming to 510.1 million euro, up 30.8 million (+6.4% compared to the 479.3 seen in 2017), despite higher operating amortisation, depreciation and provisions for new investments in regulated distribution and changes in the scope of operations. Pre-tax profits went from 377.8 million euro in 2017 to 418.4 million (+10.7%), rising by 40.6 million euro thanks to a 9.8 million improvement in financial management.

### **Sharp rise in net profits, reaching 296.6 million euro (+11.2%)**

Group net profits increased to 296.6 million euro (+11.2%), with a 29.8 million euro rise over the 266.8 seen one year earlier. The average tax rate settled at 29.1%, as against 29.6% at 31 December 2017; the latter moreover benefitted from several exemptions, without which it would have come to 30.8%. The improvement is thus equivalent to 1.7% and is linked to the benefits coming from the Group's considerable investments in assets going towards technological and digital transformation. Profits pertaining to Group Shareholders came to 281.9 million euro (+12.1%), up 30.4 million over 2017.

### **Investments rise to 462.6 million euro, Net debt/Ebitda ratio further improves to 2.51**

Including capital grants, the Group's overall 2018 investments came to 462.6 million euro, up 5% over the 440.5 million seen the previous year. They mainly went to interventions on plants, networks and infrastructures, to guarantee efficiency, safety, resilience and innovation, in addition to regulatory upgrading above all in gas distribution, with an intensive meter substitution, and the purification and sewerage areas. Net investments came to 431.8 million.

Net debt settled at 2,585.6 million euro, improving compared to the 30 September 2018 figure and essentially stable with respect to the previous year (2,523.0 million in 2017), despite higher investments, the M&A operations seen during the year and the treasury shares repurchased. Further improvement was seen in the Net debt/Ebitda ratio, which dropped to 2.51 (compared to 2.56 in 2017).

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 up to 36%**

These positive operating results were matched by an 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 2018 shared value Ebitda came to 375.2 million euro, accounting for 36% of overall Ebitda (+14% compared to the 329 million seen the previous year). This result is perfectly in line with the path set out by the Business plan, in which this indicator is projected to reach 40% by 2022.

The Group's attention towards sustainability is also proven by the fact that 40% of total investments made by the Group – coming to over 180 million euro – go towards initiatives and projects aimed at creating shared value, distributed among the three drivers within which the Hera Group has organised this commitment: 71.3 million invested in innovation and contributions to development, 68.9 million in a more efficient use of resources and 48.3 million in a smarter use of energy.



### **Proposed dividends rise to 10 cents per share, inclusion within the FTSE MIB**

In 2019 Hera became part of the Borsa Italiana FTSE MIB index, which includes the 40 largest companies listed on the Italian stock exchange, thanks to the amount of free float capitalisation and the value of the shares traded over the last six months.

The Board of Directors, considering the positive results achieved and the Group's sound financial profile, has decided to put a dividend of 10 cents per share to the Shareholders Meeting to be held on 30 April 2019, higher than last June (9.5 cents per share) and in line with the content of the Business plan.

The ex-dividend date has been set at 24 June 2019, with payment as of 26 June 2019.

### **Gas**

Ebitda for the gas area, which includes services in natural gas distribution and sales, district heating and heat management, grew significantly over the previous year in terms of both margins and volumes sold: it indeed reached 316.5 million euro (+4.9%), 14.8 million more than the 301.7 million seen in 2017. This result was reached thanks to commercial development on the free market, increased activity on the default market and in last resort supply, greater efficiency in distribution and the positive effect on consumption coming from the colder winter temperatures. The number of customers rose by 59.6 thousand (4.3%), now totalling 1.5 million users, partially due to the acquisitions of 100% of the Abruzzo companies Blu Ranton and Sangroservizi. Volumes sold increased by 18.2%.

In 2018 net investments amounted to 115.4 million euro (+14.3% compared to 2017), to guarantee and improve the high-quality standards in networks and plants, with non-recurring maintenance and work involving cathodic protection for the Trieste network. Investments also rose for heat management and the number of new connections in district heating grew.

The gas area accounted for 30.7% of Group Ebitda.

### **Water cycle**

In 2018, the integrated water cycle area, which includes aqueduct, purification and sewerage services, recorded Ebitda amounting to 249.7 million euro, up 19.8 million euro (+8.6%) over the 229.9 seen over the previous year. This result was mainly obtained through the efficiencies reached, higher revenues resulting from the tariffs introduced by the Authority, the bonuses awarded for high service standards and the change in scope of operations resulting from the operational status of the new Servola (Trieste) purifier and a few items from previous years.

Net investments amounted to 127.6 million euro (increasing by 12.8% over 2017). Including capital grants, investments totalled 157.9 million, mainly dedicated to extensions, network and plant upgrading and reclamations, in addition to regulatory upgrading concerning above all purification and sewerage. The main investments also included work on the Rimini seawater protection plan, one of the Group's most important and at the forefront nationwide as regards sewerage and purification.

The integrated water cycle area accounted for 24.2% of Group Ebitda.

### **Waste**

Ebitda for the waste management area, which includes waste collection, treatment and disposal services, also grew, coming to 252.0 million euro (+2.4%), up 6 million over the 246.0 million recorded in 2017. In the waste treatment sector, in which the Group ranks once again as the nation's leader with roughly 90 plants handling all types of waste, the positive results were mainly due to fluctuations in the price of special waste and revenues from electricity generation.

In waste management and recovery, it is worth mentioning, Hera works with complete and integrated offers, providing its partner companies with all-inclusive solutions that bring together efficiency and sustainability, in line with the principles of a circular economy. This is the strategy underlying the biomethane production plant inaugurated in October in Sant'Agata Bolognese thanks to a 37 million euro investment, which as of 2019 will contribute to results in the waste management area, and the contribution coming from Aliplast, a national and international leader in plastic collection and recycling.

Sorted waste going towards recycling showed an unprecedented increase in 2018: almost five percentage points, going from 57.7% in 2017 to 62.5%, thanks to the numerous projects implemented across all areas served. The positive performance in sorted waste is also due to a few municipalities where services have



been modified as preparation for the shift to unit pricing, with Ferrara representing one outstanding example. Investments coming to 77.7 million euro were mainly dedicated to maintaining and upgrading plants. The waste management area accounted for 24.4% of Group Ebitda.

### **Electricity**

The electricity area, which includes services in electricity production, distribution and sales, recorded an Ebitda coming to 183.5 million, essentially in line with the 184.5 million recorded the previous year. This result was mainly due to higher revenues from sales and distribution, along with higher margins and operating efficiencies which largely offset lower revenues in trading and the lower income from electricity generation caused by regulatory modifications and temporarily suspended plants in Campania. Electricity customers rose to 1.1 million (+8.9%), up 87.1 thousand, with significant growth seen above all on the free market thanks to reinforced marketing initiatives, in particular in regions of Central Italy.

Investments amounting to 23 million euro went mainly to non-recurring maintenance on plants and networks in the Modena, Imola, Trieste and Gorizia areas.

The amount of Group Ebitda accounted for by the electricity area came to 17.8%.

### **Statement by Executive Chairman Tomaso Tommasi di Vignano**

"We are particularly satisfied with the results achieved, since the various indicators confirm that the Hera Group's growth is a healthy one: it corresponds, indeed, to further increases in the rates of return, with ROI and ROE continually progressing over the last 4 years. This is due to a growing and efficient capital allocation, expansion on free markets, the enhanced efficiency attained, and the innovations introduced, all of which has brought about a 6% growth in Ebitda per employee. Furthermore, we have confirmed our tendency to create value for all stakeholders, beginning with our shareholders, to whom we will pay a 10 cent per share dividend, showing a further increase with respect to the past and in line with what we have presented in our Business plan. They will additionally benefit from a higher stock liquidity, thanks to our recent entry in the FTSE MIB."

### **Statement by CEO Stefano Venier**

"The Hera Group's excellent results, largely produced by internal growth, bear witness to the actions we have undertaken to improve efficiency and sustainability to an even greater degree, and also to broaden our reference market through tenders and boost our ability to compete on free markets. Our positive operating management has been matched by an improved financial management and tax optimisations, as is fully reflected by the Group's growing profits. I feel it is important to mention that our growth is proceeding at the same rate as our attention towards sustainability and creating shared value, both fundamental levers in our strategy. Evidence of this can be seen in both the Group's rising Ebitda that, in 2018 as well, was fully in line with the principles of shared value, and in our innovative financial operations, such as launching the first sustainable revolving line of credit last May, after we pioneered the first green bond on the Italian market in 2014."

### **IR director - Hera S.p.A.**

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*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.*

*From 8 April 2019 the Y18 financial report and related materials will be made available to the public pursuant to the terms established by law at Company Headquarters, on the website [www.gruppohera.it](http://www.gruppohera.it) and on the authorised storage platform 1Info ([www.1info.it](http://www.1info.it)).*

*Unaudited extracts from the Abbreviated Consolidated Y18 Financial Statements are attached.*

<b>Profit &amp; Loss (m€)</b>	<b>31/12/2018</b>	<b>Inc.%</b>	<b>31/12/2017</b>	<b>Inc.%</b>	<b>Ch.</b>	<b>Ch. %</b>
Sales	6,134.4		5,612.1		+522.3	+9.3%
Other operating revenues	492.0	8.0%	524.8	9.4%	(32.8)	(6.3%)
Raw material	(2,984.1)	(48.6%)	(2,606.8)	(46.4%)	+377.3	+14.5%
Services costs	(2,040.5)	(33.3%)	(1,952.2)	(34.8%)	+88.3	+4.5%
Other operating expenses	(62.5)	(1.0%)	(84.6)	(1.5%)	(22.1)	(26.1%)
Personnel costs	(551.4)	(9.0%)	(551.6)	(9.8%)	(0.2)	(0.0%)
Capitalisations	43.3	0.7%	43.0	0.8%	+0.3	+0.7%
<b>Ebitda</b>	<b>1,031.1</b>	<b>16.8%</b>	<b>984.6</b>	<b>17.5%</b>	<b>+46.5</b>	<b>+4.7%</b>
Depreciation and provisions	(521.0)	(8.5%)	(505.3)	(9.0%)	+15.7	+3.1%
<b>Ebit</b>	<b>510.1</b>	<b>8.3%</b>	<b>479.3</b>	<b>8.5%</b>	<b>+30.8</b>	<b>+6.4%</b>
Financial inc./ (exp.)	(91.7)	(1.5%)	(101.5)	(1.8%)	(9.8)	(9.7%)
<b>Pre tax profit</b>	<b>418.4</b>	<b>6.8%</b>	<b>377.8</b>	<b>6.7%</b>	<b>+40.6</b>	<b>+10.7%</b>
Tax	(121.8)	(2.0%)	(111.8)	(2.0%)	+10.0	+8.9%
<b>Net profit before special items</b>	<b>296.6</b>	<b>4.8%</b>	<b>266.0</b>	<b>4.7%</b>	<b>+30.6</b>	<b>+11.5%</b>
Special items	0.0	0.0%	0.8	0.0%	(0.8)	(100.0%)
<b>Net profit</b>	<b>296.6</b>	<b>4.8%</b>	<b>266.8</b>	<b>4.8%</b>	<b>+29.8</b>	<b>+11.2%</b>
Attributable to:						
<b>Shareholders of the Parent Company</b>	<b>281.9</b>	<b>4.6%</b>	<b>251.5</b>	<b>4.5%</b>	<b>+30.4</b>	<b>+12.1%</b>
Minority shareholders	14.7	0.2%	15.3	0.3%	(0.6)	(3.9%)
<b>Balance Sheet (m€)</b>	<b>31/12/2018</b>	<b>Inc.%</b>	<b>31/12/2017</b>	<b>Inc.%</b>	<b>Ch.</b>	<b>Ch.%</b>
Net fixed assets	5,905.1	108.7%	5,780.6	110.5%	+124.5	+2.2%
Working capital	115.4	2.1%	23.2	0.4%	+92.2	+397.4%
(Provisions)	(588.2)	(10.8%)	(574.8)	(10.9%)	(13.4)	+2.3%
<b>Net invested capital</b>	<b>5,432.3</b>	<b>100.0%</b>	<b>5,229.0</b>	<b>100.0%</b>	<b>+203.3</b>	<b>+3.9%</b>
Net equity	2,846.7	52.4%	2,706.0	51.7%	+140.7	+5.2%
Long term net financial debt	2,558.8	47.1%	2,735.4	52.4%	(176.6)	(6.5%)
Short term net financial debt	26.8	0.5%	(212.4)	(4.1%)	+239.2	(112.6%)
Net financial debts	2,585.6	47.6%	2,523.0	48.3%	+62.6	+2.5%
<b>Net invested capital</b>	<b>5,432.3</b>	<b>100.0%</b>	<b>5,229.0</b>	<b>100.0%</b>	<b>+203.3</b>	<b>+3.9%</b>

#### Self-assessment of the Board of Statutory Auditors

It should be noted that today the Board of Directors has taken note of the self-assessment report of the Board of Statutory Auditors of Hera S.p.A. that has carried out, according to the current legislation, its own self-assessment, based on the analysis of the suitability of its own members and the proper composition of the body. The Board has ascertained in particular that its members meet the requirements of professionalism, competence, integrity and experience.