



press release

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Hera Shareholders Meeting: 2018 financial statements and dividend increasing to 10 cents approved

The multi-utility, included in the FTSE MIB as of 18 March 2019, improved all its main operating-financial and sustainability indicators, with results exceeding expectations and Ebitda amounting to over one billion for the first time.

Commitment towards creating shared value also confirmed

The Hera Ordinary Shareholders Meeting called to approve the 2018 financial statements was held in Bologna this morning, and the 2018 sustainability report (a consolidated non-financial statement drafted pursuant to legislative decree 254/2016) was presented.

2018 financial statements approved with strong growth in results

In the ordinary session, the Shareholders Meeting approved the balance sheets pertaining to 2018, which showed improvement in all main operating-financial indicators: turnover reached € 6,626.4 million, up 8% over the previous year, Ebitda exceeded one billion euro for the first time – coming to € 1,031.1 million (+4.7%) – and net profits amounted to € 296.6 million (+11.2%).

Overall Group investments in 2018, including capital grants, reached € 462.6 million (+5% over 2017). Net debt settled at € 2,585.6 million, essentially stable compared to the previous year (2,523.0 million in 2017). The quality of these results was confirmed by a drop in the net debt/Ebitda ratio, which fell to 2.51x (compared to the 2.56x seen in 2017), providing further confirmation of the Group's financial solidity, which was also reflected in the opinions released by leading rating agencies (Baa2 with stable outlook from Moody's and BBB with positive outlook from Standard & Poor's).

The positive results for 2018, in line with the Business plan to 2022 and higher than the forecasts communicated last January, confirm the Hera Group's ranking among Italy's major multi-utilities and lay the foundations to grasp further opportunities for expansion in the fragmentary markets in which it operates. These figures furthermore bear witness yet again to the strengths of its multi-business strategy: a model balanced between regulated and free market activities, which brings internal growth together with external development, creating efficiencies and synergies that benefit the regions served, while remaining constantly in contact with the main stakeholders.

For 16 years, the Hera Group has indeed pursued a path of uninterrupted growth: Ebitda has quintupled and net profits have grown eightfold. The multi-utility has thus reached an outstanding position nationwide in all activities managed (raking first in the waste management sector, second in the integrated water service and third in both gas distribution and energy sales to final customers). This growth was crowned on 18 March 2019, when the stock was included in the FTSE MIB, Borsa Italiana's foremost stock exchange index.

Increase in dividends paid, now reaching 10 cents/share

The Meeting thus approved the Board of Directors' proposal to pay a dividend of 10 cents per share, up over the amount seen in the past. The ex coupon date has been set at 24 June, with payment beginning on 26 June 2019.

The dividend paid, based on the price of Hera shares at 31/12/2018, corresponds to an annual return of 3.7%. This confirms once again the Group's strong commitment to creating value for shareholders, as is also underlined by the most recent Business plan, whose dividend policy expects further growth to occur, reaching 11 cents in 2022.

The sustainability report: shared value Ebitda reaches 375.2 million

The 2018 sustainability report, presented during the meeting, highlights the Group's attention towards creating shared value, reporting information on those businesses that, in addition to creating operating margins for the company, work towards the objectives for sustainable growth contained in the UN Agenda. The areas in which Group's commitment takes shape fall under three main drivers: a smart use of energy, an efficient use of resources, along with innovation and contribution to local development.

The Hera Group's 2018 shared value Ebitda came to 375.2 million euro (+14% over 2017), representing 36% of overall Ebitda: a result which is perfectly in line with the path set out in the Business plan, in which this indicator is projected to reach 40% by 2022. Furthermore, in 2018 the Group invested over 180 million euro (approximately 40% of the total) in initiatives and projects aimed at creating shared value.

As regards the smart use of energy, the initiatives introduced allowed internal energy consumption to be reduced by 4.4% compared to 2013, while the Group also made a commitment to reducing CO2 emissions, through means including the use of entirely renewable electricity for the company's activities. Another important projects concern the production of biomethane from the organic part of waste in the Sant'Agata (BO) plant, the production of 600 GWh of renewable energy and a 16% reduction in the Group's carbon footprint in energy production. The amount of greenhouse gasses avoided thanks to the Group's initiatives have been estimated at 2.3 million tonnes, a figure which increased for reasons including its choice to guarantee a supply of electricity coming from renewable sources for all family customers, not only for those who have chosen the "Nature package" option.

As regards the efficient use of resources, sorted waste destined to be recycled saw an unprecedented increase in 2018, rising to 62.5% (against 57.7% in 2017, and compared to the national average of 55.5%). Another outstanding example is the amount of packaging recycled, which came to 70%, meaning that the Hera Group has already reached the goal for 2030. A strong commitment towards sustainability was also seen in the sewerage and purification sector, with interventions including the Rimini seawater protection plan and the upgraded Servola purifier in Trieste, fully operational as of June 2018.

Lastly, significant results also came from innovation and contribution to local development, with positive repercussions on local economies and their rate of employment. In 2018, the Group created an economic value of almost 2 billion euro in the areas in which it operates, equivalent to 78% of the total economic value (+4% over the previous year). Investments in innovation and digitalisation amounted to 62.4 million in 2018 and went towards projects in four areas: smart city, circular economy, utility 4.0 and customer experience.

Other resolutions approved

The Meeting furthermore approved the renewal of authorisation for the Board of Directors to purchase treasury shares (and arrangements for their disposal), for a maximum amount of € 200 million over 18 months, at the same time annulling the unimplemented part of the prior resolution, dating to the previous year.

This renewed authorisation to use treasury shares was requested to pursue the aims recognised by current regulations and accepted market practices, in order to increase the creation of value through



operations giving rise to investment opportunities and transactions involving financial instrument issuance.

The Meeting, lastly, approved the remuneration policy report, in line with international best practices, and the corporate governance report was also presented.

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