

press release

Bologna, 26 July 2017

Hera's BoD approves H1 2017 results

The consolidated first-half report at 30 June confirms growth in all operating and financial indicators, as already seen in the first quarter, and a positive contribution coming from all business areas, with external growth among the factors responsible.

Financial highlights

- Revenues at € 2,754.0 million (+10.0%)
- EBITDA at € 505.9 million (+7.6%)
- Net profit post minorities at € 141.0 million (+165%)
- Net debt at € 2,611.7 million

Operational highlights

- All the Group's businesses contributed to growth, the energy area in particular
- Results marked internal growth
- Positive effects from recent acquisitions in liberalised markets, above all in the waste area
- Solid customer base in the energy sectors (over 2.3 million), rising by 140,000 customers compared to H1 2016

Today, the Hera Group's Board of Directors unanimously approved the consolidated economic results for the first half of the year, which confirm the Group's ongoing positive trend with all main indicators showing growth.

Having reached these results is yet another reward for the Group's balanced and agile operational stance and for its business model, which has always combined the two strategic levers of internal and external growth. The figures for the first half of 2017 benefitted from Aliplast and a corporate branch of Teseco becoming part of the Group, and from the tenders awarded for default and safeguarded gas supply services for the two-year period 2017-2018.

Revenues amount to over € 2.75 billion

In the first half of 2017, revenues came to € 2,754 million, with a € 251.2 million (+10.0%) increase over the € 2,502.8 seen in the same period of 2016. This result was supported not only by recent acquisitions but also by a higher amount of trading activity, higher regulated revenues for the water service and the electricity area as well as higher volumes of gas sold.

EBITDA rises to € 505.9 million

EBITDA settled at € 505.9 million, recording growth for almost € 36 million (+7.6%) compared to June 2016. This increase is due to the good performance shown by all of the Group's areas, but in particular the energy areas. Positive results were also seen in the integrated water cycle area and the waste area.

Growth in pre-tax profits, partially owing to financial management

EBIT came to € 262.2 million, with an increase over the € 257.4 million seen in the same period of 2016. Financial charges also improved, settling at € 45.9 million, down € 12.1 million compared to the same period in 2016. This performance was made possible by a lower average debt and more efficient rates. In light of this situation pre-tax profits grew from € 199.4 million at 30 June 2016 to € 216.3 million in the first half of 2017.

Net profit post minorities increase to € 141 million (+16.5%)

Profit post minorities at 30 June 2017 rose to € 141 million, +16.5% compared to the € 121 seen in 2016. This was due among other things to a notable improvement in the tax rate, which went from 35.7% to 31.6% (thanks in particular to a decrease in the Ires rate and lesser taxes ensuing from the Group's wider scope of activity).

Over € 170 million in investments, and a financial position fundamentally in line with 2016

In the first six months of 2017 the Group's investments, including capital grants, amounted to € 170.6 million, up by € 13.4 million (+8.5%) over June 2016. Operating investments mainly involved interventions on plants, networks and infrastructures, in addition to regulatory upgrading concerning gas distribution above all, with a large-scale meter substitution, and the purification and sewage area.

Net debt remained basically stable, coming to € 2,611.7 million at 30 June 2017 as against € 2,558.9 million at 31 December 2016. The positive cash flows generated in the first half-year, which amounted to € 188.8 million, allowed the annual dividend payment and M&A operations, in particular the acquisition of Aliplast, to be financed.

Gas

The gas business, which includes services in natural gas and LPG distribution and sales, district heating and heat management, recorded an EBITDA which settled at € 171.8 million in the first half of 2017, up compared to the € 165.2 million seen at 30 June 2016 (+4.0%). This was due to higher volumes of gas sold, higher profits in trading and the larger area covered in default services. The number of gas customers, roughly 1.4 million, rose by 3.5% compared to the same period in 2016. This growth is due to commercial actions, the tenders awarded for default and last resort gas services, and the acquisition of the Abruzzo company Gran Sasso.

The gas area accounted for 34.0% of Group EBITDA.

Water

The integrated water cycle, which includes aqueduct, purification and sewerage services, recorded an EBITDA that went from € 106.6 million in the first half of 2016 to € 111.3 million at 30 June 2017, up by 4.4% thanks to higher revenues for distribution and higher costs recognised. A further positive factor was the contribution coming from the bonus for service quality awarded by regulatory authorities on the basis of the current tariffary method.

The integrated water cycle area accounted for 25.1% of Group EBITDA.

Waste

EBITDA for the waste business, which includes waste collection, treatment and disposal services, rose to € 121.3 million (+4.1%) in the first half of 2017, compared to the € 116.5 million seen at 30 June 2016. This positive trend was supported not only by the purchase of a branch of Teseco and the higher volumes of market waste treated, but above all by the entrance within the Group's scope of Aliplast, a national leader in plastic recycling, which consolidated the Group's position in circular economy development. These results are all the more appreciable considering that, as foreseen by the business plan, the end of incentives for renewables had a negative effect on the half-year amounting to over € 6 million. Further enhancement was also seen in sorted waste, which went from 56.9% in the first half of 2016 to 57.6% in June 2017.



The waste area accounted for 24% of Group EBITDA.

Electricity

The electricity business, which includes services in electricity production, distribution and sales, recorded an EBITDA that grew to € 91.6 million compared to the € 73.1 million seen at 30 June 2016 (+25.2%), thanks to higher profits in safeguarded services, sales on the free market and electricity production. The number of customers in this sector also showed an increase of 8.8% (75.2 thousand), mainly due to growth on the free market following commercial actions and a wider customer base.

The electricity area accounted for 18.1% of Group EBITDA.

Statement by Executive Chairman Tomaso Tommasi di Vignano

“H1 2017 reported figures are positive once again, thanks to the solidity of our multi-business model and our ability to combine the two levers of internal and external growth. In addition to the organic growth seen across all of the Group’s business areas, a significant contribution to these results came from the acquisition of Aliplast, consolidated as of this semester, which will act as a key factor in developing our circular economy system”.

Statement by CEO Stefano Venier

“The results seen in the H1 2017 report confirm the success of the actions aimed at growth deployed on both an operational level and in fiscal and financial optimisation. Our key performance indicators also showed further improvement, as expected by our business plan. Furthermore, we remain focused on creating value for our stakeholders, providing proof once again of the attention given by our Group to all facets of economic, social and environmental sustainability”.

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 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 June 2017 are attached.

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Profit & Loss (m€)	30/06/2017	<i>Inc.%</i>	30/06/2016 reclassified	<i>Inc.%</i>	Ch.	Ch. %
Sales	2,754.0		2,502.8		+251.2	+10.0%
Other operating revenues	202.3	7.3%	162.0	6.5%	+40.3	+24.9%
Raw material	(1,178.4)	-42.8%	(998.0)	-39.9%	+180.4	+18.1%
Services costs	(981.7)	-35.6%	(920.4)	-36.8%	+61.3	+6.7%
Other operating expenses	(25.8)	-0.9%	(20.8)	-0.8%	+5.0	+24.1%
Personnel costs	(282.5)	-10.3%	(266.7)	-10.7%	+15.8	+5.9%
Capitalisations	17.9	0.6%	11.2	0.4%	+6.7	+59.7%
Ebitda	505.9	18.4%	470.1	18.8%	+35.8	+7.6%
Depreciation and provisions	(243.7)	-8.9%	(212.7)	-8.5%	+31.0	+14.6%
Ebit	262.2	9.5%	257.4	10.3%	+4.8	+1.9%
Financial inc./(exp.)	(45.9)	-1.7%	(58.0)	-2.3%	-12.1	-20.9%
Pre tax profit	216.3	7.9%	199.4	8.0%	+16.9	+8.5%
Tax	(68.3)	-2.5%	(71.2)	-2.8%	-2.9	-4.1%
Net profit	148.0	5.4%	128.2	5.1%	+19.8	+15.5%
Attributable to:						
Shareholders of the Parent Company	141.0	5.1%	121.0	4.8%	+20.0	+16.5%
Minority shareholders	7.0	0.3%	7.2	0.3%	-0.2	-2.6%

Balance Sheet (m€)	30/06/2017	<i>Inc.%</i>	31/12/2016	<i>Inc.%</i>	Ch.	Ch. %
Net fixed assets	5,652.6	108.9%	5,564.5	108.7%	+88.1	+1.6%
Working capital	88.6	1.7%	99.9	2.0%	(11.3)	(11.3)%
(Provisions)	(552.5)	(10.6%)	(543.4)	(10.7%)	(9.1)	+1.7%
Net invested capital	5,188.7	100.0%	5,121.0	100.0%	+67.7	+1.3%
Net equity	2,577.0	49.7%	2,562.1	50.0%	+14.9	+0.6%
Long term net financial debt	2,723.3	52.5%	2,757.5	53.9%	(34.2)	(1.2)%
Short term net financial debt	(111.6)	(2.2%)	(198.6)	(3.9%)	+87.0	(43.8)%
Net financial debts	2,611.7	50.3%	2,558.9	50.0%	+52.8	2.1%
Net invested capital	5,188.7	100.0%	5,121.0	100.0%	+67.7	+1.3%