



press release

Bologna, 15 May 2019

Hera BoD approves 1Q 2019 results

Consolidated 1Q report shows growing results and a positive contribution coming from all main business areas, in particular the water cycle and gas. Focus on sustainability and circular economy confirmed

Financial highlights

- **Revenues at 1,940.4 million euro (+11.4%)**
- **Ebitda at 330.8 million euro (+2.5%)**
- **Net profit at 129.7 million euro (+3.0%)**
- **Net financial position at 2,622 million euro**

Operating highlights

- **Good contribution to growth coming from all main business, above all the water cycle and gas**
- **Solid customer base in energy sectors, rising to approximately 2.6 million customers**

Today, the Hera Group's Board of Directors, chaired by Tomaso Tommasi di Vignano, unanimously approved the Group's consolidated economic results for the first quarter of 2019, which improved over the same period of the previous year, showing constant growth in all main indicators.

The company's winning multi-business strategy was thus confirmed, balanced as it is between regulated and free market activities, with high attention given to sustainability and a circular economy. The Hera Group, indeed, pursues this model through both internal and external growth, always prepared to grasp the opportunities offered by the market also thanks to the financial solidity.

The Group's path of 16 years of uninterrupted growth took a step further on 18 March 2019, when it was included in Borsa Italiana's FTSE MIB index, which brings together the 40 companies with the highest capitalisation on the Italian stock exchange.

In general, the results for the first quarter of 2019 benefited from the higher tariffs on regulated services introduced by the Authority's updates, in addition to commercial expansion and the creation of efficiencies. Among the changes in the Group's scope of operations compared to the first quarter of 2018, mention must go to Blu Ranton and Sangroservizi in Abruzzo, Megas Net in the Marche region and, as of March 1st 2019, the integration, in the Ferrara area, of the energy sales activities carried out by CMV Energia e Impianti and the natural gas distribution activities carried out by CMV Servizi, including the subsidiary company ATR. Furthermore, 9 May saw the formal acquisition of 100% of the shares of Cosea Ambiente, a company that manages urban and similar waste services owned by 20 municipalities in the Tuscan-Emilian Apennine. This operation also involved a ten-year concession for the Cosea Consorzio landfill in Gaggio Montano, effective as of the second quarter of 2019.

Revenues reach 1.94 billion euro

In the first quarter of 2019, revenues amounted to 1,940.4 million euro, rising compared to the 1,741.3 million seen in the same period of 2018. Contributions to this result came above all from growth in revenues from trading activities, power generation and waste treatment business, as well as higher revenues and higher volumes in gas and electricity sales.

Ebitda rises to 330.8 million euro

Ebitda went from 322.7 million euro in the first quarter of 2018 to 330.8 million at 31 March 2019, showing an 8.1 million increase (+2.5%). This growth is due to the good performances in all Group's main areas, in particular the water cycle and gas. Improvement was also seen in the results from the waste management area and in other services, while the electricity area remained essentially stable.

Operating results and pre-tax profits grow

Net operating results also increased, coming to 205.0 million euro at 31 March 2019, up compared to the 197.6 million seen in the same period of 2018 (+3.7%). The change in financial operations came to 3.6 million euro, amounting to 21.1 million at the end of the first quarter, owing to lower dividends received and the application of accounting standard IFRS 16 on operating leases. Pre-tax profits grew by 2.1%, going from 180.1 million in the first quarter of 2018 to 183.9 million euro in the same period in 2019.

Net profits up, settling at 129.7 million (+3.0%)

Net profits for the first quarter of 2019 increased to 129.7 million euro, as compared to the 125.9 million recorded one year earlier (+3.0%). Profits pertaining to Group Shareholders, instead, came to 124.2 million euro, with a 3.1% growth over the 120.5 million seen in the same period of 2018. These results, considered alongside the improved tax rate (which came to 29.5%, compared to 30.1% in the first quarter of the previous year), are due to factors including the Group's continuous commitment towards grasping the benefits offered by current legislation, in particular through the depreciations involved in the significant investments made in the direction of Utility 4.0.

Over 96 million in investments, net debt stable

Including capital grants, overall investments in the first 3 months of 2019 amounted to 96.3 million euro, up 7.4% over the same period of the previous year, and mainly concerned interventions on plants, networks and infrastructures. Additionally, investments were made in a large-scale metre substitution and in the purification and sewerage areas.

Net debt remained essentially stable, coming to 2,622.0 million euro at 31 March 2019, compared to the 2,585.6 million seen at 31 December 2018. Excluding the changes ensuing from the application of accounting standard IFRS 16 on operating leases, a positive operating cash flow were seen in the first quarter. The 12-month rolling net debt/Ebitda ratio settled at 2.52x, confirming the Group's financial solidity.

Gas

Ebitda for the gas area, which includes services in natural gas distribution and sales, district heating and heat management, settled at 151.0 million euro in the first quarter of 2019, rising compared to the 148.2 million seen at 31 March 2018 (+1.9%), thanks to the new portions of the default and last resort markets obtained. Gas customers increased by almost 80 thousand or 5.6% over the amount seen one year earlier, reaching 1.5 million, for reasons including the incorporation of the companies Blu Ranton, Sangroservizi and CMV Energia e Impianti, new customers in the last resort and default markets, and marketing initiatives.

The gas area accounted for 45.6% of Group Ebitda.

Water cycle

The integrated water cycle area, which includes aqueduct, purification and sewerage services, showed strong growth in Ebitda, which went from 55.6 million euro in the first quarter of 2018 to 58.9 million in the same period in 2019 (+6.0%), thanks to higher revenues from new connections and lower operating costs. As was the case for the previous year, these results benefitted from bonuses awarded by the Authority for high service standards.

The integrated water cycle area accounted for 17.8% of Group Ebitda.

Waste



Ebitda for the waste management area, which includes waste collection, treatment and disposal services, went from 66.5 million euro in the first quarter of 2018 to 67.3 million at 31 March 2019 (+1.2%), thanks in particular to higher revenues coming from waste treatment, the contribution made by Aliplast and the street sweeping business. In this sector, the Hera Group has consolidated its national leadership thanks to complete and integrated service offers, commercial partnerships, participation in tenders, and its roughly 90 avant-garde plants, able to provide efficient and sustainable solutions that support a circular economy. Good results were also achieved in the area of sorted waste, which rose to 64.1%, compared to the 59.5% seen in the first quarter of 2018, thanks to the numerous projects implemented across all areas served.

The waste management area accounted for 20.3% of Group Ebitda.

Electricity

Ebitda for the electricity area, which includes services in electricity production, distribution and sales, went from 45.3 million euro in the first quarter of 2018 to 45.2 million at 31 March 2019, owing to lower income in the last resort market, which was however largely offset by a higher amount of electricity generation. Customers reached over 1.1 million, increasing by 10.3% over 31 March 2018, with over 100 thousand new customers: this significant growth mainly occurred on the free market, due to reinforced marketing initiatives, above all in central Italy, and the incorporation of the company CMV Energia e Impianti.

The electricity area accounted for 13.7% of Group Ebitda.

IR director - Hera S.p.A.

Jens Klint Hansen

tel. +39 051.287737

e.mail: jens.hansen@gruppohera.it

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 first-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 31 March 2019 are attached.

Profit & Loss (m€)	31/03/2019	Inc.%	31/03/2018	Inc.%	Ch.	Ch. %
Sales	1,940.4		1,741.3		+199.1	+11.4%
Other operating revenues	121.0	6.2%	95.3	5.5%	+25.7	+27.0%
Raw material	(1,024.6)	(52.8%)	(831.4)	(47.7%)	+193.2	+23.2%
Services costs	(556.7)	(28.7%)	(538.5)	(30.9%)	+18.2	+3.4%
Other operating expenses	(13.1)	(0.7%)	(12.7)	(0.7%)	+0.4	+3.1%
Personnel costs	(142.9)	(7.4%)	(140.0)	(8.0%)	+2.9	+2.1%
Capitalisations	6.7	0.3%	8.7	0.5%	(2.0)	(23.1%)
Ebitda	330.8	17.0%	322.7	18.5%	+8.1	+2.5%
Depreciation and provisions	(125.8)	(6.5%)	(125.0)	(7.2%)	+0.8	+0.6%
Ebit	205.0	10.6%	197.6	11.3%	+7.4	+3.7%
Financial inc./(exp.)	(21.1)	(1.1%)	(17.5)	(1.0%)	+3.6	+20.6%
Pre tax profit	183.9	9.5%	180.1	10.3%	+3.8	+2.1%
Tax	(54.2)	(2.8%)	(54.2)	(3.1%)	+0.0	+0.0%
Net profit	129.7	6.7%	125.9	7.2%	+3.8	+3.0%
Attributable to:						
Shareholders of the Parent Company	124.2	6.4%	120.5	6.9%	+3.7	+3.1%
Minority shareholders	5.5	0.3%	5.4	0.3%	+0.1	+2.3%
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Balance Sheet (m€)	31/03/2019	Inc.%	31/12/2018	Inc.%	Ch.	Ch. %
Net fixed assets	6,042.1	108.5%	5,905.1	108.7%	+137.0	+2.3%
Working capital	118.9	2.1%	115.4	2.1%	+3.5	+3.0%
(Provisions)	(591.8)	(10.6%)	(588.2)	(10.8%)	(3.6)	+0.6%
Net invested capital	5,569.2	100.0%	5,432.3	100.0%	+136.9	+2.5%
Net equity	2,947.2	52.9%	2,846.7	52.4%	+100.5	+3.5%
<i>Long term net financial debt</i>	2,760.4	49.6%	2,558.8	47.1%	+201.6	+7.9%
<i>Short term net financial debt</i>	(138.4)	(2.5%)	26.8	0.5%	(165.2)	(616.4%)
Net financial debt	2,622.0	47.1%	2,585.6	47.6%	+36.4	+1.4%
Net invested capital	5,569.2	100.0%	5,432.3	100.0%	+136.9	+2.5%