press release
Bologna, 30 July 2019

Hera BoD approves results for 1H 2019

A highly positive half-year, thanks to the organic growth achieved in all business areas. At the same time, intense activity in external development and an increase in the Group's set of plants will support further expansion as early as the second half-year, leading the targets included in the Business plan to be reached ahead of time

Financial highlights

- **Revenues at 3,371.6 million euro (+13.6%)**
- **Ebitda at 545.9 million euro (+4.3%)**
- **Net profit at 173.9 million euro (+7.1%)**
- **Net debt at 2,685.2 million euro**

Operating highlights

- **Excellent contribution from all business areas**
- **Growth mainly internal, generally in free market activities**
- **Further increase in energy customers, now above 2.6 million**

Today, the Hera Group's Board of Directors, chaired by Tomaso Tommasi di Vignano, unanimously approved the consolidated economic results at 30 June 2019, which confirm the multi-utility's positive trend, with indicators rising in all business areas: gas, water cycle, waste management and electricity.

An excellent contribution came from internal growth, both in free market activities – which benefitted from an increase in energy customers, now 2.6 million, and from further expansion in waste treatment – and in regulated activities, above all the water sector. The first six months saw acquisitions including the company ATR in gas distribution and CMV Energia e Impianti's energy sales activities, both operating in the Ferrara area and both acquired in March, as well as Cosea Ambiente, acquired in May with the concession of the Cosea Consorzio landfill, located in the Tuscan-Emilian Apennine area, assigned as of the second half of 2019. The effects of additional M&A transactions are expected to arrive in the second half of the year, along with constantly increasing waste treatment capacity, thanks to the new waste treatment plants coming from Pistoia Ambiente in Tuscany and Cordenons in Friuli-Venezia Giulia. Furthermore, work on formalising the definitive agreement with Ascopiave is ongoing, as set out in the binding Term Sheet signed on 17 June and respecting its timeline.
Overall, the half-year results confirm the Group's winning strategy, based on a business model that balances regulated and free-market activities, and brings internal growth together with attention towards the opportunities in external growth offered by the market.

Revenues increase to almost 3.4 billion euro
In the first half of 2019, revenues came to 3,371.6 million euro, up 404.9 million (+13.6%) over the 2,966.7 million seen in the same period of 2018. This result was reached above all thanks to growth in revenues for trading and higher revenues and higher volumes in gas and electricity sales. The remaining growth was due to higher revenues in electricity generation and waste treatment.

Ebitda rises to 545.9 million euro
Ebitda settled at 545.9 million euro, increasing by 22.3 million (+4.3%) over the 523.6 million recorded at 30 June 2018. This result is particularly remarkable considering the 22 million euro drop in Ebitda coming from last resort markets, and the growth ensued from the good performances in all Group activities, in particular the

water cycle and gas. Positive results also came from the electricity, waste management and other services areas, including public lighting.

Operating result and pre-tax profits show growth

Operating profits increased to 288.9 million euro, up 15.3 million (+5.6%) over the 273.6 million seen one year earlier. Financial operations came to 44.9 million euro, owing to lower non-recurring income and lower profits from affiliated companies and joint ventures, as well as the application of international accounting standard IFRS16 on operating leases. Pre-tax profit grew by 9.6 million (+4.1%), going from 234.4 million euro in the first half of 2018 to 244.0 million euro at 30 June 2019.

Net result rises to 173.9 million euro (+7.1%)

The net profit at 30 June 2019 rose to 173.9 million, with growth coming to 11.5 million (+7.1%) over the 162.4 million recorded at the same date one year earlier, without the non-recurring effects coming from the transfer of Medea to Italgas in April 2018. This result is due to factors including a further improvement in the tax rate, which went from 30.1% to 28.7%, thanks to the Group's continuous commitment towards investing in assets moving towards technological and digital transformation and utility 4.0, which benefitted from *"super and iper"* amortisations, alongside additional incentives and tax credits. Profits pertaining to Group shareholders amounted to 166.2 million euro, with an 8.1 million (+5.1%) increase over the 158.1 million recorded in the first half of 2018.

Almost 215 million in investments, and financial position stable

In the first six months of 2019, the Group's operating investments, including capital grants, amounted to 214.6 million euro, up 30.8 million (+16.8%) over the 183.8 million seen in June 2018, and mainly went to interventions on plants, networks and infrastructures, in addition to regulatory upgrading above all in gas distribution, with an intensive meter substitution, and the purification and sewerage areas.
The Group's financial solidity is confirmed by the net debt/Ebitda ratio, which in the first half of 2019 settled at 2.55x, improving compared to both the 2.62x seen at 30 June 2018 and the 2.74x recorded at the same date in 2017. Further confirmation comes from the Roe and Roi indicators, which respectively came to 10.2% and 9.5%.
Net debt remained stable, thanks to a cash generation that entirely financed investments and the yearly dividend payment. Net debt closed at 2,685.2 million at 30 June 2019, up 100 million compared to the 2,585.6 million recorded at 31 December 2018, exclusively due to the new accounting standard IFRS16 on leasing contracts.

Gas

Ebitda for the gas area, which includes services in natural gas distribution and sales, district heating and heat management, reached 195.6 million euro in the first half of 2019, improving over the 188.4 million seen at 30 June 2018 (+3.8%). This growth is essentially due to higher volumes sold, due to increases in the scope of operations, and better results in default and last resort supply services. Customers, now totalling almost 1.5 million, rose by 4% over the first half of 2018, for reasons including the higher number of default and last resort supply tenders awarded, as well as the effectiveness of marketing programs.
The gas area accounted for 35.8% of Group Ebitda.

Water cycle

In the first half of 2019, the integrated water cycle area, which includes aqueduct, purification and sewerage services, recorded Ebitda amounting to 122.8 million euro, up 8.8% over the 112.8 million euro seen one year earlier, mainly owing to higher revenues from supply and new connections, as well as operating efficiencies. As was the case one year earlier, these results benefitted from the bonuses awarded by the Authority for high service standards.
The integrated water cycle accounted for 22.5% of Group Ebitda.

Waste
In the first half of 2019, Ebitda for the waste management area, which includes waste collection, treatment and disposal services, settled at 126.3 million euro, in line (+0.3%) with the 125.9 million recorded at 30 June 2018. This result benefitted from the launch of the new Sant'Agata Bolognese (BO) biomethane production plant, fully operational as of October 2018; the expansion and full integration within the Group of Aliplast, a national and international leader in plastic recycling and regeneration according to the model of a circular economy; and the positive trend in prices for special waste treatment seen across all European markets. These positive growth factors more than offset the limited availability of some of the Group's waste-to-energy plants, undergoing both regular and non-recurring maintenance, and the more general lack of landfills affecting Italy and other large European countries.
Sorted waste went from 59.8% in the first half of 2018 to 63.4% in the same period of 2019, up 3.6 percentage points.
The waste management area accounted for 23.1% of Group Ebitda.

Electricity
Ebitda for the electricity area, which includes services in electricity generation, distribution and sales, went from 84 million in the first half of 2018 to 86.3 million at 30 June 2019, rising by 2.8%. This result only partially reflects the higher revenues coming from electricity generation, secondary services and volumes sold compared to the previous year, which proved able to more than offset the lower revenues coming from the safeguarded market. A significant increase in customers, which now reach over 1.1 million, up 134.5 thousand (+13.3%) over 30 June 2018, thanks in particular to expansion in the free market and reinforced marketing initiatives, above all in Central Italy.
The electricity area accounted for 15.8% of Group Ebitda.

Significant transactions in the waste management area: the Cordenons and Serravalle Pistoiese plants
The waste management area saw important events recently, whose effects will be felt in the second half of the year. The Hera Group, the nation's leader in the waste management sector with over 6 million tons of waste treated each year, thanks to investments totalling over 60 million euro has further enlarged its set of plants, which already includes around ninety structures nationwide. In particular, on 29 June a new plant was inaugurated in Cordenons (PN) for non-dangerous special waste treatment, and on 17 July Pistoia Ambiente was acquired, which manages the Serravalle Pistoiese (PT) landfill and the associated liquid waste treatment plant. Both are located in strategic positions that allow the Group to additionally reinforce its activities in industrial waste treatment and environmental services for businesses. These transactions, along with the fully operational status of the new Sant'Agata Bolognese biomethane production plant, built with investments coming to 37 million euro, provide a concrete response to the country's overall lack of plants, which in many cases leads waste to be exported, causing increased costs especially for businesses. Furthermore, Hera can now rely on increased plant capacity in waste treatment (coming to an additional 2.4 million tons, considering the enlargement of the Ravenna landfill as well), which will allow it to continue pursuing its plans for expansion over the years in markets characterised by increasing demand and higher prices.

Statement by Executive Chairman Tomaso Tommasi di Vignano
"These half-year results confirm the Hera Group's trend of uninterrupted growth and fully respect its track record, thanks to organic growth and the numerous projects implemented in internal and external development. The increase in Ebitda, the profits gained and the attentive management of financial operations allowed the Group to fully cover both investments and annual dividend payments to our Shareholders, which rose to 10 cents per share (+5.3%). The further increase in waste treatment plants managed and the joint venture with Ascopiave in the energy sector, currently being formalised, will allow us to implement plans for growth as early as the second half of 2019 on the one hand, and on the other to expand in the Triveneto area, strategically important for a further development of the Group's activities, already ensuring at present, after only 18 months, 60% of the growth in Ebitda foreseen within 2022 by the Business plan."

Statement by CEO Stefano Venier

"The results for the first half of 2019 confirm the solid financial management that has allowed the Group to maintain stability in both debt and the net debt/Ebitda ratio, which now comes to 2.55x, providing evidence of its high financial flexibility. The debt profile has also improved, thanks to the placement, on 26 June, of our second green bond, amounting to 500 million euro, intended for projects in environmental sustainability. This has allowed us to grasp available M&A opportunities and confirm our leadership through further consolidation in the markets, still fragmentary, in which all of our businesses operate. One factor that cannot be overlooked, in continuing to pursue our strategy of growth, is the attention given to sustainability, which for us is a true business lever, and the principles underlying a circular economy, in order to continue creating shared value for all our stakeholders."

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 half-year 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 and on the authorised storage platform 1Info (www.1info.it).

Unaudited extracts from the Abbreviated Consolidated Half-Year Financial Statements at 30 June 2019 are attached.

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GRUPPO HERA

Profit & Loss *(m€)*	**30/06/19**	**Inc.%**	**30/06/18**	**Inc.%**	***Ch.***	***Ch. %***
Sales	3,371.6		2,966.7		+404.9	+13.6%
Other operating revenues	249.0	7.4%	209.8	7.1%	+39.2	+18.7%
Raw material	(1,699.2)	-50.4%	(1,327.6)	-44.7%	+371.6	+28.0%
Services costs	(1,075.1)	-31.9%	(1,031.6)	-34.8%	+43.5	+4.2%
Other operating expenses	(29.8)	-0.9%	(30.3)	-1.0%	(0.5)	(1.7%)
Personnel costs	(286.6)	-8.5%	(281.7)	-9.5%	+4.9	+1.7%
Capitalisations	16.0	0.5%	18.3	0.6%	(2.3)	(12.6%)
Ebitda	**545.9**	**16.2%**	**523.6**	**17.6%**	**+22.3**	**+4.3%**
Depreciation and provisions	(257.0)	-7.6%	(250.0)	-8.4%	+7.0	+2.8%
Ebit	**288.9**	**8.6%**	**273.6**	**9.2%**	**+15.3**	**+5.6%**
Financial inc./(exp.)	(44.9)	-1.3%	(39.2)	-1.3%	+5.7	+14.5%
Pre tax profit	**244.0**	**7.2%**	**234.4**	**7.9%**	**+9.6**	**+4.1%**
Tax	(70.1)	-2.1%	(72.0)	-2.4%	(1.9)	(2.6%)
Net profit	**173.9**	**5.2%**	**162.4**	**5.5%**	**+11.5**	**+7.1%**
Special items	-	0.0%	4.8	0.2%	(4.8)	(100.0%)
Net profit	**173.9**	**5.2%**	**167.2**	**5.6%**	**+6.7**	**+4.0%**
Attributable to:						
Shareholders of the Parent Company	**166.2**	**4.9%**	**158.1**	**5.3%**	**+8.1**	**+5.1%**
Minority shareholders	7.7	0.2%	9.1	0.3%	(1.4)	(15.4%)

Balance Sheet *(m€)*	**30/06/19**	**Inc.%**	**31/12/18**	**Inc.%**	***Ch.***	***Ch. %***
Net fixed assets	6,064.1	109.8%	5,905.1	108.7%	+159.0	+2.7%
Working capital	59.8	1.1%	115.4	2.1%	(55.6)	(48.2%)
(Provisions)	(599.9)	(10.9%)	(588.2)	(10.8%)	(11.7)	+2.0%
Net invested capital	**5,524.0**	**100.0%**	**5,432.3**	**100.0%**	**+91.7**	**+1.7%**
Net equity	2,838.8	51.4%	2,846.7	52.4%	(7.9)	(0.3%)
Long term net financial debt	2,754.3	49.9%	2,558.8	47.1%	+195.5	+7.6%
Short term net financial debt	(69.1)	(1.3%)	26.8	0.5%	(95.9)	(357.8%)
Net financial debts	2,685.2	48.6%	2,585.6	47.6%	+99.6	+3.9%
Net invested capital	**5,524.0**	**100.0%**	**5.432,3**	**100.0%**	**+91.7**	**+1.7%**