press release
Bologna, 10 May 2017

Hera Board of Directors approves 1Q 2017 results

Consolidated first quarter report shows growth in all operational-financial indicators and a positive contribution coming from all business areas, alongside continuing improvement in net debt

Financial highlights

- **Revenues at € 1,585.5 million (+28.3%)**
- **EBITDA at € 306.8 million (+10.2%)**
- **Net profits for Shareholders at € 109.9 million (+20.5%)**
- **Net debt at € 2,548.7 million**

Operational highlights

- **Good contribution to growth coming from all businesses, especially the energy sales area**
- **Solid customer base in the energy sectors, increasing to roughly 2.3 million customers**
- **Management geared towards creating efficiencies and synergies**
- **Net debt shows further improvement during the quarter, in spite of the recent acquisitions of Aliplast and Teseco**

Today, the Hera Group's new Board of Directors, appointed on 27 April 2017, unanimously approved the consolidated first quarter results, which confirm a rising trend in all main indicators.
These positive results were supported by the organic growth ensuing from market expansion, which involved recently awarded tenders for default gas and safeguarded electricity services. Efficiencies and synergies were simultaneously pursued, alongside M&A activities concerning above all acquisitions in the energy area carried out in 2016 (Julia Servizi and Gran Sasso), with the contribution coming from Teseco and Aliplast not yet recorded.

Revenues reach almost € 1.6 billion

In the first quarter of 2017, revenues amounted to € 1,585.5 million, with a sharp increase over the € 1,235.4 seen in the same period of 2016. This result reflects, in addition to a change in the assignment of general system charges introduced by current regulations, a larger amount of trading, higher regulated revenues in water services and the electricity area, and increased volumes of gas sold owing to climatic factors.

EBITDA rises to € 306.8 million

EBITDA passed from € 278.4 million in the first three months of 2016 to € 306.8 million at 31 March 2017, recording a growth of over € 28 million (+10.2%). This growth is accounted for by the good performances seen in all Group areas, in particular in the energy areas. These results were also influenced by the acquisitions made during 2016.

Operational results and pre-tax profits up, financial management improves

Operating profits at 31 March 2017 came to € 187.3 million, up over the € 170.8 million seen in the same period of 2016 (+9.7%). Financial management improved by

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€ 2.6 million, amounting to € 23.1 million at the end of the first quarter, thanks to a good contribution coming from affiliated companies and higher income from safeguarded customers. In light of this, pre-tax profits went from € 145.1 million in the first quarter of 2016 to € 164.2 million in the same period in 2017, showing a further increase in the rate of growth (+13.2%).

Net profits for Shareholders grow, reaching roughly € 110 million (+20.5%)

Profits pertaining to Group Shareholders at 31 March 2017 rose to € 109.9 million, up 20.5% compared to the € 91.2 million seen in 2016. A considerable improvement in the tax rate was among the factors responsible, going from 33.3% to 29.8% (thanks to a decrease in the Ires rate, benefits ensuing from the application of the "patent box" and tax credits for research and development, as well as tax breaks for maxi amortisations).

Over € 150 million in investments and a slight improvement in net debt, in spite of recent acquisitions

In the first three months of 2017, Group investments amounted to € 154.1 million, including the acquisition of a financial holding in the Aliplast Group and the plant branch of Teseco, without which the amount is in line with the same period in 2016 (€ 68.5 million). Operating investments mainly concerned interventions on plants, networks and infrastructures, to which one must add regulatory upgrading above all in the gas area, involving a large-scale meter substitution, and the purification and sewerage areas.

Net debt settled at € 2,548.7 million, with a slight drop compared to the € 2,558.9 million recorded at 31 December 2016, thanks to the positive and rising cash flow generation which allowed, among other things, the recent acquisitions to be financed. The net debt/EBITDA ratio, calculated on a rolling 12-month basis, therefore settled at 2.7, highlighting an improvement in financial solidity.

Gas

The gas area, which includes services in natural gas and LPG distribution and sales, district heating and heat management, recorded an EBITDA that settled at € 135.6 million in the first quarter of 2017, increasing over the € 130.3 million seen at 31 March 2016 (+4.1%) thanks to higher volumes of gas sold and the wider scope of the service offered. The number of gas customers rose to almost 1.4 million, up 4.2% over the same period in 2016, thanks to commercial actions, the new portions of the default service awarded and the two acquisitions recently carried out in Abruzzo (Julia Servizi and Gran Sasso).

The gas area accounted for 44.2% of Group EBITDA.

Water cycle

EBITDA for the integrated water cycle area, which includes aqueduct, purification and sewerage services, went from € 49.8 million in the first quarter of 2016 to € 53.3 million in the first three months of 2017 (+6.9%), thanks in particular to higher revenues from delivery. A premium for service quality also contributed to the results, granted by the regulatory authorities based on the current tariffary method.

The integrated water cycle area accounted for 17.4% of Group EBITDA.

Waste

The waste area, which includes waste collection, treatment and disposal services, recorded an EBITDA which went from € 62.4 million in the first quarter of 2016 to € 64.0 at 31 March 2017 (+2.6%). This trend is explained by both the good performances in the urban hygiene sector and the higher volumes of market waste treated. The operational status of the Ravenna and Imola plants in the first quarter of 2017, indeed, allowed free market activities to increase by roughly 8%. These good results were able to more than offset the impact of the end of incentives for renewables, largely linked to a WTE plant in the Molise reagion (roughly -3 million). As regards the company Aliplast, instead, given that the acquisition was formally concluded on 3 April 2017, it will contribute to the Group's half-year results.

Good results were seen in the area of sorted waste as well, which rose to 57.5%, compared to the 56.2% seen in the first three months of 2016, thanks to the wide range of projects implemented across all areas served.

The waste area accounted for 20.9% of Group EBITDA.

Electricity
EBITDA for the electricity area, which includes services in electricity production, distribution and sales, rose from € 31.6 million in the first quarter of 2016 to € 48.4 million at 31 March 2017 (+53.2%), thanks above all to a higher amount of sales on the free market and the safeguarded market, as well as profits in electricity production. In this area, furthermore, the number of customers increased to over 900,000 (+5.6% compared to Q1 2016), thanks among other things to reinforced commercial action and the acquisition of customers from the Abruzzo companies.
The electricity area accounted for 15.8% of Group EBITDA.

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 interim management report and related materials will be available to the public at Company Headquarters and on the website www.gruppohera.it.

Unaudited extracts from the Interim Financial Statements at 31 March 2017 are attached.

Profit & Loss *(m€)*	**31/03/2017**	**Inc.%**	**31/03/2016**	**Inc.%**	**Ch.**	**Ch. %**
Sales	1,585.5		1,235.4		+350.1	+28.3%
Other operating revenues	82.1	5.2%	73.7	6.0%	+8.4	+11.4%
Raw material	(732.2)	-46.2%	(608.5)	-49.3%	+123.7	+20.3%
Services costs	(488.8)	-30.8%	(281.7)	-22.8%	+207.1	+73.5%
Other operating expenses	(12.0)	-0.8%	(12.1)	-1.0%	-0.1	-0.8%
Personnel costs	(137.2)	-8.7%	(132.9)	-10.8%	+4.3	+3.2%
Capitalisations	9.4	0.6%	4.6	0.4%	+4.8	+104.8%
Ebitda	**306.8**	**19.4%**	**278.4**	**22.5%**	**+28.4**	**+10.2%**
Depreciation and provisions	(119.5)	-7.5%	(107.6)	-8.7%	+11.9	+11.1%
Ebit	**187.3**	**11.8%**	**170.8**	**13.8%**	**+16.5**	**+9.7%**
Financial inc./(exp.)	(23.1)	-1.5%	(25.7)	-2.1%	-2.6	-10.1%
Pre tax profit	**164.2**	**10.4%**	**145.1**	**11.7%**	**+19.1**	**+13.2%**
Tax	(48.9)	-3.1%	(48.4)	-3.9%	+0.5	+1.0%
Net profit	**115.3**	**7.3%**	**96.8**	**7.8%**	**+18.5**	**+19.1%**
Attributable to:						
Shareholders of the Parent Company	**109.9**	**6.9%**	**91.2**	**7.4%**	**+18.7**	**+20.5%**
Minority shareholders	5.4	0.3%	5.6	0.5%	-0.2	-3.5%

Balance Sheet *(m€)*	**31/03/2017**	*Inc.%*	**31/12/2016**	*Inc.%*	**Ch.**	**Ch. %**
Net fixed assets	5,663.7	108.3%	5,564.5	*108.7%*	*+99.2*	*+1.8%*
Working capital	121.6	2.3%	99.9	*2.0%*	*+21.7*	*+21.7%*
(Provisions)	(553.8)	(10.6%)	(543.4)	*(10.7%)*	*(10.4)*	*+1.9%*
Net invested capital	**5,231.5**	***100.0%***	**5,121.0**	***100.0%***	***+110.5***	***+2.2%***
Net equity	2,682.8	51.3%	2,562.1	*50.0%*	*+120.7*	*+4.7%*
Long term net financial debt	*2,757.3*	*52.7%*	*2,757.5*	*53.9%*	*(0.2)*	*+0.0%*
Short term net financial debt	*(208.6)*	*(4.0%)*	*(198.6)*	*(3.9%)*	*(10.0)*	*+5.0%*
Net financial debts	2,548.7	48.7%	2,558.9	*50.0%*	*(10.2)*	*(0.4%)*
Net invested capital	**5,231.5**	***100.0%***	**5,121.0**	***100.0%***	***+110.5***	***+2.2%***