

YEAR 12 The information contained in this newsletter is as at 8 November 2017

05



Message from
the Executive Chairman
of the Board

01

Margins in new business segments and recent acquisitions drive EBITDA



Tomaso Tommasi di Vignano

Dear Shareholders, Results as of 30 September 2017 provide a positive picture, with all main KPIs on the rise.

Revenues, equal to 4.03 billion euro, grow by 11.4%, also benefitting from the wider consolidation scope that includes Aliplast and Gran Sasso, whose contribution is around 85 million euro. Anyway, on a like-for-like basis, Hera's Revenues increase at a non-negligible rate of 9.0%, mostly driven by the trading activity and the improved macroeconomic environment. At EBITDA level, we achieved a growth in line with that of Revenues, close to 11.4%.

A significant contribution came from the energy areas, given the attractive margins in the new portions awarded in both the safeguard and default markets, as well as from waste treatment activities, which benefitted from the wider scope of consolidation and the positive dynamics of both demand and prices.

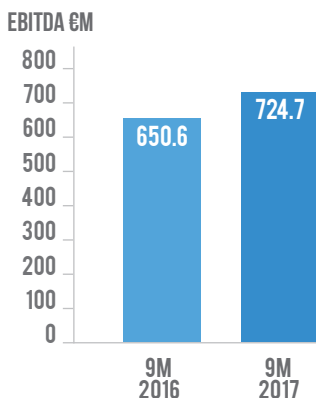
EBIT grows at an 8.7% rate, slightly lower than that of EBITDA, as a result of higher Depreciation due to investments in regulated businesses and of higher Provisions on doubtful debts attributable to the safeguarded services.

Results of financial management

improve by 17.4%, mainly driven by the liability management transactions executed in late 2016, which have made the debt structure more efficient. Tax rate declines from 36.5% to 32%, benefitting from lower corporate taxation (IRES) and effective fiscal policies. Net Profit after Minorities can therefore achieve a 28.6% increase.

Hera absorbed the cost of the Aliplast acquisition within a few months

Strong cash flow generation made it possible for Hera to fund the Aliplast acquisition, to pay the 2016 dividend, and to finance the capex of 248 million euro, while keeping Net Financial Debt as of 30 September 2017 at 2,610.0 million euro, with just a marginal change over the level of 2,558.9 million euro at the end of 2016. Therefore, the set of results as of 30 September 2017 prove that we are moving on in the right direction to achieve the targets included in the Business Plan.



The EBITDA increase was mainly led by the energy business areas

Hera Share

Price as at 7 Nov. 2017: **2.88 €**

High-Low 365 dd: **2.98-1.88 €**

No. outstanding shares: **1,489,538,745**

Mkt. Cap: **4.28 bn €**

Consensus target price **3.04 €**

(source: broker research)

Hera's stock index membership

FTSE Italia | All-Share Capped + All-Share + Mid Cap + Servizi Pubblici

STOXX | Total Market Index+Europe+Europe ex-UK+Italy

STOXX | TMI+Europe nei segmenti: Utilities, Gas-Water & Multiutilities, Value

Axia Ethical

Kempen SNS | Smaller Europe SRI Index

FTSE ECPI | Italia SRI Benchmark + Italia SRI Leaders + Ethical Index EMU



Hera and the circular economy

Last October, Hera was the second Italian company to complete the process for inclusion in the CE100 programme, which aims to promote the awareness of issues related to the circular economy, the exchange of experience, the launch of partnership projects, and the collaborations in the field of R&D.

Stefano Venier, Hera's CEO, comments on such commitment as follows: "Hera develops the transition actions towards a higher circularity of economy both in the technical cycle, by re-using non-renewable materials, and in the biological cycle, by using renewable resources. We have always been involved in running a range of activities falling under the circularity model: the recycling of plastic and of other waste collected, the re-use of biological waste to produce renewable energy and fertilisers, the recycling of water and of

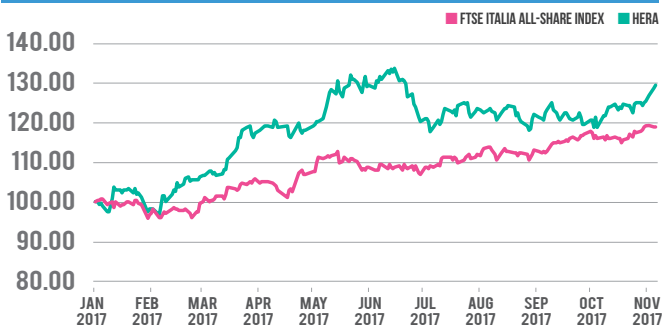
disused goods, as well as the savings of consumptions for both energy and materials. In this way, Hera creates Shared Value: the Company generates new value for itself while saving natural resources that would represent costs. By doing so, it contributes to the decarbonisation process."

Our response to the priority challenges for the sustainable development of the Planet – the CEO adds – is well ahead with respect to the three goals set by the EU for 2030 in terms of reduction of landfilling, increase in the overall recycling rate and share of recycled

packaging. Hera aims to innovate the recycling and waste recovery activities, the production of renewable energy, and the integrated water cycle; moreover, with the new projects, we will support the cities that we serve in their transformation into circular smart cities."

The transition towards a circular economy allows for the environmental, social, and economic sustainability of the Planet: as such, it is one of the Sustainable Development Goals included in the United Nations 2030 Agenda.

HERA VS. FTSE ITALIA ALL-SHARE INDEX SINCE BEGINNING 2017



Since the beginning of 2017, Hera outperforms the Italian stock market index. The share price performance is supported by healthy Company's fundamentals and, in the last few weeks, also by an environment that has become more favourable to the investment in the utility sector, as a result of the fall in government bond yields, especially in the debt of European peripheral countries.

Hera stays a step ahead in meeting the EU and UN goals for the sustainable development of the Planet

ANALYST COVERAGE

BROKER	TARGET PRICE €	RATING
BANCA AKROS	3.00	BUY
BANCA IMI	3.30	BUY
EQUITA	2.90	HOLD
INTERMONTE	3.10	OUTPERFORM
KEPLER CHEUVREUX	3.30	BUY
MAINFIRST	2.76	NEUTRAL
MEDIOBANCA	2.90	OUTPERFORM
7 BROKERS' AVERAGE	3.04	

7 November 2017

The average target price of the analysts covering the Hera stock improved, when compared to the target price at the time of the 2017 interim results release, as it moved from 2.95 up to 3.04 euro. Recommendations remain unchanged vs. the picture at the end of July 2017. Five analysts out of seven suggest buying the shares; the remaining two analysts have neutral ratings.

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