press release
Bologna, 21 March 2017

Hera Group approves results at 31/12/2016

The year closes with improvement in all economic-financial and environmental indicators, with results exceeding expectations. Internal and external growth prove once again to be the key factors in development. Proposed dividends of 9 cents per share

Financial highlights

- **Revenue at € 4,460.2 million (-0.6%)**
- **EBITDA at € 916.6 million (+3.6%)**
- **Net profits post minorities at € 207.3 million (+14.8%)**
- **Net debt decreased, reaching € 2,558.9 million**
- **Proposed dividends of 9 cents per share confirmed**

Operational highlights

- **Revenue affected by a fall in energy commodity prices and impacted by legislative and regulatory changes, in particular return on invested capital (WACC)**
- **Benefits derived from recent acquisitions in free market sectors**
- **Contribution to growth came from the electricity area and, in the second half of the year, the waste area**
- **Environmental and social sustainability improved, alongside added value generated in the area served, reaching over € 1.7 billion**

Today, the Hera Group's Board of Directors unanimously approved the consolidated economic results as at 31 December 2016, along with the Sustainability Report.

Improvement in all economic-financial and sustainability indicators

The 2016 financial year came to an end for the Hera Group with all economic-financial indicators rising compared to 2015, and with results more positive than expected. Particularly encouraging, this outcome was reached thanks to the Group's consolidated multi-business strategy, that allowed it to successfully balance regulated and free-market activities, maintaining all the while a sustainable risk profile. The combination of two fundamental levers, internal growth and M&A, furthermore allowed the Group to continue along its path of expansion, in spite of an increasingly challenging context involving regulatory and market factors.
These results furthermore confirm the attention given to sustainability, in all its various forms: environmental, social and economic.

Revenues amounting to roughly € 4.5 billion

Revenues amounted to € 4,460.2 million in 2016, in line with the € 4,487.0 million seen in the previous year. This result includes lesser revenues in regulated services, caused by recent regulatory changes, and lesser revenues in electricity and gas sales and trading, following a drop in the price of raw materials. These negative effects were however almost entirely compensated by changes in the scope of operations and by the revenues produced by higher volumes of gas sold and waste disposed of, in addition to higher revenues for production activities on the dispatch market.

EBITDA grows, amounting to € 916.6 million

EBITDA rose to € 916.6 million, a clear increase over the € 884.4 seen in 2015 (+3.6%). This growth was sustained by all the main businesses in the company's portfolio. The waste management area generated positive growth, benefiting among other things from the acquisitions of Geo Nova and Waste Recycling, and thus more than offset both the temporary suspension of a few landfills and the expiry of incentives for renewables concerning some WTE plants. The energy areas recorded higher profit margins deriving from power plants and a good performance of the sales and trading business. The network areas also generated sufficient internal growth to almost offset the over € 31 million reduction in return on regulated invested capital and the effect of inflation.

Growth in operating results and pre-tax profits, improvements in financial management

Operating profits rose to € 457.1 million, over the € 442.2 seen in 2015 (+3.4%), while pre-tax profits increased to € 339.6 million, against the € 307.9 seen in 2015 (+10.3%), thanks to improvements in financial management amounting to roughly € 17 million compared to the previous year. These positive performances were due above all to a decrease in average debt, efficiency in rates and higher earnings involving recovery of default indemnities from safeguarded customers.

Net profits post minorities grow to over € 207 million (+14.8%)

Profits pertaining to Group Shareholders rose to € 207.3 million, up 14.8% compared to the € 180.5 million seen in 2015, partially due to a considerable improvement of the tax rate, which went from 36.9% to 35.1% (thanks to the benefits derived from the application of the "patent box" and tax credits for research and development, in addition to tax concessions for maxi amortisations). Due weight must also be given to the negative and non-recurring effect felt by the 2015 tax rate caused by the adjustment of deferred taxes to the new IRES rate of 24%, in force as of 2017.

Investments for roughly € 390 million, net debt/EBITDA ratio improves to 2.8

In 2016, Group investments amounted to € 366.4 million. Including € 20.3 million in capital grants, overall Group investments came to € 386.7 million, up compared to the previous year and mainly destined to interventions on plants, networks and infrastructures. Adaptations to regulatory standards also contributed, above all concerning gas distribution, with a large-scale meter substitution project, and the purification and sewerage area.

Net debt for 2016 amounted to € 2,558.9 million, with a reduction of roughly € 100 million from the € 2,651.7 seen in 2015, thanks to the generation of positive cash flows that proved able to finance M&As and entirely cover annual dividend payments in June (for a total of € 132 million).

The net debt/EBITDA ratio fell to 2.8, an improvement compared to the previous year; this ratio benefited from both growth in operating results and a decrease in net debt.

Further improvement in the Group's sustainability profile

These strictly economic results are flanked by data providing evidence of an efficient use of resources (for example, the use of landfills for urban waste is considerable lower than the 10% set as an objective for 2030 by the EU), a reduction in environmental impact (the carbon footprint in energy production fell by 10%), an increase in sorted waste (now 56.4%) and in packaging recycling (now 64%, close to the EU's 2025 objective), attention given to energy efficiency and a continuous improvement of customer services. All of this confirms the high consideration shown by the Group towards all stakeholders and the area in which it operates.

Lastly, the Group's economic value for the geographical area served now comes to over € 1.7 billion, thanks to greater investments and expanded economic activities, while the portion of EBITDA identified as "shared value" has been calculated for the first time, amounting to € 300 million, roughly one third of the Group Ebitda.

Proposed dividend of 9 cents/share

The Board of Directors, in light of the results achieved and the solidity of the Group's assets, has decided to put to the Shareholders Meeting to be held on 27 April a dividend of 9 cents per share, as anticipated by the business plan.

The ex-dividend date has been set at 19 June 2017, with payment as of 21 June 2017.

Gas

The gas area, which includes services in natural gas distribution and sales, district heating and heat management, recorded an EBITDA which rose slightly to € 300.6 million, in line with the € 299.5 million seen in 2015.
This result was obtained mainly thanks to an increase in the volume of gas sold and the contribution coming from district heating, offsetting lesser revenues in both trading and regulated services, with a reduction in the rate of return having a negative effect on the latter amounting to € 9.8 million.
These results were also sustained by the recent acquisitions of Julia Servizi and Gran Sasso, two Abruzzo-based companies involved in gas and electricity sales, that contributed to enlarging the customer base roughly 30,000 clients. Due among other things to commercial and customer loyalty initiatives, at the end of 2016 the number of gas customers had risen to roughly 1.4 million.
In 2016, investments in the gas area came to € 94.8 million, with an increase of € 5.2 million compared to 2015, mainly destined to a large-scale meter substitution, non-recurring maintenance on networks and plants, and interventions involving cathodic protection of the gas networks in the areas surrounding Padova and Trieste.
The gas area accounted for 32.8% of Group EBITDA.

Water cycle
The integrated water cycle area, which includes aqueduct, purification and sewerage services, recorded an EBITDA of € 228.8 million, compared to the € 232.5 million seen in 2015, almost entirely compensating, with the operational efficiencies set in place over the year, for the negative impact of inflation and the reduction in the rate of return on invested capital, which came to € 18.4 million.
Net investments in the integrated water cycle area amounted to € 111.8 million. Including capital grants, investments in this area came to € 131.8 million (increasing compared to the € 127.2 seen in 2015), of which € 61.5 million in the aqueduct, € 37.6 million in sewerage and € 32.7 million in purifying.
The integrated water cycle area accounted for 25.0% of Group EBITDA.

Waste management
EBITDA for the waste management area, which includes waste collection, treatment and disposal services, settled at € 230.7 million, a slight improvement compared to 2015 which more than offset both the temporary suspension of plants currently being enlarged (the Ravenna landfill became operational again in August, as did the Tremonti landfill, located in the area surrounding Imola, in late December) and the expiry of incentives for renewables concerning two WTE plants. The results were also sustained by the contribution coming from the acquisitions made in late 2015 of Waste Recycling and the Geo Nova plants, which gave a considerable impulse to industrial waste management, with a 16.9% increase in the amount of market waste. Volumes of urban waste also recorded a slight increase (+0.3%).
Results in the field of sorted urban waste were positive, rising to 56.4% compared to the 55.4% seen in 2015, thanks to a wide number of projects implemented in all geographical areas served.
The waste management area accounted for 25.2% of Group EBITDA.

Electricity area
The electricity area, which includes services in electricity production, distribution and sales, recorded an EBITDA of € 135.3 million, a sharp increase over the € 101.0 million seen in 2015. The negative impact on electricity services of the resolution concerning return on regulated revenues (€ 2.9 million) was more than offset by higher earnings in sales activities and higher profit margins in electricity production, in addition to continued commercial expansion in the free market.
Confirming the trend seen in recent years, the number of electricity customers reached over 880,000 (+2.7% compared to 2015), mainly owing to a reinforcement of commercial action and an enlargement of the customer base thanks to the acquisition of the Abruzzo companies Gran Sasso and Julia Servizi.
The electricity area accounted for a larger amount of Group EBITDA than in the previous year, 14.8%.

Statement by Executive Chairman Tomaso Tommasi di Vignano
"The results recorded are all the more admirable considering the outstanding challenges that marked the reference scenario throughout the year, with a positive contribution coming from all growth levers, both

internal and external. They furthermore represent a solid foundation, providing the premises to pursue the uninterrupted growth foreseen in the business plan to 2020, already approved by the Board of Directors, matched by a progressive increase in dividends per share, coming to 11% over the duration of the plan."

Statement by CEO Stefano Venier

"A year rich in significant results, strived for and achieved coherently over time, has come to a close. This outcome is attested to not only by the economic-financial indicators, which improved appreciably, but above all by the excellent operating performances and the quality of the industrial initiatives implemented in order to attain long-lasting and sustainable growth in both the company's worth and the social value it generates."

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), within 5 April 2016.

Unaudited extracts from the Interim Financial Statements at 31 December 2016 are attached.

Investor Relations Director - Hera S.p.A.
Jens Klint Hansen
tel. +39 051.287737
e.mail: jens.hansen@gruppohera.it

Profit & Loss (m€)	31/12/2016	Inc%	31/12/2015	Inc.%	Ch.	Ch. %
Sales	4,460.2		4,487.0		-26.8	-0.6%
Other operating revenues	403.4	9.0%	330.8	7.4%	+72.6	+21.9%
Raw material	(2,176.8)	-48.8%	(2,256.6)	-50.3%	-79.8	-3.5%
Services costs	(1,198.8)	-26.9%	(1,132.1)	-25.2%	+66.7	+5.9%
Other operating expenses	(75.0)	-1.7%	(62.3)	-1.4%	+12.7	+20.4%
Personnel costs	(524.1)	-11.7%	(510.8)	-11.4%	+13.3	+2.6%
Capitalisations	27.8	0.6%	28.5	0.6%	-0.7	-2.5%
Ebitda	**916.6**	**20.6%**	**884.4**	**19.7%**	**+32.2**	**+3.6%**
Depreciation and provisions	(459.6)	-10.3%	(442.2)	-9.9%	+17.4	+3.9%
Ebit	**457.1**	**10.2%**	**442.2**	**9.9%**	**+14.9**	**+3.4%**
Financial inc./(exp.)	(117.4)	-2.6%	(134.3)	-3.0%	-16.9	-12.6%
Pre tax profit adjusted	**339.6**	**7.6%**	**307.9**	**6.9%**	**+31.7**	**+10.3%**
Tax	(119.3)	-2.7%	(113.5)	-2.5%	+5.8	+5.1%
Net profit	**220.4**	**4.9%**	**194.4**	**4.3%**	**+26.0**	**+13.4%**
Attributable to:						
Shareholders of the Parent Company	**207.3**	**4.6%**	**180.5**	**4.0%**	**+26.8**	**+14.8%**
Minority shareholders	13.1	0.3%	13.9	0.3%	-0.8	-5.8%

Balance Sheet *(m€)*	**31/12/2016**	*Inc.%*	**31/12/2015**	*Inc.%*	***Ch.***	***Ch.%***
Net fixed assets	5,564.5	*108.7%*	5,511.3	*106.9%*	*+53.2*	*+1.0%*
Working capital	99.9	*2.0%*	157.0	*3.0%*	*(57.1)*	*(36.4%)*
(Provisions)	(543.4)	*(10.7%)*	(513.5)	*(9.9%)*	*(29.9)*	*+5.8%*
Net invested capital	**5,121.0**	***100.0%***	**5,154.8**	***100.0%***	***(33.8)***	***(0.7%)***
Net equity	2,562.1	*50.0%*	2,503.1	*48.6%*	*+59.0*	*+2.4%*
Long term net financial debt	*2,757.5*	*53.9%*	*2,743.6*	*53.2%*	*+13.9*	*+0.5%*
Short term net financial debt	*(198.6)*	*(3.9%)*	*(91.9)*	*(1.8%)*	*(106.7)*	*+116.1%*
Net financial debts	2,558.9	*50.0%*	2,651.7	*51.4%*	*(92.8)*	*(3.5%)*
Net invested capital	**5,121.0**	***100.0%***	**5,154.8**	***100.0%***	***(33.8)***	***(0.7%)***