

press release

Bologna, 9 November 2016

Hera Board of Directors approves results for 3Q 2016

Financial results as at 30 September show improvement in key economic and financial indicators and a further reduction of debt.

Financial highlights

- Revenues at € 3,104.8 million (-4.4%)
- EBITDA at € 650.6 million (+1.6%)
- Net profits for shareholders at € 142.2 million (+13.8%)
- Net financial position improves, reaching € 2,567.0 million

Operating highlights

- Revenues reflect the fall in energy commodities and the impact of normative and regulatory factors, in particular the rate of return on invested capital (WACC)
- Benefits derived from recent acquisitions in sectors involving free market activities
- Healthy contributions to growth come from the electricity area and, in the third quarter, from the waste management area

Today, the Hera Group's Board of Directors unanimously approved the company's consolidated financial results at 30 September 2016, with positive figures in key indicators and growth through to net profits, in line with the results forecast in the business plan.

Financial and fiscal management, in particular, contributed to supporting growth in results by allowing increased investments to appear alongside a further reduction in debt, while entirely financing M&As and the payment of annual dividends.

Note that the Hera Group has voluntarily decided to publish its interim financial statements, as in the past, taking into account the high value it gives to communicating with the market.

Revenues at € 3,104.8 million

In the third quarter of 2016, revenues amounted to € 3,104.8 million, dropping compared to the € 3,246.4 million seen at 30 September 2015. The reasons for this decrease include lower revenues in regulated services caused by recent regulatory changes, lower revenues from electricity, gas sales and trading. The drop was however partially compensated by both higher volumes of gas sold and revenues in the waste management area, above all in the third quarter.

EBITDA increases, reaching € 650.6 million

Group EBITDA at 30 September 2016 grew from € 640.2 to € 650.6 million (+1.6%), thanks in particular to the contribution of the electricity business. This result is particularly significant considering that in the first nine months of 2016 the overall outcome of lower revenues in gas, electricity and water distribution amounted to € 25.6 million (respectively: 14.9 in water, 8.5 in gas and 2.2 in electricity), following reductions in the rate of return on invested capital in regulated sectors and inflation.

EBIT and pre-tax profits rise

EBIT increased to € 329.2 million (+3.8%), while pre-tax profits rose to € 239.1 million (+9.5% compared to the € 218.4 seen at 30 September 2015), thanks among other things to improvements in financial management. At 30 September 2016 the results of financial management in fact came to € 90.2 million, dropping compared to the € 98.8 recorded at 30 September 2015 (-8.7%), owing to lower average debt and greater efficiency in interest rates, obtained thanks to the renegotiation of a few loans, in addition to an optimisation of cash and cash equivalents. The new bond issued in early October allowed Hera to obtain € 400 million in financing, with a 10 year maturity and a cost below 1%.

CONTACTS

IR Director
Jens Hansen
+39 051.287.737
jens.hansen@gruppohera.it

www.gruppohera.it

Net profit post minorities at € 142.2 million (+13.8%)

Due to a tax rate coming to 36.5%, a noteworthy improvement compared to the same period in the previous year (thanks to the benefits ensuing from the application of the “patent box” and tax credits for research and development, as well as tax concessions for maxi amortisations), net profits rose by 12.5%, going from € 134.9 million at 30 September 2015 to € 151.8 million at 30 September 2016. In the first nine months of 2016, net profit post minorities rose to € 142.2 million, with a 13.8% increase over the € 125.0 million seen at 30 September 2015.

Over € 250 million in investments and an improved net financial position

Group investments in the first nine months of 2016, including € 10.5 million in capital grants, amounted to € 251.5 million, growing by roughly € 20 million compared to the same period in 2015 and in line with the results forecast in the business plan. The water business accounted for € 93.1 million of the above and gas business for € 64.1 million. Investments were made above all in plants, networks and infrastructures, in addition to regulatory upgrading chiefly in gas distribution (with a large-scale substitution of gas metres) and in purification and sewerage.

The Group's net financial position at 30 September settled at € 2,567.0 million, improving compared to the € 2,651.7 recorded at 31 December 2015 thanks to the creation of positive cash flows which, in addition to financing M&As and entirely covering annual dividend payments in June (coming to € 132 million overall), provided room for a reduction in debt.

Gas

EBITDA of the gas business, which includes services in natural gas and LPG distribution and sales, district heating and heat management, came to € 186.5 million at 30 September 2016, down from the € 205.6 million at 30 September 2015, mainly due to a slight decrease in trading and the impact of the regulation that modified the method used in calculating the rate of return on invested capital for infrastructure services in the gas sector. These results were also sustained by the recent acquisition of Julia Servizi, a company operating in the Abruzzo region in gas and electricity sales and by the acquisition, once again in Abruzzo, of Gran Sasso, active in the same field, whose effects will be felt beginning in the final quarter of the current financial year.

The gas business accounts for 28.7% of Group EBITDA.

Water

The figures seen in the water business, which includes aqueduct, purification and sewerage services, are in line with those recorded in the same period in 2015, with EBITDA stable at € 173.7 million as compared to € 174.7 million at 30 September 2015. The negative impact of the reduction in the rate of return and the redefinition of revenue restrictions, amounting to € 10.9 million, was almost entirely compensated by the operational efficiency achieved during the period in question.

The water business accounts for 26.7% of Group EBITDA.

Waste

The results in the waste business, which includes services in collecting, treating, recovering and disposing of waste, also confirmed those of the previous year, with EBITDA going from € 172.5 million at 30 September 2015 to € 172.2 million at 30 September 2016. The results of the third quarter were particularly significant, as was, more generally, the contribution coming from the acquisition in late 2015 of Waste Recycling and the Geo Nova plants, which underpinned the special waste sector and compensated for the temporary closure of landfills currently being enlarged (the Ravenna landfill reopened in August). Good results also came from sorted waste collection, which rose to 55.8% of the total, compared to the 54.9% seen in the first nine months of 2015, thanks to the wide range of projects implemented across all areas served.

The waste business accounts for 26.5% of Group EBITDA.

Electricity

EBITDA pertaining to the electricity business, which includes services in electric generation, distribution and sales, grew from € 72.7 million in Q3 2015 to € 104.3 million at 30 September 2016. The negative impact on the electricity services coming from the resolution on revenues and EBITDA (€ 2.2 million in the first nine months) was more than compensated by greater margins in both sales activities and electricity production, including the related dispatching services, as well as by continuous commercial expansion on the free market.

The electricity area accounts for 16.0% 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 third quarter financial statement and related materials will be available to the public at the Company Headquarters and on the website www.gruppohera.it.

Unaudited extracts from the Interim Financial Statements at 30 September 2016 are attached.

Profit & Loss (m€)	30/09/2016	Inc. %	30/09/2015	Inc. %	Ch.	Ch. %
Sales	3,104.8		3,246.4		-141.6	-4.4%
Other operating revenues	259.9	8.4%	226.0	7.0%	+33.9	+15.0%
Raw material	(1,437.4)	-46.3%	(1,613.2)	-49.7%	-175.8	-10.9%
Services costs	(872.0)	-28.1%	(815.4)	-25.1%	+56.6	+6.9%
Other operating expenses	(34.7)	-1.1%	(40.9)	-1.3%	-6.2	-15.1%
Personnel costs	(390.1)	-12.6%	(380.5)	-11.7%	+9.6	+2.5%
Capitalisations	20.0	0.6%	17.9	0.6%	+2.1	+11.8%
Ebitda	650.6	21.0%	640.2	19.7%	+10.4	+1.6%
Depreciation and provisions	(321.3)	-10.3%	(323.0)	-9.9%	-1.7	-0.5%
Ebit	329.2	10.6%	317.3	9.8%	+11.9	+3.8%
Financial inc./(exp.)	(90.2)	-2.9%	(98.8)	-3.0%	-8.6	-8.7%
Pre tax profit	239.1	7.7%	218.4	6.7%	+20.7	+9.5%
Tax	(87.2)	-2.8%	(83.5)	-2.6%	+3.7	+4.4%
Net profit	151.8	4.9%	134.9	4.2%	+16.9	+12.5%
Attributable to:						
Shareholders of the Parent Company	142.2	4.6%	125.0	3.9%	+17.2	+13.8%
Minority shareholders	9.6	0.3%	9.9	0.3%	-0.3	-2.8%

Balance Sheet (m€)	30/09/2016	Inc. %	31/12/2015	Inc. %	Ch.	Ch. %
Net fixed assets	5,521.2	109.0%	5,511.3	106.9%	+9.9	+0.2%
Working capital	82.1	1.6%	157.0	3.1%	(74.9)	(47.7%)
(Provisions)	(535.8)	(10.6%)	(513.5)	(10.0%)	(22.3)	+4.3%
Net invested capital	5,067.5	100.0%	5,154.8	100.0%	(87.3)	(1.7%)
Net equity	2,500.5	49.3%	2,503.1	48.6%	(2.6)	(0.1%)
Long term net financial debt	2,729.0	53.9%	2,743.6	53.2%	(14.6)	(0.5%)
Short term net financial debt	(162.0)	(3.2%)	(91.9)	(1.8%)	(70.1)	+76.3%
Net financial debts	2,567.0	50.7%	2,651.7	51.4%	(84.7)	(3.2%)
Net invested capital	5,067.5	100.0%	5,154.8	100.0%	(87.3)	(1.7%)