

HERA ENCOURAGES  
GOOD BEHAVIOR  
IN EVERY PART OF THE BUSINESS  
THANKS TO THE VALUE OF ITS CODE OF ETHICS:

**INTEGRITY · TRANSPARENCY · RESPONSIBILITY · CONSISTENCY**

# HERA

## THE MULTI-UTILITY of the FUTURE

★ ACTING  
A LEADING ROLE  
IN THE "TRANSITION  
PHASE" TOWARD  
EU ENV DIRECTIVE

- # ENVIRONMENTALLY CORRECT
- # SUSTAINABLE IS BETTER
- # ENERGY4LIFE



H1 2016 FINANCIAL RESULTS  
28 July 2016

HERA CONSTANTLY  
SEEKS  
**NEW AND BETTER WAYS**  
[TO SERVE]

**CUSTOMERS**  
AND AIMS TO  
ANTICIPATE THEIR  
FUTURE NEEDS  
THROUGH

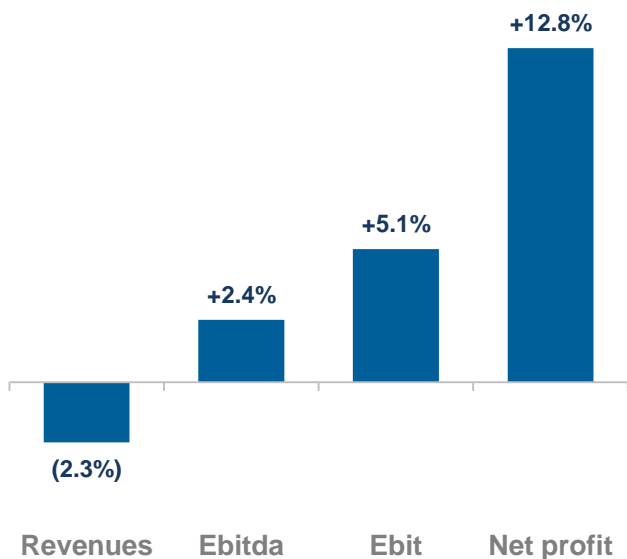
A **SAFE & SOUND**  
APPROACH TO  
OFFSET RISK

A **TRACK RECORD**  
OF UNINTERRUPTED  
DELIVERY

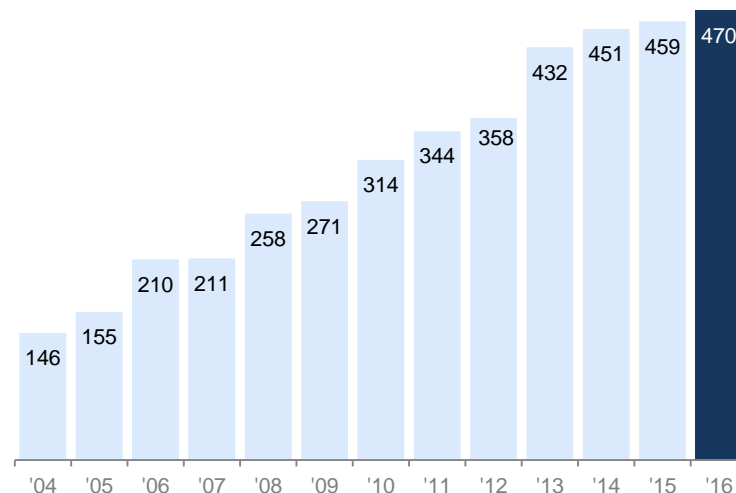
**INNOVATION**  
**ACCOUNTABILITY**  
**OPERATIONAL EXCELLENCE**

# An other overall positive performance

 **H1 2016 positive growth**  
(%)



 **Ebitda H1 track record**  
(m€)



**Net profit up double digit**

# Solid operating, financial and tax performances



## H1 RESULT HIGHLIGHTS

(M€)

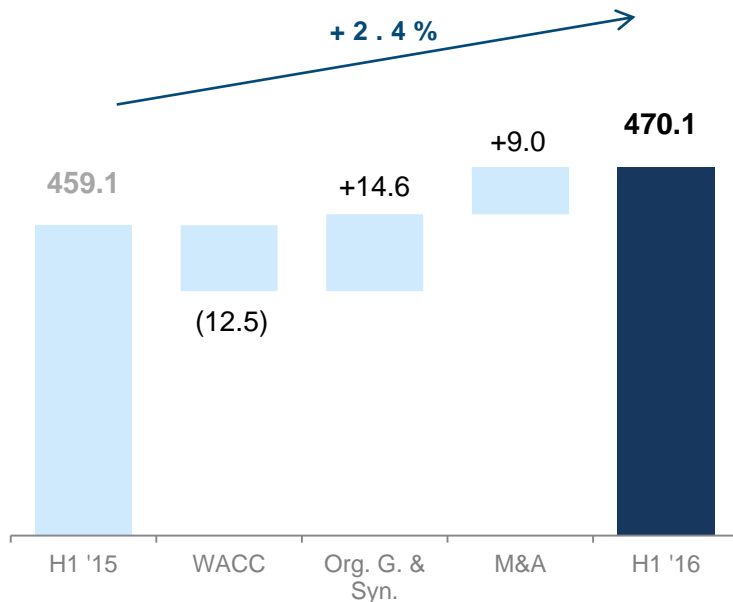
	1H '15	1H '16	
Revenues	2,368.9	2,314.7	(2.3%)
<b>EBITDA</b>	<b>459.1</b>	<b>470.1</b>	<b>+2.4%</b>
<i>Ebitda margin</i>	<i>19.4%</i>	<i>20.3%</i>	
Depreciation and provisions	(214.0)	(212.7)	
<b>EBIT</b>	<b>245.0</b>	<b>257.4</b>	<b>+5.1%</b>
Cost of Debt	(58.3)	(54.4)	(6.7%)
Figurative interests (IAS)	(9.3)	(10.1)	
Income from Associates & J.V.	6.3	6.5	
<b>PRETAX PROFIT</b>	<b>183.7</b>	<b>199.4</b>	
Tax	(68.3)	(71.2)	
<i>Tax rate</i>	<i>37.2%</i>	<i>35.7%</i>	
Minorities	(8.1)	(7.2)	
<b>NET PROFIT POST MINORITIES</b>	<b>107.3</b>	<b>121.0</b>	<b>+12.8%</b>

- **Revenues (-54m€)** affected by WACC cut, Energy prices, lower gas supply volumes and by market expansion in Special Waste
- **Ebitda margin benefits** from enhanced performance in liberalized businesses
- **Financial expenses reduced** due to lower debt and avg. cost
- **Taxes benefit** from “Patent box”, “Maxi depreciation” and R&D deferred tax system (tax rate down by 1.5 p.p.)
- **Minorities** benefit from ‘15 Akron and Romagna Compost full acquisition

**Growth path achieved despite all**

# Ebitda underpinned by M&A

## H1 EBITDA growth drivers (M€)

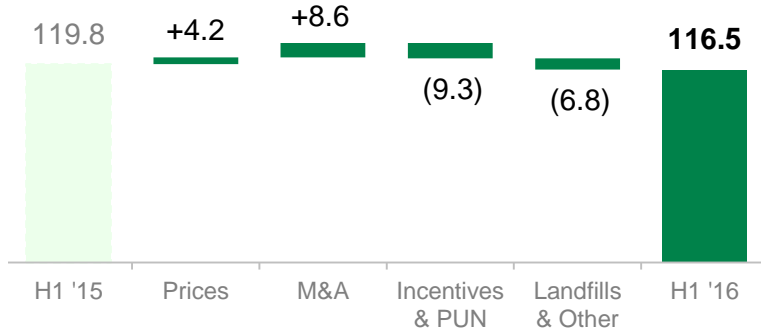


- **H1 Ebitda growth achieved** despite WACC cut, lower (expected) incentives (-9.3m€ from Cip6 and G.C.) and still low operations in landfills
- **Organic growth, enhanced by regulated revenues** (change in “time-lag” in returns on capex in electricity distrib.), WACC negative impact
- **Organic growth comes mainly from Energy and Networks** while Waste reflects Q1 “landfill issue”
- **M&A** relates to **Geo Nova, Waste Recycling** and **Julia Servizi Più**

**Good performance in a tough environment**

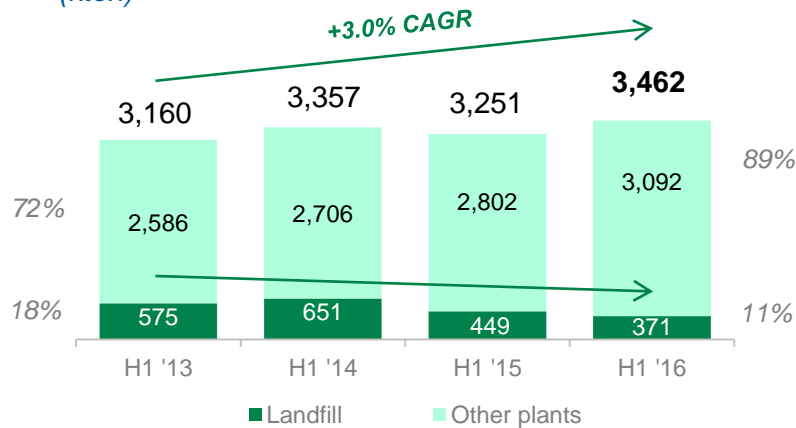
# WASTE: Stable results although lower incentives

## H1 Waste Ebitda (M€)



- **Positive trends in market prices/demand** confirmed
- **Waste Recycling and Geo Nova performed** in line with planning
- **Incentives expiry (Cip6)** together with **green certificates** and **PUN reduction** affected results of H1
- **Landfill contribution**(reduced from 18% to 11% of total volume managed), **will soon benefit from Ravenna landfill enlargement** by 1m tons (expected to enter into operations in Q3)
- **Operating costs under control in Waste Collection**

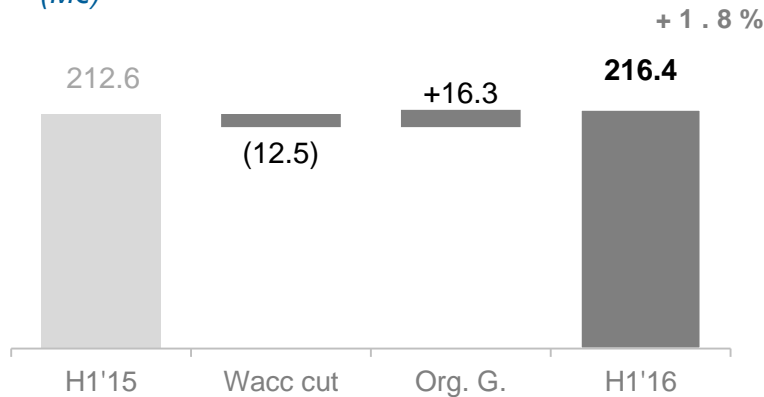
## H1 Treatment mix (kton)



**Working to re-establish full capacity to exploit market trends**

# NETWORKS: tackling with WACC cut

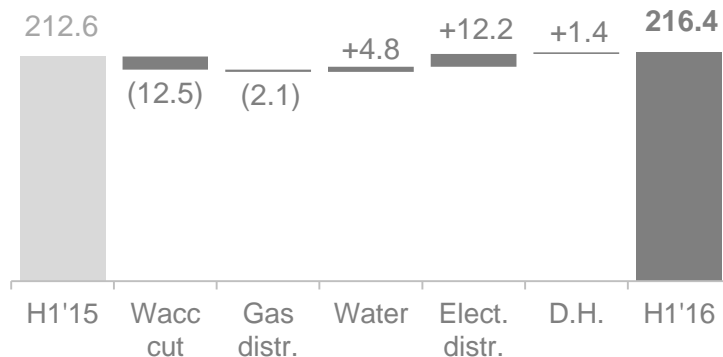
## H1 Networks Ebitda (M€)



- H1 '16 Ebitda in line with H1 '15 offsetting Wacc cut thanks to various initiatives

- Electricity distribution accounts one off on revenues due to realign on “time-lag” in returns on capex executed

## H1 Ebitda by business (M€)

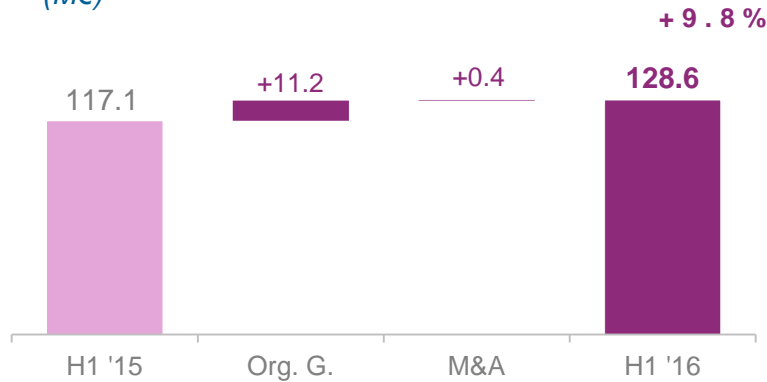


- Water “quality standards” will be applied in 2016
- InRete (spin off all Hera energy networks) established 1<sup>st</sup> July. Reorganizations and means already in place to face gas tenders

Efficiency remains management focus

# ENERGY: Better and better

## H1 Energy Ebitda (M€)



- **Energy supply expansion** in electricity markets approaching 2.3 million clients (0.9m EE customers and 1.3m gas customers)

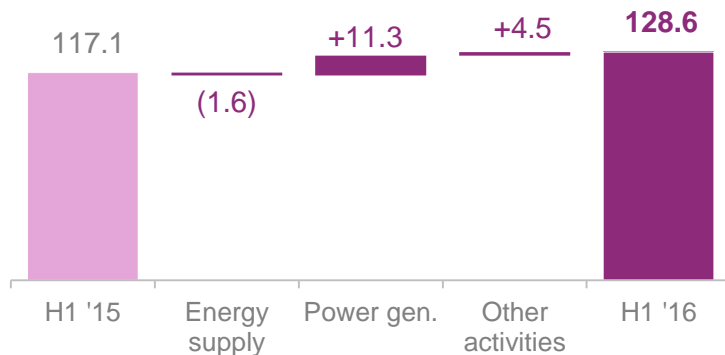
- **Power prices reduction** and higher **competitive pressure** has **not affected Ebitda margin**

- **Power generation** provided a **positive contribution** in H1

- **Mild winter climate** reduced **gas sales to retail** by 2.5% (30m cubic meter)

- **Julia Servizi Più** started to **contribute to results** from April

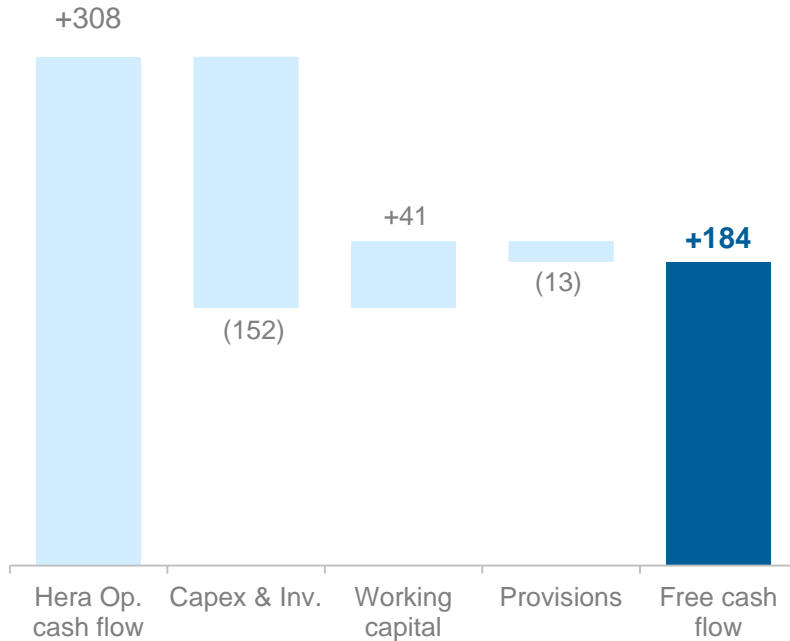
## H1 Ebitda by business (M€)



**Intangible asset represented by customers continues to grow**

# Free cash flows increase

## H1 cash flows (M€)



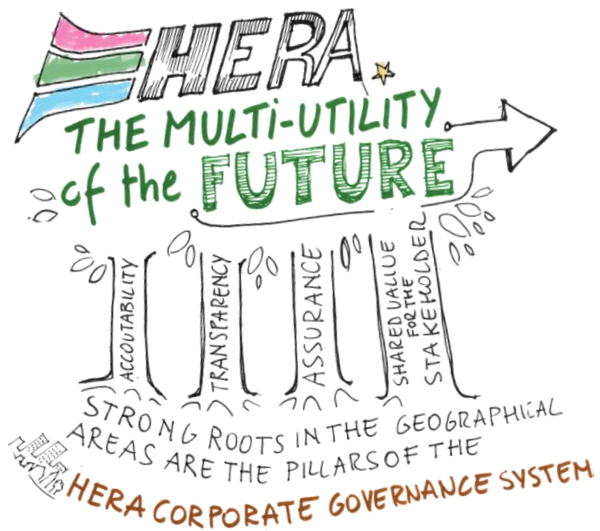
- **Cash flows highlight capex for 152 m€** (+9% H/H)
- **Enhanced Free cash generation (184m€ vs 138m€ of H1 '15) covered dividend payments, Minorities and Acquisitions (9.3m€)**
- **Debt reduced to 2,624m€** (from 2,652 m€ as of 31<sup>st</sup> December 2015)
- **Good performance on working capital management**
- **Cost of debt at ~3.7%**

## Enhanced financial structure



## Closing remarks – Q&A session

- Operating, financial and tax management enhanced value creation to shareholders (Net Profit up double digit)
- M&A and integration process contributed to growth and value creation once again
- Enhanced cash generation funded dividend payments (DPS of 9 c€ paid in June), enhancing our sound financial structure



# ENERGY4LIFE

# ENVIRONMENTALLYCORRECT

# SUSTAINABLE IS BETTER





# Annex

With further information

**Investor Relations**  
*IR@gruppohera.it*



## Waste: financial highlights breakdown



Almost stable results awaiting new landfill capacity

(m€)	Q1 2015	Q1 2016	Ch. %
Revenues	214.7	235.4	+9.6%
<b>Ebitda</b>	<b>64.9</b>	<b>62.4</b>	<b>(3.8%)</b>
<i>Ebitda margin</i>	<i>30.2%</i>	<i>26.5%</i>	

(m€)	Q2 2015	Q2 2016	Ch. %
Revenues	215.4	256.0	+18.8%
<b>Ebitda</b>	<b>54.9</b>	<b>54.0</b>	<b>(1.6%)</b>
<i>Ebitda margin</i>	<i>25.5%</i>	<i>21.1%</i>	



(m€)	H1 2015	H1 2016	Ch. %
Revenues	430.1	491.4	+14.2%
<b>Ebitda</b>	<b>119.8</b>	<b>116.5</b>	<b>(2.8%)</b>
<i>Ebitda margin</i>	<i>27.9%</i>	<i>23.7%</i>	

## Volumes

Data	Q1 2015	Q1 2016	Ch. %	Q2 2015	Q2 2016	Ch. %	H1 2015	H1 2016	Ch. %
Urban W. Volumes (Kton)	470.1	471.0	+0.2%	548.7	536.6	(2.2%)	1,018.8	1,007.6	(1.1%)
Special W. Volumes (Kton)	468.7	581.0	+24.0%	512.5	597.1	+16.5%	981.2	1,178.1	+20.1%
<b>Waste from third parties</b>	<b>938.8</b>	<b>1,052.0</b>	<b>+12.1%</b>	<b>1,061.1</b>	<b>1,133.8</b>	<b>+6.8%</b>	<b>1,999.9</b>	<b>2,185.8</b>	<b>+9.3%</b>
Internal W. Volumes (Kton)	647.2	625.7	(3.3%)	604.2	650.6	+7.7%	1,251.4	1,276.3	+2.0%
<b>Total Volumes Treated</b>	<b>1,586.0</b>	<b>1,677.7</b>	<b>+5.8%</b>	<b>1,665.4</b>	<b>1,784.4</b>	<b>+7.1%</b>	<b>3,251.4</b>	<b>3,462.1</b>	<b>+6.5%</b>

# Water: financial highlights breakdown

## Tackling with WACC cut exploiting efficiencies improvement

(m€)	Q1 2015	Q1 2016	Ch. %
Revenues	182.6	179.4	(1.7%)
<b>Ebitda</b>	<b>50.5</b>	<b>49.8</b>	<b>(1.3%)</b>
<i>Ebitda margin</i>	<i>27.7%</i>	<i>27.8%</i>	

(m€)	Q2 2015	Q2 2016	Ch. %
Revenues	194.8	194.7	(0.1%)
<b>Ebitda</b>	<b>57.1</b>	<b>56.8</b>	<b>(0.5%)</b>
<i>Ebitda margin</i>	<i>29.3%</i>	<i>29.2%</i>	



(m€)	H1 2015	H1 2016	Ch. %
Revenues	377.4	374.1	(0.9%)
<b>Ebitda</b>	<b>107.6</b>	<b>106.6</b>	<b>(0.9%)</b>
<i>Ebitda margin</i>	<i>28.5%</i>	<i>28.5%</i>	

## Volumes

Data	Q1 2015	Q1 2016	Ch. %	Q2 2015	Q2 2016	Ch. %	H1 2015	H1 2016	Ch. %
<b>Aqueduct (mm3)</b>	<b>69.3</b>	<b>69.8</b>	<b>+0.7%</b>	<b>74.1</b>	<b>73.2</b>	<b>(1.3%)</b>	<b>143.4</b>	<b>143.0</b>	<b>(0.3%)</b>
Sewerage (mm3)	56.9	57.3	+0.8%	61.0	60.8	(0.3%)	117.9	118.1	+0.2%
Purification (mm3)	56.4	56.8	+0.6%	60.5	60.3	(0.3%)	116.9	117.0	+0.2%

## Gas: financial highlights breakdown



### Results account WACC cut and mild winter effect

(m€)	Q1 2015	Q1 2016	Ch. %
Revenues	632.1	557.9	(11.7%)
<b>Ebitda</b>	<b>128.4</b>	<b>128.7</b>	<b>+0.2%</b>
<i>Ebitda margin</i>	<i>20.3%</i>	<i>23.1%</i>	

(m€)	Q2 2015	Q2 2016	Ch. %
Revenues	259.4	235.9	(9.1%)
<b>Ebitda</b>	<b>44.0</b>	<b>33.4</b>	<b>(24.2%)</b>
<i>Ebitda margin</i>	<i>17.0%</i>	<i>14.1%</i>	



(m€)	H1 2015	H1 2016	Ch. %
Revenues	891.4	793.8	(11.0%)
<b>Ebitda</b>	<b>172.5</b>	<b>162.0</b>	<b>(6.0%)</b>
<i>Ebitda margin</i>	<i>19.3%</i>	<i>20.4%</i>	

## Volumes

Data	Q1 2015	Q1 2016	Ch. %	Q2 2015	Q2 2016	Ch. %	H1 2015	H1 2016	Ch. %
Volumes distrib. (mm3)	1,358.3	1,313.3	(3.3%)	370.8	361.6	(2.5%)	1,729.1	1,675.0	(3.1%)
Volumes sold (mm3)	1,362.3	1,261.2	(7.4%)	481.6	701.8	+45.7%	1,843.9	1,963.0	+6.5%
<i>of which trading (mm3)</i>	<i>356.5</i>	<i>324.0</i>	<i>(9.1%)</i>	<i>233.5</i>	<i>416.2</i>	<i>+78.2%</i>	<i>590.0</i>	<i>740.2</i>	<i>+25.5%</i>
District Heating (GWht)	253.8	238.9	(5.9%)	45.7	44.6	(2.4%)	299.4	283.5	+8.0%
Clients ('000 unit)	1,315.4	1,327.1	+0.9%				1,315.0	1,339.2	+1.8%

# Electricity: financial highlights breakdown

## Electricity: regulatory changes and better power gen. mgmt

(m€)	Q1 2015	Q1 2016	Ch. %
Revenues	391.4	362.9	(7.3%)
<b>Ebitda</b>	<b>29.3</b>	<b>33.2</b>	<b>+13.3%</b>
<i>Ebitda margin</i>	<i>7.5%</i>	<i>9.1%</i>	

(m€)	Q2 2015	Q2 2016	Ch. %
Revenues	326.7	334.8	+2.5%
<b>Ebitda</b>	<b>20.3</b>	<b>43.1</b>	<b>+112.3%</b>
<i>Ebitda margin</i>	<i>6.2%</i>	<i>12.9%</i>	



(m€)	H1 2015	H1 2016	Ch. %
Revenues	718.1	697.7	(2.8%)
<b>Ebitda</b>	<b>49.6</b>	<b>76.3</b>	<b>+53.9%</b>
<i>Ebitda margin</i>	<i>6.9%</i>	<i>10.9%</i>	

## Volumes

Data	Q1 2015	Q1 2016	Ch. %	Q2 2015	Q2 2016	Ch. %	H1 2015	H1 2016	Ch. %
Volumes sold (GWh)	2,377.9	2,524.2	+6.2%	1,263.9	1,142.6	(9.6%)	3,641.8	3,666.8	+0.7%
<i>of which Salvaguardia (GWh)</i>	<i>510.4</i>	<i>656.5</i>	<i>+28.6%</i>	<i>472.4</i>	<i>520.3</i>	<i>+10.1%</i>	<i>982.8</i>	<i>1,176.8</i>	<i>+19.7%</i>
Volumes distrib. (GWh)	756.5	862.6	+14.0%	715.6	584.3	(18.3%)	1,472.1	1,447.0	(1.7%)
Clients ('000 unit)	808.2	862.6	+6.7%	18.1	(7.0)	(138.7%)	826.3	855.6	+3.6%