press release
Bologna, 28 July 2016

Hera Board of Directors approves results for 1H 2016

Interim report at 30 June 2016 shows rising profits, positive cash flows and lesser borrowing.

Financial highlights

- **Revenues at € 2,152.7 million (-2.7%)**
- **EBITDA at € 470.1 million (+2.4%)**
- **Net profits for shareholders at € 121.0 million (+12.8%)**
- **Net financial position reduced to € 2,624.4 million**

Operating highlights

- **Regulated revenues affected by lower return on invested capital (WACC)**
- **M&A initiatives contribute to results**
- **Energy market expands, with total customers reaching almost 2.3 million**

Today, the Hera Group's Board of Directors unanimously approved the consolidated economic results for H1, whose main indicators show positive figures and growth through to net profits.

Revenues at € 2,152.7 million

In the first half of 2016, revenues reached € 2,152.7 million, with a slight drop from the € 2,213.0 million seen at 30 June 2015 (-2.7%). Various factors are responsible for this decrease, including lower revenues in regulated services, most notably the gas and water cycle areas, owing to recent changes in regulations, lower revenues in electricity and gas sales and trading, due to a fall in the price of raw materials, and, lastly, lower volumes of sales in the gas service caused by the milder temperatures seen in the winter of 2016.

EBITDA increases to € 470.1 million

EBITDA grew, passing from € 459.1 million at 30 June 2015 to € 470.1 million in the first half of 2016 (+2.4%). This result is particularly significant considering that the semester felt the effects of lesser revenues in the gas, electricity and water distribution for € 17.9 million (5.3 in gas, 1.4 in electricity and 11.1 in water) following a reduction in return on invested capital in regulated sectors. Growth in electricity for € 26.7 million compensated for a decline in the other areas, thanks to both the recoveries involved in tariff application (resolution 654/15/R/eel) and greater margins coming from power plants.

EBIT and pre-tax profits both up

EBIT rose to € 257.4 million, +5.1% compared to the € 245.0 million seen one year earlier, while pre-tax profits amounted to € 199.4 million, up 8.5% compared to the € 183.7 million recorded at 30 June 2015, partially thanks to an improvement in financial management (down 5.4% compared to the same period in the previous year). These good performances can be traced to both lower average debt and greater efficiency in rates, obtained thanks to the reimbursement of a few loans, as well as an optimisation of cash and cash equivalents.

Net profits for shareholders at € 121.0 million (+12.8%)

Net profits recorded an 11.1% increase, going from € 115.4 million in the first half of 2015 to € 128.2 million in 2016, due to a reduced tax burden corresponding to an improved tax rate of 35.7%, against 37.2% in the previous year (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). Profits pertaining to Group Shareholders rose to € 121.0 million, up 12.8% compared to the € 107.3 million seen in the first half of 2015, thanks *inter alia* to a reduction in minority interests, mainly resulting from the complete acquisition of two subsidiaries in the environment sector.

Over € 150 million in investments and a solid financial position, with improvements compared to 2015

In the first half of 2016, the Group's gross investments amounted to € 157.2 million, in line with the contents of the business plan and mainly involving interventions on plants, networks and infrastructures. Of these, over € 60 million were dedicated to the integrated water cycle and roughly € 40 million to the gas area.
The Group's net financial position at 30 June 2016 decreased from € 2,651.7 million in 2015 to € 2,624.4 at 30 June 2016, mainly thanks to a positive trend in working capital. The positive cash flows generated by management increased and allowed dividend payment in June and M&A activities to be entirely covered.

Gas

The gas business EBITDA, which includes services in natural gas and LPG distribution and sales, remote heating and heat management, settled in the first half of 2016 at € 162 million, down from the € 172.5 recorded at 30 June 2015, mainly due to lower margins in trading and the negative impact of the mild winter, as well as a resolution that modified the method used to calculate the rate of return on invested capital for infrastructure services in the gas sector. The results were also sustained by the recent acquisition of Julia Servizi, a company in the Abruzzo region operating in gas and electricity sales.
The gas business accounts for 34.5% of Group EBITDA.

Water

In the first half of 2016, the water business, which includes aqueduct, purification and sewerage services, recorded a slight drop compared to the same period in 2015, with EBITDA passing from € 107.6 million in the first half of 2015 to € 106.6 million at 30 June 2016. The negative impact of the resolution on revenues and on EBITDA for the WACC effect and the redefinition of the restriction on revenue, came to € 11.1 million, almost entirely compensated by the operative efficiencies implemented over the six months in question and, in particular, a series of optimisations concerning general management costs.
The integrated water cycle accounts for 22.7% of Group EBITDA.

Waste

EBITDA pertaining to the waste business, which includes services in collecting, treating and disposing of waste, went from € 119.8 million in the first half of 2015 to € 116.5 million at 30 June 2016, an essentially stable result in spite of the reduced operating capacities of a few landfills, which are currently being enlarged. Activities related to treatment of special waste showed a 20.1% growth in volume and a further improvement in prices. One fundamental contribution came from the acquisitions, dating to late 2015, of Waste Recycling and the Geonova plants, which gave greater impetus to management of industrial waste and compensated for the temporary closure of landfills presently being expanded (the Ravenna landfill is due to be reopened shortly). Good results also came from sorted waste collection, which rose to 56.9% of the total, compared to the 55.4% seen in the first half of 2015, thanks to the wide range of projects implemented across all areas served.
The waste business accounts for 24.8% of Group EBITDA.

Electricity

The electricity business, which includes services in electricity production, distribution and sales, showed an EBITDA that grew from € 49.6 million for the first six months of the previous year to € 76.3 million at 30 June 2016. The negative impact on electricity services of the resolution on revenues and EBITDA, regarding WACC alone (€ 1.4 million in the first six months), was more than compensated by the balance payments

involved in 654/15/R/eel, thanks to a revision of the criteria used for the treatment of investments made in previous years, and the continuous expansion of the customer base.
The electricity business accounts for 16.2% of Group EBITDA.

Statement by the Executive Chairman, Tomaso Tommasi di Vignano
"The figures that appear in the 2016 interim report are once again positive, showing the extent to which the Group has been able to offer its shareholders a solid response in terms of both economic results and financial structure, which is all the more appreciable in light of a macroeconomic context still marked by instability. This outcome was also fuelled by M&A operations, that allowed waste treatment plants to be acquired and increased our customer base".

Statement by the CEO, Stefano Venier
"We are highly satisfied, in that the operations introduced have led to the good results we expected, allowing us, in only six months, to compensate for the cut in regulated revenues. A good financial and fiscal performance also made it possible for us, in a difficult year, to close the first half with growth in net profits and other main indicators as well as a reduction in debt."

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 half-year 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).

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

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Profit & Loss (m€)	30/06/2016	Inc. %	30/06/2015	Inc. %	Ch.	Ch. %
Sales	2,152.7		2,213.0		-60.3	-2.7%
Other operating revenues	162.0	7.5%	155.9	7.0%	+6.1	+3.9%
Raw material	(998.0)	-46.4%	(1,103.9)	-49.9%	-105.9	-9.6%
Services costs	(570.3)	-26.5%	(530.7)	-24.0%	+39.6	+7.5%
Other operating expenses	(20.8)	-1.0%	(26.9)	-1.2%	-6.1	-22.7%
Personnel costs	(266.7)	-12.4%	(260.7)	-11.8%	+6.0	+2.3%
Capitalisations	11.2	0.5%	12.4	0.6%	-1.2	-9.7%
Ebitda	**470.1**	**21.8%**	**459.1**	**20.7%**	**+11.0**	**+2.4%**
Depreciation and provisions	(212.7)	-9.9%	(214.0)	-9.7%	-1.3	-0.6%
Ebit	**257.4**	**12.0%**	**245.0**	**11.1%**	**+12.4**	**+5.1%**
Financial inc./(exp.)	(58.0)	-2.7%	(61.3)	-2.8%	-3.3	-5.4%
Pre tax profit	**199.4**	**9.3%**	**183.7**	**8.3%**	**+15.7**	**+8.5%**
Tax	(71.2)	-3.3%	(68.3)	-3.1%	+2.9	+4.2%
Net profit	**128.2**	**6.0%**	**115.4**	**5.2%**	**+12.8**	**+11.1%**
Attributable to:						
Shareholders of the Parent Company	**121.0**	**5.6%**	**107.3**	**4.8%**	**+13.7**	**+12.8%**
Minority shareholders	7.2	0.3%	8.1	0.4%	-0.9	-11.4%

Balance Sheet *(m€)*	**30/06/2016**	*Inc. %*	**31/12/2015**	*Inc. %*	***Ch.***	***Ch.%***
Net fixed assets	5,506.5	*108.0%*	5,511.3	*106.9%*	*(4.8)*	(0.1%)
Working capital	116.4	*2.3%*	157.0	*3.1%*	*(40.6)*	(25.9%)
(Provisions)	(525.1)	*(10.3%)*	(513.5)	*(10.0%)*	*(11.6)*	+2.3%
Net invested capital	**5,097.8**	***100.0%***	**5,154.8**	***100.0%***	***(57.0)***	(1.1%)
Net equity	2,473.4	*48.5%*	2,503.1	*48.6%*	*(29.7)*	*(1.2%)*
Long term net financial debt	*2,719.5*	*53.3%*	*2,743.6*	*53.2%*	*(24.1)*	*(0.9%)*
Short term net financial debt	*(95.1)*	*(1.9%)*	*(91.9)*	*(1.8%)*	*(3.2)*	*+3.5%*
Net financial debts	2,624.4	*51.5%*	2,651.7	*51.4%*	*(27.3)*	*(1.0%)*
Net invested capital	**5,097.8**	***100.0%***	**5,154.8**	***100.0%***	***(57.0)***	***(1.1%)***