

HERA Q1

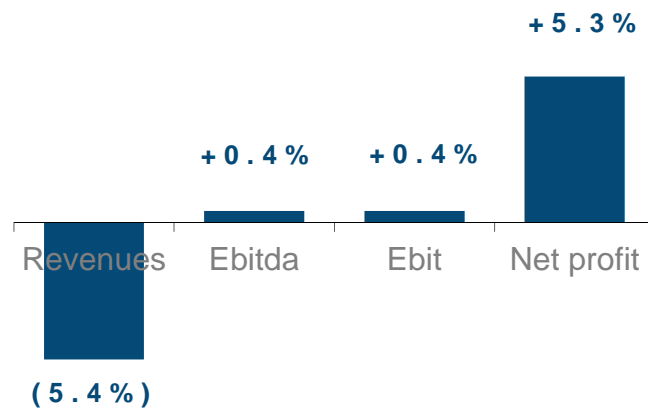


# Q1 2016 financial results

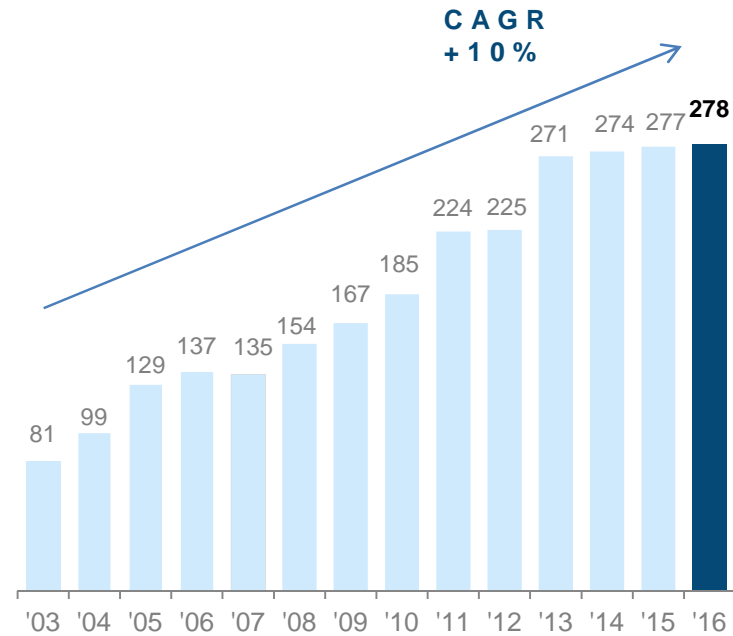
11 May 2016

## Fully overcoming WACC cut, and mild Q1

### Positive Q1 growth (%)



### Q1 Ebitda track record (M€)



## HERA MIX once again underpins growth

## Q1 '16 figures in a snapshot

### Q1 Profit & Loss

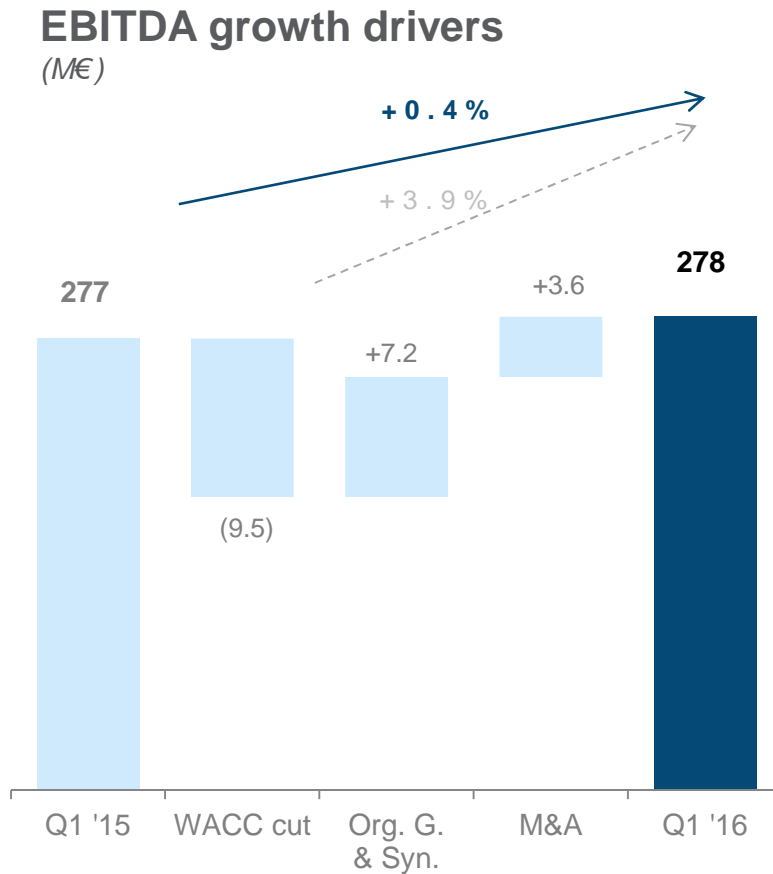
(M€)

	Q1 '15	Q1 '16	
<b>REVENUES</b>	1383.3	1,309.1	<b>(5.4%)</b>
<b>EBITDA</b>	277.2	278.4	<b>+0.4%</b>
<i>Ebitda margin</i>	20.0%	21.3%	
Depreciation and provisions	(107.1)	(107.6)	
<b>EBIT</b>	170.1	170.8	<b>+0.4%</b>
Cost of Debt	(31.0)	(27.0)	
Figurative interests (IAS)	(3.4)	(3.5)	
Income from Associates & J.V.	4.9	4.7	
<b>PRETAX PROFIT</b>	140.7	145.1	<b>+3.1%</b>
Tax	(48.2)	(48.4)	
<i>Tax rate</i>	34.3%	33.3%	
Minorities	(5.9)	(5.6)	
<b>NET PROFIT POST MINORITIES</b>	86.6	91.2	<b>+5.3%</b>

- **Revenues affected by Energy sales (-110m€) and Network tariffs** partially offset by market expansion in Special Waste.
- **Ebitda margin enhanced.**
- **Stable Depreciation and provisions.**
- **Financial expenses reduced due to lower interest charges and avg debt reduction.**
- **Taxes** benefit from “Patent box”, “Maxi depreciation” and R&D deferred tax system (tax rate down by 1 p.p.).
- **Minorities** benefit from ‘15 Akron and Romagna Compost full acquisition.

**+5.3% net profit despite tough external factors**

## Ebitda growth underpinned by all usual drivers



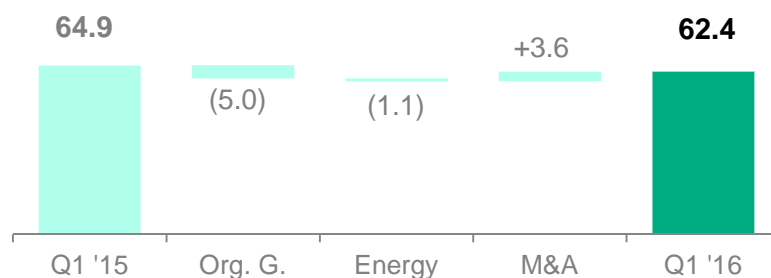
- **Organic growth and Cost efficiency offset 75% of WACC cut impact** (38% of the year impact).
- **Growth relates to positive performance on liberalized markets** (about +66K energy clients Q/Q, +6% electricity volume sold and +112K ton Special waste volumes).
- **Efficiency well on track with plan.**
- **M&A** include Waste Recycling and Geo Nova executed in December 2015.

**Balanced mix regulated/liberalized confirms resilient results**

## WASTE: ongoing landfill capacity expansion

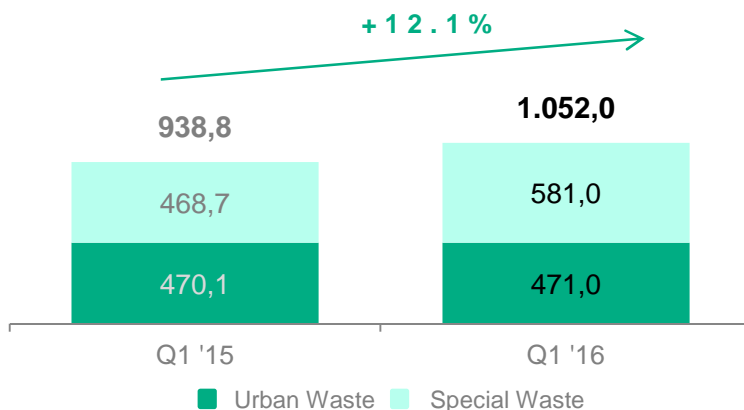
### Ebitda drivers

(M€)



### Volume increase

(kton)



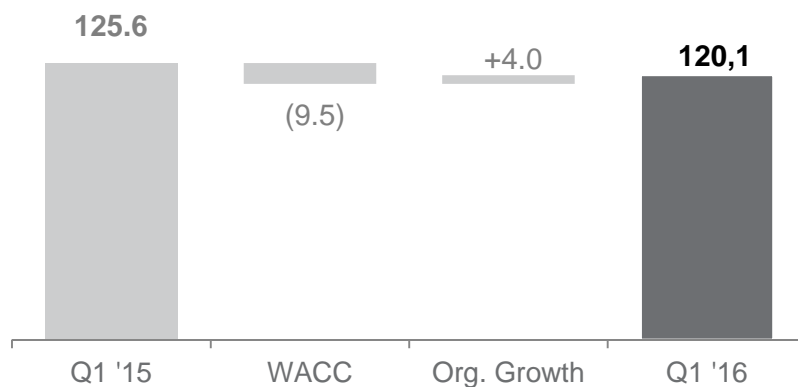
- Positive trends in market prices/demand of waste mgmt and focus on high-value-added special waste become more and more visible.
- Operating growth suffered from waste collection revenues occurred in 2H '15.
- Q1 Ebitda moved to 62.4m€ due to:
  - Delay in landfill expansion authorization (-38K tons);
  - New sector in Ravenna landfill ready by July;
  - Lower energy prices (Cip6 and PUN).
- M&A partially offset a temporarily “negative” momentum related exclusively on landfills.

Landfills enlargements will allow to fully benefit from market trends

## NETWORKS: tackling with WACC cut through efficiency gains

### Ebitda drivers

(M€)



WACC cut impact on Ebitda	Q1 '16
Gas distribution	-3.9
Electricity distribution	-0.7
Water distribution	-4.9

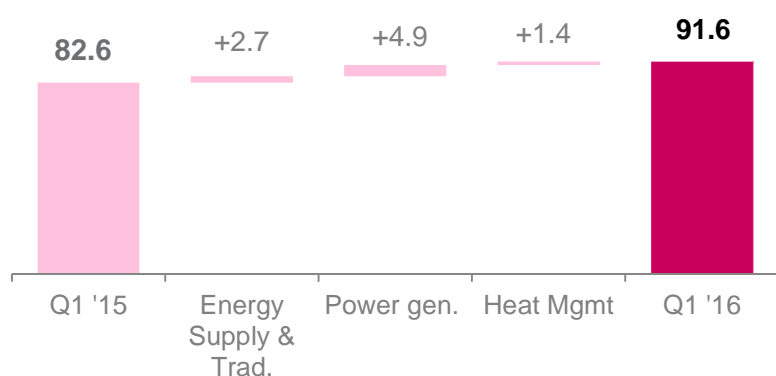
- **2016 results** affected by WACC review (in force as at 1/1/2016).
- **Organic growth (+3.3% of Ebitda)** mainly refers to:
  - **Efficiency gains** achieved in water activities;
  - **New connections** increased in Q1 (+1.1m€).

**13 years focus on “efficiency gains” still leads to remarkable results**

## ENERGY: Portfolio best performer

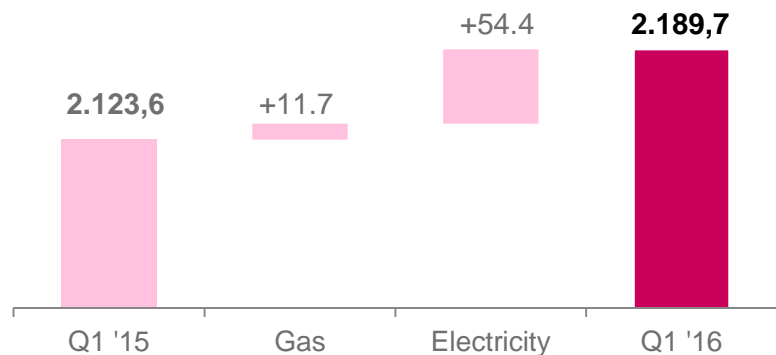
### Ebitda by business

(M€)



### Customer base

(K unit)

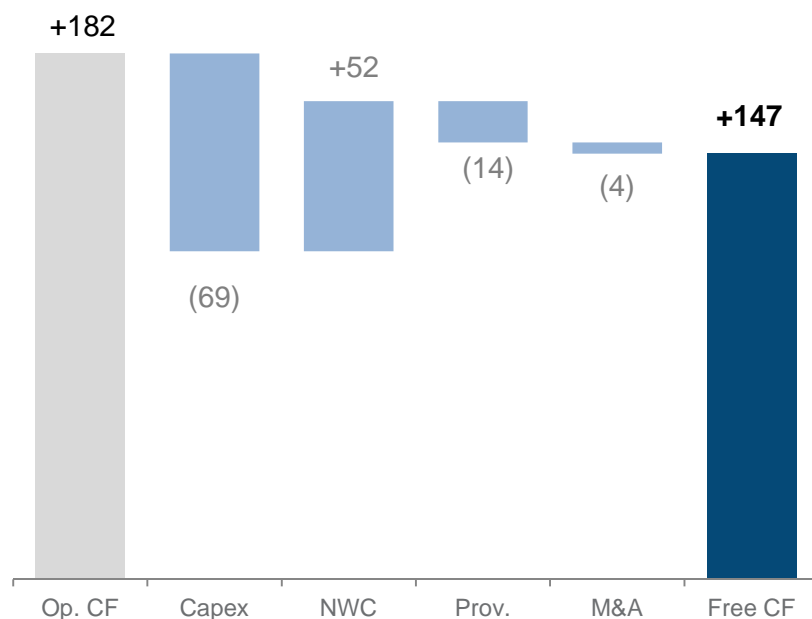


- Better supply, trading and heat mgmt activities underpin **Gas** Ebitda growth despite decrease in volume sold/traded (-7.4%) and TAG costs due to spreads between PVS and Europe.
- **Electricity** volume sold up by 6.2%.
- HERACOMM expansion in **electricity markets** continues (+54K customers since Q1'15) highlighting solid competitiveness.
- **Julia Servizi Più acquisition** (+15k energy customers) executed in April '16.
- **Asset management results** and MSD provided to Terna contributed to growth.

**A customer base of 2.2 million clients almost reached up**

## Enhanced cash flows underpinned by working capital mgmt

### Cash flows (M€)



- **Working capital improved** thanks to better credit management and to lower commodity prices.
- **Positive cash generation** reduced net debt from **2,652** to **2,505m€** (-5.6%) in first 3 months '16, in line with seasonality but better (by 50m€) than March '15.
- **Average interest rate** on debt reduced (Q/Q).
- **Balanced Debt structure** (82% fixed rates).
- **Debt / Equity** down to **0.96x**.

## Further strengthening financial soundness





## Closing remarks

- Full disclosure on Quarterly results.
- Internal and external levers once again effective.
- Fully offset rebased regulated returns in Q1.
- Upcoming solution for the “landfill issue”.
- M&A tightly, constantly and fully monitored.
- DPS of 9 c€ approved as promised (20/06/16).

## Planned targets and strategies confirmed

## ANNEX: financial highlights breakdown



### Waste from third parties up +12.1%

(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>

### Volumes

Data	Q1 2015	Q1 2016	Ch. %
Urban W. Volumes (Kton)	470.1	471.0	+0.2%
Special W. Volumes (Kton)	468.7	581.0	+24.0%
<b>Waste from third parties</b>	<b>938.8</b>	<b>1,052.0</b>	<b>+12.1%</b>
Internal W. Volumes (Kton)	647.2	625.7	(3.3%)
<b>Total Volumes Treated</b>	<b>1,586.0</b>	<b>1,677.7</b>	<b>+5.8%</b>



### Stable results thanks to efficiency

(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>

### Volumes

Data	Q1 2015	Q1 2016	Ch. %
<b>Aqueduct (mm3)</b>	<b>69.3</b>	<b>69.8</b>	<b>+0.7%</b>
Sewerage (mm3)	56.9	57.3	+0.8%
Purification (mm3)	56.4	56.8	+0.6%



### Margins up despite warm winter and WACC

(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>

### Volumes

Data	Q1 2015	Q1 2016	Ch. %
Volumes sold (mm3)	1,362.3	1,261.2	(7.4%)
<i>of which trading (mm3)</i>	<i>356.5</i>	<i>324.0</i>	<i>(9.1%)</i>
Final retail volumes (mm3)	1,005.8	937.2	(6.8%)



### Volumes sold and Clients up

(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>

### Volumes

Data	Q1 2015	Q1 2016	Ch. %
Volumes sold (GWh)	2,377.9	2,524.2	+6.2%
Clients ('000 unit)	808.2	862.6	+6.7%