press release
Bologna, 11 May 2016

Hera Board of Directors approves 1st quarter 2016 results

The interim results at 31 March show positive figures and growth in all main indicators, despite a difficult first quarter, affected by the lesser revenues in gas, electricity and water distribution caused by recent regulatory changes.

Financial highlights

- **Revenues at € 1,235.4 million (-5.8%)**
- **EBITDA at € 278.4 million (+0.4%)**
- **Net profit post minorities at € 91.2 million (+5.3%)**
- **Net debt improves, reaching € 2,504.5 million**

Operational highlights

- **Management focus on extracting efficiencies and synergies**
- **Simultaneously, commercial expansion into new markets continues**
- **Solid customer base in energy markets, with approximately 2.2 million customers**
- **Good contribution to growth coming from the electricity business**

Today, the Hera Group's Board of Directors unanimously approved the consolidated financial statements at 31 March 2016, which confirm the trend of growth in all main indicators, in spite of a difficult first quarter.
On the one hand, organic growth aimed at achieving efficiencies and synergies, along with complementary efforts towards market expansion, succeeded in compensating for 75% of the cut in remuneration for regulated activities; on the other, M&A operations, involving above all acquisitions made in late 2015, contributed to growth in results.

Note in particular that, with reference to legislative decree 25/2016, an implementation of Directive 2013/50/EU (so-called Transparency Directive), the Hera Group has voluntarily decided to publish its interim financial statements, as in the past, taking into account the high value given to communicating with the stakeholders. This decision may be modified in the future, based on changes in regulations.

Revenues amounting to € 1,235.4 million
In the first quarter of 2016 revenues came to € 1,235.4 million, dropping compared to the € 1,311.9 million seen in the corresponding period of 2015. The reasons for this decrease include lesser volumes of gas sold, owing to particularly mild temperatures; lesser revenues in electricity and gas sales and trading following a drop in the price of raw materials; the impact on regulated gas, electricity and water cycle services caused by the new method for calculating return on invested capital. These negative effects were only partially compensated by an increase in revenues due to greater volumes of electricity sold and higher revenues due to an increase in disposed waste.

EBITDA rises to € 278.4 million
EBITDA went from € 277.2 million after the first three months of 2015 to € 278.4 million at the end of March 2016, showing a growth of € 1.2 million (+0.4%). This result is particularly significant if one recalls that it was achieved in the first quarter, the period of the year in which decreases in WACC for gas, electricity and water distribution have, due to seasonal factors, a greater negative impact on revenues and EBITDA, reaching – in the case at hand – € 9.5 million (respectively: 3.9 in gas, 0.7 in electricity and 4.9 in water). The increase in EBITDA was mainly sustained by energy activities, which maintained their margins and more than compensated for the performance of regulated activities.

Growth in Ebit and pre-tax profits, improvement in liability management
Ebit at 31 March 2016 came to € 170.8 million, up compared to the € 170.1 million seen in the first quarter of 2015 (+0.4%), in spite of higher depreciation due to changes in the operating area, partially compensated by lesser provisions. Liability management improved by € 3.7 million, coming to € 25.7 million at the end of the first quarter (-12.6% compared to the same period in 2015), thanks in particular to lower average debt and greater efficiency in rates. In light of this situation, pre-tax profits went from € 140.7 million in the first three months of 2015 to € 145.1 million in the first quarter of 2016, showing a further increase in the rate of growth (+3.1%).

Increased net profits post minorities, reaching € 91.2 million (+5.3%)
Net profits recorded an increase of 4.7%, going from € 92.5 million in the first three months of 2015 to € 96.8 million in the corresponding period in 2016, on account of a reduction of the tax burden leading to a tax rate of 33.3% (an

improvement compared to the 34.3% applied in the same period in 2015, thanks to the benefits obtained in 2016 deriving from the application of the "patent box" and tax credits for research and development, in addition to tax concessions for maxi amortisations). Profits post minorities came to € 91.2 million, rising by € 4.6 million on the first three months of 2015 (+5.3%), due among other things to reduced minority interests, mainly caused by the complete acquisition of Akron and Romagna Compost.

Over 70 million of capital expenditure, reduction of net debt

In the first three months of 2016, the Group's operating capex amounted to 73 million, including 4.5 million in capital grants, with an increase on the same period in 2015 (€ 64.1 million), as foreseen by the business plan. These investments mainly concerned interventions on plants, networks and infrastructures, in addition to regulatory upgrading above all in the gas area, due to a massive meter substitution, and water purifying and sewerage plants.

Net debt reduced by no less than € 147 million, going from 2,651.7 in 2015 to 2,504.5 at 31 March 2016 (-5.6%). This result, which is partially natural, tied to seasonal factors in the gas business, was sustained by both a reduction in working capital, owing to a continuous and constant attention in trade receivables management, and the generation of a higher operating cash flow. The debt/equity ratio thus dropped below 0.96x, showing an improvement in financial solidity.

Gas

EBITDA for the gas business, which includes services in distribution and sales of natural gas and LPG, district heating and heat management, reached € 128.7 million in the first quarter of 2016, with a slight growth compared to the € 128.4 seen at 31 March 2015, thanks to greater margins for activities in sales and trading and greater margins for district heating and heat management services. These positive effects more than compensate for the lesser volumes of gas sold on account of mild temperatures, and the € 3.9 million drop in gas distribution revenues, an effect of the WACC reduction.

The gas area accounted for 46.2% of Group EBITDA.

Water cycle

EBITDA for the integrated water cycle business, which includes aqueduct, purification and sewerage services, went from € 50.5 million in the first three months of 2015 to € 49.8 million in the first quarter of 2016. This result was impacted above all by € 4.9 million in lesser revenues for delivery, an effect of the WACC reduction, which in turn were almost entirely compensated by the operational efficiencies created.

The integrated water business accounted for 17.9% of Group EBITDA.

Waste management

EBITDA for the waste business, which includes services in waste collection, treatment and disposal, went from € 64.9 million in the first quarter of 2015 to € 62.4 million in the corresponding period in 2016. Among the factors with a negative influence, particular attention must go to the tariffs for waste collection and street sweeping, which have not as yet been updated and are currently under local authorities' approval. As regards activities in waste recycle, treatment and disposal, results were equal to those seen in the previous year, thanks to the contribution obtained from acquisitions carried out in 2015, which compensated for the temporary stall in landfills currently being enlarged, the reduction in prices for energy certificates, and the lower amount of green certificates for the Ferrara WTE plant. Good results were seen in sorted waste, which rose to 56.2%, compared to 55.2% in the first three months of 2015, thanks to the many projects implemented across all geographical areas served.

The waste business accounted for 22.4% of Group EBITDA.

Electricity

EBITDA for the electricity business, which includes services in electricity production, distribution and sales, rose from € 29.3 million in the first quarter of 2015 to € 33.2 million at 31 March 2016 (+13.3%), thanks above all to greater margins both in sales and trading activities and in electricity generation. This increase was only partially reduced by lesser revenues in the regulated distribution service, coming to € 0.7 million. In this area, furthermore, an increase in both customers (almost 60,000 more than in 2015) and volumes sold was seen, thanks among other things to reinforced commercial initiatives.

The electricity business accounted for 11.9% of Group EBITDA.

The person 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 interim financial statements and related materials are available to the public at the Company Headquarters and on the website www.gruppohera.it.

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

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Profit & Loss (m€)	**31/03/2016**	**Inc. %**	**31/03/2015**	**Inc. %**	**Ch.**	**Ch. %**
Sales	1,235.4		1,311.9		-76.5	-5.8%
Other operating revenues	73.7	6.0%	71.4	5.4%	+2.3	+3.2%
Raw material	(608.5)	-49.3%	(702.3)	-53.5%	-93.8	-13.4%
Services costs	(281.7)	-22.8%	(266.6)	-20.3%	+15.1	+5.7%
Other operating expenses	(12.1)	-1.0%	(9.9)	-0.8%	+2.2	+22.2%
Personnel costs	(132.9)	-10.8%	(131.4)	-10.0%	+1.5	+1.1%
Capitalisations	4.6	0.4%	4.1	0.3%	+0.5	+12.1%
Ebitda	**278.4**	**22.5%**	**277.2**	**21.1%**	**+1.2**	**+0.4%**
Depreciation and provisions	(107.6)	-8.7%	(107.1)	-8.2%	+0.5	+0.5%
Ebit	**170.8**	**13.8%**	**170.1**	**13.0%**	**+0.7**	**+0.4%**
Financial inc./(exp.)	(25.7)	-2.1%	(29.4)	-2.2%	-3.7	-12.6%
Pre tax profit	**145.1**	**11.7%**	**140.7**	**10.7%**	**+4.4**	**+3.1%**
Tax	(48.4)	-3.9%	(48.2)	-3.7%	+0.2	+0.4%
Net profit	**96.8**	**7.8%**	**92.5**	**7.0%**	**+4.3**	**+4.7%**
Attributable to:						
Shareholders of the Parent Company	**91.2**	**7.4%**	**86.6**	**6.6%**	**+4.6**	**+5.3%**
Minority shareholders	5.6	0.5%	5.9	0.4%	-0.3	-4.8%

Balance Sheet *(m€)*	**31/03/2016**	*Inc. %*	**31/12/2015**	*Inc. %*	***Ch.***	***Ch.%***
Net fixed assets	5,509.0	*108.0%*	5,511.3	*106.9%*	*(2.3)*	*0.0%*
Working capital	105.0	*2.1%*	157.0	*3.0%*	*(52.0)*	*(33.1%)*
(Provisions)	(512.7)	*(10.1%)*	(513.5)	*(9.9%)*	*+0.8*	*(0.2%)*
Net invested capital	**5,101.3**	***100.0%***	**5,154.8**	***100.0%***	***(53.5)***	***(1.0%)***
Net equity	(2,596.8)	*50.9%*	(2,503.1)	*48.6%*	*(93.7)*	*+3.7%*
Long term net financial debt	*(2,746.5)*	*53.8%*	*(2,743.6)*	*53.2%*	*(2.9)*	*+0.1%*
Short term net financial debt	*242.0*	*(4.7%)*	*91.9*	*(1.8%)*	*+150.1*	*+163.3%*
Net financial debts	(2,504.5)	*49.1%*	(2,651.7)	*51.4%*	*+147.2*	*(5.6%)*
Net invested capital	**(5,101.3)**	***100.0%***	**(5,154.8)**	***100.0%***	***+53.5***	***(1.0%)***