press release
Bologna, 22 March 2016

Hera Group approves results as at 31/12/2015

The year comes to a close with growth in all main indicators, thanks to the Group's solid business model and its constantly and continuously improving operational, financial and fiscal management. Internal and external growth confirmed as the key factors of development. Proposed dividends set at 9 euro cents per share, as forecasted by the business plan.

Financial highlights

- **Revenue at € 4,487.0 million (+7.1%)**
- **EBITDA at € 884.4 million (+1.9%)**
- **Adjusted net Group profits at € 202.6 million (+11.8%)**
- **Net profit post minorities at € 180.5 million (+9.5%)**
- **Net debt at € 2,651.7 million**
- **Proposed dividends confirmed at 9 cents/euro per share**

Operational highlights

- **Growth remains driven by continuous improvement in operational, financial and fiscal management**
- **Excellent performance in the gas area, due to greater volumes sold**
- **Solid customer base in energy markets, with approximately 2.2 million customers**

Today, the Hera Group's Board of Directors unanimously approved the consolidated economic results as at 31 December 2015, along with the Sustainability Report.

An upward trend in results, with attention focused on environmental, social and economic sustainability

The 2015 financial year concluded for the Hera Group with all main indicators up from 2014. These positive results are the fruit of a solid business model that has always been distinguished by its balanced multi-service portfolio, focused on core activities, continuous improvement in efficiency across all fields and synergies extracted from integrations. On the one hand the Group's multi-business strategy guarantees a balanced range of economic and financial actions; on the other, a combination of two forms of leverage, internal growth and M&A, has allowed it to continue to expand in spite of an increasingly challenging scenario from an economic, regulatory and competitive point of view.

The results reached confirm, furthermore, the Group's attention towards the various facets of sustainability: environmental, social and economic. Our purely economic results are in fact flanked by data that bears witness to a reduction in environmental impact, an increase in sorted waste, greater care towards energy efficiency and continuous improvement in customer service, all of which provides further confirmation of the company's attention towards all stakeholders and the localities in which it operates.

Revenue at around € 4.5 billion

Revenue reached € 4,487.0 million in 2015, up 7.1% compared to € 4,189.1 million in the previous year. This result was achieved thanks to greater volumes sold in gas services, heat management and district heating, due to the cooler temperatures with respect to the same period in 2014, an increase in volumes of electricity sold in line with the trend in demand, more sizeable commercial activities and an increase in trading of both gas and electricity.

Approximately € 884 million in EBITDA

EBITDA rose to € 884.4 million, up with respect to the € 867.8 million seen in 2014 (+1.9%).This result was mainly due to the results of the gas area, which increased by € 19.8 million, and the integrated water cycle, which rose by € 15.4 million, more than compensating for the slight drop in other business areas. In general, the growth in EBITDA was driven by better weather conditions, an enlargement of the market share in liberalised markets, in addition to the positive impact of the new tariff method and the efficiencies and synergies derived from integrations. The efficiencies reached over € 15 million, and the synergies that emerged from the merger with AcegasapsAmga contributed in 2015 with € 4.2 million (thus reaching over 20 million synergies from early 2013 until present). The results reached by the Group in 2015 in terms of EBITDA are all the more significant bearing in mind that in 2014 the Company benefited from non-recurring income amounting to over € 20 million, linked to the equalisation fund for electricity networks in Gorizia, the valorisation of white certificates and recording turnover dating to previous financial years.

Growth in operating results and pre-tax profits, improvements in financial management

Operating profits came to € 442.2 million, in line with the € 441.2 million seen in 2014, even subtracting higher depreciations and provisions connected to the enlarged operating area. The result of financial management is € 126 million, with a € 12 million improvement on the same period in 2014. This reduction is mainly due to lesser borrowing costs and a rise in profits coming from subsidiaries, in particular Est Energy. Adjusted pre-tax profits, i.e. prior to non-recurring income and expenses, therefore increased by € 12.9 million, passing from € 303.2 million in 2014 to € 316.1 million in 2015 (+4.3%).

Net profits post minorities up, reaching over € 180 million

Adjusted net profits rose by 11.8%, passing from € 181.2 million in 2014 to € 202.6 million in the corresponding period in 2015, thanks to lesser taxes. Considerable improvement was seen in the average tax rate, which went from 40.2% to 35.9% thanks to a reduction in IRAP and the elimination of the Robin Tax for energy companies and other fiscal optimisations. These effects more than compensated for the negative impact brought about by bringing anticipated and deferred tax assets into line with the change in IRES tax rates foreseen as of 2017.

In spite the approximately € 8.2 million of non-recurring financial expenses on the 2015 statements, Net profits post minorities rose to € 180.5 million, increasing compared to the € 164.8 million seen in 2014 (+9.5%), thanks among other factors to a reduction in minority interests following the full acquisition of Akron and Romagna Compost, carried out during the year and backdated to 1 January 2015.

Investments for roughly € 350 million, net debt/EBITDA ratio stable at 3x

In 2015, Group investments amounted to € 332.7 million. Including capital grants for € 13.7 million, overall investments came to € 346.4 million, in line with 2014, mainly destined to interventions on plants and networks. Adaptations to new regulatory standards also contributed, above all in the purification and sewerage area.

Net debt for 2015 amounts to € 2,651.7 million, substantially in line with the € 2,640.4 seen in 2014. This result is even more significant considering that the positive operating cash flow completely financed both dividend payments (for € 142.4 million) and numerous M&A operations (for roughly € 76 million) mainly implemented at the end of the year.

The NFP/EBITDA ratio remains stable at 3.0, with a slight improvement compared to the previous year. This result is influenced by the acquisitions that occurred at the end of 2015, which contributed to the economic results partially and only as of their entrance within the Group's operating scope.

Proposed dividends: 9 cents per share

On the basis of the results attained, the Board of Directors has decided to put to the Shareholders' Meeting to be held on 28 April 2016 a dividend of 9 cents per share, in line with the amount paid one year ago and previously announced in the business plan through 2019. The ex-dividend date has been set at 20 June 2016, with payment as of 22 June 2016.

Gas

The gas business EBITDA, which includes services in natural gas distribution and sales, district heating and heat management, rose to € 295.8 million (+7.2%) from € 276 million in 2014.

This result was obtained above all thanks to an increase in volumes of natural gas sold to final customers (332.1 million m^3) due to both the cooler winter temperatures in 2015, in spite of the year closing with a discrepancy compared to seasonal averages, and an increase in the customer base, along with greater volumes in trading (434.7 million m^3).

In 2015, investments in the gas area came to € 86.5 million, with an increase of € 7.4 million compared to 2014. In gas distribution, the increase is mainly due to the effects of the enlargement of the operating area in parts of the Triveneto region, as well as a massive meter substitution involving new generation devices. The number of gas clients rose to roughly 1.3 million, as an effect of both commercial and customer loyalty initiatives set in place to counter competition,

and thanks to the enlargement of the customer base, in particular in Central Italy with the acquisition of Alento Gas in May 2015.
The gas area accounts for 33.4% of Group EBITDA.

Water

The integrated water cycle business, which includes aqueduct, purification and sewerage services, recorded an EBITDA of € 232.5 million (+7.1%) compared to € 217.1 million in 2014, mainly as an effect of the continuous recovery of operating efficiency and energy savings, as well as the full effectiveness of the new tariff system, that foresees a convergence towards fully covered costs.
Net investments in the integrated water cycle area amounted to € 114.9 million, with an increase of € 21.3 million on the previous year. Including capital grants, investments in this area came to € 127.2 million, of which € 59.1 million in aqueducts, € 34.3 million in sewerage and € 33.8 million in purification. The interventions concerned above all extensions, reclamations and network and plant upgrading, as well as adaptations to new regulations that mainly involve purification and sewerage.
The integrated water cycle area accounts for 26.3% of Group EBITDA.

Waste management

The waste management business EBITDA, which includes waste collection, treatment and disposal services, reached € 230 million compared to € 241.8 million in 2014.
In a generally positive context for all production chains, this area suffered from a reduction in the price of energy and the volumes of waste commercialised recorded a drop of 2.2%, as a consequence of the temporary lack of space in landfills; work is currently being done on restoring the complete functionality of these plants. Volumes of urban waste treated recorded a slight increase (+0.2%). Results in the field of sorted urban waste are positive, with further progress from 54.0% in 2014 to 55.4% in 2015. In addition to a qualitative and quantitative improvement in gathering, activities in the waste management area were focused on increasing the efficiency of and enlarging the plant base, to complete the Group’s presence in new national markets with demand and prices in continuous expansion. In particular, the market position and the new plants deriving from the acquisition in late 2015 of Waste Recycling in Tuscany and some activities of Geo Nova in the Veneto region will fully contribute to operating results in 2016. The Hera Group, it should be recalled, is the leading national operator in the waste management sector with 85 urban and special waste treatment and disposal plants.
The waste management area accounts for 26% of Group EBITDA.

Electricity area

The electricity business, which includes services in electricity production, distribution and sales, recorded an EBITDA of € 104.7 million, with an improvement of € 4 million compared to the 2014 data, in a level comparison that does not consider the roughly € 10 million in non-recurring items linked to the equalisation fund for networks in the area surrounding Gorizia. This result was reached thanks to the efficiency enhancement initiatives introduced and the greater volumes sold to end customers. Driven above all by growth in the free market area, the number of electricity customers reached over 850,000 (+7.7% compared to 2014), confirming the trend seen in recent years, mainly due to a reinforcement of commercial action.
The electricity area accounts for 11.8% of Group EBITDA.

STATEMENTS

Statement by Executive Chairman Tomaso Tommasi di Vignano

“The year came to an end with positive results and a rising trend, in line with our history. Confirming the validity of our multi-business model, this allows us to put to the Shareholders’ Meeting a payment of dividends per share in line with both the previous year and that which we had announced in our business plan” affirms Tomaso Tommasi di Vignano, Executive Chairman of Hera. “External growth was concentrated in late 2015 on mono-business enterprises whose contribution will become fully visible in the 2016 results, leading the Hera Group to widen its reference markets. We continue, concurrently, to analyse the best opportunities among multi-utilities bordering on the geographical areas in which we operate, to increase synergies and create ever greater value for our shareholders."

Statement by CEO Stefano Venier

"Thanks to our commitment to innovation and greater efficiency in operational and financial structure management, the Hera Group has been able to generate sufficient financial resources to self-finance both its own activities and an enlargement of its operating area", explains Stefano Venier, CEO at Hera. "These results are all the more appreciable considering that they are accompanied by a creation of value for the entire area in which we operate, amounting to €1.6 billion, and an increase in customer and employee satisfaction, as testified this year as well by surveys carried out by third parties, and the improvement of the various indicators of social and environmental sustainability that appear in the Sustainability Report, approved today by the Board of Directors".

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 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), within 5 April 2016.

Unaudited extracts from the Interim Financial Statements at 31 December 2015 are attached.

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Profit & Loss (m€)	**31/12/2015**	**Inc%**	**31/12/2014**	**Inc.%**	**Ch.**	**Ch. %**
Sales	4,487.0		4,189.1		+297.9	+7.1%
Other operating revenues	330.8	7.4%	324.5	7.7%	+6.3	+1.9%
Raw material	(2,256.6)	-50.3%	(1,965.5)	-46.9%	+291.1	+14.8%
Services costs	(1,132.1)	-25.2%	(1,143.6)	-27.3%	-11.5	-1.0%
Other operating expenses	(62.3)	-1.4%	(57.1)	-1.4%	+5.2	+9.1%
Personnel costs	(510.8)	-11.4%	(496.9)	-11.9%	+13.9	+2.8%
Capitalisations	28.5	0.6%	17.3	0.4%	+11.2	+64.8%
Ebitda	**884.4**	**19.7%**	**867.8**	**20.7%**	**+16.6**	**+1.9%**
Depreciation and provisions	(442.2)	-9.9%	(426.6)	-10.2%	+15.6	+3.7%
Ebit	**442.2**	**9.9%**	**441.2**	**10.5%**	**+1.0**	**+0.2%**
Financial inc./(exp.)	(126.0)	-2.8%	(138.0)	-3.3%	-12.0	-8.7%
Pre tax profit adjusted	**316.1**	**7.0%**	**303.2**	**7.2%**	**+12.9**	**+4.3%**
Tax	(113.5)	-2.5%	(122.0)	-2.9%	-8.5	-7.0%
Net profit adjusted	**202.6**	**4.5%**	**181.2**	**4.3%**	**+21.4**	**+11.8%**
Non-recurring financial items	(8.2)	-0.2%	(8.1)	-0.2%	+0.1	+0.0%
Non-recurring fiscal items	-		9.3	0.2%	-9.3	-100.0%
Net profit	**194.4**	**4.3%**	**182.4**	**4.4%**	**+12.0**	**+6.6%**
Attributable to:						
Shareholders of the Parent Company	**180.5**	**4.0%**	**164.8**	**3.9%**	**+15.7**	**+9.5%**
Minority shareholders	13.9	0.3%	17.6	0.4%	-3.8	-21.3%

For a better comparison of above data, please note that some of the non-recurring items below the Net Profit line have been reclassified

Balance Sheet *(m€)*	**31/12/2015**	*Inc.%*	**31/12/2014**	*Inc.%*	***Ch.***	***Ch. %***
Net fixed assets	5,511.3	*106.9%*	5,445.8	*106.8%*	*+65.5*	*+1.2%*
Working capital	157.0	*3.0%*	153.1	*3.0%*	*+3.9*	*+2.5%*
(Provisions)	(513.5)	*(10.1%)*	(499.5)	*(9.8%)*	*(14.0)*	*+2.8%*
Net invested capital	**5,154.8**	***100.0%***	**5,099.4**	***100.0%***	***+55.4***	***+1.1%***
Net equity	2,503.1	*48.6%*	2,459.0	*48.2%*	*+44.1*	*+1.8%*
Long term net financial debt	*2,743.6*	*53.2%*	*2,969.3*	*58.2%*	*(225.7)*	*(7.6%)*
Short term net financial debt	*(91.9)*	*(1.8%)*	*(328.9)*	*(6.4%)*	*237.0*	*(72.1%)*
Net financial debts	2,651.7	*51.4%*	2,640.4	*51.8%*	*+11.3*	*+0.4%*
Net invested capital	**5,154.8**	***100.0%***	**5,099.4**	***100.0%***	***+55.4***	***+1.1%***