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Strong momentum for net profit, which exceeds 200 million euro in 2015



Dear Shareholders, the 2015 Annual Report, approved today by the Board of Directors, proves that Hera is well on track along the growth path indicated in the Strategic Plan.

We have achieved remarkable results, creating value in all management areas; the 21.4 million euro increase in adjusted net profit, which has led the P&L bottom line to exceed 200 million euro with momentum, derives from a healthy operating performance, from an efficient financial management and, last but not least, from an improved tax management.

This set of result confirms that Hera is a Company capable of growing in a continuous, well-balanced and profitable way. Some scenario variables, such as weather conditions or the GDP growth rate, can actually play a role in the short term in defining the size of our performance.

Anyway, Hera's multi-utility model, able to pave the way to organic growth and to integration of merged companies, ensures high visibility on the solidity and continuity of EBITDA over time, creating solid premises for the financial sustainability of the future Group's growth path. In 2015, for instance, cash generation of 207.2 million euro has funded the payment of 2014 dividends (142.2 million); the residual amount of cash flow has allowed an almost complete funding of the wider consolidation scope (76.1 million). Even in 2015, operating cash flow has

therefore continued to provide an effective debt funding, as the Debt-to-EBITDA ratio proved, remaining at 3x, a level substantially unchanged vs. 2014.

Hera's capability of self-financing its growth is not fully expressed when it comes to 2015 Financial Statements: it should be taken into account that the acquisitions completed in the past fiscal year have led the Group to an immediate payment in cash, which can be quantified – as mentioned above – in 76.1 million euro.

On the other hand, newly-acquired companies could just provide partial contribution to the Group EBITDA increase, according to the closing date of each acquisition. FY 2016 data will fully express such contribution.

On the back of sound results achieved in 2015, the BoD has proposed the distribution of a 9 euro cents dividend per share, in line with the

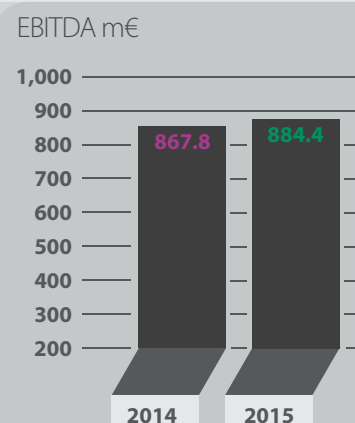
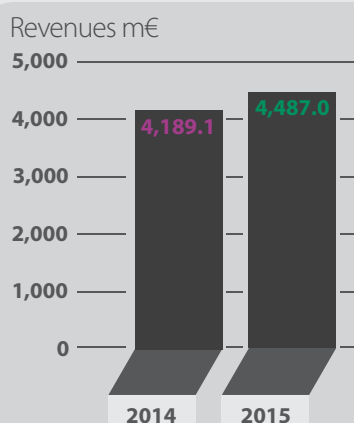
Plan's shareholder remuneration policy. Considering the ratio of dividend to the 2015 year-end price of 2.45 euro, the expected yield is 3.7%, well above that provided by highly rated bonds.

While we are satisfied with the results just released, we are already completely focused on the projects' pipeline that will provide continuity to the Plan's execution, also in the fiscal year 2016.

Tomaso Tommasi di Vignano

HERA CONTINUES TO GROW, THANKS TO SOLID PERFORMANCE AT OPERATING, FINANCIAL AND FISCAL LEVEL.

2015 EBITDA reflects just a partial contribution from newly acquired companies.





FY 2015

(figures in million euro)

REVENUES

4,487.0 (+7.1%)

EBITDA

884.4 (+1.9%)

EBIT

442.2 (+0.2%)

NET OPERATING INVESTMENTS

332.7 (+1.9%)

NET FINANCIAL DEBT

2,651.7

Focus on 2015 results

/// 2015 P&L shows significant growth rates both at headline (+7.1%) and at bottom line, with adjusted net profit reaching 202.6 million euro (+11.8%). During the past fiscal year, Hera has recorded improvements in the performance of all management areas: operations, finance and taxation.

/// Cash generation has almost fully funded both dividend distribution for the fiscal year 2014 and the expansion in the consolidation scope. At the same time, it has led Hera to preserving a well-balanced financial structure.

/// The operational performance in the Gas and Water businesses has substantially driven the increase in consolidated EBITDA, while the contribution provided by the Waste and Electricity area has been limited, due to non-recurring factors.

In FY 2015 Hera's consolidated revenues amounted to 4,487.0 million euro. The 7.1% increase compared to 2014 was driven by: 1) higher volumes in gas and district heating, due to lower temperatures vs. the previous fiscal year (+120 million); 2) growing volumes also in the Electricity business, thanks to demand recovery and sound marketing performance (+38 million); 3) expansion of trading in both Gas and Electricity (+250 million). EBITDA, improving by 1.9%, reaches 884.4 million euro, fuelled by the strong performance in Gas and Water areas. The EBIT increase (+0.2%) is lower than that of EBITDA due to higher Depreciation &

Amortisation (+3.7%; an increase of 15.6 million), mainly linked to the change in the consolidation scope (+11.3 million euro). Financial operations decrease by 8.7%, mostly enjoying the benefits of debt refinancing and of higher profits from joint ventures. Adjusted net profit, equal to 202.6 million euro, shows a substantial improvement (+11.8%), due to sound operating and financial performance as well as to lower weight of fiscal items. Taxes move from 122.0 million euro in 2014 down to 113.5 million euro; adjusted tax rate benefits from the cancellation of the Robin Hood Tax and from the IRAP deductibility; it therefore falls from 40.2% in 2014 to 35.9%.

Net profit for the fiscal year, amounting to 194.4 million euro (+6.6%), reflects the 8.2 million euro impact of non-recurring financial charges (write-offs and losses on sales). Lastly, post-minorities net profit reaches 180.5 million euro, improving by 9.5%. It discounts a 21.3% decrease in minorities' earnings, mainly due to the complete acquisition of Akron and Romagna Compost. Net financial indebtedness does not show substantial changes (+11.3 million), as it moved from -2,640.4 million euro as at 2014YE to -2,651.7 million euro as at 2015YE. Strong cash flow generation has allowed Hera to fund almost completely both dividends' payment (142.4 million) and M&A deals (76.1 million).

EBITDA

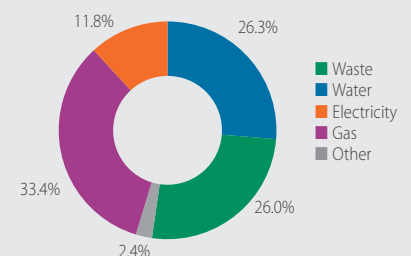
m€	2014	2015	Change
Waste	241.8	230.0	-4.9%
Water	217.1	232.5	+7.1%
Gas	276.0	295.8	+7.2%
Electricity	111.4	104.7	-6.1%
Other	21.5	21.4	-0.5%
TOTAL	867.8	884.4	+1.9%

The increase in Group EBITDA (+1.9%) synthesises differentiated performances by business area. The positive contribution with the higher weight derived from Gas, which has experienced a sizeable increase in sold volumes (+18.4%), thanks to lower temperatures than in 2014, expansion in the client base (+0.8%), in addition to the benefits from higher

traded volumes (+53.9%). Even the Water business provided an outstanding contribution (+7.1%), thanks to the application of the tariffs set by the Authority for 2015. The Waste area, representing 26% of consolidated EBITDA, has on the contrary shown a 4.9% decrease, mainly due to the temporary unavailability of some plants – which is being addressed – and

to the decline in energy prices. The Electricity business also provided a lower contribution (-6.1%), since in 2014 it benefitted from some extraordinary equalisation items that were not present in 2015. In this area, revenues increased by 12.0%, driven by higher sold volumes (+5.4%) and by the expansion in the number of clients (+62,000, growing by 7.7%).

2015 EBITDA Breakdown



Growth through M&A: The last three acquisitions

The strategy of growing through M&A deals goes ahead. Over the last four months, Hera has expanded its asset portfolio thanks to three operations presenting very different features, in terms of geography and

business profile, but sharing one common denominator: they widen the Group's presence in areas that are close to the historic reference territory and strengthen the capacity of Hera's asset base.

WASTE RECYCLING



Geographic area	Pisa province.
Acquired activities	Gathering, storage, treating, disposal and selection of special waste, both hazardous and non-hazardous, solid and liquid.
Key figures	Special waste treated in 2014: 370,000 tonnes, of which 283,000 tonnes of refluente water. 2014 revenues: 32 million euro (of which 80% in Tuscany).
Event	Active clients: 3,000, including large groups in the pharmaceutical, chemical and still industries.
Strategic rationale	Expansion in a neighbouring area, where an important industrial district is located, through the acquisition of Waste Recycling, an outstanding company in the Italian landscape of operators in the treatment and recovery of special waste.

GEO NOVA



Geographic area	North East of Italy. Pordenone, Treviso and Verona provinces.
Acquired activities	Waste assets of Geo Nova: waste storage plant and landfills.
Key figures	Treated waste volumes in 2014: 150,000 tonnes. 2014 revenues: 10 million euro.
Event	29 December 2015 – Acquisition of waste business units of Geo Nova.
Strategic rationale	Expansion and commercial strengthening in the North East of Italy, where Hera already enjoys a relevant presence thanks to AcegasApsAmga. Increase in the plant portfolio.

JULIA SERVIZI PIÙ



Geographic area	Abruzzo, Giulianova municipality and Teramo province.
Acquired activities	Gas and electricity sales.
Key figures	2014 revenues: over 7.3 million euro. Clients: roughly 14,700.
Event	10 March 2016 – Hera has been provisionally awarded the sale tender held by the Municipality of Giulianova.
Strategic rationale	To pursue development in Marche and Abruzzo, the Adriatic regions, following the Alento's acquisition in 2015.

Growth through aggregations: A value-generating model

/// At Hera the growth model based on aggregations has produced positive outcome over time also because it has created value for all parties engaged in the different deals.

The Municipality of Trieste sets a clear example of that value creation. On 19 January 2016, the mayor of Trieste has organized a meeting aimed to assess the impact that the merger with Hera has had on the economic system of the city. Mr. Roberto Gasparetto, managing director of AcegasApsAmga, together with the deputy director, Mr. Carlo Andriolo, have illustrated that in the 2013-2015 three-year period the Company has provided the Trieste Municipality with

an extra-value contribution. It can be quantified in approximately 127 million euro as a sum of cash (4.7 million euro cashed in at the time of the merger), dividends (a 10.2 million increase over the dividend previously distributed by AcegasAps, for an overall amount of 19.5 million euro paid) and capital gains linked to the positive Hera stock price performance (112 million euro). The Trieste Municipality currently holds a 4.6% stake in Hera's share capital.



HERA SHARE

Price as at 21 March 2016: **2.59 €**

High-Low 365 dd: **2.66-2.15 €**

No. outstanding shares: **1,489,538,745**

Mkt. Cap.: **3.86 bn €**

Consensus target price **2.82 €**

(source: broker research)

Hera's stock index membership

FTSE Italia | All-Share Capped + All-Share + Mid Cap + Servizi Pubblici

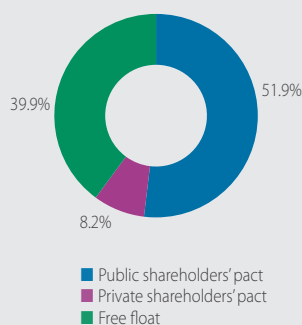
STOXX | Total Market Index + Europe + Europe ex-UK + Italy

STOXX | TMI + Europe nei segmenti: Utilities, Gas-Water & Multiutilities, Value

Axia Ethical / Kempen SNS Smaller Europe SRI Index

FTSE ECPI | Italia SRI Benchmark + Italia SRI Leaders + Ethical Index EMU

Shareholders



Hera's stock price since beginning 2015



Hera vs. FTSE Italia All-share Index - Performance since beginning 2015



After the release date of Q3 2015 results, when also the last newsletter was issued, the price of the Hera's shares remained well supported, awaiting to show a marked acceleration at the beginning of the new year. The financial community has demonstrated to appreciate the guidelines indicated in the Business Plan to 2019, released on 11 January 2016. In January 2016, Hera's senior management presented the new Plan in nine European cities: Milan, London, Frankfurt, Zurich, Amsterdam, Bruxelles, Geneva, Paris and Luxembourg. In February, the roadshow continued in the United States, in Northern European Countries and in the Iberian Peninsula, with meetings in further eight financial centres: Boston, Chicago, New York, Helsinki, Stockholm, Copenhagen, Lisbon and Madrid. This intensive activity, underpinned by a remarkable interest from institutional investors, resulted in being rewarding. The Hera's share price has hugely outperformed the Italian stock market index, showing a completely divergent trend in comparison with the benchmark early in 2016, when the financial markets have reflected their worries for Fed rate hikes, in addition to a weaker scenario of global growth, as a consequence of the economic deceleration of China. On top of these negative external factors, the sharp correction in oil prices has forced some Sovereign Funds of oil exporting countries to sell even high-quality equity holdings, with negative impacts on the stock markets. Leveraging solid fundamentals and clear growth outlook, Hera could go through that high volatility phase for the FTSE Italy All-Share Index, continuing its uptrend.

ANALYST COVERAGE

Broker	Target price €	Rating
Banca Akros	2.80	Buy
Banca IMI	3.00	Buy
Equita	2.64	Hold
Fidentiis Equities	2.55	Hold
Goldman Sachs	3.00	Buy
ICBPI	3.03	Buy
Intermonte	2.80	Outperform
Kepler Cheuvreux	2.90	Buy
MainFirst	2.80	Outperform
Mediobanca	2.70	Outperform
Average 10 brokers	2.82	

21 March 2016

Following to the presentation of the new Business Plan, several brokers have raised their target prices, in order to reflect the improved perspectives of Group's fundamentals in their valuation models. Consensus target price is presently 2.82 euro, well above the level of 2.62 euro recorded at the time of the last newsletter issued in 2015 (on 11 November). It is noteworthy that three brokers have a target price that is equal or higher than 3 euro. The picture of ratings remains very favourable, presenting eight buying recommendations (Buy/Outperform) and two neutral ones (Hold). No analyst suggests selling shares.

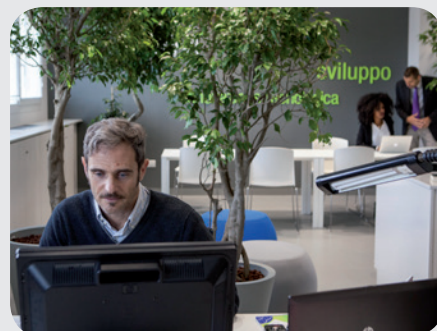
/// **22 March 2016**
BoD for the approval of FY 2015 results

/// **28 April 2016**
Annual General Meeting

/// **11 May 2016**
BoD for the approval of Q1 2016 results

/// **28 July 2016**
BoD for the approval of H1 2016 results

/// **9 November 2016**
BoD for the approval of 9M 2016 results



/// **CONTACTS**
Head of Investor Relations
Jens K. Hansen
T.+39 051 287737
jens.hansen@gruppohera.it

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/// **HeraNews**
Managed by
Jens K. Hansen
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Blue Arrow, Milano
Graphics
moma Studio, Milano