

press release

Bologna, 8 November 2017

## Hera's BoD approves 3Q 2017 results

*The consolidated third-quarter report at 30 September once again confirms the excellent momentum of growth seen during the current year, with all main operating and financial indicators showing further improvement*

### Financial highlights

- Revenues at € 4,027.8 million (+11.4%)
- EBITDA at € 724.7 million (+11.4%)
- Net profit post minorities at € 182.9 million (+28.6%)
- Net debt at € 2,610.0 million

### Operating highlights

- Good contribution to growth coming from all businesses, in particular Energy
- Results were mainly underpinned by internal growth
- Positive effects coming from the merger of Aliplast and Gran Sasso
- Solid customer base in Energy business, with over 2.3 million clients, up 150,000 over the first nine months of 2016

Today, the Hera Group Board of Directors unanimously approved the consolidated economic results at 30 September 2017, which show further growth in all operating and financial indicators, as expected in the business plan. This growth, continuous since the first quarter, confirms the validity of the Group's multi-business model and of its strategy, that seeks for balance between internal and external growth.

In particular, the statements for the first nine months of 2017 show the beneficial results of the entry of the companies Aliplast and Gran Sasso within the Group's scope of operations, and of the tenders awarded for 2017-2018 last resort, default and safeguarded supply services.

### Revenues rise, reaching € 4,027.8 million

In the third quarter of 2017, revenues came to € 4,027.8 million, up 11.4% compared to the € 3,615.5 million recorded at 30 September 2016. In line with the positive macro-economic framework, this year profited from the entry of Aliplast and Gran Sasso within the Group, as well as from the positive effects ensuing from a higher trading activities, an increase in electricity price, a rise in volumes of gas sold and higher regulated revenues in the water sector.

### EBITDA increases to € 724.7 million

The Group's consolidated EBITDA at 30 September 2017 grew from € 650.6 to € 724.7 million (+11.4%). The good performance coming from all Group areas is responsible for this result, in particular from the Energy business, which benefitted from higher profits in power generation and in safeguarded and default market sales. Positive results were also reached in the integrated water cycle and waste areas, thanks above all to the acquisition of Aliplast.

### Ebit and pre-tax profits up, financial management improves

EBIT grew to € 357.9 million, against the € 329.2 million seen at 30 September 2016 (+8.7%), while pre-tax profits rose to € 283.4 million compared to € 239.1 million at the same date one year earlier (+18.5%), thanks to improvements in financial management. In particular, this good performance reflects a more

efficient financial structure, partially obtained through the liability management operations carried out during the previous year.

**Net profit post minorities increases to € 182.9 million (+28.6%)**

Profits pertaining to Group Shareholders rose to € 182.9 million, against € 142.2 million at 30 September 2016 (+28.6%), thanks among other things to a 32% tax rate, notably better than the same figure for the previous year (due to a lower Ires rate and a continuous search for tax efficiency following the enlargement of the Group's scope of operations).

**Approximately € 280 million in investments, net debt essentially stable**

The Group's operating investments at 30 September 2017, including capital grants, amount to € 277.1 million, up compared to the same period in 2016 and in line with the business plan's forecast. Operating investments involved above all interventions on plants, networks and infrastructures, in addition to regulatory adaptations mainly concerning gas distribution, with a large-scale meter substitution, and the purification and sewerage area.

Net debt came to € 2,610.0 million at 30 September 2017, with a slight reduction compared to first half of 2017 and remaining fundamentally stable with respect to the € 2,558.9 million recorded at 31 December 2016, considering the funds allocated to dividend payments and M&A operations.

**Gas**

EBITDA for Gas, which includes services in natural gas and LPG distribution and sales, district heating and heat management, came to € 201.4 million at 30 September 2017, up 8.0% over the same date one year earlier, thanks to growth in trading, higher volumes of gas sold and the larger scope of operations in the default service. The number of gas customers in the first nine months of 2017 totalled 1.4 million, rising by 3.9% over the same period in 2016, partially due to the acquisition of the company Gran Sasso (located in Abruzzo region).

The Gas business accounted for 27.8% of Group EBITDA.

**Water cycle**

The integrated water cycle, which includes aqueduct, purification and sewerage services, recorded a 2.6% increase in EBITDA, going from the € 173.7 seen at 30 September 2016 to € 178.3 at the same date in 2017, thanks to higher revenues from distribution, in spite of increased operating costs and lower revenues from new connections.

The integrated water cycle accounted for 24.6% of Group EBITDA.

**Waste**

The results reached in the Waste, which includes services in waste collection, treatment, recovery and disposal, show rising figures, with EBITDA going from € 172.2 million at 30 September 2016 to € 181.4 million at the same date in 2017 (+5.3%). This performance is due to higher volumes commercialised in waste treatment, a positive trend in the price of special waste and the entry within the Group of Aliplast, a national leader in plastic recycling, which consolidated the Group's position regarding the development of a circular economy. These results are all the more appreciable considering that they suffer from a lower contribution coming from incentives for renewable and assimilated sources, by roughly € 8 million. Further growth was also seen in sorted waste, which went from 55.8% at 30 September 2016 to 56.6% at the same date in 2017, thanks to the numerous new services offered.

Waste accounted for 25.0% of Group EBITDA.

**Electricity**

Electricity, which includes services in electricity production, distribution and sales, recorded an EBITDA that grew from € 104.3 million at 30 September 2016 to € 147.4 million in September 2017, thanks to higher earnings in free market and safeguarded sales and higher profits in electricity generation. The number of electricity customers increased by 11.6% to 964,000, mainly owing to growth in the free market. Electricity accounted for 20.3% of Group EBITDA.

#### **Appointment by co-optation of a new director**

Furthermore, on today's date the Board of Directors resolved the appointment by co-optation of Prof. Alessandro Melcarne as a new director of Hera Spa, substituting the resigning Mr. Aldo Luciano. On the basis of statements provided by the director and information at the Company's disposal, the former meets the requirements of independence provided for by law.

Prof. Melcarne has additionally stated that he holds no shares in the Company.

The new director's curriculum vitae is available on the website [www.gruppohera.it](http://www.gruppohera.it), in the section Corporate Governance/CdA.

*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 3Q financial statement and related materials are available to the public at Company Headquarters and on the website [www.gruppohera.it](http://www.gruppohera.it).*

*Unaudited extracts from the Interim Financial Statements at 30 September 2017 are attached.*

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<b>Profit &amp; Loss (m€)</b>	<b>30/09/2017</b>	<b>Inc.%</b>	<b>30/06/2016 reclassified</b>	<b>Inc.%</b>	<b>Ch.</b>	<b>Ch. %</b>
Sales	4,027.8		3,615.5		+412.3	+11.4%
Other operating revenues	327.3	8.1%	259.9	7.2%	+67.4	+25.9%
Raw material	(1,776.4)	-44.1%	(1,437.4)	-39.8%	+339.0	+23.6%
Services costs	(1,428.6)	-35.5%	(1,382.7)	-38.2%	+45.9	+3.3%
Other operating expenses	(45.3)	-1.1%	(34.7)	-1.0%	+10.6	+30.6%
Personnel costs	(409.1)	-10.2%	(390.1)	-10.8%	+19.0	+4.9%
Capitalisations	29.0	0.7%	20.0	0.6%	+9.0	+45.0%
<b>Ebitda</b>	<b>724.7</b>	<b>18.0%</b>	<b>650.6</b>	<b>18.0%</b>	<b>+74.1</b>	<b>+11.4%</b>
Depreciation and provisions	(366.8)	-9.1%	(321.3)	-8.9%	+45.5	+14.2%
<b>Ebit</b>	<b>357.9</b>	<b>8.9%</b>	<b>329.2</b>	<b>9.1%</b>	<b>+28.7</b>	<b>+8.7%</b>
Financial inc./(exp.)	(74.5)	-1.8%	(90.2)	-2.5%	-15.7	-17.4%
<b>Pre tax profit</b>	<b>283.4</b>	<b>7.0%</b>	<b>239.1</b>	<b>6.6%</b>	<b>+44.3</b>	<b>+18.5%</b>
Tax	(90.6)	-2.3%	(87.2)	-2.4%	+3.4	+3.9%
<b>Net profit</b>	<b>192.8</b>	<b>4.8%</b>	<b>151.8</b>	<b>4.2%</b>	<b>+41.0</b>	<b>+27.0%</b>
Attributable to:						
<b>Shareholders of the Parent Company</b>	<b>182.9</b>	<b>4.5%</b>	<b>142.2</b>	<b>3.9%</b>	<b>+40.7</b>	<b>+28.6%</b>
Minority shareholders	9.9	0.2%	9.6	0.3%	+0.3	+2.8%

<b>Balance Sheet (m€)</b>	<b>30/09/2017</b>	<b>Inc.%</b>	<b>31/12/2016</b>	<b>Inc.%</b>	<b>Ch.</b>	<b>Ch.%</b>
Net fixed assets	5,670.8	108.5%	5,564.5	108.7%	+106.3	+1.9%
Working capital	108.8	2.1%	99.9	2.0%	(8.9)	(8.9)%
(Provisions)	(553.5)	(10.6%)	(543.4)	(10.7%)	(10.1)	+1.9%
<b>Net invested capital</b>	<b>5,226.1</b>	<b>100.0%</b>	<b>5,121.0</b>	<b>100.0%</b>	<b>+105.1</b>	<b>+2.1%</b>
Net equity	2,616.1	50.1%	2,562.1	50.0%	+54.0	+2.1%
Long term net financial debt	2,713.3	51.9%	2,757.5	53.9%	(44.2)	(1.6)%
Short term net financial debt	(103.3)	(2.0%)	(198.6)	(3.9%)	+95.3	(48.0)%
Net financial debts	2,610.0	49.9%	2,558.9	50.0%	+51.1	2.0%
<b>Net invested capital</b>	<b>5,226.1</b>	<b>100.0%</b>	<b>5,121.0</b>	<b>100.0%</b>	<b>+105.1</b>	<b>+2.1%</b>