press release
Bologna, 30 July 2018

Hera BoD approves 1H2018 results

The consolidated half-year report at 30 June confirms growth in operating and financial indicators, in line with the first quarter, with a positive contribution coming from business areas, gas and waste management in particular. Thanks to the efficiencies achieved, ROE reaches 10%.

Financial highlights

- **Revenues at € 2,996.7 million (+7.7%)**
- **Ebitda at € 523.6 million (+3.5%)**
- **Ebit at € 273.6 million (+4.3%)**
- **Net profits for Shareholders at € 158.1 million (+12.1%)**
- **Net debt at € 2,625.0 million**

Operating highlights

- **Good contribution to growth coming from gas and waste management, respectively due to volumes sold and positive trends in market prices**
- **Management characterised by the results of internal growth**
- **Solid customer base in energy sectors (roughly 2.5 million), up by 110,000 over 1H2017**
- **Sorted waste increases to an average of 60% across all areas served**

Today, the Hera Group's Board of Directors unanimously approved the financial results for the first half-year, which confirm the ongoing positive trend and show all main indicators rising.

These results once again reward the Group's balanced and agile way of operating, following a business model that has always combined the strategic levers of internal growth and external development. In addition to remarkable internal growth, partially deriving from higher efficiencies, developments in market shares and positive trends in tariffs and prices benefitted the accounts for the first half of 2018.

Revenues amount to almost € 3 billion
In the first half of 2018, revenues reached € 2,966.7 million, up € 212.7 million (+7.7%) over the € 2,754.0 million seen in the same period of 2017. The factors most responsible for this result include a higher amount of trading along with increased revenues from gas and electricity sales and waste management.

Ebitda rises to € 523.6 million
Ebitda settled at € 523.6 million, showing growth amounting to € 17.7 million (+3.5%) over June 2017. This increase is due to the good performances seen in all the Group's main activities, and the gas area in particular thanks to higher volumes sold and income for sales and trading. Positive results also came from waste management and the integrated water cycle.

Financial management among the factors responsible for an 8.4% increase in pre-tax profits
Ebit rose to € 273.6 million, up 4.3% over the € 262.2 seen in the same period of 2017. Financial management also improved, settling at € 39.2 million, € 6.7 million less than the same period in 2017, a performance made possible by efficiency in rates and higher financial income for commercial activities. In light of this situation, pre-tax profits increased by 8.4%, going from € 216.3 million at 30 June 2017 to € 234.4 million at the same date in 2018.

Sharp increase in net profits for Shareholders, reaching € 158.1 million (+12.1%)
Profits pertaining to Group Shareholders at 30 June 2018 rose to € 158.1 million, +12.1% compared to the € 141.0 million seen in the first half of 2017. The elements underlying this result include an improvement in the tax rate, which went from 31.6% to 30.1%, thanks to the Group's continuous commitment to grasping the tax opportunities offered by large and very large amortisations related to major investments made in introducing Utility 4.0, in addition to tax credits for research and development and the final balance on previously acquired benefits, as well as € 4.8 million in capital gains from divestments.

Approximately € 184 million in investments, financial position essentially stable
The Group's operating investments for the first six months of 2018, including capital grants, amounted to € 183.8 million, up € 13.7 million (+8.1%) over June 2017. Operating investments mainly involved interventions on plants, networks and infrastructures, as well as regulatory upgrading involving gas distribution above all, with a large-scale metre substitution, and the purification and sewerage areas.
Net debt came to € 2,625.0 million at 30 June 2018, with a slight increase over the € 2,523.0 million seen at 31 December 2017 but essentially stable compared to the € 2,611.7 million witnessed in the first half of 2017, in spite of the higher amount of dividends paid (9.5 cents/share, instead of the 9 cents paid one year earlier). Net debt/Ebitda, an indicator of financial solidity, improved from 2.74 in the first half of 2017 to 2.62 at 30 June 2018.

Gas
Ebitda for the gas area, which includes services in natural gas distribution and sales, district heating and heat management, reached € 188.4 million in the first half of 2018, up compared to the € 171.8 million seen at 30 June 2017 (+9.6%), thanks to higher volumes of gas sold, an increase in trading and higher income from distribution services. The number of gas customers, which came to roughly 1.41 million, rose by 1.9% compared to the same period in 2017; this growth was brought about by expanding market shares and the entry of Blu Ranton and Verducci Servizi within the Group's scope of operations.
The gas area accounted for 36.0% of Group Ebitda.

Water cycle
Ebitda for the integrated water cycle area, which includes aqueduct, purification and sewerage services, went from € 111.3 million in the first half of 2017 to € 112.8 million at 30 June 2018, up 1.3%, thanks to higher revenues from dispensing and higher recognised costs.
The integrated water cycle area accounted for 21.5% of Group Ebitda.

Waste management
In the first half of the year, Ebitda for the waste management area, which includes waste collection, treatment and disposal services, reached € 125.9 million (+3.8%), rising over the € 121.3 million seen at 30 June 2017. Initiatives aimed at recovering materials and improving energy efficiency contributed to this positive trend, in particular the full operation of Aliplast, as well as further development of an accurately focused marketing plan intended to broaden the customer portfolio and a continuous presence in the tender market. Moreover, the positive trend seen in prices for special waste treatment continued during this half-year, with double-digit growth rate. Further increases were also witnessed in sorted waste, which went from 58% in the first half of 2017 to 60% at 30 June 2018, thanks to the numerous services offered.
The waste management area accounted for 24% of Group Ebitda.

Electricity
Ebitda for the electricity area, which includes services in electricity production, distribution and sales, went from € 91.6 million in the first half of 2017 to € 84.0 million at 30 June 2018, owing to the temporary closure of a few plants for planned maintenance. This area recorded additional growth in total customers, which

increased by 82.8 thousand (+8.9%) compared to the first half of 2017, reaching 1.01 million customers, and also saw a 22.1% rise in volumes sold on both the free and safeguarded markets. This noteworthy result owes much to the Group's continuous reinforcement of marketing actions and a broadening of its customer base.

The electricity area accounted for 16% of Group Ebitda.

Statement by Executive Chairman Tomaso Tommasi di Vignano

"This half-year report confirms the trend of uninterrupted growth shown by the Hera Group over the last 15 years, respecting the content of its Business plan, in spite of an often difficult macroeconomic scenario. At present, the increase in Ebitda indicates that we should reach the milestone of one billion by the end of 2018, while the profits accumulated over the last six months, corresponding to 10.8 cents per share, already entirely cover the 10 cent dividend foreseen by the Business plan for the current year. These figures and outlooks provide further confirmation of the solidity of our multi-business model and the constant attention we show towards our shareholders".

Statement by CEO Stefano Venier

"The results for the first half of 2018 once again reward the accuracy of the choices and initiatives implemented regarding operations, taxes and finance. Internal growth, as defined by factors including the efficiencies achieved, has brought ROE to 10%. These results are also sustained by all quantitative performance measures, which show positive trends, with an energy customer base growing by 110,000 in only 12 months and bringing us just one step away from 2.5 million customers. Taken as a whole, these elements allow us to show further determination towards reaching all of the objectives outlined in the Business plan".

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 half-year financial report and related materials will be made available to the public pursuant to the terms established by law at Company Headquarters, on the website www.gruppohera.it and on the authorised storage platform 1Info (www.1info.it).

Unaudited extracts from the Abbreviated Consolidated Half-Year Financial Statements at 30 June 2017 are attached.

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Profit & Loss *(m€)*	**30/06/18**	Inc%	**30/06/17**	Inc.%	***Ch.***	***Ch. %***
Sales	2,966.7		2,754.0		*+212.7*	*+7.7%*
Other operating revenues	209.8	7.1%	202.3	7.3%	*+7.5*	*+3.7%*
Raw material	(1,327.6)	-44.7%	(1,178.4)	-42.8%	*+149.2*	*+12.7%*
Services costs	(1,031.6)	-34.8%	(981.7)	-35.6%	*+49.9*	*+5.1%*
Other operating expenses	(30.3)	-1.0%	(25.8)	-0.9%	*+4.5*	*+17.5%*
Personnel costs	(281.7)	-9.5%	(282.4)	-10.3%	*(0.7)*	*(0.2%)*
Capitalisations	18.3	0.6%	17.9	0.6%	*+0.4*	*+2.2%*
Ebitda	**523.6**	**17.6%**	**505.9**	**18.4%**	***+17.7***	***+3.5%***
Depreciation and provisions	(250.0)	-8.4%	(243.7)	-8.9%	*+6.3*	*+2.6%*
Ebit	**273.6**	**9.2%**	**262.2**	**9.5%**	***+11.4***	***+4.3%***
Financial inc./(exp.)	(39.2)	-1.3%	(45.9)	-1.7%	*(6.7)*	*(14.6%)*
Pre tax profit	**234.4**	**7.9%**	**216.3**	**7.9%**	***+18.1***	***+8.4%***
Tax	(72.0)	-2.4%	(68.3)	-2.5%	*+3.7*	*+5.4%*
Net profit before special items	**162.4**	**5.5%**	**148.0**	**5.4%**	***+14.4***	***+9.7%***
Special items	4.8	0.2%	-	0.0%	*+4.8*	*+100.0%*
Net profit	**167.2**	**5.6%**	**148.0**	**5.4%**	***+19.2***	***+13.0%***
Attributable to:						
Shareholders of the Parent Company	**158.1**	**5.3%**	**141.0**	**5.1%**	***+17.1***	***+12.1%***
Minority shareholders	9.1	0.3%	7.0	0.3%	*+2.2*	*+30.9%*

Balance Sheet *(m€)*	**30/06/2018**	Inc.%	**31/12/2017**	Inc.%	***Ch.***	***Ch.%***
Net fixed assets	5,828.2	109.1%	5,780.6	110.5%	*+47.6*	*+0.8%*
Working capital	84.2	1.6%	23.2	0.4%	*+61.0*	*+262.9%*
(Provisions)	(571.8)	(10.7%)	(574.9)	(10.9%)	*+3.0*	*(0.5%)*
Net invested capital	**5,340.6**	**100.0%**	**5,229.0**	**100.0%**	***+111.6***	***+2.1%***
Net equity	2,715.6	50.8%	2,706.0	51.7%	*+9.6*	*+0.4%*
Long term net financial debt	*2,847.4*	53.4%	*2,735.4*	52.4%	*+112.0*	*+4.1%*
Short term net financial debt	*(222.4)*	(4.2%)	*(212.4)*	(4.1%)	*(10.0)*	*+4.7%*
Net financial debts	2,625.0	49.2%	2,523.0	48.3%	*102.0*	*+4.0%*
Net invested capital	**5,340.6**	**100.0%**	**5,229.0**	**100.0%**	***+111.6***	***+2.1%***