

press release

Bologna, 10 May 2018

Hera BoD approves 1Q 2018 results

The consolidated quarterly report at 31 March shows growth in all operating and financial indicators, with a positive contribution coming from all business areas and further improvement in net debt

Financial highlights

- Revenues at € 1,741.3 million (+10.4%)
- Ebitda at € 322.7 million (+5.2%)
- Net profits for shareholders at € 120.5 million (+9.6%)
- Net debt decreased, coming to € 2,502.1 million

Operating highlights

- **Good contribution to growth coming from the main businesses, and the gas area in particular**
- **Solid customer base in Energy, increasing to roughly 2.4 million customers**
- **Management geared towards extracting efficiencies and expansion**

Today, the Hera Group's Board of Directors unanimously approved the consolidated operating results for the first quarter of 2018, which confirm the ongoing positive trend and show rises in all main performance measures.

These results were achieved thanks to the Group's time-tested multi-business strategy, balanced between regulated and free market activities. This model was pursued by calibrating internal growth with the opportunities offered by the market and external development. In particular, the changes in the scope of operations witnessed during the first quarter were due to the consolidation of the Aliplast Group and Verducci Servizi, the transfer of Medea to Italgas and the exclusion of waste collection and street sweeping services in the Forlì area. M&As, instead, were concentrated above all in the energy area, with the acquisitions of Blu Ranton and 49% of Sangroservizi, in addition to 13,000 new "maggior tutela" customers served in the municipality of Gorizia through EnergiaBaseTrieste.

Revenues amount to roughly € 1.74 billion

Revenues for the first quarter of 2018 came to € 1,741.3 million, increasing compared to the € 1,577.8 million seen in the same period of 2017. A larger amount of commodity trading and higher revenues coming from gas and electricity sales were mainly responsible for this result, as were revenues from the waste management area and energy efficiency certificates.

Ebitda rises to € 322.7 million

Ebitda went from € 306.8 million in the first quarter of 2017 to € 322.7 in the same period of 2018, recording an increase of almost € 16 million (+5.2%). While this growth is due to the good performances seen in the Group's main areas, the gas area contributed in particular, thanks to higher volumes sold and an increase in income from trading.

Operating results and pre-tax profits increase, financial management improves

Operating profits at 31 March 2018 came to € 197.6 million, up compared to the € 187.3 million recorded at the same date in 2017 (+5.5%). A € 5.6 million improvement was seen in financial management, coming to € 17.5 million at the end of the first quarter, thanks to efficiency in interest rates and higher income for interest derived from safeguarded customers. In light of this situation, pre-tax profits went from € 164.2

million in the first three months of 2017 to € 180.1 million in the same period of 2018, showing an increase in the rate of growth, which came to +9.7%.

Net profit for shareholders grow to € 120.5 million (+9.6%)

Net profit at 31 March 2018 rose to € 125.9 million, up compared to the € 115.3 million seen in 2017.

€ 120.5 million is the profit pertaining to Group shareholders, which increased by € 10.6 million over the € 109.9 million in the same period in 2017. These results, corresponding to a tax rate of 30.1%, are due to the Group's continuous commitment to grasping opportunities recognised by law regarding the amortisation of the consistent investments made in a move towards Utility 4.0, in addition to tax credits for research and development and the final balance of previously acquired benefits.

Roughly € 85 in investments, and a slightly improved net debt

In the first three months of 2018, Group investments amounted to € 84.6 million, including the acquisitions made in the companies Blu Ranton and Sangroservizi. Operating investments grew by 5.9% and mainly concerned interventions on plants, networks and infrastructures, in addition to investments in an extensive meter substitution and in the purification and sewerage areas.

Net debt improved for the third consecutive quarter, coming to € 2,502.1 million (compared to the € 2,523.0 million recorded at 31 December 2017). This was due to a positive and increasing cash generation, which among other things allowed the recent acquisitions to be financed. The 12-month rolling net debt/Ebitda ratio settled at 2.5, pointing towards further improvement in financial solidity.

Gas

Ebitda for the gas business, which covers services in natural gas and LPG distribution and sales, district heating and heat management, came to € 148.2 million in the first quarter of 2018, an increase over the € 135.6 million recorded at 31 March 2017 (+9.3%), thanks to higher volumes of gas sold, a rise in trading volumes and the larger scope of operations for this service. The number of gas customers rose to 1.4 million, up 1.1% over the same period in 2017, thanks to marketing initiatives.

The gas business accounted for 45.9% of Group Ebitda.

Water cycle

Ebitda for the integrated water cycle, which covers aqueduct, purification and sewerage services, went from € 53.3 million in the first quarter of 2017 to € 55.6 million in the same period of 2018 (+4.3%), thanks above all to higher revenues from dispensing. These results also benefited from "*quality premium*", granted by the regulatory authorities based on current methods for tariff calculation.

The integrated water cycle accounted for 17.2% of Group Ebitda.

Waste management

Ebitda for the waste management business, which covers services in waste collection, treatment, recovery and disposal, went from € 64.0 million in the first quarter of 2017 to € 66.5 million at 31 March 2018 (+3.9%). This trend is mainly due to the encouraging results achieved in the area of waste treatment, which followed positive market trends.

Good results were also seen in sorted waste, which rose to 59.5% compared to the 57.5% recorded in the first three months of 2017, thanks to the many projects launched over all areas served.

The waste management area accounted for 20.6% of Group Ebitda.

Electricity

Ebitda for the electricity business, which covers services in electricity production, distribution and sales, showed a slight drop, going from € 48.4 million in the first quarter of 2017 to € 45.3 million at 31 March 2018, owing to the temporary suspension of some plants for planned maintenance. In spite of this, electricity reached the goal of 1 million customers for the first time, rising 10.6% over the first quarter of 2017, and also



saw a 23.7% overall increase in volumes sold, with considerable growth in both the free and safeguarded markets. This significant result is due to the Group's continuous reinforcement of marketing initiatives and the enlargement of its customer base.

The electricity area accounted for 14% of Group Ebitda.

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 quarterly management report and related materials are available to the public at Company Headquarters and on the website www.gruppohera.it.

Unaudited extracts from the Interim Financial Statements at 31 March 2018 are attached.

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Profit & Loss (m€)	31/03/2018	Inc%	31/03/2017	Inc. %	Ch.	Ch. %
Sales	1,741.3		1,577.8		+163.5	+10.4%
Other operating revenues	95.3	5.5%	89.8	5.7%	+5.5	+6.1%
Raw material	(831.4)	-47.7%	(732.2)	-46.4%	+99.2	+13.5%
Services costs	(538.5)	-30.9%	(488.8)	-31.0%	+49.7	+10.2%
Other operating expenses	(12.7)	-0.7%	(12.0)	-0.8%	+0.7	+5.8%
Personnel costs	(140.0)	-8.0%	(137.2)	-8.7%	+2.8	+2.0%
Capitalisations	8.7	0.5%	9.4	0.6%	-0.7	-7.5%
Ebitda	322.7	18.5%	306.8	19.4%	+15.9	+5.2%
Depreciation and provisions	(125.0)	-7.2%	(119.6)	-7.6%	+5.4	+4.5%
Ebit	197.6	11.3%	187.3	11.9%	+10.3	+5.5%
Financial inc./(exp.)	(17.5)	-1.0%	(23.1)	-1.5%	-5.6	-24.3%
Pre tax profit	180.1	10.3%	164.2	10.4%	+15.9	+9.7%
Tax	(54.2)	-3.1%	(48.9)	-3.1%	+5.3	+10.8%
Net profit	125.9	7.2%	115.3	7.3%	+10.6	+9.2%
Attributable to:						
Shareholders of the Parent Company	120.5	6.9%	109.9	7.0%	+10.6	+9.6%
Minority shareholders	5.4	0.3%	5.4	0.3%	-0.0	-0.1%
Balance Sheet (m€)	31/03/2018	Inc. %	31/12/2017	Inc. %	Ch.	Ch. %
Net fixed assets	5,792.4	109.1%	5,780.6	110.5%	+11.8	+0.2%
Working capital	92.3	1.7%	23.2	0.4%	+69.1	+297.8%
(Provisions)	(576.7)	(10.8%)	(574.9)	(10.9%)	(1.9)	+0.3%
Net invested capital	5,308.0	100.0%	5,229.0	100.0%	+79.0	+1.5%
Net equity	2,805.9	52.9%	2,706.0	51.7%	+99.9	+3.7%
Long term net financial debt	2,739.9	51.6%	2,735.4	52.4%	+4.5	+0.2%
Short term net financial debt	(237.8)	(4.5%)	(212.4)	(4.1%)	(25.4)	+12.0%
Net financial debts	2,502.1	47.1%	2,523.0	48.3%	(20.9)	(0.8%)
Net invested capital	5,308.0	100.0%	5,229.0	100.0%	+79.0	+1.5%