press release
Bologna, 27 March 2018

Hera Group approves results at 31/12/2017

Improvement seen in all operating, financial and sustainability indicators. These results, which exceeded expectations, crown a path of development that has led the multi-utility to quintuple its EBITDA over its 15 years of operations. The Group's multi-business model and the balance between internal and external growth prove once again to be key factors in its success. Proposed dividends rise to 9.5 cent/share. S&P upgrades the outlook from stable to positive

Financial highlights

- **Turnover at € 6,136.9 million (+10.3%)**
- **EBITDA at € 984.6 million (+7.4%)**
- **Net profits at € 266.8 million (+21.1%)**
- **Net debt improves, coming to € 2,523.0 million**
- **Proposed dividends rise to 9.5 cent/share**
- **S&P rating: BBB with positive outlook**

Operating highlights

- **Contributions to growth come from all business areas, in particular free market activities, such as the Electricity and Waste**
- **Benefits derive from recent Group acquisitions in liberalised waste management and energy markets (most notably Aliplast)**
- **Further reinforcement of the energy customer base, reaching 2.4 million users, thanks to marketing operations, recent acquisitions and the tender awarded for safeguarded services**
- **Improvement in all sustainability indicators, with 2017 shared value EBITDA rising by 10% to € 329 million**

Today, the Hera Group's Board of Directors unanimously approved the consolidated financial results at 31 December 2017, along with the Sustainability Report.

All operating, financial and sustainability indicators improve, crowning 15 years of uninterrupted growth

The 2017 financial year closed for the Hera Group with results higher than expected, and with all operating, financial and sustainability indicators showing clear improvement over 2016. These particularly positive results, in line with the content of the Business Plan to 2021, confirm the validity of the company's multi-business strategy, which allows it to successfully balance regulated and free-market activities, in addition to maintaining a sustainable risk profile. The combination of two fundamental levers, internal growth and external development, furthermore permitted the Group to achieve continued growth, which resulted from factors including its ability to foresee and grasp the best opportunities in an increasingly challenging regulated and free-market scenario, whose models for future development continue to evolve.
These results represent the culmination of a path that has led the multi-utility to achieve significant goals over its 15-year lifespan: from a quintupled EBITDA to almost eight times the amount of net profits (compared to 2002), only to mention a couple, without counting the 25 acquisitions brought to completion, which have produced considerable synergies.

Moreover, the results reached confirm the Group's constant pursuit of objectives involving all aspects of sustainable development: environmental, social and economic. A 10% rise in shared value created was in fact seen in 2017, through activities that meet the UN Agenda's drivers for sustainable development and the goals defined by various levels of government.

Turnover exceeds 6 billion, rising by 10.3%

In 2017, turnover came to € 6,136.9 million and, on equal terms, showed an increase over the € 5,561.5 seen in the previous year (+10.3%). This result reflects, in addition to the entrance of the Aliplast Group and other minor acquisitions now part of the company's scope of operations, a higher amount of trading, a rise in regulated revenues from the water service and an increase in revenues and volumes of gas and electricity sold.

EBITDA grows to € 984.6 million (+7.4%)

EBITDA rose to € 984.6 million, with a sharp increase over the € 916.6 million seen in 2016 (+7.4%). This growth in EBITDA was sustained by the good performance shown by all businesses, above all the energy areas, which recorded a € 50.3 million increase. This rise was driven above all by Electricity, ensuing from higher earnings in asset management and trading activities, and in free market and safeguarded sales. The contribution coming from the waste area was also remarkable, for reasons including an enhancement of recycling activities.

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

Operating profits increased to € 479.3 million, compared to the € 457.1 million recorded in 2016 (+4.9%), in spite of the higher amortisation owing to changes in the scope of operations and higher provisions for bad debt, mainly involving the new safeguarded customers acquired through the tenders held in late 2016. Pre-tax profits increased to € 377.8 million (+11.2% compared to the € 339.7 million seen in 2016), as an effect of the improvement in financial management, which contributed with € 16 million more than in the previous year. These good performances can be ascribed to higher financial revenues and a more efficient and flexible financial structure, which allowed the cost of debt to be lowered.

Strong increase in net profits, reaching € 266.8 million (+21.1%)

Group net profits rose to € 266.8 million, with a significant increase (+21.1%) compared to the € 220.4 million witnessed in the previous year, owing among other things to a lower average tax rate, which settled at 29.6% instead of the 35.1% seen in 2016. Profits pertaining to Group Shareholders came to € 251.5 million, up 21.3% over the previous year.

Investments reach € 440 million, Net debt/EBITDA ratio further improves to 2.56, S&P rating BBB with positive outlook

In 2017, Group investments amounted to € 396.2 million. Including approximately € 44 million in capital grants, the Group's overall investments came to € 440.5 million, growing by roughly 14% compared to the previous year and mainly destined to interventions on plants, networks and infrastructures. These were flanked by regulatory upgrading above all concerning gas distribution, with an intensive meter substitution, and the purification and sewerage areas.

Net debt in 2017 came to € 2,523.0 million, improving by roughly € 36 million compared to the € 2,558.9 recorded in 2016, thanks to an increase in operating cash flows that allowed higher investments and M&A operations to be financed and June's annual dividend payment to be entirely covered (coming to € 140 million overall).

The net debt/EBITDA ratio fell to 2.56, with a further decrease following the one seen in 2016; this ratio benefitted from both rising operational results and a reduction in net debt.

The results reached, the resilience of the Group's business model and the solid foundations of its Business plan allowed it to obtain a revision in the outlook of its rating from Standard & Poor's, going from stable to positive.

Further improvement in the Group's sustainability profile, along with a 10% increase in shared value EBITDA

The positive operating results were matched by data confirming the multi-utility's growing attention towards sustainability, as witnessed by the approval of the Sustainability Report at the same time as the year-end financial statements for the twelfth consecutive year. Furthermore, the Hera Group was among the first to introduce, as of last year, a new and evolved approach to sustainability, including shared value in its financial reporting, i.e. all business activities that in addition to generating EBITDA for the company respect the drivers of sustainable development defined by the UN Agenda and the goals set by various levels of government. In 2017, the Hera Group's shared value EBITDA reached € 329 million, increasing by 10% over the previous year: this result perfectly reflects the path marked out in the Business Plan, in which this indicator is projected to reach 40% by 2021. Improvements were seen in all performances measured by energy consumption (from decarbonisation to energy efficiency operations and renewable source development), and by material recovery (from indicators concerning recycling, landfill use and initiatives promoting the concrete development of a circular economy), in addition to all social and local factors involved. In line with this perspective, the Group is now part of international programs such as the CEO Water Mandate and the Ellen MacArthur Foundation's CE100, a network made up of the world's 100 companies most committed to the transition towards a circular economy**.**

Proposed dividends rise to 9.5 cent/share

The Board of Directors, in light of the results achieved and the solidity of the Group's assets, has decided to put a dividend of 9.5 cents per share to the Shareholders Meeting to be held on 26 April, higher than in the past and in line with the content of the Business Plan.
The ex-dividend date has been set at 18 June 2018, with payment as of 20 June 2018.

Gas

EBITDA for Gas, which includes services in natural gas distribution and sales, district heating and heat management, rose to € 301.7 million, fundamentally in line with the € 300.6 million seen in 2016.
This result was obtained mainly thanks to internal growth, with positive contributions coming from the management of distribution and sales activities, an expanded customer base, the positive trend seen in prices and higher volumes of trading. These positive results proved more than able to offset lower earnings in district heating. The results were also sustained by the acquisition of the Abruzzo company Verducci Servizi and the default gas service, which allowed volumes sold to increase, with the number of customers rising to roughly 1.4 million (+14,900 customers), to which sales activities and customer loyalty programs also contributed.
Net investments in Gas exceeded € 100 million in 2017, with a € 6.2 million increase compared to 2016, mainly destined to non-recurring maintenance on networks and plants and the large-scale meter substitution introducing new-generation devices and making the networks smarter.
The gas business accounted for 30.6% of Group EBITDA.

Water cycle

The integrated water cycle, which includes aqueduct, purification and sewerage services, recorded an EBITDA of € 229.9 million, showing a slight growth over the € 228.8 million seen in 2016, thanks to higher regulated revenues and operative efficiencies, which offset the lower revenues for new connections. Owing to the high level of service quality, moreover, the corresponding bonuses were granted by the Authority.
Net investments in the integrated water cycle amounted to € 113.1 million. Including capital grants, investments in this area came to € 156.6 million (up compared to the € 131.8 million seen in 2016), of which € 63.8 million in the aqueduct, € 42 million in sewerage and € 50.8 million in purification.
The integrated water cycle business accounted for 23.3% of Group EBITDA.

Waste

EBITDA for Waste, which includes waste collection, treatment and disposal services, settled at € 246.0 million, growing by 6.6% over the € 230.7 million recorded in 2016. This positive result is due to both changes in the scope of operations, with the 2017 acquisitions of the Aliplast Group and Teseco, which gave an

important impulse towards a circular economy and the management of industrial waste, and internal growth sustained by higher volumes of market waste treated and a positive trend in prices.
This allowed the loss of incentives concerning the Isernia plant and a few non-recurring entries to be offset, the latter mainly involving a temporary halt in some WTE plants (in the first part of the year) and costs for demolition in the S. Agata Bolognese site, where one of Italy's first plants for bio-methane production is now in the advanced stages of construction, which will become operational within 2018.
Good results were also seen in the area of sorted urban waste collection, which rose to 57.7%, compared to the 56.4% seen in 2016, thanks to a range of projects implemented across all areas served.
The waste management business accounted for 25% of Group EBITDA.

Electricity

Electricity, which includes services in electricity production, distribution and sales, recorded an EBITDA of € 184.5 million, with a sharp improvement compared to the € 135.3 million recorded in 2016 (+36,4%), thanks to activities in trading, higher income in production and in free market and safeguarded market sales. The number of electricity customers is now over 980,000 (+9% compared to 2016), thanks to reinforced marketing operations and the larger customer base deriving from the tender awarded for safeguarded services.
The amount of Group EBITDA accounted for by the electricity area rose to 18.7%.

Statement by Executive Chairman Tomaso Tommasi di Vignano

"The results reached allow us to draw a few conclusions as to the path of growth followed by Hera over these first 15 years of its history: an operating performance that clearly shows through in Group EBITDA, which has quintupled compared to the one seen in 2002, without counting the positive effects of financial and fiscal management, which in turn bear witness to an even more considerable growth, given that 2017 net profits reached 7.8 times those recorded in 2002. Opportunities for internal and external development (with 25 companies acquired over the years) have led not only to an increase in size, but above all to higher efficiencies and productivity, as is proven by EBITDA per employee, which has virtually tripled. The central role given to creating value for our shareholders has also been confirmed: on the basis of the results reached, we will put to the Shareholders Meeting a dividend of 9.5 cents/share, up 5.5% compared to the dividend paid in 2016 and in line with the policy communicated last January. The return implied by this dividend would thus come to 3.3% and, considering the 32.8% rise in the price of Hera stock seen over 2017, the overall return for shareholders will exceed 36%."

Statement by CEO Stefano Venier

"The 2017 results confirm the validity of our actions in financial planning and management, to the point that they have already allowed us to lower our debt more than was expected. The substantial improvement in operating and financial indicators, furthermore, was accompanied by excellent working performances, confirming the quality of the business initiatives deployed to achieve a long-lasting and sustainable growth. Even the targets met in terms of higher creation of shared value allow us to affirm that 2017 was, for us, an important milestone along our path of growth and, in various senses, represented a new starting point to give an effective response and a tangible contribution to the noteworthy challenges that lie in the future."

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 4 April 2018.

Unaudited extracts from the Financial Statements at 31 December 2017 are attached.

Profit & Loss *(m€)*	31/12/2017	Inc%	31/12/2016 reclassified*	Inc.%	*Ch.*	*Ch. %*
Sales	5,612.1		5,131.3		+480.8	+9.4%
Other operating revenues	524.8	9.4%	430.2	8.4%	+94.6	+22.0%
Raw material	(2,606.8)	-46.4%	(2,176.8)	-42.4%	+430.0	+19.8%
Services costs	(1,952.2)	-34.8%	(1,896.7)	-37.0%	+55.5	+2.9%
Other operating expenses	(84.6)	-1.5%	(75.0)	-1.5%	+9.6	+12.8%
Personnel costs	(551.6)	-9.8%	(524.1)	-10.2%	+27.5	+5.2%
Capitalisations	43.0	0.8%	27.8	0.5%	+15.2	+54.7%
Ebitda	**984.6**	**17.5%**	**916.6**	**17.9%**	**+68.0**	**+7.4%**
Depreciation and provisions	(505.3)	-9.0%	(459.6)	-9.0%	+45.7	+9.9%
Ebit	**479.3**	**8.5%**	**457.1**	**8.9%**	**+22.2**	**+4.9%**
Financial inc./(exp.)	(101.5)	-1.8%	(117.4)	-2.3%	-15.9	-13.5%
Pre tax profit	**377.8**	**6.7%**	**339.7**	**6.6%**	**+38.1**	**+11.2%**
Tax	(111.8)	-2.0%	(119.3)	-2.3%	-7.5	-6.3%
Net profit before special items	**266.0**	**4.7%**	**220.4**	**4.3%**	**+45.6**	**+20.7%**
Special items	0.8	0.0%	-	0.0%	+0.8	+100.0%
Net profit	**266.8**	**4.8%**	**220.4**	**4.3%**	**+46.4**	**+21.1%**
Attributable to:						
Shareholders of the Parent Company	**251.5**	**4.5%**	**207.3**	**4.0%**	**+44.2**	**+21.3%**
Minority shareholders	15.3	0.3%	13.1	0.3%	+2.3	+17.4%

**The amount of 2016 revenues has been adjusted (with no effect on results) to account for the reclassification of system charges and contributions coming from former green certificates.*

Balance Sheet *(m€)*	31/12/2017	*Inc.%*	31/12/2016	*Inc.%*	*Ch.*	*Ch.%*
Net fixed assets	5,780.6	*110.5%*	5,564.5	*108.7%*	*+216.1*	*+3.9%*
Working capital	23.2	*0.4%*	99.9	*2.0%*	*(76.7)*	*(76.8)%*
(Provisions)	(574.8)	*(10.9%)*	(543.4)	*(10.7%)*	*(31.4)*	*+5.8%*
Net invested capital	**5,229.0**	***100.0%***	**5,121.0**	***100.0%***	***+108.0***	***+2.1%***
Net equity	2,706.0	*51.7%*	2,562.1	*50.0%*	*+143.9*	*+5.6%*
Long term net financial debt	*2,735.4*	*52.4%*	*2,757.5*	*53.9%*	*(22.1)*	*(0.8)%*
Short term net financial debt	*(212.4)*	*(4.1%)*	*(198.6)*	*(3.9%)*	*(13.8)*	*+6.9%*
Net financial debts	2,523.0	*48.3%*	2,558.9	*50.0%*	*(35.9)*	*(1.4)%*
Net invested capital	**5,229.0**	***100.0%***	**5,121.0**	***100.0%***	***+108.0***	***+2.1%***