

**Press release**

Bologna, 13 May 2015

## **Hera's Board of Directors approves the results for the first quarter of 2015**

*The financial report for the quarter ended 31 March 2015 shows positive and rising amounts, up to and including net profit, thanks in particular to gas and water*

### **Financial highlights**

- **Revenues of €1,311.9 million (+7.1%)**
- **EBITDA of €277.2 million (+1.1%)**
- **Net profit of €92.5 million (+3.8%)**
- **Net debt of €2,556.7 million**

### **Operational highlights**

- **Benefits deriving from the consolidation of Amga Udine**
- **Excellent performance of the gas business, not only thanks to Amga's consolidation, but also to increase in volumes sold**
- **Good contribution of water to growth, thanks to improved efficiency and alignment of tariffs to the new regulated method**
- **Expanded footprint in electricity as customer base exceeds 800,000**

### **FINANCIAL REPORT FOR THE THREE MONTHS ENDED 31 MARCH 2015**

The Board of Directors of the Hera Group approved today unanimously the consolidated financial statements for the three months ended 31 March 2015.

Results were up compared to the same period of 2014, thanks to the consolidation of new companies and the good performance of the Hera operations.

#### **Revenues up 7.1%**

In the first quarter of 2015, revenues amounted to €1,311.9 million, up to €86.6 million (+7.1%), compared to €1,225.3 million at 31 March 2014. This increase was due mainly to the change in the scope of consolidation, particularly with reference to the merger of Amga Udine, which took effect on 1 July 2014.

#### **EBITDA up to €277.2 million**

EBITDA too was up, going from €274.3 million for the first quarter of 2014 to €277.2 million for the first quarter of 2015 (+1.1%). The contribution of both gas, whose EBITDA for the segment rose by €11.8 million, and water, whose EBITDA grew by €3.2 million, was paramount.

#### **Pre-tax profit in line with 2014**

Ebit for the first quarter of 2015 amounted to €170.1 million, with a slight decrease (-1.6%) from the €172.9 million reported for the corresponding period of 2014, due to an increase in amortization, depreciation and provisions determined mainly by the change in the scope of consolidation. At 31 March 2015 Net financial expenses amounted to €29.4 million, showing an improvement on the €32.4 million for the same period of the previous year (-9.2%). Such improvement was due to the lower average cost of debt and greater profits contributed by associated companies and joint ventures. In light of this situation, pre-tax income rose from €140.5 million for the first quarter of 2014 to €140.7 million for the first quarter of 2015.

#### **Net profit rising to €92.5 million (+3.8%)**

Net profit, thanks also to a better tax rate and the cancellation of the Robin Hood Tax, increased by 3.8%, from €89.1 million for the first quarter of 2014 to €92.5 million for the same period of 2015. Net profit attributable to the Parent Company's shareholders is €86.6 million, up €3.4 million on 31 March 2014.

### **Net debt reduction after €64 million capital expenditure**

In the three months ended 31 March 2015, the Group's capital expenditure amounted to €64.1 million, up on the comparable figure a year ago (€56.2 million) and in line with the projections in the business plan. Such expenditure concerned mainly activities on plants, grids and infrastructure as well as regulatory upgrades especially in purification and sewer operations.

The positive cash flow for the period reduced net debt from €2,640.4 million at 31 December 2014 to €2,556.7 million at 31 March 2015, which reflects the change in scope related to Amga Udine. The Group's financial strength has improved once again while debt mainly consists of medium/long-term debt, with 66% maturing beyond 5 years.

### **Gas**

For the three months ended 31 March 2015, EBITDA in the gas segment - which includes distribution and sales of gas methane, LPG, district heating and heat management - enhanced to €128.4 million, +10.2%, compared to €116.6 million at 31 March 2014, increasing also its contribution to the Group's EBITDA in both absolute and percentage terms, compared to first quarter 2014. This result was due to the consolidation of AMGA Udine operations, greater volumes sold - thanks to colder weather, compared to the first quarter of 2014 - and the default gas contract awarded to Hera Comm for two years starting 1 October 2014 in Emilia Romagna, Friuli Venezia-Giulia, Toscana, Umbria and Marche. Thanks to the default gas activities and the integration of Amga, the number of gas customers went up to 1.315 million, with an increase of nearly 100,000 customers from the comparable year-earlier quarter.

The segment's EBITDA accounted for 46.3% of the Group's EBITDA.

### **Water**

In the first quarter of 2015, this segment - which includes aqueduct, purification and sewerage services - grew on the comparable year earlier period, both in absolute terms and in terms of contribution to the Group's EBITDA. EBITDA rose from €47.3 million in the first quarter of 2014 to €50.5 million for the first quarter of 2015 (+6.9%), due to greater revenues from works subcontracted by third parties and the coming into force of the new water tariff method set by AEEGSI for the 2014-2015 period (resolution number 643/2014), which calls for full cost coverage.

The segment accounted for 18.2% of the Group's EBITDA.

### **Waste management**

EBITDA for the waste management business - which includes waste collection, treatment and disposal - went from €69.8 million for the first quarter of 2014 to €64.9 million for the three months ended 31 March 2015 (-7%), mainly due to earlier-than-scheduled maintenance activities on 4 WTE plants (out of 10 Group plants) and the decline in the results of the energy activities. Recovery and disposal activities focused on higher-value-added waste, which highlighted slightly increase in market prices, compared to the same period of the previous year. All of the Company's plants have been operating at full capacity since the end of the quarter, benefiting also from the expansion of Herambiente Servizi Industriali's customer base.

The percentage of sorted waste collection in the geographies served by the Group is markedly higher, as it went from 52% for the first quarter of 2014 to 55.2% at 31 March 2015, thanks to the large number of projects implemented in all the areas, especially in the new markets of Veneto and Friuli Venezia-Giulia.

The segment accounted for 23.4% of the Group's EBITDA.

### **Electricity**

EBITDA for the electric energy segment - which includes electricity production, distribution and sales - went from €36.2 million for the first quarter of 2014 to €29.3 million for the three months ended 31 March 2015.

The lower EBITDA (-19.1%) was due mainly to extraordinary items, including lower regulated revenues from the distribution service determined by the equalization effect in the area of Gorizia in the first quarter of 2014. Without considering these extraordinary effects, the results would have been largely in line with those of the comparable quarter in 2014.

Electricity customer base rose to 808,200, up 9.3%, thanks to the contribution of Amga Energia & Servizi and to the growth in the free market.

The segment accounted for 10.6% of the Group's EBITDA.

*Pursuant to Article 154-bis, paragraph 2 of the Italian Consolidated Finance Act, the Chief Financial Officer, Luca Moroni, declares that the information contained in this press release corresponds to the entries made in the accounting documents, ledgers and records.*

*The quarterly financial statements and the respective documentation will be available to the public at the Company's headquarters and on the [www.gruppohera.it](http://www.gruppohera.it) website and on the authorized storage device 1Info ([www.1info.it](http://www.1info.it))*

The unaudited financial statements, extracted from the Consolidated Interim Report as at 31 March 2015, are attached Hereto.

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<b>Profit &amp; Loss (m€)</b>	<b>31/03/2015</b>	<b>Inc. %</b>	<b>31/03/2014*</b>	<b>Inc. %</b>	<b>Ch.</b>	<b>Ch. %</b>
<b>Sales</b>	<b>1,311.9</b>	<b>100.0%</b>	<b>1,225.3</b>	<b>100.0%</b>	<b>+86.6</b>	<b>+7.1%</b>
Other operating revenues	71.4	5.4%	65.9	5.4%	+5.5	+8.4%
Raw material	(702.3)	(53.5%)	(638.6)	(52.1%)	+63.7	+10.0%
Services costs	(266.6)	(20.3%)	(243.2)	(19.8%)	+23.4	+9.6%
Other operating expenses	(9.9)	(0.8%)	(11.6)	(0.9%)	(1.7)	(14.7%)
Personnel costs	(131.4)	(10.0%)	(127.1)	(10.4%)	+4.3	+3.4%
Capitalisations	4.1	0.3%	3.7	0.3%	+0.4	+10.9%
<b>Ebitda</b>	<b>277.2</b>	<b>21.1%</b>	<b>274.3</b>	<b>22.4%</b>	<b>+2.9</b>	<b>+1.1%</b>
Depreciation and provisions	(107.1)	(8.2%)	(101.4)	(8.3%)	+5.7	+5.6%
<b>Ebit</b>	<b>170.1</b>	<b>13.0%</b>	<b>172.9</b>	<b>14.1%</b>	<b>(2.8)</b>	<b>(1.6%)</b>
Financial inc./(exp.)	(29.4)	(2.2%)	(32.4)	(2.6%)	(3.0)	(9.2%)
<b>Pre tax profit</b>	<b>140.7</b>	<b>10.7%</b>	<b>140.5</b>	<b>11.5%</b>	<b>+0.2</b>	<b>+0.1%</b>
Tax	(48.2)	(3.7%)	(51.3)	(4.2%)	(3.1)	(6.0%)
<b>Net profit</b>	<b>92.5</b>	<b>7.0%</b>	<b>89.1</b>	<b>7.3%</b>	<b>+3.4</b>	<b>+3.8%</b>
<i>Attributable to:</i>						
Shareholders of the Parent Company	86.6	6.6%	83.2	6.8%	+3.4	+4.1%
Minority shareholders	5.9	0.4%	5.9	0.5%	+0.0	(0.4%)

<b>Balance sheet (m€)</b>	<b>31/03/2015</b>	<b>Inc. %</b>	<b>31/12/2014</b>	<b>Inc. %</b>	<b>Ch.</b>	<b>Ch. %</b>
Net fixed assets	5,434.7	106.8%	5,445.8	106.8%	(11.1)	(0.2%)
Working capital	156.9	3.1%	153.1	3.0%	+3.8	+2.5%
(Provisions)	(503.4)	(9.9%)	(499.5)	(9.8%)	+3.9	+0.8%
<b>Net invested capital</b>	<b>5,088.2</b>	<b>100.0%</b>	<b>5,099.4</b>	<b>100.0%</b>	<b>(11.2)</b>	<b>(0.2%)</b>
Net equity	2,531.5	49.8%	2,459.0	48.2%	+72.5	+2.9%
Long term net financial debts	2,967.7	58.3%	2,969.3	58.2%	(1.6)	(0.1%)
Short term net financial debts	(411.0)	(8.1%)	(328.9)	(6.4%)	+82.1	+25.0%
Net financial debts	2,556.7	50.2%	2,640.4	51.8%	(83.7)	(3.2%)
<b>Net invested capital</b>	<b>5,088.2</b>	<b>100.0%</b>	<b>5,099.4</b>	<b>100.0%</b>	<b>(11.2)</b>	<b>(0.2%)</b>

(\*) Q1 2014 results restated to reclassify 1.3 m€ "Foni" contribution from revenues to provisions. Restatements are neutral on Ebit

