

**press release**  
Bologna, 24 March 2015

## Hera Group approves 2014 results

*The year ended with growth in all the main figures, improving the performance of the previous quarters. The resilience of the multibusiness portfolio and the extraction of synergies from consolidation are once again the main success factors. Proposed dividend confirmed at 9 cents per share*

### Financial Highlights

- Revenues of **€4,189.1 million (-6%)**
- EBITDA of **€867.8 million (+7.1%)**
- Operating income of **€441.2 million (+10.4%)**
- Adjusted net profit **€181.2 million (+24.7%)**
- Net debt of **€2.640.4 million**
- **Proposed dividend confirmed at 9 cents per share**

### Operational highlights

- **Market share in special waste continues to grow despite the scenario**
- **Good performance of customer base in energy markets, which rose to 2.1 million (compared to about 1.9 million in 2013)**
- **Operating performance, as well as financial income and tax benefits, more than offset the decline in revenues due to the mild winter and trends in energy prices**

The Hera Group Board of Directors today unanimously approved the consolidated financial results as at 31 December 2014, together with the corresponding Sustainability Report.

### OVERALL CONSOLIDATED RESULTS

Despite a 6% decrease in revenues, due mainly to the mild winter and lower energy prices, the Hera Group's results were better than in 2013, following improving performance quarter after quarter. The resilience of the balanced multi-utility portfolio, the focus on core activities, the constant market expansion and the extraction of synergies from merged operations were able to offset the negative impact of the winter weather, the mildest for the past 30 years. In addition, sector consolidation continued in Friuli Venezia Giulia, with the integration of Est Reti Elettriche. Isontina Reti Elettriche and Amga Udine, which contributed to the acceleration of results.

#### **Revenues amounting to approximately €4.2 billion**

In 2014, revenues amounted to €4,189.1 million, down 6% from €4,456.9 million in 2013. The effect of lower volume sales in electricity, due to the crisis, and in gas and district heating, due to the particularly mild weather, compounded by the decrease in commodities' sale prices, was only partially offset by the expansion of the customer base in energy services and special waste. The negative impact on sales was held in check also by the consolidation of the business operations in Gorizia and Udine.

**EBITDA of about €868 million, up 7%**

EBITDA for 2014 rose to €867.8 million, compared to €810.2 million in 2013 up €57.6 million (+7.1%). This result received a positive contribution from all the main business areas of the Group: the Gas area was up by €10.4 million, the Electricity €24.1 million, Water €23.6 million and Waste management €2.5 million.

**Better Ebit, pre-tax profit, and net financial income**

Ebit amounts to €441.2 million, up €41.5 million (+10.4%), compared to €399.7 million for 2013. Net financial income for the year ended 31 December 2014 was €138 million, up 1.3% on 2013, due mainly to lower profits posted by associated companies and joint ventures. These include Estenergy, a sale company held by AcegasApmAmga, which was affected by the unusually mild weather in early 2014. The positive factors that determined improvement in net financial income was a lower average cost of debt, compared to the previous year (which was slightly lower than 4%, thanks to refinancing transactions completed in the last 18 months) and dividend income from equity investments. Adjusted pre-tax profit (i.e. adjusting the results for non-recurring items) rose by 15.1%, from €263.4 million in 2013 to €303.2 million in 2014.

**Net profit of over €180 million**

Adjusted net profit for 2014 amounted to €181.2 million, with an increase of nearly €36 million on 2013 (+24.7%), thanks also to an improved average tax rate compared to the previous year (40.2% versus 44.8%). This item includes €17.6 million attributable to minorities (versus €16.8 million in 2013).

**Capex amounting to around €350 million and improved net debt/operating profit ratio, to 3.04X**

In 2014 the Group's gross capital expenditure amounted to €348.6 million, which reflects a 10% increase on 2013 and is in line with the business plan. Capex related mainly to activities performed on plants, grids and infrastructures.

In the last quarter of 2014 net debt fell, as it went from €2,700 million at 30 September 2014 to €2,640 million at 31 December 2014, due to improving working capital management. The resulting improved cash flows made it possible to cover the capital expenditure and to pay dividends distributed during the year. However, net debt at year-end 2014 was higher than at 31 December 2013, which amounted to €2,566.7 million, due to the consolidation of Est Reti Elettriche, Isontina Reti Gas and Amga Udine. Thus, the year ended with a ratio of net debt/EBITDA better than 2013, as it dropped from 3.17x to 3.04x, attesting to the Group's financial strengths, one of the best in the industry.

**Proposed dividend of 9 cents per share, in line with 2013**

In the light of the results achieved, the Board of Directors decided to propose a dividend of 9 cents per share to the Shareholders' Meeting on 28 April, in line with last year, representing an almost 4.6% return on the value of the shares at the end of 2013. The ex-dividend date will be 22 June 2015, with payment as from 24 June 2015.

## PERFORMANCE BY BUSINESS AREA

### Waste management

The EBITDA of the waste management business, which includes waste collection, treatment and disposal services, stood at €241.8 million (slightly up on the €239.3 million for 2013).

This figure was affected by the interruption of operations of two WTE plants (Bologna and Trieste) and the comparison with the previous year, which benefited from non-recurring income generated by the recognition of green certificates related to previous years. The business area's results improved thanks to the increase in special waste volumes (+10.6%), as a consequence of the commercial effort and an increase in intermediation activities, due also to the creation of Herambiente Servizi Industriali in March 2014. Waste management shows the constant attention paid to the environment, with a decline in the use of landfills and greater volumes treated in sorting plants as well as chemical, physical and other facilities, with a focus on waste recovery. The Group's sorted waste collection rose to 54% at 31 December 2014 (52.6% in 2013).

Gross capex in the waste business totalled €47.9 million, mainly to perform maintenance activities on, and upgrade, plants. In this business, most capital expenditures concerned the creation of small underground waste collection centres in Bologna, innovative waste collection projects and certain activities in the areas covered by AcegasApsAmga.

The contribution of the waste management business to Group EBITDA was 27.9%.

### Water

The EBITDA of the water business, which includes mains water, purification and sewerage services, stood at 217.1 million (+12.2% compared to 2013).

This business area rose on 2013, in terms of both contribution to Group EBITDA and in absolute terms. The increase in margin was due to constant efficiency improvements and to the progressive adoption of the new tariff system, which provides for full cost coverage. In fact, 2014 was the first year of application of the Water Tariff Method designed by the Authority for Electricity, Gas and Water for the 2014-2015 period, which involved also the collection of past receivables.

Gross capital expenditure in the water area amounted to €114.8 million, with an increase of €9 million on the previous year. This expenditure – which related mainly to extensions, reclamations and grid and plant improvements, as well as regulatory upgrading activities in the water and sewerage systems – amounted to €59.8 million in the aqueduct, €30.8 million in the sewer system and €24.1 million in the purification plants.

The contribution of the Integrated Water Cycle segment to Group EBITDA was 25%.

### Gas

The EBITDA of the gas business, which includes methane gas distribution and sales services, district heating and heat management, increased to €276 million (+3.9% on 2013).

Despite lower trading volumes determined by changed market conditions and the substantial drop of natural gas and district heating volumes sales, as a result of the extraordinarily mild weather in 2014, EBITDA rose thanks to the inclusion in the scope of consolidation of business operations in Gorizia and Udine for €20 million, the greater margins of energy efficiency certificates for €4 million and the operating efficiencies achieved in distributions.

In 2014 gross capex in the gas area amounted to €79.8 million, with an increase of €19.8 million on 2013. In gas distribution about €5 million was invested in the massive replacement of meters (as required by Law 155/08) and about €4.5 million determined by the inclusion in the scope of consolidation of business operations in the Triveneto area. The negative economic conditions continued in 2014 as well, with a further decrease in requests for new connections.

The contribution of the gas business to Group EBITDA was 31.8%.

### **Electricity**

The EBITDA of the electricity business, whose services include the production, distribution and sale of electricity, stood at €111.4 million (+27.6% on 2013).

Positive effects include higher margins on selling activities, especially in the free market and in *safeguard* services, greater revenues from regulated services and the inclusion of business operations in Gorizia in the scope of consolidation. Capex in this area amounted to €27.5 million, slightly up on the previous year. Activities performed concerned mainly non-routine maintenance on plants and distribution networks in Modena, Imola, Trieste and Gorizia for €10.5 million, as well as connections for €2.2 million, with the latter largely in line with the previous year.

In addition to the significant increase in absolute terms, the contribution of the electricity business to Group EBITDA rose also in percentage terms, to 12.8% (from 10.8% in 2013).

## **STATEMENTS**

### **Statement from Mr Tommasi, the Executive Chairman**

"Despite the economic recession and the particularly mild winter of 2014, the results for the year just ended are in line with the business plan, showing even better figures, thus confirming the soundness of Hera's multi-business model", said Tomaso Tommasi di Vignano, Hera's Executive Chairman.

"Organic growth and positive results in all of the Group's main business areas, on one side, and the integration activities, which allow for the extraction of synergies also from the newly-acquired companies in addition to AcegasAps, on the other, were paramount. With Amga Udine, in particular, we further expanded the number of Friuli Venezia Giulia companies included in the Group's scope of consolidation. In 2014 EBITDA per employee exceeded €100,000, also considering the expanded scope of consolidation, even though the integration of three consolidated companies is still in the initial phase. Thus, we end our twelfth year in operation in a satisfactory manner, as we were able once again to overcome the effects of the persisting unfavourable economic conditions and to achieve as early as the first year a substantial part of the growth projected in the business plan to 2018, with results rising at every level of the income statement".

### **Statement from Mr Venier, the CEO**

"The positive results achieved received a significant boost from regulated activities but they also reflect the Hera Group's ability to operate in liberalized markets, as shown by the constantly growing market share both in special waste volumes and in energy customers", said Stefano Venier, Hera's CEO.

"Important effects are also being determined by the management of the debt structure over the past 18 months, especially the issue of the first Green Bond. This process created value for all of the Group's stakeholders, as shown by all the main sustainability ratios: wealth distributed to the territory was close to €1.6 billion, capex rose for the third consecutive year and all the indicators concerning customers, employees and the environment improved."

*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 separate financial statements and the respective documentation will be available to the public at Borsa Italiana S.p.A. 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)) by 3 April 2015*

*The unaudited financial statements, extracted from the Consolidated Interim Report as at 31 December 2014, are attached hereto*

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<b>Profit &amp; Loss (€ mm.)</b>	<b>31/12/2014</b>	<i>Inc. %</i>	<b>31/12/2013</b>	<i>Inc. %</i>	<b>Change</b>	<b>% Change</b>
<b>Revenues</b>	<b>4,189.1</b>	100.0%	<b>4,456.9</b>	100.0%	<b>(267.8)</b>	<b>(6.0%)</b>
Other operating revenues	324.5	7.7%	270.6	6.1%	+53.9	+19.9%
Raw materials	(1,965.5)	(46.9%)	(2,367.8)	(53.1%)	(402.3)	(17.0%)
Services costs	(1,143.6)	(27.3%)	(1,029.3)	(23.1%)	+114.3	+11.1%
Other operating expenses	(57.1)	(1.4%)	(59.9)	(1.3%)	(2.8)	(4.7%)
Personnel costs	(496.9)	(11.9%)	(478.6)	(10.7%)	+18.3	+3.8%
Capitalizations	17.3	0.4%	18.2	0.4%	(0.9)	(4.9%)
<b>EBITDA</b>	<b>867.8</b>	<b>20.7%</b>	<b>810.2</b>	<b>18.2%</b>	<b>+57.6</b>	<b>+7.1%</b>
Depreciation and provisions	(426.6)	(10.2%)	(410.5)	(9.2%)	+16.1	+3.9%
<b>EBIT</b>	<b>441.2</b>	<b>10.5%</b>	<b>399.7</b>	<b>9.0%</b>	<b>+41.5</b>	<b>+10.4%</b>
Financial income (expense)	(138.0)	(3.3%)	(136.2)	(3.1%)	+1.8	+1.3%
<b>Adjusted pre-tax profit</b>	<b>303.2</b>	<b>7.2%</b>	<b>263.4</b>	<b>5.9%</b>	<b>+39.8</b>	<b>+15.1%</b>
Income tax for the period	(122.0)	(2.9%)	(118.1)	(2.7%)	+3.9	+3.3%
<b>Adjusted net profit</b>	<b>181.2</b>	<b>4.3%</b>	<b>145.3</b>	<b>3.3%</b>	<b>+35.9</b>	<b>+24.7%</b>
<i>Non-recurring financial expenses</i>	(8.1)	(0.2%)	(8.8)	(0.2%)	(0.7)	(7.9%)
<i>Non-recurring revenues from tax authorities</i>	9.3	0.2%	0.0	0.0%	(9.3)	+100.0%
Other non-operating revenues	0.0	0.0%	45.2	1.0%	(45.2)	(100.0%)
<b>Net Profit for the period</b>	<b>182.4</b>	<b>4.4%</b>	<b>181.7</b>	<b>4.1%</b>	<b>+0.7</b>	<b>+0.4%</b>
<i>Attributable to:</i>						
Shareholders of parent company	164.8	3.9%	164.9	3.7%	(0.1)	(0.1%)
Minority shareholders	17.6	0.4%	16.8	0.4%	+0.8	+5.1%
<b>Balance sheet (€ mm.)</b>	<b>31/12/2014</b>	<i>Inc. %</i>	<b>31/12/2013</b>	<i>Inc. %</i>	<b>Change</b>	<b>% Change</b>
Net fixed assets	5,460.9	107.1%	5,257.6	107.9%	+203.3	+3.9%
Working capital, net	153.1	3.0%	79.3	1.6%	+73.8	+93.1%
(Provisions)	(514.6)	(10.1%)	(464.5)	(9.5%)	(50.1)	+10.8%
<b>Net invested capital</b>	<b>5,099.4</b>	<b>100.0%</b>	<b>4,872.4</b>	<b>100.0%</b>	<b>+227.0</b>	<b>+4.7%</b>
Equity	2,459.0	48.2%	2,305.7	47.3%	+153.3	+6.6%
<i>Long term borrowings</i>	2,969.3	58.2%	3,214.7	66.0%	(245.4)	(7.6%)
<i>Short term net borrowings</i>	(328.9)	(6.4%)	(648.0)	(13.3%)	(319.1)	(49.2%)
Net borrowings	2,640.4	51.8%	2,566.7	52.7%	+73.7	+2.9%
<b>Net invested capital</b>	<b>5,099.4</b>	<b>100.0%</b>	<b>4,872.4</b>	<b>100.0%</b>	<b>+227.0</b>	<b>+4.7%</b>