

Press release
Bologna, 12 November 2014

Hera's Board of Directors approves 3Q14 results

The results as at 30 September 2014 show a positive and improving performance in every business, including net profit, more than offsetting the negative effects of the challenging macro scenario

Financial highlights

- EBITDA reached €632.7 million (+8.9%)
- EBIT €312.9 million (+11.1%)
- Adjusted net profit €124.8 million (+27.3%)
- Net debt €2,700.9 million

Operating highlights

- Good performance of the liberalized electric market, thanks to the commercial expansion and consolidation in the *salvaguardia* customer base, which more than offset the effects of lower volume sold determined by the macroeconomic conditions
- Volumes of special waste continued to rise (+20%), confirming the effective marketing approach adopted by Herambiente Servizi Industriali
- Good contribution of the water business to growth, thanks to efficiency improvements and the progressive alignment of tariffs with full cost coverage
- Benefits deriving from the consolidation of Isontina Reti Gas, Est Reti Elettriche and, effective 1 July 2014, of Amga Udine

Today the Board of Directors of the Hera Group approved unanimously the consolidated results as at 30 September 2014.

RESULTS AT 30/09/2014

The reported results include the contribution of AcegasAps, which was merged into the Hera Group effective 1 January 2013, and Amga Udine as of 1 July 2014.

Despite a slight decline in revenues, due to the mild winter effects of the first 4 months of the year, the main results were better than those for the comparable period in 2013, thanks to the consolidation of the acquired groups and the extraction of the synergies from mergers, as well as to Hera's good performance on a stand-alone basis.

EBITDA

At 30 September 2014 the consolidated EBITDA amounted to €632.7 million, compared to €580.8 million at 30 September 2013, up €51.9 million, or 8.9%, thanks to the Group's main business segments: gas rose by €9.5 million, electric energy by €22.4 million, water by €19.3 million and environment by €2.3 million.

EBIT and pre-tax profit

Ebit increased to €312.9 million (+11.1%). At 30 September 2014 financial expense exceeded financial income by €102.7 million, reflecting a slight improvement compared to €104.2 million as at 30 September 2013 (down 1.4%). Such benefit was due to the lower average cost of debt. This positive performance offset the decline in income contributed by the associated companies and the joint ventures, for a total of €3.4 million. Among the latter, Estenergy, a sales company held by AcegasAps, had a large impact, due to the unusually mild weather at the beginning of 2014.

Adjusted net profit

Adjusted net profit, i.e. before non-recurring income and expense, rose by €26.8 million, or 27.3%, from €98.0 million at 30 September 2013 to €124.8 million at 30 September 2014. Net profit, which reflects non-recurring income for €43.7 million following the acquisition of Acegas Aps in 2013, went from €141.7 million to €122.4 million for the nine month ended 30 September 2014.

Earnings per share amounted to €0.078, up on €0.065 per share calculated on adjusted net profit for the first nine months of 2013.

Investments and net debt

The Group's gross investments for the nine months ended 30 September 2014 amounted to €232.1 million, up on the comparable year-earlier amount (€195.4 million) and in line with the business plan.

At 30 September 2014 net debt amounted to €2,700.9 million, reflecting a decrease from the €2,730.5 million at 30 June 2014, thanks to better operating performance and a slight improvement in working capital, which more than offset the effects of the consolidation of Amga Udine as of 1 July 2014. Debt are mainly medium/long-term loans, which account for about 85% of total indebtedness, also thanks to the issue of the ten-year Green Bond.

Waste business

The EBITDA for the waste business – which includes waste collection, treatment and disposal – settled at €176.7 million, which was up (+1.3%) on the €174.4 million for the comparable period in 2013. This positive result was achieved even though 2013 benefitted from extraordinary income generated by the electricity production of the Group's WTE plants (green certificates). Volumes of special urban waste continued to grow, reaching 1,606 thousand tons (+20%), in keeping with the pace of the first half thanks to the development of commercial activities, while urban waste was largely stable, with 1,517 thousand tons.

Also sorted waste collection in the geographic areas served by the Group, as a share of the Group's total, showed growth, to 53% (compared to 52% for the same period in 2013). The contribution of the waste business to the Group's EBITDA was 27.9%.

Water business

The EBITDA for the water cycle business – which includes aqueduct, purification and sewerage – amounted to €169.0 million (+12.9% on the €149.7 million for the first nine months of 2013). In keeping with the first half, the business benefitted from the efficiencies achieved and the greater revenues generated by the application of the new national tariff system issued by AEEGSI, which provides for full cost coverage. Consumption fell by 4%.

The contribution of the integrated water business to the Group's EBITDA was 26.7%.

Gas business

The EBITDA for the gas business - which includes the distribution and sales of methane gas and LPG, remote heating and heat management – amounted to €184.1 million, compared to €174.6 million at 30 September 2013. The business benefitted from the greater volumes resulting from the full acquisition of Isontina Reti Gas, with its 35.8 million cubic metres of distributed gas, and the distribution activity, thanks to the revenues from the energy efficiency certificates (white certificates). The results of the distribution activity were not affected by the negative impact of the mild winter, as it operates under a tariff system where revenues are decoupled from volumes. Sales and trading activities had a slightly negative result, mainly due to the exceptionally mild weather of the first half of the year and the lower trading margins, following AEEGSI's reform which called for the progressive abandonment of oil-indexed prices in favour of trading on spot markets. These negative effects were partly offset by the positive fair value changes compared to the amounts recorded in the comparable period in 2013.

The contribution of the gas business to the Group's EBITDA was 29.1%.



Electric energy business

The EBITDA for the electric energy business – which includes production, distribution and sales of electric energy – amounted to €87.4 million (+34.5% on the €65.0 million at 30 September 2013). This performance was due to higher contribution of the sales and service activities to the last resort service market, greater revenues from the regulated distribution service and the inclusion in the scope of consolidation of Est Reti Elettriche. As to volumes sold, the lower demand for electric energy at the national level, due both to the economic stagnation and the mild winter, was partly offset by the increase of the customer base served, which went up to 783.4 thousand (+10.3%), thanks to strong commercial growth and the award (at the beginning of 2014) of a contract to sell to last resort service customers in several Italian regions.

The contribution of the electric energy business to the Group's EBITDA was 13.8%.

NB

The income statement for the first nine months of 2013 was adjusted by applying IFRS 11, to make it comparable with the income statement for the first nine months of 2014. IFRS 11, which became applicable as of 1 January 2014, requires the consolidation of joint ventures with the equity method, whereas until 31 December 2013 these were consolidated with the proportionate method. The investments concerned were: Estenergy Spa, Est Reti Elettriche Spa, Estpiù Spa, Isontina Reti Gas Spa, Esil scarl (ex Aristeia) and Enomondo Srl.

The executive in charge of preparing the Group's financial reports, Luca Moroni, hereby declares – pursuant to article 154-bis, 2nd paragraph of the Consolidated Law on Finance that the information contained in this press release reflects the contents of the documents, books and accounting records.

The quarterly report and the relevant documentation are available to the public as required by law at the Company's headquarters, on the website www.gruppohera.it, and on the authorized storage mechanism 1Info (www.1info.it).

The unaudited financial statements extracted from the interim financial report at 30 September 2014 are attached herewith.

www.gruppohera.it

Head of Investor Relations - Hera S.p.A.

Jens Klint Hansen

tel. + 39 051.28 77 37

e.mail: jens.hansen@gruppohera.it

Profit & Loss (m€)	30/09/2014	<i>Inc. %</i>	30/09/2013	<i>Inc. %</i>	Ch.	Ch.%
Sales	2,995.8	<i>100.0%</i>	3,279.7	<i>100.0%</i>	(283.9)	(8.7%)
Other operating revenues	221.0	<i>7.4%</i>	173.1	<i>5.3%</i>	+47.9	+27.7%
Raw material	(1,365.5)	<i>(45.6%)</i>	(1,733.1)	<i>(52.8%)</i>	(367.6)	(21.2%)
Services costs	(819.7)	<i>(27.4%)</i>	(756.8)	<i>(23.1%)</i>	+62.9	+8.3%
Other operating expenses	(40.8)	<i>(1.4%)</i>	(38.1)	<i>(1.2%)</i>	+2.7	+7.1%
Personnel costs	(369.9)	<i>(12.3%)</i>	(355.7)	<i>(10.8%)</i>	+14.2	+4.0%
Capitalisations	11.9	<i>0.4%</i>	11.6	<i>0.4%</i>	+0.3	+2.6%
Ebitda	632.7	<i>21.1%</i>	580.8	<i>17.7%</i>	+51.9	+8.9%
Depreciation and provisions	(319.8)	<i>(10.7%)</i>	(299.1)	<i>(9.1%)</i>	+20.7	+6.9%
Ebit	312.9	<i>10.4%</i>	281.7	<i>8.6%</i>	+31.2	+11.1%
Financial inc./(exp.)	(102.7)	<i>(3.4%)</i>	(104.2)	<i>(3.2%)</i>	(1.5)	(1.4%)
Pre tax profit adjusted	210.2	<i>7.0%</i>	177.5	<i>5.4%</i>	+32.7	+18.4%
Tax	(85.4)	<i>(2.9%)</i>	(79.5)	<i>(2.4%)</i>	+5.9	+7.4%
Net profit adjusted	124.8	<i>4.2%</i>	98.0	<i>3.0%</i>	+26.8	+27.3%
Non recurrent financial items	(2.5)	<i>(0.1%)</i>	0.0	<i>0.0%</i>	+2.5	+100.0%
Non operating income	0.0	<i>0.0%</i>	43.7	<i>1.3%</i>	(43.7)	(100.0%)
Net profit	122.4	<i>4.1%</i>	141.7	<i>4.3%</i>	(19.3)	(13.6%)
<i>Attributable to:</i>						
Shareholders of the Parent Company	111.3	<i>3.7%</i>	130.5	<i>4.0%</i>	(19.2)	(14.7%)
Minority shareholders	11.0	<i>0.4%</i>	11.2	<i>0.3%</i>	(0.1)	(1.3%)

Balance sheet (m€)	30/09/2014	<i>Inc. %</i>	31/12/2013	<i>Inc. %</i>	Ch.	Ch.%
Net fixed assets	5,505.1	<i>107.7%</i>	5,327.4	<i>109.3%</i>	+177.7	+3.3%
Working capital	201.0	<i>3.9%</i>	79.3	<i>1.6%</i>	+121.7	+153.5%
(Provisions)	(595.8)	<i>(11.7%)</i>	(534.3)	<i>(11.0%)</i>	+61.5	+11.5%
Net invested capital	5,110.3	<i>100.0%</i>	4,872.4	<i>100.0%</i>	+237.9	+4.9%
Net equity	2,409.4	<i>47.1%</i>	2,305.7	<i>47.3%</i>	+103.7	+4.5%
Long term net financial debts	2,963.2	<i>58.0%</i>	3,214.7	<i>66.0%</i>	(251.5)	(7.8%)
Short term net financial debts	(262.3)	<i>(5.1%)</i>	(648.0)	<i>(13.3%)</i>	(385.7)	(59.5%)
Net financial debts	2,700.9	<i>52.9%</i>	2,566.7	<i>52.7%</i>	+134.2	+5.2%
Net invested capital	5,110.3	<i>100.0%</i>	4,872.4	<i>100.0%</i>	+237.9	+4.9%