

**press release**

Bologna, 27 August 2014

## **Hera's Board of Directors approves H1 2014 results**

*Growth confirmed with respect to all indicators, thanks to positive trends in regulated services, special waste and electricity sales*

### **Financial highlights**

- **EBITDA reaches €450.9 million (+4.4%)**
- **Adjusted net profits for €106.8 million (+8.9%)**
- **Net financial position settles at €2,730.5 million**

### **Operating highlights**

- **Positive contribution from regulated activities, that recorded excellent performance with respect to the previous year, in particular the integrated water cycle**
- **Continued growth in volumes of special waste treated, thanks to commercial expansion**
- **Significant contribution from electricity, largely thanks to a growing customer base in the free market**
- **Substantial drop in volumes of gas and district heating distributed and sold, due to the mild winter**

Today the Hera Group's Board of Directors unanimously approved the consolidated economic results for the first six months of the year. In spite of the extraordinarily mild weather during winter season (whose impact was felt above all in energy sales in the first quarter) and the delay in expected macroeconomic recovery, the overall figures show appreciable increases, thanks to both a positive trend in regulated activities and a dynamic approach to services in special waste treatment and electricity sold on the free market.

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### **EBITDA**

The Group's EBITDA grew to €450.9 million (+4.4% with respect to €431.8 million at 30 June 2013), underpinned by a positive trend in electricity sales and distribution, the water cycle and the waste disposal business. A positive impact on the results also came from the extraction of synergies from the merger with AcegasAps, in line with the Group's business plan.

### **Operating results and adjusted pre-tax profits**

Operating profits grew to €242.8 million (+3.1%). Adjusted pre-tax profits rose to €176.3 million, compared to €171.5 million in the first semester of 2013 (+2.8%).

### **Adjusted net profits**

Due to the tax rate fixed at 39.9%, an improvement with respect to the previous fiscal year (42.8%), and thanks to the lower impact of the Robin Hood Tax and the redefinition of the IRAP tax rate, adjusted net profits increased to €106.8 million (+8.9% with respect to €98.1 million at 30/06/2013).

### Net profits for the first half

In defining net profits with respect to the first half of 2013, an entry for non-operating revenues of €43.7 million already included in the financial statements for 2013 must be considered. Therefore, subtracting non-recurring financial costs for €2.1 million as well, net profits for the half at 30/06/2014 came to €104.7 million (-26.2%), of which €96.3 million are attributable to the Parent Company's shareholders.

### Investments and net financial position

In the first 6 months of 2014, the Group's gross investments amounted to €137.3 million, in line with the forecast of the business plan, including €52.5 million (+28.7%) dedicated to the integrated water cycle.

The net financial position settled at €2,730.5 million, an increase with respect to the €2,566.7 at the beginning of the year, as an effect of the temporary increase in net working capital prevalently linked to extraordinary and/or seasonal factors.

### Waste management business

The EBITDA for the environment sector, that includes services in waste collection, treatment and disposal, stood at €122.4 million (+2.4% with respect to €119.6 million at 30/06/2013). This positive performance is mainly due to continued growth in volumes of special waste, already seen during the first quarter and achieved mainly thanks to the market expansion.

Special waste treated grew from 894 thousand tonnes at 30/06/2013 to 1,118 thousand tonnes, with an increase of 224 thousand tonnes (+25.1%). Urban waste remained substantially stable, from 989,7 thousand tonnes at 30/06/2013 to 989,2 thousand (-0,5 thousand tonnes, equal to -0.1%).

The waste management business contribution to the Group's EBITDA was 27.1%.

### Water cycle

The water cycle business, that includes aqueduct, purification and sewerage services, recorded an EBITDA of €105.3 million (+21.3% with respect to €86.8 million at 30/06/2013), which, continuing the positive trend of the first quarter, is the result of both the efficiency reached and the greater revenues owing to the new and currently effective national tariff method resolved by AEEGSI, that contains steps towards full cost coverage.

The volumes sold, 382.3 million m<sup>3</sup> overall, decreased by 1.2 million m<sup>3</sup> (-1.4 million in aqueducts due to the high amount of rainfall, +0.2 million on sewers, and stable as regards purification).

The integrated water cycle business contribution to the Group's EBITDA was 23.4%.

### Gas

The EBITDA of the gas business, that includes services in methane gas and LPG distribution and sales, remote heating and heat management, stood at €151.1 million (-9.7% with respect to €167.4 million at 30/06/2013). This considerable drop was mainly caused by the extraordinarily mild temperatures in the first quarter, that reduced the amount of volumes sold and, to a lesser degree, by lower trading margins due to changes in the method with which the price of raw materials is defined by the AEEGSI, in a progressive abandonment of oil-indexed gas prices in favour of prices defined on spot markets. These events were partially balanced by higher margins in energy efficiency credits (white certificates), as well as higher volumes mainly related to the acquisition of Isontina Reti Gas, that contributed with 35.8 million m<sup>3</sup> of gas distributed.

More specifically, volumes of gas distributed went from 1,727.2 million m<sup>3</sup> at 30/06/2013 to 1,375.7 million m<sup>3</sup>, with a fall of 351.5 million m<sup>3</sup>. Volumes of gas sold went from 1,800.6 million m<sup>3</sup> at 30/06/2013 to 1,379.2 million m<sup>3</sup> (-421.4 million m<sup>3</sup>).

The gas business contribution to the Group's EBITDA was 33.5%.

## Electricity

The EBITDA of the electricity business, that includes services in electricity production, distribution and sales, amounted to €62.7 million (+36.4% with respect to €46.0 million at 30/06/2013). This performance was due to greater margins on sales activities, higher revenues in regulated distribution services, and the consolidation of Est Reti Elettriche (an electricity distribution company based in Gorizia, acquired at 30/09/2013).

As regards volumes sold (4,464.4 Gw/h, -209.3 Gw/h with respect to 30/06/2013), the fall in electricity demand (-3.0% nationwide, due to both economic stagnation and the mild winter) was partially compensated by an increase in the customer base served, which grew to include 760,500 clients (+67,7 thousand units), thanks to strong commercial growth and a tender (in early 2014) for sales to "Safeguarded" clients in some regions of Italy.

Volumes distributed recorded a slight growth to 1,454.6 Gw/h (+9.3 Gw/h with respect to 30/06/2013), thanks to the full consolidation of Est Reti Elettriche (which contributed with 40.6 Gwh), compensating the above-mentioned fall in demand.

The electricity sector's contribution to the Group's EBITDA was 13.9%.

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## Statement by the Chairman, Tomaso Tommasi di Vignano

"Considering both the persistent recessive economic conditions and the particularly mild winter, the results of the first part of the year, that in any case witnessed a rise in all indicators, confirm the validity of Hera's multi-business model and allow us to look forward optimistically to the growth foreseen by our business plan for the current financial year", affirms Tomaso Tommasi di Vignano, Hera's Chairman. "Above and beyond the results obtained on liberalised markets, I am particularly satisfied with the progress achieved in the integration of AcegasAps within the Group, that has already allowed 4.6 million synergies to be extracted in the first half of the year alone, to be added to the 8.3 million extracted in 2013 (for a current total of approximately 13 million), reinforcing our confidence in the business plan's outlook for 15 million cumulated synergies by the end of 2014. The merger completed last 1<sup>st</sup> July with Amga Udine will no doubt have a further positive impact on this process, which is allowing the most important multi-utility in the North-East to be created within the Hera Group".

## Statement by the C.E.O., Stefano Venier

"The statements for the first half confirm the Hera Group's solidity and balance, from both an economic and a financial point of view, that has given way to indicators that have constantly risen over the last 12 years", explains Stefano Venier, Hera's C.E.O. "I am pleased to note that our track record, the fruit of a continual improvement in efficiency within our activities, was recognised during the past semester on the international market with the success met by the placement of the first Italian green bond, which inspired the trust of a highly qualified group of European investors".

## Annotation

Note that the balance sheets for the first six months of 2013 have been restated, applying the IFRS 11 standard to allow for comparison with the corresponding statements for the first six months of 2014. This standard, effective as at 1 January 2014, calls for the equity method to be used for the consolidation of interests in joint ventures that in the corresponding period of the previous fiscal year were proportionately consolidated. The following jointly controlled companies were involved: Estenergy S.p.a., Est reti elettriche S.p.A., Estpiù S.p.A., Isontina reti gas S.p.A., Aristeia scarl and Enomondo S.r.L.

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

*The half-year report on operations and the relative documentation are available to the public from Borsa Italiana S.p.A. and on the website [www.gruppohera.it](http://www.gruppohera.it), from 27 August 2014.*

*The unaudited financial statements, extracted from the Interim Report as at 30 June 2014, are attached.*

<b>Profit &amp; Loss (m€)</b>	<b>30/06/2014</b>	<i>Inc. %</i>	<b>30/06/2013</b>	<i>Inc. %</i>	<b>Ch.</b>	<b>Ch. %</b>
<b>Sales</b>	<b>2.089,1</b>	100,0%	<b>2.352,7</b>	100,0%	<b>(263,6)</b>	<b>(11,2%)</b>
Other operating revenues	139,2	6,7%	107,3	4,6%	+31,9	+29,7%
Raw material	(988,3)	(47,3%)	(1.275,9)	(54,2%)	(287,6)	(22,5%)
Services costs	(518,3)	(24,8%)	(490,8)	(20,9%)	+27,5	+5,6%
Other operating expenses	(26,9)	(1,3%)	(24,9)	(1,1%)	+2,0	+8,0%
Personnel costs	(251,7)	(12,0%)	(244,4)	(10,4%)	+7,3	+3,0%
Capitalisations	7,8	0,4%	7,8	0,3%	+0,0	+0,0%
<b>Ebitda</b>	<b>450,9</b>	<b>21,6%</b>	<b>431,8</b>	<b>18,4%</b>	<b>+19,1</b>	<b>+4,4%</b>
Depreciation and provisions	(208,1)	(10,0%)	(196,3)	(8,3%)	+11,8	+6,0%
<b>Ebit</b>	<b>242,8</b>	<b>11,6%</b>	<b>235,5</b>	<b>10,0%</b>	<b>+7,3</b>	<b>+3,1%</b>
Financial inc./(exp.)	(66,5)	(3,2%)	(63,9)	(2,7%)	+2,6	+4,1%
<b>Pre tax profit adjusted</b>	<b>176,3</b>	<b>8,4%</b>	<b>171,5</b>	<b>7,3%</b>	<b>+4,8</b>	<b>+2,8%</b>
Tax	(69,5)	(3,3%)	(73,5)	(3,1%)	(4,0)	(5,4%)
<b>Net profit adjusted</b>	<b>106,8</b>	<b>5,1%</b>	<b>98,1</b>	<b>4,2%</b>	<b>+8,7</b>	<b>+8,9%</b>
Non recurrent financial items	(2,1)	(0,1%)	0,0	0,0%	+2,1	+100,0%
Non operating income	0,0	0,0%	43,7	1,9%	(43,7)	(100,0%)
<b>Net profit</b>	<b>104,7</b>	<b>5,0%</b>	<b>141,8</b>	<b>6,0%</b>	<b>(37,1)</b>	<b>(26,2%)</b>
<i>Attributable to:</i>						
Shareholders of the Parent Company	96,3	4,6%	134,1	5,7%	(37,8)	(28,2%)
Minority shareholders	8,5	0,4%	7,7	0,3%	+0,8	+10,4%

<b>Balance sheet (m€)</b>	<b>30/06/2014</b>	<i>Inc. %</i>	<b>31/12/2013</b>	<i>Inc. %</i>	<b>Ch.</b>	<b>Ch. %</b>
Net fixed assets	5.335,0	106,9%	5.327,4	109,3%	+7,6	+0,1%
Working capital	206,7	4,1%	79,3	1,6%	+127,4	+160,7%
(Provisions)	(551,6)	(11,1%)	(534,3)	(11,0%)	(17,3)	+3,2%
<b>Net invested capital</b>	<b>4.990,1</b>	<b>100,0%</b>	<b>4.872,4</b>	<b>100,0%</b>	<b>+117,7</b>	<b>+2,4%</b>
Net equity	2.259,6	45,3%	2.305,7	47,3%	(46,1)	(2,0%)
Long term net financial debts	2.929,2	58,7%	3.214,7	66,0%	(285,5)	(8,9%)
Short term net financial debts	(198,7)	(4,0%)	(648,0)	(13,3%)	(449,3)	(69,3%)
Net financial debts	2.730,5	54,7%	2.566,7	52,7%	+163,8	+6,4%
<b>Net invested capital</b>	<b>4.990,1</b>	<b>100,0%</b>	<b>4.872,4</b>	<b>100,0%</b>	<b>+117,7</b>	<b>+2,4%</b>