press release
Bologna, 14 May 2014

The Hera Board of Directors approves the 2014 Q1 results

The multi-business portfolio and growth in electricity and waste liberalised markets underpinned an overall increase in spite of the mild winter

Financial Highlights

- **EBITDA of €275.6 million (+1.7%)**
- **Revenues of €1,226.6 million (-12.0%)**
- **Adjusted net profit pre-minorities of €89.1 million (+2.8%)**
- **Net financial position down to €2,540.3 million**

Operational Highlights

- **Considerable fall in gas volumes and district heating distributed and sold, as a result of the warmest winter for 30 years**
- **Continuation in the increase in special-waste volumes treated, thanks to the commercial strength and plant and logistics platform**
- **In the electricity business, 12.3% growth in the customer base and a good contribution, in distribution activities, of the integration of Est Reti Elettriche**

Today, the Hera Group Board of Directors unanimously approved the consolidated financial results for the first three months of the year. In spite of the unusually mild weather in the period, which had a negative effect on energy sales, the overall figures show significant increases, thanks to the balance of the multi-business services portfolio and the commercial strength deployed by the Group with regard to special waste and the electricity free market.

Revenues

Revenues fell by €166.5 million, going from €1,393.1 million for the first quarter of 2013 to €1,226.6 million for the first quarter of 2014 (-12.0%). The fall was due in particular to the lower volumes of gas sold for the weather-related reasons mentioned above and the fall in the price of the raw materials in the sale of electricity. These events were, however, partly offset by greater revenues from the increase in waste treatment and disposal of and greater revenues from regulated activities (urban waste, integrated water cycle and energy distribution).

USEFUL LINKS

- The Hera website IR area
- The Hera Industrial Plan
- Hera overview

MULTIMEDIA

- Photo of Tomaso Tommasi di Vignano
- Photo of Stefano Venier
- Photo of Hera offices

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EBITDA
Consolidated EBITDA rose to €275.6 million (+1.7% compared with the €271.1 million recorded as at 31 March 2013), due partly to the reduction in the cost of raw materials and other materials, which was more than proportional to the fall in revenues caused by the afore-mentioned drop in volumes. Synergies from the aggregation with AcegasAps had a positive impact on the result, in line with the forecasts in the business plan.

Operating profit and pre-tax profit
Operating profit stood at €172.9 million (+0.2%). Pre-tax profit (which in the comparison with the first quarter of 2013 saw the non-operating income adjusted by €42.7 million, resulting from the positive difference between the net value of the consolidated assets of AcegasAps and the market value of same – IFRS 3) stood at €140.5 million (-2.4%).

Net profit
Because of a tax rate of 36.5%, a considerable improvement over the previous year (39.8%), as a result of the lower impact of the Robin Hood Tax, adjusted net profit rose to €89.1 million (+2.8% compared with €86.7 million as at 31 March 2013), of which €83.2 million pertained to the Parent Company.

Investments and net financial position
In the first three months of 2014, the Group's gross investments totalled €56.2 million, in line with the business plan. Of this amount, €21.2 million was invested in the integrated water cycle.
The net financial position stood at €2,540.3 million, a fall in relation to the figure of €2,566.7 as at 31 December 2013, thanks to the positive cash flows generated in the quarter.

Waste management
The EBITDA of the waste management business, which includes waste collection, treatment and disposal services, stood at €69.8 million (+7.9% compared with the €64.7 million recorded as at 31March 2013). This strong performance is mainly attributable to the continued increase in special waste volumes, achieved thanks to the development of commercial activities.
Special waste treated increased from 410.8 thousand tonnes as at 31 March 2013 to 561.9 thousand tonnes, an increase of 151.1 thousand tonnes (+36.8%). Urban waste went from 445.3 thousand tonnes as at 31 March 2013 to 454.9 thousand tonnes (+9.6 thousand tonnes).
The contribution of the waste management business to Group EBITDA was 25.3%.

Water cycle
The water cycle business, which includes mains water, purification and sewerage services, produced EBITDA of €48.5 million (+10.0% compared with €44.1 million as at 31 March 2013). The result was positively affected by both improved operating efficiency and the greater revenues from the entry into force of the new AEEGSI domestic tariff system, which provides for convergence towards full cost coverage.
Volumes sold, totalling 180.9 million m^3, fell by 1.7 million m^3 (-0.9 million for mains water, -0.6 million for sewerage services and -0.2 million for purification).
The contribution of the integrated water cycle business to Group EBITDA was 17.6%.

Gas
The EBITDA of the gas business, which includes methane gas and LPG distribution and sales services, district heating and heat management, stood at €116.6 million (-10.3% compared to €130.0 million as at

31 March 2013). The significant fall is due mainly to the extraordinarily mild weather in the first quarter, which caused a drop in volumes sold. These events are partly offset by the increased margins of energy efficiency certificates (white certificates), in addition to increased volumes resulting from the full acquisition of Isontina Reti Gas, which contributed 42.0 million m^3 of gas distributed.

Specifically, gas volumes distributed went from 1,368.1 million m^3 as at 31 March 2013 to 1,059.9 million m^3, a fall of 308.2 million m^3. Volumes of gas sold, on the other hand, went from 1,219.8 million m^3 as at 31 March 2013 to 1,050.8 million m^3 (-169.0 million m^3).

The contribution of the gas business to Group EBITDA was 42.3%.

Electricity

The EBITDA of the electricity business, which includes electricity production, distribution and sales services, amounted to €36.2 million (+36.2% compared with €26.6 million at 31/03/2013). This performance resulted from the greater margins for sales activities and the greater revenues of the regulated distribution service.

As far as sales volumes are concerned (2,285.3 Gw/h, -86.0 Gw/h compared with 31 March 2013), the fall in demand for electricity (-4.8% in the reference area because of both economic stagnation and the mild winter) was partly offset by the increase in the customer base, rising by 68 thousand units (+12.3%), thanks to the strong commercial growth and the awarding (at the beginning of 2014) of the contract for sales to energy protection service customers in some regions of Italy.

Volumes distributed increased slightly to 744.9 Gw/h (+4.0 Gw/h compared with 31 March 2013), thanks to the full consolidation of Est Reti Elettriche, the Gorizian electricity distribution company purchased on 30 September 2013, which offset the above-mentioned fall in demand.

The contribution of the electricity business to Group EBITDA was 13.1%.

Statement from Mr Tommasi, the Chairman

“The results achieved in the first quarter confirm the validity of Hera’s multi-business model, which has balanced the losses recorded in the gas business because of the warm winter”, stated Tomaso Tommasi di Vignano, Hera’s Chairman. “The current dimensions of the Group were also instrumental in the results, allowing the deployment of force and efficiency in the liberalised markets. For special waste, being able to count on such an extensive plant and logistics platform has made it possible to increase market shares in a sector in which overall volumes are still finding it hard to take off again”.

Statement from Mr Venier, the CEO

“The reduction in the financial position in this quarter is the sign of a good capacity to maintain a correct financial balance, in spite of the difficult economic situation in several operating areas, explained the CEO, Stefano Venier. "Progress in the integration of AcegasAps, which is getting ready to take on the activities of Amga Udine from next July, is excellent”.

Note.

Note that the financial statement figures for the first three months of 2013 were adjusted by applying IFRS 11 in order to make them comparable with those of the first three months of 2014. This principle, which came into force from 1 January 2014, requires consolidation using the shareholders' equity method for investments in joint ventures, which until 31 December 2013 were consolidated using the proportional method. The investments involved were: Estenergy S.p.a., Est reti elettriche S.p.A., Estpiù S.p.A., Isontina reti gas S.p.A., Aristea scarl and Enomondo S.r.L

The Director in charge of the preparation of the Company accounting documents, Luca Moroni, declares, pursuant to Article 154-bis, paragraph 2 of the Consolidated Finance Act, that the accounting information contained in this document corresponds to the records available and to the accounting ledgers and registers.

The Consolidated Quarterly Report and the related documentation are available to the public at Borsa Italiana S.p.A. and on the website, www.gruppohera.it, from 14 May 2014.

The financial statements, extracted from the Consolidated Interim Report as at 31 March 2014, not subject to audit, are attached.

Profit & Loss *(m€)*	**31/03/2014**	*Inc. %*	**31/03/2013**	*Inc. %*	***Ch.***	***Ch.%***
Sales	**1,226.6**	*100.0%*	**1,393.1**	*100.0%*	***(166.5)***	***(12.0%)***
Other operating revenues	65.9	*5.4%*	48.7	*3.5%*	*+17.1*	*+35.3%*
Raw material	(638.6)	*(52.1%)*	(796.5)	*(57.2%)*	*(157.9)*	*(19.8%)*
Services costs	(243.2)	*(19.8%)*	(243.0)	*(17.4%)*	*+0.2*	*+0.1%*
Other operating expenses	(11.6)	*(0.9%)*	(11.2)	*(0.8%)*	*+0.4*	*+3.6%*
Personnel costs	(127.1)	*(10.4%)*	(123.0)	*(8.8%)*	*+4.1*	*+3.3%*
Capitalisations	3.7	*0.3%*	3.1	*0.2%*	*+0.6*	*+19.4%*
Ebitda	**275.6**	*22.5%*	**271.1**	*19.5%*	***+4.5***	***+1.7%***
Depreciation and provisions	(102.7)	*(8.4%)*	(98.5)	*(7.1%)*	*+4.2*	*+4.3%*
Ebit	**172.9**	*14.1%*	**172.6**	*12.4%*	***+0.3***	***+0.2%***
Financial inc./(exp.)	(32.4)	*(2.6%)*	(28.6)	*(2.1%)*	*+3.8*	*+13.3%*
Pre tax profit adjusted	**140.5**	*11.5%*	**144.0**	*10.3%*	***(3.5)***	***(2.4%)***
Tax	(51.3)	*(4.2%)*	(57.3)	*(4.1%)*	*(6.0)*	*(10.5%)*
Net profit adjusted	**89.1**	*7.3%*	**86.7**	*6.2%*	***+2.4***	***+2.8%***
Non operating income	0.0	*0.0%*	42.7	*3.1%*	*(42.7)*	*(100.0%)*
Net profit	**89.1**	*7.3%*	**129.4**	*9.3%*	***(40.3)***	***(31.2%)***
Attributable to:						
Shareholders of the Parent Company	*83.2*	*6.8%*	*123.5*	*8.9%*	*(40.3)*	*(32.6%)*
Minority shareholders	*5.9*	*0.5%*	*5.9*	*0.4%*	*+0.0*	*+0.2%*

Balance sheet *(m€)*	**31/03/2014**	*Inc.%*	**31/12/2013**	*Inc.%*	***Ch.***	***Ch.%***
Net fixed assets	5,341.2	*108.1%*	5,327.4	*109.3%*	*+13.8*	*+0.3%*
Working capital	134.3	*2.7%*	79.3	*1.6%*	*+55.0*	*+69.4%*
(Provisions)	(536.0)	*(10.9%)*	(534.3)	*(11.0%)*	*(1.7)*	*(0.3%)*
Net invested capital	**4,939.5**	*100.0%*	**4,872.4**	*100.0%*	***+67.1***	***+1.4%***
Net equity	2,399.2	*48.6%*	2,305.7	*47.3%*	*+93.5*	*+4.1%*
Long term net financial debts	*3,040.4*	*61.6%*	*3,214.7*	*66.0%*	*(174.3)*	*(5.4%)*
Short term net financial debts	*(500.1)*	*(10.1%)*	*(648.0)*	*(13.3%)*	*(147.9)*	*(22.8%)*
Net financial debts	2,540.3	*51.4%*	2,566.7	*52.7%*	*(26.4)*	*(1.0%)*
Net invested capital	**4,939.5**	*100.0%*	**4,872.4**	*100.0%*	***+67.1***	***+1.4%***