press release
Bologna, 20 March 2014

Hera Group approves results as at 31/12/2013

The year closed with growing figures, also thanks to the merger with AcegasAps. Dividend confirmed at 9 cents per share

Financial Highlights

- Revenues of 4,579.7 million (+1.9%)
- EBITDA of 830.7 million (+25.5%)
- Net profit of 181.7 million (+35.2%); adjusted net profit of 145.3 million (+32.7%)
- Net financial position down to 2,595.3 million, an improvement compared with 1/1/2013, also including AcegasAps

Operational Highlights

- The recovery in volumes of special waste continues, confirmation of the effectiveness of the business policy and thanks also to the expansion of the platform
- Good performance of the customer base in the energy markets, rising to almost 2 million (1.7 million in 2012)
- Strong contribution to the growth in the water business, thanks to efficiency improvements and the gradual increase in tariffs with a view to fully covering costs

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The Hera Group Board of Directors today unanimously approved the consolidated financial results as at 31 December 2013, together with the corresponding Sustainability Report.

OVERALL CONSOLIDATED RESULTS

In spite of a macro economic situation that is still difficult and mild weather in the last quarter of the year, the Hera Group closed 2013 with growing indicators, not only thanks to the integration of AcegasAps, but also thanks to the good results achieved by Hera alone.

Revenues

Revenues increased by 87 million (+1.9%), from 4,492.7 million in 2012 to 4,579.7 million in the same period of 2013. The positive contribution from the merger with AcegasAps (+502.4 million) more than offset the lower Hera revenues (-415.5 million), due mainly to the falls recorded in gas trading and sale volumes and the lower volumes of electricity sold.

EBITDA

EBITDA rose to 830.7 million (+25.5% compared with the figure of 662.1 million in 2012). The entry of AcegasAps made a contribution of 141.6 million to the 168.6 million change, a significant increase compared with the 130.3 of 2012 thanks also to the 8 million of

USEFUL LINKS

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

MULTIMEDIA

- **Video commentary on the results by the Chairman, Tommasi**
- **Photo of Tomaso Tommasi di Vignano**
- **Photo of Maurizio Chiarini**
- **Hera institutional photo**

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synergies achieved through the merger. The remaining part of the growth was generated by organic growth of the traditional scope.

Operating profit and pre-tax profit

Operating profit increased to 415.8 million (+23.9% compared with 335.5 million in 2012). The cost of financial operations rose from 128.7 to 155.1 million (+20.5%), mainly due to the incorporation of AcegasAps within the scope of consolidation. In line with what has already been seen in the first nine months of 2013, the Group also recorded extraordinary income of 45.2 million in relation to the difference between the net value of the consolidated assets of AcegasAps and the market value of the incorporation of said company into the Hera Group and non-recurring financial costs of 8.8 million resulting also from the write-down of the investment in Tirreno Power of approximately 11 million.
As a result, pre-tax profit stood at 306.0 million (+43.3%).

Net profit

Net profit for the period rose to 181.7 million (+35.2% compared with the 134.4 million of 2012), taking into consideration the tax rate, net of the extraordinary effects, of 46.1%. Removing the extraordinary items mentioned above from the result, the adjusted net profit stands at 145.3 million (+32.7% compared with 109.5 million in 2012). Net profit post minorities stood at 164.9 million, a 38.9% increase (net of the extraordinary items it stood at 128.5 million, +37%).

Investments and net financial position

The Group's gross investments, net of disposals, taking into account the integration of AcegasAps, totalled 314.5 million, in line with the business plan. Of this amount, more than one third (105.8 million) was invested in the integrated water cycle.
The net financial position (NFP) as at 31 December 2013 stood at 2,595.3 million compared with a figure of 2,686.0 million as at 31/12/2012 (which includes the net financial position of AcegasAps at the same date). This result highlights a reduction in debt of 91 million, essentially in line with the positive operating cash generation. All financial leverage evaluation ratios showed an improvement. Specifically, the NFP/EBITDA ratio improved by 3.12 times (compared with the proforma figure of 3.39 times of 31/12/2012 taking into consideration AcegasAps' payables at the same date).
During the course of the year, the Groups' financial debt achieved a greater balance between variable rate and fixed rate payables (respectively 47% and 53% of the Group's debt) which allowed a decrease in the average cost of debt by approximately 50 bps.
Once again, the Groups' debts were largely made up of medium-/long term debts, which account for approximately 91% of the total debt.

Proposed dividend

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 23 April, in line with last year, representing an almost 5.5% return on the value of the shares at the end of 2013. The clipping of the coupon will take place on 2 June 2014, with payment as from 5 June 2014.

PERFORMANCE BY BUSINESS AREA

Waste management

The EBITDA of the waste management business, which includes waste collection, treatment and disposal services, stood at 237.7 million (+29.5% compared with the 183.5 million recorded in 2012).

The good performance is attributable, in the first place, to the significant recovery in volumes of special waste, thanks to the strong commercial commitment, which more than offset the effects of the ongoing crisis. Specifically, it has been possible to penetrate new market areas, thanks to an extended platform, with a more efficient territorial distribution and as a result of the company mergers (Energonut and AcegasAps). The resulting more efficient use of all the types of treatment plants managed and the operation of new bio-digestion plants, have also led to a more efficient exploitation of the energy content of waste, rising to 1.05 Twh (+47.8% compared with 2012).

Special waste treated, excluding the contribution from AcegasAps, went from 1,558.8 thousand tonnes in 2012 to 1,734.8 thousand tonnes in 2013, an increase of 176 thousand tonnes corresponding to 11.2%. As far as urban waste is concerned, and still excluding Acegas Aps, this went down slightly, on account of the economic situation, from 1,770.6 thousand tonnes in 2012 to 1,756.1 thousand tonnes in 2013. The contribution of AcegasAps in terms of volumes stood at 201.8 thousand tonnes of special waste and 254.5 thousand tonnes of urban waste.

The contribution of the waste management business to Group EBITDA was 28.6%.

Water

The EBITDA of the water business, which includes mains water, purification and sewerage services, stood at 223.3 million (+40.4% compared with 158.3 million in 2012).

The volumes sold, with reference to Hera alone, went down from 690.5 million cubic meters in 2012 to 663.0 million cubic meters in 2013 (-27.5 million cubic meters), as a result of the economic situation (which had a negative impact on the property market and therefore on new connections) and the high rainfall in the year. The contribution of AcegasAps amounted to 132.7 million cubic meters, therefore the overall volumes sold rose to 795.7 million cubic meters. The segment's EBITDA did benefit, however, from further gains in operating efficiency and the gradual introduction of the new tariff system (currently in a transitional phase), which provides for tariffs to approach full cost coverage.

The contribution of the Integrated Water Cycle segment to Group EBITDA was 26.8%.

Gas

The EBITDA of the gas business, which includes methane gas distribution and sales services, district heating and heat management, increased to 276.2 million (+14.7% compared with 240.7 million in 2012).

The lower margins for trading activities (which suffered a drop in volumes of 31.5% due to a fall in demand in the thermoelectric sector and the gradual alignment between VTP prices and those of the northern European hubs in the wholesale market), the effects of the Authority's review of the CCI component of tariffs for increased consumer protection (a tariff component which, from 1 April 2013 was determined based on commodity spot prices, rather than take or pay contracts) all had an impact on performance. Increased margins in the district heating service, related to savings in gas procurement costs and the activities of AcegasAps, on the other hand, had a positive effect.

As far as volumes are concerned, gas distributed went from 2,360.1 million cubic metres in 2012 to 2,878.4 million cubic metres in 2013, an increase of 518.3 million cubic metres, due entirely to the contribution of 522.8 million cubic metres from AcegasAps.

Volumes of gas sold, on the other hand, went from 3,478.9 million cubic metres in 2012 to 3,185.1 million cubic metres in 2013 (-293.8 million cubic metres), with a contribution of 197.3 million cubic metres from AcegasAps.

The contribution of the gas business to Group EBITDA was 33.2%.

Electricity

The EBITDA of the electricity business, whose services include the production, distribution and sale of electricity, stood at 85.5 million (+37.3% compared with 62.3 million in 2012). In addition to the contribution of Acegas, the increase is due to greater revenues from regulated distribution services and improved margins for sale and trading activities.

Volumes sold, 9,425 Gw/h, fell slightly (-110 Gw/h compared with 2012) in spite of the positive contribution of AcegasAps, which was 499.4 Gw/h. The drop in volumes attributable to Hera alone was the result of the permanent weakness in demand for electricity in Italy, which the Group counteracted by expanding its customer base further. It increased from 541.1 thousand supply points in 2012 to more than 719 thousand in 2013. The increase of 178 thousand customers was due to both the contribution of AcegasAps (+120 thousand) and to organic growth of the Hera customer base (+58 thousand).

Volumes distributed increased to 2,970.6 Gw/h (+737.2 Gw/h compared with 2012). AcegasAps' contribution was 769.2 Gw/h.

The contribution of the electricity business to Group EBITDA was 10.3%.

STATEMENTS

Statement from Mr Tommasi, the Chairman

"The 2013 figures show how the integration process of AcegasAps has allowed the Group to benefit immediately from the efficiencies, which have exceeded expectations", explained Tomaso Tommasi di Vignano, Hera Chairman. "In recent months we have also developed other extraordinary operations which are allowing us to further reinforce our presence in the north east of the country. I also believe the results of the commercial strategies followed are very satisfactory, allowing us both to reverse the trend, which was previously negative, in waste treatment activities, and to continue our penetration in the sale of energy services. It is very gratifying to end the eleventh consecutive financial statements in the black, once again more than offsetting the negative effects of the continuing macroeconomic situations and achieving a fundamental part of the growth forecast in the business plan to 2017 as early as the first year".

Statement from Mr Chiarini, the CEO

"The 2013 results confirm the solidity of the Groups' activities along a path of continuous growth: the financial structure of the Group has also been strengthened thanks to a positive cash generation that has allowed a decrease in debt (in a comparison on a homogenous basis in relation to the consolidation of AcegasAps) and a significant improvement of the NFP/EBITDA ratio, confirmed Maurizio Chiarini, Hera CEO. The merger with AcegasAps has also contributed to the further consolidation of the businesses regulated in the EBITDA formation. Added to these positive results is the confirmed progress made in the sustainability report, which confirms the Group's focus on its major stakeholders".

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 website by 4 April 2014.

The financial statements, extracted from the Consolidated Interim Report as at 31 December 2013, not subject to audit, are attached hereto.

Profit & Loss *(m€)*	**2012**	*Inc%*	**2013**	*Inc%*	***Ch.***	***Ch.%***
Sales	**4,492.7**	***100.0%***	**4,579.7**	***100.0%***	***+87.0***	***+1.9%***
Other operating revenues	203.6	*4.5%*	271.7	*5.9%*	*+68.1*	*+33.4%*
Raw material	(2,726.0)	*(60.7%)*	(2,454.8)	*(53.6%)*	*+271.2*	*(10.0%)*
Services costs	(912.7)	*(20.3%)*	(1040.5)	*(22.7%)*	*(127.8)*	*+14.0%*
Other operating expenses	(46.8)	*(1.0%)*	(60.9)	*(1.3%)*	*(14.1)*	*+30.1%*
Personnel costs	(382.0)	*(8.5%)*	(482.7)	*(10.5%)*	*(100.7)*	*+26.4%*
Capitalisations	33.4	*0.7%*	18.2	*0.4%*	*(15.1)*	*(45.3%)*
EBITDA	**662.1**	***14.7%***	**830.7**	***18.1%***	***+168.6***	***+25.5%***
Depreciation and provisions	(326.6)	*(7.3%)*	(414.9)	*(9.1%)*	*(88.3)*	*+27.0%*
EBIT	**335.5**	***7.5%***	**415.8**	***9.1%***	***+80.3***	***+23.9%***
Financial inc./(exp.)	(128.7)	*(2.9%)*	(155.1)	*(3.4%)*	*(26.4)*	*+20.5%*
Other non operating revenues	6.7	*0.1%*	45.2	*1.0%*	*+38.6*	*+578.3%*
Pre tax Profit	**213.5**	***4.8%***	**306.0**	***6.7%***	***+92.5***	***+43.3%***
Tax	(79.1)	*(1.8%)*	(124.3)	*(2.7%)*	*(45.2)*	*+57.2%*
Net Profit	**134.4**	***3.0%***	**181.7**	***4.0%***	***+47.3***	***+35.2%***
Attributable to:						
Shareholders of parent company	118.7	*2.6%*	164.9	*3.6%*	*+46.2*	*+39.0%*
Minority shareholders	15.7	*0.3%*	16.8	*0.4%*	*+1.1*	*+6.8%*

Data have been reclassified in accordance with IFRIC 12 principle

Balance sheet *(m€)*	**31/12/2012**	*Inc.%*	**31/12/2013**	*Inc.%*	***Ch.***	***Ch.%***
Net fixed assets	4,418.7	*107.9%*	5,340.2	*109.0%*	*+921.5*	*+20.9%*
Working capital	116.6	*2.8%*	95.9	*2.0%*	*(20.7)*	*+17.7%*
(Provisions)	(440.1)	*(10.7%)*	(535.1)	*(10.9%)*	*(95.1)*	*+21.6%*
Net invested capital	**4,095.2**	***100.0%***	**4,901.0**	***100.0%***	***+805.8***	***+19.7%***
Net equity	1,878.6	*45.9%*	2,305.7	*47.0%*	*+427.1*	*+22.7%*
Long term net financial debts	*2,366.8*	*57.8%*	*3,224.7*	*65.8%*	*+858.0*	*+36.2%*
Short term net financial debts	*(150.1)*	*(3.7%)*	*(629.4)*	*(12.8%)*	*(479.3)*	*+319.3%*
Net financial debts	2,216.6	*54.1%*	2,595.3	*53.0%*	*+378.7*	*+17.1%*
Net invested capital	**4,095.2**	***100.0%***	**4,901.0**	***100.0%***	***+805.8***	***+19.7%***