press release
Bologna, 22 March 2013

Hera Group approves results to 31/12/2012

Group achieves continued growth despite the difficult economic environment. Revenues just under €4.5 billion (+9.4%), with EBITDA at €662 million (+2.7%). Dividend confirmed at 9 cents per share.

Financial highlights

- **Revenues: €4,492.7 million (+9.4% from 2011)**
- **EBITDA: €662.0 million (+2.7% from 2011)**
- **Net profit for the period: €118.7 million (+13.5% from 2011)**
- **Net financial position: €2,216.6 million**
- **Proposed dividend: 9 cents/share (unchanged from 2011)**

Operating highlights

- **Continued balanced growth in water and urban waste, thanks to efficiency improvements and tariff adjustments in relation to investments made**
- **Positive contribution made by the Gas Area, thanks to increased sales volumes**
- **Positive impact of the Energonut waste-to-energy plants in Pozzilli (Isernia Province) and in Rimini**

Hera Group's Board of Directors, chaired by Tomaso Tommasi di Vignano, today unanimously approved the results for the year 2012, together with the corresponding Sustainability Report, following a now longstanding procedure.

OVERALL CONSOLIDATED RESULTS

Despite the ongoing difficult macroeconomic environment, the financial statements show rising indicators in line with the consistent progress made in previous years.

Revenues

Revenues increased to €4,492.7 million (+9.4% compared to €4,105.7 million at 31/12/2011). This was due to the contribution made by greater gas and electricity revenues brought about by both rising raw materials prices and higher sales volumes. There was also an increase in revenues relating to the integrated water service.

EBITDA

EBITDA increased by 2.7% to €662.0 million, compared with €644.8 million at 31/12/2011. This growth was largely driven by good performances in the Gas and Integrated Water Cycle areas. The result is especially significant given that 2012 saw the end of the CIP6 incentive for the FEA waste-to-energy plant in Granarolo (Bologna Province), which had a negative impact of approximately €18.0 million on the Environment Area. This was more than offset by organic growth and the development of synergies, which had a positive impact totalling €24.2 million.

Operating profit, pre-tax profit and net profit

Operating profit, equal to €335.4 million (+0.3%), was affected by extraordinary effects relating to provisions (for a total of around €13 million), which were also reflected in pre-tax profit totalling €213.4 million, slightly lower (-3.5%) than the previous year. Financial charges increased due to the higher average debt and the trend of credit spreads.

Net profit after minority interests increased, however, to €118.7 million (+13.5%), seeing strong growth thanks to the reduction in the tax rate, which also includes non-recurring positive effects amounting to €18.2 million, and the lower proportion represented by minority interests, especially in relation to subsidiary FEA.

Investments

In line with the Business Plan, capex (gross of disposals) during the year stood at €289.3 million, with a balanced mix between the different business areas. In the Integrated Water Cycle, capex mainly concerned network and plant expansion, decontamination and upgrades, in addition to regulatory compliance measures, especially in the purification and sewerage areas. In the Gas Area, resources were directed towards network expansion, decontamination and upgrading distribution networks and plants, as well as the installation of new remote meters. District heating investments included network extension and plants upgrading in the Bologna, Imola, Forlì Cesena, Ferrara and Modena areas. In the Electricity Area, investments were mainly focused on service extension and extraordinary maintenance of plants and distribution networks in the Modena and Imola local areas, and on network support services. This also includes the acquisition during 2012 by subsidiary Hera Energie Rinnovabili of four companies working in photovoltaic generation. In the Environment Area, expenditure was concentrated on the maintenance and upgrading of existing plants, with particular focus on wet urban waste processing centres, as part of a multi-year plan providing for the installation of new anaerobic biodigester plants throughout the country.

Aside from capex, financial investments totalled €1.3 million, used to acquire a stake in the share capital of Q.tHermo for the construction of the Florence incinerator.

Net financial position

The net financial position (NFP) at 31 December 2012 was €2,216.6 million, compared with €1,987.1 million on the same date in 2011. The increase is due to the expansion of the Group's perimeter of consolidation, the dilution of working capital, as a result of increased trade receivables caused by the economic crisis and the May 2012 earthquake, and the dividends distributed during 2012.

The DEBT-to-EBITDA ratio is 3.34x. Taking into account the contribution of the acquisition of Energonut in terms of margins for the entire 2012 financial year, the ratio would be 3.29x.

Once again, the Group's debts were largely made up of medium-/long-term debts (88% of the total), perfectly balancing the Group's capital structure, which is characterised by a high level of fixed assets.

Proposed dividend steady at 9 cents per share

In view of the results achieved, the Board of Directors has decided to propose to the General Shareholders' Meeting a dividend per share of 9 cents, in line with what was paid in the previous year. The ex-dividend date will be 3 June 2013, with payment starting on 6 June 2013.

PERFORMANCE BY BUSINESS AREA

Environment Area

The EBITDA of the Environment Area, which includes waste collection, treatment and disposal services, stood at €183.5 million (-5.5% against €194.2 million in 2011). Aside from the cessation of the aforementioned CIP6 incentive for the FEA waste-to-energy plant in Granarolo (Bologna Province), the result reflects decreased volumes of waste, both urban (-2.1%) and special (-0.9%), disposed of due to the harsh macroeconomic climate, although there was an encouraging year-on-year improvement in volumes during the final four months of the year. These effects were largely offset by greater revenues from environmental hygiene services (due to the application of the rates set by local authorities, approaching full coverage of costs) and from electricity generation, thanks to the Rimini waste-to-energy plant and several biogas plants entering full operation, and the launch of new bio digester plants. The

improvement in waste-to-energy conversion capacity also brought about an increase in renewable electricity generation, from 676.4 GWh in 2011 to 695.5 GWh in 2012.
The Environment Area contributed 27.7% of Group EBITDA.

Gas Area

The EBITDA of the Gas Area, which includes methane gas and LPG distribution and sales services, district heating and heat management, saw a significant increase to €240.7 million (+15.3% compared to €208.7 million in 2011). Against a basically stable customer base (1,116,300; +0.2%) and slightly lower distributed volumes (2,360.1 million cubic metres; -1.2%), the increase was achieved thanks to efficient raw materials procurement methods and increased trading activity (€1,396.0 million cubic metres; +11.4%), which sustained the growth in sales volumes (€3,478.9 million cubic metres; +4.8%). Greater numbers of white certificates awarded and higher margins on heating sold through district heating also contributed to the result.
The Gas Area contributed 36.4% of Group EBITDA.

Electricity Area

The EBITDA of the Electricity Area, which includes electricity production, distribution and sales services, amounted to €62.3 million (-15.0% compared with €73.2 million in 2011). This decline is due in large part to the changes in the fair value of electricity sales hedges during 2012 compared with the position at the end of 2011. The result was also negatively affected by falling sales volumes (9,535.0 GWh; -4.6%) due to the overall slow-down in consumption, as well as the continuing growth of the customer base, which increased from 482,100 at the end of 2011 to 541,100 at the end of 2012 (+12.2%). However, EBITDA was improved by the performance of distribution activities and above all of electricity generation from renewable sources , especially photovoltaic energy, thanks to the acquisitions made during the year. In this respect, it is notable that energy generation from renewable or similar sources increased from 894.8 GWh in 2011 to 910.9 GWh in 2012.
The Electricity Area contributed 9.4% to Group EBITDA.

Integrated Water Cycle Area

The EBITDA of the Integrated Water Cycle Area, which includes mains water, purification and sewerage services, stood at €158.3 million (+5.4% compared with €150.2 million in 2011). Greater revenues due to covering the higher service management costs and the application of the rates agreed with local authorities (which provide for rates approaching full cost coverage) had a positive impact on the result. These positive effects more than offset the lower connection fees, the greater costs of dealing with the water crisis in the summer of 2012 and higher energy costs to run the plants.
The Integrated Water Cycle Area contributed 23.9% to Group EBITDA.

Other Services

Other Services, which mainly include public lighting and telecommunications services, produced EBITDA of €17.3 million (-6.9% compared with €18.5 million in 2011).
Other Services contributed 2.6% to Group EBITDA.

Statement from Mr Tommasi, the Chairman

"Despite the ongoing economic crisis, in 2012 the Group succeeded in continuing the upward trend of positive results that has characterised it since its establishment," explained Tomaso Tommasi di Vignano, Hera Chairman. "This will enable us to propose to the Shareholders' Meeting to keep the same dividend as last year, 9 cents per share. The Group's expansion activities in such a difficult year are also of particular significance, above all with the completion of the merger with AcegasAps, which we expect to make a positive contribution in terms of synergies from next year onwards, as well as various other acquisitions in the energy and environmental sector."

Statement from Mr Chiarini, the CEO

"Hera's balanced portfolio of regulated and free-market activities has once again proven to be highly effective, making it possible to partly mitigate the impact of declining consumption and business activity," said Maurizio Chiarini, Hera CEO. "The net financial position, confirming the good health of the Company's finances, would have been completely in line with the forecasts made in the Business Plan not including the extraordinary acquisition of Energonut for around €50 million executed at the end of the year and the effects of legislative changes in terms of payment deferments granted to the areas affected by the May 2012 earthquake, which had an impact on working capital."

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 as of 8 April 2013.

The financial statements taken from the separate financial statements at 31 December 2012 are attached.

www.gruppohera.it

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Profit & Loss *(m€)*	**2011**	*Inc%*	**2012**	*Inc%*	***Ch.***	***Ch.%***
Sales	**4,105.7**	***100.0%***	**4,492.7**	***100.0%***	***+387.0***	***+9.4%***
Other operating revenues	210.2	*5.1%*	203.6	*4.5%*	*(6.6)*	*(3.1%)*
Raw material	(2,440.1)	*(59.4%)*	(2,726.0)	*(60.7%)*	*(285.9)*	*+11.7%*
Services costs	(870.5)	*(21.2%)*	(912.7)	*(20.3%)*	*+42.2*	*+4.8%*
Other operating expenses	(39.8)	*(1.0%)*	(46.8)	*(1.0%)*	*+7.0*	*+17.6%*
Personnel costs	(370.0)	*(9.0%)*	(382.1)	*(8.5%)*	*+12.1*	*+3.3%*
Capitalisations	49.3	*1.2%*	33.4	*0.7%*	*+15.9*	*(32.2%)*
EBITDA	**644.8**	***15.7%***	**662.0**	***14.7%***	***+17.2***	***+2.7%***
Depreciation and provisions	(310.3)	*(7.6%)*	(326.6)	*(7.3%)*	*+16.3*	*+5.3%*
EBIT	**334.5**	***8.1%***	**335.4**	***7.5%***	***+0.9***	***+0.3%***
Financial inc./(exp.)	(113.2)	*(2.8%)*	(128.7)	*(2.9%)*	*+15.5*	*+13.7%*
Other non operating revenues	0.0	*0.0%*	6.7	*0.1%*	*+6.7*	*+100.0%*
Pre tax Profit	**221.2**	***5.4%***	**213.4**	***4.8%***	***(7.8)***	***(3.5%)***
Tax	(94.5)	*(2.3%)*	(79.1)	*(1.8%)*	*(15.4)*	*+16.3%*
Net Profit	**126.8**	***3.1%***	**134.4**	***3.0%***	***+7.6***	***+6.0%***
Attributable to:						
Shareholders of parent company	104.6	*2.5%*	118.7	*2.6%*	*+14.1*	*+13.5%*
Minority shareholders	22.2	*0.5%*	15.7	*0.3%*	*(6.5)*	*(29.2%)*

Data have been reclassified in accordance with IFRIC 12 principle

Balance sheet *(m€)*	**31/12/2011**	*Inc%*	**31/12/2012**	*Inc%*	***Ch.***	***Ch.%***
Net fixed assets	4,292.7	*111.0%*	4,418.7	*107.6%*	*+126.0*	*+2.9%*
Working capital	(31.5)	*(0.8%)*	114.2	*2.8%*	*+145.7*	*+462.4%*
(Provisions)	(394.7)	*(10.2%)*	(421.4)	*(10.3%)*	*(26.7)*	*(6.8%)*
Net invested capital	**3,866.5**	***100.0%***	**4,111.5**	***100.0%***	***+245.0***	***+6.3%***
Net equity	1,879.4	*48.6%*	1,894.9	*46.2%*	*+15.5*	*+0.8%*
Long term net financial debts	*2,323.1*	*60.1%*	*2,366.8*	*57.7%*	*+43.7*	*+1.9%*
Short term net financial debts	*(336.0)*	*(8.7%)*	*(150.2)*	*(3.7%)*	*(185.8)*	*(55.3%)*
Net financial debts	1,987.1	*51.4%*	2,216.6	*53.9%*	*+229.5*	*+11.5%*
Net invested capital	**3,866.5**	***100.0%***	**4,111.5**	***100.0%***	***+245.0***	***+6.3%***