

press release

Bologna, 13 November 2012

## Hera Board of Directors approves the Q3 figures at 30 September 2012

*The positive operating performance continues in line with the first half-year results*

### Financial highlights

- Revenues of €3,322.0 million (+14.5%)
- EBITDA of €473.6 million (+1.5%)
- Net profit after minorities of €70.2 million (+3.7%)

### Operating highlights

- Significant contribution from the gas area thanks to improved margins and greater volumes
- Good performance for regulated services (water, environmental hygiene)
- Slowing down of the negative impact from the macroeconomic situation on waste treatment
- Completion of the purchase of Energonut S.p.A.

Today, the Hera Group Board of Directors unanimously approved the economic results as at 30 September 2012, which confirm a good operating performance, as already seen from the previous accounts presented, in spite of the continuing decline in the macroeconomic situation.

### **Revenues**

Group revenues as at 30 September 2012 rose to €3,322.0 million, an increase of 14.5% compared with the same period in 2011. The increase was mainly driven by the greater volumes of gas distributed and sold and by increased revenues from gas and electricity as a result of the increase in prices of raw materials.

### **EBITDA**

EBITDA increased to €473.6 million (+1.5%) mainly thanks to the good contribution from the gas area, especially in the first half-year and the positive contribution from the integrated water cycle, which affected the increased revenues covering services provided. Compared with the result achieved last year, the impact of fair values on hedging contracts was different and the contribution from incentivised electricity production was lower, specifically from the CIP6 scheme for the Bologna WTE, plant which expired in November 2011.

### **Operating result and net profit**

The operating result increased to €242.6 million (+0.9%), while pre-tax profit stood at €147.1 million (-5.8%), taking into account prudent financial management, with particular reference to liquidity, given the difficult macroeconomic climate. As a result net profit reached €79.6 million (-5.2%), while the net profit of post minorities, i.e. increased to €70.2 million (+3.7%), thanks to the improvement in the results of the companies wholly controlled by Hera.

### **Investments and net financial position**

The first nine months of the year confirm a balanced financial situation, in line with the the business plan. The Board of Directors recently approved the updated plan to 2016. Gross capital expenditure stood at €183.8 million (of which approximately one third is in the water cycle) and the net financial position stood at

€2,114.9 million, in line with the actual figure at the end of the first half-year (€2,099 million), an increase over the €1,987.1 million at the end of 2011.

### **Waste management**

EBITDA in the waste management area stood at €132.5 million (-11.2%). The positive contribution from urban waste offset the fall in the volume of waste treated, a result of the continuing economic crisis (-4.6% for urban waste and -8.0% for special waste).

The third quarter confirmed the gradual slowdown in the fall in volumes and the consequent recovery in profitability which, net of the end of the CIP6 incentive scheme on the Bologna waste-to-energy plant (which had a negative effect on revenues from electricity production to the tune of approximately €12 million in the nine months) is to remain essentially unchanged compared to the same period in 2011.

Volumes treated in waste-to-energy plants stood at 697 thousand tonnes, an increase of 5.7 thousand tonnes over the same period in the previous year, while landfills saw a decrease of 80 thousand tonnes (-8.9%). Overall, in the period under consideration, 615 thousand tonnes of urban waste were recovered, whilst it was possible to produce more than 330 GWh of electricity, also thanks to the treatment of urban waste.

Alongside industrial development operations, currently concentrated on creating plants for the increasing optimisation of separate waste collection, such as selectors and biodigesters, there was a continued commitment to researching opportunities for expanding the scope of activities.

Specifically, amongst the significant events subsequent to the end of the quarter, it is to be noted that on 5 November, following authorisation from the Antitrust Authority, the acquisition of Energonut S.p.A. was purchased from Veolia Servizi Ambientali, an energy recovery plant located in Pozzilli (IS) designed for the production of electricity from the combustion of WDF (waste-derived fuel) produced by urban waste treatment plants. The transaction, which took place based on an enterprise value of €49 million, will help Herambiente to consolidate its leadership by boosting its presence in central Italy, which suffers from a lack of waste treatment and recovery plants and continuing widespread use of landfills. The plant, which has an authorised capacity of 93,500 tonnes/year of WDF and a power output of 13 MW produced 94.6 GWh of electricity in 2011.

The waste management area contribution to the Group's EBITDA is equal to 28.0%.

### **Water cycle**

EBITDA for the water cycle rose to €120.1 million (+7.6%). The tariff adjustments to cover services, which partly made up for the lack of adjustments in previous years, made a positive contribution to the good result. These increased revenues offset the increased operating costs (+2.4%) due to the purchase of raw materials (1.4 million), the supply of electricity for the operation of plants (8.6 million), especially as a result of the additional increases for covering incentive schemes for renewable sources and the impact of the activities required to address the water emergency last summer, which affected vast swathes of the area served. The strong slow-down in connection activities for new consumers continued in the third quarter in line with a negative trend which continues from the third quarter of 2011, similar to jobs on behalf of third parties (-2.6 million compared with the same period in 2011). The overall volume of water distributed remained stable, around 195 million m<sup>3</sup>.

The integrated water cycle area contribution to the Group's EBITDA is equal to 25.4%.

### **Gas**

The excellent performance recorded in the gas area in the first half-year was maintained, with EBITDA increasing to €161.2 million (+17.1%). Improved margins for raw materials, the good results of trading activities and increased volumes sold of 305 million m<sup>3</sup> (+13.6%), of which 241 million was attributable to wholesale activities conducted by Hera Trading, made a positive contribution to the result. The contribution from distribution activities, where margins improved by approximately 3 million, also made a positive contribution, while district heating activities, taking their seasonal nature into consideration, maintained a stable contribution.

The gas area contribution to the Group's EBITDA is equal to 34.0%.

## **Electricity**

EBITDA for the electricity area stood at €46.6 million (-16.1%), in spite of which commercial growth also continued during the third quarter, with the customer base increasing to over 534 thousand. The fall in margins is due, in the main, to the change in fair value of the hedging of electricity sales, which in 2011, with regard to the performance of the price of oil, produced a very positive valuation in the first nine months of 2011 contrary to the actual figures for the current year so far. The lower volumes sold (-2.4%), as a result of the impact that the previously mentioned difficult macroeconomic situation had on consumption, also had a negative effect on the result.

The contribution from electricity distribution activities was positive (+€1 million) and from photovoltaic production, which recorded growth over the previous year of more than €1.5 million, also thanks to acquisitions which took place at the beginning of the year, bringing the overall capacity of the Group to approximately 10 MW.

The electricity area contribution to the Group's EBITDA is equal to 9.8%.

## **Statement from the Chairman, Tommasi**

"The third quarter has suffered from the economic situation and an unusual summer in terms of the weather", explained Tomaso Tommasi di Vignano, Hera Chairman. "The initiatives implemented in the first months of the year allowed us, however, to contain the negative effects, as demonstrated, for example, by the slow-down in the decrease of Waste management results. In September, the situation was in line with our expectations and we are therefore working towards ending the year with better figures than 2011, which will allow us to reconfirm dividends for 2012 in line with previous years. The Plan presented to investors in recent weeks was well received and this gives us the impetus to continue along the route mapped out and the work that was done in the run up to the merger with Acegas APS".

## **Statement from the CEO, Chiarini**

"These figures demonstrate that the Group is continuing its mission in an effective manner, by focusing attention on financial equilibrium and an investment policy capable of reconciling development and quality of service with the correct balance of financing sources, stated Maurizio Chiarini, Hera CEO. "This positive operating performance has also recently gained us important acknowledgements, such as, for example, receiving the Top Utility Award as the best utility in Italy".

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

*The quarterly report on operations and the related documentation are available to the public on the website [www.gruppohera.it](http://www.gruppohera.it) from 13 November 2012.*

*The accounting statements taken from the Interim Report on Operations as at 30 September 2012, not subject to audit, are attached.*

[www.gruppohera.it](http://www.gruppohera.it)

**Investor Relations Hera S.p.A.**  
**Jens Klint Hansen**  
 Tel. 051-287737  
 Email: [jens.hansen@gruppohera.it](mailto:jens.hansen@gruppohera.it)

<b>Profit &amp; Loss (mln €)</b>	<b>30/09/2012</b>	<i>Inc. %</i>	<b>30/09/2011</b>	<i>Inc. %</i>	<b>Ch.</b>	<b>Ch. %</b>
<b>Sales</b>	<b>3,322.0</b>	<b>100.0%</b>	<b>2,901.9</b>	<b>100.0%</b>	<b>+420.1</b>	<b>+14.5%</b>
Other operating revenues	135.7	4.1%	137.8	4.7%	(2.1)	(1.5%)
Raw material	(2,027.3)	(61.0%)	(1,666.9)	(57.4%)	+360.4	+21.6%
Services costs	(664.1)	(20.0%)	(639.3)	(22.0%)	+24.8	+3.9%
Other operating expenses	(29.0)	(0.9%)	(26.8)	(0.9%)	+2.2	(8.2%)
Personnel costs	(284.3)	(8.6%)	(276.5)	(9.5%)	+7.8	+2.8%
Capitalisations	20.7	0.6%	36.5	1.3%	(15.8)	(43.3%)
<b>Ebitda</b>	<b>473.6</b>	<b>14.3%</b>	<b>466.7</b>	<b>16.1%</b>	<b>+6.9</b>	<b>+1.5%</b>
Depreciation and provisions	(231.0)	(7.0%)	(226.2)	(7.8%)	+4.8	+2.1%
<b>Ebit</b>	<b>242.6</b>	<b>7.3%</b>	<b>240.5</b>	<b>8.3%</b>	<b>+2.1</b>	<b>+0.9%</b>
Financial inc./(exp.)	(95.5)	(2.9%)	(84.3)	(2.9%)	+11.2	+13.3%
<b>Pre tax profit</b>	<b>147.1</b>	<b>4.4%</b>	<b>156.2</b>	<b>5.4%</b>	<b>(9.1)</b>	<b>(5.8%)</b>
Tax	(67.4)	(2.0%)	(72.2)	(2.5%)	(4.8)	(6.6%)
<b>Net profit</b>	<b>79.6</b>	<b>2.4%</b>	<b>84.0</b>	<b>2.9%</b>	<b>(4.4)</b>	<b>(5.2%)</b>
<i>Attributable to:</i>						
Shareholders of the Parent Company	70.2	2.1%	67.7	2.3%	+2.5	+3.7%
Minority shareholders	9.5	0.3%	16.4	0.6%	(6.9)	(42.2%)

<b>Net financial position (mln €)</b>	<b>30/09/2012</b>	<i>Inc. %</i>	<b>31/12/2011</b>	<i>Inc. %</i>	<b>Ch.</b>	<b>Ch. %</b>
Cash on hand	490.1		415.2		+74.9	+18.0%
Other current loans	45.1		42.9		+2.2	+5.1%
Current financial indebtedness	(102.5)		(122.1)		(19.6)	(16.1%)
<b>Current net financial indebtedness</b>	<b>432.7</b>	<b>(20.5%)</b>	<b>336.0</b>	<b>(16.9%)</b>	<b>+96.7</b>	<b>+28.8%</b>
Non current loans	14.3		11.0		+3.3	+30.0%
Non current financial indebtedness	(2,561.9)		(2,334.1)		+227.8	+9.8%
<b>Non current net financial indebtedness</b>	<b>(2,547.6)</b>	<b>120.5%</b>	<b>(2,323.1)</b>	<b>116.9%</b>	<b>+224.5</b>	<b>+9.7%</b>
<b>Net financial indebtedness</b>	<b>(2,114.9)</b>	<b>100.0%</b>	<b>(1,987.1)</b>	<b>100.0%</b>	<b>+127.8</b>	<b>+6.4%</b>