

press release

Bologna, 22 March 12

Hera Group's tenth Annual Report: more earnings growth

In 2011 the Group continued with the growth that has characterised it since its establishment in 2002. Revenue topped €4 billion, whilst EBITDA was at €644.8 million (+6.2%). Its dividend was confirmed at 9 cents.

Financial highlights

- Revenue: €4,105.7 million (+12.0% from 2010)
- Gross operating profit (EBITDA): €644.8 million (+6.2% from 2010)
- Pre-tax profit: €221.2 million (+7.6% from 2010)
- Net financial position: €1,987.1 million (3.1 times EBITDA)
- Proposed dividend: 9 cents/shares (unchanged compared to 2010)

Operating highlights

- Appreciable sales growth in electricity and gas
- Positive impact of the biomass plant in Faenza and the waste-to-energy plan in Rimini
- Further balanced growth in water and urban sanitation, thanks to efficiency improvements and tariff increases in relation to investments made

The Hera Group's Board of Directors, chaired by Tomaso Tommasi di Vignano, today approved the tenth consolidated Annual Report for 2011, together with the corresponding Sustainability Report, according to a by now longstanding practice.

CONSOLIDATED RESULTS

Despite the persistent difficult macroeconomic environment, the Annual Report shows further earnings growth, uninterrupted since Hera Group's establishment in 2002, thanks to progress achieved in almost all business areas, especially in the energy sector.

Revenue

Revenue jumped to €4,105.7 million (+12.0% compared with €3,666.9 million at 31/12/2010), thanks to the contribution of all the services managed. Strong growth in electricity sales, especially in the "salvaguardia" area, sustained consolidated revenue growth.

Overall gross operating profit (EBITDA)

EBITDA grew, increasing to €644.8 million, or +6.2% compared with €607.3 million at 31/12/2010. This was due to good performance in electricity, gas and regulated services (water and environmental sanitation). Gas and electricity were positively affected not only by sales dynamics, but also by procurement policies, which offered limited exposure to electricity generation activity and a flexible portfolio for gas supplies.

In the year of the 10th Annual Report, it is worth noting the ever growing recorded in EBITDA, which has more than tripled between 2002 and 2011 (from €192 to €645 million).

Operating profit, pre-tax profit and net profit

Operating profit was €334.5 million (+6.1%), whilst pre-tax profit increased to €221.2 million (+7.6%). Net profit after minority interests came in at €104.6 million; comparison on a like-for-like basis with the figure for the previous year (which benefited from an extraordinary tax transaction of approximately €25.1 million compared with the €7.6 million booked in 2011) shows an increase of +5.3%.

In an historical comparison with the 2002 Annual Report, net profit increased 3.15 times.

Investments

In line with the Business Plan, investments during the year stood at €324.9 million, with a balanced mix between the different business areas. In water, they mainly concerned network and plant expansions, reclamations and upgrades, in addition to regulatory compliance measures, especially in the purification and sewerage areas. Where gas is concerned, besides upgrading networks and plants and expanding district heating networks, the Group invested in the start-up of the wide-scale gas meter replacement project. In the electricity business, efforts focused on service expansion and extraordinary maintenance in the Modena and Imola local areas (the only ones in which network ownership belongs to Hera). In the Waste sector, having completed a major asset base expansion program, investments were made in plant maintenance and upgrading efforts, in addition to the final phase for completion of the new waste-to-energy plant in Rimini.

Net financial position

The net financial position (NFP) at 31 December 2011 was €1,987.1 million, enhanced from the last quarterly report at 30/09/2011 (€2,055.5 million), thanks to positive cash flow generation in the last quarter, which compares with €1,860.2 million at 31/12/2010. The NFP to EBITDA ratio is 3.1, in line with the figure for the previous year.

Financial debt has an average life of nine years and is fully hedged against the risk of interest rate fluctuations.

Proposed dividend

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 dividend to shareholders will be registered on 4 June 2012, with payment starting 7 June 2012.

PERFORMANCE BY BUSINESS AREA

Waste Area

The EBITDA of the Waste area, which includes waste collection, treatment and disposal services, stood at €194.2 million, basically in line with the previous year (€195.1 million). The result reflects decreased waste volume, both urban (-3.0%) and special (-2.2%), due to the negative economic situation, which was mitigated, however, by the positive effects of special waste sales activity in new geographical areas in central and northern Italy. The decrease in volumes was partially offset by good performance in urban sanitation activities, growth in market share, and greater revenues from renewable electricity generation. On this latter aspect, a positive contribution was made by both the new biomass plant in Faenza (built in joint venture with Caviro and consolidated pro rata at 50%), as well as by the waste to energy plant in Rimini going online at full capacity.

It is to be noted that, in late 2011, the Hera Group won a tender launched by the Florentine company Quadrifoglio to find a minority private partner/industrial partner in the company to design, build and manage the new waste-to-energy plant to service the Florence area.

Thanks to this award, by late March, the Hera Group will hold 40% of Q.tHermo, the new company being formed .

The Waste area contributed 30.1% 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, increased to €208.7 million (+7.6% compared to €193.9 million in 2010). The increase was achieved thanks to efficient raw materials procurement methods and expansion in trading activity (€1,252.6 million cubic metres, +73.5%), which sustained the growth in sales volumes (€3,321.0 million cubic meters, +14.0%). This was helped by a growing customer base, which increased to more than 1.1 million customers (+3.9%), thanks both to sales activity and the merger last 1 July with Sadori Gas, a sales company active especially in Marche region, by virtue of which the Hera Group can now boast more than 110,000 gas customers in that area. These factors have more than offset the negative effect of reduced consumption by end customers, as a result of the mild weather in the latter part of the year.

The Gas area contributed 32.4% of Group EBITDA.

Electricity Area

The EBITDA of the Electricity area, which includes electricity production, distribution and sales services, increased to €73.2 million (+22.5% compared with €59.8 million in 2010). Significant growth continued to be underpinned by a growth in sales (482,100 customers increasing 26% compared with 2010), which was also helped by an increase of more than 25,000 customers in the “salvaguardia” market in Lombardy, Tuscany, Lazio, Abruzzo, Molise and Apulia. This allowed for greater sales (10 TWh, +29.1%) and was combined with better margins, resulting from limited exposure to generation activities. The Electricity area contributed 11.4% to Group EBITDA.

Water Area

The EBITDA of the Water area, which includes mains water, purification and sewerage services, stood at €150.2 million (+5.8% compared with €142.0 million in 2010). This increase was due to greater sales volumes, mild revenue growth due to coverage of the services provided and especially continual attention to operating efficiency, the result also of numerous investments.

The Integrated Water Cycle area contributed 23.3% to Group EBITDA.

Other Services

Other Services, which mainly includes street lighting and telecommunications services, showed EBITDA of €18.5 million (+12.8% compared with €16.4 million in 2010).

Other Services contributed 2.9% to Group EBITDA.

STATEMENTS

Statement from Chairman Tommasi

"Earnings growth in all business areas since the Group's incorporation, even during difficult economic and financial periods, demonstrates the soundness of the strategic choices pursued and the strength of the competitive advantages established so far," explains Hera Chairman Tomaso Tommasi di Vignano. "This also confirms the effectiveness of the original corporate mergers model on which Hera's experience has been built. These results, together with a sound financial structure, allow us once again this year to propose a dividend of 9 cents per share, confirming the policy maintained over all these years".

Statement from CEO Chiarini

"Hera's multi-utility portfolio has allowed negative external effects to be offset among the different businesses we manage in nearly all of its entire ten-year history, showing low earnings volatility thanks also to the significant contribution to EBITDA, i.e. 52%, by regulated activities" explains Hera CEO Maurizio Chiarini. "Continual control of investments and working capital over the last three years has ensured that NFP has been kept stable, compared with annual EBITDA growth of 6%, thus causing financial ratios to improve".

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

The separate Annual Report and the respective documentation will be available to the public at Borsa Italiana S.p.A. and on the www.gruppohera.it website, starting 6 April 2012.

Financial statements, taken from the separate Annual Report at 31 December 2011, are attached.

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Profit & Loss (m€)	2010	<i>Inc%</i>	2011	<i>Inc%</i>	Ch.	Ch.%
Sales	3,666.9	100.0%	4,105.7	100.0%	+438.8	+12.0%
Other operating revenues	210.4	5.7%	210.2	5.1%	(0.2)	(0.1%)
Raw material	(2,140.5)	(58.4%)	(2,440.1)	(59.4%)	+299.6	+14.0%
Services costs	(810.7)	(22.1%)	(870.5)	(21.2%)	+59.8	+7.4%
Other operating expenses	(38.8)	(1.1%)	(39.8)	(1.0%)	+1.0	+2.6%
Personnel costs	(361.9)	(9.9%)	(370.0)	(9.0%)	+8.1	+2.2%
Capitalisations	81.9	2.2%	49.3	1.2%	(32.6)	(39.8%)
EBITDA	607.3	16.6%	644.8	15.7%	+37.5	+6.2%
Depreciation and provisions	(291.9)	(8.0%)	(310.3)	(7.6%)	+18.4	+6.3%
EBIT	315.4	8.6%	334.5	8.1%	+19.1	+6.1%
Financial inc./(exp.)	(109.8)	(3.0%)	(113.2)	(2.8%)	+3.4	+3.1%
Pre tax Profit	205.6	5.6%	221.2	5.4%	+15.6	+7.6%
Tax	(63.6)	(1.7%)	(94.5)	(2.3%)	+30.9	+48.6%
Net Profit	142.1	3.9%	126.8	3.1%	(15.3)	(10.8%)
<i>Attributable to:</i>						
Shareholders of parent company	117.2	3.2%	104.6	2.5%	(12.6)	(10.8%)
Minority shareholders	24.8	0.7%	22.2	0.5%	(2.7)	(10.8%)

Data have been reclassified in accordance with IFRIC 12 principle

Balance sheet (m€)	31/12/2010	<i>Inc%</i>	31/12/2011	<i>Inc%</i>	Ch.	Ch.%
Net fixed assets	4,142.3	111.0%	4,292.7	111.0%	+150.4	+3.6%
Working capital	(29.1)	(0.8%)	(31.5)	(0.8%)	(2.4)	+8.2%
(Provisions)	(382.8)	(10.3%)	(394.7)	(10.2%)	(11.9)	+3.1%
Net invested capital	3,730.4	100.0%	3,866.5	100.0%	+136.1	+3.6%
Net equity	1,870.2	50.1%	1,879.4	48.6%	+9.2	+0.5%
<i>Long term net financial debts</i>	<i>2,292.1</i>	<i>61.4%</i>	<i>2,323.1</i>	<i>60.1%</i>	<i>+31.0</i>	<i>+1.4%</i>
<i>Short term net financial debts</i>	<i>(431.9)</i>	<i>(11.6%)</i>	<i>(336.0)</i>	<i>(8.7%)</i>	<i>+95.9</i>	<i>(22.2%)</i>
Net financial debts	1,860.2	49.9%	1,987.1	51.4%	+126.9	+6.8%
Net invested capital	3,730.4	100.0%	3,866.5	100.0%	+136.1	+3.6%