

## First Half 2009 Results





---

# First Half 2009 Results

Analyst Presentation, 27<sup>th</sup> August 2009



# H1 2009: Maintaining a positive growth

- > **Hera** achieved positive growth of Ebitda in first 2 quarters accounting a **double digit growth in H1 Net Profit** (post minorities).
- > **First half results** underpinned by **Energy sales and trading** expansion strategy and **regulated tariff progression**.
- > **Regulated Water and Waste** activities together with the contribution of new WTE were **almost able to offset negative impact of slow down** on customer consumptions.
- > **New WTE plants** contributed to H1 results especially WTE of Forlì and Ferrara. Imola CCGT co-gen. and Modena WTE have concluded ramp up phase.
- > **M&A activities** will progress with the **acquisition of 25% stake in Aimag** (bid outcome in next weeks) a multiutility operating in reference territory (E2009 Ebitda ~30 m€) and other minor investments.
- > **Herambiente**, established 1<sup>st</sup> July 2009, has been taking part to a competitive bid for a **new WTE** in Tuscany and **has agreed to acquire 50%** in a JV to build and manage a **thermo-electric plant (biomass)**.
- > **Growth strategies pursued** have set up a solid platform that continues to yield positive results in **tackling with economic slow down**.





## H1 '09: Double digit growth in Net Profit

Mainly driven by Electricity sales and trading development and higher Gas revenues.

M €	H1 2008	%	H1 2009	%	Ch. %
<b>Revenues*</b>	<b>1,784.2</b>	<b>100.0%</b>	<b>2,177.9</b>	<b>100.0%</b>	<b>+22.1%</b>
Operat. Costs	(1,471.7)	(82.5%)	(1,832.5)	(84.1%)	+24.5%
Personnel	(172.9)	(9.7%)	(178.4)	(8.2%)	+3.2%
Capitaliz.	118.0	6.6%	104.3	4.8%	(11.6%)
<b>Ebitda</b>	<b>257.6</b>	<b>14.4%</b>	<b>271.3</b>	<b>12.5%</b>	<b>+5.3%</b>
D&A	(114.9)	(6.4%)	(127.7)	(5.9%)	+11.1%
<b>Ebit</b>	<b>142.7</b>	<b>8.0%</b>	<b>143.7</b>	<b>6.6%</b>	<b>+0.7%</b>
Financials	(51.6)	(2.9%)	(51.8)	(2.4%)	+0.4%
Other non oper. exp.	(5.6)	(0.3%)	(2.7)	(0.1%)	(51.4%)
<b>Pre tax Profit</b>	<b>85.5</b>	<b>4.8%</b>	<b>89.1</b>	<b>4.1%</b>	<b>+4.2%</b>
Tax	(35.9)	(2.0%)	(37.3)	(1.7%)	+3.9%
<b>Group Net Profit</b>	<b>49.6</b>	<b>2.8%</b>	<b>51.8</b>	<b>2.4%</b>	<b>+4.5%</b>
Minorities	(8.4)	(0.5%)	(5.1)	(0.2%)	(39.7%)
<b>Net Profit post minorities</b>	<b>41.2</b>	<b>2.3%</b>	<b>46.8</b>	<b>2.1%</b>	<b>+13.5%</b>

Electricity market expansion and positive performance of regulated activities more than offset economic slow down effect.

Financial interests include one off "fiscal moratoria" effect (5.6 and 2.1 m€ in '08 and '09 respectively).

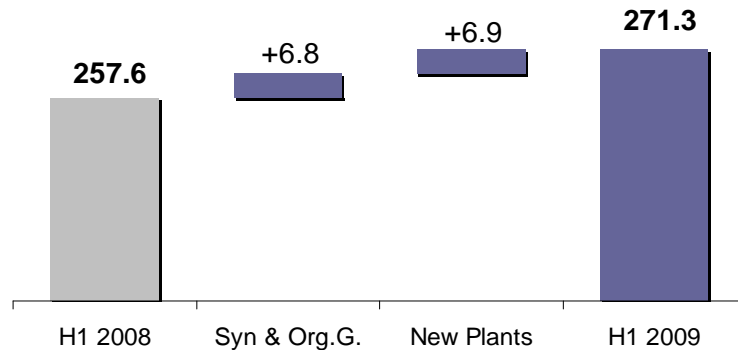
Decrease relates to Marche Multiservizi and Other minor Group companies.

\* Revenues include sales, change in stock and other operating revenues

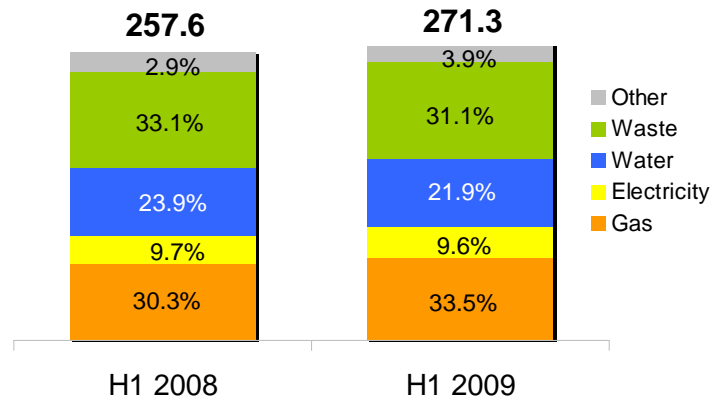
Multi-business growth strategy effective tackling with economic recession

# Organic growth achieved despite economic slow down

## Ebitda growth Drivers (m€)



## Ebitda breakdown by business (m€)



## Ebitda drivers

- **Synergies** (efficiency gains and **Organic Growth** (regulated tariff progression and market expansion strategy in Electricity) more than offset economic slow down effects.
- **New plants contribution** mainly relates to WTE Forlì and WTE Ferrara both running at full capacity.

## Ebitda breakdown by business

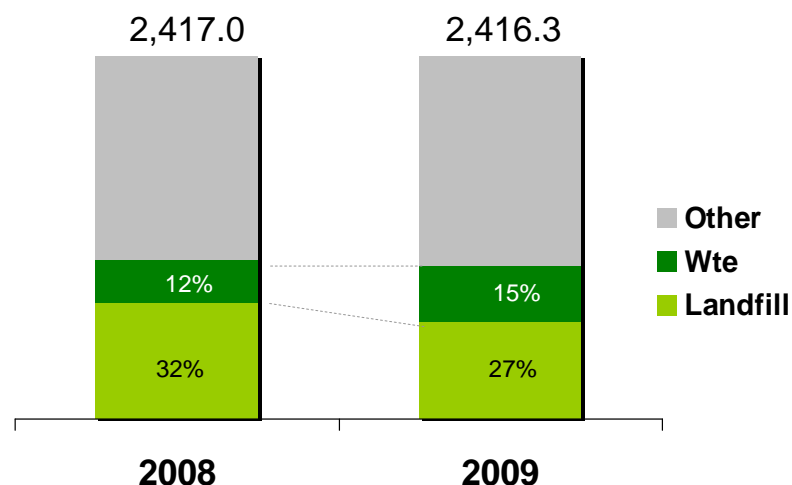
- **Regulated activities** highlight positive **contribution**.
- **Energy sales & trading** activities yield **outstanding results**.



## Waste business: Business expansion tackling with economic slow down

M €	H1 2008	%	H1 2009	%	Ch. %
<b>Revenues</b>	<b>309.9</b>	100.0%	<b>313.3</b>	100.0%	<b>+1.1%</b>
Operat. Costs	(159.1)	(51.3%)	(163.5)	(52.2%)	+2.8%
Personnel	(73.6)	(23.8%)	(74.6)	(23.8%)	+1.3%
Capitaliz.	8.2	2.6%	9.2	2.9%	+11.8%
<b>Ebitda</b>	<b>85.4</b>	27.5%	<b>84.3</b>	26.9%	<b>(1.3%)</b>

### Treatment mix (K ton)



### Ebitda

**New WTE plants** (FE and FC) running at full capacity and WTE Modena is currently close to run at regime.

**Increase of regulated tariffs** and volume of Urban Waste (+4.8% in revenues H/H) impact positively on Ebitda.

These drivers were **almost able to offset reduction in Special Waste** volumes treated by 130k tons.

Increased WTE capacity contributed to preserve landfills capacity.

**H1 Ebitda benefits from a slight increase in Q2** results (+1.3 m€).

**Herambiente** has been taking part to a competitive bid for a new WTE in Tuscany and has agreed to acquire 50% in a JV to build and manage a thermo-electric plant (biomass).



## Water business: Tariff progression underpin growth

M €	H1 2008	%	H1 2009	%	Ch. %
<b>Revenues</b>	<b>215.2</b>	<b>100.0%</b>	<b>219.6</b>	<b>100.0%</b>	<b>+2.0%</b>
Operat. Costs	(169.1)	(78.6%)	(161.5)	(73.6%)	(4.4%)
Personnel	(52.3)	(24.3%)	(51.8)	(23.6%)	(1.0%)
Capitaliz.	67.9	31.5%	53.2	24.2%	(21.6%)
<b>Ebitda</b>	<b>61.7</b>	<b>28.6%</b>	<b>59.5</b>	<b>27.1%</b>	<b>(3.4%)</b>

Data	H1 2008	H1 2009	Ch.%
<b>Aqueduct (mm<sup>3</sup>)</b>	<b>122.0</b>	<b>120.7</b>	<b>(1.1%)</b>
Sewerage (mm <sup>3</sup> )	106.8	104.5	(2.2%)
Purification (mm <sup>3</sup> )	107.0	104.5	(2.4%)

### Revenues

Sales growth mainly driven by **tariffs increase (~4.7%)** as agreed with Authorities for regulatory period 2008-2012.

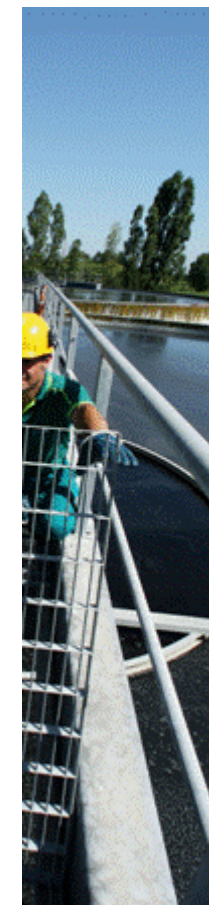
**Volumes sold recovered from Q1** but are still lower vs H1 '08 due to unfavourable weather conditions and economic slow down effects.

**Slow down of real estate industry** also affected sales (lower new connections and services).

### Ebitda

H1 '09 result signs a positive growth (+0.9 m€) compared to Adj. H1'08 (adjusted by one off effect of 3 m€ related to extraordinary income incurred in Marche Multiservizi).

**Remote control unit** roll out is progressing (4 areas out of 7).





## Gas business: “normalized” climate conditions offset downturn effects

M €	H1 2008	%	H1 2009	%	Ch. %
<b>Revenues</b>	<b>625.4</b>	100.0%	<b>756.6</b>	100.0%	<b>+21.0%</b>
Operat. Costs	(551.1)	(88.1%)	(665.9)	(88.0%)	+20.8%
Personnel	(25.9)	(4.1%)	(28.0)	(3.7%)	+8.1%
Capitaliz.	29.6	4.7%	28.2	3.7%	(4.8%)
<b>Ebitda</b>	<b>77.9</b>	12.5%	<b>90.9</b>	12.0%	<b>+16.7%</b>

Data	H1 2008	H1 2009	Ch.%
Volumes distrib. (mm <sup>3</sup> )	1,360.7	1,349.6	(0.8%)
Volumes sold (mm <sup>3</sup> )	1,478.2	1,483.7	+0.4%
of which trading (mm <sup>3</sup> )	182.1	230.2	+26.4%
District Heating (GWht)	255.0	271.7	+6.6%

### Revenues

Higher **volumes sold** related trading activities.

**Better climate conditions** almost offset effects of economic slow down on consumptions of final customers.

**Higher commodity prices**, passed through to customers, affect H1 sales increase.

### Ebitda

**Regulated distribution activities** positively contributed as a consequence of the **new tariff system** (2009-2012 regulatory period) as for Q1.

Ebitda also benefits from the **trading activities** and partly from the commercial activities.

District Heating increased sales benefiting from exploitation of heat production increase related to new plants now on stream, offsetting the lower margins.





## Electricity business: Visible market expansion

M €	H1 2008	%	H1 2009	%	Ch. %
<b>Revenues</b>	<b>662.3</b>	<b>100.0%</b>	<b>931.6</b>	<b>100.0%</b>	<b>+40.7%</b>
Operat. Costs	(637.7)	(96.3%)	(906.3)	(97.3%)	+42.1%
Personnel	(10.9)	(1.6%)	(11.6)	(1.2%)	+6.6%
Capitaliz.	11.4	1.7%	12.3	1.3%	+7.8%
<b>Ebitda</b>	<b>25.1</b>	<b>3.8%</b>	<b>26.0</b>	<b>2.8%</b>	<b>+3.6%</b>

Data	H1 2008	H1 2009	Ch. %
Volumes sold (GWh)	2,438.3	3,190.3	+30.8%
Volumes distrib. (GWh)	1,121.1	1,063.6	(5.1%)



Imola 80 MW CCGT Cogen. plant

### Revenues

Sales increase underpinned by **market expansion** (+31% H/H in volume sold to final customers) and to +205 m€ H/H related to trading.

### Ebitda

Ebitda increase mainly driven by **market expansion** (adding about 30K clients in H1 '09) offsetting slow down in per capita consumptions.

Better contribution from **sales and trading activities** offset **lower contribution from own power gen.** (CCGT plants Teverola and Sparanise).

**Imola 80 MW Co-gen.** unit completed "black out" tests and almost ready to fully operate and to start exploiting incentive schemes.

**Tariffs increase (by ~5%)** following new tariff system for the regulatory period 2008-2011 **offset distribution volume** reduction.

**Micro-cogen.** highlighted stable Ebitda (by 1m€).

## Other services: Progression in results despite dismissions

M €	H1 2008	%	H1 2009	%	Ch. %
<b>Revenues</b>	<b>39.2</b>	<b>100.0%</b>	<b>53.0</b>	<b>100.0%</b>	<b>+35.2%</b>
Operat. Costs	(22.5)	(57.2%)	(31.5)	(59.4%)	+40.4%
Personnel	(10.1)	(25.8%)	(12.4)	(23.4%)	+22.0%
Capitaliz.	0.9	2.3%	1.5	2.9%	+68.4%
<b>Ebitda</b>	<b>7.6</b>	<b>19.3%</b>	<b>10.7</b>	<b>20.1%</b>	<b>+40.4%</b>

Data	H1 2008	H1 2009	Ch. %
Public Lighting (K unit)	326.5	331.5	+1.5%

### Revenues

Sales increased underpinned by **good performance of Public Lighting** and of other infrastructure management business.

### Ebitda

Ebitda increase mainly driven by public lighting an TLC businesses (which reflects the increased stake in Acantho and Satcom) whilst some residual marginal businesses have been dismissed.



## Capex and Net Financial Debt: In line with expectations

M €	H1 2008	H1 2009
Waste	52.2	62.0
Water	64.1	52.7
Gas	27.3	31.5
Electricity	19.0	19.6
Other	1.9	6.9
Holding	20.6	18.8
<b>Capex</b>	<b>185.0</b>	<b>191.6</b>
Investments	3.1	1.1
<b>Capex &amp; Inv.</b>	<b>188.2</b>	<b>192.7</b>

M €	31/12/2008	H1 2009
Short Term Debts	8.3	234.1
Long Term Debts	1,563.2	1,554.4
<b>Net Financial Debts</b>	<b>1,571.5</b>	<b>1,788.4</b>

Capex plan on schedule.

~25% relates to plant development.

**Waste:** 41m€ relates to new WTE plants.

**Water:** capex compliant to ATO agreements, with some reductions related to new connections.

**Electricity:** more than 46% relates to new Imola cogen. unit.

### Financial Debts

Change versus 31/12/2008 mainly related to:

- > Dividend payment and minorities (93 m€).
- > Working capital increase (~64 m€) in line with sales expansion achieved (+22% turnover) and reflecting some less favourable condition on "accise".

In July Net Financial Position was reduced by ~100m€ mainly thanks to working capital enhancement.





## Closing remarks

---

- **Multi-business growth strategy** pursued continued to yield increasing results tackling with economic slow down effects customer consumptions.
- **Tariff progression growth** in line with agreements with Atos and with new regulatory systems for energy distribution activities with positive outlook through out the regulatory period (2008-2011/12).
- **New plant development** with further contribute in H2 sustaining Electricity and Waste management activities.
- **Capex plan** program is on schedule and consistent with expected growth targets.
- **Herambiente** ready to catch market expansion opportunities.
- **Coming up next** with the New Business plan up to 2013.

Targeting growth tackling with economic downturn