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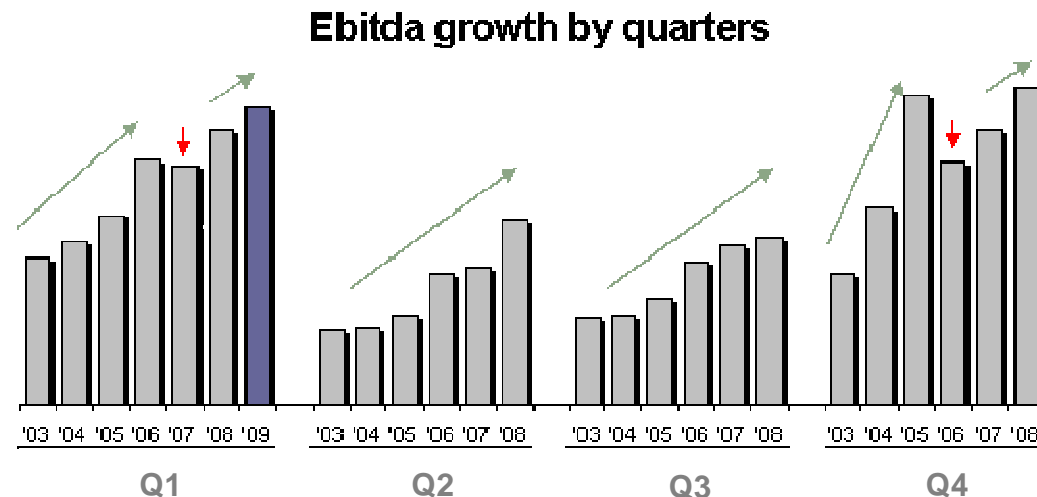
# First Quarter 2009 Results

Analyst Presentation, 15<sup>th</sup> May 2009



## Q1 2009 at a glance: Resilient results

- In Q1 2009 Hera confirms positive growth as in the past 24 quarters (made exception for two quarters affected by extraordinary mild winter).
- Q1 '09 growth fundamentally based on organic development and reflects the structure of business mix
- Organic Growth was achieved through market expansion in Energy and resilient regulated activities.
- Economic downturn has impacted consumptions by 4%-5% vs Q1 '08 and new connection activities in reference territory.



## Q1 '09: Positively contributing to development

	<b>M €</b>	<b>Q1 2008</b>	<b>%</b>	<b>Q1 2009</b>	<b>%</b>	<b>Ch. %</b>	
<b>Revenues</b>		<b>1,016.3</b>	<b>100%</b>	<b>1,302.3</b>	<b>100%</b>	<b>+28.1%</b>	
operat. costs		(835.9)	(82.2%)	(1,095.1)	(84.1%)	+31.0%	'09 capitalisations reflects reduction of works for new connections and capex
personnel		(85.5)	(8.4%)	(87.3)	(6.7%)	+2.1%	
capitaliz.		59.3	5.8%	46.6	3.6%	(21.3%)	
<b>Ebitda</b>		<b>154.3</b>	<b>15%</b>	<b>166.6</b>	<b>13%</b>	<b>+8.0%</b>	
D&A		(52.6)	(5.2%)	(55.3)	(4.2%)	+5.1%	'09 Fin. exp. include "one off" (-2.1m€) interests on fiscal moratoria.
<b>Ebit</b>		<b>101.7</b>	<b>10%</b>	<b>111.3</b>	<b>9%</b>	<b>+9.4%</b>	
Financials		(23.2)	(2.3%)	(24.8)	(1.9%)	+6.9%	
Other non opex		.0	0.0%	(2.7)	(0.2%)	-	
<b>Pre tax Profit</b>		<b>78.5</b>	<b>8%</b>	<b>83.7</b>	<b>6%</b>	<b>+6.6%</b>	
Tax		(32.7)	(3.2%)	(34.9)	(2.7%)	+6.7%	Tax rate in line with '08
<b>Net Profit</b>		<b>45.7</b>	<b>4%</b>	<b>48.8</b>	<b>4%</b>	<b>+6.7%</b>	
<i>of which minorities</i>		3.8		3.7			Stable minorities

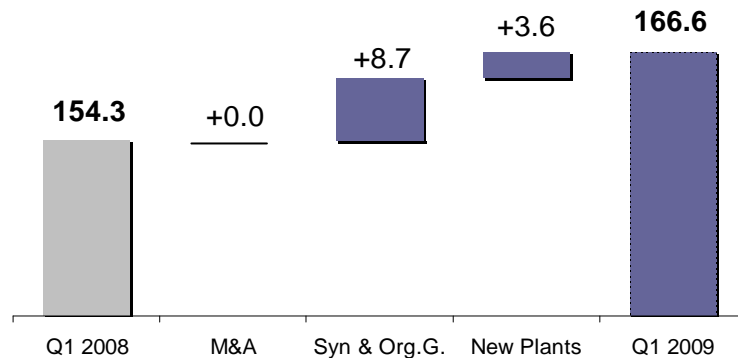
Underpinned by +32.8% electricity volume sold and by tariff increases.

Relates to "one off" fiscal moratoria.

Extraordinary conditions has been offset on all P&L lines

# Organic growth achieved despite economic slow down

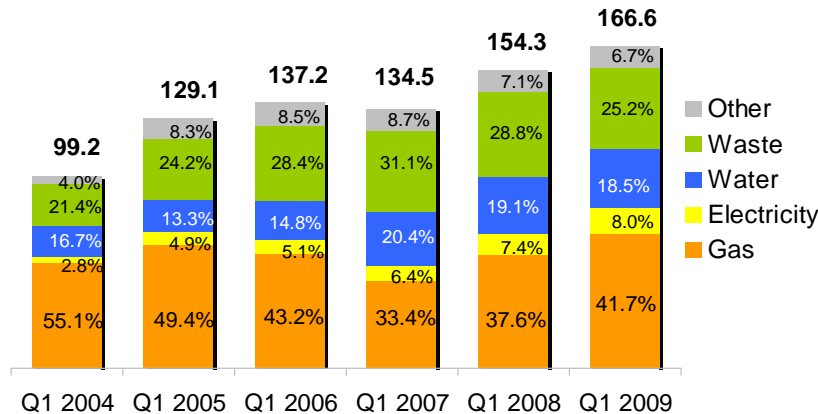
## Ebitda growth Drivers



## Ebitda drivers

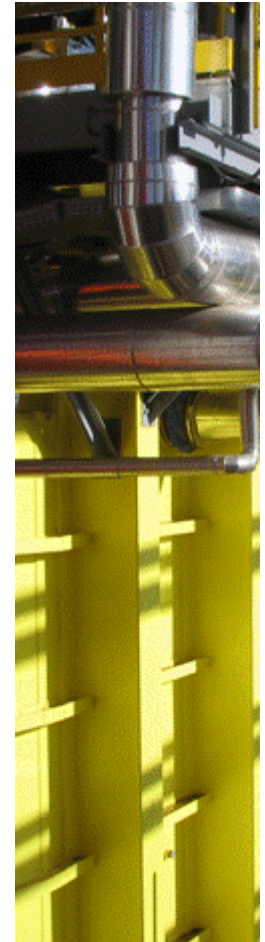
- **Synergies** (efficiency gains mainly) and **Organic Growth** (tariff progression and energy market expansion) were in line with expectations.
- **New plants contribution** relates to WTE.

## Ebitda breakdown



## Ebitda breakdown by business

- **Regulated activities** posted positive contribution.
- **Energy sales** activities yield **outstanding results**.
- **Special Waste** started recovering in March.



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

M €	Q1 '08	%	Q1 '09	%	Ch. %
<b>Revenues</b>	<b>148.7</b>	<b>100%</b>	<b>154.3</b>	<b>100%</b>	<b>+3.8%</b>
operat. cost	(72.0)	(48.4%)	(79.0)	(51.2%)	+9.7%
personnel	(35.7)	(24.0%)	(36.4)	(23.6%)	+2.0%
capitaliz.	3.4	2.3%	3.0	2.0%	(11.8%)
<b>Ebitda</b>	<b>44.4</b>	<b>29.8%</b>	<b>42.0</b>	<b>27.2%</b>	<b>(5.4%)</b>

Waste treated	Q1 '08	Q1 '09	Ch. %
Urban W. volumes (Kton)	396.9	403.6	+1.7%
Special W. volumes (Kton)	375.3	338.4	(9.8%)
Internal W. volumes (Kton)	365.9	490.1	+33.9%
<b>Total Volume Treated</b>	<b>1,138.1</b>	<b>1,232.1</b>	<b>+8.3%</b>
Landfill*	352.2	298.1	(15.4%)
WTE*	142.0	175.2	+23.4%
Sorting plants	87.9	74.0	(15.8%)
Composting plants	68.4	91.6	+33.9%
Inhertisation & Chi-Fi. plants	487.5	593.3	+21.7%
<b>Total Volume Treated</b>	<b>1,138.1</b>	<b>1,232.1</b>	<b>+8.3%</b>

\*The increase of Urban Waste treated in WTE plants saved landfill capacity.

### Revenues

Sales growth mainly driven by **electricity sales from new WTE** (+ 36 GWh q/q) awarded with incentives (CIP6 and Green Certificates).

### Ebitda

Ebitda affected by **Special Waste reduction** related to economic slow down and by **lower recycled products pricing** (e.g. paper).

**Market expansion strategy** pursued in March, **started contributing** on volumes (Q1 -9.8% compared to about -12% of first 2 months '09).

**New WTE contribution** (+3.6m€) accounts:

- Lower electricity prices and Green C. (56%)
- Shut down Rimini WTE for revamping
- Modena WTE on start up (only waste treatm.)
- Better performance of FEA



## Water business: Tariff progression underpin growth

M €	Q1 '08	%	Q1 '09	%	Ch. %
<b>Revenues</b>	<b>104.3</b>	<b>100%</b>	<b>105.8</b>	<b>100%</b>	<b>+1.4%</b>
operat. cost	(84.8)	(81.4%)	(73.6)	(69.5%)	(13.2%)
personnel	(25.0)	(23.9%)	(24.7)	(23.4%)	(1.2%)
capitaliz.	34.9	33.5%	23.3	22.0%	(33.2%)
<b>Ebitda</b>	<b>29.4</b>	<b>28.2%</b>	<b>30.8</b>	<b>29.1%</b>	<b>+4.8%</b>

### Revenues

Sales growth mainly driven by **tariffs increase (+4.7%)**.

Sales affected by **lower new connections** due to slow down of real estate industry (-1.5m€).

Data	Q1 '08	Q1 '09	Ch. %
<b>Aqueduct (mm<sup>3</sup>)</b>	<b>58.4</b>	<b>56.3</b>	<b>(3.6%)</b>
Sewerage (mm <sup>3</sup> )	50.8	50.4	(0.8%)
Purification (mm <sup>3</sup> )	50.9	50.3	(1.2%)

### Ebitda

Ebitda increase related to tariff increase (partially offset by lower new connections).

Volumes affected by lower consumptions of the manufacturing sector and partially by household.

**Remote control unit** started up in 2008 is progressively increasing the water network under control.



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

M €	Q1 '08	%	Q1 '09	%	Ch. %
<b>Revenues</b>	<b>423.6</b>	<b>100%</b>	<b>540.4</b>	<b>100%</b>	<b>+27.6%</b>
operat. cost	(361.6)	(85.4%)	(464.7)	(86.0%)	+28.5%
personnel	(14.3)	(3.4%)	(15.3)	(2.8%)	+7.0%
capitaliz.	10.3	2.4%	8.9	1.7%	(13.6%)
<b>Ebitda</b>	<b>58.1</b>	<b>13.7%</b>	<b>69.5</b>	<b>12.9%</b>	<b>+19.6%</b>

Data	Q1 '08	Q1 '09	Ch. %
Volume distrib. (mm <sup>3</sup> )	1,051.4	1,093.1	+4.0%
Volume sold (mm <sup>3</sup> )	1,095.7	1,111.2	+1.4%
of which trading (mm <sup>3</sup> )	87.5	103.4	+18.2%

### Revenues

**Higher commodity prices and higher volumes distributed and traded** more than **offset** lower consumptions related to **economic slow down** (of about -4% at standard climate conditions).

### Ebitda

Effects of downturn on volumes sold & distributed together with physiological net churn rate of customers were more than offset by **normalized cold winter season** and **positive contribution from trading**.

**Q1 '09 represent the start of new distribution regulatory period** (AEEG Del. 158/'08) introducing a charge with respect to 2008 with positive contribution.





## Electricity business: Visible market expansion

M €	Q1 '08	%	Q1 '09	%	Ch. %
<b>Revenues</b>	<b>323.7</b>	<b>100%</b>	<b>493.1</b>	<b>100%</b>	<b>+52.3%</b>
operat. cost	(313.1)	(96.7%)	(480.0)	(97.3%)	+53.3%
personnel	(4.7)	(1.5%)	(5.6)	(1.1%)	+19.1%
capitaliz.	5.5	1.7%	5.7	1.2%	+3.6%
<b>Ebitda</b>	<b>11.4</b>	<b>3.5%</b>	<b>13.3</b>	<b>2.7%</b>	<b>+16.7%</b>

Data	Q1 '08	Q1 '09	Ch. %
Volume sold (GWh)	1,240	1,647	+32.8%
Volume distrib. (GWh)	572	549	(4.0)%

### Revenues

Sales increased mainly thanks to **market expansion (+33% q/q)**

**Impact of economic downturn** in reference territory of about 4% on a like for like basis.

### Ebitda

Ebitda increase mainly driven by **market expansion** (adding 27K clients in Q1 '09).

Positive contribution from **trading activities** (+1.5m€).

**Lower contribution** from distribution activities either for **new connections** and **tariff/volumes** (-1.2m€ overall).



## Other services: Progression in results despite dismissions

M €	Q1 '08	%	Q1 '09	%	Ch. %
<b>Revenues</b>	<b>55.4</b>	<b>100%</b>	<b>56.9</b>	<b>100%</b>	<b>+2.7%</b>
operat. cost	(43.8)	(78.9%)	(46.2)	(81.2%)	+5.5%
personnel	(5.8)	(10.5%)	(5.3)	(9.2%)	(8.6%)
capitaliz.	5.2	9.3%	5.7	9.9%	+9.6%
<b>Ebitda</b>	<b>11.0</b>	<b>19.9%</b>	<b>11.1</b>	<b>19.5%</b>	<b>+0.9%</b>

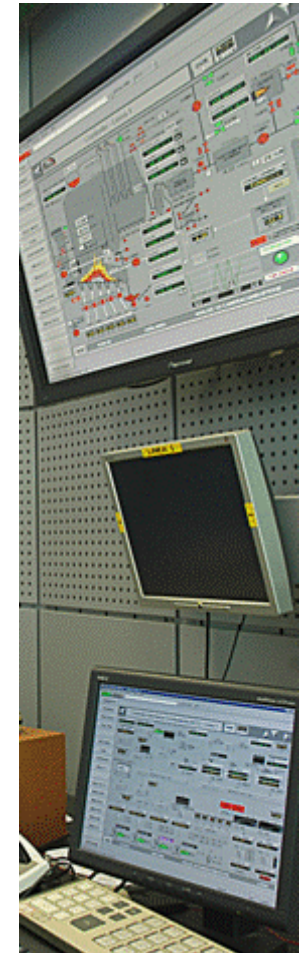
Data	Q1 '08	Q1 '09	Ch. %
District Heating (Gwht)	205.8	222.4	+8.1%
Public Lighting (K unit)	319.1	326.8	+2.4%

### Revenues

Revenues slight **increase** by mainly due to **normalised winter** temperatures with positive impact on District Heating and Heat Management businesses.

### Ebitda

Increased results **completely offset rationalization** of non-core activities carried out in '08.



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

M €	Q1 '08	Q1 '09
Waste	22.1	29.6
Water	33.3	23.4
Gas	9.2	8.6
Electricity	10.8	10.7
Other	5.5	7.7
Holding	7.5	6.0
<b>Capex</b>	<b>88.4</b>	<b>86.0</b>
Investments	1.7	0.0
<b>Capex &amp; Inv.</b>	<b>90.1</b>	<b>86.0</b>

M €	31/12/2008	Q1 '09
Short Term Debts	8.3	82.3
Long Term Debts	1563.2	1554.0
<b>Net Financial Debts</b>	<b>1,571.5</b>	<b>1,636.3</b>

### Operating Capex

**Capex were fully funded by cash generation**

**Waste:** more than 75% relates to new WTE plants.

**Water:** capex compliant to ATO agreements.

**Electricity:** more than 50% relates to new Imola cogen. unit.

**Other:** more than 75% relates to District Heating network expansion.

### Financial Debts

Financial debt increase mainly relates to seasonal effects on working capital (mainly connected to “accise” payable reduction).

## Closing remarks

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- **Positive bottom line growth** underpinned by a successful market expansion strategy and resilient businesses.
- **Electricity market expansion already achieved for the full year** (forward sales reached by '08 end) maintaining margins and risk profile (full hedging commodity market price fluctuations).
- **Special Waste progressively recovering** from first 2 months of the year.
- **Capex and Net Financial Debt were in line** with expectations.
- Creation of Hera Ambiente in progress, operating by H2 '09.

**Tackling effectively with downturn impact**

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## Q&A session

