



## First 9 months 2009 results



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# First 9 months 2009 Results

Analyst Presentation, 12<sup>th</sup> November 2009



## Accelerating growth in Q3

- > In first 9 months **Ebitda** moved to a **double digit growth rate (+11.3%)**.
- > **Regulated activities were the main contributor** (80% of 9m Ebitda organic growth).
- > **Regulated Waste** activities and new WTE contribution **fully offset negative impact of slowdown** on customer consumptions in Q3.
- > **Small but positive** change in trend of Special Waste volumes in Q3.
- > **New** WTE Modena and Imola CCGT co-gen. reached full operation at Q3 end, contributing slightly to achieved growth.
- > **M&A activities** progress in Q4 with the **acquisition of 25% stake in Aimag**.
- > **Herambiente** was short listed in a competitive bid for the construction and management of a **new WTE** in Tuscany.
- > **Extraordinary further “Fiscal moratoria”** charges for 23.5m€ were fully accounted for in Q3 (28.3m€ in first 9 months).
- > **Positive operating results achieved**, not considering extraordinary one off “Fiscal moratoria”, **pushed up bottom line by +19%**.



## First 9 months outstanding results despite economic slowdown

Mainly driven by Energy sales, trading development and higher commodity prices.

Lower capitalised costs related to reduced capex and activities for third parties.

Financial interests include "Fiscal moratoria" effect (5.6 and 12.6 m€ in '08 and '09 respectively).

M €	9m '08	%	9m '09	%	Ch. %
<b>Revenues*</b>	<b>2.603,1</b>	<b>100,0%</b>	<b>3.121,0</b>	<b>100,0%</b>	<b>+19,9%</b>
Operat. costs	(2.176,7)	(83,6%)	(2.627,4)	(84,2%)	+20,7%
Personnel	(250,5)	(9,6%)	(261,1)	(8,4%)	+4,2%
Capitalizations	174,5	6,7%	157,6	5,0%	(9,7%)
<b>Ebitda</b>	<b>350,4</b>	<b>13,5%</b>	<b>390,1</b>	<b>12,5%</b>	<b>+11,3%</b>
D&A	(170,4)	(6,5%)	(196,8)	(6,3%)	+15,5%
<b>Ebit</b>	<b>180,0</b>	<b>6,9%</b>	<b>193,3</b>	<b>6,2%</b>	<b>+7,4%</b>
Financials	(77,4)	(3,0%)	(85,8)	(2,7%)	+10,8%
Other non oper. exp.	(5,6)	(0,2%)	(15,7)	(0,5%)	+179,9%
<b>Pre tax Profit</b>	<b>96,9</b>	<b>3,7%</b>	<b>91,8</b>	<b>2,9%</b>	<b>(5,3%)</b>
Tax	(40,4)	(1,6%)	(42,5)	(1,4%)	+5,2%
Tax rate	-41,7%		-46,3%		
<b>Group Net Profit</b>	<b>56,5</b>	<b>2,2%</b>	<b>49,3</b>	<b>1,6%</b>	<b>(12,8%)</b>
Minorities	(10,4)	(0,4%)	(7,2)	(0,2%)	+30,3%
<b>Net Profit post minorities</b>	<b>46,2</b>	<b>1,8%</b>	<b>42,0</b>	<b>1,4%</b>	<b>(8,9%)</b>
<b>ADJ Net profit ("fiscal Moratoria")</b>	<b>55,1</b>	<b>2,1%</b>	<b>65,4</b>	<b>2,1%</b>	<b>+18,8%</b>

Accounts 25 m€ of Organic Growth and 15 m€ of non recurrent item related to gas network acquisition.

'09 Tax rate affected by Fiscal moratoria by ~5m€.

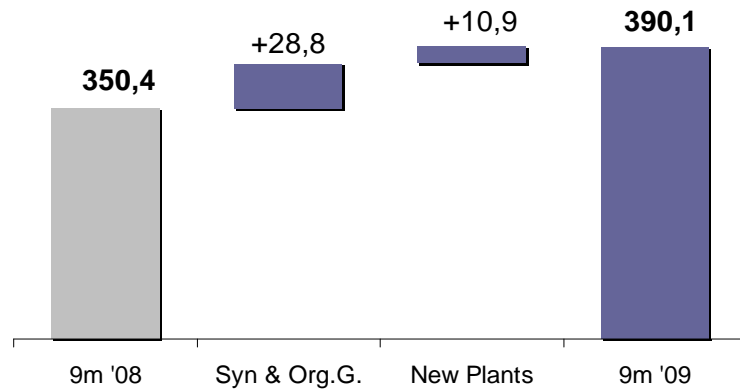
Decrease relates to Marche Multiservizi and other minor Group companies.

Net Profit up by +19% excluding extraordinary "Fiscal moratoria" effect

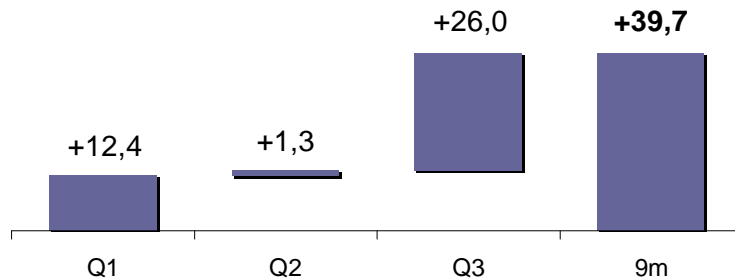
\* Revenues include sales, change in stock and other operating revenues

# Organic growth achieved despite economic slowdown

## Ebitda growth drivers (m€)



## 2009 Ebitda growth by quarters



## Ebitda drivers

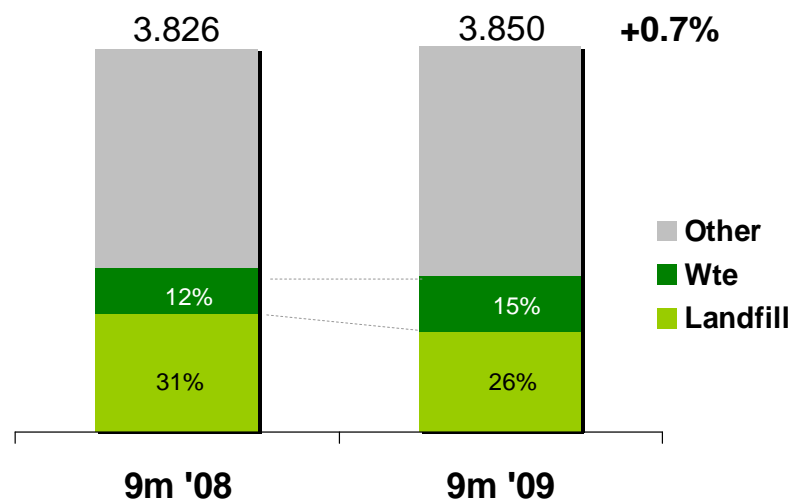
- **Organic Growth** (mainly regulated tariff progression and positive contribution from Gas marketing/trading) more than offset economic slowdown effects.
- Organic Growth includes effects (lower lease and provision reversal by ~15 m€) of network strengthening with municipal shareholders' assets.
- **New plants contribution** mainly relates to Forlì, Ferrara and Modena WTE.
- WTE Modena and Cogen. Imola started contributing to results in Q3.
- **Regulated activities** highlight positive contribution (80% of growth).
- **Electricity sales** yield outstanding results (+40% in volumes).



## Waste business: New capacity now on stream

M €	9m '08	%	9m '09	%	Ch. %
<b>Revenues</b>	<b>468.0</b>	<b>100.0%</b>	<b>480.3</b>	<b>100.0%</b>	<b>+2.6%</b>
Operat. costs	(244.3)	(52.2%)	(257.0)	(53.5%)	+5.2%
Personnel	(108.0)	(23.1%)	(106.6)	(22.2%)	(1.3%)
Capitaliz.	14.5	3.1%	12.5	2.6%	(13.9%)
<b>Ebitda</b>	<b>130.2</b>	<b>27.8%</b>	<b>129.2</b>	<b>26.9%</b>	<b>(0.8%)</b>

### Treatment volumes and mix (K ton)



### Ebitda

**New WTE plants** (Ferrara and Forli) run at full capacity and WTE Modena reached full capacity at Q3 end (total Waste treated further increased in Q3 reaching 15% of total treatments).

**Electricity produced by WTE** increased in first 9 months about 29% (up to 313 GWh).

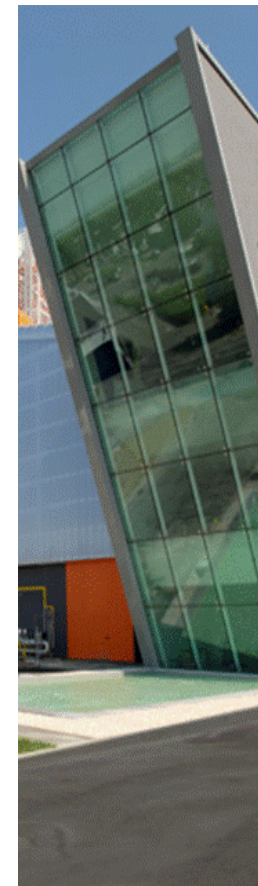
**Increase of regulated tariffs** and volumes of Urban Waste impact positively on Ebitda.

These drivers were **almost able to completely offset reduction in Special Waste and change in mix.**

**Volumes of special waste** still highlight a decrease of -8.5% (1,315k ton) but implies a recovery from -12% in February '09.

**Q3 Ebitda in line with previous year.**

**Herambiente** started up a **new plant of biogas** in Cesena (Bio-WTE project).



## Water business: Tariff progression underpin growth

M €	9m '08	%	9m '09	%	Ch. %
<b>Revenues</b>	<b>340.3</b>	<b>100.0%</b>	<b>356.3</b>	<b>100.0%</b>	<b>+4.7%</b>
Operat. costs	(264.4)	(77.7%)	(263.8)	(74.0%)	(0.2%)
Personnel	(77.5)	(22.8%)	(79.4)	(22.3%)	+2.5%
Capitaliz.	96.5	28.4%	83.6	23.5%	(13.4%)
<b>Ebitda</b>	<b>94.9</b>	<b>27.9%</b>	<b>96.7</b>	<b>27.1%</b>	<b>+1.9%</b>

Data	9m '08	9m '09	Ch. %
<b>Aqueduct (mm<sup>3</sup>)</b>	<b>197.0</b>	<b>195.3</b>	<b>(0.9%)</b>
Sewerage (mm <sup>3</sup> )	170.4	168.4	(1.2%)
Purification (mm <sup>3</sup> )	170.7	168.4	(1.4%)

### Revenues

Sales growth mainly driven by **tariffs increase (~5%)** as agreed with Authorities.

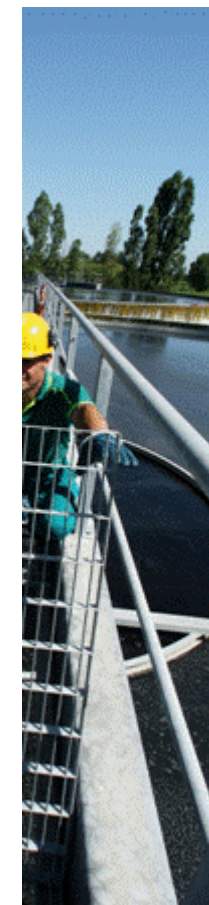
**Volumes sold recovered from Q1** but are still slightly lower vs last year due to economic slowdown effects.

**Slowdown of real estate industry** also affected sales (lower new connections and services) even though a slight recovery was record in Q3.

### Ebitda

First 9m '09 results sign a positive growth (+1.8 m€) mainly thanks to tariff increase able to more than offset economic slowdown.

Q3 Ebitda up by 11.9% vs last year.



# Gas business: Trading activities, commodity prices and asset expansion

M €	9m '08	%	9m '09	%	Ch. %
<b>Revenues</b>	<b>763.8</b>	<b>100.0%</b>	<b>907.8</b>	<b>100.0%</b>	<b>+18.9%</b>
Operat. costs	(693.6)	(90.8%)	(793.3)	(87.4%)	+14.4%
Personnel	(35.2)	(4.6%)	(40.7)	(4.5%)	+15.6%
Capitaliz.	44.5	5.8%	41.8	4.6%	(6.1%)
<b>Ebitda</b>	<b>79.5</b>	<b>10.4%</b>	<b>115.6</b>	<b>12.7%</b>	<b>+45.3%</b>

Data	9m '08	9m '09	Ch. %
Volumes distrib. (mm <sup>3</sup> )	1.550,6	1.517,0	(2,2%)
Volumes sold (mm <sup>3</sup> )	1.730,9	1.868,9	+8,0%
District Heating (GWht)	279,2	301,8	+8,1%

## Revenues

Higher **volumes sold** mainly related to enhanced trading activities and increased commodity prices.

**Better climate conditions** helped to partially offset economic slowdown effects on consumptions of final customers.

## Ebitda

**Regulated distribution activities** positively contributed as a consequence of the **new tariff system** (+9 m€) and of the effects related to **network acquisition** from Municipalities (+18 m€).

Ebitda also benefits from increased **trading/market activities** that provided a contribution by 7 m€.

**District Heating** increased sales benefiting from exploitation of heat production related to new cogen. plant now on stream (+2 m€ mainly related to new connections).

Hera takes part to the open season for the new capacity in the Tauern pipeline.





## Electricity business: Strong market expansion

M €	9m '08	%	9m '09	%	Ch. %
<b>Revenues</b>	<b>1,083.1</b>	<b>100.0%</b>	<b>1,457.9</b>	<b>100.0%</b>	<b>+34.6%</b>
Operat. costs	(1,049.3)	(96.9%)	(1,425.5)	(97.8%)	+35.8%
Personnel	(16.3)	(1.5%)	(16.7)	(1.1%)	+2.5%
Capitaliz.	17.4	1.6%	17.0	1.2%	(2.4%)
<b>Ebitda</b>	<b>34.8</b>	<b>3.2%</b>	<b>32.6</b>	<b>2.2%</b>	<b>(6.4%)</b>

Data	9m '08	9m '09	Ch. %
Volumes sold (GWh)	3,650.7	5,111.4	+40.0%
Volumes distrib. (GWh)	1,707.5	1,619.6	(5.1%)

### Revenues

Sales increase underpinned by **market expansion** (+21.7% final sales) and +44.5% trading revenues.

### Ebitda

Better contribution from **sales and trading activities** partially offset **lower contribution from own power gen.** (CCGT plants) and change in fair value.

**Imola 80 MW cogen.** unit reached full operations at Q3 end.

**Tariff increase** following new tariff system for the regulatory period 2008-2011 almost **offset distribution volume** reduction (-1 m€).

**Micro-cogen.** highlighted a slight improvement in results.



## Other services: Progression in results despite dismissions

M €	9m '08	%	9m '09	%	Ch. %
<b>Revenues</b>	<b>57.1</b>	<b>100.0%</b>	<b>77.4</b>	<b>100.0%</b>	<b>+35.6%</b>
Operat. costs	(34.3)	(60.0%)	(46.5)	(60.1%)	+35.7%
Personnel	(13.5)	(23.6%)	(17.6)	(22.7%)	+30.2%
Capitaliz.	1.5	2.7%	2.7	3.5%	+75.2%
<b>Ebitda</b>	<b>10.9</b>	<b>19.1%</b>	<b>16.0</b>	<b>20.7%</b>	<b>+46.9%</b>

Data	9m '08	9m '09	Ch. %
Public Lighting (K unit)	326.0	327.1	+0.3%

### Revenues

Sales increase underpinned by **good performance of Public Lighting** and of **TLC infrastructure management business**.

### Ebitda

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

**Group company rationalisation** process continues and currently almost all Group companies highlight positive results and mainly focus on Hera core businesses.



## Capex and Net Financial Debt

M €	9m '08	9m '09
Waste	92.0	86.2
Water	88.1	81.5
Gas	43.4	48.8
Electricity	31.6	27.7
Other	4.0	9.2
Holding	33.1	30.2
Investments	4.3	1.2
<b>Capex</b>	<b>296.5</b>	<b>284.9</b>

Net Debts	Q3 '09
<b>As of Jun. 30 '09</b>	<b>(1.788,4)</b>
Q3 change	(108,4)
<b>As of 30 Sept. '09</b>	<b>(1.896,8)</b>
<i>of which:</i>	
<i>Short term Debt</i>	<i>(200,9)</i>
<i>Long term Debt</i>	<i>(1.696,0)</i>

Capex plan on schedule.

~35% relates to development Capex.

**Waste:** 52 m€ 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 H1 (108 m€) mainly relates to less favourable "Accise" position (47 m€), Operating Cash Flows including Fiscal Moratoria (39 m€) and physiological outflow of provisions accrued.

Q3 change in Financial Debt in line with Q3 '08.

Commercial receivables and payables remain substantially unchanged in Q3.

## Closing remarks

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- **Results** reported highlight a **solid and comfortable growth** more than offsetting economic slowdown.
- **AGM held in October approved projects** (LOC rationalisation, network acquisition from Municipals and the increase of the limit in voting rights for private shareholders up to 5%) included in the new Business Plan **enhancing the visibility of targets**.
- **Expanding initiatives** on Energy markets include further Group companies rationalisation in the Marche region through the **merger of Aspes Gas into HeraComm Marche** permitting to control directly 83K customers. Hera is also taking part to the competitive bid for the acquisition of **Isogas Srl** (57K customer in Gas and above 22K customers in Electricity).
- Moreover, is expected shortly the second phase of Florence WTE tender.

Resilient and continuous development and full offsetting of Fiscal moratoria