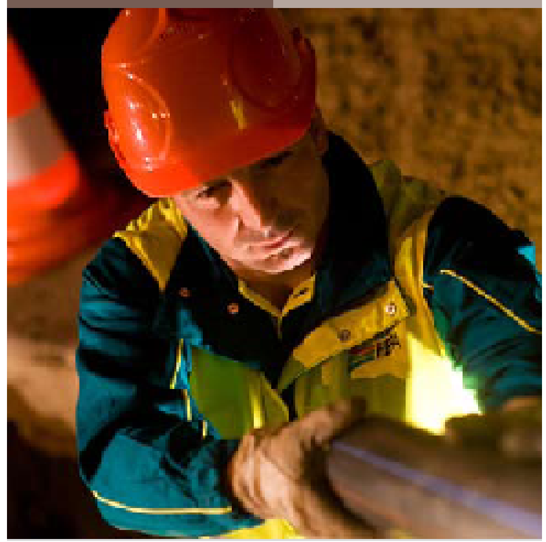
3006
2010



Hera H1 ’10 results

Analyst presentation

www.gruppohera.it

GRUPPO HERA

H1 2010: Enhancing results

> **Hera**'s Ebitda and Net profit enhancement by +15.6% and +33.8% respectively.

> **All businesses positively contributing to achieved results** with **gas** (+18.4m€) and **waste** (+12.8 m€) posting the most sizeable growth.

> **Energy businesses progressing** on the basis of **higher volumes** to final clients (+16% electricity and +5% in gas), positive contribution from **regulated activities** (basically gas distribution) and **in spite of** diffused **margin pressure due to oversupply.**

> **Volume increase from third parties (+8%) partly underpinned the waste performance** which benefited also from progressive contribution from new assets (WTE MO and other assets).

> Capex reduction (by 32 m€ or -16.5%) and enhanced profitability allowed to **achieve positive cash flow in H1** pre dividend.

> End of July agreement to sell 20% (with option to reach 25%) stake of **Herambiente** to Eiser Global Infrastructure.

3006
2010

Results posted only partly determined by better economic conditions

M €	H1 '09	%	H1 '10	%	Ch.%
Revenues*	**2,253.0**	**100.0%**	**1,919.3**	**100.0%**	***(14.8%)***
Ebitda	**271.3**	**12.0%**	**313.5**	**16.3%**	***+15.6%***
D&A	(127.7)	(5.7%)	(138.7)	(7.2%)	*+8.6%*
Ebit	**143.7**	**6.4%**	**174.8**	**9.1%**	***+21.6%***
Financials	(43.3)	(1.9%)	(47.4)	(2.5%)	*+9.5%*
Figurative interests (IAS)	(8.0)	(0.4%)	(7.1)	(0.4%)	*(11.3%)*
Leasings	(0.5)	(0.0%)	(0.3)	(0.0%)	*(40.0%)*
Other non oper. exp.	(2.8)	(0.1%)	0.0	0.0%	*(100.9%)*
Pre tax Profit	**89.1**	**4.0%**	**120.0**	**6.3%**	***+34.8%***
Tax	(37.3)	(1.7%)	(50.9)	(2.7%)	*+36.5%*
Group Net Profit	**51.8**	**2.3%**	**69.1**	**3.6%**	***+33.6%***
Minorities	(5.0)	(0.2%)	(6.6)	(0.3%)	*+30.8%*
Net Profit post min.	**46.8**	**2.1%**	**62.5**	**3.3%**	***+33.8%***

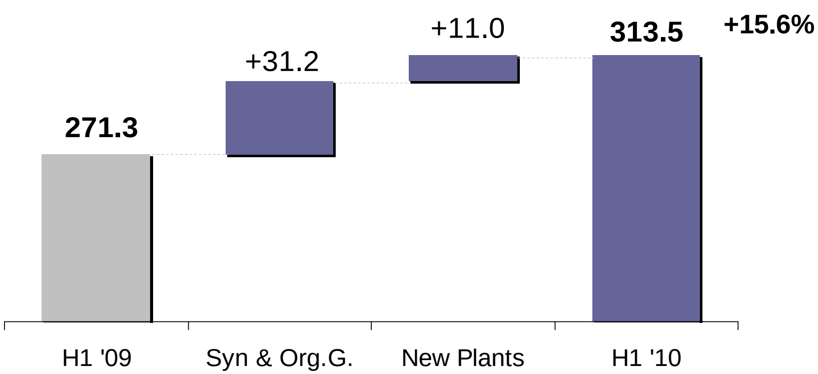
** Revenues include sales, change in stock and other operating revenues*

Performed above last quarters

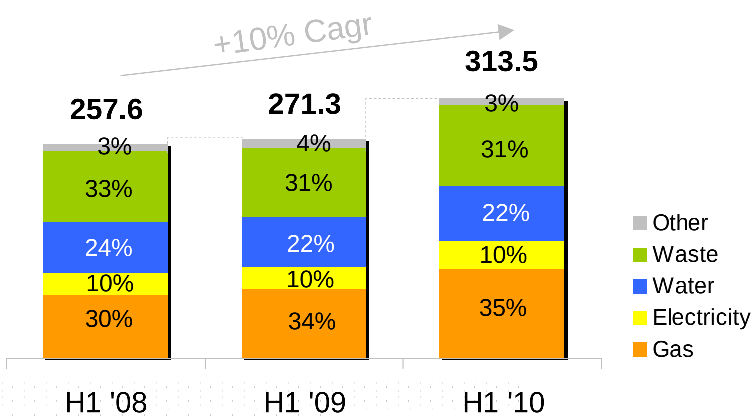
Group P&L statement compliant to IFRS 12

Organic growth achieved in all main businesses

Ebitda growth Drivers (m€)



Ebitda breakdown by business (m€)



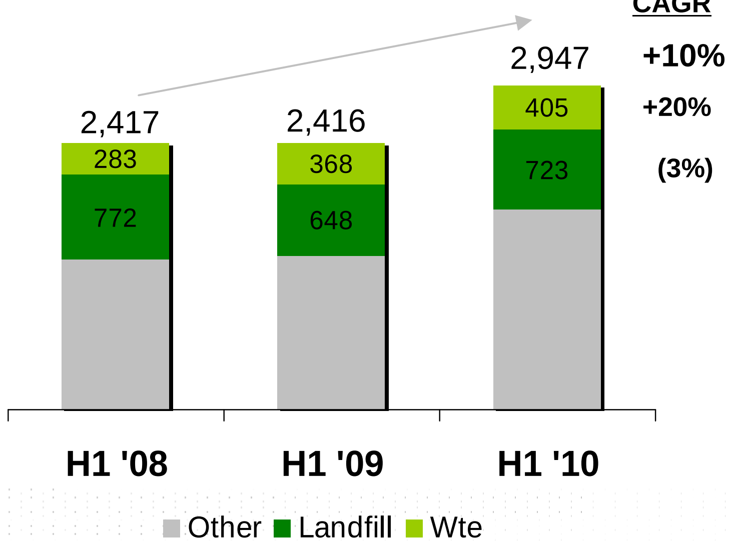
- **Synergies** (efficiency gains and operating cost cutting) and **Organic growth** (regulated tariffs and market expansion strategy in waste and energy activities) overcome pure economic recovery.
- **New plants** contribution mainly relate to WTE Modena and Imola co-gen.

- **Regulated activities** highlighted positive growth.
- **Energy** activities achieved outstanding results.
- Ebitda grew at **10% cagr over last 2 years** highlighting resilience to economic performance.

Volume development driven by increased treatment capacity

M €	H1 '09	%	H1 '10	%	Ch. %
Revenues	**313.3**	100.0%	**350.8**	100.0%	***+12.0%***
Operat. Costs	(163.5)	(52.2%)	(183.4)	(52.3%)	*+12.2%*
Personnel	(74.6)	(23.8%)	(76.3)	(21.8%)	*+2.3%*
Capitaliz.	9.2	2.9%	6.0	1.7%	*(34.9%)*
Ebitda	**84.3**	26.9%	**97.1**	27.7%	***+15.2%***

Treatment mix (K ton)



Volume treated increased by 10% cagr over last 2 years despite crisis. WTE increased by +20% vs -3% cagr of landfills.

New WTE plants (FC and MO running at full capacity) determined:

> special w. market expansion (+10.4% H/H)

> Ebitda increase (~+8m€)

> Ebitda margins (+80bp).

RN WTE started mid of June whilst **Biomass unit** on track for operation by year end**.**

Increase of regulated tariffs and volumes of urban w. (+3.9% in revenues H/H) with increased differentiated collection (from 45% to 47% of urban w. collected).

Electricity produced recorded **+12.7%** (from 239 to 269 GWh).

Water tariff increase and lower electricity cost supported results

M €	H1 '09	%	H1 '10	%	Ch. %
Revenues	**219.6**	100.0%	**231.9**	100.0%	***+5.6%***
Operat. Costs	(161.5)	(73.6%)	(123.3)	(53.2%)	*(23.6%)*
Personnel	(51.8)	(23.6%)	(52.5)	(22.6%)	*+1.4%*
Capitaliz.	53.2	24.2%	11.4	4.9%	*(78.6%)*
Ebitda	**59.5**	27.1%	**67.5**	29.1%	***+13.5%***

Fatturato	H1 '09	H1 '10	Ch.%
Aqueduct (mm^3)	**120.7**	**120.7**	**+0.0%**
Sewerage (mm^3)	104.5	105.5	+1.0%
Purification (mm^3)	104.5	105.8	+1.2%

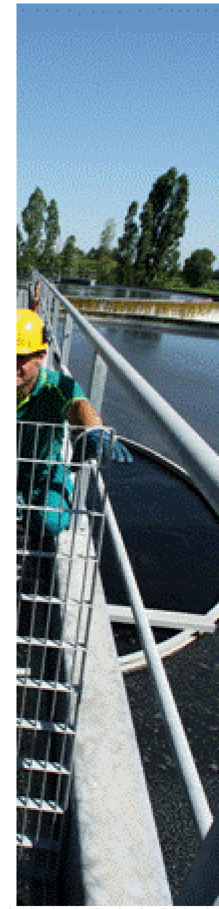
Revenues

Sales growth mainly driven by **tariff increase** (+3.8%) partially offset by **lower new connections** related to stagnation of real estate industry.

Ebitda

H1 '09 positive growth underpinned by tariff increase and by cost efficiencies reached (mainly in relation to energy prices reduction).

Ebitda margins up by +200 bp.



All gas drivers up

M €	H1 '09	%	H1 '10	%	Ch. %
Revenues	**756.5**	100.0%	**678.0**	100.0%	***(10.4%)***
Operat. Costs	(662.4)	(87.6%)	(548.7)	(80.9%)	*(17.2%)*
Personnel	(31.4)	(4.2%)	(33.6)	(5.0%)	*+7.0%*
Capitaliz.	28.2	3.7%	13.5	2.0%	*(52.2%)*
Ebitda	**90.9**	12.0%	**109.3**	16.1%	***+20.2%***

Data	H1 '09	H1 '10	Ch.%
Volumes distrib. (mm^3)	1,349.6	1,475.6	+9.3%
Volumes sold (mm^3)	1,483.7	1,680.2	+13.2%
of which trading (mm^3)	*230.2*	*368.6*	*+60.1%*
District Heating (GWht)	271.7	313.9	+15.5%

Revenues

Higher **volumes sold** mainly related to cold winter season and trading activities (1.1m customer base consolidated: new acquisitions offset churn).

Lower commodity prices (-30%) and slowdown in new connections (-1.5m€) affected revenues.

Ebitda

Regulated distribution activities positively contributed (+6m€) as a consequence of the **new tariffs** approved, reflecting RAB recognised.

Savings on operating costs also thanks to network acquisition performed in 2009.

Positive contribution of trading and sales activities partly related to higher volumes (+138.4mm^3 and 58mm^3 respectively) and because of **efficient procurement** and **logistic mgmt** of gas.

District heating positive contribution (+4m€) relates to new 80 MW Imola cogeneration plant full operation.

Volume growth with enhanced profitability

M €	H1 '09	%	H1 '10	%	Ch. %
Revenues	**931.6**	100.0%	**646.4**	100.0%	***(30.6%)***
Operat. Costs	(906.2)	(97.3%)	(608.7)	(94.2%)	*(32.8%)*
Personnel	(11.7)	(1.3%)	(12.1)	(1.9%)	*+3.4%*
Capitaliz.	12.3	1.3%	6.1	0.9%	*(50.6%)*
Ebitda	**26.0**	2.8%	**31.8**	4.9%	***+22.3%***

Data	H1 '09	H1 '10	Ch.%
Volumes sold (GWh)	3,190.3	3,710.6	+16.3%
Volumes distrib. (GWh)	1,063.6	1,077.8	+1.3%

Revenues

Sales increase underpinned by **market expansion** (+16% H/H in volume sold to final customers). Customer base reached ~350k clients with about 30k new acquisitions in last 6 months.

Trading volumes almost halved (from 8 to 4.7 TWh).

Ebitda

Better margins from **sales and trading**, also as a consequence of wholesale market situation in 2010, offset **lower contribution from own power gen**. (CCGT plants Teverola, Sparanise and Imola co-gen.).

Distribution activities affected by perequation (~1 m€) and stagnant volumes, particularly in Q1.

Micro-cogen. highlighted Ebitda improvements (by +1m€) and allowed largest part of Tremonti tax benefit.

Other services

M €	H1 '09	%	H1 '10	%	Ch. %
Revenues	**53.0**	100.0%	**48.7**	100.0%	***(8.1%)***
Operat. Costs	(35.1)	(66.2%)	(31.5)	(64.6%)	*(10.3%)*
Personnel	(8.8)	(16.6%)	(10.1)	(20.7%)	*+14.8%*
Capitaliz.	1.5	2.9%	0.7	1.4%	*(52.3%)*
Ebitda	**10.7**	20.1%	**7.8**	16.1%	***(27.2%)***

Data	H1 '09	H1 '10	Ch.%
Public Lighting (K unit)	331.5	331.5	(0.0%)

Ebitda

Ebitda decrease mainly driven by TLC businesses.

Minor changes in operation perimeter.

Rationalisation of these complementary businesses still in progress.

Capex and Net Financial Debt in line with expectations

Capex (m€)	H1 '09	H1 '10
Waste	62.0	44.3
Water	52.7	44.3
Gas	31.5	21.6
Electricity	19.6	24.0
Other	6.9	3.8
Holding	18.8	21.6
Capex	**191.6**	**159.6**
Investments	1.1	1.0
Capex & Inv.	**192.7**	**160.6**

Cash Flows (m€)	Q1 '10	Q2 '10	H1 '10
Initial Debt	(1,891.8)	(1,919.7)	**(1,891.8)**
Free cash flows	(27.9)	+45.9	**+18.0**
Dividends & Min.	+0.0	(96.8)	(96.8)
Ch. Net Debt	(27.9)	(50.9)	**(78.8)**
Final Debt	(1,919.7)	(1,970.6)	**(1,970.6)**

Declining capex in line with projections

Waste: 24m€ relates to new WTE plants.

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

Electricity: about 40% relates to new initiatives.

Financial Debt

NFP amount to 1.97 b€. Change versus 31/12/2009 mainly related to dividend payment (96.8m€).

Q2 free cash flow positive by ~46m€ thanks to working capital reduction and operating results offset by dividend payments.

Stable working capital with respect to 31-12-2009, whilst progressing in comparison to 30-06-2009.