

Hera Group Q1 results

Analyst presentation 13th May, 2010



Q1 2010: First results from harvesting

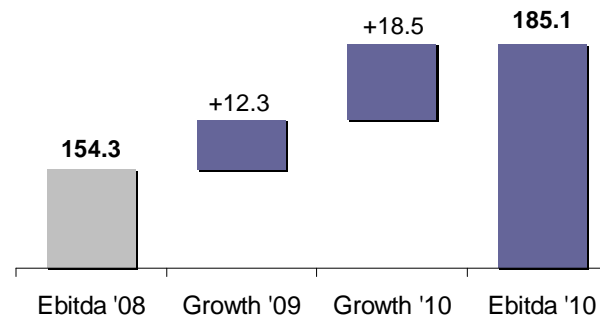
Increase in all economic results. Ebitda grows at double digit underpinned only by organic drivers.

Market expansion strategies continue to yield positive results: 30k new customers Q/Q in energy activities and double digit volume growth.

Special Waste volumes posted +13% increase (exceeding avg rates of BP) backed by developed treatment capacity.

Construction of new WTE plant in Rimini and a Biomass plant are well on track (scheduled start up within the end of H2 '10 and 1Q '11 respectively).

Ebitda growth (m€)



“Hera formula” highlights low sensitivity to commodity price fluctuation (Ebitda margins up to 17.6%) and proved to be reactive to economic recovery.

Financial debts substantially stable at 1.9 b€ thanks to confirmed capex reduction and to cash generation (almost offset working capital seasonality).



Q1 '10: Bottom line grows +6%

Lower commodity prices and trading activities partially offset by higher volumes sold.

“one off” fiscal moratoria

M €	Q1 '09	Q1 '10	Ch. %
Revenues	1,302.3	1,085.4	(16.7%)
Ebitda	166.6	185.1	+11.1%
<i>Ebitda Margin</i>	<i>12.8%</i>	<i>17.1%</i>	
D&A	(55.3)	(67.4)	+21.9%
Ebit	111.3	117.6	+5.7%
Financials	(20.2)	(22.2)	+10.1%
IAS (figurative)/Leasing	(4.7)	(3.8)	(19.1%)
Other non opex	(2.7)	0.0	-
Pre tax Profit	83.7	91.6	+9.4%
Tax	(34.9)	(39.0)	+11.7%
Net income	48.8	52.6	+7.8%
Minorities	(3.7)	(4.9)	+31.2%
Group net profit	45.1	47.7	+5.8%

Organic growth drivers underpin Ebitda increase

Margins move up to 17.1%

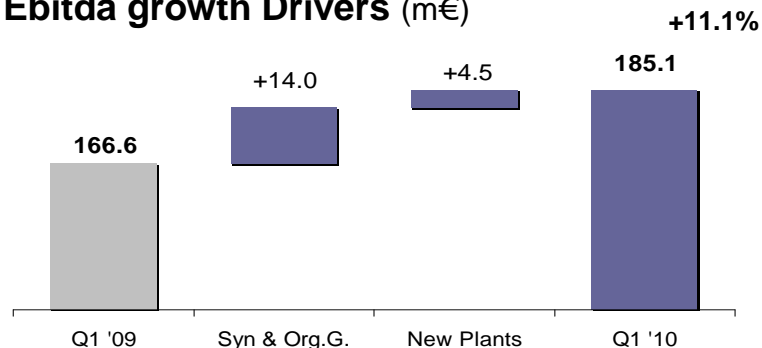
Substantially stable financials

Estimated tax rate of 42.6%

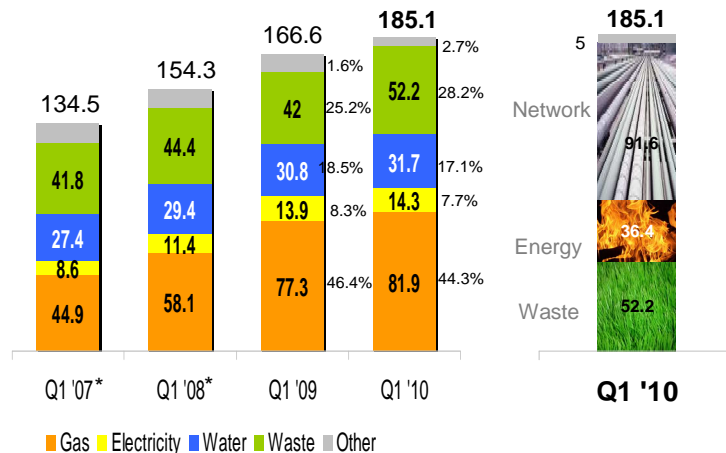
Mainly relates to FEA results increase

Downstream and Upstream strategy solid results

Ebitda growth Drivers (m€)



Ebitda breakdown (m€)

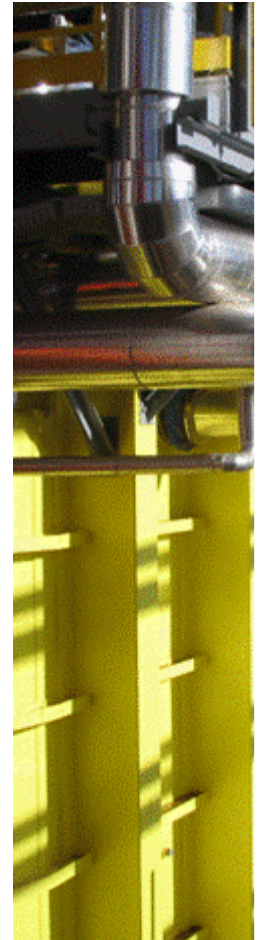


*business not reclassified on '09 and '10 basis

- **Organic Growth** (tariff progression, volumes increase and market expansion) helped by cold winter season and small recovery of demand.
- **New plants contribution** relates mainly to **WTE Modena** (yearly maintenance sustained in Q1). **Imola Cogen.** heat production more than offsets negative impact of fall in commodity prices.

Ebitda breakdown by business

- **Positive growth in all businesses.**
- **Waste management** increased weight thanks to expanded plant capacity.
- Favourable winter conditions underpin **Gas** incidence on Group Ebitda.

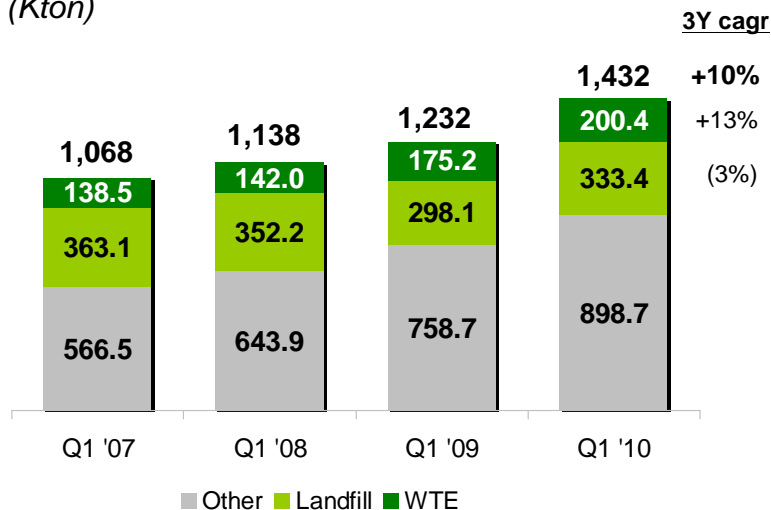


New plants boost Special Waste volumes (+13%) and margins



M €	Q1 '09	%	Q1 '10	%	Ch. %
Revenues	154.3	100%	169.6	100%	+9.9%
operat. costs	(79.0)	(51.2%)	(83.0)	(48.9%)	+5.1%
personnel	(36.4)	(23.6%)	(37.4)	(22.1%)	+2.7%
capitaliz.	3.0	2.0%	2.9	1.7%	(3.3%)
Ebitda	42.0	27.2%	52.2	30.8%	+24.3%

Total waste treated: +16.3% Q/Q
(Kton)



Revenues

Sales growth mainly driven by +16% waste volumes increase **(+12.8% Special Waste)** achieved exploiting new plant capacity on stream.

Ebitda

Ebitda underpinned by **Special Waste volumes growth** (volume treated above “pre-crisis” levels) mainly related to new WTE plant in Modena.

Recovery of manufacturing activities highlights slightly positive trends (in Italy estimated +3% in Q1).

Results accounts **Modena WTE stop** (1 month) for routine maintenance.

Higher margins (+300bp) reflect also change in mix of treatments (higher WTE treatments awarded with green certificates).

Herambiente Ebitda amounts to 39 m€.



Volume recovery offset real estate industry slow down

M €	Q1 '09	%	Q1 '10	%	Ch. %
Revenues	105.8	100%	108.5	100%	+2.6%
operat. costs	(73.6)	(69.5%)	(57.1)	(52.6%)	(22.4%)
personnel	(24.7)	(23.4%)	(25.1)	(23.1%)	+1.6%
capitaliz.	23.3	22.0%	5.4	5.0%	(76.8%)
Ebitda	30.8	29.1%	31.7	29.2%	+2.9%

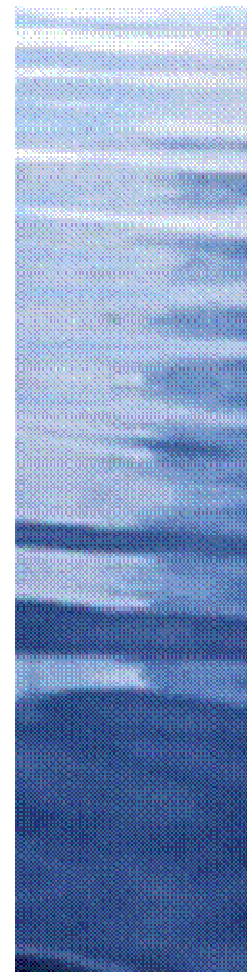
Data	Q1 '08	Q1 '09	Q1 '10	Q/Q
Aqueduct (mm³)	58.4	57.5	58.8	+2.3%
Sewerage (mm ³)	50.8	50.4	51.3	+1.8%
Purification (mm ³)	50.9	50.3	51.4	+2.2%

Revenues

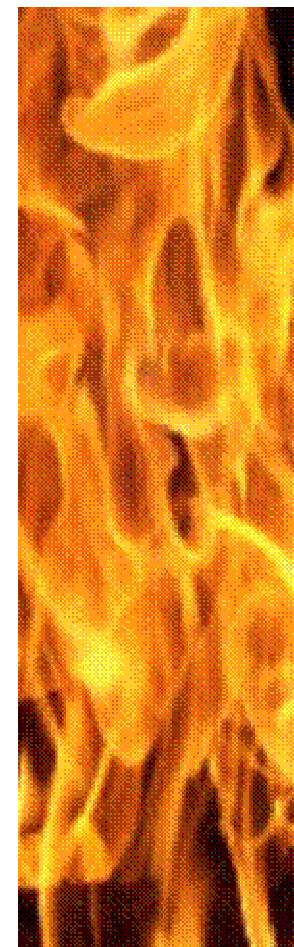
Sales growth mainly driven by **tariffs and volumes increase** partially offset by **lower new connections** related to slow down of real estate industry.

Ebitda

Ebitda increase related to tariff increase (partially offset by lower new connections of -0.6 m€).



Good climate conditions underpin better margins



M €	Q1 '09	%	Q1 '10	%	Ch. %
Revenues	579.6	100%	499.9	100%	(13.8%)
operat. costs	(498.6)	(86.0%)	(403.3)	(80.7%)	(19.1%)
personnel	(18.2)	(3.1%)	(18.3)	(3.7%)	+0.5%
capitaliz.	14.5	2.5%	3.7	0.7%	(74.4%)
Ebitda	77.3	13.3%	81.9	16.4%	+5.9%

Data	Q1 '09	Q1 '10	Q/Q
Volumes distrib. (mm ³)	1,093.1	1,186.4	+8.5%
Volumes sold (mm ³)	1,080.6	1,293.0	+19.7%
of which trading (mm ³)	72.8	218.5	+200.0%
District Heating (Gwht)	222.4	260.7	+17.2%

Revenues

Commodity prices reduction partially offset by higher **distributed and traded volumes** related to positive winter climate.

Ebitda

Results account also positive impact of **Imola cogeneration plant** and **reduction in lease cost** (due to network acquisition performed in 2009).

Ebitda margins up by 310bp highlighting **low sensitivity to commodity price** fluctuations thanks to proper procurement contracts.

Visible and profitable market expansion continues



M €	Q1 '09	%	Q1 '10	%	Ch. %
Revenues	493.7	100%	335.6	100%	(32.0%)
operat. costs	(479.9)	(97.2%)	(318.3)	(94.8%)	(33.7%)
personnel	(5.6)	(1.1%)	(5.9)	(1.8%)	+5.3%
capitaliz.	5.7	1.2%	2.9	0.9%	(49.2%)
Ebitda	13.9	2.8%	14.3	4.3%	+2.9%

Data	Q1 '09	Q1 '10	Q/Q
Customers	313.5	341.1	+8.8%
Volume sold (GWh)	1,647	1,863	+13.1%
Volume distrib. (GWh)	549	551	+0.2%

Revenues

Sale decrease due to reduced trading (-180 m€) partially offset by **market expansion** (+13% in volumes Q/Q).

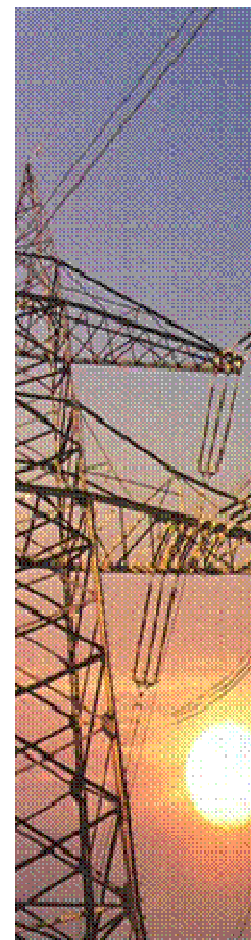
Impact of economic recovery still negligible.

Ebitda

Results reflect successful **market expansion** (+30K Q/Q and +10K new customers in Q1).

Commercial activities and hedging policies more than offset negative contribution of commodity price fluctuations, **Imola cogen.** plant and “**new connection**” activity.

Trading activities reduction in Q1 pushed up Ebitda margin (+150bp).



Portfolio rationalisation underpin lower weight on Group Ebitda

M €	Q1 '09	%	Q1 '10	%	Ch. %
Revenues	17.1	100%	25.9	100%	+51.4%
operat. costs	(12.3)	(71.9%)	(15.8)	(61.1%)	+28.4%
personnel	(2.3)	(13.4%)	(5.4)	(20.7%)	+135.1%
capitaliz.	0.1	0.5%	0.3	1.3%	+239.1%
Ebitda	2.6	15.2%	5.0	19.4%	+92.0%

Data	Q1 '09	Q1 '10	Q/Q
Public Lighting (K unit)	326.8	331.5	+1.4%

Weight of these activities below 3% on Group Ebitda.

Increased results relate mainly to telecommunication and Public Lighting business.

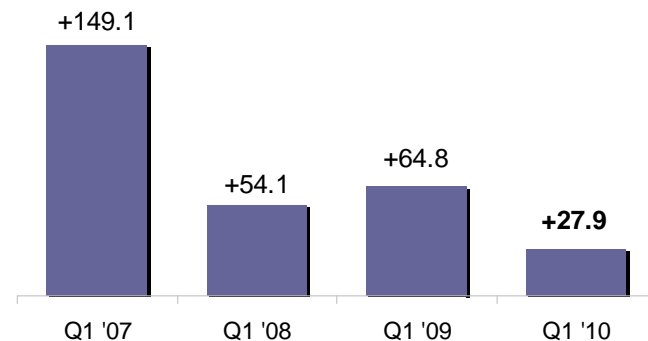


Capex decrease and organic growth underpin unchanged debts

Capital Exp. & Investments

M €	Q1 '09	Q1 '10
Waste	29.6	12.1
Water	23.5	19.2
Gas	15.0	10.6
Electricity	11.1	9.8
Other	0.8	1.6
Holding	6.0	9.5
Capex	86.0	62.8
Investments	0.0	1.0
Capex & Inv.	86.0	63.8

Net financial debt change



Capex for new plants drops (-44% Q/Q) as a consequence of their progressive completion.

Waste: more than 52% relates to new WTE plants.

Water: capex reduction in line with ATO requirements.

Electricity: reduction relates to new Imola cogen. completion.

Investments relates to Galsi project.

Financial Debts substantially unchanged

Operating cash flow increase maintained financial debt substantially in line with year end (1.92 vs 1.89 b€ of year end) despite seasonal Gas invoicing impact on NWC (by about +50m€).

Slightly bettered D/E (from 1.1x to 1.09x).



L/T growth strategy becomes more and more visible on profits

- **Positive growth** was driven by good performance of all businesses.
- Falling commodity prices and negative trends of real estate industry highlight portfolio mix “resilience” and the strength of expansion strategies pursued.
- Past years capex increasing contribution, decreasing development capex and the continuous organic growth underpin a positive trend in cash generation.
- **Approved DPS of 0.08€ to be paid on 10th June** (about 5% div. yield).
- **Hera started exclusive negotiations for the sale of 25% of Herambiente.**

Harvesting more and more visible



Q&A session

