



2009 Hera Group results

Analyst presentation 29th March, 2010



Overcome crisis with growing results



- **Hera achieved positive growth despite economic slow down** through actions on both internal and external growth drivers.
- **Liberalised market expansion strategy achieved good results** taking advantage from favorable energy procurement prices and market opportunities.
- **Regulated businesses results** benefit from **tariff increases** and favorable climate conditions fully offsetting demand slow down (Energy distribution and Water mgmt services).
- **Group structure was streamlined** transforming **LOC** into organizational units and **Herambiente** (spin off Waste mgmt assets and know how) was established to better exploit further market and M&A growth potentials (e.g. WTE infrastructural Gap in Italy).
- **Debt maturity** extended through a 500 m€ bond issued last November.
- **The capex plan** still leaves **WTE in Rimini** to be completed in 2010, whilst the **peak load** energy plant in Ortona will be **completed by year end**.
- **M&A progressed with the acquisition** of Gas and Distr. Heat. **networks** (funded with capital increase) and of the **first 25% stake in Aimag** multi-utility active in strategic contiguous territories.

Positive and growing bottom line (excl. “Moratoria”)



Profit and Loss

M €	2008	2009	Ch. %
Revenues	3,792.0	4,285.1	+13.0%
Ebitda	528.3	567.3	+7.4%
D&A	(247.6)	(276.0)	+11.5%
Ebit	280.7	291.3	+3.8%
Net fin. int. and other	(87.7)	(87.8)	+0.2%
IAS interest*	(4.2)	(13.2)	
Interest on Fiscal Morat.	0.0	(12.3)	
Fiscal Moratoria	0.0	(15.3)	
Pre tax Profit	188.9	162.6	(13.9%)
Tax	(78.6)	(77.6)	(1.3%)
Tax rate	-41.6%	-47.7%	
Group Net Profit	110.3	85.0	(22.9%)
Minorities	(15.5)	(13.9)	(10.2%)
Net Profit	94.8	71.1	(25.1%)
Net profit adj.	94.8	95.3	+0.5%

Market expansion and tariff increases offset slow down of demand and prices.

Benefitting from both reg. and liberalised businesses, with Gas posting most relevant growth.

Capex and new plant started up increased D&A.

Lower interest rates underpin net fin. int. on debt and affected non-cash IAS interests (accrued in provisions).

“One off” Fiscal Moratoria accounts for 27.6 m€.

Tax rate affected by Fiscal Moratoria (not deductible for 15.3 m€) and increased Robin Tax.

	2008	2009
Pretax reported	188.9	162.6
Fiscal Moratoria	-	27.6
Pretax adj.	188.9	190.2
Tax adj.	- 78.6	- 81.0
minorities	- 15.5	- 13.9
Net profit adj.	94.8	95.3

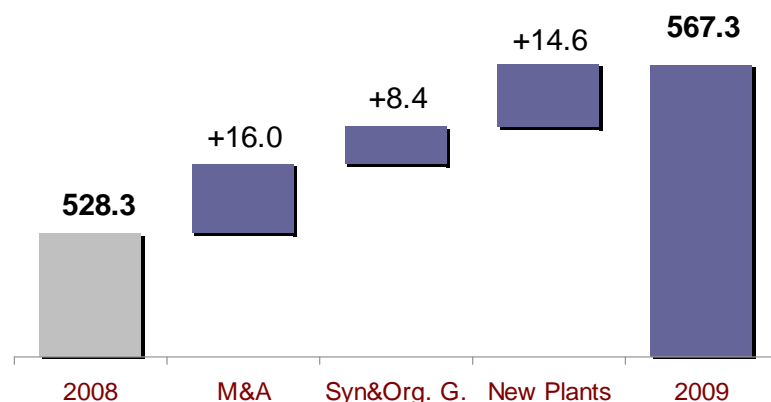
* IAS figurative interests ("no cash out") related to provisions

Positive results even though economic slow down affected all businesses

Ebitda growth leveraging upon all growth drivers



Ebitda Growth Drivers (M€)



Consistent strategy underpin constant growth

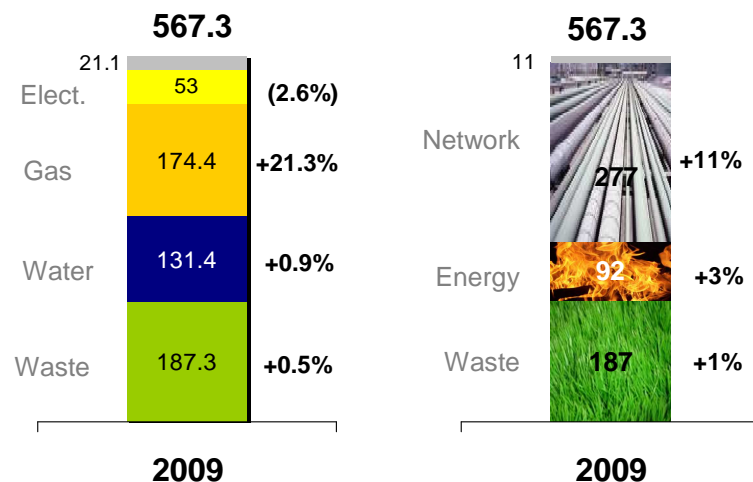
- **M&A:** relates to the acquisition of Gas and D.H. networks (16 m€ contribution relates to provision release).

Hera acquired also a first 25% stake of **Aimag** (contribution to results not booked).

- **Organic Growth** offsets crisis effect on demand:

- Market expans.
- Favourable climate
- Tariff increases
- Network expansion

Ebitda by business and by strategic area



- **New plants** further contributed to growth:

- Forlì WTE
- Cogen. Imola
- Modena WTE

- **L.o.c. transformation** into organisational units accomplished at year end.

Waste mkt trend turned positive

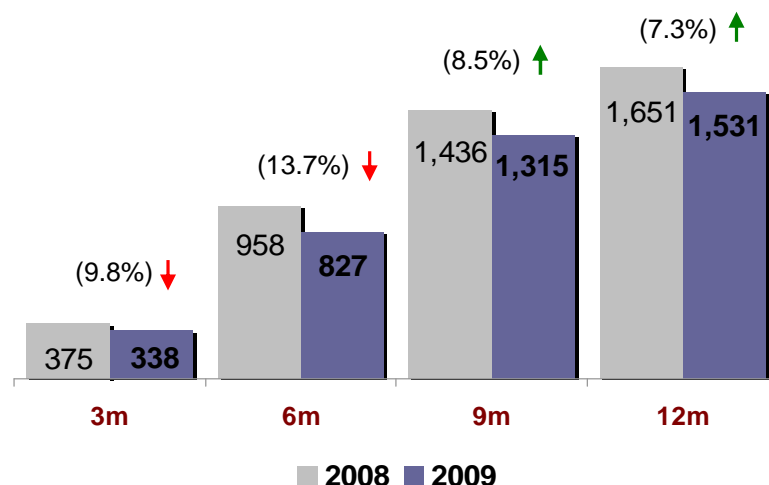


Profit and Loss

M €	2008	2009	Ch. %
Revenues	632.1	642.4	+1.6%
Operat. costs	(328.0)	(327.3)	(0.2%)
Personnel	(142.1)	(142.4)	+0.2%
Capitaliz.	24.2	14.5	(40.0%)
Ebitda	186.3	187.3	+0.5%

2009 Special Waste cum. Volume

(Kton)



- **New WTE plants** run at full regime (+18% production) reducing by 12% treatments in landfill.
- **WTE/biogas Electricity production up by +19%** (up to 0.49 TWh).
- **Regulated tariffs (+2.7%)** and **Urban W. volumes (+1.8%** physiological growth) contributed to growth.
- **Total Waste volumes** treated were almost **stable** (5.11 vs 5.16 mton).
- **Special Waste market** affected by -17.5% drop in '09 Italian manufacturing production. '09 volumes of **Special Waste** reached -7.3% compared to -13.7% of H1 thanks to **positive trend in last 2 quarters**.

Tariff increase offset crisis



Profit and Loss

M €	2008	2009	Ch. %
Revenues	459.0	471.4	+2.7%
Operat. costs	(359.0)	(264.5)	(26.3%)
Personnel	(100.8)	(104.7)	+3.9%
Capitaliz.	131.0	29.3	(77.6%)
Ebitda	130.2	131.4	+0.9%

Operating data

Data	2008	2009	Ch. %
Aqueduct (mm³)	257.0	256.6	(0.2%)
Sewerage (mm ³)	224.4	225.7	+0.6%
Purification (mm ³)	224.3	226.2	+0.8%

- **Tariff increase (+3.1%)** as agreed with Authorities and slightly lower volumes (-0.2%) underpin positive performance.
- **Slow down of real estate industry** (lower new connections and other unregulated services for about 2m€) fully offset by tariff increase.

Enhancement in regulated and liberalised activities



Profit and Loss

M €	2008	2009	Ch. %
Revenues	1,216.4	1,259.5	+3.5%
Operat. costs	(1,083.8)	(1,040.2)	(4.0%)
Personnel	(54.6)	(63.5)	+16.3%
Capitaliz.	65.9	18.7	(71.7%)
Ebitda	143.8	174.4	+21.3%

Operating data

Data	2008	2009	Ch. %
Volumes distrib. (mm ³)	2,370.3	2,334.4	(1.5%)
Volumes sold (mm ³)	2,493.1	2,802.7	+12.4%
of which trading (mm ³)	294.8	627.9	+113.0%
District Heating (GWht)	422.6	476.4	+12.7%

- **Volumes sold +12.4% and enhanced profitability of Trading**
 - **Sales to retail** benefit from cold winter (customer mix based on retail)
 - **Wholesales** doubled thanks to more liquid procurement market and favorable conditions on spot
 - **Business client** demand decrease offsets
- **'09 Distrib. Revenues benefit from new tariff scheme**
 - RAB valuation 800 m€ (+6.5% vs '08)
 - Cost base reduced by 2 m€
 - Std volumes recognized above '08
- **Acquisition of networks**, pursued in Q4, strengthened competitive Hera position for upcoming bids.
- **District Heating** benefits from climate conditions and operations of new Imola Cogeneration plant (2.6 m€).

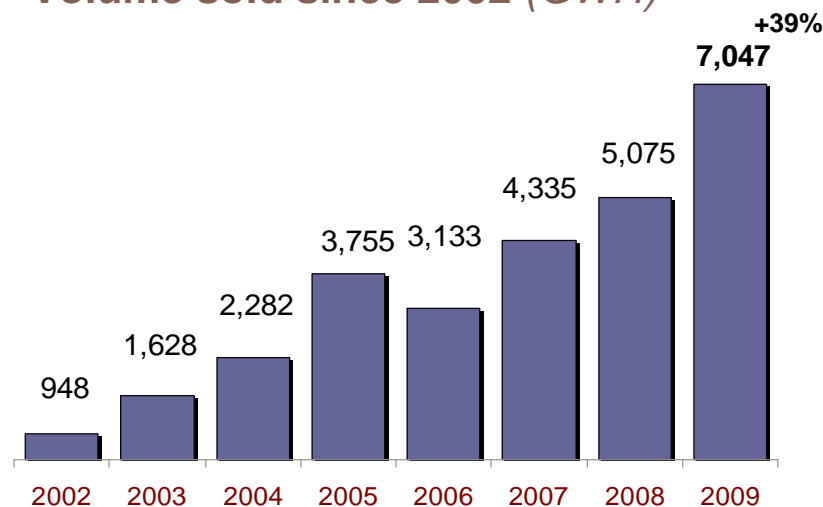
Boost in sales partially offset crisis effect



Profit and Loss

M €	2008	2009	Ch. %
Revenues	1,557.3	2,027.7	+30.2%
Operat. costs	(1,505.8)	(1,965.0)	+30.5%
Personnel	(22.2)	(24.1)	+8.6%
Capitaliz.	25.1	14.4	(42.7%)
Ebitda	54.4	53.0	(2.6%)

Volume sold since 2002 (GWh)



- **Proactive marketing approach** and strong presence on reference market yield outstanding results (vs -5% market trend):
 - +48K clients market expansion
 - +39% volumes (7TWh)
 - successful cross selling activities.
- Enhanced **Trading activities** benefit from favourable market conditions, whilst production units exposed to pool market suffered from price/margin decrease (Cogen Imola).
- **Change in fair value of derivatives** impacted by -4.5 m€.
- **Regulated Distribution** signed -6.4% in volumes due to slow down on customer demand only partially offset by tariff increases.

Electricity

Other activities



Profit and Loss

M €	2008	2009	Ch. %
Revenues	75.7	108.3	+43.1%
Operat. costs	(53.0)	(73.0)	+37.7%
Personnel	(11.5)	(17.4)	+51.4%
Capitaliz.	2.4	3.1	+29.3%
Ebitda	13.5	21.1	+56.1%

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

Operating data

Data	2008	2009	Ch.%
Public Lighting (K unit)	326.8	331.5	+1.4%

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

Financial Statement



Balance Sheet

M €	31/12/'08	31/12/'09
Fixed Assets	3,594.5	3,985.8
Working Capital	(22.9)	26.8
Stock	60.7	47.1
Receivables	1,183.0	1,157.0
Payables	(1,203.6)	(1,128.4)
Other current asset/liab.	(63.0)	(48.8)
(Provisions)	(421.0)	(420.0)
Net invested capital	3,150.6	3,592.5

Financial Debts

Net Debts	31/12/08	31/12/09
As of Dec. 31	(1,571.5)	(1,891.8)
Q4 change		+5.1
As of 30 September '09		(1,896.9)
of which:		
Short term Debt		251.9
Long term Debt		(2,143.7)

Capex and Investments

- Future growth sustained by **391.5 m€ capital expenditure** executed as budgeted (~40% development capex).
 - Investments** (36.8 m€) relates mainly to acquisition of 25% stake in Aimag.
 - Strengthening of Gas and D.H. network** adding about 145 m€ RAB funded by share capital increase (82m shares).
 - Working Capital** (bettered in Q4 from 88 to 26.7 m€) mainly affected by lower payables.
 - Net Financial Debts** slightly bettered in Q4.
- Hera issued a 500m€ Eurobond at the end of November, 150 m€ loan (in Yen) and renegotiated 200m€ loan taking advantage from favorable market conditions.

Closing remarks



- **Solid and comfortable results** offsetting economic slow down.
- **Main strategic achievements of business plan fulfilled** (LOC rationalisation, network acquisition from municipalities, largest new plant construction).
- **Approval of Gas Distribution tariff for 2010** will provide a **further enhancement** in current year.
- **Comfortable operating data** currently highlight a slight **recovery in consumptions** of all main services.
- **Despite “Fiscal Moratoria” one-off extraordinary charges, DPS confirmed at 8€c** implying 94% Adj. pay out ratio (125% pay out on reported net profit).

'09 DPS confirmed at 8€c



Q&A Session

A baby lying on its back, holding a glass bottle of water to its mouth. The baby is wearing a white diaper. Overlaid on the image are four icons in white boxes: a blue water drop icon with the word "Water", a yellow sun icon with the word "Light", a pink flame icon with the word "Heat", and a green trash can icon with the word "Waste". At the bottom of the image is a large white box with the text "Everybody needs Hera." and the Hera logo (a stylized flag with pink, blue, and green stripes) and the word "GRUPPO HERA".

Water

Light

Heat

Waste

Everybody needs Hera.

GRUPPO **HERA**

Hera commercial campaign 2010