



## First Quarter 2008 results



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Analyst Presentation, 14<sup>th</sup> May 2008

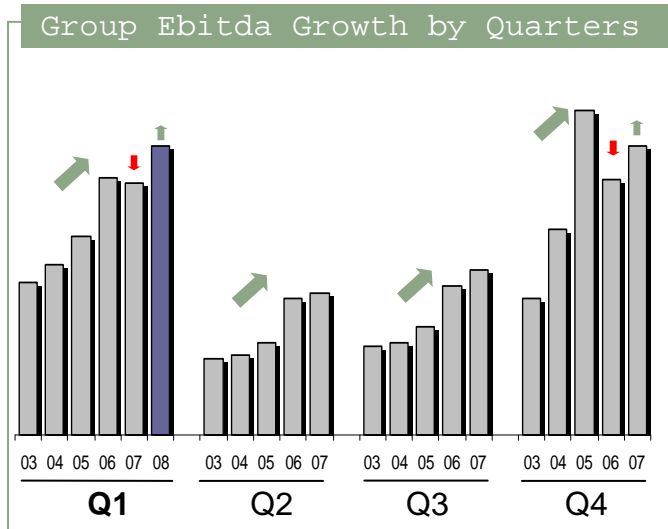


Oscar di Bilancio  
Società  
e Grandi Imprese

**WINNER**  
**2007**

## Q1 2008 at a glance: Maintaining growth path

- ✦ In Q1 2008 Hera confirms the strong growth path of past years: 21 quarters in a row (made exception for two quarters affected by extraordinary climate effects) with a double digit Ebitda cagr.



- ✦ **2007 Organic Growth** was driven by tariff progression (in Water and Waste businesses where ATO agreements are closed to be signed), by successful Electricity cross selling and by Electricity and Gas trading activities enhancement.

- ✦ **Internal growth drivers and “normalised” climate conditions** (slightly below Q1 2006) underpin the positive growth achieved.

- ✦ **M&A** achieved in 2007 (SAT and Megas mergers) **started contribution** from January 1<sup>st</sup> 2008.



## Double digit growth in line with 5 years track records

### Revenues **+33.8%**

Mainly relates to normalised winter season, Electricity **cross selling**, enhanced commodity **trading** activities, energy prices increase and improved **tariffs** in “WW”.

### Ebitda **+14.7%**

**Normalised climate** conditions of Q1 2008, **M&A** activities and **internal growth** drivers underpinned growth offsetting personnel cost increase (renewal of national labour contracts).

**Ebitda margin, netting** the higher Electricity **trading activities, is about 18.5%.**

### Ebit **+16.8%**

Affected by D&A related to significant operating capex.

### Q1 2008 Group Results

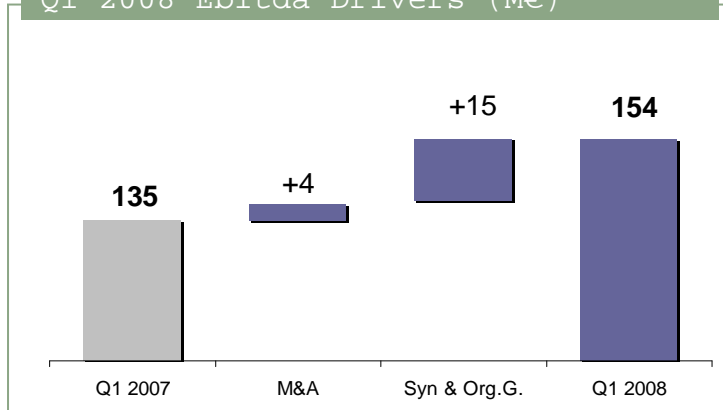
M €	Q1 2007	%	Q1 2008	%	Ch. %
<b>Revenues</b>	<b>759.5</b>	<b>100.0%</b>	<b>1,016.3</b>	<b>100.0%</b>	<b>+33.8%</b>
operat. costs	(595.4)	(78.4%)	(835.9)	(82.2%)	+40.4%
personnel	(76.6)	(10.1%)	(85.5)	(8.4%)	+11.6%
capitaliz.	47.1	6.2%	59.3	5.8%	+25.9%
<b>Ebitda</b>	<b>134.5</b>	<b>17.7%</b>	<b>154.3</b>	<b>15.2%</b>	<b>+14.7%</b>
D&A	(47.5)	6.3%	(52.6)	(5.2%)	+10.8%
<b>Ebit</b>	<b>87.1</b>	<b>11.5%</b>	<b>101.7</b>	<b>10.0%</b>	<b>+16.8%</b>
Financials	(17.1)	(2.3%)	(23.2)	(2.3%)	+35.3%
<b>Pre tax Profit</b>	<b>70.0</b>	<b>9.2%</b>	<b>78.5</b>	<b>7.7%</b>	<b>+12.2%</b>

### Pre-tax Profit **+12.2%**

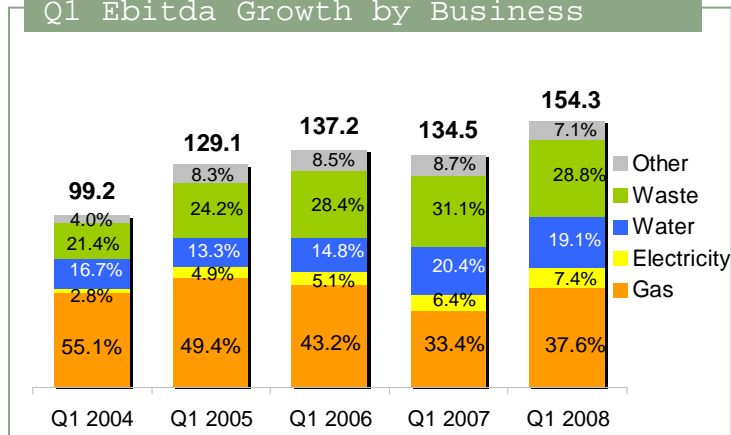
Discounting financial charges in line with financial debt increase.

## “Normalised climate conditions” contribute to growth

Q1 2008 Ebitda Drivers (M€)



Q1 Ebitda Growth by Business



### Ebitda by Drivers

- ✦ **M&A** (SAT and Megs) fully contributed to Q1 results.
- ✦ **Synergies** (efficiency gains mainly) and **Organic Growth** (mainly WW tariff progression based on almost achieved ATO agreements) more than offset the expiry of CIP6 contracts of 2 old WTE plants (-3 m€).

### Ebitda breakdown by business

- ✦ Energy activities are back to “normal” weight on Group Ebitda contribution.
- ✦ High incidence of Energy activities mainly relates to seasonality factors.



## Waste business: Growth offset expired CIP6 contracts

### Q1 2008 Ebitda Waste

M €	Q1 2007	%	Q1 2008	%	Ch. %
<b>Revenues</b>	<b>137.0</b>	<b>100.0%</b>	<b>148.7</b>	<b>100.0%</b>	<b>+8.5%</b>
operat. cost	(64.2)	(46.9%)	(72.0)	(48.4%)	+12.2%
personnel	(32.5)	(23.7%)	(35.7)	(24.0%)	+9.8%
capitaliz.	1.5	1.1%	3.4	2.3%	+122.4%
<b>Ebitda</b>	<b>41.8</b>	<b>30.5%</b>	<b>44.4</b>	<b>29.8%</b>	<b>+6.1%</b>

### Q1 2008 Ebitda Drivers

Data	Q1 2007	Q1 2008	Ch. %
Urban W. Volume (Kton)	381.5	396.9	+4.0%
Special W. Volume (Kton)	464.6	451.0	(2.9)%
Internal W. Volumes (Kton)	222.0	290.2	+30.7%
<b>Total Volume Treated</b>	<b>1,068.1</b>	<b>1,138.1</b>	<b>+6.6%</b>

### Better tariffs underpin sales growth

Urban Waste tariffs increase (+~2.5%) and the increase of Volume treated (+6.6%), pushed up sales.

2008 tariff increase agreement with ATOs are defined.

### Ebitda

Efficiency gains and better tariffs more than offset CIP6 contracts expiry (WTE Rimini and C.E. Ambiente in Ravenna) for about -3 m€.

Restarting **FEA WTE** in Bologna (end of April) after unplanned shutdown.

**WTE in Ferrara** plant has entered into commercial operations at full capacity whilst **WTE in Forlì** is in testing phase.



# Water business: Tariff progression underpin growth

## Q1 2008 Ebitda Water

M €	Q1 2007	%	Q1 2008	%	Ch. %
<b>Revenues</b>	<b>94.7</b>	<b>100.0%</b>	<b>104.3</b>	<b>100.0%</b>	<b>+10.1%</b>
operat. cost	(76.0)	80.2%	(84.8)	(81.3%)	+11.6%
personnel	(21.7)	(22.9%)	(25.0)	(23.9%)	+15.0%
capitaliz.	30.4	32.1%	34.9	33.5%	+14.7%
<b>Ebitda</b>	<b>27.4</b>	<b>29.0%</b>	<b>29.4</b>	<b>28.2%</b>	<b>+7.4%</b>

## Q1 2008 Ebitda Drivers

Data	Q1 2007	Q1 2008	Ch. %
<b>Aqueduct (mm<sup>3</sup>)</b>	<b>56.3</b>	<b>58.4</b>	<b>+3.8%</b>
Sewerage (mm <sup>3</sup> )	47.9	50.8	+5.9%
Purification (mm <sup>3</sup> )	49.8	50.9	+2.1%

## Tariff increase underpin sales growth

2008 revenues increased by +10% due to:

- M&A contributed by +6m€;
- Tariff increase (by ~+6%).

New agreements with ATOs are under finalization.

## Ebitda

Higher tariffs and M&A contribution were partially offset by:

- higher labour cost (renewal of national labour contracts);
- normalised procurement cost (Q1 2007 benefit from 2m€ cost reduction related to a particularly dry season).



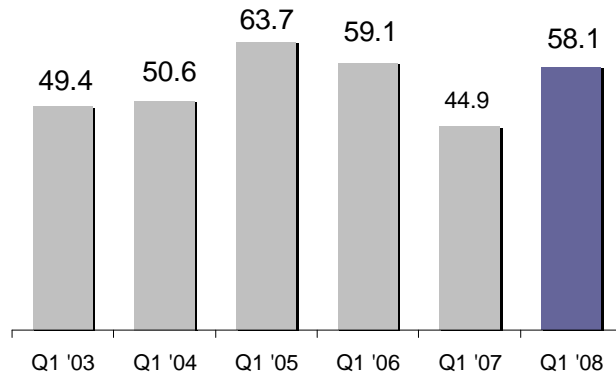


## Gas business: Back to more “normal” climate conditions

### Q1 2008 Ebitda Gas

M €	Q1 2007	%	Q1 2008	%	Ch. %
<b>Revenues</b>	<b>365.5</b>	<b>100.0%</b>	<b>423.6</b>	<b>100.0%</b>	<b>+15.9%</b>
operat. cost	(315.4)	(86.3%)	(361.6)	(85.4%)	+14.7%
personnel	(11.5)	(3.1%)	(14.3)	(3.4%)	+24.5%
capitaliz.	6.3	1.7%	10.3	2.4%	+63.4%
<b>Ebitda</b>	<b>44.9</b>	<b>12.3%</b>	<b>58.1</b>	<b>13.7%</b>	<b>+29.4%</b>

### Q1 Ebitda Gas Business (M€)



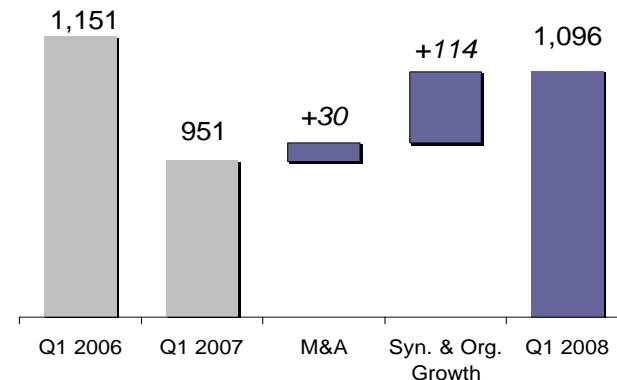
### Sales

Q1 sales development underpinned by more normal climate conditions (about +115 mm<sup>3</sup> vs Q1 '07) and by SAT (~+50 mm<sup>3</sup> distribution) and Megas (~+30 mm<sup>3</sup> sales/distribution) mergers.

### Ebitda

Higher volumes sold/distrib. (~+9.0m€) and contribution from M&A drove Ebitda and Ebitda margin back to Q1 2006 levels.

### Q1 Gas Volume sold (mm<sup>3</sup>)



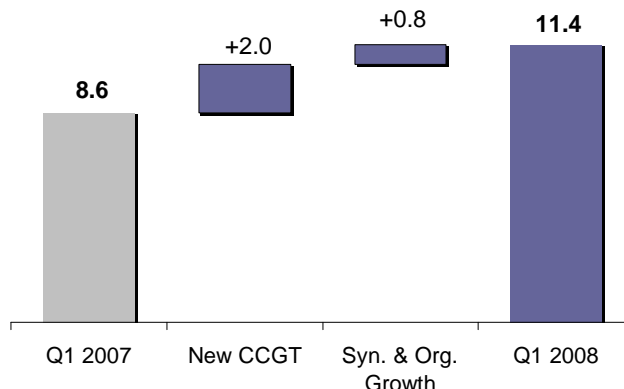


# Electricity business: Benefiting from upstream strategy

Q1 2008 Ebitda Electricity

M €	Q1 2007	%	Q1 2008	%	Ch. %
<b>Revenues</b>	<b>152.9</b>	<b>100.0%</b>	<b>323.7</b>	<b>100.0%</b>	<b>+111.7%</b>
operat. cost	(143.2)	(93.7%)	(313.1)	(96.7%)	+118.6%
personnel	(4.8)	(3.1%)	(4.7)	(1.5%)	(2.0%)
capitaliz.	3.8	2.5%	5.5	1.7%	(45.7%)
<b>Ebitda</b>	<b>8.6</b>	<b>5.6%</b>	<b>11.4</b>	<b>3.5%</b>	<b>+32.1%</b>

Q1 2008 Ebitda Drivers (M€)



## Successful cross selling activities

Sales increased mainly thanks to trading (+134 m€), cross selling (+38 m€) and distribution activities (-1 m€ following to tariff revision).

Volume sold to final customers reached 1.24 Twh (+20.5% q/q) partially backed by own production of Teverola and Spanrise plants.

## Ebitda

Ebitda increase mainly on procurement from Spanrise and Teverola CCGTs new plants and enhanced trading performance.

Ebitda margins adjusted for trading activities stood at about 8%.

Data	Q1 2007	Q1 2008	Ch. %
Volume Sold (GWh)	1,029	1,240	+20.5%
Trading distrib. (Gwh)	563	572	+1.5%



## Other services: Further portfolio rationalisations

### Q1 2008 Ebitda Other Activities

M €	Q1 2007	%	Q1 2008	%	Ch. %
<b>Revenues</b>	<b>47.7</b>	<b>100.0%</b>	<b>55.4</b>	<b>100.0%</b>	<b>+16.1%</b>
operat. cost	(35.0)	(73.2%)	(43.8)	(78.9%)	+25.1%
personnel	(6.1)	(12.8%)	(5.8)	(10.5%)	(4.7%)
capitaliz.	5.0	10.5%	5.2	9.3%	+4.3%
<b>Ebitda</b>	<b>11.7</b>	<b>24.6%</b>	<b>11.0</b>	<b>19.9%</b>	<b>(6.0%)</b>

### Q1 2008 Ebitda Drivers

Data	Q1 2007	Q1 2008	Ch. %
District Heating (Gwht)	170.0	205.8	+21.0%
Public Lighting (K unit)	305.7	319.1	+4.4%

### Revenues

Revenues increase by +15.9% despite divestment of non core activities. Normalised weather had a positive impact on District Heating.

Micro-cogeneration units have been completed and have positively contributed to results.

### Ebitda

Positive effect of efficiency gains and organic growth almost offset divestment of non core activities effects.



# Capex and Net Financial Debt: In line with expectations

## Q1 2008 Operating Capex

M €	Q1 2007	Q1 2008
Waste	21.9	22.1
Water	29.3	33.3
Gas	5.5	9.2
Electricity	6.0	10.8
Other	5.7	5.5
Holding	6.4	7.5
<b>Capex</b>	<b>74.7</b>	<b>88.4</b>
Investments	2.7	1.7
<b>Capex &amp; Inv.</b>	<b>77.4</b>	<b>90.1</b>

## Operating Capex

**Waste:** More than 50% relates to new WTE plants.

**Water:** capex in line with ATO agreements.

**Gas & Electricity:** 6 m€ capex relates to Imola CCGT plant and the remaining refers to network extraordinary maintenance.

**Other:** Mainly relates to District Heating and Heat Management businesses.

## Q1 2008 Net Financial Debts

M €	31/12/2007	Q1 2008
Short Term Debts	28.1	64.2
Long Term Debts	1,396.0	1,421.6
<b>Net Financial Debts</b>	<b>1,424.1</b>	<b>1,485.8</b>

## Financial Debts

Financial mainly affected by capex and working capital seasonal increase.



## Closing remarks

- ✧ **Q1 2008 results were almost in line** with expectations and highlight double digit growth rates.
- ✧ Ebitda growth bounced back from Q1 2007 thanks to **normalised climate conditions**.
- ✧ New business plan 2008-2011 is in progress.
- ✧ **Preliminary talks on consolidation are progressing.**