



'08

First 9 months results
Analyst Presentation
November, 14th

2008 First 9 months Results

Analyst Presentation, 14th November 2008



Oscar di Bilancio
Società
e Grandi Imprese

WINNER
2007

At a glance

- ✦ Hera achieved positive results in last 3 quarters reaching a **double digit growth rate** (+17%) in Group's 9 months Ebitda reflecting a **resilient structure to macroeconomic environment**.
- ✦ **Results underpinned by internal visible growth drivers** mainly related to tariff progression (in Water and Waste businesses) and to Energy activities.
- ✦ Q3 provided positive contribution thanks to both new activities and ongoing business.
- ✦ **2007 M&A activity** (SAT and Megas mergers) started contributing from January 1st 2008.
- ✦ **New plants** contributed to results: CCGT of **Teverola** (400MW), CCGT of **Sparanise** (800MW) fully contributed from January 1st 2008, **WTE in Ferrara** and **WTE in Forlì** are fully operating.
- ✦ Further 2 new plants (80MW **CCGT in Imola** and a 19MW **WTE in Modena**) are expected to start operations within year end.
- ✦ The **capital and debt structure** (90% fixed rate) comfort on maintaining the planned developments and capex profile.



2008 first 9 months Ebitda develop at double digit growth rate

Revenues **+30.9%**

Of which:

- ✦ Electricity trading **+15%**
- ✦ Electricity cross selling to Gas customers **+3%**
- ✦ Gas sales increase due to normalised winter season **+6%**
- ✦ Improved tariffs in "WW"* and M&A **+7%**

Ebitda **+17.1%**

Internal growth drivers, substantially normalised climate conditions and M&A activities underpinned growth.

New WTE plants started contributing.

Ebitda margin stands in line with 9 months of last year netting the increase of trading activities on commodities.

Group Results as of 30/9/2008

M €	30/9/'07	%	30/9/'08	%	Inc. %
Revenues	1,987.8	100.0%	2,603.0	100.0%	+30.9%
Operating costs	(1,620.1)	(81.5%)	(2,176.7)	(83.6%)	+34.4%
Personnel	(222.8)	(11.2%)	(250.5)	(9.6%)	+12.4%
Capitalizations	154.3	7.8%	174.5	6.7%	+13.1%
Ebitda	299.2	15.1%	350.4	13.5%	+17.1%
D&A	(145.0)	(7.3%)	(170.4)	(6.5%)	+17.5%
Ebit	154.1	7.8%	180.0	6.9%	+16.8%
Financials	(55.7)	(2.8%)	(77.4)	(3.0%)	+39.0%
Other non Op. Exp.	0.0	0.0%	(5.6)	(0.2%)	-
Pretax Profit	98.5	5.0%	96.9	3.7%	(1.6%)

Ebit **+16.8%**

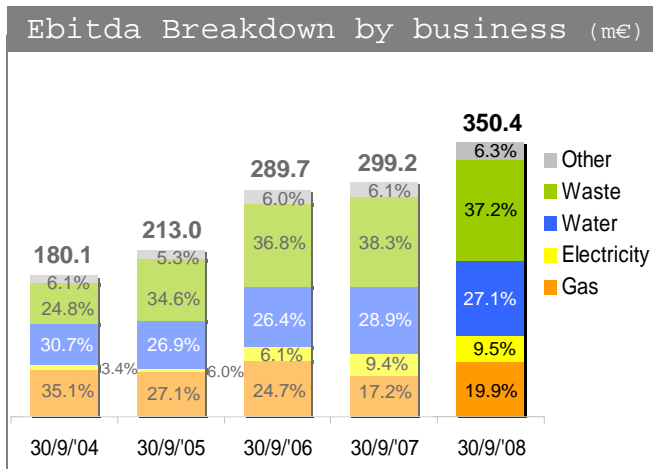
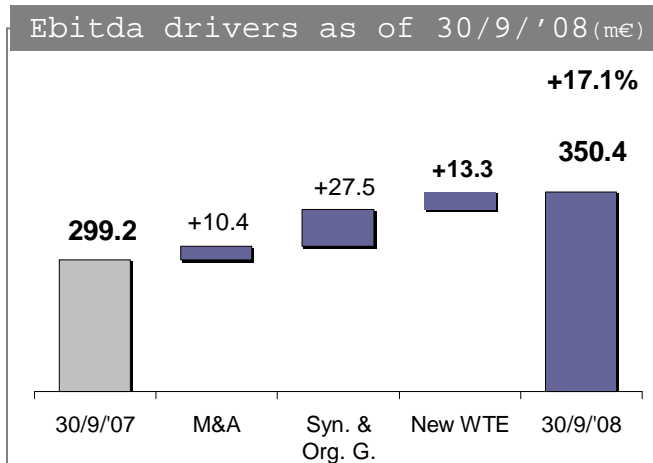
Discounting higher D&A in line with capex sustained and conservative provisions.

Pretax Profit **(1.6%)**

Factoring interest expenses in line with increased financial debts and one off effect of "moratoria fiscale" of 11.2m€ (Adj. Pretax Profit would have been 108m€, +9.9%).

* WW: Water and Waste

Growth based upon visible and solid drivers



Ebitda by driver

- ✦ **M&A** relates to SAT and Megas mergers.
- ✦ **Synergies and Organic Growth** mainly underpinned by “WW” tariff progression, market expansion and by Energy activities contribution.
- ✦ **New WTE** includes both Ferrara and Forlì WTE plants.

Ebitda breakdown by business

- ✦ **All core businesses signed double digit growth rates.**
- ✦ **Well balanced business mix** contribute to Group low risk profile.

Waste market expansion baked by new plant capacity

Ebitda Waste mgmt as of 30/9/'08

M €	30/9/'07	%	30/9/'08	%	Inc. %
Revenues	411.7	100.0%	468.0	100.0%	+13.7%
Operating costs	(210.7)	(51.2%)	(244.3)	(52.2%)	+16.0%
Personnel	(96.6)	(23.5%)	(108.0)	(23.1%)	+11.8%
Capitalizations	10.4	2.5%	14.5	3.1%	+39.2%
Ebitda	114.7	27.9%	130.2	27.8%	+13.5%

Data as of 30/9/'08

K ton	30/9/'07	30/9/'08	Inc.%
Urban waste	1,253.3	1,311.8	+4.7%
Special waste	1,340.7	1,436.4	+7.1%
Plant's residuals	720.1	1,077.4	+49.6%

Revenues +13.7%

Sales increase due to higher tariffs (+3.0%) and increased volumes either in Urban Waste (+4.7%) and Special Waste (+7.1%).

Sales benefit from Electricity production increase sold at incentive schemes (green certificates at market price).

Agreements with ATOs for 2009-2012 tariff increase are underway.

Ebitda +13.5%

Top line growth fully offset the CIP6 contracts expiry (WTE Rimini and C.E. Ambiente -4m€) and the unexpected shut down of FEA WTE in March (-2m€).

WTE in Ferrara and **WTE in Forlì** reached full operations contributing to results (+13m€).

WTE in Modena well on track to have first firing within year end.



Water maintains a stable and solid progression

Ebitda Water mgmt as of 30/9/'08

M €	30/9/'07	%	30/9/'08	%	Inc. %
Revenues	309.7	100.0%	340.3	100.0%	+9.9%
Operating costs	(252.5)	(81.5%)	(264.4)	(77.7%)	+4.7%
Personnel	(68.4)	(22.1%)	(77.5)	(22.8%)	+13.2%
Capitalizations	97.7	31.6%	96.5	28.4%	(1.3%)
Ebitda	86.5	27.9%	94.9	27.9%	+9.7%

Data as of 30/9/'08

M mc	30/9/'07	30/9/'08	Inc. %
Fresh water	190.4	197.0	+3.5%
Sewerage	168.2	170.4	+1.3%
Depuration	168.5	170.7	+1.3%

Revenues **+10%**

Tariff progression (~5%) and M&A contributed to sales increase.

Agreements with ATOs for 2009-2012 tariff increase are underway.

At 2007 perimeter volumes of fresh water declined by 5 mm³.

Ebitda **+10%**

Main drivers are tariff increase and M&A.

2007 results for one-off water procurement savings (~4m€).



Gas loyal customer base and normalised climate underpin growth

Ebitda Gas as of 30/9/'08

M €	30/9/'07	%	30/9/'08	%	Inc. %
Revenues	571.3	100.0%	706.5	100.0%	+23.7%
Operating costs	(512.7)	(89.7%)	(632.5)	(89.5%)	+23.4%
Personnel	(26.3)	(4.6%)	(33.7)	(4.8%)	+27.9%
Capitalizations	19.1	3.4%	29.5	4.2%	+54.2%
Ebitda	51.4	9.0%	69.8	9.9%	+35.8%

Data as of 30/9/'08

M mc	30/9/'07	30/9/'08	Inc.%
Gas distributed	1,317.6	1,550.6	+17.7%
Gas sold	1,525.1	1,730.9	+13.5%
of which trading	226.0	246.5	+9.1%
Market Share	90.7%	91.6%	

Revenues

+23.7%

Sales benefit from market expansion, Group perimeter expansion and "normalised winter climate" conditions.

Q3 sales affected by seasonal effects.

Completed, as for schedule, the full acquisition of Megas Trade, now HeraComm Marche (+40k clients).

Ebitda

+35.8%

Normalised climate conditions (+14m€) and change in perimeter sustained sharp recovery in Ebitda.

Ebitda incidence on sales bettered by 90 bps.

Fair value of commodity derivatives as of 30 Sept. was negative by 1.5m€ (vs +5.0m€ as of 30 June).

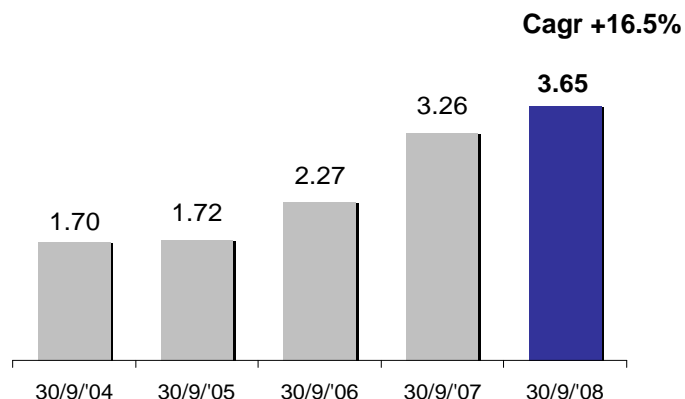


Electricity sales maintain a strong growth path

Ebitda Electricity as of 30/9/'08

M €	30/9/'07	%	30/9/'08	%	Inc. %
Revenues	678.5	100.0%	1,081.9	100.0%	+59.5%
Operating costs	(647.6)	(95.5%)	(1,049.4)	(97.0%)	+62.0%
Personnel	(14.8)	(2.2%)	(16.4)	(1.5%)	+11.0%
Capitalizations	12.1	1.8%	17.3	1.6%	+42.7%
Ebitda	28.2	4.2%	33.3	3.1%	+18.2%

Sales growth over last 5Y (Twh)



Revenues

+59.5%

Enhanced trading activities and a persistent organic sales expansion to Gas customers (cross selling) are the main drivers of sharp growth.

Trading activities reached 8.3 TWh on the back of enhanced own generation capacity and third parties production.

Ebitda

+18.2%

Market expansion (+9k business clients in 9 months), trading activities and full contribution of Teverola and Spanrise CCGTs more than offset effect of lower distribution tariffs (~-4.5m€).

Imola 80MW Cogeneration plant on track to start operations by year end.



Other businesses enhance growth and margins

Ebitda Other as of 30/9/'08

M €	30/9/'07	%	30/9/'08	%	Inc. %
Revenues	112.6	100.0%	115.6	100.0%	+2.7%
Operating costs	(92.5)	(82.2%)	(95.2)	(82.3%)	+2.9%
Personnel	(16.6)	(14.7%)	(14.9)	(12.9%)	(10.1%)
Capitalizations	14.9	13.3%	16.6	14.4%	+11.5%
Ebitda	18.4	16.3%	22.2	19.2%	+20.7%

Data as of 30/9/'08

	30/9/'07	30/9/'08	Inc. %
District Heating (GWht)	235.4	279.2	+18.6%
Lighting towers (k unit)	311.4	326.0	+4.7%
Municipalities served	60	63	+5.0%

Revenues **+2.7%**

Sales develop despite non core business dismissions.

Micro-cogeneration units entered into operations contributing to growth.

Ebitda **+20.7%**

Organic growth and synergy exploitation more than offset effects of non-core activity disposal.

District Heating benefits from normalised climate conditions (+1.5m€) whereas Public Lighting and Mini-cogeneration businesses benefit from market and plant expansions.



Sound balance sheet despite high development capex

2008 first 9 months Capex

M €	30/9/'07	30/9/'08
Waste	103.4	92.0
Water	94.6	88.1
Gas	18.0	26.2
Electricity	27.7	31.4
Other	19.5	21.4
Holding	28.8	33.1
Capex	292.1	292.2
Investments	6.6	4.3
Total	298.7	296.5

Net financial debt as of 30/9/'08

M €	31/12/'07	30/9/'08
Short Term Debts	(28.1)	(212.6)
Long Term Debts	(1,396.0)	(1,385.3)
Net Financial Debts	(1,424.1)	(1,597.9)

Operating Capex

Capex plan focused on WTE and CCGT plants development and on regulated asset base enhancement.

Capex in line with business plan and further 2 new plants expected to start operations within year end.

Net Financial Debts

Financial debt duration around 10 years and 90% at fixed interest rates.

Available committed credit lines (350m€) allow to cover next years maturities.

In September issued a put bond of 250m€ at competitive interest rates (Euribor -90bps).



Closing remarks

- ✦ **Positive growth over last 3 quarters confirming Group track records.**
- ✦ **Regulated “primary” services** (Water, Energy distribution and Urban Waste) highlight, for the time being, low exposure to negative macroeconomic environment and benefit from “WW” tariff increases.
- ✦ **Liberalised “primary” services** (sales of Gas, Electricity and Special Waste services) posted positive growth rates thanks to loyal customer base and effective cross selling activities.
- ✦ **Overall efficiency gains continue** to underpin the results achieved also leveraging upon recent mergers.
- ✦ **New plants** will soon contribute to results **supporting** the Group **further developments**.
- ✦ **New Business Plan 2008-2011** will be disclosed to the market in the beginning of next year.



Q&A session