

Accelerating growth
H1' 15 financial results

■ HERA GROUP

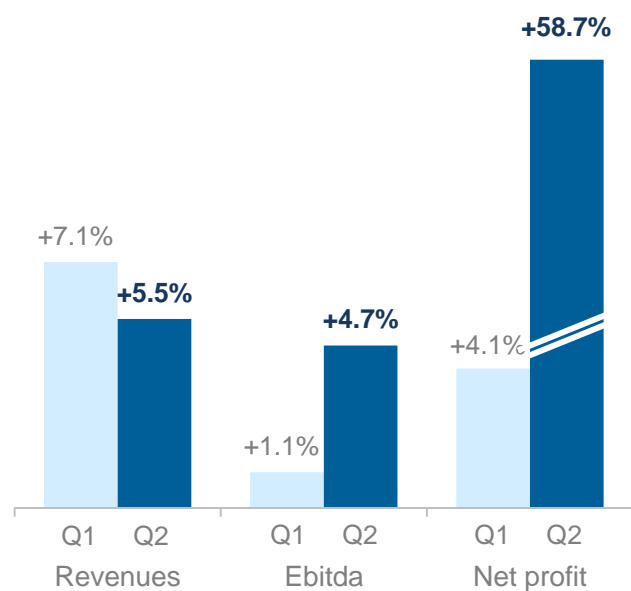
Analyst presentation

26 August 2015

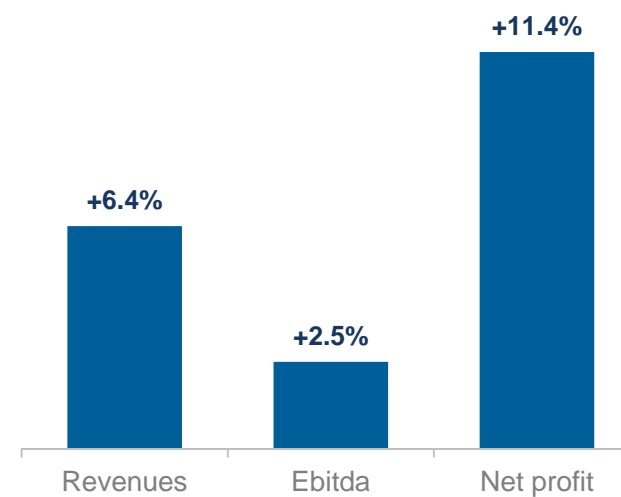
Back on track with a well performing Q2



2015 increasing growth rate (%)



H1 2015 positive growth (%)



Net profit up double digit

Positive growth despite a challenging H1 2014



H1 RESULT HIGHLIGHTS

(M€)

	1H '14*	1H '15	
REVENUES	2,225.4	2,368.9	+6.4%
EBITDA	448.0	459.1	+2.5%
<i>Ebitda margin</i>	<i>20.1%</i>	<i>19.4%</i>	
Depreciation and provisions	(205.2)	(214.0)	
EBIT	242.8	245.0	
Cost of Debt	(63.0)	(58.3)	(7.5%)
Write offs	(2.5)	0.0	
Figurative interests (IAS)	(7.2)	(9.3)	
Income from Associates & J.V.	4.1	6.3	
PRETAX PROFIT	176.7	183.7	
Tax	(69.5)	(68.3)	
Minorities	(8.5)	(8.1)	
NET PROFIT POST MINORITIES	96.3	107.3	+11.4%
Number of shares (m)	1,410.3	1,473.9	
EPS (c€)	6.8	7.3	+6.7%

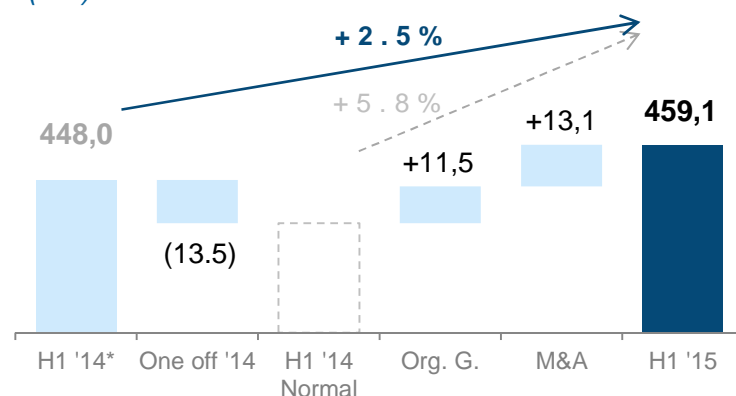
- **All businesses back to growth in Q2;**
- **Cost of debt** benefits from liability management;
- **Income from associates** underpinned by recovery from 2014 mild winter effects;
- **Minorities reduction** reflecting partly the ongoing rationalisation;
- **Taxes** benefit from *Robin Tax* and *IRAP* review.

EPS up by +6.7%

*H1 2014 results restated to reclassify 2.9m€ "Foni" contribution from revenues to provisions. Restatements are neutral on EBIT.

Ebitda positive growth overcoming '14 one offs

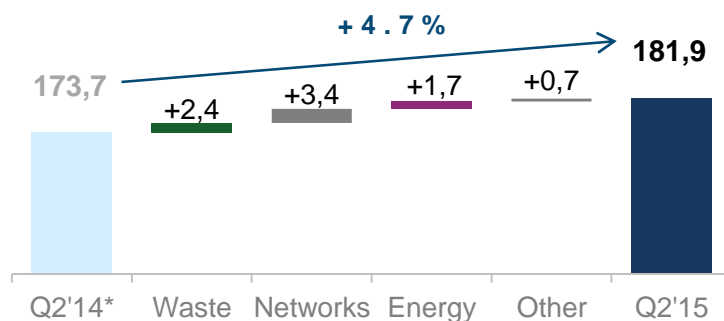
H1 EBITDA growth drivers (M€)



- **+2.5% H1 Ebitda growth** (from +1% in Q1) thanks to a well performing Q2;

- **All businesses** highlight **positive growth in Q2**, specially in **gas distribution** and **sales & trading activities**, thanks to enhanced volumes (+150mm³ Q/Q);

Q2 EBITDA growth by business (M€)



- **AMGA Udine** and Alento Gas widened Group perimeter.

Sound contribution from Q2

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WASTE: Q2 positive growth partially offsets negative Q1



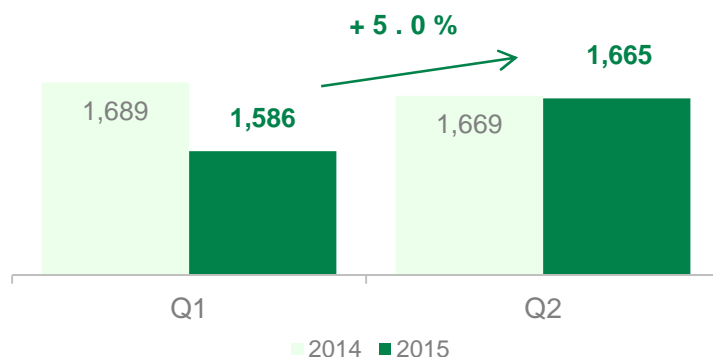
Q2 Waste Ebitda

(M€)



Q2 Treated volumes normalized

(kton)



- Q2 Ebitda growth underpinned by **special waste price increase**. Efficiency leads to enhanced margins (from 24.2% to 25.5%);
- H1 Ebitda shows recovery of Q1 performance (120m€ in H1 '15 from 122 m€ in H1 '14);
- Q2 treatment activities back to normal and WTE capacity 100% exploited (+3% volumes);
- increased sorted waste up to 54.6%;
- Hera fully integrates Akron (3.5 m€ Net profit in Y2014).

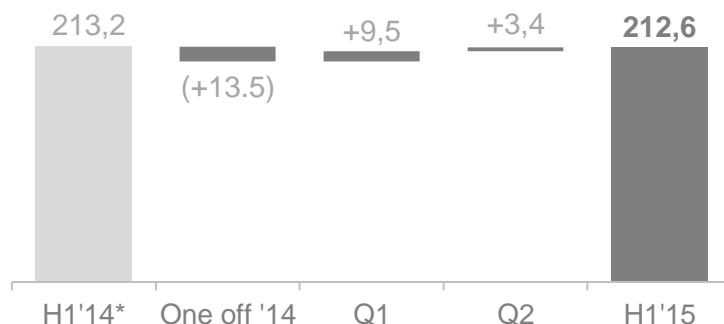
Special waste prices increased for 3 quarters in a row

NETWORKS: fully offset 14 m€ “one off” accounted in Q1 ‘14



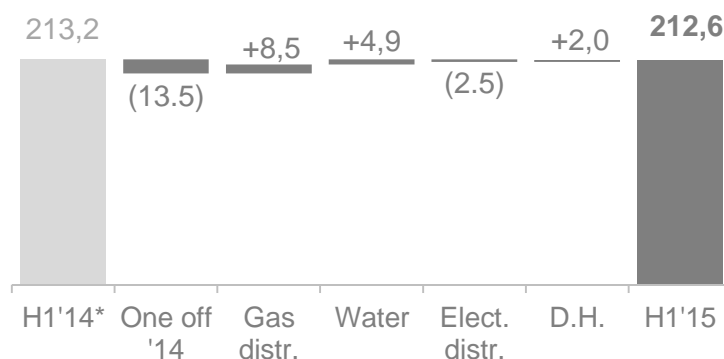
Networks Ebitda

(M€)



H1 Ebitda by business

(M€)



- **H1 Ebitda in line with H1 '14** offsetting (8 m€) *specific equalization* (perequazione specifica) and white certificates revaluation (6 m€);
- **Gas distribution** and **D.H. benefitting** from better winter **temperature** and from **M&A**;
- **Enhanced efficiency overcomes tariff reductions** (water tariffs sole exception);
- **Water** tariff still highlights progression, underpinning **enhanced margins**;
- **M&A contributed to results by 8.3 m€ in H1** of which 6.1 m€ from domestic gas distribution.

Efficiency is yielding visible results

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Better winter climate and market expansion



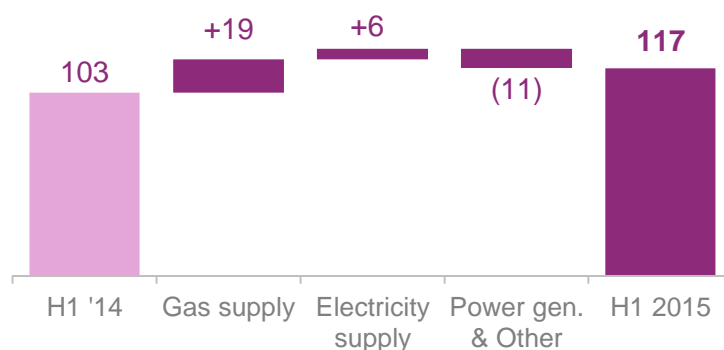
Energy Ebitda (M€)



- **Colder winter** and **trading activities** underpin gas volumes increase +33.7%;
- **HERACOMM expansion** in electricity markets continues (+83K customers in H/H) highlighting solid competitive advantages;
- **Gas customer** base above 1.3 million clients, after Amga and Alento Gas mergers;
- **Tooling agreements** affected by lower MSD (-6.5m€);
- **Q2 providing** enhanced positive **Ebitda** contribution for **34.5 m€** (+1.7 m€).



H1 Ebitda by business (M€)



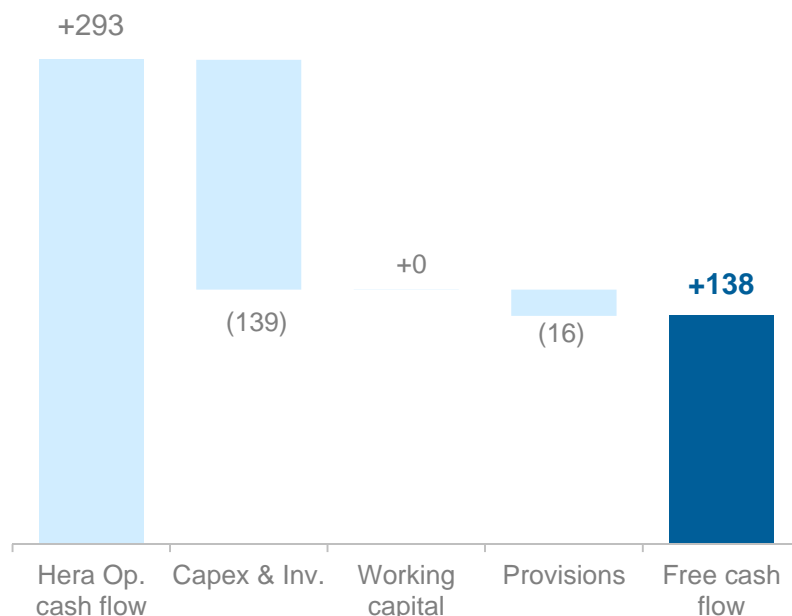
Intangible asset represented by CUSTOMERS continues to grow

Positive cash flows



H1 cash flows

(M€)



Stable working capital

- **Cash flows** highlight **capex for 139 m€** (+6% H/H);
- **+138 m€ positive cash generation** (from 2.5 m€ in H1 '14) **covered dividend payments to shareholders** (133 m€) **and partially funded acquisitions** (32 m€);
- **Debt stood at 2,656 m€** (from 2,640 m€ as of 31st December 2014 and 2,730 m€ as of 30th June 2014);
- **Pro-active financial management** permitted to **reduce interest expenses** and **risk exposure**, swapping to fixed rates 1 b€ floating debt;
- **Cost of debt for 2015 at ~3.8%;**
- **Moody's upgraded outlook** from "negative" to "stable".

Favorable debt market conditions promptly "locked in"

Closing remarks – Q&A session

- Operating, financial and tax management enhanced value creation to shareholders (+6.7% EPS);
- M&A and integration process contributed to growth and value creation once again;
- Enhanced cash generation funded dividend payments (DPS of 9 c€ paid in June), confirming sound financial structure;



Still on track while waiting for the
new business plan



Annex

With further information

Investor Relations
IR@gruppohera.it

Financial highlights breakdown



3rd Quarter of Special Waste price increase

(m€)	Q1 2014	Q1 2015	Ch. %
Revenues	222.7	214.7	(3.6%)
Ebitda	69.8	64.9	(7.0%)
<i>Ebitda margin</i>	31.4%	30.2%	

(m€)	Q2 2014	Q2 2015	Ch. %
Revenues	217.2	215.4	(0.8%)
Ebitda	52.5	54.9	+4.7%
<i>Ebitda margin</i>	24.2%	25.5%	



(m€)	H1 2014	H1 2015	Ch. %
Revenues	439.9	430.1	(2.2%)
Ebitda	122.3	119.8	(2.0%)
<i>Ebitda margin</i>	27.8%	27.9%	

Volumes

Data	Q1 2014	Q1 2015	Ch. %	Q2 2014	Q2 2015	Ch. %	H1 2014	H1 2015	Ch. %
Urban W. Volumes (Kton)	454.9	470.1	+3.3%	534.3	548.7	+2.7%	989.2	1,018.8	+3.0%
Special W. Volumes (Kton)	561.9	468.7	(16.6%)	556.1	512.5	(7.9%)	1,118.0	981.2	(12.2%)
Waste from third parties	1,016.8	938.8	(7.7%)	1,090.4	1,061.1	(2.7%)	2,107.3	1,999.9	(5.1%)
Internal W. Volumes (Kton)	671.9	647.2	(3.7%)	578.1	604.2	+4.5%	1,250.0	1,251.4	+0.1%
Total Volumes Treated	1,688.7	1,586.0	(6.1%)	1,668.6	1,665.4	(0.2%)	3,357.3	3,251.4	(3.2%)

Financial highlights breakdown

Tariffs underpinned a solid growth

(m€)	I 2014*	Q1 2015	Ch. %
Revenues	169.1	182.6	+8.0%
Ebitda	47.3	50.5	+6.9%
<i>Ebitda margin</i>	27.9%	27.7%	

(m€)	Q2 2014*	Q2 2015	Ch. %
Revenues	200.4	194.8	(2.8%)
Ebitda	55.5	57.1	+2.9%
<i>Ebitda margin</i>	27.7%	29.3%	

(m€)	H1 2014*	H1 2015	Ch. %
Revenues	369.5	377.4	+2.1%
Ebitda	102.7	107.6	+4.7%
<i>Ebitda margin</i>	27.8%	28.5%	

Volumes

Data	Q1 2014	Q1 2015	Ch. %	Q2 2014	Q2 2015	Ch. %	H1 2014	H1 2015	Ch. %
Aqueduct (mm3)	68.3	69.3	+1.4%	77.0	74.1	(3.8%)	145.3	143.4	(1.3%)
Sewerage (mm3)	56.5	56.9	+0.6%	62.5	61.0	(2.3%)	119.0	117.9	(0.9%)
Purification (mm3)	56.1	56.4	+0.5%	61.8	60.5	(2.2%)	118.0	116.9	(0.9%)

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Financial highlights breakdown

Volumes and margins up

(m€)	Q1 2014	Q1 2015	Ch. %
Revenues	561.9	632.1	+12.5%
Ebitda	116.6	128.4	+10.2%
<i>Ebitda margin</i>	20.7%	20.3%	

(m€)	Q2 2014	Q2 2015	Ch. %
Revenues	223.6	259.4	+16.0%
Ebitda	34.5	44.0	+27.7%
<i>Ebitda margin</i>	15.4%	17.0%	

(m€)	H1 2014	H1 2015	Ch. %
Revenues	785.5	891.4	+13.5%
Ebitda	151.0	172.5	+14.2%
<i>Ebitda margin</i>	19.2%	19.3%	

Volumes

Data	Q1 2014	Q1 2015	Ch. %	Q2 2014	Q2 2015	Ch. %	H1 2014	H1 2015	Ch. %
Volumes distrib. (mm3)	1,059.9	1,358.3	+28.1%	315.7	370.8	+17.5%	1,375.7	1,729.1	+25.7%
Volumes sold (mm3)	1,050.8	1,362.3	+29.6%	328.3	481.6	+46.7%	1,379.2	1,843.9	+33.7%
<i>of which trading (mm3)</i>	311.7	356.5	+14.4%	65.8	233.5	+255.1%	377.4	590.0	+56.3%
District Heating (GWht)	219.4	253.8	+15.6%	40.0	45.7	+14.2%	259.4	299.4	+15.4%
Clients ('000 unit)	1,219.9	1,315.4	+7.8%				1,217.1	1,315.0	+8.0%

Financial highlights breakdown



Conquering market share

(m€)	Q1 2014	Q1 2015	Ch. %
Revenues	372.0	391.4	+5.2%
Ebitda	36.2	29.3	(19.1%)
<i>Ebitda margin</i>	9.7%	7.5%	
(m€)	Q2 2014	Q2 2015	Ch. %
Revenues	321.5	326.7	+1.6%
Ebitda	26.5	20.3	(23.3%)
<i>Ebitda margin</i>	8.2%	6.2%	



(m€)	H1 2014	H1 2015	Ch. %
Revenues	693.5	718.1	+3.5%
Ebitda	62.7	49.6	(20.9%)
<i>Ebitda margin</i>	9.0%	6.9%	

Volumes

Data	Q1 2014	Q1 2015	Ch. %	Q2 2014	Q2 2015	Ch. %	H1 2014	H1 2015	Ch. %
Volumes sold (GWh)	2,264.4	2,377.9	+5.0%	2,200.0	2,246.1	+2.1%	4,464.4	4,624.0	+3.6%
Volumes distrib. (GWh)	744.9	756.5	+1.6%	709.7	715.6	+0.8%	1,454.6	1,472.1	+1.2%
Clients ('000 unit)	739.6	808.2	+9.3%	20.9	18.1	(13.5%)	743.8	826.3	+11.1%